

SENATE BILL REPORT

SB 6027

As of February 2, 2026

Title: An act relating to modifying requirements and allowed uses for certain funding related to providing and maintaining affordable housing and related services.

Brief Description: Modifying requirements and allowed uses for certain funding related to providing and maintaining affordable housing and related services. [**Revised for 1st Substitute:** Modifying certain funding and exemptions related to providing and maintaining affordable housing and related services.]

Sponsors: Senators Alvarado, Robinson, Bateman, Conway, Frame and Nobles.

Brief History:

Committee Activity: Housing: 1/16/26, 1/21/26 [DPS-WM, DNP].
Ways & Means: 2/02/26.

Brief Summary of First Substitute Bill

- Makes changes to the allowable uses for certain local sales and use tax collected for housing and related services.
- Makes changes to the requirements and eligible uses of funding in the Affordable Housing for All Account.
- Allows the qualifying entity to certify that they intend to operate existing housing for low income persons on property sold or transferred within 24 months, instead of one year, for the purposes of qualifying for a Real Estate Excise Tax exemption.
- Updates the definition of emergency housing for the purpose of property tax exemptions for nonprofit organizations in providing emergency or transitional housing for low-income persons or victims of domestic violence who are homeless.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

SENATE COMMITTEE ON HOUSING

Majority Report: That Substitute Senate Bill No. 6027 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Bateman, Chair; Alvarado, Vice Chair; Orwall, Salomon and Trudeau.

Minority Report: Do not pass.

Signed by Senators Goehner, Ranking Member; Gildon.

Staff: Melissa Van Gorkom (786-7491)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

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 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 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 to fund housing and related services. A minimum of 60 percent of revenues collected must be used as follows:

- for constructing or acquiring affordable housing, facilities providing housing-related services, or mental and behavioral health-related services, or acquiring land for these purposes; 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 behavioral health disabilities;
- veterans;
- senior citizens;
- homeless persons;
- unaccompanied homeless youth;
- persons with disabilities; or
- domestic violence victims.

Local Sales and Use Tax for Affordable and Supportive Housing. Local jurisdictions may impose a local state-shared sales and use tax to fund affordable or supportive housing. The maximum rate imposed may not exceed either 0.0146 percent or 0.0073 percent. The tax is credited against the state sales tax collected in the jurisdiction. Funds from this tax must be used for the following:

- acquisition, rehabilitation, or construction of affordable housing;
- funding the operations and maintenance costs of new units of affordable or supportive housing; or
- providing rental assistance to tenants.

Housing and services may only be provided to persons whose income is at or below 60 percent of the median income of the county or city imposing the tax, or at or below 80 percent of the median income of the county or city imposing the tax if it is supporting the development of affordable housing intended for owner occupancy.

Affordable Housing for All Account. The state and local affordable housing and homeless programs receive funding from a \$183 surcharge collected by each county auditor when certain documents are recorded. Of the \$183 surcharge, 13.1 percent is distributed to the Affordable Housing for All Account. The Department of Commerce (Commerce) may use up to 10 percent for program administration and technical assistance. At least 90 percent must be used for:

- grants for building operations and maintenance costs of housing projects, or units with housing projects in the state's Housing Trust Fund portfolio, are affordable to extremely low-income household, and require a supplement to rent income to cover ongoing operating expenses; and
- grants to support the building operations, maintenance, and supportive services costs for permanent supportive housing projects, or units within housing projects, that have received public capital funding.

Real Estate Excise Tax. Real Estate Excise Tax (REET) applies to real estate transactions including the sale of property and the transfer of controlling interest in property. The rate applies to the selling price and is usually paid by the seller. The REET is due and payable to the county treasurer in which the property is located on the date of the sale, regardless of the date of recording, except in a controlling interest transfer. The REET is imposed at the following rates:

- 1.1 percent if the selling price is equal to or less than \$525,000;
- 1.28 percent on the portion of the selling price that is greater than \$525,000 but equal to or less than \$1.525 million;
- 2.75 percent on the portion of the selling price that is greater than \$1.525 million but equal to or less than \$3.025 million; and
- 3 percent on the portion of the selling price that is greater than \$3.025 million.

