



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Jeff Robinson, Department Director, Community and Economic Development  
Felicia Medlen, Housing Division Manager  
**COPY:** City Council and City Clerk  
**SUBJECT:** 1590 Spending Plan  
**DATE:** May 24, 2022

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### **SUMMARY AND PURPOSE:**

Staff from Community and Economic Development's Housing Division have prepared a spending plan for revenues collected under the 1/10 of 1% sales tax. The draft spending plan provides a framework for the allocation of funds available under House Bill 1590.

### **BACKGROUND:**

During the 2020 legislative session the State legislature enabled municipalities to impose a sales and use tax of 1/10 of 1% for affordable housing. The proposal was presented to City Council in March of 2021 and approved by Ordinance 28747. Collection of HB 1590 funds began in July of 2021, with a projected annual revenue of approximately 5 million dollars.

Spending plan development began in December of 2021 and the draft is ready for review by the Community, Vitality, and Safety Committee.

### **COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:**

In late summer 2021 staff conducted outreach and engaged with stakeholders to gather information in the key implementation areas of development, operations, and services. There were three consistent themes across the various groups that were engaged; 1. Bond potential with these funds should be strongly considered to bolster capital development and acquire property that can be converted or developed into housing to serve the target population, 2. The compounding nature of services needs vs a capital project initial expense, and 3. The need for low (50% ami) and extremely low (30% ami) income housing units

### **2025 STRATEGIC PRIORITIES:**

#### **Equity and Accessibility: (Mandatory)**

Eligibility criteria for CDBG, HOME, and ESG grant activities are set by HUD. Households and small business owners earning 80% or less of Pierce County's Area Median Income (AMI) will benefit from recommended projects included in the Plan. ESG funds are used for projects providing services to those who are at risk of, or are currently, experiencing homelessness. Efforts will be made to ensure that historically underrepresented populations are aware of program requirements and benefits. The City allocates its funds citywide. The Equity Index score for the following indicators reflect the citywide score.

#### **Economy/Workforce: Equity Index Score: Moderate Opportunity**

Increase the percentage of people relocating to the city and affordability of housing compared to neighboring jurisdictions.

#### **Livability: Equity Index Score: Moderate Opportunity**



Decrease the percentage of individuals who are spending more than 45% of income on housing and transportation costs.

**Explain how your legislation will affect the selected indicator(s).**

Adoption of a spending plan for the 1/10 1% Affordable Housing Sales Tax (1590) will make funds available for programs and projects that will positively impact the indicators selected above for Equity and access, Economy and Workforce, and Livability.

**ALTERNATIVES:**

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Not approve the plan as presented and	If gaps are identified, further refinements to the plan could be made to address them.	Delay in making funds available to eligible programs and projects.

**EVALUATION AND FOLLOW UP:**

Effective planning for the HB1590 revenues will provide a solid foundation for utilization of the funding on eligible activities. Accounting for other funding available for eligible activities, the development project pipeline, and housing needs are all integral to ensuring the funds are used efficiently. Specific numeric goals are not included in the spending plan however programs and projects that may utilize these funds would be reviewed and have unit development and program services targets incorporated into the request for proposal and/or contract development process.

Outcomes on the use of these funds will be reported to the CVS committee. Additional updates will be provided to the full City Council with the regular Affordable Housing Action Strategy (AHAS) update.

**STAFF/SPONSOR RECOMMENDATION:**

Staff recommends approving the Plan as presented.

**FISCAL IMPACT:**

Approval of the Spending Plan will allow for the subsequent allocation of funds to projects which will result in these funds going under contract with developers/providers to carry out proposed projects and activities.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
Affordable Housing Sales Tax	733001	5319998	\$6,100,000
<b>TOTAL</b>			



**City of Tacoma**

**City Council Action Memorandum**

**Are the expenditures and revenues planned and budgeted in this biennium's current budget?**

**YES**

These grant funds are budgeted in the 2021-2022 biennium.

**Are there financial costs or other impacts of not implementing the legislation?**

**No.**

**Will the legislation have an ongoing/recurring fiscal impact?**

**YES**

**Will the legislation change the City's FTE/personnel counts?**

**No**

**ATTACHMENTS:**

Draft 1590 Spending Plan