

HOUSE BILL REPORT

HB 2437

As Reported by House Committee On: Finance

Title: An act relating to encouraging investments in affordable and supportive housing.

Brief Description: Encouraging investments in affordable and supportive housing.

Sponsors: Representatives Robinson, Tharinger, Macri, Ryu, Kagi, Pollet, Ormsby, Doglio, Santos and Tarleton.

Brief History:

Committee Activity:

Finance: 1/16/18, 2/5/18 [DPS].

<p style="text-align: center;">Brief Summary of Substitute Bill</p> <ul style="list-style-type: none">• Authorizes the governing body of a county or city to impose a local sales tax, credited against the state sales tax, for affordable or supportive housing.• Requires a county or city imposing the tax to provide annual matching funds.
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HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Lytton, Chair; Frame, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Dolan, Pollet, Springer, Wilcox and Wylie.

Minority Report: Do not pass. Signed by 1 member: Representative Stokesbary.

Staff: Serena Dolly (786-7150).

Background:

Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user

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acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Distressed Area.

An area is designated as distressed under RCW 43.168.020 if it meets certain unemployment or median income criteria. Currently 22 counties are designated as distressed areas: Adams, Benton, Clallam, Columbia, Cowlitz, Douglas, Ferry, Franklin, Grant, Grays Harbor, Jefferson, Klickitat, Lewis, Mason, Okanogan, Pacific, Pend Oreille, Skagit, Skamania, Stevens, Wahkiakum, and Yakima.

Summary of Substitute Bill:

County legislative authorities are authorized to implement a local sales tax to fund affordable or supportive housing at a rate not to exceed .03 percent. If a county with a population of 1.5 million or less does not impose the tax by July 1, 2020, cities within the county may impose the tax. If a county with a population greater than 1.5 million does not impose the tax by July 1, 2021, cities within the county may impose the tax.

The effective date of the tax must be the first day of a state fiscal year. No county or city may first impose the tax after July 1, 2023. The tax expires 20 years after the jurisdiction first imposes the tax.

The tax is credited against the state sales tax collected in the jurisdiction. It is not an increase in sales or use tax for consumers and does not change the overall retail sales or use tax rate. Instead, the amount of sales tax retained by the state is reduced. The amount a county or city may collect in any state fiscal year is limited based on taxable retail sales in the jurisdiction for state fiscal year 2018.

A county or city must provide annual matching funds based on the rate imposed and the maximum amount of tax distributions as follows:

- a rate of 0.0125 percent or less requires an annual match of 10 percent;
- a rate greater than 0.0125 percent but no more than 0.025 percent requires an annual match of 15 percent; and
- a rate greater than 0.025 percent requires an annual match of 35 percent.

A county or city may bond against the revenue. The revenue collected or bonds issued may only be used for:

- acquiring, rehabilitating, or constructing affordable housing, including new units of affordable housing within an existing structure or facilities providing supportive housing services;
- operations and maintenance costs of new units of affordable or supportive housing; or
- rental assistance to tenants.

A county or city may enter into an interlocal agreement with one or more other counties, cities, or housing authorities to provide affordable or supportive housing.

Counties and cities imposing the tax must submit annual reports on the collection and uses of the revenue to the Housing Finance Commission.

Substitute Bill Compared to Original Bill:

The substitute bill:

- increases the maximum rate a county or city may impose to 0.03 percent;
- removes the provision allowing counties and cities in a distressed area to impose a higher rate of 0.05 percent;
- requires a county or city to provide annual matching funds based on the rate imposed and the maximum amount of tax distributions as follows:
 - a rate of 0.0125 percent or less requires an annual match of 10 percent;
 - a rate greater than 0.0125 percent but no more than 0.025 percent requires an annual match of 15 percent; and
 - a rate greater than 0.025 percent requires an annual match of 35 percent;
- requires the Department of Revenue to calculate the maximum annual amount of tax distributions based on fiscal year 2018 taxable retail sales;
- changes the earliest date for the Department of Revenue to calculate the maximum tax distributions for a county or city from September 1, 2019, to December 31, 2018;
- requires the effective date of the tax imposed by the county or city to be the first day of a state fiscal year; and
- changes the due date for the first annual report from the Housing Finance Commission from December 1, 2018, to December 1, 2019.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Housing is fundamental for individuals. Affordable housing and homelessness is a critical issue throughout the state. Eighty percent of homeless children live outside of King County. Snohomish County is the fastest growing county in Washington and is projected to overtake Pierce County in population within 10 to 15 years. The county is facing rapid growth, housing shortages, and rising rents. For every person the county houses, another 1.5 people become homeless. In 2016 in Thurston County, 3,000 people became homeless. A recent count found more than 100 people sleeping in downtown Olympia, and seven unhoused people died last year.

The Housing Finance Commission has funded 25,000 multifamily units, mostly for those with income under 60 percent of median, and 20,000 single-family home sales, mostly for those with income under 115 percent of median. This problem is created by large economic factors that are not going away. Other funding, including federal and state assistance, has been reduced or eliminated.

The committee should consider extending the local tax to 30 years for bonding. Cities would like the bill to ensure equitable distribution of projects throughout the county.

(Opposed) None.

Persons Testifying: Representative Robinson, prime sponsor; Brian Sullivan, Snohomish County; Jessica Bateman, City of Olympia; Nick Harper, City of Everett; Doug Levy, Cities of Redmond, Renton, Issaquah, and Kent; Jennifer Ziegler, Washington State Association of Counties; Kim Herman, Washington State Housing Finance Commission; Andrew Calkins, Association of Washington Housing Authorities; and Kathryn Haigh, Mason County Housing Authority.

Persons Signed In To Testify But Not Testifying: None.