Real Estate Excise Tax Exemptions. Some transfers of property are exempted from being considered a sale. Because these transfers are not considered sales, they are exempt from

REET. These exemptions include, among other things, the sale or transfer of property to a nonprofit organization, housing authority, or public corporation that uses the property for housing for low-income persons, meets the requirements for a property tax exemption, and certifies by affidavit at the time of sale or transfer that they intend to operate existing housing on the property within one year, develop new housing on the site within five years, or substantially rehabilitate the premises within three years of the sale or transfer.

Property Tax. All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The county assessor determines assessed value for each property and calculates property taxes. The aggregate of all regular tax levies upon real and personal property by the state and all taxing districts may not exceed 1 percent of the true and fair value of the property, or \$10 per \$1,000 of assessed valuation.

Property Tax Exemptions. There are several exemptions from property tax. Some exemptions are available for housing-related properties such as property used by nonprofit organizations in providing emergency or transitional housing for low-income homeless persons or victims of domestic violence who are homeless if:

- the charge, if any, for the housing does not exceed the actual cost of operating and maintaining the housing; and
- the property is owned, rented, or leased by the nonprofit.

Emergency housing means a project that provides housing and supportive services to homeless persons or families for up to 60 days. Transitional housing means a project that provides housing and supportive services to homeless persons or families for up to two years and has as its purpose facilitating the movement of homeless persons and families to independent living.

Summary of Bill (First Substitute): Local Sales and Use Tax for Housing and Related Services. Authorization is added for the money to be used for funding the operation and maintenance of existing units of affordable housing and facilities where housing-related programs or provided and rehabilitating existing affordable housing, which may include emergency, transitional, and supportive housing.

A county or city may enter into an interlocal agreement with one or more counties, cities, or public housing authorities to pool the tax receipts, pledge those taxes to bond issued by one or more parties to the agreement, or allocate the proceeds of the taxes or bonds in accordance with such interlocal agreement and statutory requirements.

Local Sales and Use Tax for Affordable and Supportive Housing. Authorization is added for the money to be used for funding the operation and maintenance of existing units of affordable or supportive housing.

Affordable Housing for All Account. The requirements for the 90 percent portion of the

funding in the affordable housing for all account are amended to clarify that housing projects must be affordable to extremely low-income households with incomes at or below 30 percent of the area median income at the time of move-in and remove language that the project require a supplement to rent income to cover ongoing expenses.

Eligible uses are added for grant funds to support the building, operations, maintenance and supportive service costs for permanent supportive housing projects or units within those projects that have or will receive funding from the Housing Trust Fund or other public capital funding programs to include:

- resident services, such as programming, community events, and building activities;
- essential ancillary services necessary to assist program participants who are not covered or are partially covered by Medicaid or other health insurance obtain and maintain housing;
- resident needs for basic living and well-being;
- essential maintenance and upkeep; and
- essential case management and other resources with demonstrable connection to resident well-being and housing stability.

When awarding grants Commerce:

- may not impose a cap on administrative or overhead costs for grantees of less than 15 percent of the grant award;
- shall seek to promote continuity of operations and stability for existing projects; and
- must require grantees maintain supporting documentation for all expenses above \$50. Commerce may not require the submission of supporting documentation before approving reimbursement requests except for cause or auditing purposes.

Real Estate Excise Tax Exemption. To qualify for a REET exemption the nonprofit organization, housing authority, or public corporation must certify that they intend to operate existing housing for low income persons on property sold or transferred within 24 months, instead of one year.

Property Tax Exemption. The definition for emergency housing for the purpose of property tax exemptions for nonprofit organizations in providing emergency or transitional housing for low-income persons or victims of domestic violence who are homeless is updated. Emergency housing means temporary indoor accommodations for individuals or families who are homeless or at imminent risk of becoming homeless that is intended to address the basic health, food, clothing, and personal hygiene needs of individuals or families.

