

# Organizing for Implementation of HB 1406 in Your Community



Welcome to today's Zoom webinar!

- Due to the large number of registrations, everyone will be muted today.
- You can ask questions via the live chat or Q&A options. Ask questions throughout or save them for the end.
- If you have problems with the platform, we will try to help. Use the live chat to share any tech issues.

# Organizing for Implementation of HB 1406 in Your Community



Today's goal

Our main goal for today's webinar is to help position advocates, cities and counties to implement HB 1406 at the maximum amount of funds as quickly as possible.

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Today's agenda

- Introduction to speakers and acknowledgements
- Overview of HB 1406
  - Eligible uses of funds
  - Eligibility of cities and counties for the funds
  - Timing and deadlines
  - Areas of uncertainty
  - Q&A
- Decision points and implementation
  - HB 1923 Housing Action Plans and \$100k planning grants
  - Bonding pros and cons
  - Pooling of funds
  - Implementing a "Qualifying Local Tax"
- Action Steps and Resources

# Organizing for Implementation of HB 1406 in Your Community



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Special thanks to Representative Robinson, Representative Macri, Speaker Chopp, Senator Kuderer and Senator Frockt!

- House Democratic Caucus staff.
- Association of Washington Cities, and individual cities especially Renton, Seattle, Olympia, Spokane, Kirkland and Walla Walla.
- Washington State Association of Counties and especially King and Skagit Counties.
- Kitsap Mental Health, Association of WA Housing Authorities, Bremerton Housing Authority, League of Women Voters, Faith Action Network, Washington Community Action Partnership, Community Frameworks, Washington State Hospital Association, Community Health Network of Washington, Housing Consortium of Everett & Snohomish County, Tacoma/Pierce County Affordable Housing Consortium, Opportunity Council and others!

# Overview of HB 1406



- This is not an additional tax – local jurisdictions are just retaining a portion of the sales and use taxes already paid.
- Bill goes into effect on July 28<sup>th</sup>, 2019.
- All cities and counties are eligible. If a city and county both act to implement, the bill outlines when a city can claim the full authority. Otherwise it is shared.
- Department of Revenue determines the maximum revenue, based on state fiscal year 2019 taxable retail sales with the county or city.
- Earliest possible use of the funds is fall 2019.
- Authority expires after 20 years and the clock starts ticking on day one!

## Use of the funds



- Counties with a population greater than 400,000 and cities with a population greater than 100,000:

Acquiring, rehabilitating, or constructing affordable housing, which may include new units of affordable housing within an existing structure or facilities providing supportive housing services under RCW 71.24.385; or funding the operations and maintenance costs of new units of affordable or supportive housing.

- Counties with a population less than 400,000 and cities with a population less than 100,000:

The above uses and/or for rental assistance.

- The housing and services may only be provided to persons whose income is at or below sixty percent of the median income of the county imposing the tax.

## Use of the funds



### Bonding and revenue sharing:

- Cities or counties imposing the tax may issue general obligation or revenue bonds and may pledge the revenue collected for repayment of the bonds.
- A county or city may enter into an interlocal agreement with other local government or public housing authorities to pool the tax receipts received and pledging those taxes to bonds.



# Definitions



- Maximum or full authority = .0146%
- Half or split authority = .0073%
- Any city or county that opts into the revenue is considered a “participating” city or county.
- A city that has implemented, or implements within year one, a “qualifying local tax” is eligible to claim the full authority.

## Qualifying local taxes



“Qualifying local taxes” means the following tax sources, if the tax source is instated by a city no later than July 27<sup>th</sup>, 2020 (within one year of the bill’s effective date):

- The affordable housing levy authorized under RCW 84.52.105;
- The levy authorized under RCW 84.55.050 if used solely for affordable housing;
- The sales and use tax for housing and related services authorized under RCW 82.14.530 if the city has imposed the tax at a minimum or least half of the authorized rate;
- The sales tax for chemical dependency and mental health treatment services or therapeutic courts authorized under RCW 82.14.460.

