



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5621
November 4, 2019
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 5621: Sales and Use Tax for Affordable and Supportive Housing	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Adopt Ordinance No. 19C-16 enacting a sales and use tax for affordable and supportive housing and amending Section 4.15 MICC.	<input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Community Planning and Development	Alison Van Gorp, Deputy Director
COUNCIL LIAISON:	n/a	
EXHIBITS:	1. Sound Cities Association letter 2. Ordinance No. 19C-16	
CITY COUNCIL PRIORITY:	1. Implement a Fiscal Sustainability Plan	

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

Approved in the 2019 legislative session, HB 1406 provides new resources for cities and counties for affordable housing and supportive services through a credit against the state share of local sales taxes. Staff presented information on the legislation to the Council on September 17 (see [AB 5608](#)) and the Council passed a resolution of intent to enact the sales and use tax authorized by HB 1406 on October 15 (see [AB 5614](#)).

TIMELINE

To secure the ability to access these funds, cities are required to adopt an ordinance to enact the sales and use tax by July 28, 2020. However, the sooner the ordinance is adopted, the earlier the City can begin collecting the new tax revenue. Once the City adopts an ordinance implementing the tax, there will be a 30-day noticing period before the tax can go into effect. The tax will take effect on the first day of the month after the 30-day noticing period. Thus, if the implementing ordinance is adopted at the November 4, 2019 meeting, the tax would go into effect on January 1, 2020. Sales tax revenue from January 2020 will be remitted by retailers to the state Department of Revenue by February 25, 2020 and would be disbursed to the City at the end of March 2020.

ELIGIBLE EXPENDITURES

Cities may use funds collected from the tax credit for:

- Acquiring, rehabilitating, or constructing affordable housing;
- Operations and maintenance of new affordable or supportive housing facilities; and,
- For cities with populations below 100,000, funds may also be used for rental assistance.

The funding must be spent on projects or services that serve persons whose income is at or below 60% of the City's median income. Revenues from the tax may be pooled with other local governments or a public housing authority via interlocal agreements and may also be used to repay bonds issued to carry out projects authorized under the law. The City is not required to designate how the funds generated by the tax will be used as a part of the adopting ordinance.

On October 4, 2019, the City received a letter from the Sound Cities Association (Exhibit 1) sharing the recommendations of the King County Affordable Housing Committee, urging cities to pool funds via existing sub-regional collaborations to quickly deploy funds and maximize impact, and to use this revenue as an additive source of funding to existing allocations for housing.

ENACTING THE TAX

Ordinance No. 19C-16 (Exhibit 2) amends Chapter 4.15 of the Mercer Island City Code (MICC), enacting 0.0073 percent sales and use tax for the purposes of providing affordable and supportive housing. Staff recommends that Council vote to suspend the City Council Rules of Procedure requiring a second reading of the ordinance (per Section 6.3(C)(3)) so that the code amendment can take effect in November, enabling the tax to go into effect on January 1, 2020.

NEXT STEPS

If the tax goes into effect on January 1, 2020, it is expected to generate approximately \$36,000 in revenue to the City in 2020. Staff will bring a budget amendment to the City Council related to use of the new tax revenue in the first quarter of 2020. As described in [AB 5614](#), the City Council has the option of directing the revenues to the ARCH Housing Trust Fund, the Emergency Assistance program administered by Youth and Family Services, or constructing affordable housing.

RECOMMENDATION

1. Suspend the City Council rules of procedure requiring second reading.
2. Adopt Ordinance No. 19C-16 enacting a sales and use tax for affordable and supportive housing and amending Section 4.15 MICC.