



OLYMPIA UPDATE

May 3, 2019

Strong Year for Housing

The Legislature adjourned in the final moments on Sunday, April 28, the last day allowed under the State's Constitution for the legislative session. Despite constant media reports and comments by some legislators, all essential work was completed-including passage of an operating, construction, and transportation budgets. However, the close of session was marked by the display of some deep divisions within the Democratic caucuses.

BUDGET

The operating budget was the final budget to secure passage. Several legislators threatened to withhold their votes for the budget unless their priority bills were approved. This delayed final approval of the budget and almost pushed the Legislature into a special session. When all was completed, a budget approaching \$53 billion was approved to fund government operations for the next two years. This represents a 17% increase in spending over the prior two-year budget, which included multi-billion-dollar court-mandated investments in K-12 education.

Buildable Lands Implementation (\$3M)

MBAKS helped secure \$3M in funding for local governments to implement SB 5254, buildable lands program. Specifically, this will fund implementation of process changes that should result in more accurate and transparent buildable lands reports – a foundational document in comprehensive plan updates.

Regional Apprenticeship Programs (\$1.5M)

The budget contains \$1.5M to fund a Snohomish County regional workforce apprenticeship program supported by MBAKS and spearheaded by Snohomish County Councilmember Nate Nehring.

TAXES

Washington has experienced record revenue growth from existing taxes. However, this was not enough to cover all the priorities the majority Democrats approved in the budget. The Legislature adopted tax increases expected to raise more than \$830 million over the next two-year budget period.

- A \$300 million tax increase on 22 of the largest global banks with WA operations, was not even mentioned until 72 hours before the Legislature adjourned.
- Many tech companies and professional service providers will see their business taxes increase by 20% to fund additional higher education spending.

- Oil companies will pay a 60% tax increase on each barrel of oil received in the state.
- Real estate sales taxes (specifically referred to as the real estate excise tax, or REET) were converted from a flat tax to a graduated tax that was more than doubled for property sold for over \$1.5 million. A new lower rate of 1.1 percent applies to the first \$500,000 of a home sale, and the current 1.28-percent rate applies to the portion that is greater than \$500,000 up to \$1.5 million. The rate increases to 2.75 percent for the portion of sales valued between \$1.5 million and \$3 million, and it rises to 3 percent for homes where the portion of the selling price is more than \$3 million. Undeveloped land will be subject to these higher rates.
- A number of additional smaller state taxes were also adopted. Finally, the Legislature agreed to allow school districts to increase property taxes to minimize the budget crisis school boards and administrators created when many gave double-digit salary increases to teachers after the Legislature approved additional school funding last year. This resulted in threatened cuts to many other school programs.

POLICY

[SB 5334](#) Condominium Liability Reform (PRO)

MBAKS testified and lobbied in support of the condo liability reform legislation. The reforms, which include revisions to implied warranties applicable to condos, will provide a fair process for all parties to settle disputes and spur new condominium development. The bill passed with unanimous support from the House and Senate and has been signed into law by the Governor.

The law goes into effect 7/28/2019.

[HB 1923](#) Housing density (PRO)

MBAKS, BIAW, and the Realtors led the effort to pass HB 1923. The bill creates a flexible menu of options for cities to choose from to increase housing density and affordability. In addition, we were able to get a study included to look at what drives housing costs and the results will be used to drive future legislation. The bill also authorizes the state Department of Commerce to give grants up to \$100,000 to local governments to help incentivize the density measures contained in the bill, a key MBAKS legislative priority. The grants will be funded by an increase in the document recording fee. The bill has been signed into law by the Governor.

The law goes into effect 7/28/2019, and the document recording fee goes into effect 7/1/2019.

[HB 1395](#) Direct Contractor Liability (OPPOSED)

MBAKS joined with BIAW to successfully defeat HB 1395, "Direct Contractor Liability" which would have made general, or direct, contractors liable for the unpaid wages and benefits of the subcontractor's employees. The bill died after it failed to pass out of its chamber of origin.

