THE NEWS TRIBUNE

OPINION

Bill will hobble Washington's affordable housing

By Ben Maritz and Tom Lindquist
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In communities across Washington, the need for affordable housing is immediate and urgent. At Great Expectations and Urban Housing Ventures, we see this every day — in families searching for an affordable place to call home, in seniors looking for stability and in workforce members priced out of the communities they serve.

We've made progress, but that progress is fragile. The tools and partnerships we rely on are delicate threads that can unravel with a single policy change. That's why we are deeply concerned about a specific provision in Senate Bill 5794: the elimination of the first mortgage interest deduction for community banks.

We respectfully urge Gov. Bob Ferguson to partially veto SB 5794.

At first glance, this might look like a narrow tax change, but the reality is much broader. Community banks are not just financial institutions. They are essential partners in affordable housing. These banks provide flexible lending, invest in and finance local projects, and work closely with nonprofits and mission-driven housing builders like ours to bring homes within reach for families who otherwise couldn't afford them.

This deduction is one of the few incentives that make it financially viable for community banks to continue offering mortgage products to home buyers and essential financing to affordable housing projects and workforce housing initiatives — like current projects at the Rialto, the Exley and the St. Helen's buildings in downtown Tacoma.

Without this exemption, the cost of doing business for community banks will rise sharply — by some estimates, their tax burdens will increase between 80% and 200%. That's not sustainable. And it's not equitable when national banks, credit unions and online lenders are unaffected by this particular tax increase. Community banks are extremely valuable partners to affordable housing creators and residents alike, but if this bill moves forward without a partial veto, these local, relationship-focused banks will have to make tough decisions about whether to continue to do business in Washington.

The consequences will fall squarely on the shoulders of working families. Washington's community banks will face either scaling back lending or increasing costs to customers. Ultimately, fewer families will be able to buy their first homes and affordable housing builders and non-profits will lose an important partner in their efforts to ease the housing crisis.

We've seen what's possible when our banking partners are at the table. Community banks have helped finance permanently affordable owned and leased housing, offered down payment assistance, and backed innovative solutions for people exiting homelessness. These aren't theoretical outcomes. They are homes built, families stabilized, and lives changed. And they happened because our state's financial ecosystem supported them.

Removing the mortgage interest deduction now, especially during a time of increasing economic uncertainty, adds instability to an already difficult environment. At the federal level, housing programs are on shaky ground. Cuts or delays in federal funding for affordable housing only heighten the need for strong state and local partnerships.

Community banks aren't asking for special treatment. They will still pay the B&O tax increase passed this session, which applies to most of the business community. But layering this additional cost — targeted only at them — risks weakening or even severing partnerships that affordable housing providers across Washington depend on.

As two organizations rooted in this work, we know firsthand that we cannot solve the housing crisis alone. It takes a coalition — nonprofits, mission-driven builders, state leaders, funders and lenders — pulling together to move the needle. When one partner is forced to step back, the whole system suffers.

Gov. Ferguson, we know your commitment to our state's housing crisis is sincere. That's why we're asking for your help. A partial veto of SB 5794 — specifically Section 105 (4) and (5) — would protect a critical financial tool that keeps affordable homes within reach for more Washington families.

Let's keep building. Together.

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