

SENATE BILL REPORT

SB 5279

As Reported by Senate Committee On:
Housing, February 1, 2023

Title: An act relating to expanding a sales and use tax deferral program for affordable housing to include structures initially used as temporary employee housing for employees constructing warehouses, distribution centers, and other large facilities.

Brief Description: Expanding a sales and use tax deferral program for affordable housing to include structures initially used as temporary employee housing for employees constructing warehouses, distribution centers, and other large facilities.

Sponsors: Senators Wilson, J. and Lovick.

Brief History:

Committee Activity: Housing: 1/20/23, 2/01/23 [DP-WM].

Brief Summary of Bill

- Expands the sales and use tax deferral program for underdeveloped lands in urban areas to include housing equity property.

SENATE COMMITTEE ON HOUSING

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

Signed by Senators Kuderer, Chair; Frame, Vice Chair; Fortunato, Ranking Member; Braun, Cleveland, Gildon, Rivers, Saldaña, Shewmake, Trudeau and Wilson, J..

Staff: Riley Bengé (786-7316)

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 product, or service, then use taxes

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apply to the value of property, digital product, or services 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.

Sales and Use Tax Deferral Program. A sales and use tax incentive program was established to encourage the redevelopment of underdeveloped land in targeted urban areas and increase affordable housing. Under the program, the legislative authority of a qualifying city may authorize a sales and use tax deferral for an investment project within the city, if the city finds there are both significant areas of underdeveloped land and a lack of affordable housing. If a conditional recipient maintains the property for ten years, deferred sales and use taxes do not need to be repaid. A qualifying city includes a city with a population of at least 135,000 and not more than 250,000. "Underdeveloped property" means land used as a surface parking lot open to public use as of June 9, 2022.

The governing authority must adopt a resolution of intention to create a sales and use tax deferral program and hold a public hearing. An owner of underdeveloped property seeking a sales and use tax deferral must apply to the city and include:

- a description of the investment project and site plan;
- a statement of the expected number of affordable housing units to be created; and
- that the applicant would not have built in this location but for the availability of the tax deferral.

The city may approve an application if it finds the project is set aside primarily for multifamily housing units and the applicant commits to renting or selling at least 50 percent of the units as affordable rental housing or affordable homeownership housing to very-low, low, or moderate income households. If the project is mixed use, only the ground floor of a building may be used for commercial purposes with the remainder dedicated to multifamily housing units. At least 50 percent of the investment project set aside for multifamily housing units must be rented at a price at or below fair market rent for the county or sold at a price at or below county median price. The project must occur on land that constitutes underdeveloped property.

A program participant must file an annual report with the city, including a statement of the affordable housing units constructed on the property, certify that the property has not changed uses, and any additional information requested by the city. A city participating in the program must file a report annually to the Department of Commerce including:

- the number of program approval certificates granted;
- the total number and type of new buildings constructed;
- the number of affordable housing units resulting from the new construction; and
- the estimated value of the sales and use tax deferral for each investment project.

Summary of Bill: The sales and use tax incentive program to encourage redevelopment of underdeveloped lands in urban areas is expanded to include housing equity property.

The legislative authority of a qualifying city may authorize a sales and use tax deferral for an investment project within the city if the city finds that it has housing equity property. "Housing equity property" means an investment project that is or will be funded in whole or in part through contributions by a regional affordable housing collaborator, where the property was initially used as temporary employee housing by the regional affordable housing collaborator. "Regional affordable housing collaborator" means a private employer that has established a housing equity property fund to create housing through grants to housing partners, such as nonprofit organizations and public entities.

The definition of city is expanded to include a city with housing equity property located in a county that does not plan under the Growth Management Act.

The type of property on which investment projects may occur is expanded to include both underdeveloped property and housing equity property.

A tax preference performance statement is included.

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 bill adds another tool to support the objective of increased housing supply. The bill is tailored to employers or businesses that construct large factory or distribution centers. A large construction project impacts available housing inventories for the duration of the project. The bill allows an incentive for business to construct employee housing that could potentially be transferred over to residential housing.

Persons Testifying: PRO: Senator Jeff Wilson, Prime Sponsor.

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