2025 tax preference review:

Nonprofit Low-Income Housing Development

PRELIMINARY REPORT | JULY 2025

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Legislative Auditor's conclusion

Nonprofit developers are building homes for low-income households as the Legislature intended. Focusing the metric on housing outcomes instead of spending would better reflect the Legislature's objectives.

Key points

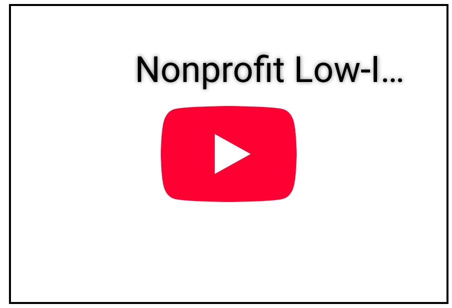
- The preference provides a property tax exemption for up to seven years on land that nonprofit developers own and hold for future low-income housing.
- In 2025, beneficiaries will save $512,000. Half of the parcels will have savings under $651.
- The Legislature aimed to encourage development of affordable homes for low-income households. Through January 2025, developers had sold 333 properties to qualifying households.
- The Legislature intends to continue the preference if developers increase the share of revenues spent on low-income housing. Most developers have not achieved this metric despite an overall increase in spending on low-income housing.
- Metrics such as the number of housing units sold may better capture the Legislature's intent.
- Department of Revenue (DOR) does not consistently receive documentation from assessors and beneficiaries. Most other nonprofit property tax exemptions require annual renewal, which simplifies administration for DOR.

About this preference

Estimated savings: $1.2 million (calendar years 2028-29)	**Tax type:** Property tax	**Expiration date:** December 31, 2027 (no new applications) January 1, 2038 (preference expires)

Executive summary

This tax preference gives eligible organizations a state and local property tax exemption for property that they buy, develop, and resell for low-income housing. This report refers to the organizations as nonprofit developers or developers.



- Exemption lasts for up to seven years without renewal.
- Eligible organizations include nonprofits, qualified cooperative associations, and nonprofits that use a qualified mutual self-help program. This includes, for example, Habitat for Humanity affiliates, community land trusts, and home trusts. More information is in **Appendix A**.

Beneficiaries will save $512,000 in 2025

DOR has granted exemptions for 814 parcels to 30 nonprofit developers. As of March 2025, 293 parcels were exempt from property tax.

In 2025, beneficiaries will save an estimated $512,000 on parcels that have a combined value of $57.1 million. The amount each beneficiary will save varies, due to differences in property values and levy rates. The median per parcel savings will be approximately $651 annually. If a developer maintains the exemption for seven years, it could save approximately $4,600 depending on how property values change.

Parcels, properties, and homes
The preference exempts parcels, which are legally distinct pieces of land.

Nonprofits develop low-income housing or homes on the parcels. Properties refers to the land and these improvements.

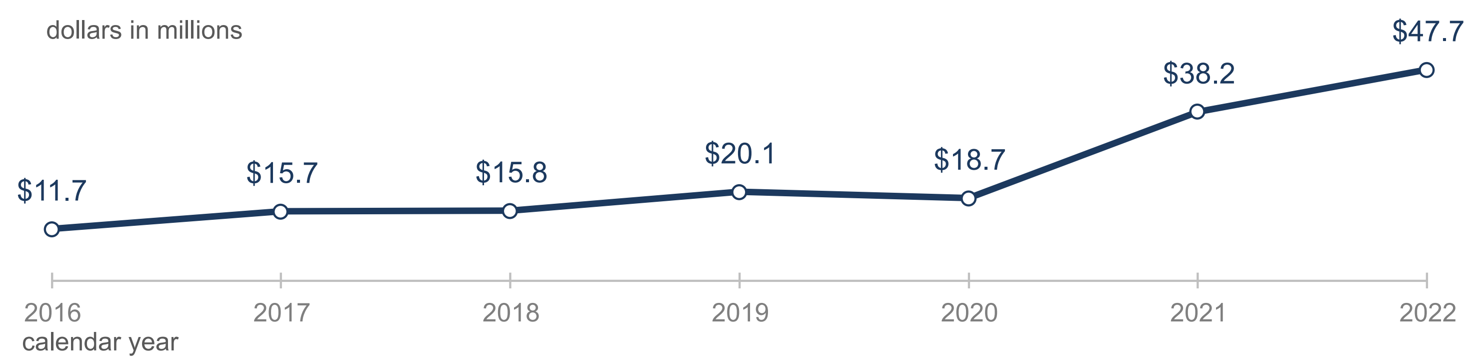
Developers have built and sold low-income housing

The Legislature aimed to encourage development of affordable homes for low-income households.

- Since 2017, developers have sold 333 homes to qualifying low-income households.
- Collectively, developers increased their spending on low-income housing development. In 2016, they spent $11.7 million and in 2022, they spent $47.7 million.

While reported spending increased over the study period, it is unclear how much of the increase is due to building more homes versus other factors such as increases in the cost of labor and materials.

Figure 1: Developers spent $47.7 million on low-income housing development in 2022



Source: JLARC staff analysis of financial reports provided by nonprofit developers.

Preference does not achieve the performance metric for continuation

The Legislature intends to continue the preference if developers meet its metric: an increase in the percentage of revenue that is spent on affordable housing. This is calculated as the amount the developer spends on developing low-income housing divided by its total revenue each year.

In many cases, developers' revenues grew faster than the amount spent on housing development. As a result, only 10 of 22 developers included in the spending analysis achieved the performance metric. **Appendix C** includes the trend for each developer.

