

# SENATE BILL REPORT

## ESSB 5334

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As Passed Senate, March 6, 2023

**Title:** An act relating to providing a local government option for the funding of essential affordable housing programs.

**Brief Description:** Providing a local government option for the funding of essential affordable housing programs.

**Sponsors:** Senate Committee on Local Government, Land Use & Tribal Affairs (originally sponsored by Senators Lovelett, Kuderer, Frame, Hasegawa, Nguyen, Nobles and Wilson, C.).

**Brief History:**

**Committee Activity:** Local Government, Land Use & Tribal Affairs: 1/31/23, 2/09/23 [DPS-WM, DNP, w/oRec].

Ways & Means: 2/20/23, 2/23/23 [DPS (LGLT), DNP, w/oRec].

**Floor Activity:** Passed Senate: 3/6/23, 29-20.

**Brief Summary of Engrossed First Substitute Bill**

- Allows the legislative authority of a county or city to impose an excise tax on the sale of lodging of short-term rentals through a short-term rental platform at a rate of up to 10 percent, with revenue from the tax used for the operation and capital costs of affordable housing programs, including homeless housing assistance, temporary shelters, and other related services.
- Allows the legislative authority of a county or city to develop criteria based on an operator's age or income to exempt no more than one short-term rental per operator from the tax.

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**SENATE COMMITTEE ON LOCAL GOVERNMENT, LAND USE & TRIBAL AFFAIRS**

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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 part of the legislation nor does it constitute a statement of legislative intent.*

**Majority Report:** That Substitute Senate Bill No. 5334 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Lovelett, Chair; Salomon, Vice Chair; Torres, Ranking Member.

**Minority Report:** Do not pass.

Signed by Senator Short.

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

Signed by Senator Kauffman.

**Staff:** Karen Epps (786-7424)

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## SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5334 as recommended by Committee on Local Government, Land Use & Tribal Affairs be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Robinson, Vice Chair, Operating & Revenue; Rivers, Assistant Ranking Member, Capital; Billig, Boehnke, Conway, Dhingra, Hasegawa, Hunt, Keiser, Nguyen, Pedersen, Saldaña, Torres, Van De Wege and Wellman.

**Minority Report:** Do not pass.

Signed by Senators Mullet, Vice Chair, Capital; Wilson, L., Ranking Member, Operating; Gildon, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Braun, Muzzall and Wagoner.

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

Signed by Senator Warnick, Assistant Ranking Member, Capital.

**Staff:** Jeffrey Mitchell (786-7438)

**Background:** 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 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 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 housing, facilities, or services for homeless youth, or to repay general obligation or revenue bonds used to finance contracts, loans, or grants for affordable workforce housing within one-half mile of a transit station, or revenue bonds 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.

Affordable workforce housing includes 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.

**Summary of Engrossed First Substitute Bill:** A county, city, or town is authorized to impose a special excise tax on furnishing of lodging of short-term rentals. The legislative body of the local government must adopt a resolution of intent prior to imposing the tax. Adoption of the tax requires a simple majority approval of the enacting legislative authority. The rate of tax may not exceed 10 percent on the sale of or charge made for the furnishing of lodging of short-term rentals.

The tax may be imposed in unincorporated areas of the county for the county tax and in the corporate limits of the city for the city tax. A county ordinance or resolution must contain a provision allowing a credit against the county tax for the full amount of any city or town special excise tax on furnishing short-term rentals. Local governments may develop criteria to exempt up to one short-term rental per operator based on the operator's age, or income, or both. The tax on short-term rentals is not subject to the statutory cap on all other taxes imposed on lodging. A county, city, or town must specify exemption criteria and outline a certification process for the exemptions in the resolution when it adopts legislation imposing the tax.

Revenues from the special excise tax must be used for operating and capital costs of affordable housing programs including homeless housing assistance, temporary shelters, and other related services. A county, city, or town may use revenues from the special excise tax for contracts, loans, or grants to nonprofit organizations or public housing authorities for services related to affordable housing programs. A local government may retain up to 5 percent of the moneys collected for the direct and indirect costs to administer services and programs.

**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 (Local Government, Land Use & Tribal Affairs):** *The committee recommended a different version of the bill than what was heard.* PRO: Homes that have been traditionally used as long-term rentals are now being used for short-term rentals, which displaces workforce housing in the area. This bill is councilmanic and if jurisdictions choose to do so, they can use this to bring in local dollars to pay for housing. There are a number of communities that are vacation centers and destination locations that have a proliferation of short-term rentals that has an impact on the existing housing market and takes units that would otherwise be available for long-term rentals for business opportunities. It is challenging to find housing in those communities that is available for the workforce. This bill is a smart and targeted approach for local jurisdictions.

**Persons Testifying (Local Government, Land Use & Tribal Affairs):** PRO: Senator Liz Lovelett, Prime Sponsor; Carl Schroeder, Association of Washington Cities.

**Persons Signed In To Testify But Not Testifying (Local Government, Land Use & Tribal Affairs):** No one.

**Staff Summary of Public Testimony on First Substitute (Ways & Means):** *The committee recommended a different version of the bill than what was heard.* None.

**Persons Testifying (Ways & Means):** No one.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.