



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Jeff Robinson, Community & Economic Development Director  
**COPY:** City Council and City Clerk  
**SUBJECT:** Ordinance relating to local sales and use tax for affordable housing – August 13, 2019  
**DATE:** August 8, 2019

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**SUMMARY:**

The purpose of this ordinance is to re-enact the amendments to Chapter 6A.70 of the Tacoma Municipal Code adopted pursuant to Ordinance No. 28599 that were subsequently repealed, which amendments would authorize the maximum capacity of the sales and use tax provided for under the provisions of Substitute House Bill 1406 for affordable and supportive housing.

**STRATEGIC POLICY PRIORITY:**

- Strengthen and support a safe city with healthy residents.
- Ensure all Tacoma residents are valued and have access to resources to meet their needs.

**BACKGROUND:**

The City lacks affordable, high-quality homes for all of its residents, and nearly 33,000 households in the City currently pay at least 30 percent of their income on housing costs each month, reducing their ability to pay for other necessities.

In 2019, Washington State enacted Substitute House Bill 1406 (“SHB 1406”), a revenue sharing program with local governments for affordable housing which is intended to encourage investments in affordable and/or supportive housing. The effective date of SHB 1406 is July 28, 2019, and the Washington State Code Reviser’s Office will not publish the Revised Code of Washington (“RCW”) citation for this tax until at least August 16, 2019.

The proposed Tacoma Municipal Code (“TMC”) language currently references the Session Law information, but will be updated by the City Clerk once the actual RCW citation is released. Through a credit against state retail sales or use taxes, the program allows the City to authorize and collect a local sales or use tax, estimated to be between \$800,000 to \$900,000 annually, for affordable housing or facilities providing supportive housing, and for operation and maintenance costs of affordable or supportive housing, with no increase in sales or use tax for the consumer. The credit against state retail sales or use taxes can be in place for a maximum of 20 years, and funding must be spent on projects that serve persons whose income is at or below 60 percent of area median income.

**ISSUE:**

The state legislation requires that the City adopt an ordinance authorizing the tax within 12 months of the effective date of SHB 1406, or by July 28, 2020.

In 2012, the City implemented a retail sale tax under RCW 82.14.460 pursuant to Ordinance No. 28057, which allows the City to now collect the maximum retail sales or use tax rate of 0.0146 percent authorized by SHB 1406.

**ALTERNATIVES:**

There are no alternatives presented.



**RECOMMENDATION:**

The City is proposing to newer-enact Sections 6A.70.047 and 6A.70.048 to the TMC to reauthorize this tax, and amend Section 6A.70.120 regarding administration and collection of the retail sales or use tax.

**FISCAL IMPACT:**

There is no increase in sales or use tax for the consumer. Revenue estimates are based on current revenue trends.

**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
1195-Affordable Housing Fund	733000	Various	\$933,333
<b>TOTAL</b>			

\* General Fund: Include Department

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
1195-Affordable Housing Fund	733000	4313000	\$933,333
<b>TOTAL</b>			

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET:** \$133,333 in 2019 (estimating two months of taxes received), \$800,000 in 2020

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?** No

**IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.**

Revenues and expenses will be planned and appropriated during the mid-biennium modification process later this year.