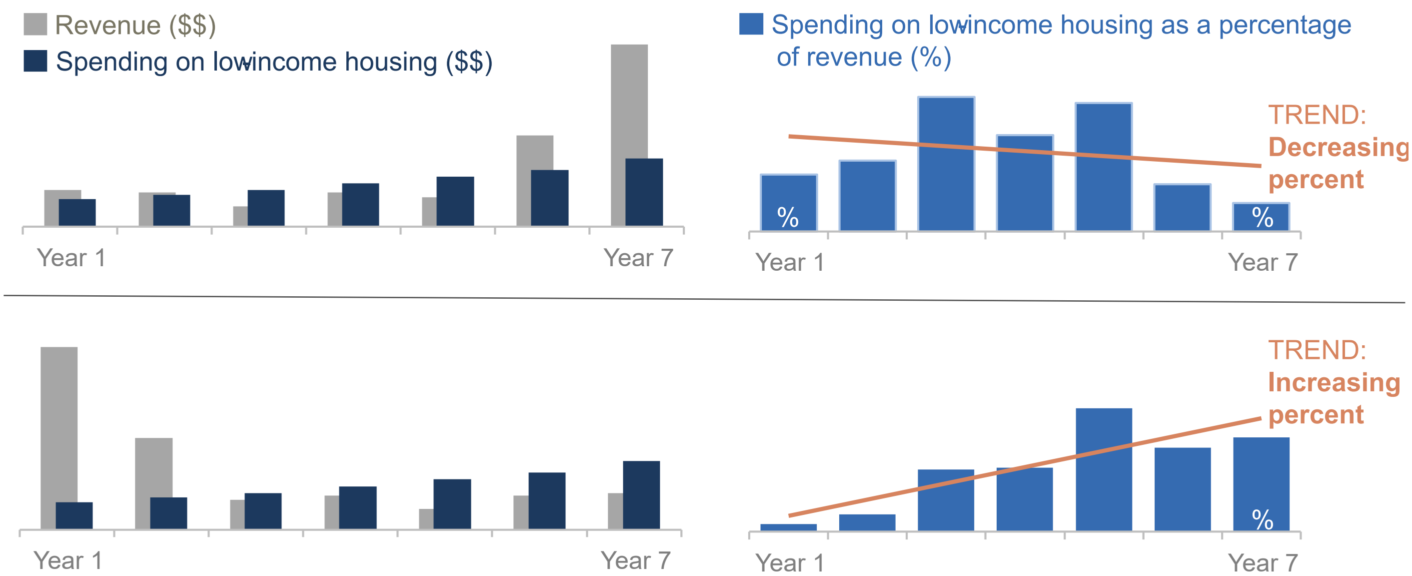
Performance metric may not align with the Legislature's objective to encourage additional homeownership opportunities

Increased spending on development does not mean a developer will meet the performance metric. This is because single-year revenue or spending changes can affect the ratio of spending to revenue. For example, revenue from a large grant may overwhelm spending in a particular year. Or a developer may accrue expenses and report them only when it sells the property. Such spikes in revenue or spending can distort the trend of the performance metric depending on when they occur.

Example: Variations in revenue can distort the trend used to measure performance

In both examples, the amount spent increases each year.

- In the top graphs, revenue spikes at the end of the cycle (left), so there is a decreasing trend in spending as a percentage of revenue (right).
- In the bottom graphs, revenue spikes at the start of the cycle (left), so there is an increasing trend in spending as a percentage of revenue (right).



Other performance metrics may better reflect legislative intent

Considering the Legislature's policy goal of providing additional homeownership opportunities to low-income households, a more relevant measure of performance may be the number of homes sold using the preference compared to the number of homes sold without the preference.

DOR does not consistently receive documentation from assessors and beneficiaries

Joint Legislative Audit and Review Committee (JLARC) staff noted that DOR's data about exempt parcels was incomplete and often inaccurate. These data issues appear to stem from problems with information sharing between DOR, county assessors, and nonprofit developers.

For example, assessors and developers do not routinely notify DOR when a large parcel is subdivided into smaller parcels. This results in an undercount of exempt parcels and incomplete appraisal information. Also, some developers did not give required documents to DOR when they sold properties. This means DOR did not have the data to verify that all homebuyers met the preference's low-income qualifications.

DOR reports that as of February 2025, it believes it had received all notices of occupancy for previously sold parcels and was updating its database.

Unlike most other property tax exemptions, this preference does not require annual renewal. Requiring developers to renew each year could help DOR to track exempt parcels by more regularly alerting it to subdivisions and sales.

Legislative Auditor's recommendations

1. **The Legislature should determine whether to continue the preference.**
   - It provides tax relief and helps developers to build homes intended for low-income households.
   - However, it does not meet the criteria for the Legislative Auditor to recommend continuing the preference.
2. **If the Legislature chooses to continue the preference, it should consider modifying it.**

   Options may include:

   - Adopting performance metrics that better align with the objective of providing additional homeownership opportunities for low-income households. It may wish to work with nonprofit developers in doing so.
   - Requiring nonprofit developers to renew the preference annually, like most other nonprofit property tax exemptions. This may help facilitate more consistent communication between DOR, county assessors, and developers. It could also help alleviate data collection and reporting challenges that complicated this review.

You can find additional information in the **Recommendations section**.

Commission recommendation

To be included in proposed final report.

Part 1.
Tax exemption

This preference gives eligible organizations a state and local property tax exemption for property that they buy, develop, and resell for low-income housing. This report refers to the organizations as nonprofit developers or developers.

Eligible organizations include nonprofits, qualified cooperative associations, and nonprofits that use a qualified mutual self-help program. This includes, for example, Habitat for Humanity affiliates, community land trusts, and home trusts. More information is in **Appendix A**.

Legislature intended to encourage homeownership opportunities for low-income households

The tax preference performance statement states:

- The intent is to allow nonprofit developers to buy and hold land for future low-income housing development.
- The objective is to encourage additional homeownership opportunities for low-income households.

Nonprofit developers must apply for the exemption

For each exemption:

- A developer applies to the Department of Revenue (DOR).
- DOR decides whether the property qualifies.
- If the property qualifies, DOR notifies the developer and county assessor of the property's exempt status.
- The assessor removes the property from the tax roll.

The developer must apply on or before March 31 of each year to avoid late filing fees. The exemption begins for taxes due in the next year. For example, parcels exempted after the March 31, 2025, application deadline will be removed from the tax rolls for assessment year 2025. Beneficiary organizations will realize the property tax savings in calendar year 2026.

If the developer subdivides the property, the exemption applies to the new parcels; **Part 4** has additional information about subdivision.

When the developer sells the property, it must send DOR a notice of occupancy form. It is called a "New Owner Income Verification" form. The form shows that the new owner qualifies as a low-income household.

These are households whose adjusted income is less than 80% of the median family income in the county where the property is located.

Exemption lasts for up to seven years without renewal

Unlike most property tax exemptions, this preference does not require annual renewal. The exemption stays in place for seven years or until the developer sells or transfers the property. If the developer believes the property will not sell by the end of the seventh year, it can ask for a three-year extension. The extension application is due on or before March 31 of the sixth consecutive tax year.

Developer must pay exempted taxes if it does not sell or use the property for low-income housing

A developer can lose the exemption for a property if it:

- Does not sell the property to a qualifying low-income household before the exemption expires,
- Uses the property for a purpose other than low-income housing, or
- Transfers the property to anyone other than a low-income household or another nonprofit developer approved by DOR.

If any of these takes place, DOR notifies the property owner and county assessor. The assessor should then remove the exemption and return the parcel to the tax roll. The property owner must pay all previously exempted taxes with interest.

Preference expires in 2038

The Legislature approved the exemption in 2016. It added eligible types of low-income housing development in 2018, 2019, and 2024 (**Appendix E**).

DOR may not accept new applications after December 31, 2027. The preference expires on January 1, 2038.

Part 2.
Preference use

The 2016 Legislature directed JLARC to evaluate the number of parcels and the number of properties sold to low-income households.

