

Residential Housing Wrap Up

The “Year of Housing” was heavily focused on increasing supply across Washington state at all levels of the housing ladder from low-income funding to high end condominiums. The state invested a historically large amount of funding towards housing development and homeownership.

Major pieces of legislation passed this session that were aimed at addressing the housing supply shortage, which is estimated to be 1 million homes behind the population growth. These policy bills include the passage of Middle Housing ([E2SHB 1110](#)) championed by Representatives Bateman (D – Olympia) and Barkis (R – Yelm), SEPA Bill ([2SSB 5412](#)), and several ADU bills ([E2SSB 5045](#) and [EHB 1337](#)).

Several tax proposals gained steam at the end of the session. The first bill was [HB 1628](#), which as introduced would have increased the real estate excise tax (REET) to 4% on any transaction above \$5 million and a local REET increase of 0.25%. As the bill came out of committee it would have increased the REET from 3% to 3.5% on anything over \$3.025 million and kept the local REET option which was councilmanic. A large coalition worked hard to oppose this bill and it ultimately stalled on the House Floor. The second bill ([SB 5770](#)) was introduced by Senator Pedersen on April 12th which would have reformed the state and local property taxes to allow for the potential of increasing the cap to 3% per year, however never received a hearing in Senate Ways & Means.

In the Residential Landlord-Tenant Act (RLTA) world a couple bills passed that impacts the industry, these bills include:

- [ESSB 5197](#), which encourages remote testimony, requiring a 5 days waiting period prior to execution of an unlawful detainer and allows tenants with a pledge from a government or nonprofit entity for the full amount to satisfy the full judgement has until the date of the eviction. Finally, the bill clearly ends the statewide eviction resolution pilot program (ERPP).
- [SHB 1074](#), which Requires a landlord to substantiate the cost of any damages withheld from a tenant deposit with estimates received, invoices paid, or other specified documentation. Extends the timeline for a landlord to provide a statement and documentation for retaining any portion of a tenant deposit from 21 days to 30 days.
- [2SHB 1474](#), which would increase the document recording fee by another \$100 and require that revenue to be dedicated to Covenant Homeownership Program

The largest fight for Housing Provider space this session was over rent control, with 6 bill being introduced. The 6 bills include: [HB 1625/SB 5615](#), [HB 1388](#), [HB 1389/SB 5435](#), and [SB 5697](#). A coalition of stakeholders worked tirelessly to stop these bills from passing. Due in that part to this massive effort, all 6 bills died before the House of Origin Cut-Off, which is seen as the halfway point in session. Another bill, [HB 1124](#) which, as introduced, would have required 6-months’ notice of any rent increase over 5%, also died on the House Floor prior to the halfway point. All

bills introduced in the 2023 Legislative Session will be automatically reintroduced in the 2024 Legislative Session and it has been made clear that these bills will be a top discussion point.

One significant bill that did not pass this session was [SB 5536](#) (Robinson, D-38), the conference-negotiated compromise on drug possession. The conference bill was brought up in the House on Sunday evening and failed, with many progressive Democrats joining Republicans in opposition. Governor Inslee called the Legislature back into a special session to deal address finish this deal, if they do not the 2021 “Blake fix” will be allowed to expire in July, allowing local jurisdictions to put together a patchwork approach to drugs in the State of Washington.

Overview of the State Budgets Impacts to Housing

Capital Budget (ESSB 5200):

The state capital budget is responsible for capital developments throughout the state, therefore this fund is intended to help build universities and housing developments. The final capital budget (ESSB 5200) authorizes \$9 billion in total budgeted funds, of which \$4.7 billion is debt limit bonds for the 2023-2025 biennium. The capital budget allocates \$693.7 million for affordable housing projects that construct new unit, preserve, and rehabilitate existing units, connect affordable housing developments to infrastructure, and provide weatherization and energy efficiency updates to low-income households. This allocation is the largest amount of funding directed towards housing.

The Housing Trust fund received \$400 million in total with \$40 million focused solely on homeownership projects to first-time low-income buyer households and \$163 million towards new construction, acquisition, or rehabilitation of affordable housing projects that serve low-income and special needs populations. Additionally, there is \$60 million to connect affordable housing developments to infrastructure, \$50 million to projects designed to increase the supply and affordability of transit-oriented development, and \$40 million for the Housing Finance Commission Land Acquisition Program.

The landlord mitigation fund received \$13 million total with \$5 million from the capital budget and \$8 million from the operation budget.

Operating Budget (ESSB 5187):

The state’s operating budget is what funds the day-to-day operations of the state, which totals over \$70 billion. Historic investments were made in the operating budget on housing as well. The Covenant Homeownership Account (2SHB 1474) received \$150,000,000. The Affordable Housing for ALL account was allocated \$109,227,000. Most importantly, the Housing Trust Fund was given \$9,862,000. Finally, \$607,000 in each year to Commerce to help homeowners at risk of foreclosure.

Within this budget several allocations will have an impact on the rental housing market specifically. These impacts are as follows:

1. The dispute resolution centers (DRC), Resolution Washington, received \$10,500,000 in 2024 and \$10,500,000 in 2025. An additional, \$500,000 was allocated each year for the Snohomish County DRC to provide mediation services specifically for landlords and tenants, with the goal of avoiding evictions.
2. The Office of Civil Legal Aid (OCLA) was allocated \$2,408,000 in 2024 and \$2,579,000 in 2025 for the to provide civil legal information, advice, and representation for tenants at risk of eviction but not yet eligible for appointed counsel.
3. OCLA also received \$15,425,000 in 2024 and \$16,030,000 in 2025 with the expressly provided to the appointed counsel program for tenants in unlawful detainer cases and includes a vendor rate increase for contracted attorneys.
4. \$215,000 in 2024 and \$345,000 in 2025 for commerce to produce a report to the legislature review how to implement a statewide rental registry; 2 separate reports are required: 1) a review of how to implement a statewide registry and 2) how to implement a statewide pilot program in the 6 largest counties.