

# SENATE BILL REPORT

## ESHB 2437

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As Reported by Senate Committee On:  
Ways & Means, March 6, 2018

**Title:** An act relating to encouraging investments in affordable and supportive housing.

**Brief Description:** Encouraging investments in affordable and supportive housing.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Robinson, Tharinger, Macri, Ryu, Kagi, Pollet, Ormsby, Doglio, Santos and Tarleton).

**Brief History:** Passed House: 2/27/18, 52-46.

**Committee Activity:** Ways & Means: 3/06/18 [DPA(WM), DNP, w/oRec].

### Brief Summary of Amended Bill

- Authorizes the governing body of a county or city to impose a local sales tax, credited against the state sales tax, for affordable or supportive housing.
- Requires a county or city imposing the tax to provide annual matching funds.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended by Committee on Ways & Means.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair; Billig, Carlyle, Conway, Darneille, Hasegawa, Hunt, Keiser, Palumbo, Pedersen, Ranker and Van De Wege.

**Minority Report:** Do not pass.

Signed by Senators Fain and Warnick.

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

Signed by Senators Braun, Ranking Member; Honeyford, Assistant Ranking Member; Bailey, Becker, Brown, Mullet, Rivers, Schoesler and Wagoner.

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

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

**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 products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, all counties, and 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.

**Summary of Amended Bill:** County legislative authorities are authorized to implement a local sales tax to fund affordable or supportive housing at a rate not to exceed .01 percent. If a county with a population of 1.5 million or less does not impose the tax by July 1, 2020, cities within the county may impose the tax. If a county with a population greater than 1.5 million does not impose the tax by July 1, 2021, cities within the county may impose the tax.

The effective date of the tax must be the first day of a state fiscal year. No county or city may impose the tax after July 1, 2023. The tax expires 20 years after the jurisdiction first imposes the tax.

The tax is credited against the state sales tax collected in the jurisdiction. It is not an increase in sales or use tax for consumers and does not change the overall retail sales or use tax rate. Instead, the amount of sales tax retained by the state is reduced.

A county or city must provide annual matching funds equal to at least 15 percent of the annual maximum amount of tax distributions.

A county or city may bond against the revenue. The revenue collected or bonds issued may only be used for:

- acquiring, rehabilitating, or constructing facilities providing supportive housing services;
- operations and maintenance costs of supportive housing; or
- rental assistance to tenants.

A county or city may enter into an interlocal agreement with one or more other counties, cities, or housing authorities to provide affordable or supportive housing. A county with a population of greater than 1.5 million must distribute taxes collected under this act equitably throughout the county and produce an annual report on the geographic distribution of funds. Counties and cities imposing the tax must submit annual reports on the collection and uses of the revenue to the Housing Finance Commission.

#### **EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):**

- Lowers the maximum tax rate to 0.01 percent. Restricts the use of funds to supportive housing. Changes the tiered local match requirements to a uniform 15 percent match requirement. Eliminates the requirements for King County to distribute funds pursuant to a regional implementation plan that has been submitted to a regional committee for review and recommendation.

**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: Across the state, tens of thousands of people are experiencing homelessness. This includes almost 40,000 school children. Cities and counties are facing tremendous affordability challenges. This bill will provide us with flexible resources to address our community needs. This bill does not represent any tax increase to the consumer. Local governments across the state are struggling to address homelessness. In Olympia, over 700 people are homeless in the downtown area. Homelessness impacts are environmental health and public safety. Homeless people can be frequent users of emergency medical, police, and code enforcement services. This bill is a cost effective investment and provides local governments with vital resources. This is the key bill before you that addresses housing supply. We have heard from counties across the state that they have challenges with affordable housing. This bill represents an incredibly helpful tool. We welcome the local match requirement. Snohomish County's vacancy rate has not been above 4.6 percent in the last six years. Nationwide, the vacancy rate is about 7.5 percent. Supportive housing is a cost-effective investment for some of our most vulnerable members. This bill leverages non-state fund sources. Investment in affordable housing will relieve crowding in mental hospitals.

**Persons Testifying:** PRO: Michele Thomas, Washington Low Income Housing Alliance; Kelli Larson, Plymouth Housing Group; Carl Schroeder, Association of Washington Cities; Brian Enslow, City of Vancouver; Jessica Bateman, City of Olympia; Jennifer Ziegler, Washington State Association of Counties; Briahna Murray, Snohomish County.

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