

Affordable and Supportive Housing Sales and Use Tax — Collection and use of revenue



Annual report on the collection and use of revenues pursuant to
RCW 82.14.540(11)

HOUSING DIVISION

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Report to the Legislature

Director Lisa Brown

Acknowledgments

Washington State Department of Commerce

Corina Grigoras, assistant director,
Housing Division

Oliver Crain, policy contracts manager,
Housing Division

HOUSING DIVISION
1011 Plum St. SE
P.O. Box 42525
Olympia, WA 98504-2525

www.commerce.wa.gov

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Executive summary

Overview

The 2019 Encouraging Investments in Affordable and Supportive Housing Act ([RCW 82.14.540](#)) authorized a new state-shared local tax for affordable and supportive housing investments. It authorized a local sales tax option that is a credit against the state sales tax rate of 6.5%. The maximum rate imposed may not exceed either 0.0146% or 0.0073%. Jurisdictions can receive Affordable and Supportive Sales and Use Tax revenues for up to 20 years. Counties and cities implementing the tax must report annually to the Department of Commerce (Commerce) on the "collection and use of the revenues." Commerce completed rulemaking on April 13, 2020, to prescribe the contents of those reports.

Allowable use of funds

Jurisdictions may use Affordable and Supportive Housing Sales and Use Tax revenues to provide housing and services to persons whose income is at or below 60% of the median income of the city or county imposing the tax. Counties over 400,000 population and cities over 100,000 population may use the revenue for only the following activities:

- (i) Acquiring, rehabilitating, or constructing affordable housing, which may include new units within an existing structure or facilities providing supportive housing services under RCW 71.24.385 (behavioral health organizations);
or
- (ii) Funding the operations and maintenance costs of new units of affordable or supportive housing.

Counties under 400,000 population and cities under 100,000 population may also use the revenue for providing tenant-based rental assistance. Jurisdictions may finance loans or grants to nonprofit organizations or public housing authorities and pledge the tax proceeds to repay bonds under debt limitations imposed by the state constitution or statute. In some cases, cities and counties share revenue. They may enter into an interlocal agreement with other cities, counties, and housing authorities to pool and allocate the revenue.

State fiscal year 2022 data

Commerce collected spending data from jurisdictions from August to October 2022. A total of 111 jurisdictions completed the required annual report on revenue spending for state fiscal year 2022.¹

- 125 (37 counties and 88 cities) jurisdictions received distributions from the Department of Revenue (DOR)
- The total DOR distribution statewide was \$26,436,620.95.
- Most jurisdictions did not spend Affordable and Supportive Sales Tax revenue.
- Nine jurisdictions spent or committed funds toward capital projects.
- Thirteen jurisdictions utilized revenue for rent assistance programs.
- Sixteen jurisdictions utilized funds for operations and maintenance costs of new housing units.
- Twenty-three jurisdictions are participating in interlocal partnerships to pool and distribute revenue. These jurisdictions are North King County, South King County, Thurston County, Jefferson County, and Cowlitz County.

¹ The online report form and instructions are located on the Commerce website at <https://www.commerce.wa.gov/affordable-and-supportive-housing-sales-and-use-tax/>

Agency roles and activities

Department of Revenue

The Department of Revenue (DOR) interprets and implements RCW 82.14.540, makes monthly revenue distributions to jurisdictions, and calculates the maximum tax distribution participating jurisdictions may receive each year. DOR collects minimal information from jurisdictions to administer the tax.

The maximum authorized tax distribution is based on the jurisdiction's taxable retail sales in state fiscal year 2019 multiplied by the authorized tax rate (0.0073% or 0.0146%). For example, if a city's taxable retail sales were \$1 million in fiscal year 2019, the maximum amount the city may receive is either \$73 or \$146 per fiscal year, depending on its authorized rate. If that city had taxable retail sales of \$50,000 for a particular month and were eligible to receive the 0.0073% rate, it would receive \$3.65 in tax distribution for that month.

The tax rate is based on three factors at the time of adoption: the date of adoption, the presence of a qualifying local tax (cities only), and whether the corresponding city or county was a participating jurisdiction.

Department of Commerce

Participating jurisdictions must report to Commerce annually on the "collection and use of the revenues." Pursuant to RCW 82.14.540, Commerce conducted rulemaking in 2019 and 2020 to prescribe the content of those reports.

