



City Council

Approval of a Resolution Authorizing the Use of Sales and Use Tax for Affordable Housing

Agenda Date: 8/5/2019
Agenda Item Number: 4.C
File Number: 19-0674

Type: resolution **Version:** 1 **Status:** Passed

Title

Approval of a Resolution Authorizing the Use of Sales and Use Tax for Affordable Housing

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Move to approve the resolution declaring the City Council's intent to adopt legislation authorizing a maximum capacity of the sales and use tax for affordable and supportive housing as provided by SHB 1406.

Report

Issue:

Whether to declare Council's intent to adopt legislation authorizing a maximum capacity of the sales and use tax for affordable and supportive housing as provided by SHB 1406.

Staff Contact:

Cary Retlin, Housing Manager, Community Planning & Development, 360.570-3956.

Presenter(s):

None - Consent Calendar Item.

Background and Analysis:

During the 2019 legislative session, the state approved a local option to retain existing sales tax revenue and retain it locally for specific affordable housing uses. This local sales tax authority is a credit against the state sales tax, so it does not increase taxes for the consumer.

This bill incentivizes cities to pass local levies like the Home Fund and rewards cities that have already taken that step. Because Olympia has passed a 'qualifying local tax' in the Home Fund, it can claim the higher increment of 0.0146 percent of local sales and use tax for up to 20 years. A city with similar revenue would only be able to withhold half the revenue from the state without a 'qualifying tax'.

The revenue must be used for acquiring, rehabilitating, or constructing affordable housing; operations and maintenance of new affordable or supportive housing facilities; and rental assistance. The funding must be spent on projects that serve persons whose income is at or below 60 percent of the area median income. Cities can also issue bonds to finance the authorized projects.

Neighborhood/Community Interests (if known):

Passage of the Home Fund levy is a sign that there is broad community support for dedicating tax revenue to local affordable housing investments. However, siting affordable housing can be controversial.

Options:

1. Approve the resolution declaring the City Council's intent to adopt legislation authorizing a maximum capacity of the sales and use tax for affordable and supportive housing as provided by SHB 1406.
2. Do not approve the resolution.
3. Direct staff to take other action.

Financial Impact:

None at this time. If this resolution is approved staff will prepare an ordinance for Council consideration at a future meeting. If passed, that ordinance would result in approximately \$330,000 in 2020 for new revenue for specific affordable housing uses in Olympia.

Attachments:

Resolution
AWC 1406 Fact Sheet