Multiple Agency Fiscal Note Summary

Bill Number: 2422 HB	**Title:** Affordable housing/rural

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	.0	0	0	9,600	.0	0	0	4,800	.0	0	0	4,800
Department of Commerce	.1	202,038	202,038	202,038	.2	67,978	67,978	67,978	.2	67,978	67,978	67,978
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total $	0.1	202,038	202,038	211,638	0.2	67,978	67,978	72,778	0.2	67,978	67,978	72,778

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

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 2/ 2/2024

Individual State Agency Fiscal Note

Bill Number: 2422 HB	Title: Affordable housing/rural	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
Account					
Performance Audits of Government Account-State 553-1	4,800	4,800	9,600	4,800	4,800
Total $	4,800	4,800	9,600	4,800	4,800

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:	Rachelle Harris	Phone: 360-786-7137	Date: 01/24/2024
Agency Preparation:	Dana Lynn	Phone: 360-786-5177	Date: 01/26/2024
Agency Approval:	Eric Thomas	Phone: 360 786-5182	Date: 01/26/2024
OFM Review:	Cheri Keller	Phone: (360) 584-2207	Date: 02/02/2024

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.

This bill creates two new property tax exemptions to create affordable housing for low- and moderate-income households in non-urban areas.

• Under RCW 84.14.020(1)(a)(iv), a 12-year property tax exemption until December 31, 2035, for multifamily housing where the applicant commits to renting or selling at least 20% of the housing units to low-or moderate-income households, and the density must be 15 or more units per gross mile.
• Under RCW 84.14.021(1)(c), a 20-year property tax exemption until December 31, 2031, for the value of new housing, conversions, and rehabilitative improvements if at least 25% of the units are sold to a qualifying nonprofit or local government partner that will assure permanent affordable housing. The remaining 75% may be sold at market rate. The preference is available in counties that do not qualify to designate a "residential target area" for any reason.

TAX PREFERENCE PERFORMANCE STATEMENTS

The bill notes that tax performance statements from sections 3 and 7, chapter 187, laws of 2021 (E2SSB 5287) apply to the preferences created in this bill.

For 12-year exemption created under RCW 84.14.020(1)(a)(iv): the preference is categorized to induce certain designated behavior by taxpayers (RCW 82.32.808(2)(a)). The Legislature's specific public policy objectives are to:
• Incentivize developers to construct or build multifamily housing.
• Incentivize local governments and multifamily housing owners to maintain or expand existing income-restricted unit stock that were incentivized through incentives under chapter 82.14 RCW via new authority to renew the property tax abatement in exchange for continued or more affordability.
• Further encourage multifamily construction in cities and certain unincorporated urban growth areas by expanding access to the multifamily tax exemption program to more jurisdictions.

The Legislature intends to provide the preference to incentive developers to build and rehabilitate multifamily housing, thereby increasing the number of affordable housing units, or preserving the state's stock of income-restricted units for low- and moderate-income residents.

The Legislature intends to extend the expiration date of the preference if a review finds that:
• Projects receiving an initial 8- or 12-year exemption regularly enter into subsequent 12-year extensions when the continue or increase income restrictions on affordable units, and
• At least 20% of the new housing is for households earning at or below 80% of area median income adjusted for family size or if the unit is exclusively for owner occupancy, up to 115% of the area median income adjusted for family size.

For 20-year exemption created under RCW 84.14.021(1)(c): the preference is categorized to induce certain designated behavior by taxpayers (RCW 82.32.808(2)(a)). The Legislature's specific public policy objectives are to incentivize developers to build or rehabilitate permanently affordable housing.

The Legislature intends to provide the preference to incentive developers to build and rehabilitate multifamily housing, thereby increasing the number of affordable housing units.

The Legislature intends to extend the expiration date of the preference if a review finds that:
• The number of local governments using the preference increases over time.
• The number of permanently affordable homeownership units increases.
• The income level of households benefiting from the preference is consistent with information in section 7 of E2SSB 5287

(2021).

For both preferences, JLARC staff is to refer to annual reports compiled by the Department of Commerce under RCW 82.14.100, and data from the counties and cities where the preference is being used, OFM, the Department of Commerce, the U.S. Department of Housing and Urban Development and other sources as needed.

The bill has no effective date and does not assign a specific date for a JLARC tax preference review.

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 will work with the Department of Commerce and other agencies to ensure project contacts are established and any other necessary data for JLARC staff's future evaluation needs are identified and collected. Staff would work with those same agencies and organizations when conducting its review.

The review of other multifamily affordable housing incentives is already included in JLARC's 10-year tax preference review schedule. Therefore, costs associated with the review of these new preferences are not included in this fiscal note. This fiscal note reflects only the costs associated with establishing contacts, determining contact processes, and collecting appropriate information due to changes implemented by this bill.