Thirty organizations in 24 counties used the preference since enactment

Since enactment, 30 organizations used the exemption for parcels in 24 counties:

- Twenty-one Habitat for Humanity affiliates (70%).

- Eight community land trusts or home trusts (27%).
- One other nonprofit entity (3%).

Their approaches and business models vary. Some sell both the home and land, while others sell the home and lease the land. Some not only develop housing but also run programs like rental housing, home repair, and retail businesses.

The Habitat for Humanity affiliates are located throughout Washington. Six of the other nine organizations build houses in Western Washington and three are in Eastern Washington.

Appendix B has information about the developers, their properties, and their exemptions.

Developers claimed exemptions for 814 parcels

As of March 2025, DOR's data includes exemptions for 814 parcels issued since the preference was enacted.

- Of these, 501 were taxable and 293 were exempt. Another 20 were either missing a status determination from DOR or were under review.
- The 501 includes 339 that developers sold and 162 that are currently taxable but lack the required notice of occupancy or other explanatory information.

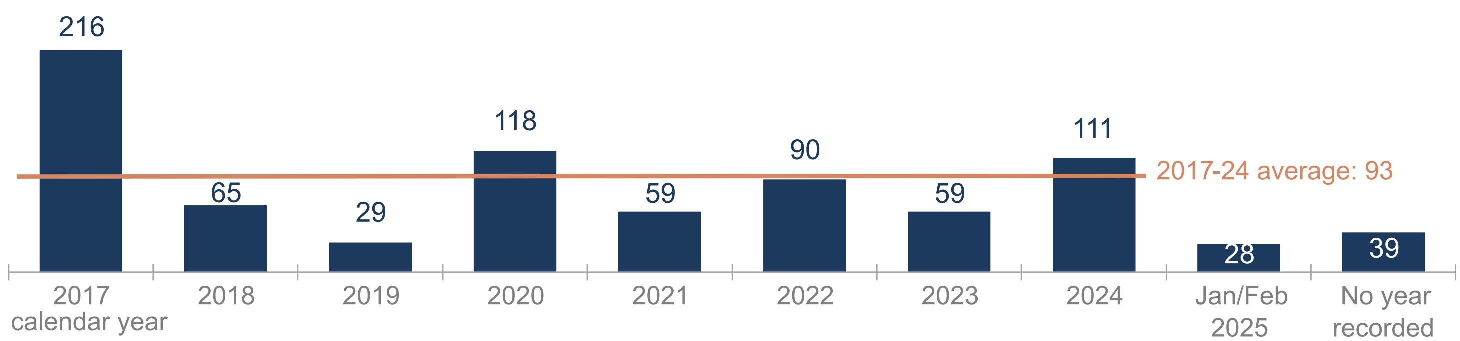
Between 2017 and 2024, an average of 93 new parcels were exempted each year. The number varied from a high of 216 in 2017 to a low of 29 in 2019. The number claimed reflects the first year in which the exemption applied (i.e., "first tax year").

The first tax year may be:

- The next year after DOR grants the exemption (e.g., 2025 for an exemption granted in March 2024).
- Up to three years before DOR grants the exemption, if the developer claims it retroactively.

Habitat for Humanity affiliates owned 76% of all properties exempted.

Figure 2: New exemptions each year range from 29 to 216



Source: JLARC staff analysis of DOR's nonprofit property tax exemption database extract.

Nonprofit developers sold 333 homes to qualifying low-income households

DOR data shows that developers sold 339 properties and sent DOR the required notice of occupancy form. Of these:

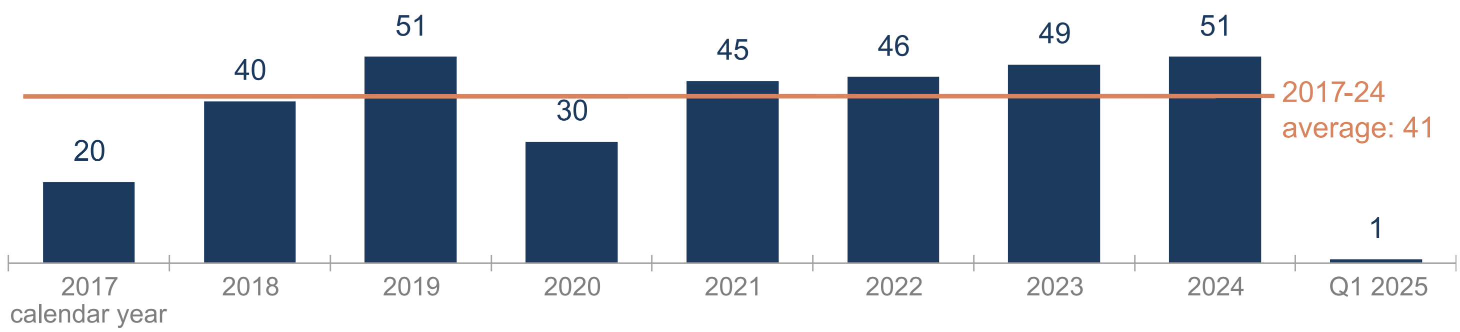
- 333 were sold to qualifying low-income households.
- Six were sold to buyers that did not meet the income qualifications. In these instances, all previously exempted taxes were billed to the property owners, plus interest.

On average, developers sold 41 properties to low-income households each year through 2024.

DOR data may not include some sales due to late and inconsistent notification

Developers have not consistently informed DOR when they sell exempt properties. As of March 2025, DOR had contacted developers for missing documents and was updating its records. **Part 4** addresses the reporting and communication challenges associated with this preference.

Figure 3: Developers sold 333 homes to qualifying households since 2017



Note: JLARC staff only considered properties where a notice of occupancy form was present. DOR notes that there are 10 parcels that do not have a form, but the agency considers them as qualified.

Source: JLARC staff analysis of DOR's nonprofit property tax exemption database extract.