Commerce collects information from jurisdictions on the collection and use of revenues and prepares this report annually.

State fiscal year 2022 data overview

Participating jurisdictions

Reported data for state fiscal year 2022 (July 1, 2021, through June 30, 2022):

- One hundred twenty-five jurisdictions (37 counties and 88 cities) received distributions from the DOR.
- DOR distributions statewide totaled \$26,436,620.95.

Table 1: Participating counties and state fiscal year 2022 distributions

Counties	Total distributions
Adams	\$51,473.23
Asotin	\$30,949.24
Benton	\$618,727.25
Chelan	\$199,558.97
Clallam	\$136,012.20
Clark	\$773,383.81
Columbia	\$10,364.43
Cowlitz	\$161,897.88
Douglas	\$127,381.86
Franklin	\$33,108.54
Garfield	\$5,136.79
Grant	\$251,237.61
Grays Harbor	\$105,206.02
Island	\$146,440.13
Jefferson	\$61,855.33
King	\$4,200,739.28
Kitsap	\$548,947.89
Kittitas	\$79,043.90
Klickitat	\$54,212.91
Lewis	\$233,150.81
Lincoln	\$15,053.76
Mason	\$121,900.28
Okanogan	\$76,963.29
Pacific	\$40,900.11
Pend Oreille	\$24,130.78
Pierce	\$1,601,254.00
San Juan	\$82,053.83
Skagit	\$277,060.89
Skamania	\$11,908.78
Snohomish	\$1,343,274.79
Spokane	\$937,880.63
Thurston	\$502,349.40
Wahkiakum	\$6,946.98
Walla Walla	\$96,061.54
Whatcom	\$683,598.73
Whitman	\$64,337.46
Yakima	\$351,655.51

Table 2: Participating cities and state fiscal year 2022 distributions

Cities	Total distributions
Airway Heights	\$19,353.36
Anacortes	\$81,267.09
Arlington	\$44,919.94
Auburn	\$149,338.07
Bainbridge Island	\$43,463.82
Bellevue	\$625,858.12
Bonney Lake	\$49,389.32
Bothell	\$106,990.94
Bremerton	\$77,236.45
Burien	\$63,337.24
Burlington	\$74,039.40
Carnation	\$3,645.58
Cashmere	\$5,052.43
Chelan City	\$15,706.68
Clyde Hill	\$6,872.03
Covington	\$42,544.04
Dayton	\$2,548.08
Des Moines	\$31,608.42
Duvall	\$9,025.31
East Wenatchee	\$33,224.72
Edmonds	\$71,931.05
Ellensburg	\$85,189.37
Enumclaw	\$27,674.90
Everett	\$224,718.31
Federal Way	\$125,065.50
Fife	\$71,422.87
Forks	\$4,713.90
Issaquah	\$122,956.20
Kalama	\$4,453.14
Kenmore	\$22,466.15
Kent	\$194,889.31
Kirkland	\$211,668.86
Lacey	\$110,373.93
Lake Forest Park	\$9,970.02
Lake Stevens	\$34,891.73
Lakewood	\$97,697.17
Leavenworth	\$15,631.81
Longview	\$74,283.98
Lynnwood	\$196,819.21
Maple Valley	\$31,276.12
Marysville	\$94,117.37
Medina	\$9,782.77
Mercer Island	\$37,372.56
Mill Creek	\$24,674.77
Monroe	\$45,540.66
Moses Lake	\$57,023.92
Mount Vernon	\$65,029.18
Mukilteo	\$22,746.85
Newcastle	\$12,152.37
Normandy Park	\$5,447.45
North Bend	\$23,323.54

Cities	Total distributions
Olympia	\$329,491.11
Omak	\$16,931.69
Pasco	\$105,831.92
Port Angeles	\$58,025.41
Port Orchard	\$44,553.73
Port Townsend	\$20,596.03
Poulsbo	\$35,922.03
Puyallup	\$194,101.51
Quincy	\$38,261.05
Redmond	\$289,265.78
Renton	\$226,431.09
Ridgefield	\$23,741.44
Sammamish	\$53,098.32
Seatac	\$141,175.78
Seattle	\$4,228,362.75
Sedro Woolley	\$14,140.23
Sequim	\$29,920.82
Shoreline	\$86,235.08
Snohomish City	\$37,391.39
Snoqualmie	\$24,320.37
Spokane City	\$402,274.47
Spokane Valley	\$193,522.69
Stanwood	\$14,544.47
Stevenson	\$4,807.77
Sumner	\$51,630.01
Tacoma	\$853,070.46
Tukwila	\$165,998.21
Tumwater	\$63,703.51
University Place	\$25,412.69
Vancouver	\$658,931.05
Washougal	\$14,467.98
Wenatchee	\$85,427.15
Winthrop	\$3,550.64
Woodinville	\$63,206.56
Woodway	\$1,747.86
Yakima (city)	\$147,516.63
Yelm	\$2,126.42

