

# HOUSE BILL REPORT

## HB 2963

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*As Reported By House Committee on:  
Housing*

**Title:** An act relating to a tax exemption for improvements to affordable housing.

**Brief Description:** Providing a tax exemption for improvements to affordable housing.

**Sponsor(s):** Representatives Ogden, Winsley, Peery, Nelson, Franklin and Anderson.

**Brief History:**

Reported by House Committee on:  
Housing, February 5, 1992, DP.

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**HOUSE COMMITTEE ON  
HOUSING**

**Majority Report:** *Do pass.* Signed by 7 members: Representatives Nelson, Chair; Franklin, Vice Chair; Mitchell, Ranking Minority Member; Winsley, Assistant Ranking Minority Member; Ballard; Leonard; and Ogden.

**Staff:** Kenny Pittman (786-7392).

**Background:** The Washington Constitution requires that all real property subject to taxation be assessed at its true and fair value. In most cases it is the property's highest and best use. When determining the true and fair value for assessment purposes, the county assessor also considers any physical improvements that have been made to the property.

The Department of Revenue has a program where owners of a single family residence can apply to the county assessor to have the value of any physical improvement exempt from taxation. The exemption is for the three assessment years after completion of the improvement. The exemption can only be claimed once during a five-year period.

At the end of the three assessment year period, the property is assessed for property tax purposes. The new assessment is based on the value of the property and the physical improvements made by the property owner.

**Summary of Bill:** A 3-year property tax exemption is provided for improvements made to existing multifamily residential developments. To qualify for the property tax exemption on the improvements: (1) occupancy of the dwelling units must be either: (i) at least 20 percent occupied by households with incomes at or below 50 percent of the median income, adjusted for household size, or (ii) at least 40 percent occupied by households with incomes at or below 60 percent of the median income, adjusted for household size; and (2) the property must meet the following requirements:

1. The property must be owned or leased by a local government, nonprofit organization, public housing authority, or tenant-based organization;
2. The property must contain two or more residential rental dwelling units;
3. The value of the improvements, to the property, must exceed 20 percent of the current assessed value of the original building or structure; and
4. The rent paid by very low-income and low-income households can not exceed 30 percent of the household's income, adjusted for household size, for the county where the project is located.

The application for the exemption must be made before the improvements are made and can not be claimed more than once in a 5-year period.

The Department of Revenue, in consultation with the Department of Community Development, must develop rules for the operation of the tax exemption program. The program to provide a property tax exemption on improvements to affordable housing developments expires January 1, 2002.

**Fiscal Note:** Requested January 15, 1992.

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

**Testimony For:** This bill provides an excellent opportunity for owners of affordable multifamily housing developments to make improvements without penalizing them for making the improvements. The tax exemption works well with other federal tax incentives and the state's Housing Trust Fund Program.

**Testimony Against:** This is administratively burdensome and gives select people a exemption. The exemption should be

available to all owners of multifamily residential buildings.

**Witnesses:** Kim Herman, Washington Housing Finance Commission (pro); and Jeanette Burrage, Northwest Legal Foundation (con).