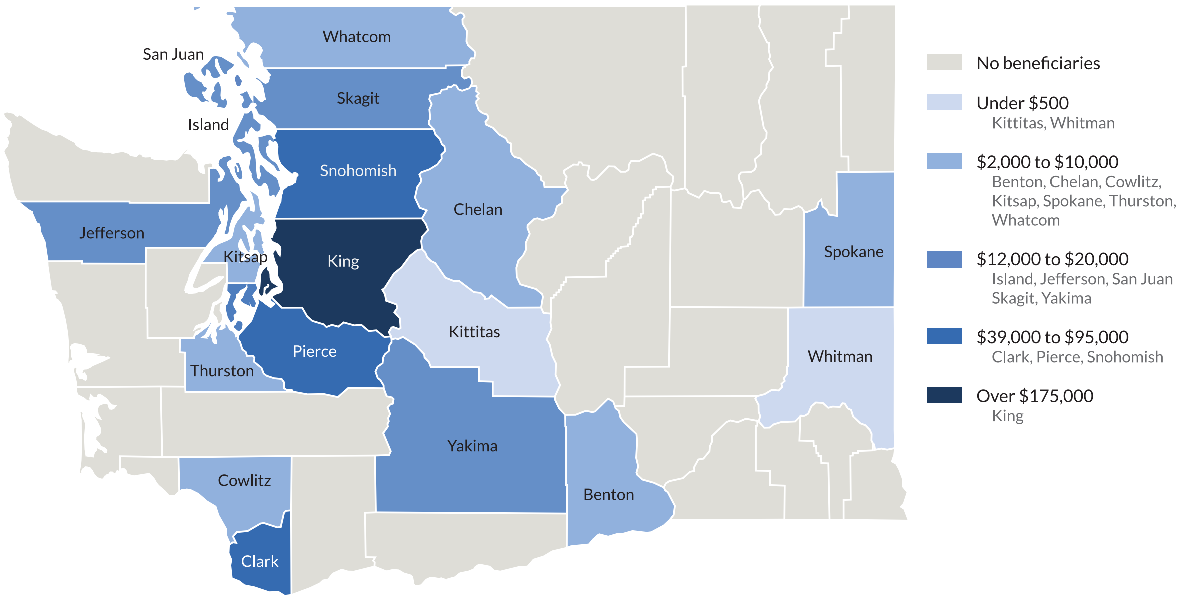
Exempt properties valued at $57.1 million in 2024

DOR's data includes 293 parcels that are exempt as of March 2025. Of those, 280 parcels included valuation and levy rate information for calculating beneficiary savings. In 2024, the total assessed value for the exempt properties was $57.1 million.

Beneficiaries will save a combined $512,000 in 2025. The amount each beneficiary will save varies, largely due to differences in property values. A higher property value may indicate that the developer has not yet subdivided the parcel. Also, in some instances, exempt properties may have existing structures on them.

- Beneficiaries will save between $436 and $103,100.
- Savings per parcel will range from under $1 to over $34,000. The seven parcels with savings over $10,000 are in King, Snohomish, and San Juan counties.
- Half of the parcels will have savings under $651.

Figure 4: The total amount saved by nonprofit developers in 2025 varies by county



Assessed value, beneficiary savings, and parcel detail by county

Parcels with 2025 tax savings are in 18 counties.

County	Assessed Value	Beneficiary Savings	Parcels
Benton	$256,000	$2,347	2
Chelan	$1,317,202	$9,439	5
Clark	$7,611,749	$72,798	20
Cowlitz	$557,000	$5,484	18
Island	$2,316,730	$16,798	23
Jefferson	$1,513,536	$13,056	10
King	$18,467,280	$176,668	32
Kitsap	$858,820	$7,425	9
Kittitas	$1,300	$11	13
Pierce	$9,001,300	$93,654	33
San Juan	$3,320,560	$19,018	11
Skagit	$2,068,500	$16,472	6

County	Assessed Value	Beneficiary Savings	Parcels
Snohomish	$5,099,400	$39,726	3
Spokane	$992,750	$8,541	18
Thurston	$761,100	$7,695	30
Whatcom	$1,372,875	$9,617	3
Whitman	$30,168	$436	1

Note: A beneficiary may not be in the same county as a parcel it owns.

Source: JLARC staff analysis of county assessor data.

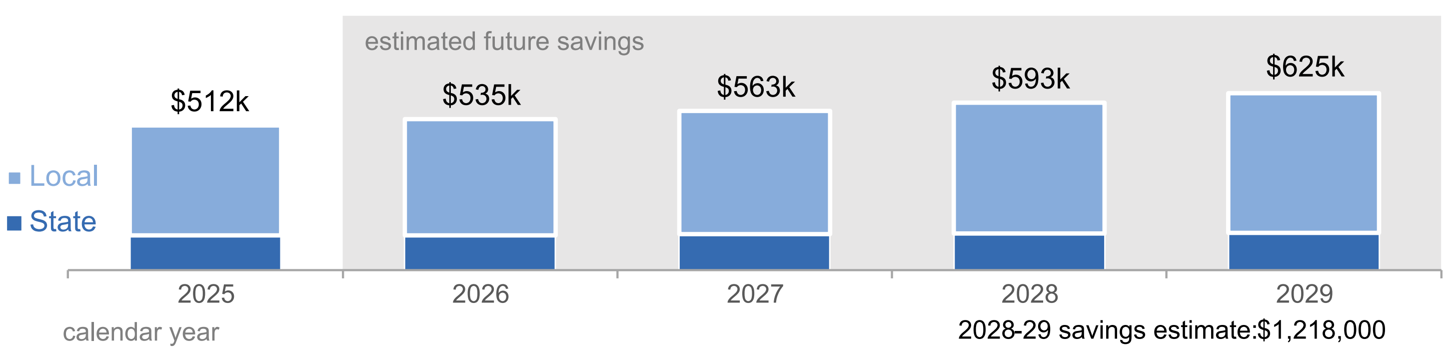
Beneficiary savings are expected to grow

Beneficiary savings will likely grow from $512,000 in 2025 to $625,000 in 2029. The projected growth is only from increased property values. This is consistent with DOR's approach to estimating savings in the 2024 Tax Exemption Study.

The amount of savings also depends on the number of exemptions granted through 2027 and when developers sell the homes. For example, if developers claim more exemptions, the actual beneficiary savings will likely be higher.

Using DOR's statewide levy forecast model, JLARC staff estimated approximately 95% of the beneficiaries' tax savings shifts to other taxpayers in counties where the exempt parcels are located.

Figure 5: Based on current number of exempt properties, beneficiary savings are estimated to be $1.2 million in 2028−29



Note: Under current law, DOR may not accept new applications after December 31, 2027.

Source: JLARC staff analysis of assessor data, DOR state levy forecasting model.

Data on the race and ethnicity characteristics of low-income homebuyers is not suitable for analysis

JLARC staff worked with nonprofit developers to understand the race and ethnicity characteristics of low-income homebuyers. While we received data from many of them, it could not be used to reach valid conclusions for several reasons:

- Reporting is often voluntary, making the data incomplete.
- Demographic information could not be linked to specific properties.
- Developers used different demographic categories and timeframes.
- Some datasets reflected only the head of the household while others recorded information about entire families.

Part 3.
Spending

The 2016 Legislature directed JLARC to evaluate the percentage of revenues that each beneficiary spent on developing low-income housing.

