Washington State Department of Commerce

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)

March 2025

Report to the Legislature

Director Joe Nguyễn

HOUSING DIVISION

v3.5.1

Acknowledgments

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

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Executive summary

Overview

The 2019 Encouraging Investments in Affordable and Supportive Housing Act (RCW 82.14.540) authorized a new sales tax credit for housing investments. The tax credit does not increase the tax rate for consumers; instead, it shares a portion of the 6.5% state sales tax with participating cities, counties and towns. The maximum rate imposed may not exceed either 0.0146% or 0.0073%. These sales tax distributions will expire 20 years after the jurisdiction first imposed the tax (in 2039 or 2040).

Jurisdictions implementing the tax must report annually to the Department of Commerce (Commerce) by October 1 on the "collection and use of the revenues," as prescribed by WAC 365-240-030.

State fiscal year 2024 data

Commerce collected spending data from jurisdictions for the period from July 1, 2023, to June 30, 2024. Commerce used a proactive data collection process, including emailing a survey to jurisdictions and calling local officials. This led to 118 jurisdictions completing the required annual report on revenue spending for state fiscal year 2024.

Twenty-eight of the 127 jurisdictions participate in interlocal agreements (ILA) to pool and distribute their revenue.

Distributions

- **The total DOR distribution statewide was $53,665,468.57**
- 127 jurisdictions received distributions from the Department of Revenue (DOR):
  - 90 cities
  - 37 counties

Spending

Fifty-five jurisdictions or ILAs reported spending a total of $26,728,644.96 on new or existing projects:

- 20 jurisdictions or ILAs reported spending or committed $1,499,676.01 toward capital projects
- 15 jurisdictions or ILAs reported spending $1,499,676.01 on rent assistance programs
- 13 jurisdictions or ILAs reported spending $8,421,812.07 on operations and maintenance costs
- 7 jurisdictions or ILAs reported spending $5,578,091.21 on other expenses

Introduction

Tax rate

The tax rate is based on three factors at the time of adoption:

1. The date of adoption
2. The presence of a qualifying local tax (cities only)
3. Whether the corresponding city or county was a participating jurisdiction

The tax rate that jurisdictions can receive is different for counties and cities. The tax rate also depends on whether a jurisdiction had a "qualifying local tax" in place before July 27, 2020.

Cities

Participating cities with a qualifying local tax in place on July 27, 2020

The tax rate is 0.0146% of taxable retail sales for a participating city with a qualifying local tax imposed before July 27, 2020, with the revenues dedicated to affordable housing. The four eligible qualifying local taxes are:

1. Affordable housing levy under RCW 84.52.105
2. Housing and related services sales tax under RCW 82.14.530
3. Levy lid lift that is restricted to affordable housing under RCW 84.55.050
4. Mental health and chemical dependency sales under RCW 82.14.460 (only applicable to Tacoma)

Participating cities without a qualifying local tax

The tax rate is 0.0073% of taxable retail sales within a participating city without a qualifying local tax if the county the city is located in also chose to participate. If the county does not participate, the city received the maximum 0.0146% until July 27, 2020, but nothing after that.[1]

Counties

Counties must elect to participate in the tax credit to receive distributions. The tax rate for participating counties is 0.0146% of taxable retail sales in incorporated areas, with or without a qualifying local tax. In incorporated areas, participating counties receive the 0.0146% rate unless the city has a qualifying local tax. For cities that have a qualifying local tax and receive the 0.0146% rate, the county will not receive any distributions from sales in that city. For participating cities without a qualifying local tax receiving a 0.0073% share, the county will receive a 0.0073% share, too.

Maximum distribution cap

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.

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[1] This was a bill drafting error, according to the Association of Washington Cities. Legislation was passed to fix the issue, but the bill was vetoed to maintain revenue for the state during the COVID-19 pandemic: Municipal Research and Services Center, "Revenue Guide for Washington Counties," (November, 2024).

Allowable use of funds

Jurisdictions may use the revenue for the following activities under RCW 82.14.540(6a)[2] for people with incomes at or below 60% of the median income of the county or city imposing the tax:

> (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);
> (ii) Funding the operations and maintenance costs of new units of affordable or supportive housing; or
> (iii) For providing rental assistance to tenants.

