



Washington REALTORS®

2010 Legislative Report

Washington REALTORS® 2010 Legislative Day *and the powerful presence of more than 600 REALTORS® brought our clear message to legislators in Olympia that real estate is critical to the overall economic recovery. Considering the state's fiscal challenges, REALTORS® significant legislative accomplishments are nothing short of remarkable.*

REALTORS® Top Legislative Priorities:

1. Real Estate Leads Economic Recovery

On Legislative Hill Day, a record 607 REALTORS® hand-carried our message to each member of the Legislature. Our preemptive efforts along with the vigilant work of our Government Affairs committees, the constant presence of REALTORS® on the hill, well thought-out advocacy tools, the work of our Key Contacts, strategic lobbying and the unprecedented support of our members were critical to our many victories.

“Due to your grassroots efforts and **legislative leadership in Olympia**, you have done a great job getting the message heard that real estate is critical to the economic recovery,”

WA State Rep. Dave Upthegrove, 33rd District, to Washington REALTORS® Legislative Steering Committee

“I am proud to say that the REALTORS® had a strong and effective presence in Olympia this past legislative session—starting with your President, Bill Riley. At a time when our residential housing market has suffered tremendously in this recession, **the REALTORS® were a strong voice for balanced policy** and promoting economic recovery for our state.”

Rep. Bruce Dammeier, 25th District

“Great Job Getting the Message Heard”

While threats of a sales tax on services or an increase in the real estate excise tax did not materialize, REALTORS® fought an increase in the B&O tax throughout the session. The Senate was first to propose a tax package and it had no direct taxes on the real estate industry. As rumors of an increase in the B&O tax in the House revenue package surfaced, REALTORS® were prepared with an all-member call to action, talking points and a full-scale public advocacy campaign to alert the public to the threat of taxes on small businesses. REALTORS® were the only major service business actively opposing a proposed B&O tax increase.

On the day the increase was expected to be announced by the House, REALTORS® met with the Speaker of the House to reiterate our message. A few hours later the House released its much-delayed revenue package with a B&O increase of .25% on “lawyers, accountants, agents (not real estate), marketing and management consultants.” The House had specifically exempted real estate agents from the B&O tax increase.

End Game Proved Tough

As is often the case in a legislative session, the exemption was short-lived and REALTORS® were back fighting for the industry as the Senate considered a new revenue package that now included a B&O tax increase on all service businesses, including real estate practitioners. REALTORS® worked through the weekend to pass an amendment to exempt real estate in Senate Ways and Means and then again on the Senate floor, to no avail.

“Washington REALTORS® may be **leading the pack** in expenditures with the most comprehensive push to **keep new taxes away from the real estate** and construction industries.”

Jerry Cornfield, Everett Herald

campaign that included TV, radio and website ads, and a website where the public could go to send messages to their legislators. This campaign was ready to go, thanks to the early planning of REALTORS® leadership who anticipated the threat of tax increases. The campaign drew a lot of attention from the public who sent hundreds of messages to legislators as well as called their offices. Newspapers called to ask about the campaign

Immediately, an all-member call to action was sent and more than 17 percent of our members responded and sent 6000 messages to legislators asking them to oppose a B&O on real estate professionals, the equivalent of a \$4 million tax on the industry.

With just a moment’s notice, REALTORS® then launched a full-scale, fully-prepared public education

REALTORS® Defend Real Estate in Special Session

On day one of the Special Session called by Gov. Gregoire to reach a final budget agreement, REALTORS® were on the Hill urging legislators to again oppose the proposed B&O tax on real estate professionals. Lennox Scott, Dick Fulton, Rich Bergdahl, George Pilant, Rich Menti, Chud Wendle as well as President Bill Riley and President-elect Phil Harlan arrived at the Capitol on short notice and had select meetings with Senate and House leadership who hold substantial budget negotiating positions.

Four days into the Special Session, Senate Majority Leader Lisa Brown met with Washington REALTOR® President Bill Riley, Government Affairs Director Nathan Gorton and Director of Policy Bill Clarke and informed them that REALTORS® had communicated their message and that the Senate would exempt real estate services from the B&O increase, one of only a few exemptions that Sen. Brown was allowing. An amendment that “Exempts REALTORS® from the increase in the business and occupation tax on service businesses” passed the Senate the next day.

While we received support from both the House and Senate during the regular session to exclude real estate from the B&O tax increase, the revenue bill proposed by the Governor to end the Legislature’s final budget impasse reinstated the B&O increase on all service businesses, including real estate.

We responded by publishing an open letter from Washington REALTORS® President Bill Riley to the Governor in the Seattle Times and a full-page ad in the Olympian; a radio ad campaign was launched immediately; another member call to action was sent; and, leadership and lobbyists were involved day and night during the final weekend.

Because this compromise bill developed by the Governor could not be amended, Sen. Kevin Ranker, backed by Senate Majority Leader Lisa Brown, worked with a coalition of House members led by Rep. Roger Goodman, to exempt real estate from the B&O increase. In the end, this effort lacked support from the Governor and House leadership and did not succeed. The B&O tax on business services, including real estate brokers and agents, was raised by .3% in the final budget. The .3% increase is scheduled to expire in three years.

REALTORS® also opposed the repeal of an existing exemption from the B&O tax for amounts received by a property management company from the owner of a property for the gross wages and benefits paid by the property management company to on-site personnel. Like the B&O increase, Realtors opposed this provision but in the end it was included as part of the state’s revenue-raising measures.

