

# HOUSE BILL REPORT

## HB 2061

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**As Passed House:**

February 9, 2022

**Title:** An act relating to adding permanently affordable housing to the definition of public improvements.

**Brief Description:** Adding permanently affordable housing to the definition of public improvements.

**Sponsors:** Representatives Ormsby, Santos, Valdez, Morgan, Chopp, Pollet, Harris-Talley, Bergquist and Lekanoff.

**Brief History:**

**Committee Activity:**

Finance: 2/4/22, 2/7/22 [DP].

**Floor Activity:**

Passed House: 2/9/22, 68-27.

**Brief Summary of Bill**

- Clarifies that "public improvements" for the purposes of community revitalization financing include permanently affordable housing.

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**HOUSE COMMITTEE ON FINANCE**

**Majority Report:** Do pass. Signed by 12 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Dufault, Assistant Ranking Minority Member; Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Stokesbary and Thai.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Orcutt, Ranking Minority Member; Chase, Vick and Young.

**Staff:** Tracey Taylor (786-7152).

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

## **Background:**

### Property Tax—Regular Levies.

All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue is limited as follows:

- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction.

The state collects two regular property tax levies for common schools. The revenue growth limit applies to both levies. Participants in the senior citizens, individuals with disabilities, and qualifying veterans property tax exemption program receive a partial exemption from the original state levy and a full exemption from the additional state levy.

The Washington Constitution also limits regular levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value [AV]). There are individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. For example:

- The state levy rate is limited to \$3.60 per \$1,000 of AV.
- County general levies are limited to \$1.80 per \$1,000 of AV.
- County road levies are limited to \$2.25 per \$1,000 of AV.
- City levies are limited to \$3.375 per \$1,000 of AV.

For property tax purposes, the state, counties, and cities are collectively referred to as senior taxing districts. Junior taxing districts—a term that includes fire, hospital, flood control zone, and most other special purpose districts—each have specific rate limits as well.

### Community Revitalization Financing.

In 2001 the Community Revitalization Financing (CRF) Act was created. It authorized cities, towns, counties, and port districts to create a tax increment area and finance public improvements within the area by using increased revenues from local property taxes generated within the area.

An increment area cannot be created without the approval of the local government imposing at least 75 percent of the regular property taxes within the area. The incremental property taxes under this program are calculated on 75 percent of any increase in the AV in the increment area. Any fire protection district with geographic boundaries in the increment area must agree to participate in the project in order for it to proceed. The CRF Act does not include any state contribution.

In 2020 the Legislature enacted House Bill 2497 expanding the use of CRF monies. The purchasing, rehabilitating, retrofitting for energy efficiency, and constructing housing for

the purpose of creating or preserving permanently affordable housing was added to the public improvement costs authorized for the CRF Act.

"Permanently affordable housing" is defined as housing, regardless of ownership, for which there is a legally binding, recorded document in effect that limits the price at which the owner may sell. The type of documents could include affordability covenants, deed restrictions, and community land trust leases.

**Summary of Bill:**

The definition of "public improvements" for CRF includes permanently affordable housing.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This is a technical fix to add "permanent affordable housing" to the definition of public improvements for CRF. It will conform the definition to the program as it was expanded in 2020. The CRF program is used in the Spokane area and the intent is to use it to address displacement and gentrification problems resulting from the increased demand for housing.

(Opposed) None.

**Persons Testifying:** Brian McClatchey, City of Spokane.

**Persons Signed In To Testify But Not Testifying:** None.