
SENATE BILL 5016

State of Washington

68th Legislature

2023 Regular Session

By Senator Fortunato

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1 AN ACT Relating to addressing homelessness through providing
2 emergency shelter, incentivizing employment of workers experiencing
3 homelessness, and building homes for a better future; adding a new
4 section to chapter 43.185C RCW; adding a new section to chapter 36.01
5 RCW; adding new sections to chapter 36.70A RCW; adding new sections
6 to chapter 82.04 RCW; adding a new section to chapter 82.16 RCW;
7 adding a new section to chapter 82.08 RCW; adding a new section to
8 chapter 82.12 RCW; adding a new section to chapter 84.36 RCW;
9 creating new sections; providing an effective date; providing
10 expiration dates; and declaring an emergency.

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

12 NEW SECTION. **Sec. 1.** The legislature finds that homelessness
13 has increased in Washington, and most of the current expenditures to
14 address homelessness are not reducing homelessness but are in fact
15 increasing homelessness. Homelessness is exacerbated by housing and
16 environmental government policies that result in the lack of
17 available and affordable housing and an increase in rents and
18 increased costs and effectively reducing incomes making housing more
19 difficult. In addition, homelessness is often caused by complex and
20 long-term behavioral health conditions, substance addiction, or
21 disabilities, or as a result of domestic violence. Every night,

1 thousands of Washingtonians go to sleep in places not meant for human
2 habitation, such as cars, parks, sidewalks, abandoned buildings, and
3 spaces on public land. The legislature finds that current policies to
4 address homelessness in Washington are inadequate and must be
5 addressed. The provision of mental health and substance abuse
6 treatment options must be part of the solution. Cities and counties
7 are struggling to cope with unauthorized camping and its negative
8 environmental and social impacts. The legislature intends that
9 persons experiencing homelessness be treated with dignity, care, and
10 compassion. The legislature recognizes that Washingtonians have
11 compassion for the homeless, but also expect that the homeless be
12 required to take advantage of mental health and substance abuse
13 treatment options and that those physically able should provide
14 either a portion of their limited income or community service to
15 repay taxpayers.

16 **ADDRESSING EMERGENCY SHELTER NEEDS**

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.185C
18 RCW to read as follows:

19 Subject to the availability of funds appropriated for this
20 specific purpose, the department must provide grants to local
21 governments or nonprofit organizations to meet the individual needs
22 of persons experiencing homelessness to facilitate their transition
23 to permanent housing. The grants must include graduated rental
24 assistance programs that require participants to contribute either a
25 percentage of their income to rent or to do community service in
26 exchange for rental assistance.

27 NEW SECTION. **Sec. 3.** A new section is added to chapter 36.01
28 RCW to read as follows:

29 (1)(a) Every county and each city with a population over 50,000
30 must establish and operate at least one emergency overnight shelter
31 site in its respective jurisdiction. Counties and each eligible city
32 within the county's geographic boundary must coordinate to ensure
33 that there are enough cumulative shelter beds to accommodate, at a
34 minimum, the sheltered and unsheltered portions of the county's most
35 recent point-in-time homeless count.

36 (b) Counties and each eligible city must make available
37 employment, mental health, and drug counseling services at each

1 shelter location with funding made available from the state operating
2 budget or local funds as appropriated for these purposes. Each
3 shelter must provide for a safe environment for shelter residents
4 during shelter operating hours. Each shelter may prohibit the
5 possession and use of alcohol and unprescribed drugs on its premises
6 contingent upon evaluation for and compliance with treatment as
7 recommended.

8 (2) Any county or city establishing a shelter under this section
9 may utilize assistance under the housing trust fund pursuant to RCW
10 43.185.050 to acquire or build shelter. Any application to acquire or
11 build noncongregate shelter in accordance with this section must
12 receive priority over applicants for other types of shelter.

