Multiple Agency Fiscal Note Summary

Bill Number: 1343 HB	**Title:** Rent relief & housing

Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total $	0	0	0	0	0	0	0	0	0

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Joint Legislative Audit and Review Committee	.1	0	0	17,700	.0	0	0	4,400	.0	0	0	4,400
Department of Commerce	1.6	553,915	553,915	553,915	.9	291,500	291,500	291,500	.9	291,500	291,500	291,500
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total $	1.7	553,915	553,915	571,615	0.9	291,500	291,500	295,900	0.9	291,500	291,500	295,900

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total $	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Revised 3/ 2/2023

Individual State Agency Fiscal Note

Revised

Bill Number: 1343 HB	Title: Rent relief & housing	Agency: 014-Joint Legislative Audit and Review Committee

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.0	0.1	0.0	0.0
Account					
Performance Audits of Government Account-State 553-1	15,500	2,200	17,700	4,400	4,400
Total $	15,500	2,200	17,700	4,400	4,400

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/18/2023
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 03/02/2023
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 03/02/2023
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 03/02/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

The bill creates a new property tax exemption by cities or counties for affordable housing for very low-income households.

TAX PERFORMANCE STATEMENT DETAILS

Section 16 is the tax preference performance statement that categorizes the preference is intended to induce certain designated behavior by taxpayers, as indicated in RCW 82.32.808(2)(a). The Legislature's specific public policy objective is to preserve quality and healthy affordable housing where housing options are severely limited. The Legislature’s intent is to provide an exemption from property taxation for residential improvements and land and to provide incentives to property owners to preserve affordable housing units for very low-income households.

TAX PREFERENCE DETAILS (sections 1-15 create a new chapter in Title 84 RCW)

Sections 1, 2, and 3 provide legislative findings, intent, and definitions for terms used in the bill.

Section 4 allows a city or a county governing authority to establish an affordable housing incentive program to preserve affordable housing that meets health and quality standards for very low-income households at risk of displacement or that cannot afford market rate housing.

Section 5 provides qualifying criteria for the property tax exemption under the new preference.

Section 6 creates a property tax exemption for 6 consecutive years for multifamily dwellings, which is renewable for one additional 6-year period.

Sections 7 and 8 provide eligibility details for properties using the preference.

Section 9 authorizes governing authorities to limit participation in the affordable housing incentive program in several ways

Section 10 lists requirements that must be met by property owners applying for the incentive program.

Sections 11, 12, and 13 deal with governing authority processes.

Section 14 requires owners receiving the tax preference/exemption to obtain from each tenant living in a designated affordable housing unit an annual certification of family size and annual income. The owner must file an annual report with the governing authority providing several datapoints. Additionally, the governing authority issuing tax exemption certificates must annually report to the Department of Commerce on several datapoints.

Section 15 outlines what happens if an owner discontinues compliance with the statutory requirements.

There is no stated effective date or expiration date. JLARC staff assume the preference would have an automatic 10-year expiration date as directed in RCW 82.32.805 and expire January 1, 2034.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

JLARC staff would contact and work with the Department of Revenue and the Department of Commerce immediately after passage of the bill to ensure project contacts are established and any other necessary data for JLARC staff's future evaluation needs are identified and collected. JLARC will likely review these preferences in 2031.

The expenditure detail reflects work conducted to prepare for the future review of the preferences. Costs associated with the review are not included in this fiscal note. This fiscal note reflects only the costs associated with establishing data collection.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2023 legislative session.

This audit will require an estimated 1 audit month.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2023-25 costs are calculated at approximately $22,100 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
553-1	Performance Audits of Government Account	State	15,500	2,200	17,700	4,400	4,400
		Total $	15,500	2,200	17,700	4,400	4,400

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	10,000	1,400	11,400	2,800	2,800
B-Employee Benefits	3,200	500	3,700	1,000	1,000
C-Professional Service Contracts					
E-Goods and Other Services	2,100	300	2,400	600	600
G-Travel	200		200		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	15,500	2,200	17,700	4,400	4,400

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Research Analyst	126,694	0.1		0.1		
Support staff	89,671					
Total FTEs		0.1		0.1		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 1343 HB	Title: Rent relief & housing	Agency: 103-Department of Commerce

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.8	1.3	1.6	0.9	0.9
Account					
General Fund-State 001-1	325,454	228,461	553,915	291,500	291,500
Total $	325,454	228,461	553,915	291,500	291,500

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

[X] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

[ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

[ ] Capital budget impact, complete Part IV.

