

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)

Acknowledgments

Local Governments

Thank you to all the jurisdictions that contributed data for this report.

Washington State Department of Commerce

Corina Grigoras, Assistant Director,
Housing Division

Graham Parrington, Senior Housing Policy Analyst,
Housing Division

Reanna McNamara, Policy Coordinator, Housing
Division

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

www.commerce.wa.gov

For people with disabilities, this report is available on request in other formats. To submit a request, please call 360-725-4000 (TTY 360-586-0772)

Table of Contents

Executive summary..... 4

Agency roles and activities 5

State fiscal year 2023 data overview 6

Appendix A: Chapter 365-240 WAC Affordable and Supportive Housing - Sales and Use Tax 14

Executive summary

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.

Upcoming changes to the allowable use of funds

[Chapter 101, Laws of 2023 \(SB 5604\)](#) amended the allowable uses for these funds. Jurisdictions reporting next year, no matter what size, will be able to use these funds for rental assistance. The changes also allow jurisdictions to use the funds for administrative costs as long as the costs do not exceed 10% of the annual tax distributed to the jurisdiction.

State fiscal year 2023 data

Commerce collected spending data from jurisdictions from August to October 2023. A total of 126 jurisdictions completed the required annual report on revenue spending for state fiscal year 2023.¹

- 126 (37 counties and 89 cities) jurisdictions received distributions from the Department of Revenue (DOR)
- 28 of the 126 jurisdictions participate in interlocal partnerships to pool and distribute their revenue.²
- The total DOR distribution statewide was \$36,454,276.22.
- Most jurisdictions did not spend Affordable and Supportive Sales Tax revenue.
- 24 jurisdictions spent or committed funds toward capital projects.
- 14 jurisdictions utilized revenue for rent assistance programs.
- 21 jurisdictions utilized funds for operations and maintenance costs of new housing units.

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/>

² These jurisdictions are located in Benton County, Chelan County, Douglas County, Franklin County, Jefferson County, North King County, South King County, and Thurston County.

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 was 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 2023 data overview

Participating jurisdictions

Reported data for state fiscal year 2023 (July 1, 2022, through June 30, 2023):

- 126 jurisdictions (37 counties and 89 cities) received distributions from the DOR.
- DOR distributions statewide totaled \$36,454,276.22

Table 1: Participating counties and state fiscal year 2023 distributions

Counties	Total distributions
Adams	\$65,899.16
Asotin	\$30,949.24
Benton	\$775,135.80
Chelan	\$251,582.09
Clallam	\$190,949.51
Clark	\$1,143,746.62
Columbia	\$15,045.26
Cowlitz	\$161,897.88
Douglas	\$149,617.39
Franklin	\$33,108.54
Garfield	\$6,390.54
Grant	\$340,995.40
Grays Harbor	\$105,206.02
Island	\$160,152.66
Jefferson	\$79,505.15
King	\$6,622,946.76
Kitsap	\$733,459.32
Kittitas	\$82,063.48
Klickitat	\$54,212.91
Lewis	\$300,305.32
Lincoln	\$15,053.76
Mason	\$155,051.41
Okanogan	\$88,154.94
Pacific	\$43,940.55
Pend Oreille	\$32,521.14
Pierce	\$2,259,475.25
San Juan	\$94,379.60
Skagit	\$389,690.92

Counties	Total distributions
Skamania	\$11,908.78
Snohomish	\$1,665,928.52
Spokane	\$1,173,163.36
Thurston	\$749,701.86
Wahkiakum	\$8,839.09
Walla Walla	\$96,061.54
Whatcom	\$917,979.20
Whitman	\$64,337.46
Yakima	\$391,803.30
Total	\$19,461,159.73

Table 2: Participating cities and state fiscal year 2023 distributions

Cities	Total distributions
Airway Heights	\$25,909.91
Anacortes	\$111,210.89
Arlington	\$45,923.38
Auburn	\$201,920.56
Bainbridge Island	\$60,396.95
Bellevue	\$880,360.54
Bonney Lake	\$65,084.83
Bothell	\$143,581.65
Bremerton	\$102,426.21
Burien	\$87,710.70
Burlington	\$105,291.21
Carnation	\$4,805.61
Cashmere	\$7,176.28
Chelan City	\$17,442.10
Clyde Hill	\$10,580.06
Covington	\$58,013.95
Dayton	\$3,322.66
Des Moines	\$48,274.27
Duvall	\$10,214.15
East Wenatchee	\$44,184.61
Edmonds	\$96,218.16
Ellensburg	\$117,847.36
Enumclaw	\$38,014.00

