



Real Estate Sales and the Local Economy

Profile of the 6th Legislative District

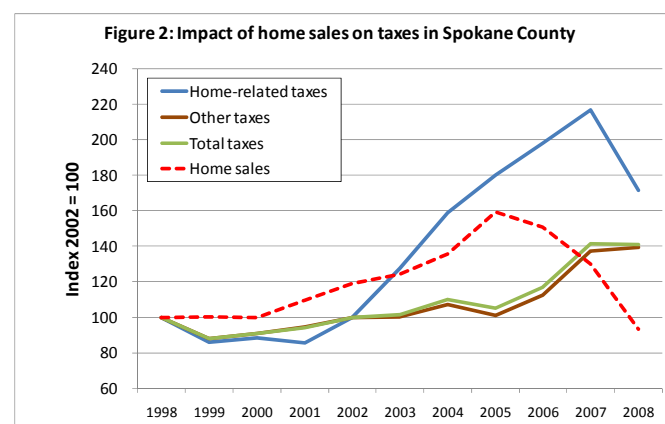
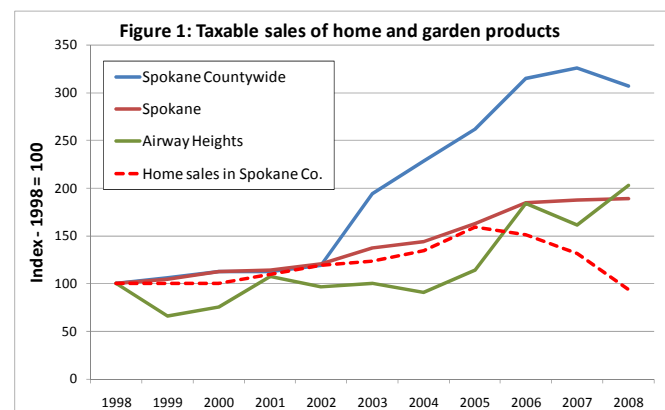
The sale of residential real estate has an impact on local economies and local governments.

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.

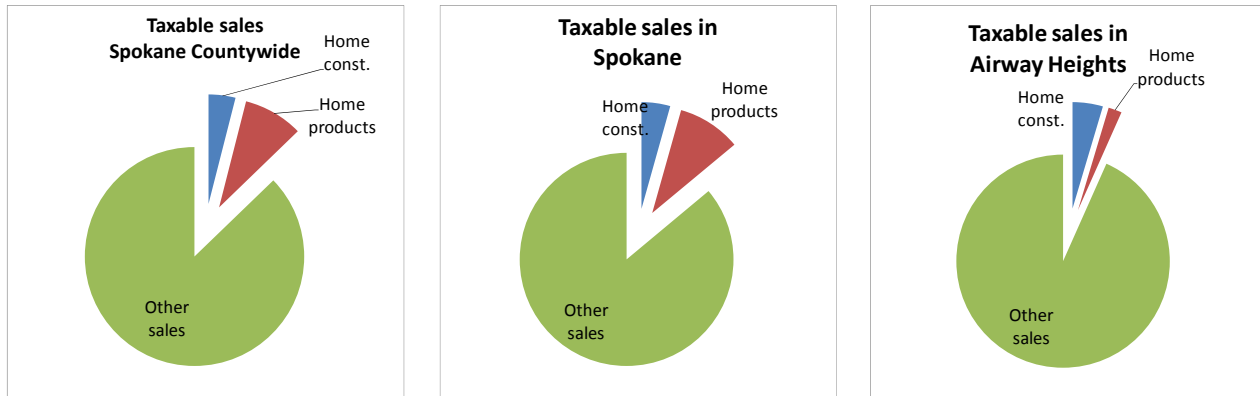
Figure 1 shows that as home sales in Spokane County declined, beginning in 2006, sales at home and garden stores leveled off and began to decline both countywide and in Spokane. Airway Heights experienced store openings that led to increased sales.

When real estate sales fall, so do local tax revenues. **Figure 2** shows an index of home sales and tax collections in all of Spokane County and its cities. After home sales began to fall, taxes related to those sales dropped. 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 6th District have varying degrees of dependence on home-related taxes. **Figure 3** shows dependence on home related sales taxes. These taxes made up about 13 percent of taxable sales countywide, 14 percent of taxable sales in Spokane and seven percent in Airway Heights.

Figure 3: 2008 taxable sales in three jurisdictions of the 6th 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.

Data sources: Washington State Departments of Revenue and Employment Security, Washington State Auditor's Office, Washington Center for Real Estate Research.



