SENATE BILL REPORT
SB 5195

As Reported by Senate Committee On:
Housing Stability & Affordability, January 23, 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: Senators Kuderer, Das, Zeiger and Fortunato.

Brief History:
Committee Activity: Housing Stability & Affordability: 1/21/19, 1/23/19 [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 revenue for the planning, acquisition, reconstruction, repair, replacement, rehabilitation, or improvement of facilities for persons experiencing homelessness and affordable housing projects.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

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

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 that are required to plan or 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 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

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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 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: Cities and counties required to plan or who are 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.

Language authorizing cities and counties to use the greater of $100,000 or 25 percent of available REET 2 revenue, but not to exceed $1 million per year, for homeless housing facilities, during the 2017-19 fiscal biennium, is removed.

Expired language authorizing cities and counties to use the greater of $100,000 or 25 percent of available REET 2 revenue, but not to exceed $1 million per year, for the operation and maintenance of existing capital projects, is removed.

Appropriation: None.

Fiscal Note: Available.

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 bill is a good financial tool and resource and top priority in the range of actions needed to address the housing crisis. It is not a new tax but removes the sunset on the expanded use of the real estate excise tax to allow revenues to be invested in the planning, acquisition, construction, reconstruction, repair, replacement, or rehabilitation of facilities for those experiencing homelessness and affordable housing projects. This bill does not prevent investments to the current list of local infrastructure projects but gives local governments the option of doing even more. The best infrastructure improvements a community can make is to make housing closer to our jobs so as not to clog our freeways with long commutes. Kirkland in the last two years has invested almost $1.5 million in REET revenue to buy land and support development of the first permanent homeless shelter for women and families in the county. Some counties and cities wanting to use REET dollars for housing might have been discouraged from doing so before because of the expiration on use after two years. Making this flexibility permanent allows cities to incorporate affordable housing into six-year capital facilities plans.

The bill also removes some of the impediments of using the underlying authority that was granted a few years ago where cities had to be able to certify that they had met every other infrastructure need that they were projected to have in the next two years or else they could not use the flexibility to use REET dollars for housing. This bill would allow more communities to take advantage of this flexibility.

OTHER: There are concerns on how the mechanism might work regarding the capital facilities plan and inclusion in the comprehensive plan. Some local jurisdictions do not have enough money or the necessary infrastructure to take on housing planning. There needs to be sidewalks, roadways, and other utilities included throughout the city along with this flexibility to continue to give cities resources to provide the right size of housing within their jurisdiction.

There should be continued use of local real estate excise tax, but not make it permanent. The expiration date on current use of REET dollars could be extended. Through the years, both at the local and state level, dedicated infrastructure sources have been the source of funding that has been transferred to other uses permanently. Other legislation has provided or is providing additional new money. We need to maintain some of the dedicated infrastructure funding that exists currently, including the local real estate excise tax, while protecting against the loss of that revenue permanently.

Persons Testifying: PRO: Senator Patty Kuderer, Prime Sponsor; Kim Herman, Washington State Housing Finance Committee; Jay Arnold, Deputy Mayor, City of Kirkland; Carl Schroeder, Association of Washington Cities.

OTHER: Bryce Yadon, Futurewise; Bill Clarke, Washington REALTORS.

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