Cities	Total distributions
Everett	\$298,763.89
Federal Way	\$171,275.99
Fife	\$87,308.23
Forks	\$5,531.09
Issaquah	\$160,147.10
Kalama	\$5,357.88
Kenmore	\$29,063.26
Kent	\$254,607.06
Kirkland	\$288,863.39
Lacey	\$151,018.65
Lake Forest Park	\$13,199.76
Lake Stevens	\$41,883.69
Lakewood	\$132,265.21
Leavenworth	\$18,862.90
Longview	\$98,683.85
Lynnwood	\$272,984.13
Maple Valley	\$40,179.06
Marysville	\$120,265.40
Medina	\$12,415.53
Mercer Island	\$50,873.84
Mill Creek	\$31,773.19
Monroe	\$61,891.57
Moses Lake	\$70,319.39
Mount Vernon	\$90,251.16
Mukilteo	\$31,680.95
Newcastle	\$16,684.14
Normandy Park	\$8,032.15
North Bend	\$31,747.61
Olympia	\$442,411.26
Omak	\$22,783.01
Pasco	\$131,787.42
Port Angeles	\$76,860.10
Port Orchard	\$58,711.50
Port Townsend	\$28,718.07
Poulsbo	\$48,813.49
Puyallup	\$268,277.35

Cities	Total distributions
Quincy	\$81,883.11
Redmond	\$361,150.01
Renton	\$303,436.01
Ridgefield	\$30,726.96
Sammamish	\$73,529.80
SeaTac	\$215,208.20
Seattle	\$6,009,013.19
Sedro Woolley	\$18,199.15
Sequim	\$39,964.20
Shoreline	\$118,516.24
Snohomish City	\$51,093.34
Snoqualmie	\$35,827.88
Spokane City	\$536,093.02
Spokane Valley	\$248,661.03
Stanwood	\$18,810.50
Stevenson	\$6,407.58
Sumner	\$66,319.37
Tacoma	\$1,181,916.16
Tukwila	\$245,865.18
Tumwater	\$84,310.52
University Place	\$33,644.38
Vancouver	\$826,613.69
Washougal	\$16,925.25
Wenatchee	\$115,393.03
Winthrop	\$4,301.55
Woodinville	\$89,581.50
Woodway	\$2,320.53
Yakima (city)	\$195,949.95
Yarrow Point	\$1,725.04
Yelm	\$19,527.81
Total	\$16,993,116.49

Jurisdictions' use of funds

Approximately 49 participating jurisdictions spent revenue on new or existing projects. Fourteen jurisdictions (shown in Table 3) used revenue for rent assistance programs. Twenty-three jurisdictions used revenue for capital projects (shown in [Table 4](#)), 21 used revenue to support operations and maintenance costs of new units of affordable housing (shown in [Table 5](#)), and six used revenue for other expenses (shown in [Table 6](#)).

State fiscal year 2023 spending summary:

- Jurisdictions spent a total of \$18,061,726.88
- They spent \$738,989.02 on rent assistance
- They spent \$12,614,031.98 on capital projects
- They spent \$4,708,705.88 on operations and maintenance
- They spent \$113,572.04 on other expenses

Table 3: Rent assistance expenditures by jurisdiction

Jurisdiction	Total spent	Total households served	Priority population served
Arlington	\$55,518.00	25	Those recovering from the pandemic that have exhausted all other rental assistance options and will be able to sustain timely rent payments moving forward as well as those that are now over-housed as a result of rental increases who need assistance finding and obtaining more affordable housing.
Covington	\$33,488.00	36	No data
Dayton	\$14,754.66	22	Low-income
Enumclaw	\$35,000.00	No data	We distribute the funds to Plateau Outreach Ministries who offer that funding for rental assistance and utility assistance vouchers.
Garfield County	\$14,101.00	No data	No data
Kirkland	\$68,372.91	170	No data
Longview ³	-\$58,500.00 ⁴	-31	No data
Mercer Island	\$57,141.95	34	Residents of Mercer Island with household incomes below 80% King County AMI at elevated risk for eviction or homelessness.
Mount Vernon	\$55,000.00	No data	Homeless, immigrants
Poulsbo	\$2,250.00	6	Very low income, disabled
SeaTac	\$154,577.01	150	Low Income (at or below 60% area median income (AMI))
Shoreline	\$64,759.60	28	Low-income
Stanwood	\$31,828.22	No data	No data
Tukwila	\$26,747	24	60% or less AMI.
Whatcom County	\$125,450.67	56	Singles, families with children, young adults ages 18-24
Total	\$738,989.02		

³ The city of Longview corrected their reporting from 2022. They reported \$58,500 for Rent Assistance for 31 units last year, but noticed this was reported in error and the funds they reported were for another funding source. Longview did not spend any of their Affordable & Supportive Housing Sales and Use Tax in the 2022 or 2023 reporting periods.

