



City Council

Approval of an Ordinance Imposing the Maximum Sales and Use Tax for Affordable Housing Permitted by SHB 1406

Agenda Date: 11/12/2019
Agenda Item Number: 4.F
File Number: 19-0991

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

Title

Approval of an Ordinance Imposing 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 adopt the Ordinance imposing the maximum sales and use tax credit permitted by SHB 1406, which permits the City to receive 0.0146 percent of the State's 6.5 percent sales and use tax collected within the City of Olympia, as permitted by SHB 1406 for affordable and supportive housing purposes on first reading and forward to second reading.

Report

Issue:

Whether to adopt legislation authorizing the 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:

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

During the 2019 legislative session, the state approved a local option for cities and counties to receive a portion of the State's existing sales 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 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. Because Olympia has passed a "qualifying local tax" in the Home Fund, the City can claim the higher increment of 0.0146 percent of the State's portion of local sales and use tax for up to 20 years.

The revenue derived by the proposed ordinance 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 with this revenue.

This Ordinance is required to re-adopt the sales and use tax credit permitted by SHB 1406, following Council's repeal of prior Ordinance No. 7200 in Ordinance No. 7204, in order to permit Thurston County to pass its SHB 1406 ordinance first in order to maximum the County's receipt of funding under SHB 1406.

Neighborhood/Community Interests (if known):

Passage of the Home Fund levy indicates there is broad community support for dedicating tax revenue to local affordable housing investments. SHB 1406 permits sharing of the State's portion of sales and use taxes collected within the City of Olympia for local use to acquire, rehabilitate or construct affordable housing, operation and maintenance of such housing facilities, or rental assistance.

Options:

1. Approve the Ordinance imposing the maximum sales and use tax permitted by SHB 1406 for affordable and supportive housing.
2. Do not approve the Ordinance.
3. Direct staff to take other action.

Financial Impact:

If this Ordinance is approved by Council, it will result in the City receiving new revenue from the State's portion of local sales and use taxes of approximately \$330,000 in 2020, for specific affordable housing uses in Olympia.

Attachments:

Ordinance
Resolution of Intent