Real Estate Sales and the Local Economy

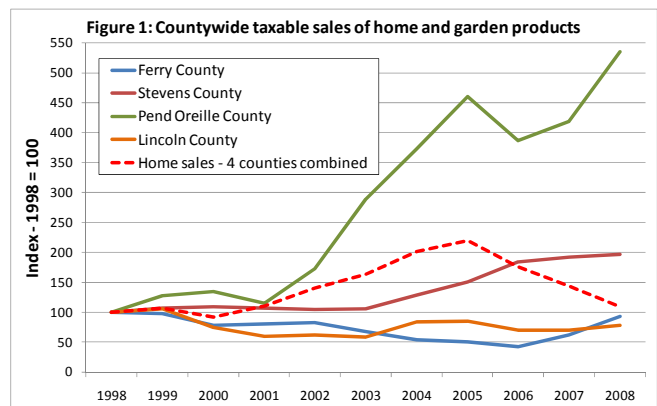
Profile of the 7th Legislative District

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

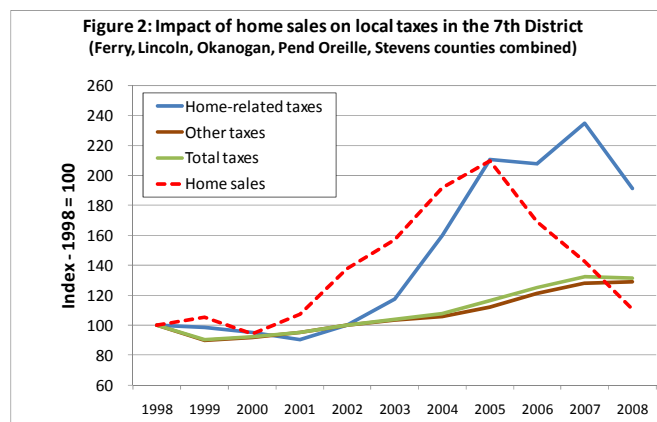
Local taxes paid directly. Real estate excise tax (REET) is paid on all sales. Sales tax is paid on construction, both the building of new homes and the remodeling that buyers of existing homes often undertake after a purchase. These taxes go to the city or county (if in an unincorporated area) where 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 the 7th district, sales at home and garden stores leveled off in Stevens County, the largest county in the district, and stayed flat in Lincoln County, the second largest of the four counties. Pend Oreille County saw sales increases from a very small base due to store openings.

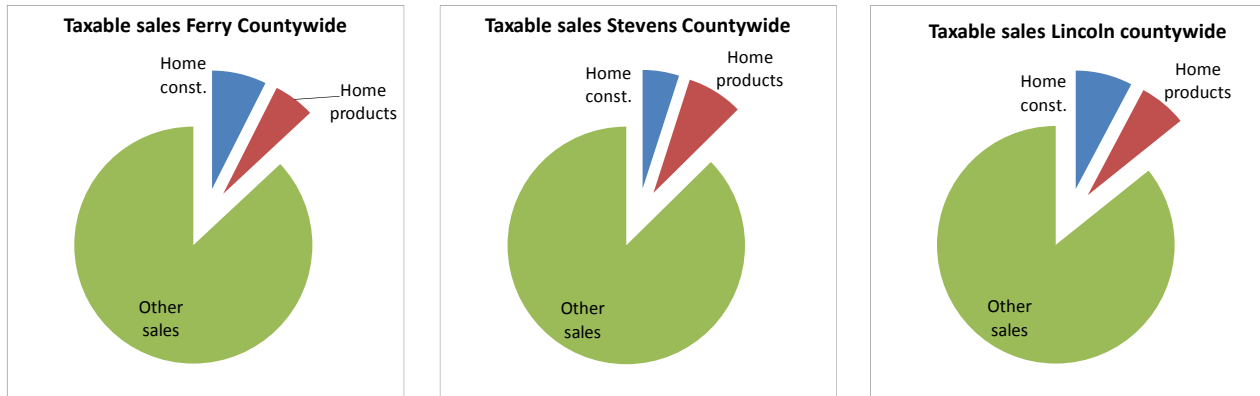


When real estate sales fall, so do local tax revenues. **Figure 2** shows an index of home sales and tax collections for the four counties and all of their cities combined. After home sales began to fall, taxes related to those sales dropped. Note that “other taxes” actually rose slightly from 2007-2008, 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 recovers.



Cities and counties in the 7th District have varying degrees of dependence on home-related taxes. **Figure 3** shows dependence on home related sales taxes. These taxes made up about 13 percent of taxable sales in Ferry County, 13 percent in Stevens County and 14 percent in Lincoln County.

Figure 3: 2008 taxable sales in three jurisdictions of the 7th 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.



