



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

SUMMARY:

An ordinance authorizing the maximum capacity of the tax authorized under the provisions of Substitute House Bill 1406 for affordable and supportive housing; amending Chapter 6A.70 of the Tacoma Municipal Code by the addition of two new sections, to be known and designated as Section 6A.70.047, “Credit against state’s share of tax – sales or use tax for affordable housing – Imposition” and Section 6A.70.048, “Credit against state’s share of tax – sales or use tax for affordable housing – Rate,” and by amending Section 6A.70.120; and declaring an emergency, making necessary the passage of this ordinance and its becoming effective immediately. There is no tax increase to the consumer as a result of this legislation.

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 or use tax will be authorized at 0.0146%. A subsection section to authorize this tax will be added to TMC 6A.70, Local Option Taxes. The City’s portion of the tax is a credit against State’s share of sales or use taxes. There is no increase in sales or use 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 and 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 60 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 take advantage of this tax, the state legislation requires the City to adopt an ordinance authorizing this tax within 12 months of the effective date of SHB 1406, or by July 28, 2020.

Prior to consideration of this ordinance, the City Council will review a resolution stating the City’s intent to take advantage of this local retail sales or use tax revenue sharing program. If the Council adopts that resolution, and adopts this ordinance on an emergency basis so that it takes effect immediately, the City will be able to authorize this tax effective September 1, 2019.

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.



Due to the urgent response required to help address the changing Tacoma housing market, which is increasing displacement pressure among residents, and creating a widespread need for high-quality, affordable housing opportunities for all, it is recommended that this ordinance be approved through an emergency ordinance. If the Council adopts a resolution of intent, as well as adopts an 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 an ordinance to authorize this local retail sales or use tax is required in order for the City to receive additional funds for affordable housing and related issues. If adopted, there will be no increase in sales or use tax for the consumer.

ALTERNATIVES:

The Council could choose not to adopt the ordinance authorizing this tax. If it does not adopt an ordinance for the tax by July 28, 2020, then the City will lose this revenue.

RECOMMENDATION:

Staff is requesting Council to pass this ordinance authorizing the retail sales or use tax, which is required to being the process of authorizing this tax for affordable housing. There is no increase in sales or use tax for the consumer. Due to the urgent response required to help address the changing Tacoma housing market and affordability, it is recommended that this ordinance be approved through an emergency ordinance.

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.