



Real Estate Sales and the Local Economy

Profile of the 1st Legislative District

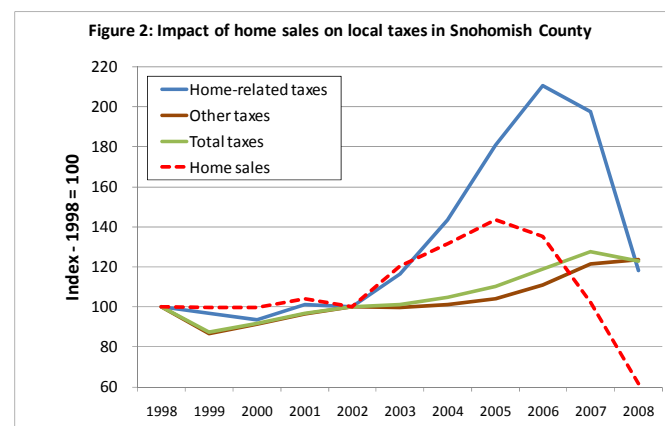
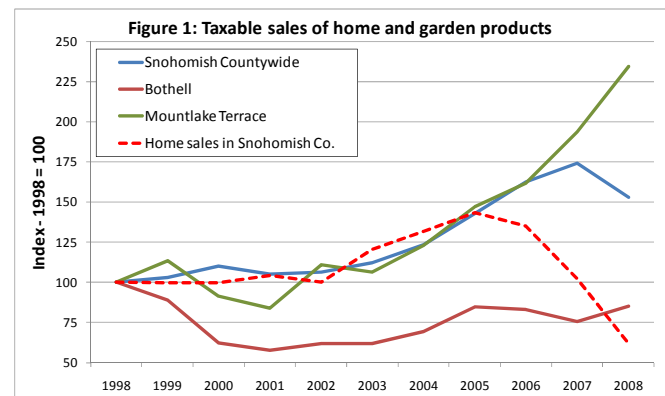
The sale of residential real estate has an impact on local economies and local governments.

Local taxes paid directly. Real estate excise tax (REET) is paid on all sales. Sales tax is paid on construction, both the building of new homes and the remodeling that buyers of existing homes often undertake after a purchase. These taxes go to the city or county (if in an unincorporated area) where the sale happened.

Indirect tax and employment impacts. Buyers of new homes purchase furnishings, and buyers of existing homes often upgrade those homes and purchase appliances, finishing materials, floor and window coverings, and landscape materials. This generates local jobs and tax revenues.

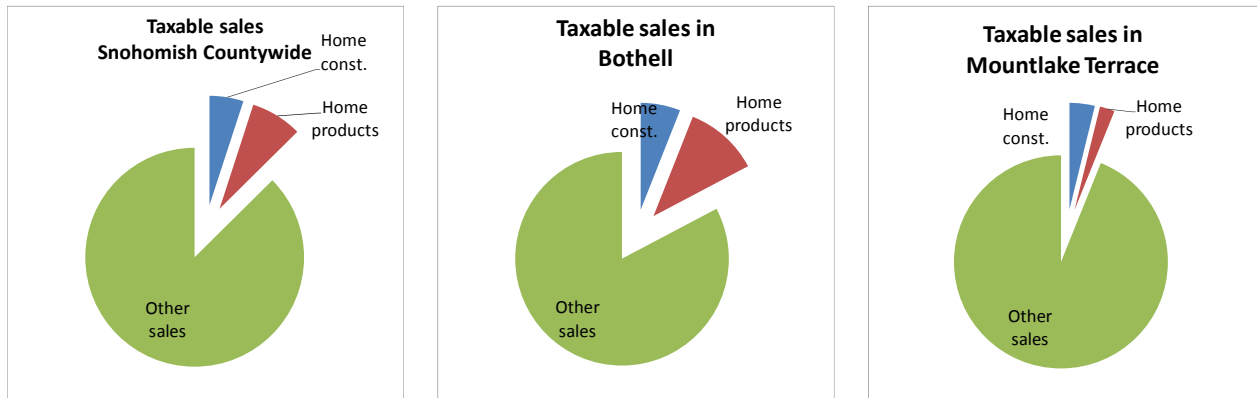
Figure 1 shows that as home sales fell in Snohomish County, beginning in 2006, sales in home and garden stores fell countywide in 2007 and leveled off in Bothell. The home, garden and appliance category in saw a three percent drop in employment from 2007 to 2008 in Snohomish County.