EFFECT OF CHANGES MADE BY HOUSING COMMITTEE (First Substitute):

- Requires Commerce to require grantees maintain supporting documentation for all expenses over \$50.
- Clarifies that Commerce may not require the submission of supporting documentation prior to approving reimbursement requests except for cause or auditing purposes.

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 Proposed Substitute (Housing): *The committee recommended a different version of the bill than what was heard.* PRO: This bill updates tools, it is not about expanding them. By providing greater flexibility at the local level jurisdictions will be better equipped to respond to the specific needs of their communities, even as federal and state administrations change over time. When we build housing we need to maintain it so that we don't lose it. Costs are going up and there is an ongoing threat to lose federal funding that could take away key funding for this housing. We provide a lot of housing for our states most vulnerable which would not be possible without the state and local funding. This will make sure local governments can use their existing revenue to help preserve the housing we have through maintenance and preservation so that our collective limited resource go farther and do more. This should help prevent closure of these essential programs. We need to protect our communities and protecting the investments that have already been made is an important part of addressing the housing crisis.

This bill provides clarity on the use of state funded operations, maintenance, and services (OMS) money and prioritizes renewal of OMS so that there is more predictability that we need to retain skilled staff. The OMS for permanent support of housing is in need of updating and this bill includes work over the last two years on how best to ensure program dollars are fully utilized, support long-term sustainability and best practices in resident care. Having specific language in the statute will reduce administrative burdens both for Commerce and grantees while also providing more flexibility at the local level. Streamlining OMS operations will remove barriers that will make a positive difference in the quality of services and life of participants. Cities need greater flexibility in the use of home fund dollars as outlined in the bill so that we can ensure the continued operation of these local and regional housing projects. This bill empowers community providers to use evidence-based practices and professional judgment to create safer housing environments and reduce crises by allowing for a multifaceted approach to service which is how real stabilization and transformation happen, both for individual residents and the broader community. We support these changes and look forward to working with the sponsor to address implementation details, including cost considerations.

Persons Testifying (Housing): PRO: Senator Emily Alvarado, Prime Sponsor; Curtis Steinhauer; Councilmember Robyn Denson, South Sound Housing Affordability Partners; Councilmember Megan Dunn, Snohomish County; Sarah Dickmeyer, Plymouth Housing; Lauren Fay, Downtown Emergency Service Center; Michele Thomas, Washington Low Income Housing Alliance; David Sackmann, Catholic Charities Eastern Washington; Joe

McDermott, State Relations Director | King County; Paul Berendt, City of Olympia; Em Stone, Governor's Office.

Persons Signed In To Testify But Not Testifying (Housing): No one.

Staff Summary of Public Testimony on First Substitute (Ways & Means): PRO: The bill provides important flexibility that allows homeless housing programs to maintain current service levels, as those programs face funding uncertainty at the federal level. Counties are responsible for addressing homelessness within their communities and rely heavily on state and federal resources to accomplish this work. Housing programs are anticipated to lose federal funding; possibly causing people who are served by those programs to return to homelessness. Local housing providers are desperately searching for solutions. The federal Continuum of Care funding that is at risk walks back on decades worth of proven practices that keep people stably housed. Cuts to the federal housing program would be devastating for housing supply. The local flexibility in this bill is important for maintaining affordable housing. Washington needs to do everything possible to protect communities by continuing to invest in housing that is serving thousands of households across the state. Housing programs are facing high instability due to rising costs and possible federal changes to benefits and programs. This bill provides critical flexibility for counties by allowing them to use existing resources to ensure continuity for residents. The bill should be amended to allow counties to use local funds for rental assistance.

Persons Testifying (Ways & Means): PRO: Curtis Steinhauer, Washington State Association of Counties; Jason Gauthier, Pierce County and the South Sound Housing Affordability Partners; Michele Thomas, Washington Low Income Housing Alliance; Annika Vaughn, Snohomish County; Teresa Mosqueda, King County Council.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.