
HOUSE BILL 1350

State of Washington

67th Legislature

2021 Regular Session

By Representatives Bateman and Taylor

1 AN ACT Relating to providing a property tax exemption for limited
2 equity cooperative housing; adding a new section to chapter 84.36
3 RCW; creating new sections; and providing an expiration date.

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

5 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
6 performance statement for the tax preference contained in this act.
7 This performance statement is only intended to be used for subsequent
8 evaluation of the tax preference. It is not intended to create a
9 private right of action by any party or be used to determine
10 eligibility for preferential tax treatment.

11 (2) The legislature categorizes this tax preference as one
12 intended to provide tax relief for certain businesses or individuals,
13 as indicated in RCW 82.32.808(2)(e).

14 (3) It is the legislature's specific public policy objective to
15 financially incentivize the formation and utilization of limited
16 equity cooperatives, and to increase the availability of housing
17 available to low-income households. It is the legislature's intent to
18 exempt from taxation any real property owned by a limited equity
19 cooperative when a majority of the property is used and occupied by
20 low-income households.

1 (4) (a) To measure the effectiveness of the tax preference
2 provided in section 2 of this act in achieving the specific public
3 policy objectives described in subsection (3) of this section, the
4 joint legislative audit and review committee must evaluate, two years
5 prior to the expiration of the tax preference: (i) Growth in the
6 formation and utilization of limited equity cooperatives; (ii) growth
7 in available units of affordable housing within limited equity
8 cooperatives; and (iii) any other metric the joint legislative audit
9 and review committee determines is relevant to measuring success of
10 this exemption.

11 (b) If the review by the joint legislative audit and review
12 committee finds that growth in the formation and utilization of
13 limited equity cooperatives or growth in available units of
14 affordable housing within limited equity cooperatives has occurred,
15 then the legislature intends to extend the expiration date of the tax
16 preference.

17 (5) In order to obtain the data necessary to perform the review
18 in subsection (4) of this section, the joint legislative audit and
19 review committee may refer to:

20 (a) Initial applications for the preference as approved by the
21 department of revenue under RCW 84.36.815;

22 (b) Annual financial statements for a limited equity cooperative
23 claiming this tax preference; and

24 (c) Any other data necessary for the evaluation under subsection
25 (4) of this section.

26 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36
27 RCW to read as follows:

28 (1) The real property owned by a limited equity cooperative that
29 provides owned housing for low-income households is exempt from
30 property taxation if:

31 (a) The benefit of the exemption inures to the limited equity
32 cooperative and its members;

33 (b) At least 85 percent of the occupied dwelling units in the
34 limited equity cooperative is occupied by members of the limited
35 equity cooperative determined as of January 1st of each assessment
36 year for which the exemption is claimed;

37 (c) At least 95 percent of the property for which the exemption
38 is sought is used for housing units or other noncommercial uses

1 available for use by the members of the limited equity cooperative;
2 and

3 (d) The housing was insured, financed, or assisted, in whole or
4 in part, through one or more of the following sources:

5 (i) A federal or state housing program administered by the
6 department of commerce;

7 (ii) A federal or state housing program administered by the
8 federal department of housing and urban development;

9 (iii) A federal housing program administered by a city or county
10 government;

11 (iv) An affordable housing levy authorized under RCW 84.52.105;
12 or

13 (v) The surcharges authorized by RCW 36.22.178 and 36.22.179 and
14 any of the surcharges authorized in chapter 43.185C RCW.

15 (2) If less than 100 percent of the dwelling units within the
16 limited equity cooperative is occupied by low-income households, the
17 limited equity cooperative is eligible for a partial exemption on the
18 real property. The amount of exemption must be calculated by
19 multiplying the assessed value of the property owned by the limited
20 equity cooperative by a fraction. The numerator of the fraction is
21 the number of dwelling units occupied by low-income households as of
22 January 1st of each assessment year for which the exemption is
23 claimed, and the denominator of the fraction is the total number of
24 dwelling units as of such date.

25 (3) The definitions in this subsection apply throughout this
26 section unless the context clearly requires otherwise.

27 (a) "Cooperative" has the meaning provided in RCW 64.90.010.

28 (b) (i) "Limited equity cooperative" means a cooperative subject
29 to the Washington uniform common interest ownership act under chapter
30 64.90 RCW that owns the real property for which an exemption is
31 sought under this section and for which, following the completion of
32 the development or redevelopment of such real property:

33 (A) Members are prevented from selling their ownership interests
34 other than to a median-income household; and

35 (B) Members are prevented from selling their ownership interests
36 for a sales price that exceeds the sum of:

37 (I) The sales price they paid for their ownership interest;

38 (II) The cost of permanent improvements they made to the housing
39 unit during their ownership;

1 (III) Any special assessments they paid to the limited equity
2 cooperative during their ownership to the extent utilized to make
3 permanent improvements to the building or buildings in which the
4 housing units are located; and

5 (IV) A three percent annual noncompounded return on the above
6 amounts.

7 (ii) For the purposes of this subsection (3)(b), "sales price" is
8 the total consideration paid or contracted to be paid to the seller
9 or to another for the seller's benefit.

10 (c) "Low-income household" means a single person, family, or
11 unrelated persons living together whose income is at or below 80
12 percent of the median income adjusted for family size as most
13 recently determined by the federal department of housing and urban
14 development for the county in which the housing is located and in
15 effect as of January 1st of the year in which the determination is to
16 be made as to whether the single person, family, or unrelated persons
17 living together qualify as a low-income household.

18 (d) "Median-income household" means a single person, family, or
19 unrelated persons living together whose income is at or below 100
20 percent of the median income adjusted for family size as most
21 recently determined by the federal department of housing and urban
22 development for the county in which the housing is located and in
23 effect as of January 1st of the year in which the determination is to
24 be made as to whether the single person, family, or unrelated persons
25 living together qualify as a median-income household.

26 (e) "Members" of a limited equity cooperative means individuals
27 or entities that have an ownership interest in the limited equity
28 cooperative that entitles them to occupy and sell a housing unit in
29 the limited equity cooperative.

30 (4) This section expires January 1, 2032.

31 NEW SECTION. **Sec. 3.** This act applies to taxes levied for
32 collection in 2022 and thereafter.

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