When real estate sales fall, so do local tax revenues. **Figure 2** shows home sales and total tax collections in Snohomish County and its cities. After home sales began to fall, taxes related to those sales dropped dramatically. Note that “other taxes” actually rose from 2007-2008, indicating that the drop in home-related taxes was a main cause of the drop in total taxes. Local governments will be unable to recover lost tax revenues until the residential real estate sector recovers.



Cities and counties in the 1st District have varying degrees of dependence on home-related taxes. **Figure 3** shows that home products and home construction sales taxes make up about 13 percent of sales countywide and about six percent in Mountlake Terrace. In Bothell, however, these sources make up over 17 percent of taxable sales, meaning that city will feel the downturn shown in Figure 2.

Figure 3: 2008 taxable sales in three jurisdictions of the 1st District



Local governments in Washington are heavily dependent on sales tax and REET revenue to fund local services and infrastructure. Weak consumer spending has taken a bite out of local sales tax collections. This is made worse by the impact of slow sales of residential real estate: there is a clear link between the level of residential real estate sales and the level of purchasing in the home products categories and activity in taxable residential construction. Furthermore, an increasing number of jurisdictions are taking full advantage of their local REET authority to fund critical infrastructure.

Recovery in home sales will result in:

- Recovery of sales of home products, thereby increasing employment and sales tax collections in home improvement, appliance and furnishings stores.
- A gradual increase in new construction, driving construction employment and recovery in construction sales tax.
- Recovery in collections of REET.

Recovery in sales of new and existing homes is a necessary first step toward reestablishing employment and financial stability in local communities.



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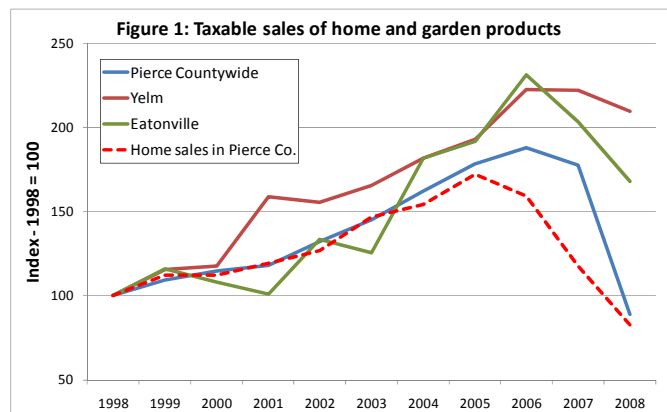
Profile of the 2nd Legislative District

The sale of residential real estate has an impact on local economies and local governments.

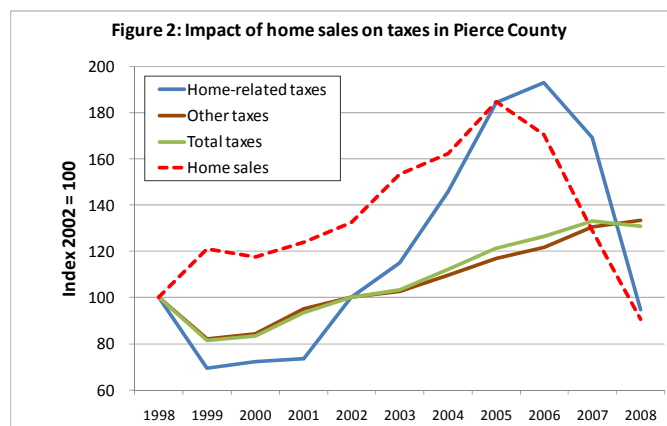
Local taxes paid directly. Real estate excise tax (REET) is paid on all sales. Sales tax is paid on construction, both the building of new homes and the remodeling that buyers of existing homes often undertake after a purchase. These taxes go to the city or county (if in an unincorporated area) where the sale happened.