## Qualifying local taxes – cities who already have one in place



- Seattle (Housing Levy)
- Bellingham (Housing Levy)
- Vancouver (Housing Levy)
- Ellensburg (1/10 of 1% sales tax for affordable housing)
- Olympia (1/10 of 1% sales tax for affordable housing)
- Tacoma (Mental health and chemical dependency sales tax)

## Maximum Authority



The maximum authority of 0.0146 percent can be reached either by a city and county each claiming half (0.0073 percent), or by one of the entities claiming the whole.

Following are the circumstances in which the full 0.0146 percent can be claimed by one of the entities:

# Maximum Authority



- Counties always maintain authority over unincorporated areas and can levy the maximum authority in those areas within the first year.
- Counties can levy the maximum authority in the boundaries of cities that declare that they will not levy it or who don't otherwise utilize it within the first year.
- Cities can levy the maximum authority if they have levied one of the qualifying local taxes before or within the first year.
- Cities can levy the maximum authority in year one without a qualifying local tax only if a county declares they will not participate or otherwise fails to adopt a resolution.
- Cities without a local qualifying tax in non-participating counties in year two lose authority due to a mistake in the bill.

## Half Authority



- City without a qualifying local tax takes action in year one. This authority expires if the county they are in does not participate by year two.
- Counties can claim half within the jurisdiction of one of their cities if that city does not have a qualifying local tax.

# Timelines



- Resolution of Intent must be adopted by January 28, 2020.
- The legislation must be adopted by July 28, 2020,
- Department of Revenue requires 30-days notice of adoption of sales tax credits and the change must occur on a first day of the month (RCW 82.14.055)
- Considering the necessary actions, the earliest possible use of the funds is this fall.

# Resolution of Intent



- Should be done as soon as possible.
- Bill doesn't prevent resolution from being adopted at the same time as the legislation, but resolution must be adopted no later than January 28<sup>th</sup>, 2020.
- Pacifica Law Group has created a draft resolution which will be sent out to all webinar registrants.



## Pending Questions



- Different standards are used throughout the bill - “levied”, “imposed” & “instated” and the impact of this is currently unknown.
- What happens if a city passes a qualifying local tax, but it isn’t being collected within the year timeframe?
- The maximum amount for a county may be impacted by whether they impose the tax after a city located in that county.



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## Decision Points: Use of Funds



Ask: What is better overall for affordable housing?

Options to consider:

- Pooling of funds between jurisdictions (MOU),
- Bonding against the revenue stream,
- Cities ceding authority to county under certain agreed upon terms.

## Decision Points: Use of Funds



1923 and Housing Action Plan planning grants for cities:

- Many cities will have housing money for the first time and a plan that involves advocates on how to spend it will be really helpful.
- Cities are eligible for a \$100k planning grant. Application guidelines are being developed by the Department of Commerce.
- Cities are required to include affordable housing advocates in development of the plan.

# Implementing a Local Qualifying Tax



- Determine if a local qualifying tax will be implemented or not. Planning should start now.
- Factor in timing required to DOR: 75 days notice of adoption of sales tax increases is required.
- Key tips for advocates to consider.

## Action Items



- Communication between advocates, cities and counties will be key and should start now.
- Determine if a local qualifying tax will be implemented or not. Planning should start now.
- Advocates: Meet with your local lawmakers and don't forget to encourage the creation of a Housing Action Plan under HB 1923, especially if this is your city's first source of local funds.
- Local government staff: Meet with your local lawmakers and get them lined up to implement this. Make sure they know the deadlines.

## Additional Resources



- AWC annual conference June 25 – 28 in Spokane.
- Pacifica brown bag on July 23 at their offices in Seattle (1191 2nd Avenue, Suite 2000 Seattle).
- Department of Revenue has indicated that they are creating factsheets – the Housing Alliance will post them on our website when they are available.



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