SENATE BILL REPORT
SB 5513

As of January 12, 2022

Title: An act relating to expanding flexibility of existing lodging taxes for affordable workforce housing.

Brief Description: Expanding flexibility of existing lodging taxes for affordable workforce housing.

Sponsors: Senators Hawkins, Kuderer, Pedersen, Warnick and Wellman.

Brief History:

Committee Activity: Housing & Local Government: 1/12/22.

Brief Summary of Bill

- Authorizes the use of a portion of the additional lodging tax in a qualifying county for affordable workforce housing until January 1, 2032.

SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

Staff: Jeff Olsen

Background: The state imposes an excise tax of 6.5 percent on the sale of goods and services provided within the state, including furnishing lodging. Cities and counties are authorized to impose an additional local excise tax on lodging services, known as a local hotel-motel tax. The local hotel-motel tax allows cities and counties to levy up to 2 percent of a lodging charge, which is credited against the state tax rate of 6.5 percent.

Most counties and cities may levy an additional tax up to 2 percent. This additional 2 percent tax is not credited against the state sales tax and may only be levied so long as the total tax rate, including the state sales tax; the public facilities district sales tax; the hotel-motel taxes; the city, county and transit district sales taxes; and the convention and trade

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center tax does not exceed the statutory limit.

Counties, cities within the county, and cities that had the authority to levy a special tax of 4 percent on lodging prior to July 27, 1997, are allowed a total hotel-motel tax rate higher than 4 percent. These jurisdictions are Grays Harbor County, Pierce County, Chelan County, the city of Leavenworth, the city of Long Beach, the city of Bellevue, the city of Yakima, and the city of Winthrop.

Cities and counties may use local lodging tax revenue for tourism promotion, the acquisition and operation of tourism-related facilities, and for affordable workforce housing within a half-mile of a transit station. Affordable workforce housing is defined as 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.

According to the Office of Financial Management's 2021 population estimate, the 2021 population in Chelan County is approximately 80,000.

Summary of Bill: Until January 1, 2032, a qualifying county may use up to 33 percent of the additional lodging tax for contracts, loans, or grants to nonprofit organizations or public housing authorities for affordable workforce housing. A qualifying county must include a county east of the crest of the Cascade mountains that has a population of at least 75,000 and no more than 90,000. Affordable workforce housing is defined to include housing for a single person, family, or unrelated persons living together whose income is at least 60 percent and no more than 120 percent of the median income, adjusted for housing 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: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This is not a new tax, it simply allows flexibility for jurisdictions to use their current revenues to support affordable workforce housing. The policy sunsets in ten years, and it is limited to Chelan County. The goal is to find a steady revenue stream. Leavenworth is in crisis, and needs flexibility to address affordable housing needs. With an average home cost of $700,000, many middle income workers can't afford housing. There are still sufficient funds to do both support tourism and help address the affordable workforce housing problem. Home ownership rates are dropping, many homes are being purchased as second homes for buyers from outside the area, and communities are losing middle income wage earners. The hospitality sector needs housing. Visitors need to help with the housing crunch. People are being forced to move farther away from their jobs. The problem is not going away and the market won't fix it on its own. It is important to get started now.

CON: When the change was made to allow the use of lodging taxes for affordable housing, the intent was to only have it apply to King County. While there is support for addressing the challenges of affordable housing, this is the the right solution. The state needs additional resources to address the affordable housing issues in Washington. The lodging tax revenues are being used to support important tourism and visitor services. Not all lodging tax revenues are used for tourism promotion. This will adversely impact the Chamber of Commerce and resources to assist visitors. There are alternatives, and using a portion of the .09 rural counties sales tax fund is one option that has support.

OTHER: There is a need for a stable funding source. Another option is to expand the rural counties sales tax to allow it to be used for affordable workforce housing.

Persons Testifying: PRO: Senator Brad Hawkins, Prime Sponsor; Carl Florea, City of Leavenworth; Zeke Reister, City of Leavenworth-city council member; Steven Wilkinson, Chelan Valley Housing Trust; Mike Cooney, Chelan Valley Housing Trust; Thom Nees, Common Ground Community Housing Trust & Serve Wenatchee Valley; Hans Mulders, Chelan Hospitality Inc.; Kaylin Bettinger, Upper Valley MEND.

CON: Julia Gorton, Washington Hospitality Association; Troy Campbell, Leavenworth Chamber of Commerce; Jesse Boyd, Bavarian Lodge; Bruce Beckett, Wenatchee Valley Chamber of Commerce.

OTHER: Sasha Sleiman, Chelan County.

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