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**SENATE BILL 5289**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senators Palumbo, Zeiger, Das, and Lias

1 AN ACT Relating to nonprofit homeownership development; amending  
2 RCW 84.36.049; and creating new sections.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 84.36.049 and 2018 c 103 s 2 are each amended to  
5 read as follows:

6 (1) All real property owned by a nonprofit entity or by a  
7 qualified cooperative association for the purpose of developing or  
8 redeveloping on the real property one or more residences (~~to be sold~~  
9 ~~to low-income households including land to be leased as provided in~~  
10 ~~subsection (8)(d)(ii) of this section, is exempt from state and local~~  
11 ~~property taxes)), to be sold to any of the following, including land  
12 to be leased to any of the following as provided in subsection  
13 (8)(e)(ii) of this section, is exempt from state and local property  
14 taxes:~~

15 (a) Low-income households;

16 (b) A separate nonprofit entity; or

17 (c) A limited equity cooperative housing corporation.

18 (2) The exemption provided in this section expires on or at the  
19 earlier of:

20 (a) The date on which the nonprofit entity (~~transfers title to~~  
21 ~~the single-family dwelling unit)) or qualified cooperative~~

1 association transfers title to the single-family dwelling unit except  
2 that the exemption will not expire as a consequence of the real  
3 property being transferred by one nonprofit entity to another  
4 nonprofit entity or to a qualified cooperative association. For  
5 purposes of property owned by a qualified cooperative association,  
6 the exemption will expire on the date on which the cooperative  
7 association first conveys, directly or indirectly through the  
8 transfer of an interest in the association, any single-family  
9 dwelling unit on the property;

10 (b) The date on which the nonprofit entity or qualified  
11 cooperative association executes a lease of land described in  
12 subsection (8) (~~(d)~~) (e)(ii) of this section;

13 (c) The end of the seventh consecutive property tax year for  
14 which the property is granted an exemption under this section or, if  
15 the nonprofit entity or qualified cooperative association has claimed  
16 an extension under subsection (3) of this section, the end of the  
17 tenth consecutive property tax year for which the property is granted  
18 an exemption under this section; or

19 (d) The property is no longer held for the purpose for which the  
20 exemption was granted.

21 (3) If the nonprofit entity or qualified cooperative association  
22 believes that title to the single-family dwelling unit will not be  
23 transferred by the end of the sixth consecutive property tax year,  
24 the nonprofit entity or qualified cooperative association may claim a  
25 three-year extension of the exemption period by:

26 (a) Filing a notice of extension with the department on or before  
27 March 31st of the sixth consecutive property tax year; and

28 (b) Providing a filing fee equal to the greater of two hundred  
29 dollars or one-tenth of one percent of the real market value of the  
30 property as of the most recent assessment date with the notice of  
31 extension. The filing fee must be deposited into the state general  
32 fund.

33 (4) (a) If the nonprofit entity or qualified cooperative  
34 association has not transferred title to the single-family dwelling  
35 unit to a low-income household within the applicable period described  
36 in subsection (2) (c) of this section, or if the nonprofit entity or  
37 qualified cooperative association has converted the property to a  
38 purpose other than the purpose for which the exemption was granted,  
39 the property is disqualified from the exemption.

1 (b) Upon disqualification, the county treasurer must collect an  
2 additional tax equal to all taxes that would have been paid on the  
3 property but for the existence of the exemption, plus interest at the  
4 same rate and computed in the same way as that upon delinquent  
5 property taxes.

6 (c) The additional tax must be distributed by the county  
7 treasurer in the same manner in which current property taxes  
8 applicable to the subject property are distributed. The additional  
9 taxes and interest are due in full thirty days following the date on  
10 which the treasurer's statement of additional tax due is issued.

