

Potential Sources for Affordable Housing Revenue in King County

As of July 17, 2020

Source of Funds	Scale of Impact	Description	Populations Served	Action to Implement	Annual Order of Magnitude
.1% Sales Tax (HB 1590)	Countywide or citywide, depending	<p>Voter approved or councilmanic sales tax.</p> <p>If County takes action, they must plan to spend at least 30% percent of the revenue attributable to taxable activities or events within any city with a population greater than 60,000.</p> <p>At least 60% of funds for constructing affordable housing (< 60% AMI), mental and behavioral health facilities, or for operating and maintenance of either. Other uses also specified.</p>	<p>Housing must be for:</p> <ul style="list-style-type: none"> unaccompanied homeless youth and young adults; people with behavioral health disabilities; veterans, senior citizens or domestic violence survivors, homeless, or at-risk of being homeless, families with children; and Persons with disabilities. 	<p>County can place measure on the ballot or impose the tax with councilmanic authority.</p> <p>If County does not impose the full tax rate by September 30, 2020, any city may impose the remainder of the tax either by ballot proposition or by councilmanic action.</p> <p>As of July 13, 2020, King County Council has not authorized the tax rate.</p>	<p>Countywide 0.1% = \$60-\$70 million, with a portion dedicated to non-housing related needs¹</p>
Property Tax Levy	Cities or Countywide	<p>City or County Property Tax levy. Currently the only city in King County to have a property tax levy for affordable housing is Seattle.</p>	TBD	<p>Jurisdiction would place on ballot</p>	<p>Countywide \$0.01 = \$5.35 million² City of Seattle = \$290 /7 years²</p>
Real Estate Excise Tax (REET) Flexibility	Cities or Countywide	<p>Cities and County collect the second .25% on real estate sales (REET 2). Until January 1, 2026, State law allows these funds to be used for or affordable housing projects and the planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of facilities for those experiencing homelessness, as long as such projects are listed in the capital facilities plan.</p>	TBD	<p>EHB 1219 (2019) extended the timeline for using REET revenues for affordable housing and homelessness purposes to January 1, 2026.</p>	<p>\$100,000 or 25% of collections, not to exceed \$1 million/year²</p>

Source of Funds	Scale of Impact	Description	Populations Served	Action to Implement	Annual Order of Magnitude
REET 4 or expanded REET	Cities or Countywide	<p>Cities and County would collect up to 0.25% real estate sales and use for the acquisition, construction, and operation of affordable housing.</p> <p>REET 4 currently available only to San Juan County at 0.5%.</p>	Currently in RCW 82.46.075, people with very low, low, and moderate incomes, and those with special needs.	State Legislature pass law. (In 2019, SSB 5357 was introduced by Sen. Darneille to create an option for cities and counties that have not already imposed a 0.5% REET to impose an additional 0.25% REET by councilmanic action.)	Countywide .25% = \$96.5 million ⁴
Payroll Tax	Cities or Countywide ³	<p>Cities or County would tax employers based on the wages of their employees. Tax will vary.</p> <p>The City of Seattle Council recently passed the JumpStart tax which taxes the pay to employees making more than \$150,000 per year on Seattle companies with payrolls of more than \$7 million.</p>	<p>Determined by jurisdiction.</p> <p>Seattle's JumpStart tax will immediately address the COVID-19 crisis, including investing in housing security, and later transition to funding the construction of affordable housing, city services and economic resiliency.</p>	Jurisdiction action	Varies. Seattle anticipates more than \$214 million/year beginning in 2020. ¹
Inclusionary Housing (IH) In-Lieu Fee	Cities or County	Developer pays fee in lieu of including affordable housing in new development. Jurisdiction uses revenue to construct affordable housing off site.	Determined by jurisdiction	Jurisdiction action	Varies. Seattle collected \$25.5 million in 2019 from Mandatory Housing Affordability (MHA) and Incentive Zoning payments and expects revenue to increase with additional MHA projects. ¹

Source of Funds	Scale of Impact	Description	Populations Served	Action to Implement	Annual Order of Magnitude
Proceeds from Land Sales	City	Jurisdiction uses proceeds from selling surplus property for affordable housing	Determined by jurisdiction	Jurisdiction action	Varies based on value of property
Demolition Fee	City	Jurisdiction imposes a fee on the demolition of a residential building to support affordable housing.	TBD	State Legislature would have to pass a law granting authority. (HB 2397 was introduced in 2016 by Rep. McBride.)	Varies
Condo Conversion Fee	City	Cities impose a fee on condominium conversions to support development of affordable housing.	TBD	State Legislature would have to pass a law granting authority. (HB 2395 was introduced in 2016 by Rep. McBride.)	Varies
Tax Increment Financing (TIF)	Cities or County	In 2020 the State legislature added "permanent affordable housing" to the list of eligible public improvement for three TIF programs: 1. Community Revitalization Financing 2. Local Infrastructure Financing Tool 3. Local Revitalization Financing	Households earning at or below 80% Median Family Income	Program availability is limited, closed, and/or oversubscribed. State Legislature would have to amend the programs to open them up.	Varies by program and jurisdiction

1. Based on 2020 limits and/or projection.

2. Based on the King County Office of Economic and Financial Analysis May 2018 forecast.

3. Authority for a County payroll tax on businesses outside unincorporated areas has not been explored by AHC staff.

4. Based on [Information Sheet: Real Estate Excise Tax 3 \(REET 3\) Land Conservation Advisory Group Prepared by King County Staff; document dated November 1, 2016.](#)