HOUSE BILL REPORT
HB 1590

As Reported by House Committee On:
Housing, Community Development & Veterans
Finance

Title: An act relating to allowing the local sales and use tax for affordable housing to be imposed by a councilmanic authority.

Brief Description: Allowing the local sales and use tax for affordable housing to be imposed by a councilmanic authority.

Sponsors: Representatives Doglio, Dolan, Macri, Cody, Gregerson, Wylie, Appleton, Robinson, Ormsby, Frame and Davis.

Brief History:
Committee Activity:
Housing, Community Development & Veterans: 2/5/19, 2/22/19 [DP];
Finance: 2/26/19, 2/27/19 [DP].

Brief Summary of Bill

- Authorizes county or city legislative authorities to impose the local sales and use tax for housing and related services and eliminates the requirement that the imposition of the tax be subject to the approval of a majority of county or city voters at a general or special election.

HOUSE COMMITTEE ON HOUSING, COMMUNITY DEVELOPMENT & VETERANS

Majority Report: Do pass. Signed by 5 members: Representatives Ryu, Chair; Morgan, Vice Chair; Entenman, Frame and Reeves.

Minority Report: Do not pass. Signed by 4 members: Representatives Jenkin, Ranking Minority Member; Gildon, Assistant Ranking Minority Member; Barkis and Leavitt.

Staff: Cassie Jones (786-7303).

Background:

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.

<u>Sales and Use Tax</u>.
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 acquired the property, digital products, or services, then use tax applies to the value of the 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.

<u>Local Sales and Use Tax for Housing and Related Services</u>.
County legislative authorities may implement a 0.1 percent sales and use tax, if approved by a majority of voters, in order to fund housing and related services. A city legislative authority may implement the whole or remainder of the tax if the county has not opted to implement the full tax within two years of October 9, 2015, in a county with a population of less than 1.5 million, or three years of October 9, 2015, in a county with a population of over 1.5 million. City voters must approve the sales and use tax by a majority of persons voting.

A minimum of 60 percent of revenues collected must be used for constructing affordable housing, affordable housing units, facilities providing housing-related services, or mental and behavioral health-related services, or to fund the operations and maintenance costs of newly constructed affordable housing, facilities providing housing-related services, or evaluation and treatment centers. The affordable housing and facilities providing housing-related programs must serve any of the following individuals with income below 60 percent of area median income: individuals with mental illness, veterans, senior citizens, homeless families with children, unaccompanied homeless youth, persons with disabilities, or domestic violence victims. The remainder of the money collected must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services.

Summary of Bill:

A county or city legislative authority may impose the local sales and use tax for housing and related services. The requirement that county or city voters approve the tax by a majority of persons voting is eliminated.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) There is currently a housing and homelessness crisis. Local councilmembers and commission members need as many tools as possible to deal with the crisis. Cities who have passed the local housing sales tax have benefitted significantly. Due to this crisis, there is insufficient time to send the issue to the ballot. With this bill, councils could make this decision without a majority vote. Although the tax system is regressive, the cities need this tool as local option. The cities need options for dealing with affordable housing and homelessness. None of the tools are perfect for all jurisdictions. Progress needs to be made in building affordable housing and market-rate housing.

This bill is not a substantive policy change; it speeds up the process for enacting this tool. It can take multiple years to build a campaign for a vote; in the meantime, people are sleeping outside. Without this bill, cities may decline to use this tool because of the time and expense in creating a campaign and holding the election.

(Opposed) None.

(Other) It is clear that there is a housing crisis. If the state wants to provide funding for affordable housing, a tax should be imposed statewide rather than requiring a councilmanic vote. This type of tax would lead to inequitable access to affordable housing. Certain counties would be able to generate much more revenue than others. Counties may not choose to use this tool for political or practical reasons so they would be at a disadvantage.

Persons Testifying: (In support) Representative Doglio, prime sponsor; Carl Schroeder, Association of Washington Cities; Mac Nicholson, King County; and Nick Federici, Washington Low Income Housing Alliance.

(Other) Juliana Roe, Washington State Association of Counties.

Persons Signed In To Testify But Not Testifying: None.

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HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Tarleton, Chair; Walen, Vice Chair; Chapman, Frame, Macri, Morris, Orwall, Springer and Wylie.

Minority Report: Do not pass. Signed by 4 members: Representatives Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Stokesbary and Vick.

Staff: Rachelle Harris (786-7137).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Housing, Community Development & Veterans:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) Olympia passed a Home Fund via a vote of the people to generate funds to provide housing for those in need of housing. This bill allows that same effort but makes this housing funding accomplishable via a councilmanic vote. It took Olympia three years to create a home fund with voting authority, but there are people who are in need right now. Councilmanic authority will allow housing help to come much faster. The City of Spokane really wants councilmanic authority. Councilmanic authority allows local governments to have one more financing tool in their toolbox. Having a diverse array of funding mechanisms is crucial for counties, though a statewide solution would be preferable. Inequities might result because different counties have differing abilities to act. Many low-income households statewide spend more than half of their income for housing. Those individuals with the lowest incomes struggle to find homes that they can afford. Jointly targeted public resources can prevent homelessness. This bill streamlines the process for a policy and a tool that already exists.

(Opposed) None.

Persons Testifying: Representative Doglio, prime sponsor; Nick Federici, City of Spokane and Washington Low Income Housing Alliance; Mellani McAleenan, Washington State Association of Counties; and Celia Jackson, King County.

Persons Signed In To Testify But Not Testifying: None.