SENATE BILL REPORT
ESHB 1070

As Passed Senate, March 30, 2021

Title: An act relating to modifying allowed uses of local tax revenue for affordable housing and related services to include the acquisition and construction of affordable housing and facilities.

Brief Description: Modifying allowed uses of local tax revenue for affordable housing and related services to include the acquisition and construction of affordable housing and facilities.

Sponsors: House Committee on Finance (originally sponsored by Representatives Ryu, Macri, Walen, Chopp, Santos, Fitzgibbon, Ramel, Wylie, Ramos, Bateman, Tharinger, Simmons, Kloba, Peterson, Gregerson, Goodman, Sells, Bronoske, Valdez, Callan, Hackney, Cody, Ormsby, Riccelli, Springer, Fey, Davis, Pollet and Harris-Talley).

Brief History: Passed House: 2/25/21, 56-42.
Committee Activity: Housing & Local Government: 3/10/21, 3/16/21 [DP, w/oRec].
Floor Activity: Passed Senate: 3/30/21, 36-13.

Brief Summary of Bill

- Expands the allowable uses of revenues from the housing and related services local sales and use tax to include acquiring facilities and land for affordable housing, housing-related services, and behavioral health services.
- Expands the allowable uses of revenues from the state-shared lodging tax to include housing and facilities for homeless youth for counties with a population of at least 1.5 million.

SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

Majority Report: Do pass.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Cleveland, Lovelett and Salomon.

Minority Report: That it be referred without recommendation.
Signed by Senators Fortunato, Ranking Member; Gildon, Assistant Ranking Member; Short, Assistant Ranking Member; Warnick.

Staff: Jeff Olsen (786-7428)

Background: <u>Retail Sales and Use Tax.</u> 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 tax applies 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.

<u>Local Sales and Use Tax for Housing and Related Services.</u> A city or county legislative authority may impose a 0.1 percent sales and use tax to fund housing and related services. The tax may be imposed by councilmanic action or by voter approval. A county with a population of greater than 1.5 million may impose the tax by councilmanic action only if the county plans to spend at least 30 percent of the moneys collected attributable to taxable activities or events within any city with a population of greater than 60,000 located in that county within the city's boundaries.

A minimum of 60 percent of revenues collected must be used as follows:
- for constructing affordable housing, affordable housing units, facilities providing housing-related services, or mental and behavioral health-related services; or
- to fund the operations and maintenance costs of newly constructed affordable housing, facilities providing housing-related services, or evaluation and treatment centers.

The affordable housing and facilities providing housing-related programs must serve any of the following individuals with income below 60 percent of area median income:
- individuals with behavioral health disabilities;
- veterans;
- senior citizens;
- homeless persons;
- unaccompanied homeless youth;
- persons with disabilities; or
- domestic violence victims.

The remainder of the money collected must be used for operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services.

Prior to constructing a facility using funds from the local sales and use tax for housing and related services, a county must consult with the city in which the facility is located.

State-Shared Lodging Tax. A city or county legislative authority may impose a 0.2 percent special excise tax on the sale or charge made for furnishing lodging. The tax may be imposed by councilmanic authority. The tax is credited against the state sales tax rate. The state-shared lodging tax is also referred to as the hotel/motel tax or the transient rental tax. Certain requirements of the tax may prevent some cities from imposing the tax.

Proceeds from the tax must be used for tourism promotion, acquisition of tourism-related facilities, or the operation of tourism-related facilities.

Beginning January 1, 2021, for counties with a population of at least 1.5 million, proceeds from the tax must be used as follows:

- at least 37.5 percent for art museums, cultural museums, heritage museums, the arts, and the performing arts;
- at least 37.5 percent for contracts, loans, or grants to nonprofit organizations or public housing authorities for affordable workforce housing within 0.5 miles of a transit station or for services for homeless youth, or to repay revenue bonds used to finance projects authorized by a community preservation and development authority that promote sustainable workplace opportunities near a community impacted by the construction or operation of tourism-related facilities; and
- the remainder for capital or operating programs that promote tourism and attract tourists to the county.

The use of funds by counties with a population of at least 1.5 million, the income threshold for affordable workforce housing, is between 30 and 80 percent of the county median income, adjusted for household size.

Summary of Bill: Local Sales and Use Tax for Housing and Related Services. The acquisition of affordable housing, facilities providing housing-related services, behavioral health-related facilities, or land for these purposes, is added to the allowable use of at least 60 percent of the funds raised from the local sales and use tax for housing and related services. Affordable housing includes emergency, transitional, and supportive housing.

Prior to acquiring a facility using funds from the local sales and use tax for housing and related services, a county must consult with the city in which the facility is located. A county must provide an opportunity for 15 percent of the units in an acquired facility to be provided to individuals living in or near the city in which the facility is located, or have ties to the community. Such prioritization must not jeopardize United State Department of Housing and Urban Development funding for the Continuum of Care Program.

State-Shared Lodging Tax. Housing or facilities for homeless youth is added to the allowable use of a portion of the funds raised from the state-shared lodging tax by a county with a population of at least 1.5 million.

The definition for affordable workforce housing is modified to include housing for a single person, family, or unrelated persons living together whose income is at or below 80 percent of the median income, adjusted for household size, for the county where the housing is located.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: The changes in the bill make existing tools more cost effective and efficient to address homelessness and affordable housing. Under current law, funds may be used for construction, and this would expand that to include acquisition of facilities or land for affordable housing. Acquisition can be an effective and quick way to address concerns of local communities. The changes in the bill would allow King County to serve those most in need much faster and at a lower cost. Due to COVID-19, there are current opportunities to buy multi-unit properties with existing revenues and convert them to housing immediately. Single room settings are a powerful way to help the homeless, and 1600 people could be housed at half the cost much faster than constructing new housing. Flexibility is needed to address the affordable housing crisis in Washington.

Persons Testifying: PRO: Patience Malaba, Housing Development Consortium of Seattle-King County; Jeff Robinson, City of Tacoma; Claudia Balducci, King County Councilmember; Leo Flor, King County, Dept\artment of Community and Human Services; David Helde, SEIU Healthcare 1199NW; Alison Eisinger, Seattle/King County Coalition on Homelessness; Sharonda Duncan, Catholic Community Services.

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