FINAL BILL REPORT
SHB 1223

C 102 L 15
Synopsis as Enacted

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

Sponsors: House Committee on Community Development, Housing & Tribal Affairs (originally sponsored by Representatives Springer, Kochmar, Sullivan, Rodne, Pettigrew, Wilcox, Fitzgibbon, McBride, Tarleton, Stokesbary, Sells, Lytton, Bergquist, Ormsby, Pollet, Fey, Santos and Walkinshaw).

House Committee on Community Development, Housing & Tribal Affairs
House Committee on Finance
Senate Committee on Human Services, Mental Health & Housing

Background:

Hotel-Motel Tax.
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 may 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 may levy an additional special hotel-motel tax that may be added onto the state tax rate.

Revenue generated from these 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.

There are certain local 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:

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.

- Through 2015 all revenue must be used first to pay off the Kingdome stadium 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 0.5 miles of a transit station or for homeless youth services; and
  - the remainder must be used for capital and operating programs that promote tourism.

<u>Workforce Housing and Homeless Services</u>.
For purposes of the state shared 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. According to the 2014 federal guidelines, the 30 to 80 percent range of the median income in King County is as follows: $18,550-$45,750 for a single person; and $26,450-$63,900 for a family of four.

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

<u>Community Preservation and Development Authority</u>.
The Legislature may, by statute, authorize the creation of a Community Preservation and Development Authority (CPDA) that is proposed by residents, property owners, employers, and business owners of a community adversely impacted by the construction and operation of publicly funded facilities. The community proposal must identify a stable source of revenue that has a nexus with multiple publicly funded facilities that have adversely impacted the community and that can be used to fund operating and capital projects.

The board of directors for a CPDA must include business representatives, residents, nonprofit and social service providers, persons with knowledge of the community, and local legislative representatives who serve as ex-officio members. Board elections are held during annual local town hall meetings.

Among its powers, a CPDA has the authority to fundraise, employ, enter into real estate contracts, invest, and incur debt. The CPDA may accept public funding; however, it may not use funds to support a political candidate or party.

The CPDA must establish its geographic boundaries and develop a strategic plan to restore and promote the health, safety, economic welfare, and cultural and historic identity of the impacted community. The CPDA may establish funding mechanisms to support capital and operating projects, including private and public funding, that address the negative impacts of multiple publicly funded projects on the community. The CPDA also must report to the Legislature and at its annual town hall meeting on implementation of its strategic plan. State and local government agencies must consult with the CPDA regarding the siting and construction of future major public facilities.

The first and only CPDA was authorized in 2007 in the Seattle Pioneer Square and International District communities. The CPDA is currently called "Historic South Downtown."

Summary:

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 revenues from the state shared hotel-motel tax revenue for King County must be used:

- for contracts, loans, or grants to nonprofit organizations or housing authorities for affordable workforce housing within 0.5 miles of a transit station or for homeless youth services, or to repay general obligation or revenue bonds to finance those contracts loans, or grants; or
- to repay revenue bonds used to finance projects authorized by a CPDA that promote sustainable workplace opportunities near a community impacted by the construction or operation of tourism-related facilities.

The debt service on revenue bonds issued by a county or city for purposes of funding affordable workforce housing is limited to no more than 50 percent of the hotel-motel tax revenue on projects reasonably expected to spend funds within three years. Ten percent of the proceeds from all revenue bonds issued for affordable workforce housing must be used to finance projects authorized by a CPDA to promote sustainable workplace opportunities near a community impacted by the construction of tourism-related facilities.

Votes on Final Passage:

House	63	35
Senate	32	17

Effective: July 24, 2015