HOUSE BILL REPORT
HB 1406

As Reported by House Committee On:
Housing, Community Development & Veterans

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

Brief Description: Encouraging investments in affordable and supportive housing.

Sponsors: Representatives Robinson, Macri, Chapman, Valdez, Senn, Peterson, Kloba, Tharinger, Gregerson, Stanford, Walen, Doglio, Frame, Jinkins, Riccelli, Slatter, Ormsby and Santos.

Brief History:
Committee Activity:
Housing, Community Development & Veterans: 2/1/19, 2/6/19 [DPS].

Brief Summary of Substitute 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.

HOUSE COMMITTEE ON HOUSING, COMMUNITY DEVELOPMENT & VETERANS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Ryu, Chair; Morgan, Vice Chair; Gildon, Ranking Minority Member; Barkis, Assistant Ranking Minority Member; Corry, Entenman, Frame, Leavitt and Reeves.

Staff: Serena Dolly (786-7150).

Background:

Sales and Use Tax.
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

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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 Substitute Bill:

County and city legislative authorities are authorized to implement a local sales tax to fund affordable or supportive housing. The maximum rate imposed may not exceed either 0.01 percent or 0.02 percent.

For the first 12 months following the effective date of the bill, the maximum rate of 0.02 percent is available only to:

- a city levying a qualifying local tax;
- a city located in a county that declares it will not levy the tax; and
- a county within its unincorporated areas and within the limits of a city that declares it will not levy the tax.

Beginning 12 months after the effective date of the bill, the maximum rate of 0.02 percent is available only to:

- a city levying a qualifying local tax; and
- a county within its unincorporated areas and within the limits of a city that is not levying the tax.

Beginning 12 months after the effective date of the bill, cities without a qualifying tax may impose a rate of 0.01 percent, and a county may impose a rate of 0.01 percent within the limits of a city imposing the tax at 0.01 percent. A county may not levy the tax within the limits of a city imposing the tax at 0.02 percent.

A "qualifying local tax" is defined as the affordable housing levy, the sales and use tax for housing and related services, or the sales and use tax for chemical dependency and mental health treatment services or therapeutic courts. To impose the tax, a county or city legislative authority must adopt a resolution of intent within six months of the effective date of the bill and impose the tax within one year.

The tax is credited against the state sales tax collected in the jurisdiction. The amount a county or city may collect in any state fiscal year is limited based on taxable retail sales in the jurisdiction for state fiscal year 2019.

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

- acquiring, rehabilitating, or constructing affordable housing, including new units of affordable housing within an existing structure or facilities providing supportive housing services to individuals with mental or behavioral disorders; or
- operations and maintenance costs of new units of affordable or supportive housing.

Counties with a population of 400,000 or less and cities with a population of 100,000 or less may also use the revenue to provide rental assistance to tenants.

Housing and services may only be provided to persons whose income is at or below 60 percent of the county median income. 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.

Counties and cities imposing the tax must submit annual reports on the collection and uses of the revenue to the Department of Commerce (COM), and the COM must submit a report annually to the appropriate legislative committees.

The tax expires 20 years after the jurisdiction first imposes the tax.

Substitute Bill Compared to Original Bill:

The substitute bill makes technical corrections to clarify that the bill applies only to the new local sales and use tax authorized. The substitute also specifies that to enact the maximum 0.02 percent rate, a city must levy a qualifying local tax no later than 12 months after the effective date of the bill, rather than within 12 months of the effective date. The substitute bill requires the median income calculation for cities imposing the tax to be based on the city's median income, not the county's, unless the United States Census Bureau does not calculate median income for the city. The substitute bill clarifies that a county or city may begin levying the tax on the effective date of the bill.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Communities across the state are struggling with affordable housing issues. Many people are paying more than 50 or 60 percent of income on rent. People are living in places that are not meant to be housing, such as cars or streets. Others are on the verge of homelessness. People without homes are dying on the streets. The revenue in this bill targets people who need it most.

Housing is needed to help relieve behavioral health issues. Without progress on the housing issue, there cannot be progress on the behavioral health crisis. People in crisis need housing to stabilize. Housing is healthcare. Without housing, treatment for mental illness or substance abuse cannot be successful. Affordable housing investments save money in the long term.

It is difficult to find resources to fund affordable housing. Federal benefits have been maxed out for three years. The capital budget is strained. This bill will allow access to the

Medicaid supportive housing benefit. The bill will also provide much needed options for local investments in housing. It will allow local governments to leverage additional resources with bonding capacity. This bill will also generate much needed resources to maintain existing affordable housing. This is not a new tax mechanism.

In the first year, this bill will allow Pierce County to build 177 new units of affordable housing and preserve 32 existing units. Additional resources would allow the Renton Housing Authority to build new units of affordable housing on land that it already owns. In some parts of the city, increasing rents are displacing long-term residents. The City of Seattle has a 35-year track record of using its own funds for housing, including an affordable housing levy. The city has prioritized investments for most vulnerable populations with supportive housing. These investments leverage private investments. The City of Seattle had to deny funding to 11 projects with 1,200 affordable units.

(Opposed) None.

Persons Testifying: Representative Robinson, prime sponsor; Len McComb, Community Health Network and Washington State Hospital Association; Mark Santos-Johnson, City of Renton; Paul Benz, Faith Action Network; Kim Herman, Washington State Housing Finance Commission; Michele Thomas, Washington Low Income Housing Alliance; Joe Roszak and Monica Bernhard, Kitsap Mental Health Services; Ashley Martin, Community Frameworks; Emily Alvarado, City of Seattle; Greg Winter, Opportunity Council; Amanda DeShazo, Tacoma-Pierce County Affordable Housing Consortium; Mark Smith, Housing Consortium of Everett and Snohomish County; Carl Schroeder, Association of Washington Cities; Nathan Gorton, Washington Realtors; Juliana Roe, Washington State Association of Counties; Kathy Haigh, Mason County Housing Authority; and Saeed Hajarizadeh, Vancouver Affordable Housing and Association of Washington Housing Authorities.

Persons Signed In To Testify But Not Testifying: None.