



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

**SUMMARY:**

The purpose of this ordinance is the repeal of Ordinance No. 28599 and authorization a new local retail sales and use tax under the provisions of Substitute House Bill 1406 for affordable and supportive housing, and the declaration of an emergency, making necessary the passage of this ordinance effective immediately.

**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:**

In 2019, the Washington State legislature enacted Substitute House Bill 1406 (SHB1406) which is intended to encourage investments in affordable and/or supportive housing. The local retail sales and use tax provides a 0.0146% credit against State sales tax. There is no increase in sales tax for the consumer.

On July 30, 2019, the City Council adopted Resolution No. 40388 expressing the City’s intent to authorize the maximum capacity of the tax authorized under the provisions of SHB 1406 and adopted Ordinance No. 28599 amending Chapter 6A.70 of the Tacoma Municipal Code to authorize the new local retail sales and use tax provided for under the provisions of SHB 1406. The ordinance took effect immediately upon passage and the imposed tax will take effect September 1, 2019.

**ISSUE:** The City’s adoption of the tax authorized under the provisions of SHB 1406 may impact the maximum the amount both the City and Pierce County can collect from the state’s share of this retail sales tax authorized under SHB 1406. Repeal of Ordinance No. 28599 and the amendments to Chapter 6A.70 of the Tacoma Municipal Code (“TMC”) will allow the City and County to receive requested clarification from the State Department of Revenue and coordinate the effective dates of their respective retail sales or use taxes.

**ALTERNATIVES:**

The Council could choose not to repeal Ordinance No. 28599. If this ordinance is not repealed, Pierce County’s collection from the state’s share of retail sales tax authorized by SHB 1406 and the City’s desire to maximize both its own and the County’s ability to utilize funds may be impacted.

**RECOMMENDATION:**

Due to the urgent response required to help address any questions regarding the City and Pierce County’s collection of this tax from the state’s share of retail sales or use taxes, staff is recommending that the City Council approve the repeal of the retail sales or use tax through an emergency ordinance to ensure the tax is repealed as soon as possible and implemented through a subsequently enacted ordinance that would be effective on November 1, 2019. The repeal and re-enactment would result in a loss of tax revenue for the months of September and October.



**FISCAL IMPACT:**

Repeal of the ordinance will eliminate the retail sales and use tax revenues that would have been collected starting September 1, 2019. If an ordinance is adopted re-enacting the sales and use tax with an effective date for imposition of the new tax of November 1, 2019, the fiscal impact will be a loss of approximately \$133,333.50.

**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
1195-Affordable Housing Fund	733000	Various	(\$1,066,667)
<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	(\$1,066,667)
<b>TOTAL</b>			

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET:** The repeal will result in a loss of tax revenue of \$266,667 in 2019 (estimating four months of taxes received), and \$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.