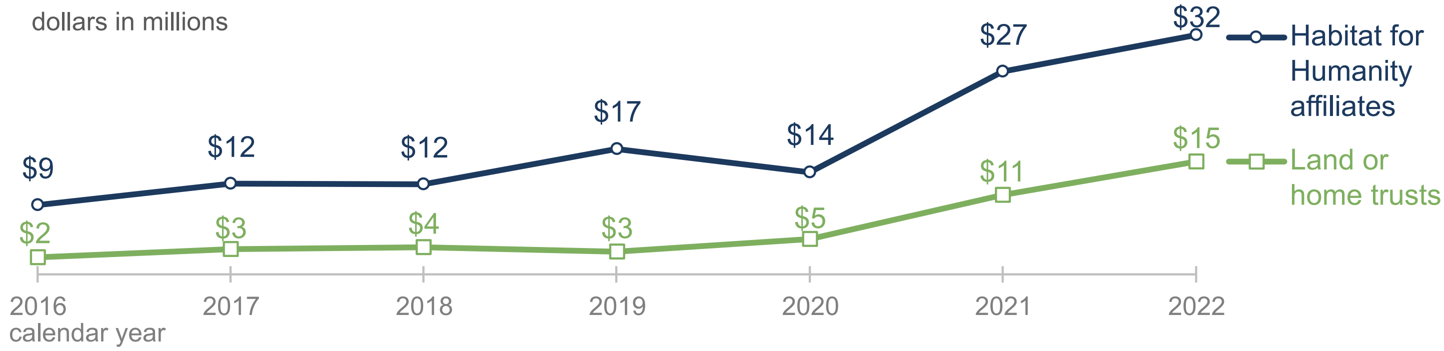
Nonprofit developers increased the amount spent on low-income housing

JLARC staff summarized self-reported financial data for two groups: all Habitat for Humanity affiliates and all community land or home trusts. While both build low-income housing, their operations and expenses differ.

- Habitat for Humanity affiliates tend to operate in similar ways and run other programs like retail stores. Sixteen are included in the analysis.
- Trusts tend to be more narrowly focused on housing development, although at least one also has a rental program. Six are included in the analysis.

The overall amount spent on low-income housing for each of the two groups increased since 2016, with some year-to-year fluctuation.

Figure 6: Developers increased their spending on low-income housing from 2016 through 2022



Source: JLARC staff analysis of spending on developing housing and financial reports provided by nonprofit developers.

Performance metric reflects share of revenue spent on low-income housing

The Legislature said that if most nonprofit developers increase the percentage of revenue spent on low-income housing while claiming the exemption, it intended to extend the expiration date.

The share is calculated for each year as the amount the developer reported spending on developing low-income housing divided by its total revenue.

Performance metric calculation

$$\text{Developer's share of revenue spent on low-income housing} = \frac{\text{Amount spent developing low-income housing}}{\text{Total revenue}}$$

State law directs beneficiaries to give annual financial statements to JLARC, such as Internal Revenue Service (IRS) 990 forms and audited financial statements. The beneficiaries also must identify the information on the statements that they believe could be used to calculate the performance metric.

Twenty-two of the 30 beneficiaries (73%) provided data that was sufficient for analysis. Of the remaining eight beneficiaries, four had their first exemption in 2024, three had organizational changes that limited the available data, and one did not respond to JLARC's request. More information is in **Appendix C**.

Ten developers achieved the performance metric

Each of the 22 developers with sufficient data spent a different percentage of their revenue on low-income housing each year.

- Ten had an overall positive trend. This means that each spent an increasing percentage of their revenue on low-income housing.
- Twelve had an overall flat or negative trend.

The results did not vary significantly by group: seven of the 16 Habitat for Humanity affiliates and three of the six trusts had increasing trends. **Appendix C** includes the trend for each nonprofit included in the analysis.

Performance metric may not capture the Legislature's objective to encourage additional homeownership opportunities for low-income households

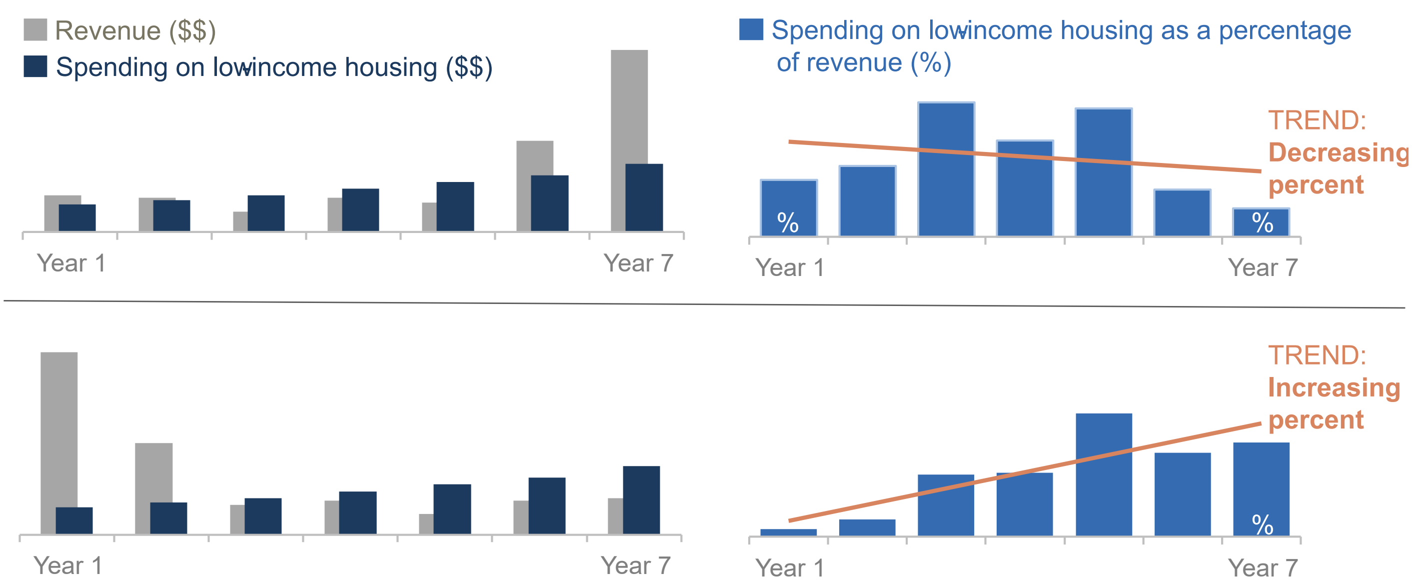
A developer may build housing and still experience an overall decreasing trend in the metric. For example:

- Revenue such as government grants or one-time cash contributions may overwhelm spending in a particular year. This can distort the trend of the performance metric and suggest an increase or decrease in spending. This is shown in the example below.
- Housing development projects usually occur over multiple years. But, according to representatives for Habitat for Humanity, state and federal financial reports show the expenses only in the year that the home sells. This can also distort the trend of the performance metric.
- Programs like retail stores or rental programs can increase total revenue without making more funds available for housing. For example, nonprofits may use such revenue to support ongoing program operations.