13 NEW SECTION. **Sec. 4.** A new section is added to chapter 36.70A
14 RCW to read as follows:

15 (1) Each county that is required or chooses to plan under RCW
16 36.70A.040, and each city within such county, that purchases a hotel,
17 as defined in RCW 19.48.010, with public funds for purposes of
18 providing emergency housing or emergency shelter must limit the use
19 and occupancy of such housing and shelters to the following:

- 20 (a) Persons with disabilities experiencing homelessness;
- 21 (b) Families experiencing homelessness including, but not limited
22 to, pregnant women;
- 23 (c) Persons aged 60 years or more experiencing homelessness; or
- 24 (d) Other persons subject to the following conditions:
 - 25 (i) Payment of no more than 30 percent of their annual median
26 income toward rent or providing at least 24 hours of community
27 service; and
 - 28 (ii) Stays are limited for no longer than 90 days except between
29 November and February.

30 (2) Each planning county and each city within such county must
31 provide employment, mental health, drug counseling service, and job
32 training opportunities and services at each emergency housing and
33 shelter described under subsection (1) of this section.

34 NEW SECTION. **Sec. 5.** (1) The department of commerce must
35 convene a work group to make recommendations on additional
36 requirements for reporting of data concerning persons experiencing
37 homelessness to ensure that the state has the necessary information
38 regarding persons experiencing homelessness who take advantage of

1 housing, substance abuse treatment, mental health, or employment
2 services to make informed decisions regarding prioritization of
3 spending to make the most impact on reducing homelessness in
4 Washington state.

5 (2) The work group must include relevant stakeholders including,
6 but not limited to, homeless rights representatives, service provider
7 representatives, and representatives from cities and counties.

8 (3) The work group must meet at least three times and evaluate
9 the following:

10 (a) An overview of the collection methods and data currently
11 reported in the state homeless management information system;

12 (b) The extent to which additional information should be
13 collected and made disclosable in the state homeless management
14 information system or in a separate database accessible by service
15 providers;

16 (c) The need to implement a registration requirement over time
17 and across specific state regions, and any challenges in identifying
18 persons who travel from region to region;

19 (d) Which types of persons experiencing homelessness should be
20 exempted from a statewide registration requirement;

21 (e) The use of the state homeless management information system
22 or a separate statewide registration program database to prioritize
23 provision of services to persons most likely to benefit;

24 (f) The feasibility of requiring service providers to report
25 participation data as part of the state homeless management
26 information system or a separate statewide registration program;

27 (g) How to collect data regarding the number of persons:

28 (i) With mental health disorders who are offered services and
29 accept or decline such services;

30 (ii) With substance abuse disorders who are offered sobriety
31 programs and accept or decline such program services;

32 (iii) Offered employment services and who accept or decline such
33 services; and

34 (iv) With active warrants and probation requirements and the
35 outcome of contact with services; and

36 (h) Any other relevant factors or considerations discussed by the
37 work group.

38 (4) The department of commerce must issue a final report,
39 including any work group findings and recommendations, to the
40 appropriate committees of the legislature by December 1, 2023.

1 (5) This section expires January 1, 2024.

2 NEW SECTION. **Sec. 6.** (1) This section is the tax preference
3 performance statement for the tax preferences contained in sections 7
4 and 8, chapter . . ., Laws of 2023 (sections 7 and 8 of this act).
5 This performance statement is only intended to be used for subsequent
6 evaluation of the tax preference. It is not intended to create a
7 private right of action by any party or be used to determine
8 eligibility for preferential tax treatment.

9 (2) The legislature categorizes these tax preferences as ones
10 intended to induce certain designated behavior by taxpayers and
11 create or retain jobs, as indicated in RCW 82.32.808(2) (a) and (c).

12 (3) It is the legislature's specific public policy objective to
13 encourage the employment of certain unemployed persons, such as
14 persons convicted of a felony and homeless persons. It is the
15 legislature's intent to provide employers a credit against the
16 business and occupation tax or public utility tax for hiring certain
17 unemployed persons which would reduce an employer's tax burden
18 thereby inducing employers to hire and create jobs for such persons.
19 Pursuant to chapter 43.136 RCW, the joint legislative audit and
20 review committee must review the business and occupation tax and
21 public utility tax credit established under sections 7 and 8,
22 chapter . . ., Laws of 2023 (sections 7 and 8 of this act) by
23 December 31, 2032.