⁴ Not included in the total reported this year.

Table 4: Capital project expenditures by jurisdiction

Jurisdiction	Total spent	Activity	New projects and units
Anacortes	\$712,495.00	Construction	41 units under construction
Burlington	\$401.81	No data	45 units to house our homeless population
Chelan City	\$19,453.47	Rehabilitation	Heritage Heights at Lake Chelan-Memory Care Remodel
Clark County	\$34,900.55	\$17,505.45 was used on rehabilitation projects; \$17,395.10 was used on a new construction project	12 units under construction
Everett	\$13,845.83	No data	No data
Fife	\$103,335.55	No data	No data
ILA (ARCH-A): Bothell, Clyde Hill, Kenmore, Newcastle, Redmond, Sammamish, Woodinville, Yarrow Point	\$5,500,000.00	New construction	260 units under construction
ILA: Chelan County/Douglas County	\$156,589.07	No data	No data
ILA: Jefferson County/Port Townsend	\$451,238.00	Construction	No data
King County	\$2,000,000.00	Construction	40 units under construction
Lakewood	\$33,223.02	Rehabilitation	3 single family households at or below 60% AMI
Leavenworth	\$8,505.68	Rehabilitation	Building permit for a low-income approved apartment complex to do a remodel of the facility.
Pierce County	\$3,527,000.00	Construction	87 units under construction
Port Orchard	\$41,700.00	Rehabilitation	No data
Poulsbo	\$11,344.00	No data	No data
Total	\$12,614,031.98		

Table 5: Operations and maintenance expenditures by jurisdiction

Jurisdiction	Total expenditures	Units supported
Bremerton	\$100,000.00	10
Burlington	\$579,417.08	45
Cashmere	\$5,780.29	22
Clark County	\$430,656.60	40
ILA :Jefferson County/Port Townsend	\$251,441.00	107
King County	\$226,551.56	92
Lake Forest Park	\$16,344.00	No data
Lincoln County	\$8,750.16	8
Moses Lake	\$75,357.24	38
Mount Vernon	\$55,000.00	No data
North Bend	\$32.75	0
Pacific County	\$40,059.94	16
Poulsbo	\$13,594.00	6
San Juan County	\$41,821.78	2
Seattle	\$1,071,702.31	92
Skagit County	\$129,837.99	70
Spokane City	\$422,909.11	123
Stanwood	\$999.35	No data
Vancouver	\$1,179,896.49	40
Whatcom County	\$58,554.23	27
Total	\$4,708,705.88	

Table 6: Other expenses reported

Jurisdiction	Total expenditures	Use of funds
Clark County	\$13,781.21	Administration costs
Enumclaw	\$35,000.00	Distributed to Plateau Outreach Ministries who offer that funding for utility assistance vouchers.
Kittitas County	\$69.35	Postage, minimal salaries.
Lake Forest Park	\$16,344.00	Funds were distributed to the King County Regional Homelessness Authority to provide emergency housing through a severe weather shelter.
Mason County	\$47,568.75	Needs assessment
Whatcom County	\$808.73	Administration costs
Total	\$113,572.04	

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.

Four jurisdictions reported on affordability restrictions applied to funded units:

- The city of Anacortes supports 21 units with a 10- to 15-year affordability restriction; those units support formerly homeless families earning 30-50% of the AMI, and five units with a 31+ year affordability restriction; those units support households earning 60% of the AMI.
- The city of Burlington supports 45 units with a 10- to 15-year affordability restriction; those units support the homeless population.
- Okanogan County supports 16 units with a 26- to 30-year affordability restriction; those units support senior citizens.
- The city of Seattle supports 204 units with a 31+ year affordability restriction; those units serve the homeless population, households earning 30% of the AMI or less, and people with disabilities.

Appendix A: Chapter 365-240 WAC

Affordable and Supportive Housing - Sales and Use Tax

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.]

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.]

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.]