[HB 1515/SB 5513](#) Independent Contractor (OPPOSED)

Both bills failed to advance due to intense industry opposition to the legislation. A legislative task force has been created for discussion during the interim.

[SB 5812](#) Accessory Dwelling Units (PRO)

Despite a strong effort to advance an Accessory Dwelling Unit (ADU) bill this session, the final version of ESSB 5812 considered by the legislature fell short of meeting MBAKS' legislative priority of expanding ADU opportunities. During session, this bill saw much stakeholder negotiation, and MBAKS' favored version ultimately did not pass. However, MBAKS and our allies elevated debate around the importance of cottages as a tool for expanding housing opportunities in our state. MBAKS will continue to advocate for further changes at the state.

[SB 5008/HB 1690](#) Short Plats (PRO)

MBAKS, with the support of BIAW and the Realtors, took the lead in promoting an expansion of the use of short plats. This legislation would have saved builders substantial time and money associated with the SEPA process without compromising environmental protections, and local governments would save resources associated with SEPA review. The bill advanced with almost unanimous support in the Senate but ran into challenges in the House Local Government Committee, where members opposed a mandate on cities and were hesitant about the number of lots that could be created through the process. While the bill advanced from committee, the chair desired to see additional notice and mitigation standards adopted that exceeded the current standards for short plats. As a result of disagreement with this direction, the bill was held for 2019.

[HB 1451/SB 5372](#) Completeness Review (PRO)

MBAKS led the effort to shorten the timeline for the permit completeness process but due to opposition by AWC, Futurewise, and Rep. Gerry Pollet (D-46), the House Local Government Chair, both bills failed to pass the legislature. The process helped inform us that local governments will not accept a shortening of the timeline without increased funding to add FTEs to their planning departments. In addition, Futurewise is opposed to the bill due to their belief that shortening the timeline decreases their opportunity to object to/and appeal permit applications.

[HB 1168/SB 5025](#) Habitat for Humanity self-help housing (PRO)

MBAKS supported both bills throughout the legislative session and the Senate bill passed the legislature. We are waiting for the bill to be scheduled for a signing by the Governor.

[SB 5522](#) Annexation by Agreement (CONCERNS)

MBAKS voiced concern about a proposal to allow annexation to be completed more easily by interlocal agreement. While not opposed to the concept, MBAKS highlighted the risk that cities would down-zone land as part of an annexation. While proponents agreed to a revision to prevent a down-zone, the bill failed to pass.

[HB 1371/SB 5680](#) Parks Districts/Impact Fees (OPPOSED)

MBAKS, along with BIAW and the Realtors, objected to creation of parks districts with new authorities to levy impact fees. Supporters of the bill ultimately agreed to remove impact fee authorization language from the bill. However, neither of the bills were ultimately approved by the Legislature.

MISC

The progressive left of the Democrat party, which includes many of the newly elected Democratic legislators, flexed their muscle and passed a significant portion of the priorities of organized labor and the environmental community. This was dramatically capped by the adoption of Initiative 1000 late on the final day of the session. This initiative will allow WA to again use affirmative action and reverses Initiative 200, adopted by public vote in 1998. The initiative divided the minority community with supporters and opponents present in the galleries and halls of the Legislature during the final three days of the session.

NEW LEADERSHIP

In the final hours of the legislative session, House members (and Senator Maureen Walsh) took time to recognize the state's longest serving leader, Speaker Frank Chopp. Chopp announced he would be stepping down from his leadership role at the end of the session but plans to remain as a member of the Legislature. Under his leadership, the state created "Apple Health," an affordable healthcare program for children, large increases in affordable/subsidized housing, a social safety net for aged/blind/disabled individuals, and countless policy changes.

Chopp has faced criticism for his firm control of the agenda in the House and for blocking controversial bills that had strong support from the majority of his caucus. However, this style was contrasted to the approach taken by Senate Democrats, which elected a new leader before the beginning of the session. This divided power among different groups in the caucus and led to the need for several last-minute maneuvers and pressuring of individual members to secure votes to pass key bills. Each caucus will have to decide how best to organize going forward.