

Preserve Affordable Housing and Build Quality, Equitable Communities: Enact a Local-option Preservation Property Tax Exemption

In many communities across Washington, older private market housing provides the most affordable unsubsidized housing option for low income households. But in some cases, these buildings are in poor condition and owners fund improvements with increased rents, displacing long-term tenants. In other communities, the rents in older buildings are still out of reach for low wage working families. A property tax exemption would be an effective tool for motivating private landlords to preserve and create affordability in existing housing, while also ensuring that high quality, healthy housing is available to those who need it most.

Under a Preservation Tax Exemption program, local jurisdictions would have the option to provide a targeted property tax exemption to existing property owners who agree to restrict rents and income-eligibility for a portion of units within their properties for a minimum period of time. By adding a new chapter to RCW 84.14, the Legislature can provide cities with a critical tool to create affordable homes, prevent displacement, and improve housing quality for Washington families.

Creates Affordable Homes and Prevents Displacement in High Cost Markets

In high cost markets, market rate rents are unaffordable to low- and moderate-wage workers, like preschool teachers, health care workers, and retail workers. In these areas, the Preservation Tax Exemption can provide an effective incentive to help private landlords make rents affordable for a growing workforce. With the Preservation Tax Exemption, Cities can take a targeted approach to preservation; ensuring affordability in properties at greatest risk of rent increases, like those in close proximity to job and transit hubs, preventing the displacement of long-term residents.

Improves Housing Quality and Creates Healthy Homes in Our Communities

Cities across Washington State have market-rate affordable housing in poor condition. Unhealthy housing conditions have a direct impact on the health of residents. Conditions like lead-based paint, substandard heating, damp housing and dirty carpets, can be linked to a host of serious health problems, including lead poisoning, cardiovascular disease, and the development and exacerbation of asthma. Low quality housing can also be blight to communities, inviting crime or deterring reinvestment.

The Preservation Tax Exemption provides building owners with the financial resources they need to reinvest in properties and make repairs that benefit tenants and neighbors. It also requires that properties meet threshold quality standards, like the Uniform Physical Conditions Standard, ensuring that the interior and exterior of properties are healthy and safe. Properties participating in the program would undergo regular inspections and meet reporting requirements, guaranteeing that high quality is maintained. The tax exemption ensures that as housing quality increases, tenants are not displaced and can live in their homes affordably for years to come.

A Cost-Effective Tool for Washington Communities

As a tax exemption on existing properties, the Preservation Tax Exemption is a revenue neutral incentive program. Jurisdictions using the Preservation Tax Exemption can collect the same level of property tax revenue, and for a modest shift to taxpayers, create safe, healthy affordable homes for residents and communities.

Preservation Tax Exemption At-a-Glance:

Unleashing the Market to Address Local Housing Needs

Local Option with Maximum Return

Healthy Housing = Healthy People and Communities

What does the Preservation Tax Exemption Do?

- Works with for-profit housing owners to partner with cities to meet local housing needs.
- Provides a property tax exemption to buildings in exchange for affordable rents in a healthy, high quality building for a set number of years.
- Maintains affordability and improves housing quality for current low-income residents.
- Increases affordability in high-cost neighborhoods, near jobs and transit, where housing is scarce.

How does the Preservation Tax Exemption Work?

- State authorizes local option
- Cities authorize participation and structure program to their local needs
- Property owners choose to participate in program