



## City Council

### Approval of a Resolution Authorizing the Maximum Sales and Use Tax for Affordable Housing Permitted by SHB 1406

**Agenda Date:** 10/29/2019  
**Agenda Item Number:** 4.D  
**File Number:** 19-0980

---

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

---

#### **Title**

Approval of a Resolution Authorizing 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 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 re-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.

The City Council previously stated a resolution of its intent to impose the sales and use tax credit on August 5, 2019, and adopted Ordinance No. 7200 to impose the sales and use tax credit permitted by SHB 1406. Subsequently, the City was informed by Thurston County that if it was permitted to impose the taxes permitted by SHB 1406 first, the County could maximize its revenue under SHB 1406. In order to be a good regional partner, the Olympia City Council repealed Ordinance No. 7200 via Ordinance No. 7204, which was effective five (5) days after publication on October 10, 2019. However, the Olympia City Council now wishes to re-state its intent on behalf of the City of Olympia to re-impose the sales and use tax credit permitted by SHB 1406.

**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 re-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