Example: Variations in revenue can distort the trend used to measure performance

In both examples, the amount spent increases each year.

- In the top graphs, revenue spikes at the end of the cycle (left), so there is a decreasing trend in spending as a percentage of revenue (right).
- In the bottom graphs, revenue spikes at the start of the cycle (left), so there is an increasing trend in spending as a percentage of revenue (right).



Other metrics may better reflect legislative intent

The Legislature intended to encourage additional homeownership opportunities for low-income households. The performance metric may not effectively inform an evaluation of the preference because:

- It focuses on changes in revenues rather than homeownership.
- Spending as a percentage of revenue does not directly translate to building more homes, especially if costs like materials, labor, and permits rise.
- Total estimated beneficiary savings is about 1% of overall reported spending on low-income housing development, making it unlikely to significantly incent additional investment.

A more relevant measure of performance may be the number of homes sold using the preference compared to the number of homes sold without the preference.

The Legislature may be interested in knowing the value of the preference and how each beneficiary uses the savings. If so, it should consider requiring developers to report annually on the amount of property tax saved and its impact on their mission to supply low-income housing. This reporting could be certified by each organization's accountant.

Part 4.
Administrative issues

DOR was unable to provide JLARC staff with a complete list of exempt parcels (**Appendix D**). Its data issues appear to stem from problems with information sharing between DOR, county assessors, and nonprofit developers.

Lack of information about subdivisions can lead to inaccurate data about the number of exempt parcels

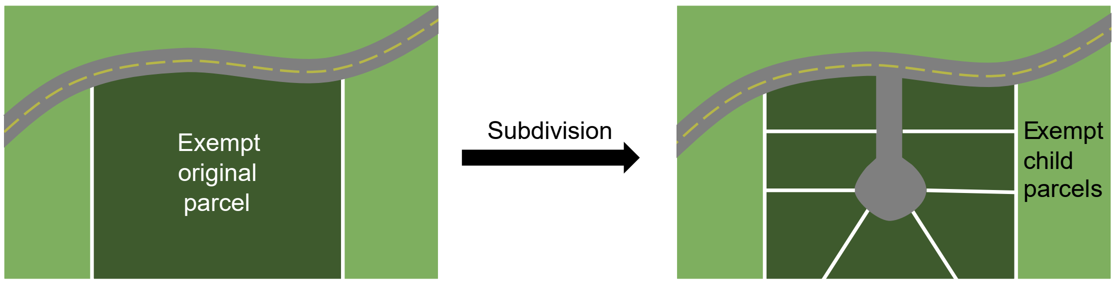
DOR and county assessors have information-sharing responsibilities:

- DOR decides whether a parcel qualifies for an exemption. It notifies the assessor and developer when the parcel is exempt or taxable.
- Assessors track when a parcel's use changes, including when it is sold. DOR rules require assessors to notify the department when they learn about a change in use of exempt property (WAC 458-16-150 (4)).
- Assessors also track when a parcel has boundary changes (e.g., divided into smaller parcels). They are not required to notify DOR.

Problems can arise when DOR does not receive information. For example, developers may divide a large parcel into multiple "child parcels" and develop them individually. The original "parent parcel" becomes inactive and the child parcels receive their own parcel numbers. DOR states that assessors and developers do not routinely inform the department about subdivisions. This results in an undercount of exempt parcels and incomplete appraisal information. In one instance, following an inquiry from JLARC staff, DOR found nearly 100 child parcels in King County that were not in the agency's data.

Unlike most other property tax exemptions, this preference does not require annual renewal. Requiring developers to renew each year could help DOR to better track exempt parcels by alerting it to subdivisions. DOR updated its guidance in 2025 to instruct beneficiaries that they need to tell it when a parcel is subdivided.

Figure 7: Developers may divide a large parcel into "child parcels" that also become exempt



Source: JLARC staff analysis.

Some developers did not share information with DOR, as required by law

Nonprofit developers must immediately notify DOR when they sell or transfer an exempt property. They also must certify that the new owner qualifies as a low-income household.

However, while responding to JLARC staff inquiries, DOR learned that developers had not shared all required information. For example, in November 2024, DOR reported that more than 40 sold parcels in Pierce County were missing required documentation such as the notice of occupancy.

Throughout JLARC's review, DOR worked with the developers to identify missing parcels, collect missing documentation, and update the database. It believes that, as of February 2025, it had received all notices of occupancy for previously sold parcels. It began updating its database accordingly.

DOR is working to improve its administration of the preference

DOR acknowledged it lacked a reliable way to track parcel changes over time. It reports that it has taken steps to improve the administration, including:

- Educating developers about their ongoing reporting responsibilities under the preference.
- Updating the notice of occupancy form to better align with statute and facilitate the sharing of missing documentation. This is the form that a developer uses to report a property sale and whether a homebuyer qualifies as a low-income household.

As of March 2025, the agency also is considering:

- Developing guidance to further outline the responsibilities of county assessors.
- Exploring ways to improve their internal tracking of exempt properties such as sending out annual reminders to nonprofit owners.

Recommendations

The Legislative Auditor makes two recommendations.

Recommendation #1:
The Legislature should determine whether to continue the preference.

- It provides tax relief and helps nonprofit developers to build homes intended for low-income households.
- However, it does not meet the criteria for the Legislature Auditor to recommend continuing the preference.

Legislation required: Yes.

Fiscal impact: Depends on Legislature's policy choice.

Implementation date: 2027 legislative session.

Recommendation #2:
If the Legislature chooses to continue the preference, it should consider modifying it.

Options may include:

- Adopting performance metrics that better align with the objective of providing additional housing opportunities for low-income households. It may wish to work with nonprofit developers in doing so.
- Requiring nonprofit developers to renew the preference annually, like most other nonprofit property tax exemptions. This may help facilitate more consistent communication between DOR, county assessors, and developers. It could also help alleviate data collection and reporting challenges that complicated this review.

Legislation required: Yes.

Fiscal impact: Depends on Legislature's policy choice.

Implementation date: 2027 legislative session.

Letter from commission chair

To be included in proposed final report.

Commission recommendation

To be included in proposed final report.

Current recommendation status

JLARC staff review whether the agency acted on the recommendation for four years. The first review typically happens about a year after we issue the report. The most recent responses from agencies and status of the recommendations in this report can be viewed on our **legislative auditor recommendations page**.

Appendices

Appendix A: Glossary | **Appendix B: Nonprofit developers' use of the exemption** | **Appendix C: Performance metric** | **Appendix D: Data limitations** | **Appendix E: Applicable statutes** | **Appendix F: Study questions & methods** | **Appendix G: Audit authority** | **Appendix H: Study Process**

Appendix A: Glossary

Qualifying low-income household

A single person, family, or unrelated persons living together whose adjusted income is less than 80% of the median family income adjusted for family size as most recently determined by the U.S. Department of Housing and Urban Development in the county where the property is located.