Jurisdictions' use of funds

Approximately 30 participating jurisdictions spent revenue on new or existing projects. Thirteen jurisdictions (shown in Table 3) used revenue for rent assistance programs. Nine jurisdictions used revenue for capital projects (shown in Table 4), and 16 used revenue to support operations and maintenance costs of new units of affordable housing (shown in Table 5).

State fiscal year 2022 spending summary:

- Jurisdictions spent \$12,151,527.17
- They spent \$714,576.94 on rent assistance
- They spent \$10,175,593.03 on capital projects
- They spent \$1,261,357.20 on operations and maintenance

Table 3: Rent assistance expenditures by jurisdiction

Jurisdiction	Total spent	Total households served	Priority population served
Arlington	\$22,367.00	17	Financially impacted by the COVID pandemic
Burlington	\$67,236.83	45	Low-income
Covington	\$42,544.04	40	Low-income
Garfield County	\$10,954.00	20	Families with children
Jefferson County	\$20,096.00	24	Homeless
Kirkland	\$342,207.63	86	Extremely low-income BIPOC communities
Longview	\$58,500.00	31	Not reported
Mercer Island	\$33,160.93	25	70% or lower AMI households
Poulsbo	\$8,500.00	13	Low-income
Shoreline	\$28,304.70	11	Low-income
Stanwood	\$4,586.00	No data	No data
Tukwila	\$54,962.00	48	Low-income
Whatcom County	\$21,157.81	3	Families with children, young adults

Table 4: Capital project expenditures by jurisdiction

Jurisdiction	Total spent	Activity	New projects and units
Anacortes	\$971,059.35	New construction	Two projects (40 units) are under construction
Clark County	\$600,000.00	Acquisition only	<ul style="list-style-type: none"> ○ Three projects (80 units) under contract ○ One project (12 units) is under construction ○ One project (40 units) is newly in service with affordability covenants of 26-30 years, 20 units reserved for extremely low-income
Ellensburg	\$750,000.00	Acquisition only	Three projects (90 units) under contract
Everett	\$226,451.00	New construction	One project (20 units) is under construction
Fife	\$115,000.00	No data	No data
Grant County	\$323,900.00	Rehabilitation only	One project (12 units) under contract
Okanogan County	\$166,643.00	New construction	<ul style="list-style-type: none"> ○ One project under contract ○ Two projects (24 units) are under construction
Poulsbo	\$6,058.85	New construction	No data
Seattle	\$6,993,063.83	New construction	<ul style="list-style-type: none"> ○ One project (112 units) is under construction ○ One project (92 units) is newly in service with affordability covenants of 31+ years

Table 5: Operations and maintenance expenditures by jurisdiction

Jurisdictions	Total expenditures	Units supported
Cashmere	\$3,845.05	22
Jefferson County	\$70,964.00	13
King County	\$60,685.60	92
Marysville	\$318.50	2
Mason County	\$50,000.00	No data
Moses Lake	\$894.31	35
North Bend	\$17,250.00	No data
Okanogan County	\$23,417.00	24
Seattle	\$450,075.66	92
Stanwood	\$2,232.82	6
Tacoma	\$118,954.77	15
Vancouver	\$347,829.83	40
Wenatchee	\$95,139.00	20
Whatcom County	\$3,938.10	1

Affordability restrictions for new units

Some jurisdictions opt to set income restrictions below the statutory minimum and apply long-term affordability covenants to their respective capital project portfolios. However, many jurisdictions have limited capacity to report the details of projects placed in service, and such data points often fall outside their established reporting systems. In addition, smaller cities and counties do not generally have affordable housing administrators, developers, or managers on their staff. Jurisdictions may need more time to develop the policies, procedures, partnerships or reporting systems needed to accurately report affordability details related to housing units funded with tax revenue.

