

SENATE BILL REPORT

SB 6211

As of February 2, 2016

Title: An act relating to the exemption of property taxes for nonprofit homeownership development.

Brief Description: Concerning the exemption of property taxes for nonprofit homeownership development.

Sponsors: Senators Dammeier, Rolfes, Fraser, Conway, McCoy, O'Ban, Litzow, Fain, Rivers, Becker, Darneille, McAuliffe, Habib, Chase and Benton.

Brief History:

Committee Activity: Human Services, Mental Health & Housing: 1/18/16.

SENATE COMMITTEE ON HUMAN SERVICES, MENTAL HEALTH & HOUSING

Staff: Alison Mendiola (786-7444)

Background: Affordable housing development. Some low-income housing developers have found it difficult to purchase and hold land for future affordable housing development given the fast-paced real estate market and the short time periods they are allowed to gather financing and close the deal. Many traditional sources of funding and financing for low-income housing developments, including the Housing Trust Fund, have strict application and review periods which are not always conducive to purchasing land in a timely manner within the private market. Furthermore, although short-term "bridge loans" are available, recipient organizations find themselves with tight deadlines to secure permanent financing and risk losing the property in question.

Land acquisition fund. In response to this concern the Legislature created the Land Acquisition Fund which is administered by the Washington State Housing Finance Commission (2SHB 1401, 2007). Under this program, loans not exceeding 1 percent interest may be made to eligible organizations to purchase land to develop affordable housing (also known as "land banking"). The housing must be developed within eight years of the loan. Resulting housing developments are subject to a minimum of 30 years of affordability.

Property Tax. All real and personal property in the state is subject to property tax each year based on its value, unless specific exemption is provided by law. The Washington Constitution (Constitution) requires that taxes be uniform within a class of property.

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.

Uniformity requires both an equal rate of tax and equality in valuing the property taxes. There are numerous exemptions from property tax, established either by statute or constitutionally. The largest exemption is for intangible property. Other exemptions include churches, nonprofit hospitals, private schools and colleges, and agricultural products.

Summary of Bill: Real property owned by a nonprofit entity for the purpose of building one or more residences to be sold to low-income household is exempt from property taxes provided that the nonprofit entity sold at least one residence to a low-income household within ten years immediately preceding the submission of an application for this exemption.

Expiration. The property tax exemption expires on or at the earlier of the date on which the nonprofit entity transfers title to the residence on the real property or the end of the seventh consecutive property tax year for which the exemption is granted.

Extension. If the nonprofit entity believes that the title will not be transferred by the end of the sixth consecutive property tax year, the entity may claim a three-year extension of the exemption by filing a notice with the Department of Revenue and providing a filing fee.

Disqualification. If the title has not been transferred within the timeframe required and an extension has not been granted, the property is disqualified from exemption. Upon disqualification, the county assessor must collect all taxes that would have otherwise been due including interest as calculated for delinquent property taxes.

Definitions. "Low-income household" means a single person, family, or unrelated persons living together whose adjusted income is less than 80 percent of the median family income, adjusted for family size as most recently determined by the U.S. Department of Housing and Urban Development for the county in which the property is located.

These changes apply to taxes levied in 2016 for collection in 2017 and thereafter.

Appropriation: None.

Fiscal Note: Available.

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 Original Bill: PRO: Increasing home ownership is one way to address affordable housing. It is a powerful tool when used effectively. A few years ago, programs that developed affordable housing for home ownership were not appreciated in state policy. This bill provides for a narrow property tax exemption, for land not yet developed that will ultimately house those in need of affordable housing. This legislation is modeled after Oregon's laws. While the exemption may seem small, it's large for non-profit housing developers like Habitat for Humanity. This type of housing can help many people, including formally homeless veterans. It's a way to provide security and a safe place for families. The WA State Housing Finance Commission has a Land Acquisition Program (LAP), and while it helps non-profit developers buy land for future affordable

housing development, it's still an expensive undertaking and every bit helps, including a tax exemption as land banking is really cost prohibitive for non-profits. Five LAP loans have been made to Habitat. Some changes may be needed, and what happens when the owner sells the land needs to be clarified.

OTHER: Property tax is the number one revenue source for counties. This bill is narrowly tailored and time-limited, but if this language changes the support would change to con.

Persons Testifying on Original Bill: PRO: Kim Herman, WA State Housing Finance Commission; Daryl Daus, Habitat for Humanity of Washington State; and Maureen Fife, Mark Jameson, and Marissa Jameson, Habitat for Humanity of Tacoma/Pierce County.

OTHER: Josh Weiss, Washington State Association of Counties.

Persons Signed In To Testify But Not Testifying: No one.