

# HOUSE BILL REPORT

## SHB 2675

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**As Passed House:**

February 18, 2008

**Title:** An act relating to a property tax exemption for the administrative offices of certain nonprofit organizations.

**Brief Description:** Providing for a property tax exemption for the administrative offices of certain nonprofit organizations.

**Sponsors:** By House Committee on Finance (originally sponsored by Representatives Hasegawa and Chase).

**Brief History:**

**Committee Activity:**

Finance: 1/25/08, 2/12/08 [DPS].

**Floor Activity:**

Passed House: 2/18/08, 94-1.

**Brief Summary of Substitute Bill**

- Provides property tax exemption for administrative offices owned by nonprofit community housing or development organizations.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

**Staff:** Don Taylor (786-7388).

**Background:**

Property tax exemptions are currently provided for a variety of nonprofit organizations. However, the only exemption which applies to administrative offices is for religious organizations.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

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**Summary of Substitute Bill:**

Provides a new property tax exemption for community-based development or community housing development organizations; the exemption applies to both real and personal property owned by an eligible entity. The exemption is restricted to administrative offices that deal with low- and moderate-income housing programs of the organization. To qualify, the organization must be nonprofit – 501(c)(e) of the Internal Revenue Code – and be a community-based development organization (CBDO) or a community housing development organization (CHDO), pursuant to the U.S. Department of Housing and Urban Development definitions.

There are currently 10 community-based development organizations in the state – nine are in King County and one is in Spokane County. Community housing development organizations total 43; these are located in Chelan, Clark, King, Kitsap, Pierce, Skagit, Snohomish, Spokane, and Thurston counties. In addition, there are four combined CBDO and CHDO organizations located in King County.

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**Appropriation:** None.**Fiscal Note:** Preliminary fiscal note available..**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.**Staff Summary of Public Testimony:**

(In support) Organizations covered by this bill help to facilitate development of new housing for low-income families, as well as the homeless. Their certification by the U.S. Department of Housing and Urban Development requires that at least 50 percent of their clients be low-income or small businesses. One organization in the Rainier Valley of Seattle noted that they work with a very diverse clientele. Development programs produce increased tax revenues from the new and rehabilitated housing facilities, as well as the new and retained businesses they attract to the area.

Administrative costs for these organization keep rising, and the various grants they received have not kept pace with the rising economy. Property taxes can be a significant cost for such nonprofit groups. In response to a question from the Chair, two organizations stated the amount of property tax they pay annually. One organization in the Belltown area of Seattle pays approximately \$21,000; another in the Rainier Valley splits the property taxes with a sister agency – each pays approximately \$9,500.

(Opposed) None.

**Persons Testifying:** (In support) Representative Hasegawa, prime sponsor; Tony To, Homesight; Pat Chemnick, SEED; and Patrick Patterson, Low Income Housing Institution.

(Opposed) None.

**Persons Signed In To Testify But Not Testifying:** None.