Real Estate Sales and the Local Economy

Profile of the 8th Legislative District

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

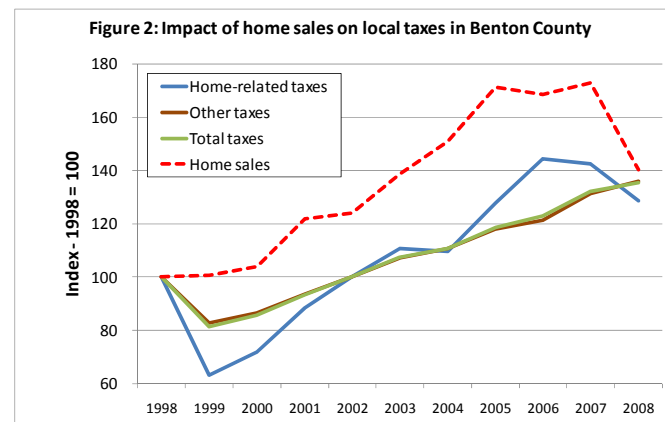
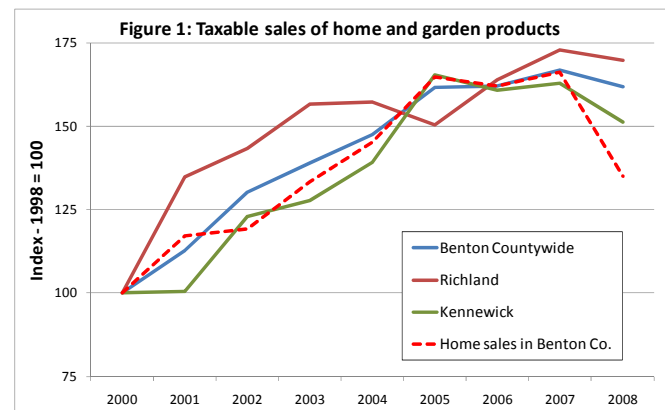
Local taxes paid directly. Real estate excise tax (REET) is paid on all sales. Sales tax is paid on construction, both the building of new homes and the remodeling that buyers of existing homes often undertake after a purchase. These taxes go to the city or county (if in an unincorporated area) where 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 leveled off and began to fall, beginning in 2007, sales at home and garden stores also fell countywide and in Richland and Kennewick, after strong growth during the previous several years.

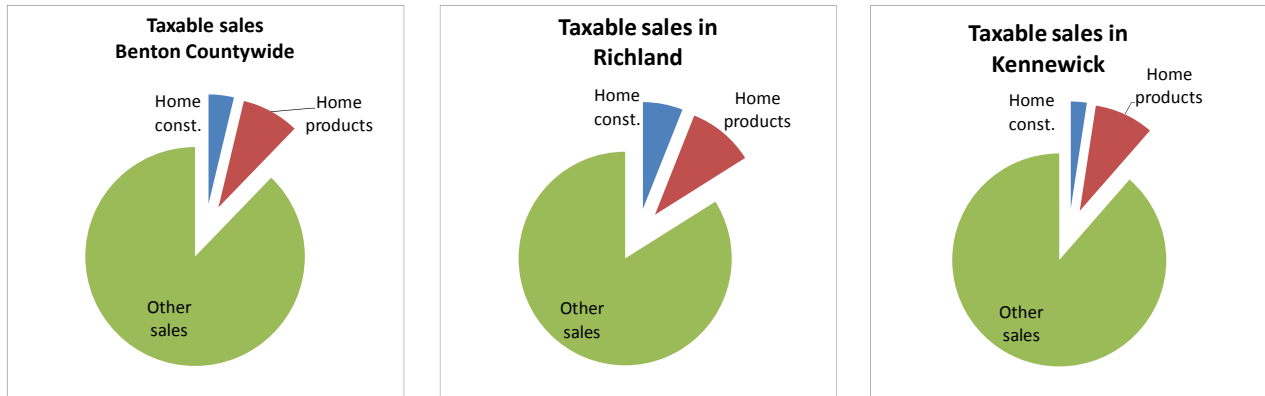
When real estate sales fall, so do local tax revenues. **Figure 2** shows an index of home sales and tax collections in all of Benton County and its cities combined. As home sales fell, so did taxes related to those sales.

Local governments will be unable to recover lost tax revenues until the residential real estate sector recovers.



Cities and counties in the 8th District have varying degrees of dependence on home-related taxes. **Figure 3** shows dependence on home related sales taxes. These taxes made up about 12 percent of taxable sales countywide in Benton County, 16 percent in Richland and 11 percent in Kennewick.

Figure 3: 2008 taxable sales in three jurisdictions of the 8th 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.