Indirect tax and employment impacts. Buyers of new homes purchase furnishings, and buyers of existing homes often upgrade those homes and purchase appliances, finishing materials, floor and window coverings, and landscape materials. This generates local jobs and tax revenues.

Figure 1 shows that as Pierce County home sales dropped sharply 2006, sales at home and garden products stores also dropped sharply Pierce countywide and in Yelm and Eatonville. The home, garden and appliance category saw a six percent drop in employment from 2007 to 2008 in Pierce County.

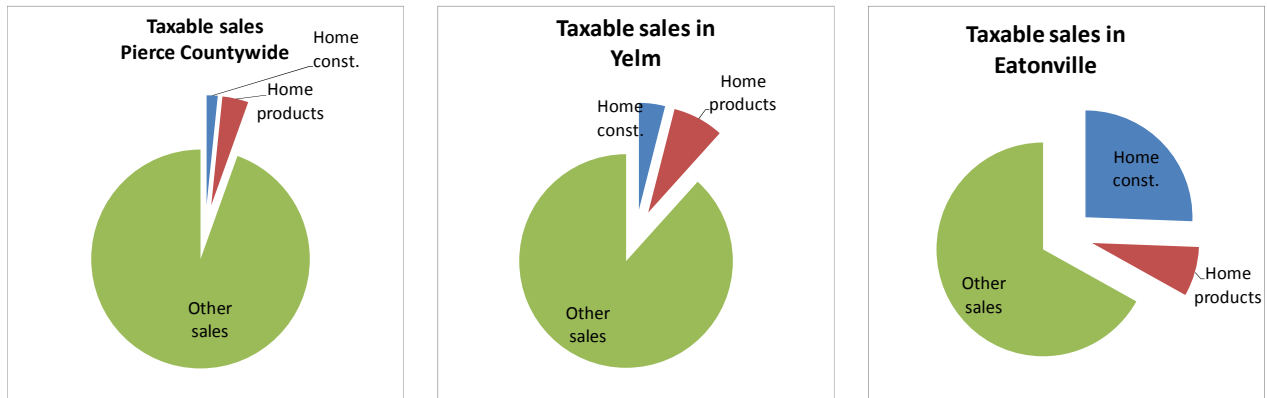


When real estate sales fall, so do local tax revenues. **Figure 2** shows home sales and tax collections for Pierce County and all its cities combined. After home sales began to fall, taxes related to those sales dropped dramatically. Note that “other taxes” actually rose from 2007-2008, indicating that the drop in home-related taxes was a main cause of the drop in total taxes. Local governments will be unable to recover lost tax revenues until the residential real estate sector recovers.



Cities and counties in the 2nd District have varying degrees of dependence on home-related taxes. **Figure 3** shows the share of total taxable sales taken up by home products and home construction, indicating a very strong dependence on these sources in Eatonville and a moderate dependence in Yelm. It is also notable that in 2006, the countywide slices would have been twice as thick, as indicated by Figure 1.

