

SENATE BILL REPORT

SB 6311

As of January 28, 2016

Title: An act relating to providing a property tax exemption for certain property within an affordable housing incentive zone.

Brief Description: Providing a property tax exemption for certain property within an affordable housing incentive zone.

Sponsors: Senators Keiser, Darneille, Takko, Hobbs and Conway.

Brief History:

Committee Activity: Human Services, Mental Health & Housing: 1/21/16.

SENATE COMMITTEE ON HUMAN SERVICES, MENTAL HEALTH & HOUSING

Staff: Alison Mendiola (786-7444)

Background: Property Taxes. All real and personal property in the state is subject to a state property tax, unless specifically exempted under law. The State Constitution specifically exempts all government owned property from taxation. The Legislature may create tax exemptions for other property as well.

The State Constitution requires all taxes to be applied uniformly on property within each taxing district. Property taxes are based on the assessed fair market value of the property. Regular property tax levies are limited to a maximum of 1 percent of a property's assessed value. This applies collectively to the total taxes levied by the state and local governments.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): Affordable Housing Incentive Zone Creation. The governing authority of any city or county in which the county legislative authority has determined that the establishment of affordable housing incentive zones would further the public interest in preserving or creating affordable housing may designate an affordable housing incentive zone (incentive zone).

Prior to designating an incentive zone, the governing authority is to have a hearing on this issue, provide written notice to each taxing district located in the proposed zone, and publish notice of its intent to hold a hearing in a paper having general circulation in the city or county

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where the proposed zone is located. This notice is to be published at least 30 days before the hearing.

Following the hearing, the governing authority may designate all or a portion of the area described as an incentive zone provided it finds that the area lacks sufficient affordable housing to meet the needs of the public and that this designation is likely to encourage the construction or preservation of affordable housing within the area. This same process is to be followed when terminating the designation of an incentive zone.

Property Tax Exemption. All real property within an incentive zone to provide affordable housing is exempt from property tax.

All claims for exemption and renewal must be submitted by the owner of the real property under penalty of perjury. Applications are to include documentation that rents are affordable in each of the units for which an exemption is sought and households in those units have an annual income at or below 80 percent of the area's median income. Tenant identifying information and data may only be used to administer the exemption. Rent is considered affordable if including utilities other than telephone, the rent does not exceed 30 percent of the monthly household income of persons at 80 percent of the area median income.

The affordable housing units are to meet health, building, fire, safety, housing, zoning, and land use codes.

Denial or Revocation of the Property Tax Exemption. If a unit identified is no longer eligible for a property tax exemption, the property owner is to notify the county assessor within 60 days of not being eligible. Upon revocation of the exemption, the county treasurer must collect all taxes that otherwise would have been paid had the exemption not been granted, along with interest. The denial or revocation of an exemption is subject to appeal.

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 First Substitute: PRO: The idea for this bill came from the King County Assessor. Housing affordability is a huge challenge. There is current housing stock available for creating more affordable housing where housing isn't otherwise affordable. Counties can opt-in and single-family dwelling or multi-unit properties can both qualify and in return be exempt from local property taxes. Empty nesters might have a downstairs apartment. In some areas empty nesters may have too much home to manage - they don't quite qualify for the senior exemption but taxes are high and this bill could help expand affordable housing options. This program is not a mandate, it's a choice. Locals can decide how to tailor this program to meet their needs. Maybe 10 other counties would have existing housing stock that could be used this way. Safeguards are built in the bill like meeting health and safety codes. Owners must provide the income information for the

tenants so there is no cheating. One cost a landlord cannot control is property taxes. At some point these properties will be redeveloped but for now we're just trying to provide more time so the property can be used for affordable housing.

Persons Testifying on First Substitute: PRO: Senator Keiser, Prime Sponsor; John Wilson, King County Assessor; Ed Walker, Policy Director King County Assessor.

Persons Signed In To Testify But Not Testifying: OTHER: Tiffany Speir, Pierce County.