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 2024 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 $23,900 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	4,800	4,800	9,600	4,800	4,800
		Total $	4,800	4,800	9,600	4,800	4,800

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages	3,100	3,100	6,200	3,200	3,200
B-Employee Benefits	1,000	1,000	2,000	1,000	1,000
C-Professional Service Contracts					
E-Goods and Other Services	600	600	1,200	600	600
G-Travel	100	100	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 $	4,800	4,800	9,600	4,800	4,800

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	131,064					
Support staff	110,856					
Total FTEs						0.0

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

NONE

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: 2422 HB	Title: Affordable housing/rural	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	0.0	0.3	0.2	0.2	0.2
Account					
General Fund-State 001-1	0	202,038	202,038	67,978	67,978
Total $	0	202,038	202,038	67,978	67,978

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:	Rachelle Harris	Phone: 360-786-7137	Date: 01/24/2024
Agency Preparation:	Buck Lucas	Phone: 360-725-3180	Date: 01/31/2024
Agency Approval:	Pouth Ing	Phone: 360-725-2715	Date: 01/31/2024
OFM Review:	Cheri Keller	Phone: (360) 584-2207	Date: 01/31/2024

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.

This bill amends Chapter 84.14 RCW, the multifamily property tax exemption (MFTE) and impacting the technical assistance program provided by the Department of Commerce (department):

Section 1 amends RCW 84.14.010, modifying the definition of county to allow all counties to have access to the 12-year and 20-year ownership MFTE.

Section 2 amends RCW 84.14.020, adding an allowance for all counties to offer the 12-year MFTE until December 31, 2035, when a project meets additional qualifications outlined in this section.

Section 3 amends RCW 84.14.021, adding an allowance for all counties to offer the 12-year MFTE until December 31, 2035, when a project meets additional qualifications outlined in this section.

Section 4 amends RCW 84.14.030, to remove the requirement for projects to be within a residential targeted area (RTA), if it is part of the programs described in Sections 2 and 3.

Section 5 amends RCW 84.14.060, to remove a requirement for projects to be within a RTA if it is a part of the programs described in sections 2 and 3. It also makes a specific amendment for RTAs in rural counties.

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.

Agency assumptions:

• The Department of Commerce (department) assumes the proposed legislation will require increased technical assistance and amendments to multi-family tax exemption (MFTE) guidance documents.

• The department assumes the proposed expansion of MFTE will also increase the number of jurisdictions accessing technical assistance from department planning staff.

• The department assumes a professional consultant with MFTE, local housing, and land use planning expertise to amend guidance documents and reporting requirements to accommodate counties of all sizes/populations. As part of this contract, the department assumes guidance to understand implementation of MFTE in areas outside of the urban growth areas (UGA) in all counties.

0.2 FTE Commerce Specialist 4 (418 hours) in FY25-FY29, to provide specialized statewide technical assistance to counties, including an expansion of the MFTE audit program to require risk mitigation and complex work to understand compliance and tax revenue impacts.

0.05 FTE Management Analyst 4 (104 hours) in FY25, to provide additional administrative guidance and rulemaking support for the programs, including procurement support for initial updates to the MFTE technical consultant.

Salary and Benefits:

FY25: $30,165
FY26-FY29: $24,131 per fiscal year

Professional Services Contract:
The department will procure professional services to amend MFTE guidance documents at a rate of 500 hours at $200 per billable hour in FY25. Additional contracts will be required for translation support, as needed in FY25, estimated to be $1,725 per document per English alternative language for three documents, including program guidelines, presentations, and informational webinars ($1,725 x 9 x 3).

FY25: $146,575

Goods and Services:
The department assumes Assistant Attorney General consultation for guidance and rulemaking development for the new program of $10,500 in FY25, will be required to complete rulemaking, based on an estimate of 50 hours at $210 per hour.

FY25: $12,899
FY26-FY29: $1,919 per fiscal year

Travel Costs:
Includes outreach to communities across the state to provide MFTE technical assistance. Annual travel will consist of 10 days of outreach and engagement, with half of them requiring lodging due to outreach and engagement to Eastern Washington, which includes additional travel in support of community consultation during the rulemaking and program development process.

FY25: $2,475

Intra-agency Reimbursements:

FY25: $9,924
FY26-FY29: $7,939 per 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:

FY25: $202,038
FY26-29: $33,989 per 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	0	202,038	202,038	67,978	67,978
		Total $	0	202,038	202,038	67,978	67,978

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.3	0.2	0.2	0.2
A-Salaries and Wages		22,199	22,199	35,518	35,518
B-Employee Benefits		7,966	7,966	12,744	12,744
C-Professional Service Contracts		146,575	146,575		
E-Goods and Other Services		12,899	12,899	3,838	3,838
G-Travel		2,475	2,475		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements		9,924	9,924	15,878	15,878
9-					
Total $	0	202,038	202,038	67,978	67,978

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		0.0	0.0	0.0	0.0
Commerce Specialist 4	88,794		0.2	0.1	0.2	0.2
Management Analyst 4	88,794		0.1	0.0		
Total FTEs			0.3	0.2	0.2	0.2

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.

Amend Chapter 365-196 WAC, modifying existing guidance and likely creating a new section for implementation and guidance outlined in this legislation.

