

SENATE BILL REPORT

SHB 1345

As Reported By Senate Committee On:
Commerce, Trade, Housing & Financial Institutions, March 30, 1999
Ways & Means, April 5, 1999

Title: An act relating to exemption of property taxes for assisted housing.

Brief Description: Exempting certain low-income rental housing from property taxes.

Sponsors: House Committee on Economic Development, Housing & Trade (originally sponsored by Representatives O'Brien, Radcliff, Ballasiotes, Tokuda, Van Luven, Pennington, McIntire, Sheahan, Kagi, Sullivan, Cody, Veloria, Constantine, Edwards, Cooper, Rockefeller, D. Sommers, Campbell, McDonald, Edmonds, Ruderman and Dunn).

Brief History:

Committee Activity: Commerce, Trade, Housing & Financial Institutions: 3/23/99, 3/30/99 [DP].

Ways & Means: 4/5/99 [DP, DNP].

SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Shin, Vice Chair; Benton, Gardner, Hale, Heavey, West and Winsley.

Staff: Dave Cheal (786-7576)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Kline, Kohl-Welles, Long, Rasmussen, B. Sheldon, Snyder, Panel, West, Winsley and Wojahn.

Minority Report: Do not pass.

Signed by Senators Honeyford and Zarelli.

Staff: David Schumacher (786-7474)

Background: Property tax is a major operating expense for both nonprofit and for-profit providers of affordable housing. It is particularly burdensome in urban areas that are experiencing rapid real estate appreciation.

Heavy tax burdens limit the ability of nonprofit providers to carry capital debt, which limits the size of projects or increases the size of capital grants they seek. These grants often come from public sources such as the Housing Trust Fund.

Summary of Bill: Property owned by nonprofit entities used to provide housing for very low-income households is exempt from taxation if certain conditions are met: (a) 75 percent of the units are occupied by very low-income households; and (b) the rental housing was assisted by a federal or state housing program administered by the Department of Community, Trade, and Economic Development, or an affordable housing levy.

If less than 75 percent of the units are occupied by very low-income households, the exemption may be prorated according to the percentage of units so occupied.

"Very low-income households" are defined as a single person, family, or unrelated persons living together whose income is at or below 50 percent of the median income adjusted for family size for the county where the housing is located.

Nonprofit owners may contract with local governments to make payments in lieu of taxes for the provision of local government services.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Most nonprofit housing projects were funded on the condition that they maintain rents at certain affordable levels. As assessed valuations have skyrocketed in hot real estate markets, property taxes are forcing nonprofit housing providers to sell their property to market-rate buyers, since they can't raise rents to cover the increased tax levels. This further erodes the supply of low-income housing. The tax shift involved is minimal and is a cost-effective way of preserving low income housing and related services.

Testimony Against: The bill should include provisions for for-profit low income housing providers.

Testified: PRO: Kathy Roseth, Lutheran Alliance to Create Housing; Eric Brown, Bank of America; CON: Trent Matson, BIAW.