11 (d) The additional tax and interest is a lien on the property.  
12 The lien for additional tax and interest has priority to and must be  
13 fully paid and satisfied before any recognizance, mortgage, judgment,  
14 debt, obligation, or responsibility to or with which the property may  
15 become charged or liable. If a nonprofit entity or qualified  
16 cooperative association sells or transfers real property subject to a  
17 lien for additional taxes under this subsection, such unpaid  
18 additional taxes must be paid by the nonprofit entity or qualified  
19 cooperative association at the time of sale or transfer. The county  
20 auditor may not accept an instrument of conveyance unless the  
21 additional tax has been paid. The nonprofit entity, qualified  
22 cooperative association, or the new owner may appeal the assessed  
23 values upon which the additional tax is based to the county board of  
24 equalization in accordance with the provisions of RCW 84.40.038.

25 (5) Nonprofit entities and qualified cooperative associations  
26 receiving an exemption under this section must immediately notify the  
27 department when the exempt real property becomes occupied. The notice  
28 of occupancy made to the department must include a certification by  
29 the nonprofit entity or qualified cooperative association that the  
30 occupants are a low-income household and a date when the title to the  
31 single-family dwelling unit was or is anticipated to be transferred.  
32 The department of revenue must make the notices of occupancy  
33 available to the joint legislative audit and review committee, upon  
34 request by the committee, in order for the committee to complete its  
35 review of the tax preference in this section.

36 (6) Upon cessation of the exemption, the value of new  
37 construction and improvements to the property, not previously  
38 considered as new construction, must be considered as new  
39 construction for purposes of calculating levies under chapter 84.55  
40 RCW. The assessed value of the property as it was valued prior to the

1 beginning of the exemption may not be considered as new construction  
2 upon cessation of the exemption.

3 (7) Nonprofit entities and qualified cooperative associations  
4 receiving an exemption under this section must provide annual  
5 financial statements to the joint legislative audit and review  
6 committee, upon request by the committee, for the years that the  
7 exemption has been claimed. The nonprofit entity or qualified  
8 cooperative association must identify the line or lines on the  
9 financial statements that comprise the percentage of revenues  
10 dedicated to the development of affordable housing.

11 (8) The definitions in this subsection apply throughout this  
12 section unless the context clearly requires otherwise.

13 (a) "Financial statements" means an audited annual financial  
14 statement and a completed United States treasury internal revenue  
15 service return form 990 for organizations exempt from income tax.

16 (b) "Low-income household" means a single person, family, or  
17 unrelated persons living together whose adjusted income is less than  
18 eighty percent of the median family income, adjusted for family size  
19 as most recently determined by the federal department of housing and  
20 urban development for the county in which the property is located.

21 (c) "Nonprofit entity" means a nonprofit as defined in RCW  
22 84.36.800 that is exempt from federal income taxation under 26 U.S.C.  
23 Sec. 501(c)(3) of the federal internal revenue code of 1986, as  
24 amended.

25 (d) "Qualified cooperative association" means a cooperative  
26 association formed under chapter 23.86 RCW that owns the real  
27 property for which an exemption is sought under this section and  
28 following the completion of the development or redevelopment of such  
29 real property:

30 (i) Sixty percent or more of the residences are owned by low-  
31 income households; and

32 (ii) Eighty percent or more of the square footage of any  
33 improvements to the real property are exclusively used or available  
34 for use by the owners of the residences.

35 (e) "Residence" means:

36 (i) A single-family dwelling unit whether such unit be separate  
37 or part of a multiunit dwelling; ~~((and))~~

38 (ii) The land on which a dwelling unit described in ~~((+d+))~~ (e)  
39 (i) of this subsection (8) stands, whether to be sold, or to be

1 leased for life or ninety-nine years, to the low-income household  
2 owning such dwelling unit; and

3 (iii) Shares in a limited equity cooperative housing corporation.

4 (9) The department may not accept applications for the initial  
5 exemption in this section after December 31, 2027. The exemption in  
6 this section may not be approved for and does not apply to taxes due  
7 in 2038 and thereafter.

8 (10) This section expires January 1, 2038.

9 NEW SECTION. **Sec. 2.** This act applies to taxes levied for  
10 collection in 2018 and thereafter.

11 NEW SECTION. **Sec. 3.** The provisions of RCW 82.32.805 and  
12 82.32.808 do not apply to this act.

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