

SENATE BILL REPORT

SHB 2007

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, APRIL 1, 1993

**Brief Description:** Allowing tax proceeds to be used for low-income housing.

**SPONSORS:** House Committee on Revenue (originally sponsored by Representatives Ogden, Wood and H. Myers)

**HOUSE COMMITTEE ON REVENUE**

**SENATE COMMITTEE ON LABOR & COMMERCE**

**Majority Report:** Do pass.

Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Fraser, McAuliffe, Pelz, Sutherland, and Wojahn.

**Staff:** Patrick Woods (786-7430)

**Hearing Dates:** March 31, 1993; April 1, 1993

**BACKGROUND:**

In 1982, the Legislature authorized cities and counties (local governments) to impose an excise tax on each sale of real property at a rate not to exceed 0.25 percent of the selling price. This authorization was intended to replace the loss of revenue that would result from local governments being restricted from imposing system development charges. The proceeds from the tax are placed in a capital improvement fund to be used for local improvements.

The 1990 Growth Management Act (GMA) restricted the use of the 0.25 percent excise tax in those local governments required or choosing to plan under the GMA primarily for: (1) financing capital projects specified in a capital facilities plan element of a comprehensive plan, and (2) housing relocation assistance. Exceptions were made for projects previously pledged to debt retirement.

In 1992, the Legislature required local governments with populations in excess of 5,000 and that are required or have opted to plan under GMA, to use the excise tax proceeds solely for financing capital projects specified in a capital facilities element of the comprehensive plan or for housing relocation assistance. Revenue pledged to debt retirement or committed to a project prior to April 30, 1992, may be used for those purposes until the original debt for which the revenue was pledged is retired or the project is completed.

The term "capital project" is defined to include streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and

sanitary sewer systems, parks, recreational facilities, trails, libraries, law enforcement facilities, administrative or judicial facilities, or river or waterway flood control projects.

**SUMMARY:**

Housing projects that are consistent with the local government housing element of a comprehensive plan are eligible to receive funding from the 0.25 percent excise tax on the sale of real property. The revenue generated from the excise tax cannot be used for public aid or services with the exception of housing relocation assistance. "Housing project" is defined as construction, reconstruction, acquisition, or rehabilitation of publicly or nonprofit owned housing for households with incomes at or below 80 percent of median income, adjusted for household size, for the county where the housing is located.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR:**

Affordable housing needs have continued to expand. Local governments need a source of revenue to address housing needs. The bill gives local governments the option of using excise tax for housing projects that are consistent with their Growth Management Act required housing element. The use of excise tax for other capital projects would continue.

**TESTIMONY AGAINST:**

This bill allows local governments to divert funds from capital projects.

**TESTIFIED:** PRO: Cynthia Sullivan, Kent City Council; Dan Kelleher, Mayor of Kent; CON: Terri Holvedt, WA Assn. of Realtors; Dick Ducharme, Building Industry Assn. of WA;