Figure 3: 2008 taxable sales in three jurisdictions of the 2nd District



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Real Estate Sales and the Local Economy

Profile of the 3rd Legislative District

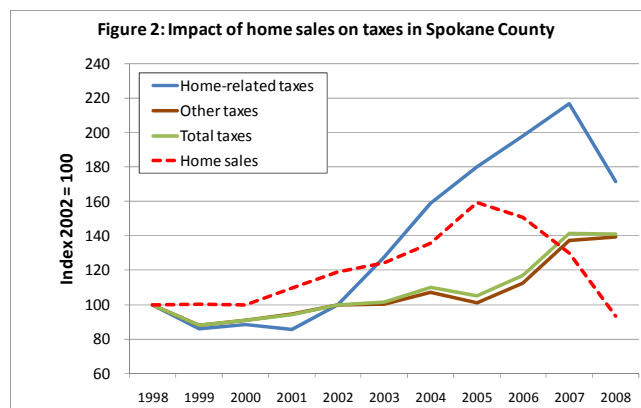
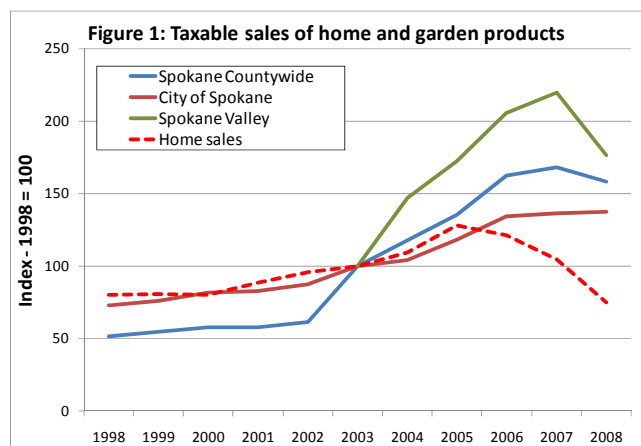
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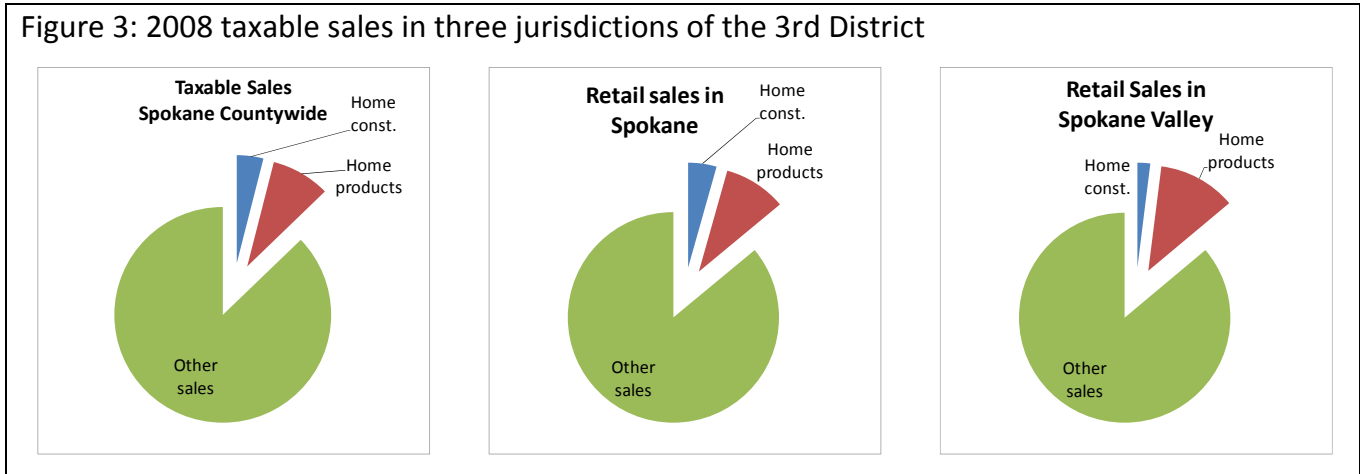
Figure 1 shows that after home sales fell in Spokane County starting in 2006, the sale of home and garden products leveled off in Spokane, while falling in Spokane Valley and countywide. Employment in the home and garden category has fallen 15 percent in Spokane County since it's peak in 2007.