Real Estate Sales and the Local Economy

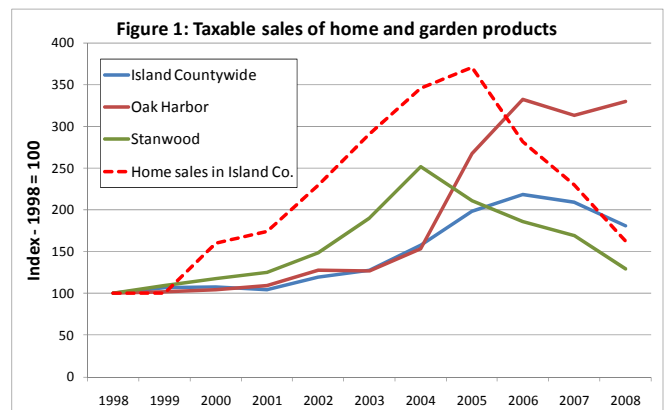
Profile of the 10th Legislative District

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

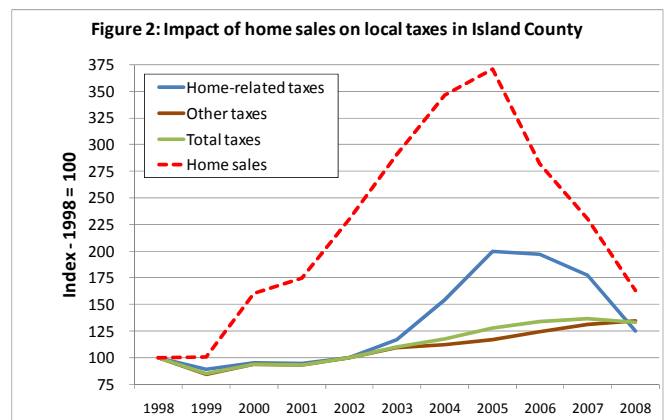
Local taxes paid directly. Real estate excise tax (REET) is paid on all sales. Sales tax is paid on construction, both the building of new homes and the remodeling that buyers of existing homes often undertake after a purchase. These taxes go to the city or county (if in an unincorporated area) where 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 began to fall in Island County, beginning in 2006, sales at home and garden stores fell Island countywide and in Stanwood, while leveling of in Oak Harbor after strong growth. The home, garden and appliance category saw a nine percent drop in employment from 2007 to 2008 in Island County.

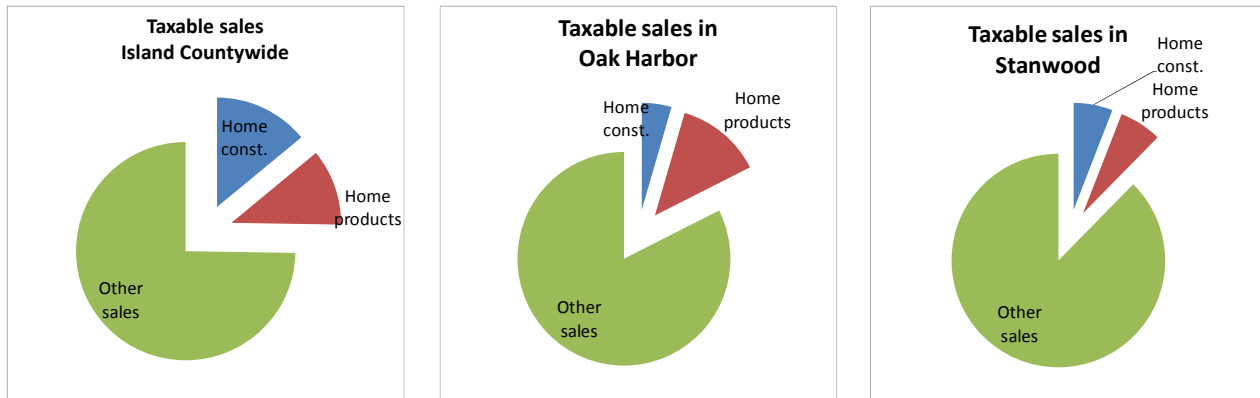


When real estate sales fall, so do local tax revenues. **Figure 2** shows an index of home sales and tax collections for the Island County and all of its cities combined. After home sales began to fall, taxes related to those sales dropped. Note that “other taxes” actually rose slightly from 2007-2008, 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 recovers.



Cities and counties in the 10th District have varying degrees of dependence on home-related taxes. **Figure 3** shows dependence on home related sales taxes. These taxes made up about 25 percent of taxable sales countywide in Island County, 17 percent in Oak Harbor and 12 percent in Stanwood. The dependence on these taxes in Island County is quite high, and the county its cities will certainly feel the downturn in these revenue sources.

Figure 3: 2008 taxable sales in three jurisdictions of the 10th 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.