[X] Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/18/2023
Agency Preparation: Buck Lucas	Phone: 360-725-3180	Date: 01/25/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 01/25/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 01/25/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 2 creates a new chapter under Title 81 RCW, providing local governments with options to grant relief and preserve affordable housing.

Section 14 requires that a government authority that issues certificates of tax exemption under this chapter must report annually to the Department of Commerce (department). The provision outlines the reporting requirements including, the number of tax exemptions, the number and type of units receiving exemptions, affordable housing information, monthly rents amounts, and dollar amounts of tax exemptions issued.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Assumptions:

• The number of annual reports to be submitted annually to the department is unknown because it's optional to establish affordable housing incentive programs, however for illustrative purposes the department assumes 50 projects in the first year.

• The department will designate staff to create and collect reporting forms, consult on the development on the data system, annual review, and to conduct nonresponse follow-up communications.

• The department will develop a data collection, notification, tracking and a reporting database to support the new program, which will require information technology support in FY24.

• The department assumes technical assistance and outreach to cities and counties to make them aware of where the data is being tracked.

Section 14:

0.30 FTE Commerce Specialist 3 (626 hours) in FY24-FY29, to consult with local governments to develop the reporting system. This team member will be responsible for ongoing operations of the annual reporting system and compilation of data from the reports received by the department.

0.60 FTE IT Business Analyst Journey (1,253 hours) in FY24, 0.40 FTE (835 hours) in FY25, and 0.20 FTE (418 hours) FY26-FY29. From FY24-25, staff will make updates and modification to the plan review tracking data system, including major data system upgrades for the new program and ongoing maintenance thereafter.

0.60 FTE IT Application Developer Journey (1,253 hours) in FY24, 0.35 FTE (731 hours) in FY25, and 0.20 FTE (418 hours) FY26-FY29. From FY24-25, staff will make updates and modification to the plan review tracking data system, including major data system upgrades for the new program and ongoing maintenance thereafter.

Salaries and Benefits:

FY24: $225,416
FY25: $ 158,277
FY26-FY29: $100,591 each fiscal year

Goods and Services:

FY24: $25,876
FY25: $18,111
FY26-FY29: $12,065 each fiscal year

Intra-Agency Reimbursements:

FY24: $74,162
FY25: $52,073
FY26-FY29: $33,094 each fiscal year

Note: Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs, central services charges and agency administration. Intra-agency-agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

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Total Costs:

FY24: $325,454
FY25: $228,461
FY26-FY29: $145,750 each fiscal year

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	325,454	228,461	553,915	291,500	291,500
		Total $	325,454	228,461	553,915	291,500	291,500

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.8	1.3	1.6	0.9	0.9
A-Salaries and Wages	172,782	120,581	293,363	152,450	152,450
B-Employee Benefits	52,634	37,696	90,330	48,732	48,732
C-Professional Service Contracts					
E-Goods and Other Services	25,876	18,111	43,987	24,130	24,130
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	74,162	52,073	126,235	66,188	66,188
9-					
Total $	325,454	228,461	553,915	291,500	291,500

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Administrative Services - Indirect	111,168	0.3	0.2	0.3	0.2	0.2
Commerce Specialist 3	82,056	0.3	0.3	0.3	0.3	0.3
IT APP Development - Senior/Specialist	120,457	0.6	0.4	0.5	0.2	0.2
IT Business Analyst - Expert	126,485	0.6	0.4	0.5	0.2	0.2
Total FTEs		1.8	1.3	1.6	0.9	0.9

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Potential guidance updates under Title 365 WAC, for guidance on submitting reports by local government.

Department of Revenue Fiscal Note

Bill Number: 1343 HB	Title: Rent relief & housing	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/18/2023
Agency Preparation: Frank Wilson	Phone: 360-534-1527	Date: 01/22/2023
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 01/22/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/23/2023

Request # 1343-1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

CURRENT LAW:
There is no affordable housing incentive program for multi-family dwelling units for very low-income households.