Administrative costs may not exceed 10 percent of the annual tax distributed. Jurisdictions may also issue bonds against the tax revenue to finance loans or grants to nonprofit organizations or public housing authorities.

Cities and counties may enter into interlocal agreements (ILAs) with other cities, counties and/or housing authorities to pool and allocate the revenue.

Agency roles and activities

Department of Revenue

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

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.

[2] Chapter 101, Laws of 2023 (SB 5604) amended the statute to allow all jurisdictions to use these funds for rental assistance and administrative costs. Previously counties over 400,000 population and cities over 100,000 population could not use the funds for rent assistance, and covering administrative costs was not an allowable use.

State fiscal year 2024 data overview

Participating jurisdictions

Table 1 shows all reported data for state fiscal year 2024 (July 1, 2023, through June 30, 2024).

- 127 jurisdictions (37 counties and 90 cities) received distributions from the DOR
- DOR distributions statewide totaled $53,665,468.57

Table 1: Participating jurisdictions and state fiscal year 2024 distributions

Jurisdiction	Total distributions
ADAMS COUNTY	$51,473.23
AIRWAY HEIGHTS	$19,353.36
ANACORTES	$81,267.09
ARLINGTON	$44,919.94
ASOTIN COUNTY	$30,949.24
AUBURN	$149,338.07
BAINBRIDGE ISLAND	$43,463.82
BELLEVUE	$625,858.12
BENTON COUNTY	$618,727.25
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
CHELAN COUNTY	$199,558.97
CLALLAM COUNTY	$136,012.20
CLARK COUNTY	$773,383.81
CLYDE HILL	$7,295.89
COLUMBIA COUNTY	$10,364.43
COVINGTON	$42,544.04

Jurisdiction	Total distributions
COWLITZ COUNTY	$161,897.88
DAYTON	$2,548.08
DES MOINES	$32,666.74
DOUGLAS COUNTY	$127,381.86
DUVALL	$9,025.31
EAST WENATCHEE	$33,224.72
EDMONDS	$71,931.05
ELLENSBURG	$85,189.37
ENUMCLAW	$27,674.90
EVERETT RTA	$224,718.31
FEDERAL WAY	$125,065.50
FIFE	$71,422.87
FORKS	$4,713.90
FRANKLIN COUNTY	$33,108.54
GARFIELD COUNTY	$5,136.79
GRANT COUNTY	$251,237.61
GRAYS HARBOR COUNTY	$105,206.02
ISLAND COUNTY	$146,440.13
ISSAQUAH	$122,956.20
JEFFERSON COUNTY	$61,855.33
KALAMA	$4,453.14
KENMORE	$22,466.15
KENT RTA	$194,889.31
KING COUNTY	$4,527,457.99
KIRKLAND	$211,668.86
KITSAP COUNTY	$548,947.89
KITTITAS COUNTY	$79,043.90
KLICKITAT COUNTY	$54,212.91
LACEY	$110,373.93
LAKE FOREST PARK	$9,970.02

Jurisdiction	Total distributions
LAKE STEVENS	$34,891.73
LAKEWOOD	$97,697.17
LEAVENWORTH	$15,631.81
LEWIS COUNTY	$233,150.81
LIBERTY LAKE	$28,504.48
LINCOLN COUNTY	$15,053.76
LONGVIEW	$74,283.98
LYNNWOOD	$196,819.21
MAPLE VALLEY	$31,276.12
MARYSVILLE	$94,117.37
MASON COUNTY	$121,900.28
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
OKANOGAN COUNTY	$76,963.29
OLYMPIA	$329,491.11
OMAK	$16,931.69
PACIFIC COUNTY	$40,900.11
PASCO	$105,831.92
PEND OREILLE COUNTY	$24,130.78
PIERCE COUNTY	$1,601,254.00
PORT ANGELES	$58,025.41
PORT ORCHARD	$44,553.73

