

# SENATE BILL REPORT

## SB 6631

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As Reported by Senate Committee On:  
Housing Stability & Affordability, February 5, 2020

**Title:** An act relating to the sales and use tax for affordable and supportive housing.

**Brief Description:** Concerning the sales and use tax for affordable and supportive housing.

**Sponsors:** Senator Saldaña.

**Brief History:**

**Committee Activity:** Housing Stability & Affordability: 2/03/20, 2/05/20 [DPS-WM, w/oRec].

**Brief Summary of First Substitute Bill**

- Extends deadlines and clarifies provisions for cities and counties implementing the local sales and use tax for affordable housing.

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### SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

**Majority Report:** That Substitute Senate Bill No. 6631 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; Darneille and Saldaña.

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

Signed by Senator Warnick.

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

**Background:** 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 0.0146 percent or 0.0073 percent.

Until July 28, 2020, the maximum rate of 0.0146 percent is available only to:

- a city levying a qualifying local tax;

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- a city located in a county that declares it will not levy the tax or that does not adopt a resolution of intent to impose the tax; and
- a county within its unincorporated areas and within the limits of a city that declares it will not levy the tax or does not adopt a resolution of intent to impose the tax.

The rate of 0.0073 percent is available only to a city without a qualifying local tax; and a county within the limits of a city that does not levy a qualifying local tax.

A county may not levy the tax within the limits of a city imposing the tax at 0.0146 percent.

After July 28, 2020, the maximum rate of 0.0146 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.

The rate of 0.0073 percent is available only to a city that is not levying a qualifying tax located in a county levying the tax; and a county within the limits of a city that does not levy a qualifying local tax.

A city without a qualifying local tax may not levy the tax unless the county also levies the tax. A county may not levy the tax within the limits of a city imposing the tax at 0.0146 percent.

A "qualifying local tax" is defined as the affordable housing levy, the sales and use tax for housing and related services, the sales and use tax for chemical dependency and mental health treatment services or therapeutic courts, or a voter-approved property tax levy used solely for affordable housing. To impose the tax, a county or city legislative authority must adopt a resolution of intent within six months of July 28, 2019, 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.

**Summary of Bill (First Substitute):** A qualifying local tax must be adopted by December 31, 2021. A city that intends to adopt a qualifying local tax by the due date must adopt a resolution of intent to impose the tax by July 28, 2020. Cities that do not levy a qualifying local tax may impose the local affordable housing tax even if their county does not impose the tax.

A city or county must provide the Department of Revenue (DOR) copies of the adopted resolution and legislation to impose the tax by January 15, 2021.

DOR must calculate preliminary cap amounts by October 1, 2020. Final cap amounts must be calculated by June 30, 2022.

Funding from the local tax may be used for affordable or supportive housing, including staffing costs. Revenues from bonds may not be used to pay for operations and maintenance costs. A county or city may use up to 6 percent of the annual tax distribution for administrative costs. Median income requirements of 60 percent or below must be met at the time of initial occupancy for renters, or at the time of purchase for owner-occupied units. A county may not pledge revenue generated within a city limit for the repayment of bonds before July 28, 2020, or if the city has adopted a notice of intent to implement a qualifying local tax.

**EFFECT OF CHANGES MADE BY HOUSING STABILITY & AFFORDABILITY COMMITTEE (First Substitute):** Extends the date to adopt a qualifying local tax from July 2019 to December 31, 2021. Cities that intend to adopt a qualifying local tax must adopt a notice of intent by July 28, 2020 and notify the DOR and the county. A participating city may levy 0.0146 percent if the county does not participate in levying the local sales and use tax for affordable housing. A county or city needs to provide the DOR with copies of adopted resolutions of intent and legislation authorizing the local tax by January 15, 2021, rather than December 1, 2020. DOR must calculate the annual maximum sales tax base for a county by October 1, 2020 based on the sales within the unincorporated areas of the county, within nonparticipating cities, and cities without a qualifying local tax. DOR must calculate final annual maximum amount of tax distributions for cities and counties by June 30, 2022. Revenues from bonds may not be used to pay for operations and maintenance costs. Administrative costs for counties and cities may not exceed 6 percent of the annual tax distributions. Median income calculations are based on standard metropolitan statistical area, rather than county or city median income.

**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 local sales and use tax for affordable housing provides an important tool for counties and cities to address the housing

crisis in Washington. Stakeholders are still working on details to implement the bill, including adjusting timelines to allow local governments the flexibility to best implement the new tax. Cities need more time to meet the timelines for responding to the incentive allowing cities to receive additional revenue if they have a qualifying local tax. Cities need to adopt ordinances and prepare for bringing proposals forward for the November election. There have been challenges in implementing the new tax, and stakeholders have done extensive work to develop language that captures the intent of the bill from last year.

**Persons Testifying:** PRO: Senator Rebecca Saldaña, Prime Sponsor; Penny Sweet, Mayor, City of Kirkland; Hannah Bahnmler, Housing Programs Manager, City of Renton; Juliana Roe, Washington State Association of Counties.

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