FINAL BILL REPORT
SB 5713

C 93 L 22
Synopsis as Enacted

Brief Description: Providing a property tax exemption for limited equity cooperative housing.

Sponsors: Senators Das, Liias, Nobles, Robinson, Saldaña and Wellman.

Senate Committee on Housing & Local Government
Senate Committee on Ways & Means
House Committee on Finance

Background: All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The county assessor determines assessed value for each property and calculates property taxes. The property tax bill for an individual property is determined by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located. The aggregate of all regular tax levies upon real and personal property by the state and all taxing districts may not exceed 1 percent of the true and fair value of the property.

State law provides for a range of tax preferences that provide a rduced tax liability for a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Legislation that establishes or expands a tax preference must include a tax preference performance statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided.

Limited equity cooperatives are a type of cooperative housing characterized by restrictions on resale value to maintain housing affordability over the long term. While there are different types of cooperative housing, limited equity cooperatives are designed to provide permanent and affordable housing to low and middle-income residents.

Summary: The real property owned by a limited equity cooperative that provides owned

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housing for low-income households is exempt from property taxation if certain conditions are met. First, the benefit of the exemption must inure to the limited equity cooperative and its members. Second, at least 85 percent of the occupied dwelling units must be occupied by members of the limited equity cooperative. Third, at least 95 percent of the property for which the exemption is sought is used for housing units or other noncommercial uses. And lastly, the housing must be insured, financed, or assisted, through a federal or state housing program administered by the Department of Commerce; the federal Department of Housing and Urban Development; a federal housing program administered by a city or county government; an affordable housing levy; an affordable housing surcharge; or the Washington State Housing Finance Commission.

If less than 100 percent of the dwelling units within the limited equity cooperative are occupied by low-income households, the limited equity cooperative is eligible for a partial exemption on the real property based on the percentage of low-income households as of January 1st of each assessment year for which the exemption is claimed. Low-income household includes a single person, family, or unrelated persons living together whose income is at or below 80 percent of the median income adjusted for family size. Median-income household includes a single person, family, or unrelated persons living together whose income is at or below 100 percent of the median income adjusted for family size.

Following the completion of the development or redevelopment of the property, members are prevented from selling their ownership interests other than to a median-income household. Members are prevented from selling their ownership interests for a sales price that exceeds the sum of the sales price they paid for their ownership interest plus certain allowable improvements and assessments, and a 3 percent annual noncompounded return on qualifying amounts.

The property tax exemption for qualifying limited equity cooperative housing that provides low-income housing expires on January 1, 2033.

A TPPS identifies the policy objective of financially incentivizing the formation and utilization of limited equity cooperatives and increasing the availability of low-income housing. JLARC must evaluate growth in the formation and utilization of limited equity cooperatives; growth in available units of affordable housing within limited equity cooperatives; and any other relevant metric.

Votes on Final Passage:

Senate	41	7	
House	54	42	(House amended)
Senate	34	15	(Senate concurred)

Effective: June 9, 2022