Two jurisdictions reported on affordability restrictions applied to funded units. Clark County supports 40 units with a 26 to 30-year affordability restriction. Of those units, 20 are reserved for households earning 30% AMI or less. The City of Seattle supports 92 units with a 31+ year affordability covenant. Those units serve households experiencing chronic homelessness.

Appendix A: Chapter 365-240 WAC

Affordable and Supportive Housing - Sales and Use Tax

Chapter 365-240 WAC AFFORDABLE AND SUPPORTIVE HOUSING—LOCAL SALES AND USE TAX

Last Update: 4/13/20

WAC

365-240-010 Authority.
365-240-020 Authorized uses of tax revenue.
365-240-030 Annual report to the department of commerce.

WAC 365-240-010 Authority. This chapter is promulgated pursuant to the authority granted in RCW 82.14.540 requiring counties and cities that impose the local sales and use tax for affordable and supportive housing to report annually to the department of commerce on the collection and use of the revenue and for the department of commerce to adopt rules prescribing the content of those reports.

[Statutory Authority: RCW 82.14.540(11). WSR 20-09-064, § 365-240-010, filed 4/13/20, effective 5/14/20.]

WAC 365-240-020 Authorized uses of tax revenue. Counties with populations over four hundred thousand and cities with populations over one hundred thousand may use tax revenue for:

(1) Acquiring, rehabilitating, or constructing affordable housing, which may include new units within an existing structure or facilities providing supportive housing services under RCW 71.24.385 (behavioral health organizations); or

(2) Operations and maintenance costs of new units of affordable or supportive housing.

Counties with populations under four hundred thousand and cities with populations under one hundred thousand population may use tax revenue for the activities outlined above, as well as to provide rental assistance to tenants that are at or below sixty percent of the median income of the county or city that is imposing the tax.

[Statutory Authority: RCW 82.14.540(11). WSR 20-09-064, § 365-240-020, filed 4/13/20, effective 5/14/20.]

WAC 365-240-030 Annual report to the department of commerce. Jurisdictions must submit a report to the department by October 1st annually with the following information pertaining to the most recent fiscal year. Reports submitted by a lead jurisdiction or managing entity pursuant to an interlocal agreement must be accompanied by contract language designating the responsible entity for submitting annual reports and ensuring their accuracy.

The first report will be due October 1, 2020, and annually thereafter.

(1) General:

(a) All references made in this section to funds, funds pooled, or funds utilized or bonded against are in regard to those derived from a jurisdiction's affordable and supportive housing sales and use tax distribution from the department of revenue for the corresponding fiscal year.

(b) An annual report submitted by a lead jurisdiction or managing entity pursuant to an interlocal agreement must be accompanied by

agreed language designating it as the responsible party for report timeliness and accuracy.

(c) Information submitted by a lead jurisdiction or managing entity pursuant to an interlocal agreement must include the total combined revenue collection and program activities for all jurisdictions subject to the agreement. A separate report on revenue collection and program activities must be submitted for each jurisdiction choosing to additionally expend funds outside the agreement, if applicable.

(d) All reports submitted pursuant to this section must include contact information for the preparer.

(2) Revenue collection:

(a) Total affordable and supportive housing sales and use tax distribution for the reporting jurisdiction(s);

(b) Applicable affordable housing and supportive housing sales and use tax rate(s) for the reporting jurisdiction(s);

(c) If an interlocal agreement is in place, the total revenue utilized jointly pursuant to the agreement;

(d) If an interlocal agreement is in place, the total revenue utilized by jurisdiction(s) separately, not according to the terms of the agreement.

(3) Program activities:

(a) Total funds committed;

(b) Number, types, and status of projects supported with funds;

(c) Degree of leverage with other public and private funds;

(d) Total funds utilized for rent assistance; and

(e) Duration of affordability for projects supported with funds.

(4) Program outputs:

(a) Total funds committed for loans and grants;

(b) Total funds obligated to support bonding activities;

(c) Total funds committed for operations and maintenance of new units of affordable or supportive housing;

(d) Total number of households served with funds used for rent assistance; and

(e) Target populations served with funds.

[Statutory Authority: RCW 82.14.540(11). WSR 20-09-064, § 365-240-030, filed 4/13/20, effective 5/14/20.]