Nonprofit entity

An organization, association, or corporation that meets the definition of nonprofit in RCW 84.36.800 and is exempt from federal income taxation under 26 U.S.C. Sec 501(c)(3).

Qualified cooperative association

A cooperative association formed under Washington's cooperative associations statute (RCW 23.86) or the nonprofit miscellaneous and mutual corporations act (RCW 24.06). It must own the property for which the exemption is sought. Upon completion of the development project:

- At least 60% of the residential units must be owned by low-income households.
- 80% or more of the square footage of any improvements to the property must be made available to the owners of the residences.

Qualified mutual self-help program

A program that supports low-income housing development through a mutual self-help construction method by which multiple low-income households use their own labor to reduce construction costs. These programs must be operated by a nonprofit entity and receive grant funding from the U.S. Department of Agriculture. The grant recipient supervises the group and provides technical assistance, as needed.

Appendix B: Nonprofit developers' use of the exemption

DOR shared parcel-level data for 33 nonprofit developers that applied for the low-income housing exemption.

- Twenty-one are Habitat for Humanity affiliates.
- Eight are self-described community land trusts or homes trusts.
- One is another nonprofit: Catholic Charities Housing Services — Diocese of Yakima.

JLARC staff excluded three organizations from the analysis:

- Vashon Household applied for the exemption, but DOR determined the properties did not meet the statutory requirements.
- Whatcom-Skagit Housing first applied in 2017 and was initially approved by DOR. It was later determined they did not qualify because the nonprofit was selling the land to low-income households before the development of a residence. The Legislature expanded the tax preference in 2024 to include real property sold to a low-income household that contracts with the nonprofit to build, or have built, a residence on the property, through a qualified mutual self-help housing program.
- Harriet Tubman Foundation for Safe Passage had one parcel under review as of August 2024. DOR has since denied its application for the property tax exemption.

Figure 8 shows the developers included in JLARC's analysis. It includes information about when each organization first claimed an exemption under the low-income housing preference, a count of parcels that have been exempted since the preference was enacted, and the number of sales made to qualifying low-income households.

The count of qualifying sales captures all parcels purchased by a homebuyer who meets the statutory definition of low-income household and for which DOR has a notice of occupancy on file.

Figure 8: Thirty developers used the exemption

Organization	First Year Exemption Claimed	Exempt (Mar. 25)	Taxable (Mar. 25)	N/A	Total	Number of Properties Sold to Qualifying Households
Catholic Charities Housing Services	2017	38	67	0	105	0
Chelan Valley Housing Trust	2020	2	6	0	8	1

Organization	First Year Exemption Claimed	Exempt (Mar. 25)	Taxable (Mar. 25)	N/A	Total	Number of Properties Sold to Qualifying Households
Columbia Gorge Habitat for Humanity	2018	0	1	0	1	0
Common Ground Community Housing Trust	2024	1	0	0	1	0
Cowlitz County Habitat for Humanity	2017	18	7	0	25	5
Ecothrive Housing	2024	1	0	0	1	0
Evergreen Habitat for Humanity	2022	19	8	0	27	8
Greater Lewis County Habitat for Humanity	2017	0	3	0	3	3
Habitat for Humanity in Whatcom	2024	0	1	0	1	0
Habitat for Humanity Lake Chelan Valley	2017	2	0	0	2	0
Habitat for Humanity of Clallam County	2017	0	0	15	15	0
Habitat for Humanity of East Jefferson County	2017	10	31	0	41	26
Habitat for Humanity of Island County	2018	22	10	1	33	2
Habitat for Humanity of Kitsap County	2017	9	16	0	25	16
Habitat for Humanity of Snohomish County	2024	1	0	0	1	0

Organization	First Year Exemption Claimed	Exempt (Mar. 25)	Taxable (Mar. 25)	N/A	Total	Number of Properties Sold to Qualifying Households
Habitat for Humanity Seattle King County	2017	36	65	0	102	61
Habitat for Humanity Spokane	2017	18	51	0	69	35
Homes and Hope Community Land Trust	2020	2	0	0	2	0
Homestead Community Land Trust	2018	21	20	0	42	12
Kittitas County Habitat for Humanity	2023	0	2	0	2	1
Kulshan Community Land Trust	2019	3	22	0	27	18
Okanogan County Habitat for Humanity	2017	0	1	0	1	0
Opal Community Land Trust	2019	7	0	0	7	0
Palouse Habitat for Humanity	2020	1	3	0	4	3
San Juan Community Home Trust	2017	4	0	0	4	0
Skagit Habitat for Humanity	2020	6	6	0	12	4
South Puget Sound Habitat for Humanity	2017	30	27	0	56	23

Organization	First Year Exemption Claimed	Exempt (Mar. 25)	Taxable (Mar. 25)	N/A	Total	Number of Properties Sold to Qualifying Households
Tacoma/Pierce County Habitat for Humanity	2017	33	60	0	92	52
Tri-County Partners Habitat for Humanity	2017	4	57	0	62	34
Yakima Valley Partners Habitat for Humanity	2017	5	37	0	43	29
Total		**293**	**501**	**16**	**814**	**333**

Notes: The first year the exemption was claimed may precede the date DOR granted the exemption. This is because developers can claim the exemption retroactively for up to three years. Four additional parcels are partially exempt or pending DOR approval.

Source: JLARC staff analysis of DOR's nonprofit property tax exemption database.

Appendix C: Performance metric

JLARC staff requested financial information from 30 nonprofit developers. We worked with Habitat for Humanity of Washington State to develop a data-reporting protocol and worksheet. Each developer was asked to provide financial information and supporting documentation (e.g., IRS 990 forms) for all years they were operating between 2016 and 2023. This included information about:

- Total revenues and expenses from all activities.
- Revenues and expenses associated with developing low-income housing only.

Twenty-two developers had sufficient data for analysis

Our analysis included 22 developers: 16 Habitat affiliates and six land and home trusts. JLARC staff excluded eight developers.

Habitat for Humanity of Washington State provided revenue and expense information and supporting documentation for its affiliates. The analysis includes 16 of the 21 Habitat for Humanity affiliates.

- Two affiliates (Whatcom County and Snohomish County) were excluded from the analysis because they received their first exemptions in 2024.

- Three affiliates in Kittitas, Lewis, and Okanogan counties were excluded because there is limited data following mergers or other organizational changes.

The other nine developers include Catholic Charities Housing Services — Diocese of Yakima and eight community land trusts or home trusts. Four of these organizations provided the requested revenue and expense information and supporting documentation for the full study period.

