



TO: Elizabeth Pauli, City Manager
FROM: Jeff Robinson, Community & Economic Development Director
COPY: City Council and City Clerk
SUBJECT: Resolution of Intent for local sales and use tax for affordable housing – July 30, 2019
DATE: July 15, 2019

SUMMARY:

A resolution relating to local sales and use taxes; stating the City’s intent to authorize the maximum capacity of the tax authorized under the provisions of Substitute House Bill 1406 for affordable and supportive housing. There is no increase in sales or use tax for the consumer.

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, Washington State 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.

The tax can be in place for a maximum of 20 years and can be used for acquiring, rehabilitating or constructing affordable housing; operations and maintenance of new affordable or supportive housing facilities. Funding must be spent on projects that serve persons whose income is at or below sixty percent of area median income.

The estimated annual revenue is between \$800,000-\$900,000. The City also has the authority to issue general obligation or revenue bonds with this funding.

In order to authorize this tax, the state legislation requires the City to adopt a resolution of intent to authorize the tax within six months of the effective date of SHB 1406, or by January 28, 2020.

The City of Tacoma lacks affordable, high-quality homes for all of its residents. Today, nearly 33,000 households in Tacoma pay at least 30 percent of their income on housing costs each month, reducing their ability to pay for other necessities. The cost of rental homes increased by nearly 40 percent and home values nearly doubled since 1990, and within the last few years, these costs have begun to accelerate.

Concurrent with this resolution, the City Council will be considering an ordinance to authorize the local retail sales and use tax and revenue sharing program. If the Council adopts this resolution, and adopts the ordinance on an emergency basis so that it takes effect immediately, the City will be able to authorize this tax effective September 1, 2019.

ISSUE:

Adopting a resolution of intent is required in order for the city to take advantage of this tax. If adopted, there is no increase in sales or use tax for the consumer.



ALTERNATIVES:

The Council could choose not to adopt the resolution of intent. If it does not do so by January 28, 2020, then it will lose this revenue.

RECOMMENDATION:

Staff is requesting Council to pass this resolution of intent, which is required to being the process of imposing this tax and revenue sharing for affordable housing. If authorized, there is no increase in sales or use tax for the consumer.

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	1,066,667
TOTAL			

* 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
TOTAL			

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$266,667 in 2019 (estimating four 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.