

HOUSE BILL REPORT

EHB 1219

As Passed House:
March 5, 2019

Title: An act relating to providing cities and counties authority to use real estate excise taxes to support affordable housing and homelessness projects.

Brief Description: Providing cities and counties authority to use real estate excise taxes to support affordable housing and homelessness projects.

Sponsors: Representatives Walen, Springer, Kloba, Goodman, Slatter, Stanford, Fey, Jinkins, Fitzgibbon, Ortiz-Self, Valdez, Lekanoff, Doglio, Frame, Wylie, Tharinger, Gregerson and Macri.

Brief History:

Committee Activity:

Housing, Community Development & Veterans: 2/1/19, 2/5/19 [DP].

Floor Activity:

Passed House: 3/5/19, 74-24.

Brief Summary of Engrossed Bill

- Authorizes counties and cities to use certain real estate excise tax (REET II) revenue for facilities serving the homeless and affordable housing projects until January 1, 2026.

HOUSE COMMITTEE ON HOUSING, COMMUNITY DEVELOPMENT & VETERANS

Majority Report: Do pass. Signed by 6 members: Representatives Ryu, Chair; Morgan, Vice Chair; Entenman, Frame, Leavitt and Reeves.

Minority Report: Do not pass. Signed by 3 members: Representatives Gildon, Ranking Minority Member; Barkis, Assistant Ranking Minority Member; Corry.

Staff: Serena Dolly (786-7150).

Background:

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.

Growth Management Act Participation.

The Growth Management Act (GMA) is the comprehensive land-use planning framework for county and city governments in Washington. Enacted in 1990 and 1991, the GMA establishes numerous requirements for local governments required or choosing to fully plan under the GMA and a reduced number of directives for all other counties and cities.

Jurisdictions that fully plan under the GMA must adopt comprehensive land-use plans to express the general land-use policies of the county or city, and development regulations to implement those plans. Comprehensive plans must address specified planning elements, such as a capital facilities element, a housing element, and an economic development element, each of which is a subset of a comprehensive plan.

Real Estate Excise Tax.

Counties and cities are authorized to impose excise taxes on real property sales.

REET I.

County legislative authorities may impose an excise tax (REET I) on each sale of real property in unincorporated areas of the county. Similarly, city legislative authorities may impose an excise tax on each sale of real property within their corporate limits. The rate of REET I may not exceed 0.25 percent of the selling price.

Proceeds from the REET I are dedicated for financing certain capital projects and improvements that include public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of certain types of facilities and infrastructure. Such qualifying projects include:

- streets, roads, highways, and sidewalks;
- street and road lighting systems;
- storm and sanitary sewer systems;
- recreational facilities;
- parks;
- law enforcement and fire protection facilities;
- administrative and judicial facilities; and
- river and waterway flood control projects.

REET II.

The legislative authorities of counties and cities that are required to plan under the Growth Management Act may impose an additional real estate excise tax (REET II) not to exceed a rate of 0.25 percent of the selling price of property. Counties that choose to plan under the GMA, and the cities within those counties, may impose the REET II with voter approval. Counties and cities may use REET II revenue for financing capital projects specified in their comprehensive plan that include:

- streets, roads, highways, and sidewalks;
- street and road lighting systems; and
- storm and sanitary sewer systems.

Legislation enacted in 2017 authorized cities and counties to use the greater of \$100,000 or 25 percent of available REET II revenue, not to exceed \$1 million per year, for homeless housing development through June 30, 2019, so long as certain conditions are met.

Summary of Engrossed Bill:

A county or city may use REET II revenue for the planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvements of facilities serving the homeless and affordable housing until January 1, 2026, so long as it documents in its capital facilities plan that it has funds during the next two years for certain capital projects.

The annual amount of REET II revenue a county or city may use for affordable housing and homelessness projects is limited to \$100,000 or 25 percent of available funds, but not to exceed \$1 million, unless the county or city used REET II revenue to provide housing for the homeless prior to June 30, 2019.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Local jurisdictions need many tools to address housing issues. This bill removes the existing sunset and cap on using REET II revenue for affordable housing and homelessness. The REET is directly tied to housing. This is not a new tax. Without this bill, the existing flexibility will expire. Cities can be trusted to use funds to meet local needs and have proven this with the temporary authority. The City of Kirkland has used the flexibility to invest \$1.5 million in the first homeless shelter for women and families on the eastside of King County. Other jurisdictions want to use the REET for housing but have been hesitant with the sunset in place. This bill removes some of the hurdles in the current authority, such as the requirement to certify all other capital projects are funded. This bill does not prevent counties and cities from using the REET for infrastructure investments.

(Opposed) None.

(Other) Realtors support giving tools to counties and cities to address affordable housing and are committed to addressing the issues of homelessness and affordable housing. A four-year sunset would allow lawmakers and others to come back and evaluate this proposal and other affordable housing efforts.

Persons Testifying: (In support) Representative Walen, prime sponsor; Jay Arnold, City of Kirkland; and Carl Schroeder, Association of Washington Cities.

(Other) Denny Eliason, Washington REALTORS Association.

Persons Signed In To Testify But Not Testifying: None.