PROPOSED LAW:
Authorizes cities and counties to create an affordable housing property tax exemption program. The exemption is six years and can extend once for an additional six years for qualifying multi-family dwellings. Cities and counties may establish an exemption program to preserve affordable housing for very low-income (below 50% AMI) households.

Requires local authority to include qualifying standards when creating their program, including rent limits and income guidelines. No requirement for annual household income after initial qualification, unless a change or substitution of adults living in the unit occurs.

Non-compliance results in six years plus interest, a 20% penalty due and attaches as a lien to the property.

This bill specifies guidelines for portions of properties dedicated to qualifying units and how to divide property values when less than the full property is exempt. Applications, fees, inspections, annual reports, discontinuance, and other administrative guidelines provided for local programs.

The Legislature categorizes this tax preference as one intended to induce certain designated behavior by taxpayers.

EFFECTIVE DATE:
The bill takes effect 90 days after final adjournment of the session in which it is enacted.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:
- The local jurisdictions establishing a program and the number of property owners meeting the qualifying criteria are unknown.

REVENUE ESTIMATES:
Any loss in value resulting from this proposal results in a shift of the state property tax levy to non-exempt property owners

This exemption causes a shift of local property taxes by increasing local levy rates. Local districts at or near the statutory maximum rate may experience an indeterminate loss of revenue.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

The department will have minimal costs of approximately $2,460 for 40 hours of work by a property acquisition specialist in fiscal year 2024 to implement this legislation and will absorb within current funding.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1343 HB	Title: Rent relief & housing

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- [x] Cities: Could incur costs to: host a public hearing; adopt an ordinance or resolution; costs to establish and administer the tax exemption program
- [x] Counties: Same as above.
- [x] Special Districts: Special districts that levy regular property taxes
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [x] Expenditures represent one-time costs: costs for a public hearing; costs to adopt an ordinance or resolution; costs to establish the property tax exemption program;
- [x] Legislation provides local option: Local jurisdictions may create an affordable housing property tax exemption incentive program
- [x] Key variables cannot be estimated with certainty at this time: Number of local jurisdictions that will establish a program; and number of property owners that will apply for and meet the qualifying criteria

Estimated revenue impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 01/23/2023
Leg. Committee Contact:	Phone:	Date: 01/18/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/23/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/23/2023

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

The purpose of this bill is to increase affordable housing opportunities by creating a property tax exemption program for units that meet affordability requirements.

Sec 2 adds a new section. Communities are given a local option to preserve and increase housing opportunities for very low-income households when the governing authority finds there are insufficient affordable housing opportunities available to renters at below market rent levels.

Sec. 3 adds a new section for definitions.

Sec. 4 adds a new section giving city and county governing authorities the option, by ordinance or resolution, to establish an affordable housing incentive program for very low-income households at risk of displacement or that cannot afford market rate housing.

Sec. 5 adds a new section. An affordable housing incentive program adopted by the governing authority under this chapter must include qualifying standards for very low-income household rental housing. Standards must include rent limits and income guidelines consistent with local housing needs to assist households that cannot afford market rate housing. At minimum, 300 days of occupancy are required for each unit to qualify for the property tax exemption under this chapter.

Sec. 6 adds a new section. For multifamily dwellings, only the affordable improvement and land lying under the affordable improvement qualify for the tax exemption. The exemption may be renewed for one additional six-year period.

The governing authority must provide local taxing districts in the designated exemption area notice and an opportunity to be heard prior to establishing an affordable housing incentive program under this chapter.

Sec. 7 adds a new section. Minimum 25% of the units in a multifamily property must be affordable to qualify for the exemption, though a governing authority can require that more than 25% are affordable. A multifamily, mixed-use building must have at least 50% of its space dedicated for residential purposes. Affordable units must be at comparable quality to the rest of the units in the multifamily building. 90% of the total residential units must be occupied at the time of application for this program. Also, if a multifamily building is less than 100% affordable, only the affordable units plus the land lying underneath those affordable units qualify under the exemption.

To qualify for the program, the property must be part of a multifamily residential or mixed use (both residential and nonresidential) project, or an affordable attached or detached accessory dwelling unit. Otherwise, it doesn't qualify under this tax exemption.

