

# SENATE BILL REPORT

## SB 5208

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As Reported by Senate Committee On:  
Human Services, Mental Health & Housing, January 22, 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:** Senators Miloscia, Fain, Frockt, Litzow, Mullet, Kohl-Welles, Chase, Darneille, Pedersen, Keiser and Hill.

**Brief History:**

**Committee Activity:** Human Services, Mental Health & Housing: 1/20/15, 1/22/15 [DPS].

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### SENATE COMMITTEE ON HUMAN SERVICES, MENTAL HEALTH & HOUSING

**Majority Report:** That Substitute Senate Bill No. 5208 be substituted therefor, and the substitute bill do pass.

Signed by Senators O'Ban, Chair; Miloscia, Vice Chair; Darneille, Ranking Minority Member; Hargrove and Padden.

**Staff:** Alison Mendiola (786-7444)

**Background:** 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 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:

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

**Summary of Bill (Recommended Substitute):** A number of clarifications are made:

- Bonds for affordable workforce housing within one-half mile of a transit station are among the bond types local governments may issue for purposes defined in the chapter;
- Local governments may issue general obligation bonds for affordable workforce housing within one-half mile of a transit station, and revenue bonds reasonably expected to be awarded to projects that can expend the funds within three years of bond issuance, may be issued for the such projects;
- Lodging tax revenues to provide debt service on general obligation or revenue bonds issued by King County for the purpose of affordable workforce housing is compliant with the requirement to use 37.5 percent of the county's lodging tax revenue for purposes that include affordable workforce housing after January 1, 2021; and
- The county must require that aggregate debt service on all such outstanding revenue bonds be limited to no more than 50 percent of the revenue collected under this revenue stream.

**EFFECT OF CHANGES MADE BY HUMAN SERVICES, MENTAL HEALTH & HOUSING COMMITTEE (Recommended Substitute):** Ensures that the awarded projects are suitably far enough in process to ensure they comply with bonding requirements of use within three years, or they must be automatically retired. Aggregate debt service on all such outstanding revenue bonds requires that the 50 percent threshold apply to all bonding, not 50 percent per bond sale. Language clarifies the revenue stream for these bonds is only the housing stream, not the entire stream under RCW 67.28.180.

**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 on Original Bill:** PRO: This proposal makes good business sense. Communities need every tool possible for affordable housing. In this instance, the county gets to make the decisions about whether to issue bonds now for affordable housing. This bill doesn't cost the state a dollar, but helps King County save dollars. It is better to serve more low-income households today than wait six years. It is actually cheaper to build affordable housing than rehabilitating a property, although many construction costs are driven up by public benefits not related to construction. Many people work in the hospitality industry or retail and should have the opportunity to live close to their jobs which has a positive environmental, economic, social impact on a person and the

community. This bill will allow King County to double their investment in affordable housing which is crucial at a time when there are 32,000 homeless children in our state and this money would allow affordable housing developers to leverage other dollars. Affordable housing is a basic need. Less moving, lower classroom turnover equals better academic outcomes.

**Persons Testifying:** PRO: Michael Shaw, King County; Paul Purcell, Beacon Development Group; Sarah Lewontin, Bellwether Housing; Paula McCutcheon, Ronald United Methodist Church; Megan Hyla, King County Housing Authority, Director of Policy; Kelly Rider, Policy Director, Housing Development Consortium Seattle-King County; Keri Williams, Enterprise Community Partners.