



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5614
October 15, 2019
Consent Calendar

AGENDA BILL INFORMATION

TITLE:	AB 5614: HB 1406 Resolution No. 1568 - Shared Revenue for Affordable Housing	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Declare intent to adopt legislation to authorize a sales and use tax for affordable housing and supportive services.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution

DEPARTMENT OF:	Community Planning and Development	Alison Van Gorp, Deputy Director
COUNCIL LIAISON:	n/a	
EXHIBITS:	Resolution No. 1568	
CITY COUNCIL PRIORITY:	1. Implement a Fiscal Sustainability Plan	

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

SUMMARY

BACKGROUND

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 at the September 17 meeting (see [AB 5608](#)).

In order to secure the ability to access these funds, cities are required to adopt a resolution of intent to implement the tax credit by January 28, 2020. If a city does not adopt a resolution of intent by the statutory deadline, the ability to access those funds is transferred to the county.

The maximum rate that the City may retain under the bill is 0.0073% of local sales. Approximate annual revenue is estimated to be \$36,000 based on the estimated sales in 2019. The credit expires 20-years after it is first implemented.

TIMELINE

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 in November 2019, 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.

USE OF REVENUES

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. The city is not required to designate how the funds generated by the tax will be used as a part of the adopting ordinance. Staff anticipates bringing a budget adjustment to the City Council related to use of the new tax revenue in the first quarter of 2020.

City Council can choose to use the new revenues to directly support affordable housing by contributing to the ARCH Housing Trust Fund ("HTF"), currently budgeted at \$50,000 in 2020. Alternatively, the Council can replace general fund dollars currently budgeted for the HTF, freeing up those funds for other purposes, such as the ARCH administrative budget increase that is anticipated in 2020 for expanded staffing.

In addition, City Council has the option to use the new revenue to support or expand rental assistance through the Family Assistance program in the Youth and Family Services Department. The City currently spends approximately \$18,000 to \$20,000 per year on rental assistance.

Beyond 2020, the City will need to budget for the use of revenues generated from the sales and use tax as a part of the 2021-2022 Biennial Budget process. The City will be required to report annually to the Department of Commerce on the collection and use of the revenue, documenting its proper use as required in HB 1406.

NEXT STEPS

City Council needs 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. Staff recommend suspending the City Council Rules of Procedure requiring a second reading of an ordinance thereby providing for the Ordinance's adoption at the November 4, 2019 Special Meeting and allowing the tax to take effect on January 1, 2020. Staff will return in the first quarter of 2020 to discuss how revenue will be used.

RECOMMENDATION

Approve Resolution No. 1568 declaring the intent of the Council to adopt legislation to authorize a sales and use tax for affordable housing and supportive services.