Sec. 8 adds a new section. Properties must comply with all land use, health and safety, etc. standards, and local governments must inspect the properties prior to awarding the exemption and thereafter in order to ensure compliance.

Sec. 9 adds a new section. A governing authority is allowed to impose limitations on participation in target areas and/or units of a particular size to provide unique opportunities and prevent displacement. Governing authorities must adopt and implement standards for applications and application determinations. Standards must include: an application process and procedures; this act's section eight guidelines and requirements; an inspection policy and procedures to ensure the property complies with housing and health standards; income and rent limits as required under section five of this chapter; document requirements to establish income eligibility for households in affordable units; owner applicant fees commensurate with the cost anticipated by the governing authority.

Sec. 10 adds a new section. Property owner applicants must meet the following requirements: use city or county application form; verify the information provided in the application by oath or affirmation; and pay any fee with the application. The application itself must contain: requirements of the exemption program; a description of the project, including the floor plan and other requested information; a statement that the applicant is aware of the potential tax liability involved when the property ceases to become eligible for the incentive provided under this chapter; and a certification of family size and annual income requirements in a form acceptable to the governing authority.

Sec. 11 adds a new section. Before granting approval, the city or county agency in charge must inspect the property for health and safety reasons.

Sec. 12 adds a new section. : A governing authority is allowed to either approve or deny an application. If approved, the governing authority must issue a certificate of exemption, and submit a copy of the certificate to the assessor no later than August 1st of the year before the exemption applies. If denied, the governing authority must state in writing and by certified mail the reasons for the denial. The property owner then has 30 days after receiving the notice to appeal the decision. The burden is on the applicant to show that the governing authority's decision is not supported by substantial evidence.

Sec. 13 adds a new section. A local authority may establish an application fee in order to re-coop their costs associated with the administration of the program. If the application is approved, the governing authority shall pay the application fee to the county assessor for deposit in the county current expense fund, after first deducting that portion of the fee attributable to its own administrative costs. If the application is denied, the governing authority may retain the administrative costs portion of the fee and refund the balance to the applicant.

Sec. 15 adds a new section. If the owner expects to discontinue compliance with this property tax exemption, the owner must notify the tenant and the jurisdiction within 60 days (or more if the jurisdiction allows). If the property stops qualifying for the property tax exemption under this bill, then they must pay full price property taxes from there on, pay back what they had been exempted from with interest, and pay a penalty fee of 20% of the additional property tax owed, unless an act of God stopped the property from qualifying for the property tax exemption. This debt has priority to most other debts, and a lien will be placed on the property until paid back.

If an act of God temporarily prevents the owner from complying with all requirements of the property tax exemption, the property tax may not be cancelled if the owner properly notifies the governing authority of the issue and provides sufficient certification of intent to correct all deficiencies.

Once the governing authority decides to cancel the exemption, they must alert the property owner and the assessor by certified mail. The property owner then has the right to appeal this decision, and there will be an appeals hearing. An assessor must value annually both the tax exempt and non-exempt portions of the property to make sure that the correct dollar amounts are used in case enforcement is necessary.

If an act of God causes an exemption to be cancelled, and if the owner properly notifies the governing authority of the issue, then past taxes, penalties and interest may not be collected.

Sec. 16 adds a new section. This is a tax preference meant to incentivize maintaining affordable housing.

Sec. 17 adds a new section. Sections 1-15 of this act constitute a new chapter in Title 84 RCW.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This legislation provides a local option that will have an indeterminate expenditure impacts to cities, counties and special districts. For the purposes of illustration, the following impacts may occur in jurisdictions that elect to enact these provisions.

Local jurisdictions that choose to adopt this property tax exemption would incur indeterminate expenditures related to:

- One-time public hearing costs (the governing authority must provide local taxing districts in the designated exemption area notice and an opportunity to be heard prior to establishing an affordable housing incentive program under this chapter)
- one-time ordinance or resolution costs adopting the property tax exemption and associated affordable housing program;
- costs associated with establishing or modifying local affordable housing administration program; and
- ongoing program administration costs.

These costs are indeterminate but would be a local option and would begin concurrent with the process of developing and adopting the exemption and associated affordable housing program. The number of jurisdictions electing to utilize these provisions cannot be predicted.

