

# SENATE BILL REPORT

## SB 5646

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As Reported by Senate Committee On:  
Housing Stability & Affordability, February 4, 2019

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

**Brief Description:** Encouraging investments in affordable and supportive housing.

**Sponsors:** Senators Kuderer, Das and Frockt.

**Brief History:**

**Committee Activity:** Housing Stability & Affordability: 1/30/19, 2/04/19 [DP-WM].

**Brief Summary of Bill**

- Authorizes a county or city to impose a local sales tax, credited against the state sales tax, for affordable or supportive housing.

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### SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Zeiger, Ranking Member; Darneille, Saldaña and Warnick.

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

**Background:** 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 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.

Counties and cities may impose an affordable housing property tax levy each year for up to ten years to finance affordable housing for very low-income households. Counties and certain cities and towns may place a ballot proposition before the voters for a sales tax up to

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0.1 percent for affordable housing and related services. A county legislative authority or certain cities may authorize a mental health or chemical dependency sales and use tax of 0.1 percent.

**Summary of Bill:** A county or city legislative authority may implement a local sales tax to fund affordable or supportive housing at a rate not to exceed .02 percent. If a city does not levy a qualifying local tax, the city may only levy .01 percent. Within cities, the maximum rate a county may levy depends on the rate the city levies, and may not exceed .02 percent. Qualifying local taxes include the affordable housing levy, the sales and use tax for housing and related services, and the sales tax for chemical dependency and mental health treatment services or therapeutic courts.

A county or city legislative authority must adopt a resolution of intent to adopt the tax within six months and legislation to authorize the tax within one year after the local sales tax option is enacted. The local sales tax is credited against the state sales tax collected in the jurisdiction, and expires 20 years after the jurisdiction first imposes the tax.

By December 31, 2019, or within 30 days of a county or city authorizing the tax, the Department of Revenue must calculate the maximum amount of tax distributions for each city and county authorizing the tax. The amount a county or city may collect in any state fiscal year is limited based on taxable retail sales from fiscal year 2019 for counties and fiscal year 2018 for cities.

If a county has a population greater than 400,000 or a city has a population greater than 100,000, revenue collected or bonds issued may only be used for acquiring, rehabilitating, or constructing affordable housing; or operations and maintenance costs of affordable or supportive housing. If a county has a population of 400,000 or less or a city has a population of 100,000 or less, the monies collected may also be used for rental assistance to tenants.

A county or city may bond against the revenue. 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 revenue collection and uses to the Department of Commerce. By December 1, 2019, and annually thereafter, the Department of Commerce must submit reports to the appropriate committees of the Legislature regarding the use of the monies.

**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: Local governments need flexible funds to address the crisis of homelessness across the state. The new revenues can be used to match other federal, state, local, and nonprofit funding to build more affordable and supportive housing. Multiple funding sources are needed to build affordable housing. Providing a

longer term revenue source for local governments will allow them to sell bonds and use local debt capacity to address problems today. There is a link between affordable housing and investments in behavioral health. People need stable housing to make the investments in mental health and other social services be successful. The lowest income populations are spending too much of their income on housing. Veterans support this funding source to invest in affordable housing and other services. Tribes, along with cities and counties, should also be included in addressing housing needs for vulnerable populations.

CON: The funds in the bill are a diversion of state funds to nonprofit housing. A recent study demonstrated that there were higher costs for development of nonprofit housing. A better approach would be to examine the allocation of funds from the Housing Trust Fund, or to tie the use of funds to reduced regulatory costs.

**Persons Testifying:** PRO: Senator Patty Kuderer, Prime Sponsor; Dow Constantine, King County Executive; Juliana Roe, Washington State Association of Counties; Len McComb, Community Health Network and Washington State Hospital Association; Michele Thomas, Washington Low Income Housing Alliance; Kayla Schott-Bresler, Skagit County; Brandon Chun, MDC; Tom Davis; Cynthia Stewart, League of Women Voters of Washington; Carl Schroeder, Association of Washington Cities; Nickolaus Lewis, Councilman, Lummi Nation.

CON: Roger Valdez, Seattle for Growth.

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