24 (4) If a review finds that the number of unemployed persons who
25 meet the criteria in section 7(7)(c)(i) or 8(7)(c)(i) of this act
26 decreased by 30 percent, then the legislature intends for the
27 legislative auditor to recommend extending the expiration date of the
28 tax preference.

29 (5) In order to obtain the data necessary to perform the review
30 in subsection (4) of this section, the joint legislative audit and
31 review committee should refer to unemployment rates available from
32 the employment security department and the bureau of labor
33 statistics.

34 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.04
35 RCW to read as follows:

36 (1) A person is allowed a credit against the tax due under this
37 chapter as provided in this section. The credit equals the lesser of
38 10 percent or \$500 of wages and benefits paid to or on behalf of a

1 qualifying employee, with a maximum of a \$500 credit for each
2 qualifying employee hired on or after October 1, 2023.

3 (2) No credit may be claimed under this section until a
4 qualifying employee has been employed for at least three consecutive
5 full calendar quarters.

6 (3) Unused credit may be carried over and used in subsequent tax
7 reporting periods, except as provided in subsection (8) of this
8 section. No refunds may be granted for credits under this section.

9 (4) If an employer discharges a qualifying employee for whom the
10 employer has claimed a credit under this section, the employer may
11 not claim a new credit under this section for a period of one year
12 from the date the qualifying employee was discharged. However, this
13 subsection (4) does not apply if the qualifying employee was
14 discharged for misconduct, as defined in RCW 50.04.294, connected
15 with his or her work or discharged due to a felony or gross
16 misdemeanor conviction, and the employer contemporaneously documents
17 the reason for discharge.

18 (5) Credits earned under this section may be claimed only on
19 returns filed electronically with the department using the
20 department's online tax filing service or other method of electronic
21 reporting as the department may authorize. No application is required
22 to claim the credit, but the taxpayer must keep records necessary for
23 the department to determine eligibility under this section including
24 records establishing the person's status as a qualifying employee
25 under subsection (7)(c)(i) and (ii) of this section when hired by the
26 taxpayer.

27 (6) No person may claim a credit against taxes due under both
28 this chapter and chapter 82.16 RCW for the same qualifying employee.

29 (7) The definitions in this subsection apply throughout this
30 section unless the context clearly requires otherwise.

31 (a) "Homeless person" has the same meaning as provided in RCW
32 43.185C.010.

33 (b) "Person convicted of a felony" means a person, including a
34 juvenile as defined in RCW 13.40.020, convicted of a felony under
35 state or federal statute who is hired within one calendar year after
36 the last date that the person was convicted or released from a
37 juvenile rehabilitation facility or prison.

38 (c) "Qualifying employee" means a person who meets all of the
39 following requirements:

40 (i) Is a homeless person or a person convicted of a felony;

1 (ii) Was unemployed as defined in RCW 50.04.310 for at least 30
2 days immediately preceding the date that the person was hired by the
3 person claiming the credit under this section; and

4 (iii) Is employed in a permanent full-time position for at least
5 three consecutive full calendar quarters by the person claiming the
6 credit under this section. For seasonal employers, "qualifying
7 employee" also includes the equivalent of a full-time employee in
8 work hours for two consecutive full calendar quarters. For purposes
9 of this subsection (7)(c)(iii), "full-time" means a normal workweek
10 of at least 35 hours.

11 (8) Credits allowed under this section can be earned for tax
12 reporting periods through June 30, 2032. No credits can be claimed
13 after June 30, 2033.

14 (9) This section expires July 1, 2033.

15 NEW SECTION. **Sec. 8.** A new section is added to chapter 82.16
16 RCW to read as follows:

17 (1) A person is allowed a credit against the tax due under this
18 chapter as provided in this section. The credit equals the lesser of
19 10 percent or \$500 of wages and benefits paid to or on behalf of a
20 qualifying employee, with a maximum of a \$500 credit for each
21 qualifying employee hired on or after October 1, 2023.

