

Enact a Real Estate Excise Tax (REET) for Affordable Housing

Washington State is facing an affordable housing crisis.

- Low-income workers and families are struggling to find affordable places to live.
- Affordable housing is a smart investment that helps create stability for community members like healthcare workers, preschool teachers and service industry employees.
- More than 390,000 households —over 15% of Washington households—are severely cost burdened, paying more than half of their income on rent.

REET is an excise tax imposed at any time a property is conveyed to another owner, levied as a percentage of the value of the property. Washington's REET is primarily assessed on the property seller. (See reverse for REET overview)

Allow Cities to Adopt a Local Option REET of up to .25% to fund Affordable Housing Development

Solution: Amend allowable excise taxes to enable cities to impose up to an additional .25% Real Estate Excise Tax by vote of city council, above and beyond the existing cap of 1.78%, dedicated for investments in affordable housing.

- REET revenue could be used primarily for capital and operations and maintenance funding for both renters earning up to 60% of Area median Income and homeownership for households earning up to 80% of Area Median Income.
- Cities would regulate the funded housing to ensure that it serves income-eligible residents at affordable rents/prices for 50 years.

Why dedicate a REET for Affordable Housing?

- REET provides communities with a local option, balanced approach in a toolkit of strategies to create affordable housing tailored to community needs.
- REET is a fairly progressive means to generate revenue through the sale of residential and commercial properties.
- Local governments make significant public investments in transit, parks, and public amenities that help to increase land and property values. A Real Estate Excise Tax offers an opportunity for local governments to re-capture a portion of that value upon the transfer of property and reinvest it in critical affordable housing infrastructure.
- A REET for affordable housing would help local governments supplement other federal, state, and local affordable housing tools, including, property tax levies, tax exemptions, and zoning tools, including inclusionary housing.
- In most transactions the modest additional cost is unlikely to impact an owner's willingness to sell.

How much would REET at .25% generate for Affordable Housing? (Dependent on real estate sales)

- Edmonds - \$900 thousand - \$1.1 million per year
- Everett - \$1.5-\$2 million per year
- Seattle - \$15-20 million per year
- Lynwood - \$300-\$500 thousand per year

For more information:

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Overview of REET in Washington State:

The specific REET collected varies from jurisdiction to jurisdiction. A base amount of 1.28% is primarily dedicated to the state’s general fund budget, though a portion is allocated to the state’s Public Works Trust Fund account. There are multiple local option REETs available depending on jurisdiction. By and large, local REET funds are limited to capital projects like transportation and utilities infrastructure, parks and recreation, and fire and police service facilities, though there are limited local REET options to fund conservation and affordable housing in specific jurisdictions across the state.

With four exceptions, jurisdictions in King, Kitsap, Snohomish, and Pierce Counties collect REET at the maximum allowable rate of 1.78%; Skykomish, Eatonville, Wilkeson, and Darrington do not meet the population threshold to collect REET 1 (see below), so they charge only 1.53%.

Excise taxes on real estate sales are codified at RCW 82.46.

Taxing jurisdiction	Eligible Uses	Allowed REET	Notes
Washington State	1.3% collected by counties to cover administrative costs; 6.1% to public works assistance account; 1.6% to city/county assistance account; 90% to general fund	1.28%	Base amount collected by the state
All cities & counties (REET 1)	<u>For non-GMA jurisdictions or GMA jurisdictions under 5k population:</u> capital projects identified in capital improvement plans & local capital improvements <u>For GMA jurisdictions:</u> capital projects listed in comprehensive plan’s capital facilities plan	0.25%	Base amount collected by all jurisdictions (except Elmer City, Fairfield, Krupp, Lamont, Latah, Nespelem, Metaline)
All cities and counties fully planning under GMA (REET 2)	Capital projects listed in comprehensive plan’s capital facilities plan	0.25%	Collected by many cities and counties, especially those in Western Washington
All cities and counties not enacting 2 nd 0.5% local sales tax	Local general fund	0.5%	Collected only by Clarkston & Asotin
All counties	Acquisition and maintenance of conservation areas; requires voter approval; unlike all other forms of REET collected in Washington State, this is assessed on the property buyer, rather than paid by the seller	1%	Available to all counties, only levied in San Juan County
All counties who imposed the 1% conservation REET by 2003	Acquisition, construction and operation of affordable housing for low/moderate incomes or special needs; requires voter approval	0.5%	Restricted to San Juan County; not being collected as voters rejected it in 2006

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