

# SENATE BILL REPORT

## SB 6457

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As Reported by Senate Committee On:  
Housing Stability & Affordability, February 3, 2020

**Title:** An act relating to promoting housing affordability by incentivizing the construction of American dream homes.

**Brief Description:** Promoting housing affordability by incentivizing the construction of American dream homes.

**Sponsors:** Senators Fortunato, Zeiger, Warnick and O'Ban.

**Brief History:**

**Committee Activity:** Housing Stability & Affordability: 1/22/20, 2/03/20 [DPS-WM, w/oRec].

**Brief Summary of First Substitute Bill**

- Authorizes a city or county to permit American Dream Homes to encourage development of single family homes for low-income households.
- Limits permit fees to \$1,250 and exempts impact fees on the development of American Dream Homes.
- Distributes the state portion of certain sales and use taxes from the construction of American Dream Homes to counties and cities.

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### SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

**Majority Report:** That Substitute Senate Bill No. 6457 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Zeiger, Ranking Member; Fortunato, Assistant Ranking Member; Saldaña and Warnick.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Das, Vice Chair; Darneille.

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

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*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.*

**Background:** Counties and cities may impose impact fees on development activity as part of financing public facilities needed to serve new growth and development. This financing cannot rely solely on impact fees and must provide a balance between impact fees and other sources of public funds. Impact fees may only be imposed for system improvements reasonably related to the new development, may not exceed a proportionate share of the costs of system improvements, and must be used for system improvements that will reasonably benefit the new development.

County and city ordinances imposing impact fees must conform with specific requirements. Among other obligations, these ordinances:

- must include a schedule of impact fees for each type of development activity for which a fee is imposed;
- may provide an exemption for low-income housing and other development activities with broad public purposes; and
- must allow the imposing jurisdiction to adjust the standard impact fee for unusual circumstances in specific cases to ensure fees are imposed fairly.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value when used in this state. The state, most cities, and all counties 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.

**Summary of Bill (First Substitute):** A city or county may permit an American Dream Home to encourage the development of single family residential housing for low-income households. Low-income household means a single person, family, or unrelated persons living together whose adjusted income is less than 80 percent of the median family income. American Dream Homes includes a single-family detached residence under 1700 square feet. An American Dream Home may be approved if the following criteria are met:

- covenants or restrictions are included to ensure each home is reserved for low-income households;
- each home is exempt from impact fees; and
- the city or county does not charge cumulative permitting fees exceeding \$1,250.

A city or county may receive a distribution equal to the state portion of the sales and use tax for labor and services rendered during the construction of an American Dream Home. The Department of Revenue must remit qualifying amounts at least annually to cities and counties.

**EFFECT OF CHANGES MADE BY HOUSING STABILITY & AFFORDABILITY COMMITTEE (First Substitute):** The substitute bill removes a provision providing builders of an American dream home a 4 percent B&O tax credit on the sale price of a home.

**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 Original Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: The approach in the bill is modeled after the Habitat for Humanity model and seeks to encourage additional opportunities for home ownership for low income families. Washington needs additional entry-level homes, and this bill would help build homes with costs comparable to renting. The provisions in the bill seek to incentivize builders to construct affordable housing. Home ownership helps build wealth and get people out of poverty. Local governments appreciate that the bill provides incentives and is an opt-in approach, without mandates. It would be helpful if the bill would allow the building of duplexes or triplexes. The building industry welcomes the opportunity to work with local governments to build affordable housing. Many current homes being built are too large and expensive for many people to afford, and this bill seeks to promote more affordable housing options.

CON: While not opposed to home ownership, it would be preferable if the bill allowed more density, including duplexes or row houses. It is not clear how this bill would interact with zoning requirements under the Growth Management Act.

**Persons Testifying:** PRO: Senator Phil Fortunato, Prime Sponsor; Steve Gano, Building Industry Association of Washington; Paul Jewell, Washington State Association of Counties; Carl Schroeder, Association of Washington Cities; Arthur West, citizen.

CON: Bryce Yadon, Futurewise.

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