



2009 Washington REALTORS® Legislative Report

It was another remarkably successful legislative session for REALTORS® to improve the Quality of Life we enjoy in Washington. Our success is particularly amazing, considering the long odds we faced going into this session. The power and respect that REALTORS® have gained continue to carry our legislative priorities past the finish line and on the way to the Governor.

REALTORS® Top Legislative Priorities:

1. Stimulate the Real Estate Market (Bolster Demand) – Now more than ever, housing choices are critical not only to our families and children but also to reviving the economy. Washington's economic health depends on a healthy, vibrant housing market, which accounts for 24% of the state's employment and a significant portion of state tax revenues in sales, property, business and occupation and real estate excise taxes.

✓ **Housing Tax Credit Advance Loan Program:** The Legislature passed the state budget which includes our budget proviso authorizing the State Treasurer to invest \$25 million in a short-term loan program in order to provide an advance payment of the federal first-time home buyers' tax credit, allowing potential home buyers to utilize the tax credit as down payment when closing the sale of their first home.

The budget proviso makes the \$8000 federal tax credit for first-time home buyers available at the closing of a home sale instead of when a buyer files a tax return. Home buyers would repay the \$8000 after filing an amended tax return and receiving a tax refund. The budget proviso creates a Tax Credit Advance Loan Program and authorizes the State Treasurer to deposit \$25 million in a financial institution giving it the ability to open a line of credit to the State Housing Finance Commission to provide the down payment loans. The deposit would not deplete state funds, but would provide liquidity for the financial Institution to lend its own funds.

✓ **Housing Finance Commission: SB 5452** – increases the debt limit of the WA State Housing Finance Commission (WSHFC) to expand down payment assistance and further stimulate the housing market. The WSHFC sells Mortgage Revenue Bonds to finance low interest rate mortgages for first time buyers. The Commission sets income eligibility limits in consideration of federal maximums and local housing costs and median incomes. The Commission also administers a down payment assistance loan program for clients participating in the primary mortgage program.

2. Prevent Over-Supply in the Real Estate Market – REALTORS® supported measures that would prevent over-supply of the housing market. Rapid increases in home foreclosures contribute to de-stabilized markets. Reducing foreclosures will stem price declines resulting from expanded inventory of underpriced homes on the market. A more stable market increases buyer confidence, bringing buyers back into the market.

✓ **Distressed Properties Fix: SB 5221** – removes road blocks to home sales and any hindrance to professional help when people need it most by fixing the distressed properties law. This legislation exempts real estate licensees from the definition of “distressed home consultant” when providing services governed under the real estate brokerage laws and the services do not result in a distressed home conveyance. Specifies that offering certain services does not make a person a distressed home consultant when the homeowner is represented by an attorney or a real estate licensee in the transaction. This measure unanimously passed the legislature and went into effect as soon as it was signed into law. For more information, go to our **New Distressed Properties Law Information Center** at www.warealtor.org.

✓ **Foreclosure Prevention: SB 6033** – establishes the Prevent and Reduce Owner-Occupied Foreclosure (PROOF) Program to assist borrowers facing foreclosure in achieving loan work-outs.

3. “Do No Harm” to Real Estate – The strength of Washington’s economy and our economic recovery depend on a healthy real estate market where housing demand in all price ranges is supplied by market forces. A healthy housing market creates jobs, stimulates retail activity and supports a broad spectrum of professional services. State, county and city fiscal health depends on revenue generated by a thriving housing market. The Executive and Legislative branches of Washington State government should vigilantly protect the housing market and ensure its long term health by avoiding regulations and fiscal policy that would harm this market sector. REALTORS® successfully opposed proposals that would have increased taxes or other costs on real estate and regulations that would have created barriers to home sales.

✗ **Taxes: REALTORS® successfully stopped consideration of increased taxes on real estate, business, or services that would further decimate the housing and commercial sectors.**

Perhaps our most decisive victory this session was stopping increased taxes on real estate before session even started! Our efforts last fall to “Stop the Home Tax” had a profound effect. Before session started, REALTORS® launched a powerful issue advocacy campaign to educate the public on the necessity of defeating real estate and business tax increases (see the **Stop the Home Tax** website at www.stopthehometax.com for more information).

Due to these efforts, the Legislature never even considered increasing taxes on real estate. REALTORS® also led a statewide coalition against increased business taxes or extending the sales tax to services. Our surveys indicate the public solidly supported our efforts and 75% opposed increased business taxes. Despite early rumors about sales tax on services and increased business taxes being considered as a potential revenue source by legislators, our efforts paid off as legislators never introduced legislation to increase business taxes. In fact, public support for any tax increase was so weak, the legislature failed to adopt any tax increases this session, despite the huge shortfall in the state’s budget. For more information about our coalition efforts to stop tax increases, please see **No Time for Taxes** at www.notimefortaxes.com.