When real estate sales fall, so do local tax revenues. **Figure 2** shows home sales and tax collection for Spokane County and all of its cities combined. Home-related taxes fell sharply beginning in 2007, pulling down total local tax collections. Note that total local taxes, after subtracting home-related taxes, actually rose slightly from 2007 to 2008. Local governments will be unable to recover lost tax revenues until the residential real estate sector itself recovers



Spokane County and its major cities have similar degrees of dependence on home-related taxes. Figure 3 shows that home products and home construction constitute about 13 percent of countywide taxable activity, and about 14 percent of taxable activity in Spokane and Spokane Valley. As seen in Figure 2, drops in these taxes can have a serious impact on local tax revenues.

Figure 3: 2008 taxable sales in three jurisdictions of the 3rd District



Local governments in Washington are heavily dependent on sales tax and REET revenue to fund local services and infrastructure. Weak consumer spending has taken a bit out of local sales tax collections. This is made worse by the impact of slow sales of residential real estate: there is a clear link between the level of residential real estate sales and the level of purchasing in the home products categories and activity in taxable residential construction. Furthermore, an increasing number of jurisdictions are taking full advantage of their local REET authority to fund critical infrastructure.

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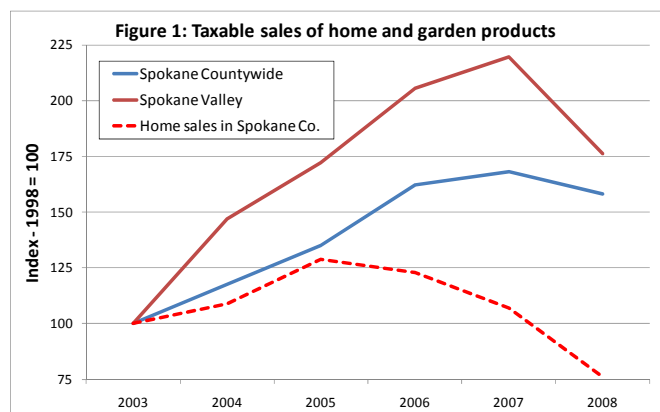
Profile of the 4th Legislative District

The sale of residential real estate has an impact on local economies and local governments.

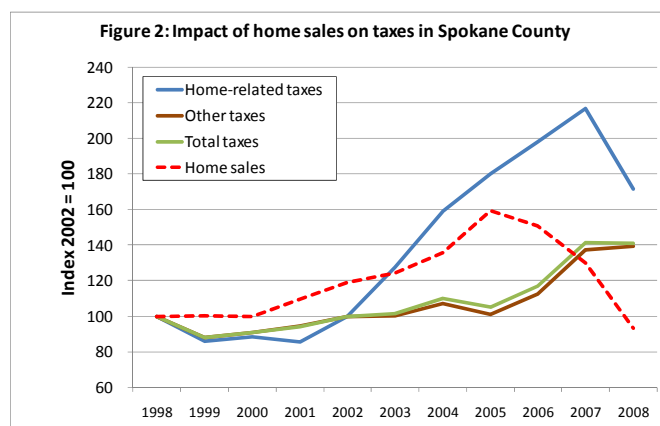
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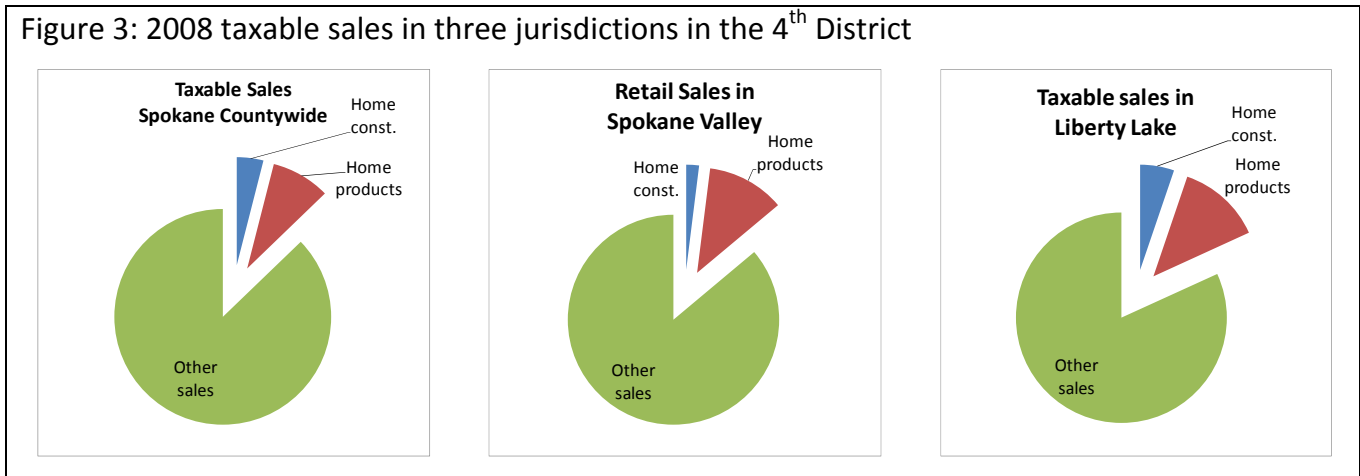