Department of Revenue Fiscal Note

Bill Number: 2422 HB	Title: Affordable housing/rural	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:	Rachelle Harris	Phone: 360-786-7137	Date: 01/24/2024
Agency Preparation:	Frank Wilson	Phone: 360-534-1527	Date: 01/27/2024
Agency Approval:	Valerie Torres	Phone: 360-534-1521	Date: 01/27/2024
OFM Review:	Amy Hatfield	Phone: (360) 280-7584	Date: 01/29/2024

Request # 2422-1-1

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:
Currently, the value associated with new construction, conversion, or rehabilitation of qualifying multi-unit residential improvements located in residential targeted areas designated by a qualifying county, city, or town may be exempt from property tax for either 8, 12, or 20 years. The exemption is commonly known as the “multifamily housing tax exemption” (MHTE).

Each of the 8, 12, or 20-year exemptions have their own qualifying requirements that include, but not limited to, some combination of the following: proximity to transit, density, zoning, rent affordability restrictions on a percentage of units, the length of time the restriction lasts, tenant relocation assistance at the end of the exemption, etc. Additionally, the city, town, or county where the project is located may adopt or implement more stringent qualifying requirements. Meeting certain requirements allow an extension of the exemption.

PROPOSAL:
This bill creates two property tax exemptions for counties that cannot designate targeted residential areas.

The first additional property tax exemption added to the MHTE expires on December 31, 2031 and does the following:
- Exempts the value of new housing construction, conversion, and rehabilitation improvements for 20 successive years starting on January 1 of the year following the issuance of the certificate.
- Requires the selling of at least 25% of the units to qualified nonprofits or local government partners to ensure permanent affordable housing.
- Allows the selling or renting of the remaining 75% at market rates.

The second additional property tax exemption added to the MHTE expires December 31, 2035 and does the following:
- Exempts the value of new housing construction, conversion, and rehabilitation improvements for 12 successive years starting on January 1 of the year following the issuance of the certificate.
- Requires the applicant to commit to selling or renting of at least 20% of the multifamily housing units as affordable housing units to low- and moderate-income households.
- Requires the development's density to include 15 units or more per acre.

The population requirements in the definition of county used for the rest of the MFTE program do not apply to the new exemptions. Instead, a county of any size may claim these exemptions if the county cannot designate targeted residential areas.

EFFECTIVE DATE:
The bill takes effect 90 days after the final adjournment of the session.

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
- This legislation begins with property taxes due for calendar year 2025.
- Local governments administer this exemption, and the bill allows rural counties to participate in the incentive for affordable housing.
- The additional counties allowing this exemption are unknown.

- The number of taxpayers using the exemption, the size of the projects receiving the exemption, the total exempted new construction value, and what additional qualifying restrictions local governments require of the exempted properties are unknown.

REVENUE ESTIMATES
The Economic and Revenue Forecast Council predicts the state property tax levy remains below the $3.60 limit throughout the 2027-29 biennium. This bill results in a shift to other taxpayers and no loss to the state levy.

PROPERTY TAX SHIFTS:
Due to the uncertainty around local government implementation of this legislation, the state levy shift is indeterminate.

Local districts will also experience an indeterminate shift of taxes to other taxpayers. The local shift may result in a local revenue loss due to levy limits.

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 $2,540 in fiscal year 2025 associated with creating a special notice; updating forms, publications, and training materials; and consulting with department and county staff. The department will absorb these costs 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: 2422 HB	**Title:** Affordable housing/rural

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

Legislation Impacts:

- [X] Cities: indeterminate property tax loss and shift
- [X] Counties: indeterminate property tax loss and shift
- [X] Special Districts: indeterminate property tax loss and shift
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [X] Legislation provides local option: county affordable housing incentive participation
- [X] Key variables cannot be estimated with certainty at this time: what counties will participate

Estimated revenue impacts to:

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

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/01/2024
Leg. Committee Contact: Rachelle Harris	Phone: 360-786-7137	Date: 01/24/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/01/2024
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/02/2024

Part IV: Analysis

A. SUMMARY OF BILL

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

Section 1 amends RCW 84.14.010 [New and Rehabilitated Multiple-Unit Dwellings in Urban Areas- Definitions] to expand the eligibility of counties for certain affordable housing incentives.

Section 2 and 3 amends RCWs to specify the value of new housing construction, conversion, and rehabilitation improvements is exempt from property taxation, “until December 31, 2035, for any county, for 12 successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate. For the property to qualify for the 12-year exemption under this subsection, the applicant must commit to renting or selling at least 20 percent of the multifamily housing units as affordable housing units to low income and moderate-income households, and the density of the development must be 15 dwelling units or more per gross acre. For purposes of this subsection, "any county" means a county of any size that cannot designate a residential targeted area for any reason.”

Section 4 and 5 amends RCWs to expand the eligibility of counties for certain affordable housing incentives.

Section 6 and 7 details a tax preference performance statement applies.

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 bill will not impact local government 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.

This bill expands property tax exemptions for counties. However, it is a local option for counties to participate. According to the Dept. of Revenue, due to the uncertainty of increased participation for counties in these affordable housing incentives, the rate of which counties may experience a shift of taxes to other taxpayers is indeterminate. The local shift may result in a local revenue loss due to levy limits.

SOURCES
Dept. of Revenue