✗ **Real Estate Excise Tax Use: HB 1744, HB 2249, SB 5630, and SB 6164** – all measures that would have diverted funds needed for roads, water and sewer projects to accommodate growth. REALTORS® oppose any diversion of real estate taxes that dilute funds for infrastructure projects needed for future homes and businesses. Because of REALTORS®’ heroic efforts, we stopped all of these measures from advancing, something that seemed an impossible task by nearly all observers. Despite our success, local governments never stopped trying to include this real estate tax diversion in other legislation that was moving forward. At one point, the House Finance Committee inserted diversions of local real estate taxes as an amendment to **SB 5433**, which modifies provisions of local option taxes. However, due to our continued efforts, our strong bi-partisan support for legislators, the strength of RPAC (state’s largest and most successful PAC), and our unique ability to work effectively with legislators throughout the state, REALTORS® had nearly 60% of the legislature opposing any diversion of local real estate taxes, and local governments were forced to abandon their efforts.

✗ **Climate Change: HB 1490 and SB 5687** – these measures introduced to address climate change would have brought considerable uncertainty and risk, causing additional land use litigation and appeals that would stifle an already ailing real estate and construction market. Including climate change as an amended goal within GMA creates yet another basis for expensive litigation (costing local government millions while delaying important infill projects needed to accommodate growth).

REALTORS® successfully worked with a coalition of interests to stop these measures from moving forward. **SB 5735**, fell victim to last minute political collisions and failed to pass. In its latest version, REALTORS® opposed a provision in this measure that would have forced cities and counties to reduce the miles you drive—vehicle miles traveled (VMT)—which would lead to new restrictions for businesses, curtail suburban development, place taxes on vehicle mileage or even ban parking in some areas. It would have required certain regional transportation planning organizations to adopt a regional transportation plan that implements the goals to reduce annual per capita vehicle miles traveled.

REALTORS® also successfully opposed **HB 2010**, which conditions local governments’ receipt of state funding for certain infrastructure projects on the reduction in vehicle miles traveled (VMT) and reduction in greenhouse gas emissions. However, the legislature passed **SB 5560** (requiring state agencies to meet statewide greenhouse gas emission reduction limits), which included a provision requiring consideration of whether jurisdictions have implemented measures to address greenhouse gas emissions and reduction of vehicle miles traveled when granting approval of state funds. While this provision is much weaker and watered-down from the original proposals, REALTORS® urged the Governor to veto this section.

REALTORS® support measures that address climate change by encouraging housing choices and the infrastructure needed to provide more homes near job centers. If people have to “drive to qualify” they further add to their carbon footprint because of long commutes to work. For more information about our efforts to stop climate change legislation that would have a negative impact on real estate, please see **Do No Harm – Washington** at www.donoharm-washington.com.

✗ **Vesting: SB 5148** — revises state vesting laws by setting the vesting date for many projects as the date when permits are issued, rather than when the project application is filed. REALTORS®, working with a coalition of interests, successfully stopped this legislation from moving forward because it would have created uncertainty in the development process, which means projects would have huge added costs resulting in higher home prices and higher public costs for essential infrastructure.

✗ **Home Warranties: HB 1045, HB 1393 and SB 5895** — calls for mandatory warranties on new home construction, which would hit homebuilders with increased liability, frivolous lawsuits and increased general construction liability insurance adding significantly to the cost of a home. The legislation will further threaten Washington’s housing market. REALTORS® successfully worked with a coalition of interests to stop this bad legislation that would further threaten Washington’s housing market. REALTORS® support measures that protect homeowners without devastating contractors and others involved in the home construction business.

4. Other REALTOR Legislative Priorities – REALTORS® successfully worked on several other priority measures affecting the real estate industry.

Consumer/Business Affairs: Washington REALTORS® kept a constant watch on legislation that would be a threat or hindrance to our business and the clients we serve.

✓ **Seller’s Disclosure: HB 1420** — modifies real estate seller disclosure requirements. This legislation clarifies several questions on the seller’s disclosure statements for unimproved residential real property and improved residential real property, including changing the definition of “unimproved residential real property” to exclude timber land.

Land Use/Water Issues: Washington REALTORS® balanced approach to providing housing opportunities, ensuring economic vitality, building better communities, protecting property owners while preserving our environment encouraged great support for measures to improve our quality of life.

✓ **Transfer of Development Rights: HB 1172** — REALTORS® successfully worked with Cascade Land Conservancy to pass this measure implementing market-based opportunities to transfer development rights to provide more housing opportunities and protect property owners while preserving the environment.

Tax/Fiscal Policy: REALTORS® support measures that authorize funding for infrastructure projects (roads, water, sewer, parks and schools) that support and sustain our quality of life by providing the framework for accommodating residential, commercial and industrial growth and facilitating economic development.

- ✓ **Local Infrastructure Funds: HB 1569** — authorizes a county legislative authority to establish local public works assistance funds for the purpose of funding public works projects located wholly or partially within the county. Requires the county to develop a prioritization process for funding public works projects that gives priority to projects necessary to address public health needs, substantial environmental degradation, or increases existing capacity necessary to accommodate projected population and employment growth.

- ✓ **Tax Increment Financing: SB 5045** — expands the community revitalization program to allow local governments to finance infrastructure projects needed to facilitate growth and economic development. Limits the annual aggregate amount of new local sales and use taxes that may be credited against the state tax.