- Two nonprofits (Ecothrive Housing and Common Ground Community Housing Trust) were excluded because they received their first exemptions in 2024.
- Catholic Charities was omitted because it did not respond to JLARC's data request.

Trend in revenue dedicated to developing low-income housing

Figure 9 lists the 22 beneficiaries that had sufficient data for analysis. For each, the table notes the years for which they had exempt parcels and the overall trend for the percentage of revenues dedicated to developing low-income housing.

Figure 9: Twenty-two beneficiaries had sufficient data to calculate the performance metric. Ten showed an increasing trend.

Beneficiary Organization	Years with Exempt Properties	Trend for Percentage of Revenue for Low-income Housing
Chelan Valley Housing Trust	2020-2023	Increasing
Columbia Gorge Habitat for Humanity	2018-2022	Increasing
Cowlitz County Habitat for Humanity	2017-2023	Increasing
Evergreen Habitat for Humanity	2012-2023	Decreasing
Habitat for Humanity Lake Chelan Valley	2017-2023	Decreasing
Habitat for Humanity of Clallam County	2017-2023	Decreasing
Habitat for Humanity of East Jefferson County	2017-2023	Increasing
Habitat for Humanity of Island County	2018-2022	Decreasing
Habitat for Humanity of Kitsap County	2017-2023	Decreasing
Habitat for Humanity Seattle/King County	2017-2022	Increasing

Beneficiary Organization	Years with Exempt Properties	Trend for Percentage of Revenue for Low-income Housing
Habitat for Humanity Spokane	2017-2022	Increasing
Homes and Hope Community Land Trust	2020-2023	Decreasing
Homestead Community Land Trust	2018-2023	Decreasing
Kulshan Community Land Trust	2019-2023	Decreasing
Opal Community Land Trust	2019-2023	Decreasing
Palouse Habitat for Humanity	2020-2023	Decreasing
San Juan Community Home Trust	2017-2023	Increasing
Skagit Habitat for Humanity	2020-2021	Decreasing
South Puget Sound Habitat for Humanity	2017-2022	Increasing
Tacoma/Pierce County Habitat for Humanity	2017-2023	Decreasing
Tri-County Partners Habitat for Humanity	2017-2023	Increasing
Yakima Valley Partners Habitat for Humanity	2017-2023	Increasing

Source: JLARC staff analysis of revenue information and financial documentation provided by developers.

Developers varied in their approaches to reporting revenue and other financial information

Consistent with statutory directives, JLARC staff asked beneficiaries to report revenue information and provide supporting financial statements. The data is self-reported and JLARC staff noted errors and inconsistencies in the revenue and expenditure categories. These varied across beneficiaries and sometimes within beneficiaries, leading to variability in the metric. For example, many beneficiaries reported the cost of construction as an expense, but only in years they sold homes. Some also included one or more other expenses such as bank fees, licenses and dues, and discounts on mortgages.

Also, the level of detail on the financial statements varied by organization size, since entities that do not meet certain revenue thresholds report less information to state and federal agencies.

Appendix D: Data limitations

Between July and October 2024, JLARC staff submitted multiple data requests to DOR and worked with the agency to request valuation information from county assessors. For each parcel, assessors were asked to provide information including the assessed value of the land, the assessed value of any improvements, the tax code area, and the levy rate. Additionally, assessors were asked to note any changes to property borders or changes in ownership.

In August 2024, DOR provided data for 433 exempt parcels. The next month, it provided an updated list of 857 parcels that also included parcels that had sold. In February 2025, DOR shared an updated list of 954 exempt parcels. JLARC staff refined this list to 814 parcels for analysis. JLARC staff removed parcels for various reasons, including:

- Property owners sought exemptions for parcels that did not qualify.
- Some parcels are no longer active (e.g., due to property divisions).
- Some parcels' records are missing information for key variables.

JLARC staff worked with DOR's property tax division to request property values from 24 county assessors for all exempt parcels in their jurisdictions. Twenty-one assessors responded to the request, and JLARC staff collected information for the three other counties (Clallam, King, and Whatcom) using publicly available information.

In some cases, assessors did not include valuation information for parcels that had been subdivided. JLARC staff used publicly available data sources such as the assessors' parcel search websites or a county's short master files to add missing valuation and levy rate information to augment data that assessors provided.

Appendix E: Applicable statutes

RCW **84.36.049** — Nonprofit homeownership development.

Appendix F: Study questions

By law, tax preference reviews must address these study questions

Study questions define the scope of the audit. These reviews will consider the study questions as they relate to each preference, which were presented to JLARC in September 2024 (**view here**).

- **Public policy objectives:** What did the Legislature intend to accomplish? Has the preference achieved those goals?
  - The Legislature defined specific performance metrics for some tax preferences.
  - For others, JLARC staff infer objectives and metrics.
- **Beneficiaries:** Who does the preference benefit, either directly or indirectly? How much have they saved?
- **Revenue and economic impacts:** What are the impacts to the taxpayers and the state?
- **Other states:** Do other states have a similar tax preference?
- **Racial equity:** Are there racial equity considerations associated with the tax preferences?

Methods

The methodology JLARC staff use when conducting analyses is tailored to the scope of each study, but generally includes the following:

- **Interviews** with stakeholders, agency representatives, and other relevant organizations or individuals.
- **Site visits** to entities that are under review.
- **Document reviews**, including applicable laws and regulations, agency policies and procedures pertaining to study objectives, and published reports, audits or studies on relevant topics.
- **Data analysis**, which may include data collected by agencies and/or data compiled by JLARC staff. Data collection sometimes involves surveys or focus groups.
- **Consultation with experts** when warranted. JLARC staff consult with technical experts when necessary to plan our work, to obtain specialized analysis from experts in the field, and to verify results.

The methods used in this study were conducted in accordance with Generally Accepted Government Auditing Standards.

More details about specific methods related to individual study objectives are described in the body of the report under the report details tab or in technical appendices.

Appendix G: Audit authority

The Joint Legislative Audit and Review Committee (JLARC) works to make state government operations more efficient and effective. The Committee is comprised of an equal number of House members and Senators, Democrats and Republicans.

JLARC's nonpartisan staff auditors, under the direction of the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee.

The statutory authority for JLARC, established in **Chapter 44.28 RCW**, requires the Legislative Auditor to ensure that JLARC studies are conducted in accordance with Generally Accepted Government Auditing Standards, as applicable to the scope of the audit. This study was conducted in accordance with those applicable standards. Those standards require auditors to plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The evidence obtained for this JLARC report provides a reasonable basis for the enclosed findings and conclusions, and any exceptions to the application of audit standards have been explicitly disclosed in the body of this report.

Appendix H: Study process

View guide to JLARC Tax Preference Reviews **here**.

JLARC members on publication date

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