# SENATE BILL REPORT

# SB 5152

## AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, FEBRUARY 19, 1993

**Brief Description:** Providing procedures for the classification and valuation of property devoted primarily to low-income housing.

**SPONSORS:** Senator Winsley

**SENATE COMMITTEE ON LABOR & COMMERCE**

**Majority Report:** Do pass and be referred to Committee on Ways & Means.
Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Barr, Fraser, McAuliffe, Pelz, Prince, and Sutherland.

**Staff:** David Cheal (786-7576)

**Hearing Dates:** February 11, 1993; February 19, 1993

**BACKGROUND:**

Real property is valued for property tax purposes at its highest and best use measured by its fair market value. Some exceptions are listed in the State Constitution for property that may be taxed at a valuation based on current use. These are farm and agricultural lands, standing timber and timber lands, and open space lands.

A proposed constitutional amendment, SJR 8206, would allow property with dwelling units that are primarily devoted to low-income housing and meet health and safety standards to be valued at current use rather than fair market value for property tax purposes.

**SUMMARY:**

Counties are authorized to base valuation of property with buildings that are devoted primarily to low-income housing and contain at least three low-income dwelling units, or mobile home parks that contain at least three low-income mobile home spaces, at its current use value rather than fair market value for property tax purposes. The current use valuation process must be approved by resolution or ordinance of the county.

A low-income person is defined as a family or household whose annual income does not exceed 50 percent of the median income, adjusted for household size, in the area in which the qualifying property is located.

The current use valuation designation would apply to any property with a building, or any mobile home park, including areas used for parking and landscaping required by local building and zoning ordinances, that meet all of the following criteria: (a) at least 50 percent of the rentable floor area of the building or mobile home park spaces must be dedicated to low-income housing; (b) at least three dwelling units or mobile home park spaces are occupied by persons of low-income; (c) the rents charged to low-income persons are below market rates established by the federal government or a local housing authority, or at or below 15 percent of the area median income; and (d) the building and dwelling units rented to low-income persons or the mobile home park comply with local health and safety standards.

A dwelling unit is defined as a structure that is used as a home, residence, or sleeping area by one or more persons maintaining a common household, including but not limited to units of multiplexes and apartment buildings.

The current use valuation could be applied only to those portions of the property that are dedicated to housing for persons of low-income or mobile home park spaces dedicated to persons of low-income.

The current use valuation designation does not apply to: (a) substandard buildings; (b) institutional housing, except housing under contract to a governmental organization or private health care organization; (c) employee housing, including contract workers, employees, or relatives of the owner; and (d) any property beyond five acres, except for mobile home parks.

In computing current use value, the county assessor is to disregard: (a) potential uses that might return a higher income; (b) rents that might be charged were the owner to maximize returns; and (c) the value of the property if either the land or improvements were unencumbered by their current commitment to low-income housing. The assessed value is to be the lesser of the property's value based on current use or its value if it were assessed without regard to this classification.

Property classified as "devoted to low-income housing" must remain in that use for at least 10 years. After eight years, the owner of the property may choose to change its use. Two years' notice of a change in classification must be given to the assessor of the county in which the property is located. Upon removal from classification, repayment of up to seven years of tax savings is required, plus a 20 percent penalty, and interest. This provision is consistent with existing current use law for agricultural lands, timber lands, and other property under the Open Space Act.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** requested

**Effective Date:** Contingent on constitutional amendment.

**TESTIMONY FOR:**

This bill give substantial assistance and incentive to building owners to preserve low-income housing units.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Mike Doubleday