SENATE BILL REPORT
EHB 1219

As Reported by Senate Committee On:
Housing Stability & Affordability, March 25, 2019

Title: An act relating to providing cities and counties authority to use real estate excise taxes to support affordable housing and homelessness projects.

Brief Description: Providing cities and counties authority to use real estate excise taxes to support affordable housing and homelessness projects.

Sponsors: Representatives Walen, Springer, Kloba, Goodman, Slatter, Stanford, Fey, Jinkins, Fitzgibbon, Ortiz-Self, Valdez, Lekanoff, Doglio, Frame, Wylie, Tharinger, Gregerson and Macri.

Brief History: Passed House: 3/05/19, 74-24.
Committee Activity: Housing Stability & Affordability: 3/20/19, 3/25/19 [DP].

Brief Summary of Bill

- Authorizes counties and cities required to plan or who are planning under the Growth Management Act to use real estate excise tax (REET 2) revenue for the planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of facilities for persons experiencing homelessness and affordable housing projects until January 1, 2026.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Majority Report: Do pass.
Signed by Senators Kuderer, Chair; Das, Vice Chair; Zeiger, Ranking Member; Darneille, Saldaña and Warnick.

Staff: Brandon Popovac (786-7465)

Background: Cities and counties may impose a 0.25 percent real estate excise tax (REET) on all sales of real estate. Cities and counties required to plan or who are planning under the Growth Management Act (GMA) may impose a second 0.25 percent real estate excise tax (REET 2). Any revenue generated from REET 2 must be used to finance capital projects

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specified in the capital facilities plan element of the cities' and counties' comprehensive plan. The term "capital project" is defined as public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks.

In 2011, the Legislature authorized cities and counties, until the end of calendar year 2016, to use the greater of $100,000 or 35 percent of available REET 2 revenue, but not to exceed $1 million, to pay for the operations and maintenance of existing capital projects.

In 2017, the Legislature authorized cities and counties to use the greater of $100,000 or 25 percent of available REET 2 revenue, but not to exceed $1 million, during the 2017-19 fiscal biennium, for the acquisition, construction, improvement, or rehabilitation of facilities to provide housing for the homeless if certain reporting requirements are met.

Summary of Bill: Any city or county required to plan or planning under the GMA may use REET 2 revenue for the planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of facilities for persons experiencing homelessness and affordable housing projects until January 1, 2026, as long as it documents in its capital facilities plan that it has funds during the next two years for certain capital projects.

The annual amount of REET 2 revenue a city or county may use for homelessness and affordable housing projects is limited to the greater of $100,000 or 25 percent of available funds, but not to exceed $1 million, unless the city or county used REET 2 revenue to provide housing for the homeless before June 30, 2019.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This is a straightforward bill that has been negotiated with the realtors who wanted to implement a sunset, a cap, and a tie in to the capital facilities plan. The bill is one of many tools that can be used to address housing affordability and homelessness. Local communities are aware of their own needs and for them to have access to this kind of flexibility allows them to tailor the investments in their community and neighborhoods appropriately.

This bill is a top priority in the range of actions to address the housing crisis. The bill is not a new tax and does not require any new revenue, but extends the sunset on the use of REET revenues to be invested in facilities for those experiencing homelessness or affordable housing projects. Without this bill, the current flexibility will expire this year. This bill does not prevent investments in local infrastructure improvements, such as sidewalks, streets, and parks, but gives cities the options of doing more. Over the past two years, Kirkland has invested almost $1.5 million of flexible REET dollars to buy land and support development for the first-ever permanent homeless shelter for women and families in King County, which will serve families throughout the Eastside. Other cities are eager to use REET revenue for housing, but may have been discouraged from doing so because the original flexibility expired after two years. Extending this flexibility until 2026 gives cities certainty and allows them to incorporate affordable housing and homeless projects into their six-year capital facilities plans.

Persons Testifying: PRO: Representative Amy Walen, Prime Sponsor; Jay Arnold, Deputy Mayor, City of Kirkland; Carl Schroeder, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: No one.