

# SENATE BILL REPORT

## SB 5357

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As of February 8, 2019

**Title:** An act relating to authorizing cities and counties to impose additional taxes for affordable housing.

**Brief Description:** Authorizing cities and counties to impose additional taxes for affordable housing.

**Sponsors:** Senators Darneille, Kuderer, Nguyen, Saldaña and Hunt.

**Brief History:**

**Committee Activity:** Housing Stability & Affordability: 2/06/19.

**Brief Summary of Bill**

- Authorizes counties and cities to impose an additional real estate excise tax of 0.25 percent for affordable housing.

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### SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

**Staff:** Jeff Olsen (786-7428)

**Background:** The real estate excise tax (REET) applies to sales of real property and is collected when the sale document is recorded with the county. The state tax rate is 1.28 percent of the selling price and the tax is imposed on the value of the real property transferred.

Cities and counties may impose a 0.25 percent 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 of the selling price, or 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.

Counties may also impose a tax of up to 1.0 percent of the selling price to finance acquiring conservation areas. In addition, an affordable housing REET is authorized for counties equal to 0.5 percent of the selling price. The affordable housing REET must be used for the development of affordable housing, including acquisition, building, rehabilitation, and

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maintenance and operation of housing for very low, low, and moderate income persons and those with special needs. The affordable housing REET may only be imposed if the county imposes the 1.0 percent tax for conservation areas at the maximum rate and imposes the tax by January 1, 2003.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Bill (Proposed Substitute):** Counties and cities are authorized to impose an additional REET of 0.25 percent of the selling price for developing affordable housing. Funds may be used for acquiring, building, rehabilitating, and maintaining and operating housing for very low, low, and moderate-income persons and those with special needs. A majority of the jurisdiction's legislative authority is required to impose the additional REET tax.

**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 on Proposed Substitute:** PRO: San Juan County recently approved a 0.5 percent REET for affordable housing, and they are the only county that is eligible to adopt the tax. Washington is facing a housing crisis, and additional revenue is needed to address the housing shortage. Rents and housing prices have increased dramatically. The proposal in the substitute bill is to authorize 0.25 percent and it may be approved by the local legislative authority. The additional funding is necessary to match with other funding sources and build more affordable housing. The funds should be made available to help pay for rent to keep people in their current homes. This funding source is an optional tool that local governments can use to address the lack of affordable housing.

CON: While the proposed substitute at 0.25 percent is an improvement over the original bill, there are still concerns about using REET as a funding source. The REET revenues are not consistent, and may not be a good source of funds for operations costs. How does this funding source interact with proposed increases in property taxes and sales tax credits to provide funding for affordable housing?

OTHER: This bill only focuses on the first rung of the housing ladder. Impact fees are expensive, and the bill should exempt new homes from the additional REET tax.

**Persons Testifying:** PRO: Senator Jeannie Darneille, Prime Sponsor; Jeff Robinson, Tacoma Director of Community and Economic Development; Bryce Yadon, Futurewise; Hannah Crabtree, citizen; Nick Federici, Washington Low Income Housing Alliance.

CON: Bill Clarke, Washington Realtors.

OTHER: Scott Hazlegrove, Master Builders Association of King and Snohomish Counties.

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