Affordable Housing Committee Briefing:

House Bill 1406 Implementation

Summary

House Bill (HB) 1406 (An Act relating to encouraging investments in affordable and supportive housing) provides local governments in Washington State with a new affordable housing funding source through an up to .0146% sales tax credit. HB 1406 provides a significant opportunity for regional cooperation to accelerate the production of affordable housing.

Discussion / Analysis

Relevant Regional Affordable Housing Action Plan priorities:

- Goal 2: Increase construction and preservation of affordable homes for households earning less than 50% area median income (AMI).

Key details:

- Housing and services funded through HB 1406 may only be provided to persons whose income is at or below sixty percent of the median income of the county imposing the tax.
- King County and cities with populations greater than 100,000 can only spend funds on affordable or supportive housing production, operations and maintenance, while cities with populations of less than 100,000 may also use the funds for rental assistance.
- Cities have six months from the effective date of the legislation to enact the tax with a resolution.
- Cities that have or will create certain affordable housing levies, chemical dependency and mental health treatment services taxes, or similar sales taxes for housing can claim the full .0146% otherwise half of that amount (0.073%) may be claimed by the city with the other half available to the county.
- Cities or counties imposing the tax may issue general obligation or revenue bonds and may pledge the revenue collected for repayment of the bonds.
- Local governments may enter into interlocal agreements to pool their resources for bonds.

Estimated county-wide revenues and bonding capacity:

- Based on 2017 figures, the total revenue for all King County jurisdictions except Seattle would exceed $5.3 million annually.

Considerations

- How can area jurisdictions maximize the use of these funds through regional collaboration?
- How can jurisdictions best ensure that this funding is available long term?
- What is an ideal balance of capital versus operations and maintenance for these funds?
- What bonding capacity amount(s) should jurisdictions consider?
- What income levels should jurisdictions target in the use of these funds?