22 (2) No credit may be claimed under this section until a
23 qualifying employee has been employed for at least three consecutive
24 full calendar quarters.

25 (3) Unused credit may be carried over and used in subsequent tax
26 reporting periods, except as provided in subsection (8) of this
27 section. No refunds may be granted for credits under this section.

28 (4) If an employer discharges a qualifying employee for whom the
29 employer has claimed a credit under this section, the employer may
30 not claim a new credit under this section for a period of one year
31 from the date the qualifying employee was discharged. However, this
32 subsection (4) does not apply if the qualifying employee was
33 discharged for misconduct, as defined in RCW 50.04.294, connected
34 with his or her work or discharged due to a felony or gross
35 misdemeanor conviction, and the employer contemporaneously documents
36 the reason for discharge.

37 (5) Credits earned under this section may be claimed only on
38 returns filed electronically with the department using the
39 department's online tax filing service or other method of electronic

1 reporting as the department may authorize. No application is required
2 to claim the credit, but the taxpayer must keep records necessary for
3 the department to determine eligibility under this section including
4 records establishing the person's status as a qualifying employee
5 under subsection (7)(c)(i) and (ii) of this section when hired by the
6 taxpayer.

7 (6) No person may claim a credit against taxes due under both
8 chapter 82.04 RCW and this chapter for the same qualifying employee.

9 (7) The definitions in this subsection apply throughout this
10 section unless the context clearly requires otherwise.

11 (a) "Homeless person" has the same meaning as provided in RCW
12 43.185C.010.

13 (b) "Person convicted of a felony" means a person, including a
14 juvenile as defined in RCW 13.40.020, convicted of a felony under
15 state or federal statute who is hired within one calendar year after
16 the last date that the person was convicted or released from a
17 juvenile rehabilitation facility or prison.

18 (c) "Qualifying employee" means a person who meets all of the
19 following requirements:

20 (i) Is a homeless person or a person convicted of a felony;

21 (ii) Was unemployed as defined in RCW 50.04.310 for at least 30
22 days immediately preceding the date that the person was hired by the
23 person claiming the credit under this section; and

24 (iii) Is employed in a permanent full-time position for at least
25 three consecutive full calendar quarters by the person claiming the
26 credit under this section. For seasonal employers, "qualifying
27 employee" also includes the equivalent of a full-time employee in
28 work hours for two consecutive full calendar quarters. For purposes
29 of this subsection (7)(c)(iii), "full-time " means a normal workweek
30 of at least 35 hours.

31 (8) Credits allowed under this section can be earned for tax
32 reporting periods through June 30, 2032. No credits can be claimed
33 after June 30, 2033.

34 (9) This section expires July 1, 2033.

35 NEW SECTION. **Sec. 9.** (1) The department of commerce must
36 establish a pilot program for cities to provide job opportunities to
37 and hire persons experiencing homelessness for the purposes of local
38 beautification projects. The pilot program must include three cities,
39 two on the west side and one on the east side of the Cascade mountain

1 range. The cities selected are strongly encouraged to administer
2 their programs during the summer months.

3 (2) Persons experiencing homelessness who are hired under this
4 pilot program must be paid at least the local minimum wage and be
5 connected with organizations that provide wraparound housing
6 services.

7 (3) The pilot program expires July 1, 2026. The cities selected
8 to participate in the pilot program must provide a report to the
9 appropriate committees of the legislature by December 1, 2026, that
10 includes at least the following information: The number of persons
11 experiencing homelessness hired during the pilot program, the number
12 of such persons connected with wraparound housing services,
13 strategies for hiring persons experiencing homelessness for other
14 local projects, and any legislative recommendations.

15 (4) Persons experiencing homelessness who are hired under this
16 pilot program are not considered state employees. Other provisions of
17 law relating to civil service, hours of work, rate of compensation,
18 sick leave, unemployment compensation, state retirement plans, and
19 vacation leave do not apply to this pilot program, except for project
20 supervisors, who must be city employees, and other administrative and
21 supervisory personnel.