When real estate sales fall, so do local tax revenues. **Figure 2** shows home sales and total tax collections in Spokane County and its cities combined. After home sales began to fall, taxes related to those sales dropped. Note that “other taxes” actually rose slightly from 2007-2008, indicating that the drop in home-related taxes was a main cause of the drop in total taxes. Local governments will be unable to recover lost tax revenues until the residential real estate sector itself recovers.



Spokane County and its major cities have similar degrees of dependence on home-related taxes. **Figure 3** shows that home products and home construction constitute about 13 percent of countywide taxable activity, and about 14 percent of taxable activity in Spokane and Spokane Valley. As seen in Figure 2, drops in these taxes can have a serious impact on local tax revenues.

Figure 3: 2008 taxable sales in three jurisdictions in the 4th District



Local governments in Washington are heavily dependent on sales tax and REET revenue to fund local services and infrastructure. Weak consumer spending has taken a bit out of local sales tax collections. This is made worse by the impact of slow sales of residential real estate: there is a clear link between the level of residential real estate sales and the level of purchasing in the home products categories and activity in taxable residential construction. Furthermore, an increasing number of jurisdictions are taking full advantage of their local REET authority to fund critical infrastructure.

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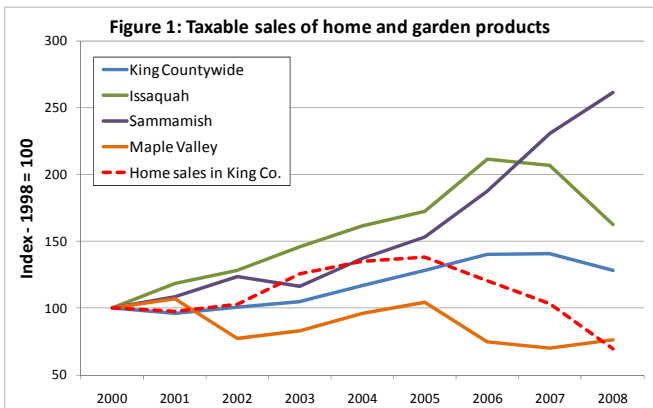
Profile of the 5th Legislative District

The sale of residential real estate has an impact on local economies and local governments.

