FINAL BILL REPORT
SSB 6211

C 217 L 16
Synopsis as Enacted

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

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Dammeier, Rolfes, Fraser, Conway, McCoy, O'Ban, Litzow, Fain, Rivers, Becker, Darneille, McAuliffe, Habib, Chase and Benton).

Senate Committee on Human Services, Mental Health & Housing
Senate Committee on Ways & Means
House Committee on Community Development, Housing & Tribal Affairs
House Committee on Finance
House Committee on Appropriations

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. Uniformity requires both an equal rate of tax and equality in valuing the property taxes. The are numerous exemptions from property tax, established either by statute or constitutionally.

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.

The largest exemption is for intangible property. Other exemptions include churches, nonprofit hospitals, private schools and colleges, and agricultural products.

Summary: Real property owned by a nonprofit entity for the purpose of developing or redeveloping one or more residences to be sold to low-income households is exempt from property taxes.

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, at the end of the seventh consecutive property tax year for which the exemption is granted, or when the property is no longer held for the purpose for which the exemption was 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 be transferred within the required timeframe or if the nonprofit has converted the property to a purpose other than that for which the exemption was granted, and an extension has not been granted, the property is disqualified from the 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. This tax preference expires ten years after its enactment.

Joint Legislative Audit and Review Committee (JLARC). It is the Legislature's specific public policy objective to encourage and expand the ability of nonprofit low-income housing developers to provide homeownership opportunities for low-income households. To measure the effectiveness of this tax preference, JLARC is to evaluate whether or not the financial resources dedicated by a nonprofit to affordable housing development have increased during the period that the property tax exemption is claimed, two years prior to the expiration of the tax preference. DOR is to share exemption applications and owner occupancy notifications with JLARC. A nonprofit claiming the exemption must retain and provide financial information to JLARC. It is clarified that the value of the property prior to the exemption period is not considered new construction.

Votes on Final Passage:

Senate	46	3	
House	83	14	(House amended)
Senate	47	1	(Senate concurred)

Effective: June 9, 2016