



## Finance Committee

### Briefing on House Bill (HB) 1406 Funding Recommendations

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#### Title

Briefing on House Bill (HB) 1406 Funding Recommendations

#### Recommended Action

##### Committee Recommendation:

The Home Fund Advisory Board discussed Olympia's HB1406 revenue options at their August meeting and developed funding recommendations.

##### City Manager Recommendation:

Receive a briefing on the Home Fund Advisory Board's HB1406 funding recommendations and discussion of other HB1406 matters. Discussion only. No action requested.

#### Report

##### Issue:

Whether to receive a briefing on the Home Fund Advisory Board's HB1406 recommendations and an update on HB1406 implementation.

##### Staff Contact:

Cary Retlin, Home Fund Manager, Community Planning & Development, 360.570.3956

##### Presenter(s):

Cary Retlin, Home Fund Manager, Community Planning & Development

#### Background and Analysis:

##### Background on HB 1406 and Council Action

During the 2019 legislative session the state enacted House Bill 1406, a local option to retain existing sales tax revenue and retain it locally for specific affordable housing uses. The new authority is a credit against the state sales tax, so it does not increase taxes for the consumer. Because Olympia has passed a 'qualifying local tax' in the Home Fund, it can claim the higher increment of 0.0146% 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 area median income. Cities can also issue bonds

to finance the authorized projects.

Council adopted an ordinance to impose the tax credit on August 20.

#### Home Fund Advisory Board Recommendations on HB1406

The Home Fund Advisory Board discussed Olympia's HB1406 revenue options at their August meeting including bonding and operating support. The group felt that operating and rent support should be the priority since that is the biggest local and regional challenge for supportive housing. They recommended that up to 25 percent of HB1406 revenue for operating and rent support be made available for the Martin Way Home Fund project (based on a review of need). They also recommended that funds that accrue before that time could be invested in emerging capital opportunities that could house as many households as possible. Potential opportunities for those investments include the upcoming Housing Trust Fund round for modular housing.

#### **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:**

Discussion only

#### **Financial Impact:**

Department of Revenue estimates approximately \$330,000 in 2020 for new revenue for specific affordable housing uses in Olympia as a result of HB 1406 and Council's related Ordinance 7200.

#### **Attachments:**

HB 1406

Housing Authority of Thurston County Letter

AWC HB 1406 Fact Sheet