22 (5) The pilot program is considered an unemployment work-relief
23 or work-training program as provided in RCW 50.44.040(4) and, as
24 such, the services of persons experiencing homelessness under this
25 pilot program are excluded from the term "unemployment" and
26 unemployment compensation coverage. The department of commerce must
27 advise the cities selected under the pilot program to notify such
28 persons hired under the pilot program of this exclusion.

29 (6) For purposes of this section, "persons experiencing
30 homelessness" means individuals living outside or in a building not
31 meant for human habitation or which they have no legal right to
32 occupy, in an emergency shelter, or in a temporary housing program
33 that may include a transitional and supportive housing program if
34 habitation time limits exist.

35 (7) This section expires January 1, 2028.

36 **BUILDING HOMES FOR A BETTER FUTURE**

37 NEW SECTION. **Sec. 10.** A new section is added to chapter 36.70A
38 RCW to read as follows:

1 (1) Until December 31, 2033, a person may request a permit for an
2 American dream home in order to encourage the development of
3 residential housing for low-income households.

4 (2) A permit for a new American dream home must be approved in a
5 city or county if the following criteria are met:

6 (a) Each American dream home is exempt from impact fees under RCW
7 82.02.050;

8 (b) The city or county does not charge cumulative permitting fees
9 for each American dream home that equal more than \$1,250;

10 (c) Provisions, such as covenants or other restrictions, are
11 included to ensure that each American dream home remains reserved for
12 low-income households. The covenant or restriction must provide that
13 the American dream home is occupied by the owner that is qualified
14 under this section. If an American dream home is resold any time
15 before December 31, 2033, the price must be affordable for low-income
16 households.

17 (d) An American dream home must conform to the residential
18 building code in effect in the jurisdiction where the home is built.

19 (3) (a) This chapter does not prohibit a county planning under RCW
20 36.70A.040 from authorizing the extension of public facilities and
21 utilities to serve residential building sites for an American dream
22 home.

23 (b) A city or county may authorize the siting of an American
24 dream home outside of the urban growth area, even where otherwise
25 prohibited by a multicounty planning policy.

26 (4) For the purposes of this section:

27 (a) "Affordable" means residential housing which, as long as the
28 same is occupied by low-income households, requires payment of
29 monthly housing costs, including utilities other than telephone, of
30 no more than 30 percent of the family's income, for a family earning
31 80 percent of the area median income.

32 (b) "American dream home" means an owner-occupied single-family
33 residential detached dwelling of 1,700 square feet or less serving
34 low-income households.

35 (c) "Low-income household" means a single person, family, or
36 unrelated persons living together whose adjusted income is less than
37 80 percent of the median family income adjusted for household size,
38 for the city or county where the project is located.

39 (5) A city or county must report to the department by March 1,
40 2033, regarding the number of American dream home permits issued in

1 its jurisdiction. The department must compile the data and report to
2 the appropriate committees of the legislature regarding the
3 participation by jurisdiction of the program.

4 NEW SECTION. **Sec. 11.** A new section is added to chapter 82.08
5 RCW to read as follows:

6 (1) A city or county may receive a distribution equal to the
7 state portion of the tax levied by RCW 82.08.020 in respect to:

8 (a) Charges for labor and services rendered in respect to the
9 constructing of dwellings designated American dream homes, as
10 provided in section 10 of this act;

11 (b) Sales of tangible personal property that will be incorporated
12 as an ingredient or component of such dwellings during the course of
13 the constructing; or

14 (c) Charges made for labor and services rendered in respect to
15 installing, during the course of constructing such dwellings,
16 fixtures not otherwise eligible for the exemption under RCW
17 82.08.02565.

18 (2) The exemption under this section applies only to American
19 dream homes meeting the requirements and conditions described in
20 section 10 of this act.

21 (3) (a) The department must at least once annually remit to the
22 city or county an estimated amount, as determined by the department,
23 of state taxes collected during the prior calendar year with respect
24 to section 10 of this act.

