



City Council

Approval of an Ordinance to Repeal Ordinance 7200 that Imposed the Maximum Sales and Use Tax for Affordable Housing Permitted by SHB 1406

Agenda Date: 10/8/2019
Agenda Item Number: 5.H
File Number: 19-0871

Type: ordinance **Version:** 2 **Status:** Passed

Title

Approval of an Ordinance to Repeal Ordinance 7200 that Imposed the Maximum Sales and Use Tax for Affordable Housing Permitted by SHB 1406

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Move to approve on second reading the Ordinance repealing Ordinance No. 7200 that imposed the maximum sales and use tax permitted by SHB 1406.

Report

Issue:

Whether to adopt legislation repealing Ordinance No. 7200, which imposed the maximum capacity of the sales and use tax for affordable and supportive housing as provided by SHB 1406.

Staff Contact:

Mark Barber, City Attorney, 360.753.8338.

Presenter(s):

None - Consent Calendar Item.

Background and Analysis:

Background and analysis has not changed from first to second reading.

During the 2019 legislative session, the Washington State Legislature approved a local option for cities and counties to receive a portion of the State's existing sales and use tax revenue (6.5%) for specific affordable housing uses by cities and counties. This local sales tax authority is a credit against the State's sales and use tax, so it does not increase taxes locally for the consumer.

SHB 1406 incentivizes cities and counties to pass local levies like Olympia's Home Fund and rewards cities that have already taken that step. The City's enactment of Ordinance No. 7200 may adversely impact the maximum amount the County may collect from the State's share of this retail sales and use tax credit provided by SHB 1406. Repeal of Olympia Ordinance No. 7200 will allow the City and County to coordinate the effective dates of their respective legislation to impose the sales and use tax credit permitted by SHB 1406, permitting each governmental entity to maximize their share of proceeds authorized by SHB 1406.

Neighborhood/Community Interests (if known):

Unknown.

Options:

1. Approve the Ordinance repealing Ordinance No. 7200 that imposed the maximum sales and use tax permitted by SHB 1406 for affordable and supportive housing to permit Thurston County to pass legislation to maximize its recovery under SHB 1406.
2. Do not approve the Ordinance repealing SHB 1406.
3. Direct staff to take other action.

Financial Impact:

If this Ordinance is approved by Council, it will result in the repeal of Ordinance No. 7200. This will delay the City from receiving its share of new revenue from the State's portion of local sales and use taxes for specific affordable and supportive housing uses in Olympia. However, SHB 1406 provides that the revenue sharing permitted by said law is good for twenty (20) years from enactment of an Ordinance by the City imposing said sales and use tax. The practical effect of repealing Ordinance No. 7200 is to delay Olympia's receipt of revenue under SHB 1406. After Thurston County has adopted legislation imposing the sales and use tax credit under SHB 1406, the City will re-enact by Ordinance the City's imposition of the sales and use tax permitted by SHB 1406.

Attachments:

Ordinance

Ordinance No. 7200