

SENATE BILL REPORT

SB 5964

As Reported By Senate Committee On:
Financial Institutions & Housing, February 28,1995

Title: An act relating to low-income and special needs housing.

Brief Description: Allowing local excise tax on real estate sales to be used for low-income and special needs housing.

Sponsors: Senators Prentice, Sellar, Loveland, Moyer and Kohl.

Brief History:

Committee Activity: Financial Institutions & Housing: 2/28/95 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale and Smith.

Staff: Traci Ratzliff (786-7452)

Background: In 1982, legislation was enacted authorizing a governing body of any county, city or town to impose a local real estate excise tax (REET) on each sale of real property at a rate not to exceed one-quarter of 1 percent of the selling price. The proceeds from the REET were to be used for local capital improvements. The 1990 Growth Management Act (GMA) restricted the use of this tax in counties, cities, and towns required or choosing to plan under the GMA to finance capital projects, specified in a comprehensive plan, and housing relocation assistance. Exceptions were made for proceeds previously committed to debt retirement.

In 1992, legislation was enacted that further defined the purposes for which this tax could be used by counties or cities with populations in excess of 5,000, and by those jurisdictions with populations in excess of 5,000, which are required or have opted to plan under the GMA. The legislation specifically included a list of eligible "capital projects," which excluded low-income housing development. However, those jurisdictions expending or committing proceeds from this tax to housing projects prior to June 11, 1992, were authorized to continue to use these funds for such purposes until December 31, 1995.

Summary of Bill: The list of capital projects for which the 1982 local REET can be utilized is expanded to include the construction, reconstruction, acquisition, financing or rehabilitation of low-income or special needs housing that is consistent with the housing element portion of a comprehensive plan. Such housing must be owned or operated by a public or nonprofit entity.

The December 31, 1995 termination date for the use of the REET for housing projects is deleted.

Appropriation: None.

Fiscal Note: Requested on February 22, 1995

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: As federal dollars for housing are on the decline, local governments require greater flexibility in utilizing tax dollars to fund the ever-growing need for affordable housing. This bill would give all jurisdictions the ability to utilize the local real estate excise tax for the purposes of developing affordable housing in local communities.

Testimony Against: There is concern that infrastructure needs (roads and sewers) in local communities will not be met if local governments are allowed to use the real estate excise tax for other purposes, such as housing development.

Testified: PRO: James Colburn, City of Tacoma; Judy Frolich, Assn. of Counties; Maureen Kostyack, King County Planning and Community Development; Kathy Roseth, Lutheran Alliance to Create Housing; Brian Thane, Office of Rural and Farmworker Housing; Mariah Yberra, Dave Daniels, South King County Multi-Service Center; Mike Ryherd, Low-Income Housing Congress; CON: Dick Ducharme, Building Industry Assn. of Washington; Glen Hudson, WA Assn. of Realtors.