

To: The ARCH Executive Board

From: Sophie Glass, Government Affairs, Policy, and Communications Manager

Subject: Pre-Legislative Session Updates for ARCH Members

During the September 11, 2025 ARCH Executive Board meeting, the Board approved [ARCH's 2026 WA State Legislative Priorities](#). These priorities are in line with [ARCH's Strategic Plan](#) to advance state legislation to promote affordable housing through increasing funding and reducing barriers. Below are pre-legislative session updates regarding ARCH's priorities – we are sharing these to keep you informed of potential legislation that aligns with these priorities, and to help identify where ARCH can support and coordinate efforts among members.

ARCH Priority 1: Increase funding for affordable housing at the state and local levels

Priority 1A: Provide local revenue options to support affordable housing (such as a graduated local Real Estate Excise Tax)

Short-Term Rental Tax Local Option (SB 5576/HB1763)

- During the 2025 WA Legislative Session, [SB 5576/HB 1763](#) proposed a tax that counties, cities, or towns could collect on short term rentals (e.g. AirBnB, VRBO, etc.). The short-term rental (STR) tax would be up to 4%. Cities and towns would have the option of collecting the STR tax revenue, or a county may impose the tax in areas where a city or town isn't collecting the same tax. Revenues from this tax would be deposited into an "Essential Affordable Housing Local Assistance Account" for affordable housing purposes. This bill did not pass in 2025 but will return in 2026.
- This tool could provide a small but meaningful source of local revenue for affordable housing, particularly in jurisdictions planning for increased tourism. The revenue potential of SB 5576/HB 1763 has been estimated on a statewide basis only (not for individual jurisdictions), as follows:
 - FY 2026 - \$ 1,800,000 (representing one month of impacted collections in FY 2026)
 - FY 2027 - \$ 21,000,000 (first full year of impacted collections)
 - FY 2028 - \$ 21,000,000
 - FY 2029 - \$ 21,300,000
 - FY 2030 - \$ 21,800,000
 - FY 2031 - \$ 22,500,000
- **Next Steps:** ARCH is seeking feedback from members to determine if this bill may be a priority for your jurisdiction. If so, ARCH can be available to provide support for your legislative efforts and help coordinate among members.

Local Affordable Housing REET (HB 1867)

- During the 2025 Legislative Session, [HB 1867](#) proposed changes to local REET laws, but it did not pass. HB 1867 proposed the following:
 - Expanding eligibility to impose a local affordable housing real estate excise tax (REET) to all counties and cities if approved by a majority of voters
 - Currently only counties who have adopted a local REET for conservation areas prior to 2003 are eligible.
 - Changing the local affordable housing REET rate to be up to 0.5 percent.
- It is expected that HB 1867 will return during the 2026 Legislative Session.
- **Next Steps:** ARCH is seeking feedback from members to determine if this bill may be a priority for your jurisdiction. If so, ARCH can be available to provide support for your legislative efforts and help coordinate among members.

Priority 1B: “Encourage state investments and provide funding incentives for local jurisdictions to promote affordable housing (such as expanding the HB 1406 state sales tax credit).”

Affordable Housing Sales Tax Credit (HB 1406) Expansion

- HB 1406 (codified as [RCW 82.14.540](#)) allowed jurisdictions that committed their own resources to affordable housing via a “qualifying local tax” to receive .0146% credit on the state sales tax for affordable housing purposes. Jurisdictions that did not have a “qualifying local tax” by mid-2020 could only receive 0.0073% credit on the state sales tax.
- ARCH members have demonstrably committed their own resources to affordable housing through general fund contributions and land donations, but were not technically qualified for the higher credit as of 2020.
- Ahead of the 2026 session, legislators are exploring ways of making existing [local revenue options in law](#) more flexible. This could mean expanding the allowed spending categories, re-authorizing enactment of the tax, or making other changes/adjustments so that local governments can do more with the existing sources.
- ARCH staff are sharing an idea and have drafted initial language that would expand the state sales tax credit in the following ways:
 - Expand the uses of funds to include for the operations and maintenance costs of new and existing units of affordable or supportive housing, in line with King County’s [Affordable Housing Committee’s draft 2026 Legislative Agenda](#).
 - Allow jurisdictions to receive the higher sales tax credit (.0146%) if they have committed at least .25% of their own general funds for affordable housing for the past 3 of 5 fiscal years, or donated land in the past 3 fiscal years whose market value is at least .25% of their annual general fund.
- ARCH estimates this would have a limited fiscal impact on state revenues, but provide a meaningful incentive for local jurisdictions to grow and maintain investments in affordable housing.
- **Next Steps:** ARCH is seeking feedback from members to help refine the concept and, if appropriate, test interest from legislators on potential sponsorship. If this is of interest to your jurisdiction, please reach out to us.

ARCH Priority 2: Continue to reduce barriers and support local efforts to build more affordable housing faster

Priority 2A: Establish development and tax incentives to support affordable rental and ownership housing on properties owned by religious organizations.

Affordable Housing on Religious Owned Properties (HB 1859)

- During the 2025 WA Legislative Session, [HB 1859](#) proposed encouraging affordable housing developments on properties owned by religious organizations through (a) decreasing the amount of affordable units required to qualify for a density bonus; (b) requiring jurisdictions to develop policies to implement a density bonus if it receives a request from a religious organization; and (c) establishing a sales and use tax exemption for the conversion of existing structures into affordable housing on faith owned land.
- This bill did not pass in 2025 but is likely return and be of significant interest in 2026.
- ARCH staff are conducting a technical analysis of this bill and identifying possible ways to improve it from an implementation standpoint. Based on a [previous study](#), ARCH expects that this bill could unlock significant affordable housing development across East King County.
- ARCH members may view an [interactive map of religious-owned properties](#) in your jurisdiction to understand the potential scope of this legislation.
- **Next Steps:** ARCH will share the results of its technical analysis with any members who are interested in engaging on this legislation. Please reach out if you are interested, and let us know if there are any issues that you'd like us to explore. We are happy to connect with relevant planning staff who may be working on these issues.

Priority 2B: Support other policies that expand access to land for a range of affordable housing types (such as surplus property policies)

Land Banking (HB 1974)

- During the 2025 WA Legislative Session, [HB 1974](#) proposed allowing counties to authorize a land bank (such as a public corporation, a public housing authority, or a nonprofit organization) to serve the county's urban growth areas.
- Land banks would receive priority access to surplus land and the ability to obtain tax foreclosed lands from the county before auction.
- This bill is likely to return in 2026, with potential amendments regarding property tax exemption and expansion to include public development authorities.
- **Next Steps:** ARCH expects the impact of the legislation could be limited without any additional funding or financing tools to support land acquisition, however we will continue to track the bill and would be happy to support any member interested in the legislation.

ARCH will be in touch, as appropriate, with its members regarding these legislative priorities. Please reach out with any questions or concerns.