

# HOUSE BILL REPORT

## SHB 2848

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**As Passed House:**

February 13, 2008

**Title:** An act relating to a voluntary contribution program for property owners taking the multifamily property tax exemption.

**Brief Description:** Concerning a voluntary contribution program for property owners taking the multifamily property tax exemption.

**Sponsors:** By House Committee on Housing (originally sponsored by Representatives Ormsby, Barlow, Springer and Simpson).

**Brief History:**

**Committee Activity:**

Housing: 1/24/08, 1/28/08 [DPS].

**Floor Activity:**

Passed House: 2/13/08, 95-1.

**Brief Summary of Substitute Bill**

- Requires cities issuing multi-unit housing property tax exemptions and counties within which such cities exist, to create a voluntary contribution program wherein property owners taking a tax exemption have an opportunity to contribute monies that will be used by the city or county for affordable housing projects.

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### HOUSE COMMITTEE ON HOUSING

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Miloscia, Chair; Springer, Vice Chair; Armstrong, Ranking Minority Member; Liias, McCune, Ormsby and Schindler.

**Staff:** Robyn Dupuis (786-7166).

**Background:**

**The Multi-Unit Housing Property Tax Exemption Program**

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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.*

New, rehabilitated or converted multi-unit housing projects in targeted residential areas are eligible for an 8- or 12-year property tax exemption (depending upon whether or not the property owner commits to meeting specific affordable housing requirements) offered by eligible and participating cities. The property tax exemption may be applied to new housing construction and the increased value of a building due to rehabilitation. The exemption does not apply to the land or the non-housing improvements. If the property changes use before the exemption ends, then back taxes are recovered based on the difference between the taxes paid and taxes that would have been paid without the tax exemption.

### **Cities Eligible to Participate**

Cities eligible to offer the multi-unit housing property tax exemption are:

- (a) those with a population of at least 15,000 people;
- (b) the largest city or town located in a county planning under the Growth Management Act (GMA) if there is no city with a population of at least 15,000; and
- (c) cities with populations of at least 5,000 within "buildable lands" counties under the GMA.

### **Housing Project Requirements**

There are a variety of requirements all multi-unit housing projects must meet to qualify for the tax exemption, including:

- (1) The housing must be located in a residential-targeted area as designated by the city.
- (2) The housing must meet the guidelines as adopted by the city which may include density, size, parking, income limits for occupancy, limits on rents or sale prices, and other adopted requirements.
- (3) Fifty percent of the space must be for permanent residential occupancy.
- (4) New construction must be completed within three years of the application's approval.
- (5) Property to be rehabilitated must be vacant at least 12 months prior to application.
- (6) The applicant must enter into a contract with the city to agree to terms and conditions.

### **Reporting**

All cities issuing multi-unit housing property tax exemptions must report annually to the Department of Community, Trade and Economic Development (DCTED) regarding the activities and outcomes of the multi-unit housing property tax exemption program.

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### **Summary of Substitute Bill:**

#### **Voluntary Contribution Program**

All cities issuing multi-unit housing property tax exemptions and counties within which such cities exist, must establish a voluntary contribution program. County treasurers will notify property owners who are taking the multi-unit housing property tax exemption of their exempt value and exempt amount and will request that they make a voluntary contribution in any amount to the county treasurer, designated either to the city or the county where the project is located. These monies will be distributed to the appropriate city or county to be used

exclusively for eligible affordable housing activities that provide housing opportunities for very low-income households.

The program expires December 31, 2013.

**Eligible Housing Activities:**

- (a) acquiring, constructing, or rehabilitating housing projects or units within housing projects, including units for homeownership, rental units, seasonal and permanent farm worker housing units, single room occupancy units, transitional housing units, supportive housing units, and homeless shelter units;
- (b) operating and maintaining housing projects or units within housing projects, including emergency homeless shelters, youth shelters, transitional housing, and permanent housing;
- (c) providing rental vouchers for persons who are homeless or in immediate danger of becoming homeless;
- (d) providing services to prevent homelessness, such as emergency eviction prevention programs and including temporary rental and mortgage assistance to prevent homelessness;
- (e) providing temporary services to assist persons leaving state institutions and other state programs to prevent them from becoming or remaining homeless; and
- (f) renting and furnishing dwelling units for the use of homeless persons.

Cities and counties may match amounts contributed by property owners.

**Reporting**

Counties must provide information on monies received and projects funded to the appropriate city. Cities must include in their annual report to the DCTED:

- (a) the amount voluntarily contributed by property owners to the city and county; and
- (b) the activities funded by the city and county with the moneys acquired through the voluntary contribution program.

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**Appropriation:** None.

**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 to Original Bill:**

(In support) There are property owners that receive the multi-unit property tax exemption who have expressed interest in paying back the amount of their tax exemption to be used for affordable housing development. This bill will encourage property owners that receive the exemption to contribute some of the funds they save in taxes back to cities, and allows cities to match those funds.

(With concerns) Counties should be included as potential recipients of these funds and language should be such that property owners are eligible for a federal tax deduction to provide an additional incentive for them to participate. The program should be expired and reviewed in a few years to make sure donations are actually being made so it does not just become an ongoing administrative burden on the county treasurers who have to send out annual notifications of this donation opportunity to property owners.

(Opposed) None.

**Persons Testifying:** (In support) Representative Ormsby, prime sponsor.

(With concerns) Julie Murray, Washington State Association of Counties.

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