

# HOUSE BILL REPORT

## ESHB 1070

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**As Passed House:**

February 25, 2021

**Title:** An act relating to modifying allowed uses of local tax revenue for affordable housing and related services to include the acquisition and construction of affordable housing and facilities.

**Brief Description:** Modifying allowed uses of local tax revenue for affordable housing and related services to include the acquisition and construction of affordable housing and facilities.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives Ryu, Macri, Walen, Chopp, Santos, Fitzgibbon, Ramel, Wylie, Ramos, Bateman, Tharinger, Simmons, Kloba, Peterson, Gregerson, Goodman, Sells, Bronoske, Valdez, Callan, Hackney, Cody, Ormsby, Riccelli, Springer, Fey, Davis, Pollet and Harris-Talley).

**Brief History:**

**Committee Activity:**

Finance: 1/25/21, 1/28/21 [DPS].

**Floor Activity:**

Passed House: 2/25/21, 56-42.

**Brief Summary of Engrossed Substitute Bill**

- Expands the allowable uses of a portion of revenues from the local sales and use tax for housing and related services to include acquiring affordable housing, facilities providing housing-related services, behavioral health-related facilities, or land for these purposes.
- Requires a county that seeks to acquire a facility using funds from the local sales and use tax for housing and related services to consult with the city in which the facility is located prior to acquisition and to provide an opportunity for 15 percent of the units provided in an acquired facility to be provided to those living in or near that city, or those who have ties

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to that community.

- Clarifies that affordable housing includes emergency, transitional, and supportive housing for purposes of the local sales and use tax for housing and related services.
- Expands the allowable uses of a portion of revenues from the state-shared lodging tax to include housing and facilities for homeless youth for counties with a population of at least 1.5 million.

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Harris-Talley, Morgan, Orwall, Ramel, Springer, Thai and Wylie.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase, Stokesbary and Vick.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Young.

**Staff:** Nick Tucker (786-7383).

### **Background:**

#### Retail 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 tax applies 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.

#### Local Sales and Use Tax for Housing and Related Services.

A city or county legislative authority may impose a 0.1 percent sales and use tax in order to fund housing and related services. The tax may be imposed by councilmanic action or by voter approval. A county with a population of greater than 1.5 million may impose the tax by councilmanic action only if the county plans to spend at least 30 percent of the moneys collected that are attributable to taxable activities or events within any city with a population of greater than 60,000 located in that county within the city's boundaries.

A minimum of 60 percent of revenues collected must be used:

- for constructing affordable housing, affordable housing units, facilities providing housing-related services, or mental and behavioral health-related services; or
- to fund the operations and maintenance costs of newly constructed affordable housing, facilities providing housing-related services, or evaluation and treatment centers.

The affordable housing and facilities providing housing-related programs must serve any of the following individuals with income below 60 percent of area median income: individuals with mental illness; veterans; senior citizens; homeless families with children; unaccompanied homeless youth; persons with disabilities; or domestic violence victims. The remainder of the money collected must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services.

Prior to constructing a facility using funds from the local sales and use tax for housing and related services, a county must consult with the city in which the facility is located.

#### State-Shared Lodging Tax.

A city or county legislative authority may impose a 0.2 percent special excise on the sale or charge made for the furnishing of lodging. The tax may be imposed by councilmanic authority. The tax is credited against the state sales tax rate. The state-shared lodging tax is also referred to as the "hotel/motel tax" or the "transient rental tax." Certain requirements of the tax may prevent some cities from imposing the tax.

Generally, proceeds from the tax must be used for tourism promotion, acquisition of tourism-related facilities, or the operation of tourism-related facilities.

Beginning January 1, 2021, for counties with a population of at least 1.5 million, proceeds from the tax must be used as follows:

- at least 37.5 percent for art museums, cultural museums, heritage museums, the arts, and the performing arts;
- at least 37.5 percent for contracts, loans, or grants to nonprofit organizations or public housing authorities for affordable workforce housing within 0.5 miles of a transit station or for services for homeless youth, or to repay revenue bonds used to finance projects authorized by a community preservation and development authority that promote sustainable workplace opportunities near a community impacted by the construction or operation of tourism-related facilities; and
- the remainder for capital or operating programs that promote tourism and attract tourists to the county.

For purposes of the use of funds by counties with a population of at least 1.5 million, the income threshold for "affordable workforce housing" is between 30 and 80 percent of the county median income, adjusted for household size.

## **Summary of Engrossed Substitute Bill:**

### Local Sales and Use Tax for Housing and Related Services.

The acquisition of affordable housing, facilities providing housing-related services, behavioral health-related facilities, or land for these purposes, is added to the allowable use of at least 60 percent of the funds raised from the local sales and use tax for housing and related services. Affordable housing includes emergency, transitional, and supportive housing.

Prior to acquiring a facility using funds from the local sales and use tax for housing and related services, a county must consult with the city in which the facility is located.

A county must prioritize providing an opportunity for 15 percent of the units in an acquired facility to be provided to individuals living in or near the city in which the facility is located, or have ties to the community. Such prioritization must not jeopardize United State Department of Housing and Urban Development funding for the Continuum of Care Program.

### State-Shared Lodging Tax.

Housing or facilities for homeless youth is added to the allowable use of at least 37.5 percent of the funds raised from the state-shared lodging tax by a county with a population of at least 1.5 million.

For purposes of the use of funds by counties with a population of at least 1.5 million, the income threshold for "affordable workforce housing" is at or below 80 percent of the county median income, adjusted for household size.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

### **Staff Summary of Public Testimony:**

(In support) Given the current health and economic crises, local governments need more flexibility to meet the housing needs of their communities. This bill provides this much needed flexibility. An emergency clause is necessary because of the immediate need for this flexibility. Allowing for the acquisition of facilities is a faster and more cost-effective way for local governments to provide urgently needed housing. The bill would allow local governments to use existing revenue tools expeditiously and will make these tools more effective. The temporary economic condition in the hospitality sector will allow local governments to purchase units and convert them into emergency housing immediately. Providing housing and other services will also help to address deeply rooted issues related

to equity. The housing situation was already at a crisis level before the COVID-19 pandemic and has since gotten worse. The COVID-19 pandemic has shown us that housing is health and is fundamental to our dignity as humans.

(Opposed) None.

(Other) Affordable housing is a regional issue. As such, collaboration between local governments is necessary to deal with affordable housing. For example, the City of SeaTac is one of the most affordable cities in King County and collaboration is required between the city and the county to solve the affordability crisis. Unfortunately, this collaboration does not always occur. The bill could be improved with an amendment to define consultation.

**Persons Testifying:** (In support) Representative Ryu, prime sponsor; Alison Eisinger, Seattle/King County Coalition on Homelessness; Patience Malaba, Housing Development Consortium; Lauren Fay, Downtown Emergency Service Center; Christopher Jowell, Catholic Housing Services of Western Washington; Claudia Balducci, King County Council; Leo Flor, King County Department of Community and Human Services; Jesse Rawlins, Public Defender Association; and Kayla Newcomer, YouthCare.

(Other) Peter Kwon, City of SeaTac.

**Persons Signed In To Testify But Not Testifying:** None.