
**Community Development, Housing &
Tribal Affairs Committee**

HB 2650

Brief Description: Allowing the use of lodging taxes for financing workforce housing.

Sponsors: Representatives Fitzgibbon, Pettigrew, Sullivan, Orwall, Pollet and Freeman.

Brief Summary of Bill

- Clarifies that hotel-motel tax revenues can be used to pay off bonds issued for affordable workforce housing.

Hearing Date: 1/28/14

Staff: Sean Flynn (786-7124).

Background:

The state imposes an excise tax on the sale of goods and services provided in the state, including the furnishing of lodging by a hotel, motel, rooming house, private campground, trailer park, and similar short-term accommodation. Cities and counties are authorized to impose an additional special local excise tax on lodging services, known as a local hotel-motel tax.

One type of local hotel-motel tax allows cities and counties to levy up to 2 percent of a lodging charge, which is credited against the state tax rate of 6.5 percent. Counties imposing this "state shared hotel-motel tax" also must provide a credit for a similar tax imposed by any city within the county. Counties and cities also have authority to levy an additional special hotel-motel tax that may be added onto the state tax rate.

Revenue generated from these special local hotel-motel taxes generally are used for tourism promotion or the acquisition and operation of tourism-related facilities. A county may issue general obligation and revenue bonds that are payable from the special hotel-motel tax revenues.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

There are certain exceptions on the application and use of the 2 percent state shared hotel-motel tax in certain cities. Cities in King County, except the city of Bellevue, are prohibited from imposing this tax. Currently, all revenues from the state shared hotel-motel tax in King County must be used in the following manner:

- Through 2015 all revenue must be used first to pay off the Kingdome bonds. Once the debt on those bonds is retired, the revenues are distributed into a special account dedicated to art, culture, and heritage museums and arts programs.
- From 2016-2020 all tax revenues must be deposited into the account created to finance the football stadium and exhibition center. That debt is anticipated to be retired in 2020.
- Beginning in 2021:
 - at least 37.5 percent of the state shared hotel-motel tax revenues for King County must be distributed to a special art, culture, and heritage museums and arts programs account;
 - at least 37.5 percent of the state shared hotel-motel tax revenues must be distributed for affordable workforce housing within one-half mile of a transit station, or for homeless youth services; and
 - the remainder must be used for capital and operating programs that promote tourism.

Yakima County is exempt from providing a tax credit for the state shared hotel-motel taxes imposed within the city of Yakima. As a result, Yakima County benefits from a double credit against the state sales tax for hotel charges in the city of Yakima. The Yakima double credit is scheduled to end January 1, 2035.

Workforce Housing and Homeless Services.

For purposes of the state share hotel-motel tax revenues, affordable workforce housing means housing for households whose income is between 30 and 80 percent of the median income in the county where the housing is located. For King County in 2013 the 30 to 80 percent range of the median income was as follows: for a single person: \$18,200 - \$45,100; for a family of four: \$26,000 - \$64,400.

The King County Housing and Community Development Program provides financing for housing projects through local housing authorities and non-profit organizations. The Housing and Community Development Program also provides services for homeless persons, including homeless youth and young adults.

Summary of Bill:

Counties and cities may issue general obligation or revenue bonds for affordable workforce housing within 0.5 miles of a transit station that are paid with hotel-motel tax revenues.

Beginning in 2021:

- at least 37.5 percent of the state shared hotel-motel tax revenues for King County must be distributed to a special art, culture, and heritage museums and arts programs account;
- at least 37.5 percent of revenues from the state shared hotel-motel taxes used for affordable workforce housing or homeless youth can be used to retire bonds issued for

- contracts, loans, or grants to the nonprofit organizations or public housing authorities that provide affordable workforce housing or services for homeless youth; and
- the remainder of revenues must be used to retire bonds.

Revenue bonds issued by a county or city for purposes of funding affordable workforce housing must require that the debt service is limited to no more than 50 percent of the revenue from such bonds.

Appropriation: None.

Fiscal Note: Requested on 1/24/2014.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.