

SENATE BILL REPORT

2SHB 1532

As Reported by Senate Committee On:
Ways & Means, February 26, 2018

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: House Committee on Finance (originally sponsored by Representatives Lytton and Hayes).

Brief History: Passed House: 2/01/18, 89-5.

Committee Activity: Ways & Means: 2/26/18 [DPA(WM), DNP, w/oRec].

Brief Summary of Amended Bill

- Clarifies the property tax exemption for nonprofit homeownership development by specifying that land that is to be leased for 99 years or life to a low-income household is included in the exemption.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Ways & Means.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair; Braun, Ranking Member; Honeyford, Assistant Ranking Member; Bailey, Billig, Brown, Conway, Darneille, Fain, Hunt, Keiser, Mullet, Palumbo, Pedersen, Ranker, Schoesler, Van De Wege, Wagoner and Warnick.

Minority Report: Do not pass.

Signed by Senator Hasegawa.

Minority Report: That it be referred without recommendation.

Signed by Senators Becker and Carlyle.

Staff: Jeffrey Mitchell (786-7438)

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.

Background: Land Banking. Land banking is a term that refers to land that is purchased and held for future commercial or residential development. Land banking can be a challenge for affordable housing developers for a number of reasons including the quick pace of the real estate market and the short time a buyer has to put together financing and close a deal. In response to this concern, in 2007 the Legislature created the Land Acquisition Fund, which is administered by the Washington State Housing Finance Commission. Under this program, loans not exceeding 1 percent interest may be made to eligible organizations to purchase land to develop affordable housing. 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. 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, agricultural products, and affordable housing.

Land Banking Property Tax Exemption. Last year, the Legislature created a property tax exemption for real property owned by a nonprofit entity for the purpose of developing real property to be sold to low-income households, defined as households earning less than 80 percent of the median family income—adjusted for family size as most recently determined by the federal Department of Housing and Urban Development—for the county in which the property is located.

1. *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.
2. *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.
3. *Disqualification.* If the title has not been 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.
4. *Joint Legislative Audit and Review Committee (JLARC).* The Legislature's objective is 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 will 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.
5. This property tax exemption expires in 2026.

Community Land Trusts. Community land trusts are nonprofit, community-based organizations designed to ensure community stewardship of land. Community land trusts are

primarily used to ensure long-term housing affordability. To ensure long-term affordability, a trust acquires land and maintains ownership of it permanently. With prospective homeowners, it enters into a long-term, renewable lease instead of a traditional sale. Under the community land trust model, a homeowner owns the residence but not the land. The land remains in a trust to preserve housing affordability for future low-to-moderate income households. In Washington there are community land trusts in a number of counties including Chelan, Clallum, Clark, Douglas, Island, Jefferson, King, Kitsap, Skagit, Thurston, Whatcom, and Yakima County.

Summary of Amended Bill: The property tax exemption for real property owned by a nonprofit entity for the purpose of developing real property to be sold to low-income households is amended to include single-family dwelling units where the land is leased for life or 99 years. This exemption applies to taxes levied for collection in 2018 and thereafter and expires on January 1, 2037. Application for the exemption may not be accepted after December 31, 2026.

A residence means a single-family dwelling unit whether the unit is separate or part of a multiunit dwelling and the land on which the dwelling unit stands, whether to be sold or to be leased for life or 99 years, to the low-income household owning such dwelling unit.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S): The amendment clarifies that the exemption applies to taxes due through calendar year 2037. It also makes a technical correction to a cross reference.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Bill (Ways & Means): No public hearing was held.

Persons Testifying: N/A

Persons Signed In To Testify But Not Testifying: N/A