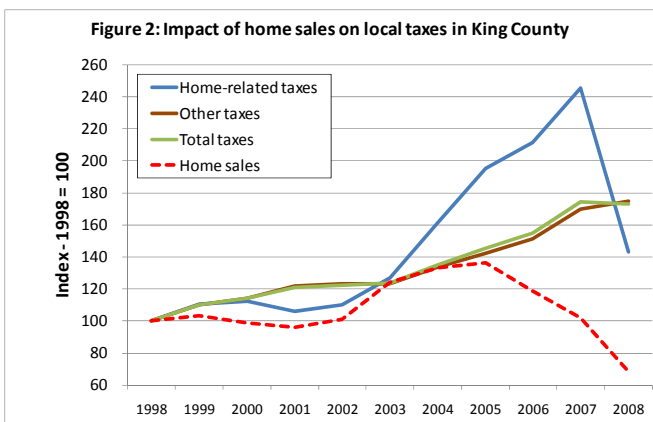
Local taxes paid directly. Real estate excise tax (REET) is paid on all sales. Sales tax is paid on construction, both the building of new homes and the remodeling that buyers of existing homes often undertake after a purchase. These taxes go to the city or county (if in an unincorporated area) where the sale happened.

Indirect tax and employment impacts. Buyers of new homes purchase furnishings, and buyers of existing homes often upgrade those homes and purchase appliances, finishing materials, floor and window coverings, and landscape materials. This generates local jobs and tax revenues.

Figure 1 shows that when home sales fell in King County, beginning in 2006, sales of home and garden products fell countywide and in Issaquah. The home, garden and appliance category saw a six percent drop in employment from 2007 to 2008 in King County.

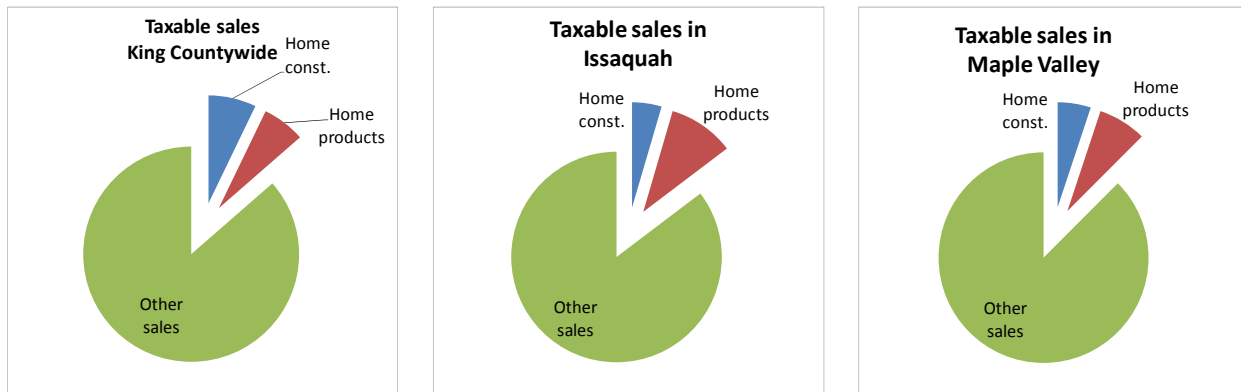


When real estate sales fall, so do local tax revenues. **Figure 2** shows home sales and total tax collections in King County and its cities. After home sales began to fall, taxes related to those sales dropped dramatically. Note that “other taxes” actually rose from 2007-2008, indicating that the drop in home-related taxes was a main cause of the drop in total taxes. Local governments will be unable to recover lost tax revenues until the residential real estate sector recovers.



Local governments in the 5th District have varying degrees of dependence on home-related taxes. **Figure 3** shows that home products and home construction constitute about 14 percent of countywide taxable activity, and about 15 percent of taxable activity in Issaquah and 13 percent in Maple Valley. As seen in Figure 2, drops in these taxes can have a serious impact on local tax revenues.

Figure 3: 2008 taxable sales in three jurisdictions of the 5th District



Local governments in Washington are heavily dependent on sales tax and REET revenue to fund local services and infrastructure. Weak consumer spending has taken a bite out of local sales tax collections. This is made worse by the impact of slow sales of residential real estate: there is a clear link between the level of residential real estate sales and the level of purchasing in the home products categories and activity in taxable residential construction. Furthermore, an increasing number of jurisdictions are taking full advantage of their local REET authority to fund critical infrastructure.

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