25 (b) The department must determine eligibility under this section
26 based on information provided by the city or county and through audit
27 and other administrative records.

28 (c) The city or county must, on an annual basis, submit an
29 application, in a form and manner as required by the department by
30 rule, containing any information the department deems necessary in
31 determining remittance amounts under this section.

32 (4) This section expires July 1, 2034.

33 NEW SECTION. **Sec. 12.** A new section is added to chapter 82.12
34 RCW to read as follows:

35 (1) The provisions of this chapter do not apply with respect to
36 the use of:

1 (a) Tangible personal property that will be incorporated as an
2 ingredient or component in constructing of dwellings designated as
3 American dream homes, as provided in section 10 of this act; or

4 (b) Labor and services rendered in respect to installing, during
5 the course of constructing such dwellings, fixtures not otherwise
6 eligible for the exemption under RCW 82.08.02565.

7 (2) The eligibility requirements and conditions in section 11 of
8 this act apply to this section.

9 (3) This section expires July 1, 2034.

10 NEW SECTION. **Sec. 13.** A new section is added to chapter 82.04
11 RCW to read as follows:

12 (1)(a) The builder of an American dream home is allowed an annual
13 credit against the tax due under this chapter as provided in this
14 section. The credit equals four percent of the gross selling price of
15 the American dream home.

16 (b) Credits under this section may only be earned on the sale of
17 American dream homes meeting the requirements and conditions
18 described in section 10 of this act.

19 (2) The credit may be used against any tax due under this
20 chapter, and may be carried over until used, except as provided in
21 subsection (4) of this section. No refund may be granted for credits
22 under this section.

23 (3) Credits earned under this section may be claimed only on
24 returns filed electronically with the department using the
25 department's online tax filing service or other method of electronic
26 reporting as the department may authorize. The taxpayer must keep
27 records necessary for the department to determine eligibility under
28 this section including records establishing the sale of an American
29 dream home.

30 (4) Credits allowed under this section can be earned for tax
31 reporting periods through June 30, 2033. No credits can be claimed
32 after June 30, 2034.

33 (5) For the purposes of this section, "American dream home" has
34 the same meaning as in section 10 of this act.

35 (6) This section expires July 1, 2034.

36 NEW SECTION. **Sec. 14.** A new section is added to chapter 84.36
37 RCW to read as follows:

1 (1) (a) The value of an American dream home is exempt from
2 property taxation for a period of 12 years beginning January 1st of
3 the year immediately following the calendar year in which
4 construction of the American dream home is completed.

5 (b) The exemption under this section applies only to American
6 dream homes meeting the requirements and conditions described in
7 section 10 of this act.

8 (c) An American dream home receiving an exemption under this
9 section is immediately subject to property taxation if at any point
10 during the exemption period the home no longer meets the requirements
11 and conditions in section 10 of this act.

12 (2) Claims for an exemption under this section must be filed with
13 the county assessor on forms provided by the department and furnished
14 by the county assessor.

15 (3) The department may adopt such rules, pursuant to chapter
16 34.05 RCW, as necessary to properly administer this section.

17 (4) The exemption under this section applies to both the value of
18 new construction and the underlying land.

19 (5) At the conclusion of the exemption period, the value of the
20 new housing must be considered as new construction for the purposes
21 of chapters 84.55 and 36.21 RCW as though the property was not exempt
22 under this section.

23 (6) For the purposes of this section, "American dream home" has
24 the same meaning as in section 10 of this act.

25 NEW SECTION. **Sec. 15.** The provisions of RCW 82.32.805 and
26 82.32.808 do not apply to sections 10 through 13 of this act.

27 NEW SECTION. **Sec. 16.** Sections 10 through 14 of this act apply
28 for taxes levied for collection in 2024 and thereafter.

29 NEW SECTION. **Sec. 17.** Sections 10 through 14 of this act are
30 necessary for the immediate preservation of the public peace, health,
31 or safety, or support of the state government and its existing public
32 institutions, and take effect July 1, 2023.

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