Jurisdiction	Total distributions
PORT TOWNSEND	$20,596.03
POULSBO	$35,922.03
PUYALLUP	$194,101.51
QUINCY	$80,117.99
REDMOND	$289,265.78
RENTON	$226,431.09
RIDGEFIELD	$23,741.44
SAMMAMISH RTA	$53,098.32
SAN JUAN COUNTY	$82,053.83
SEATAC	$147,445.46
SEATTLE	$4,228,362.75
SEDRO WOOLLEY	$14,140.23
SEQUIM	$29,920.82
SHORELINE	$86,235.08
SKAGIT COUNTY	$277,060.89
SKAMANIA COUNTY	$11,908.78
SNOHOMISH CITY	$37,391.39
SNOHOMISH COUNTY	$1,343,274.79
SNOQUALMIE	$23,974.37
SPOKANE CITY	$402,274.47
SPOKANE COUNTY	$937,880.63
SPOKANE VALLEY	$193,522.69
STANWOOD	$14,544.47
STEVENSON	$4,807.77
SUMNER	$51,630.01
TACOMA	$853,070.46
THURSTON COUNTY	$502,551.38
TUKWILA	$165,998.21
TUMWATER	$63,703.51
UNIVERSITY PLACE	$25,412.69

Jurisdiction	Total distributions
VANCOUVER	$658,931.05
WAHKIAKUM COUNTY	$6,946.98
WALLA WALLA COUNTY	$96,061.54
WASHOUGAL	$14,467.98
WENATCHEE	$85,427.15
WHATCOM COUNTY	$683,598.73
WHITMAN COUNTY	$64,337.46
WINTHROP	$3,550.64
WOODINVILLE	$63,206.56
WOODWAY	$1,747.86
YAKIMA CITY	$147,516.63
YAKIMA COUNTY	$351,655.51
YARROW POINT	$1,887.01
YELM	$17,401.39
Total	**$53,665,468.57**

Jurisdictions' use of funds for state fiscal year 2024

Forty-nine jurisdictions reported spending a total of $26,728,644.96 on new or existing projects:

- 15 jurisdictions reported spending $1,499,676.01 for **rent assistance programs** (shown in Table 2)
- 20 jurisdictions reported spending $11,229,065.67 for **capital projects** (shown in Table 3), including:
  - 163 units reported under contract (shown in Table 6)
  - 865 units under construction (shown in Table 6)
  - 165 units in service (shown in Table 6)
- 13 jurisdictions reported spending $8,421,812.07 to support **operations and maintenance** costs of new units of affordable housing (shown in Table 4)
- 7 jurisdictions reported spending $5,578,091.21 for **other expenses** (shown in Table 5)

Table 2: Rent assistance expenditures by jurisdiction

Jurisdiction	Total spent	Total households served	Priority population(s) served
Arlington	$43,926.82	21	Pandemic recovery; under 30% AMI
Clark County	$14,245.00	20	Under 30% AMI
Covington	$32,129.08	158	Under 60% AMI
Enumclaw	$127,398.99	122	Households paying more than 50% of income in rent
King County	$297,535.45	117	Households exiting homelessness
SeaTac	$189,000.00	60	BIPOC
Kirkland	$357,301.00	127	N/A
Lakewood	$68,905.00	6	N/A
Mercer Island	$62,195.00	22	Below 80% AMI
Mount Vernon	$10,000.00	9	N/A
San Juan County	$2,202.90	3	Seniors, people with disabilities, under 30% AMI
Shoreline	$79,792.28	36	Under 60% AMI
Stanwood	$8,214.00	8	Under 60% AMI
Tukwila	$49,076.00	41	Under 60% AMI
Whatcom County	$157,754.49	11	Families with children, young adults
Total	**$1,499,676.01**	**761**	