2. Protecting Real Estate Excise Tax Use

HB 3179 and SB 6424 - Though there were no fewer than six measures introduced this session that would have diverted funds needed for roads, water and sewer projects for future homes and businesses to accommodate growth, HB 3179 and SB 6424 were two that stayed alive long enough to concern REALTORS®; more than 1300 REALTORS® responded to an all-member call to action to urge

legislators to oppose the diversion of REET revenue. Legislators heard the message in both the House and the Senate and removed the language from both bills by amendment.

3. Fair Appraisals for Real Estate Transactions

✓ **HB 3040** - Washington REALTORS® successfully supported the efforts of the Appraisal Coalition of Washington and other stakeholders to pass HB 3040, a measure that will help ensure appraisals are fair, reflect local values and that appraisal costs are completely transparent. Because the Home Value Code of Conduct (HVCC) agreement changed appraiser selection criteria (with the intent of eliminating conflicts of interest on mortgage appraisals), the use of appraisal management companies (AMCs) had become much more prevalent. While HB 3040 is not a direct response to the HVCC, it addresses several areas of concern that have surfaced regarding the appraisal management company industry.

4. Environmental Solutions to Help, Not Hinder Real Estate

Washington REALTORS® stopped unnecessary environmental regulations that would have burdened our industry while passing others that protect property and streamline permitting.

✓ **Protecting Existing Uses: HB 1653** - REALTORS® in coalition with a group of stakeholders, supported a bill that protects existing uses and activities in shoreline areas. HB 1653 provides protection from critical area ordinances interfering with legally existing uses and structures. It allows property owners to modify legally existing uses and activities on private property in the shoreline areas.

✓ **Streamlining SEPA: HB 2538** - REALTORS® supported this measure which allows for an upfront State Environmental Policy Act (SEPA) analysis that would not require a project specific SEPA analysis. This optional process provides predictability for development by conducting the SEPA process upfront and protecting development from appeals.

✗ **Modifying SEPA: SB 6762** - REALTORS® originally opposed this bill to incorporate a new standard and definition of “cumulative impacts” into SEPA for Environmental Impact Statements (EISs). Modifications were made to the bill and REALTORS® monitored the bill as it passed out of the Senate until it died in the House committee.

✗ **Studying Green: SB 6244** - REALTORS® originally opposed this measure to provide a definition to Green Home and Energy Efficient Home. It was modified to be a task force study bill. Realtors® monitored the bill throughout the session which passed out of the Senate but died on the last day in the House committee.

Other REALTOR® Legislative Priorities:

REALTORS® successfully worked on several other priority measures affecting the real estate industry. Below they are listed under the topics of REALTORS® Special Committees, which worked to review and watch their progress throughout the session.

Consumer/Business Affairs: Washington REALTORS® carefully watched legislation that involves the real estate business and the clients we serve—the transaction and forms, real estate law, real estate research.

✓ **Real Estate Research: HB 2697** - The Washington Center for Real Estate Research has provided updated resources and information about the market which helps in marketing and advocacy efforts since 1989. For that reason, REALTORS® worked to advance this bill, which extends the funding for the Center at WSU for another five years.

✓ **Commercial Seller Disclosure: SB 6749** - REALTORS® supported this measure, prepared by legal counsel for the Commercial Brokers Association, NWMLS and the Washington REALTORS®, which provides for a Commercial Property Seller Disclosure form. The disclosure forms are specific in statute. The disclosure of commercial real estate concerns title and legal, water, sewer and onsite sewage systems, structural issues, systems and fixtures and environmental issues.

✓ **Rental Properties: SB 6261** - REALTORS® supported this measure to help limit a landlord's liability for unpaid tenant utility bills. This bill clarifies that a utility can only collect up to four months of a tenant's delinquent charges from the landlord, if the landlord had notice of the tenant's delinquency.

✗ **Real Estate Agency Law: HB 2689** - Unfortunately, this measure to clarify broker and licensee terms got caught up in some political crossfire. The bill makes the necessary changes for the real estate brokerage agency relationship law to be consistent with the real estate brokers and salespersons law, which takes effect July 1, 2010. REALTORS® will be working to get the language fix passed next session.

Land Use/Water Issues: Washington REALTORS® promote wise planning and use of resources to accommodate our growing communities.

✓ **Extension of Comprehensive Plan Review: SB 6611** - Under this legislation, local governments are given three additional years to complete updates to their existing comprehensive plans.

✓ **Water Rights Permitting: SB 6267** - This measure streamlines the water right application process by developing a list of certified water examiners, expanding the department's water right cost-reimbursement agreement program, and allowed for expedited permit processing.

✓ **Consolidating GMA Hearings Board: SB 6214** - REALTORS® supported this legislation that consolidates the nine (9) members of the Western, Central, and Eastern Hearings Boards into one new Growth Management Hearings Board, which consists of seven (7) members and is intended to save state resources.

✗ **Restricting Fully Contained Communities: HB 2412** - REALTORS® successfully opposed this attempt to restrict the use of the Fully Contained Community statute (RCW 36.70A.350) in the GMA. Fully contained communities allow for the clustering of non-urban development and thus help to reduce sprawl and provide affordable housing. Fortunately, SHB 2412 did not pass out of the House and died.

Next Year Will Be Even Tougher

Next year the state budget deficit could be twice the \$2.8 billion hole that needed filling this year and the temptation to tax real estate, especially with the market recovery, will be even greater.

REALTORS® overcame many impasses to pass good bills and stop bad ones. Despite these accomplishments REALTORS® did not emerge unscathed and we are determined to continue delivering our message to state legislators and elect those that listen.

There were many that championed our cause courageously this session. Some did not. Help us elect the leaders that do. Help us build the power of REALTORS® PAC to protect our industry and our livelihood.