PUBLIC HEARING COSTS:
The governing authority must provide local taxing districts in the designated exemption area notice and an opportunity to be heard prior to establishing an affordable housing incentive program under this chapter. According to the Local Government Fiscal Note Program's Cost Unit Model, the typical cost to hold a public hearing per jurisdiction ranges from $1,022 for a simple hearing to $1,822 for a complex hearing. These costs include costs for public notice, staff report, meeting preparation and the hearing. However the number of jurisdictions that will need to host a public hearing cannot be predicted and therefore associated public hearing expenditures are indeterminate.

ORDINANCE COSTS:
In order to enact the property tax exemption, the jurisdiction would incur costs developing the ordinance and associated housing program(s). These costs will vary by jurisdiction based upon factors including the exemption parameters and the extent of public involvement and hearings used in development of the program. The Local Government Fiscal Note Program estimates a cost of $5,844 to adopt a complex ordinance per jurisdiction. These costs do not reflect staff time needed to develop the parameters of the program, given that each jurisdiction would have different staffing needs.

INITIAL PROGRAM ESTABLISHMENT AND ADMINISTRATION COSTS:
The costs incurred by a city or county to establish and administer these provisions will vary based upon the number of assigned staff and total time required to create the program, which will vary greatly by jurisdiction; the extent of the program; and the existence of similar existing affordable housing programs that could be used to administer the new program. These costs cannot be estimated in advance and are indeterminate. Once established, program administration costs shall be paid for by owner application fees. Therefore ongoing program administration costs would result in no net impact to expenditures.

INSPECTIONS:
Properties must comply with all land use, health and safety standards. Local governments must inspect the properties prior to awarding the exemption and thereafter in order to ensure compliance. Which agency within local governments will conduct the inspections, the cost of each inspection, and the number of inspections that will be required in each jurisdiction each year is not known. Therefore the fiscal impact of inspections on local government is indeterminate.

SPECIAL DISTRICTS:
Special districts could incur indeterminate expenditure impacts. These impacts will be primarily associated with changes in capital facilities needed to serve development. As an illustrative example, a fire district that has determined the number of fire stations needed to provide service within its boundaries may determine that an increased number of fire trucks, stations and other capital investment may be needed to maintain level of service standards.

COUNTY ASSESSORS:
The Washington State Association of County Assessors does not anticipate the provisions of this bill would cause a change in county assessor expenditures.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

Local government revenue impacts for this bill are indeterminate. The local jurisdictions that will establish a program and the number of property owners that will meet the qualifying criteria are both unknown. However it is likely that any cities or counties that enact the affordable housing incentive program and have participating property owners would see an indeterminate increase in revenue due to application fees; and an indeterminate loss in revenue and an indeterminate tax shift due to properties approved for the property tax exemption program.

According to the Department of Revenue (DOR) any loss in value resulting from this proposal results in a shift of the state property tax levy to non-exempt property owners. This exemption causes a shift of local property taxes by increasing local levy rates. Local districts at or near the statutory maximum rate may experience an indeterminate loss of revenue.

APPLICATION FEES:
Jurisdictions will receive an indeterminate amount of revenue through fees paid at the time of application by a property owner for the exemption. These fees will be divided among enacting local government and the county assessor. They may be set up to an amount needed to cover the cost of administering the program. In cases where the application is denied, the governing authority may retain the administrative cost portions of the fee and refund the balance to the applicant. The application fee amounts may vary by jurisdiction and cannot be determined. Likewise, the quantity of application fees received will vary as well and cannot be determined.

NONCOMPLIANCE REVENUE:
In cases of program non-compliance, or where owners choose to discontinue with the affordable housing requirements described in section six of this act, or any other condition to the exemption, the tax exemption shall be canceled. The forgone tax revenue and interest plus a penalty equal to 20 percent of the additional property tax imposed would be placed as a lien on the property. Jurisdictions would receive an indeterminate increase in revenue from these properties as a result of the lien.

SOURCES:
Association of Washington Cities
Department of Revenue fiscal note, HB 1343 (2023)
Local Government fiscal note, HB 1035 (2021)
Local Government Fiscal Note Program Unit Cost Model
Washington Association of County Officials
Washington State Association of Counties
Washington State Association of County Assessors