Table 3: Capital project expenditures by jurisdiction

Jurisdiction	Total spent	Activity
Anacortes	$763,028.00	• AFC low-income housing complex • AHA Townhomes
ARCH ILA	$1,400,000.00	Ardea at Totem Lake
Burlington	$10,418.40	A new restroom was installed at the First Step Center to serve shelter residents
Chelan and Douglas Counties	$120,138.56	Heritage Heights at Lake Chelan (senior living rehabilitation)
Clark County	$696,034.39	Azalea Place, Weaver Creek Commons, Crown Villa Apartments, Arbor Ridge Assisted Living, Arbor Ridge Senior Apartments, Mill Creek Senior Estates and St. Helens Manor
Cowlitz County	$399,010.49	Sunrise Village
Ellensburg	$55,511.00	• Catherine Property - pre-development (units TBD) • Stuart Meadows - new construction (18 units)
Everett	$249,765.63	Clare's Place Emergency Pallet Needs
Grant County	$554,070.93	Frenchman Hills Roofing Project
King County	$289,149.12	Low Income Housing Institute - Skyway - Childhaven
Lakewood	$37,555.03	N/A
North Bend	$3,342.32	Acquisition of real property and property rights related to the construction of affordable housing at 203 Main Street in North Bend, WA. Tax funds were used to conduct a phase one environmental assessment before the city acquired the property.
Okanogan County	$140,000.00	Wildrose Apartments
Pierce County	$2,919,631.68	• Tahoma Place, KWA 15th and Tacoma (87 units for 50% and below AMI, all senior housing) • S 13th and I Street/Shiloh New Life Housing (60 units for 50% and below AMI)
San Juan County	$19,935.22	OPAL Community Land Trust's Pea Patch rental housing
Skagit County	$5,843.75	VOA North in Burlington (new construction project/environmental engineering costs)
Thurston County	$1,741,380.00	Martin Way Phase II, now known as Lotus Court, located at 111 Pattison St, Olympia, WA 98506
Vancouver	$1,718,645.00	• Safe Stay Community 3 - 415 West • Safe Stay Community 4 - Kiggins Village
Whatcom County	$90,000.00	Karen Durham House
Yakima	$15,606.15	N/A
Total	**$11,229,065.67**	

Note: Participating jurisdictions reported the above activities and are minimally edited for clarity.

Table 4: Operations and maintenance expenditures by jurisdiction

Jurisdiction	Total spent	Units supported
Burlington	$152,221.78	45
Cashmere	$15,185.10	18
King County	$403,175.34	209
Leavenworth	$1,994.72	24
Lincoln County	$25,920.00	2
Mount Vernon	$28,354.07	70
Seattle	$1,858,562.94	204
Sedro Wooley	$12,830.34	1
Skagit County	$190,470.20	70
Spokane	$542,038.77	2
Vancouver	$4,397,158.00	80
Wenatchee	$57,340.00	20
Whatcom	$273,920.63	41
Total	**$8,421,812.07**	**904**

Table 5: Other expenses reported

Jurisdiction	Activity
Auburn	Contribution to South Sound Housing Affordability
Chelan and Douglas counties	Spent toward four-county strategic planning and mapping efforts
Covington	Membership dues to South King County Housing and Homelessness Partners
Enumclaw	Utility and bill assistance for families
Kittitas County	Copy paper charges for information packets for the Homelessness and Affordable Housing Committee
Lincoln County	Funds to Rural Resources for first-time home buyers' program
Spokane County	Administrative and indirect costs

Table 6: Project and unit status by jurisdiction with capital projects

Jurisdiction	Units under contract	Units under construction	Units in service
Anacortes	0	0	25
ARCH ILA	0	430	0
Chelan and Douglas counties	146	0	0
Clark County	0	80	134
Ellensburg	16	12	6
Grant County	0	1	0
King County	0	54	0
Lakewood	0	1	0
Okanogan County	1 project	1 project	0
Pierce County	1	224	0
Thurston County	0	63	0
Total	**163 + 1 project**	**865 + 1 project**	**165**

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

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 and cities 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);

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

(3) Providing rental assistance to tenants that are at or below 60 percent of the area median income of the county or city that is imposing the tax; or

(4) Administrative costs of the county or city associated with administering this section, which may not exceed 10 percent of the annual tax distributed to the jurisdiction under this section.

[Statutory Authority: RCW 82.14.540. WSR 24-04-016, § 365-240-020, filed 1/26/24, effective 2/26/24. 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 funds spent on administrative costs associated with administering this section, not to exceed 10 percent of the annual tax distributed to the jurisdiction;

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

(f) Target populations served with funds.

[Statutory Authority: RCW 82.14.540. WSR 24-04-016, § 365-240-030, filed 1/26/24, effective 2/26/24. Statutory Authority: RCW 82.14.540(11). WSR 20-09-064, § 365-240-030, filed 4/13/20, effective 5/14/20.]