SENATE BILL REPORT
SHB 2848

As Reported By Senate Committee On:
Consumer Protection & Housing, February 28, 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: House Committee on Housing (originally sponsored by Representatives Ormsby, Barlow, Springer and Simpson).

Brief History: Passed House: 2/13/08, 95-1.
Committee Activity: Consumer Protection & Housing: 2/28/08 [DPA, DNP].

SENATE COMMITTEE ON CONSUMER PROTECTION & HOUSING

Majority Report: Do pass as amended.
Signed by Senators Weinstein, Chair; Kauffman, Vice Chair; Jacobsen, Kilmer and Tom.

Minority Report: Do not pass.
Signed by Senator Honeyford, Ranking Minority Member.

Staff: Alison Mendiola (786-7483)

Background: The Multi-Unit Housing Property Tax Exemption Program. New, rehabilitated, or converted multi-unit housing projects in targeted residential areas are eligible for an eight- or 12-year property tax exemption 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:
(1) those with a population of at least 15,000 people;
(2) 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
(3) cities with populations of at least 5,000 within buildable lands counties under the GMA.

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.

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.

Summary of Bill (Recommended Amendments) Voluntary Contribution Program. All cities issuing multi-unit housing property tax exemptions and counties within which such cities exist, may 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.

(1) 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;
(2) operating and maintaining housing projects or units within housing projects, including emergency homeless shelters, youth shelters, transitional housing, and permanent housing;
(3) providing rental vouchers for persons who are homeless or in immediate danger of becoming homeless;
(4) providing services to prevent homelessness, such as emergency eviction prevention programs and including temporary rental and mortgage assistance to prevent homelessness;
(5) providing temporary services to assist persons leaving state institutions and other state programs to prevent them from becoming or remaining homeless; and
(6) 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:

(1) the amount voluntarily contributed by property owners to the city and county; and

(2) the activities funded by the city and county with the monies acquired through the voluntary contribution program.

EFFECT OF CHANGES MADE BY CONSUMER PROTECTION & HOUSING COMMITTEE (Recommended Amendments): Cities who issue multi-unit housing property tax exemptions, and counties within those cities, may, but are not required to, establish a voluntary contribution program.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Substitute Bill: PRO: This idea came from someone who benefitted from the multi-unit property tax exemption and wanted to give money back that they received in the form of a property exemption. The voluntary contributions are to fund affordable housing. Some people don't need the exemption and this is a great way to give back – maybe this exemption isn't necessary and the money should go to funding education. Good education requires affordable housing – otherwise kids have to move all the time, resulting in a high turnover of the students. Developers are induced to make affordable housing through the exemption – but, if a developer wants to support affordable housing and community program, then this program gives them an opportunity to do so.

Persons Testifying: PRO: Representative Ormsby, prime sponsor; Kim Herman, Washington State Housing Finance Commission; Ray Rieckers, Spokane Neighborhood Action Network