SENATE BILL REPORT
SHB 1223

As of March 31, 2015

Title: An act relating to allowing the use of lodging taxes for financing workforce housing.

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).

Brief History: Passed House: 3/05/15, 63-35.
Committee Activity: Human Services, Mental Health & Housing: 3/30/15.

SENATE COMMITTEE ON HUMAN SERVICES, MENTAL HEALTH & HOUSING

Staff: Alison Mendiola (786-7444)

Background: Hotel-Motel Tax. A hotel-motel tax is a special sales tax on lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and other similar facilities. Cities and counties are authorized to levy a basic or state-shared hotel-motel tax of up to 2 percent. These taxes are credited against the state sales tax on the furnishing of lodging. Other hotel-motel taxes are imposed in addition to ordinary state and local sales taxes and are added to the amount paid by the customer.

The hotel-motel tax in King County applies to servicing the debt on the Kingdome as well as other programs in King County. Once the Kingdome debt is retired, then the full portion of the local hotel-motel tax in King County is dedicated to retiring the debt on CenturyLink Field. Once that is debt is retired, starting in 2021, that portion of the hotel-motel tax revenue will support the arts, workforce housing, and tourism.

In 2011 the Legislature passed ESSB 5834 which provides that beginning January 1, 2021, that:

- at least 37.5 percent of the county hotel-motel tax revenues will be used for the arts and heritage programs;
- at least 37.5 percent of the county hotel-motel tax revenues will be distributed for affordable workforce housing and services for homeless youth; and

---

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.

- the remainder must be used for capital or operating programs that promote tourism and attract tourists to the county.

Community Preservation and Development Authority. The Legislature may 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 publically 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, as well as 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 of Bill: Counties and cities may issue general obligation or revenue bonds for affordable workforce housing within one-half mile 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 the following:

- contracts, loans, or grants to nonprofit organizations or housing authorities for affordable workforce housing within one- half mile 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.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: In 2021 a portion of the hotel-motel tax revenues will be for affordable workforce housing. Allowing the county to bond now will result in immense savings. When you drive into the Seattle area you will see lots of cranes which is great but this only driving up the price of land. Building workforce housing near transit centers will keep people near transit versus long commutes out to Auburn or Enumclaw. This bill is the priority of King County – rents continue to rise which makes it harder for families to make ends meet. There is no fiscal impact to the state. For every dollar spent by King County, an additional $4 is leveraged. Being able to bond against future revenue is critical for building affordable housing. Employers report that the lack of affordable housing is a driving factor in attracting and retaining employees.

Persons Testifying: PRO: Representative Springer, prime sponsor; Fred Jarrett, King County; Kelly Rider, Housing Development Consortium Seattle-King County; Michael Ramos, Church Council of Greater Seattle; Keri Williams, Enterprise Community Partners.

Persons Signed in to Testify But Not Testifying: No one.