

# SENATE BILL REPORT

## SB 6328

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As Reported by Senate Committee On:  
Housing Stability & Affordability, February 3, 2020

**Title:** An act relating to creating a local infrastructure investment program to support the development of affordable housing, workforce housing, and revitalization efforts.

**Brief Description:** Creating a local infrastructure investment program to support the development of affordable housing, workforce housing, and revitalization efforts.

**Sponsors:** Senators Warnick, Hawkins, Kuderer, Zeiger, Fortunato and Wilson, C.

**Brief History:**

**Committee Activity:** Housing Stability & Affordability: 1/20/20, 2/03/20 [DPS-WM, w/oRec].

**Brief Summary of First Substitute Bill**

- Allows cities and counties to apply for a remittance of a portion of the state sales and use tax on the construction of affordable or workforce housing under a local infrastructure investment program.

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### SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

**Majority Report:** That Substitute Senate Bill No. 6328 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Zeiger, Ranking Member; Fortunato, Assistant Ranking Member; Saldaña and Warnick.

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

Signed by Senator Darneille.

**Staff:** Jeff Olsen (786-7428)

**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. The state, all counties, and

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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.

Sales and use taxes are due on construction services including constructing and improving new or existing buildings and structures, building or improving streets, or building or installing infrastructure.

**Summary of Bill (First Substitute):** A city or county may establish a local infrastructure investment program to support affordable workforce housing, or revitalization efforts within a revitalization district. Affordable workforce housing is defined as residential housing units rented or owned by a person or household whose income is at or below 110 percent of the median income for the county in which the housing is located. To be eligible for the program, a county must be located east of the Cascade mountains with a population of greater than 40,000 but no more than 125,000, or be a city within an eligible county.

To initiate a program, a city or county must adopt an ordinance containing the local definition of revitalization effort and the geographic boundary of the revitalization district. Projects must be wholly located within an urban growth area or in limited areas of more intense rural development. Before adopting the ordinance, a city or county must provide public notice and hold a public hearing. After passing an ordinance, the city or county must notify the Department of Revenue (DOR) that a program is established.

A city or county establishing a program may receive a remittance equal to 4.37 percent of the sales or use tax on the construction of the local infrastructure investment. The city or county must apply to DOR before initiating construction on the local infrastructure investment. The tax remittance is credited against the state sales tax due on the local infrastructure investment and may be claimed once per project. To collect the sales tax remittance, the city or county must apply in a form and manner prescribed by DOR including the amount of money spent on the eligible infrastructure investment and the total amount of sales tax paid. DOR may not approve an application after June 30, 2027, and must provide a report to the Legislature regarding the utilization of the program by November 1, 2026.

**EFFECT OF CHANGES MADE BY HOUSING STABILITY & AFFORDABILITY COMMITTEE (First Substitute):**

- Defines affordable workforce housing as residential housing units rented or owned by a person or household whose income is at or below 110 percent of the median income for the county in which the housing is located.
- Limits eligibility to counties located east of the Cascade mountains with a population of greater than 40,000 but no more than 125,000, and the cities within those counties.
- Requires projects to be wholly located within an urban growth area or in limited areas of more intense rural development.
- Requires local jurisdictions to apply to the Department of Revenue before initiating construction on the local infrastructure investment.
- Prohibits the Department of Revenue from approving any applications after June 30, 2027, and requires the Department to report to the Legislature regarding the utilization of the program by November 1, 2026.

**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:** *The committee recommended a different version of the bill than what was heard.* PRO: The Wenatchee area has done extensive work on affordable housing, and this provides local control and local tools to address the housing needs in their community. Wenatchee has an issue with the "missing middle" in the housing ladder, with a lack of affordable workforce housing. Eighty percent of average median income in Wenatchee is not sufficient to afford the median house sold in Wenatchee. Flexibility is needed to address local challenges, and using average median income does not work in some areas. This approach addresses housing issues as both a local and state issue, where the state partners with local governments. In some areas there is a big gap in affordable housing for first time homebuyers, and there needs to be more options to create workforce housing.

OTHER: There is a concern regarding the precedent that the program does not use an average median income cap to limit the benefits to low income or workforce housing. One approach might be to limit the program to a pilot or ensure there is an adequate process in the community to create and manage the program.

**Persons Testifying:** PRO: Senator Judy Warnick, Prime Sponsor; Shiloh Burgess, Wenatchee Valley Chamber; Frank Kuntz, Mayor, City of Wenatchee; Matthew Hepner, East Wenatchee City Council; Mike Ennis, Association of Washington Business.

OTHER: Michele Thomas, Washington Low Income Housing Alliance.

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