

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Adopting Resolution No. 448 - Declaring the City Council’s Intent to Adopt Legislation to Authorize the Maximum Capacity of a Sales and Use Tax for Affordable and Supportive Housing in Accordance with Substitute House Bill 1406		
<b>DEPARTMENT:</b>	Community Services		
<b>PRESENTED BY:</b>	Colleen Kelly		
<b>ACTION:</b>	<input type="checkbox"/> Ordinance	<input checked="" type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

**PROBLEM/ISSUE STATEMENT:**

Washington State Substitute House Bill (SHB) 1406, which was adopted during this past legislative session, authorizes the governing body of a county or city to impose a local sales tax, credited against the state sales tax, for affordable and supportive housing. Jurisdictions that wish to receive the housing sales tax credit must pass a Resolution of Intent no later than January 27, 2020 and an Authorizing Ordinance no later than July 27, 2020.

Following discussion of this issue on October 14, 2019, the City Council directed staff to bring back proposed Resolution No. 448 (Attachment A) for adoption, which serves as the Council’s Resolution of Intent to authorize this sales tax credit. Tonight, proposed Resolution No. 448 is scheduled for Council adoption.

**RESOURCE/FINANCIAL IMPACT:**

The projected estimate of sales tax resources available to the City of Shoreline is about \$81,700 per year. The tax credit will be available for up to 20 years. This local sales tax authority is a credit against the state sales tax, so it does not increase the sales tax for the consumer.

**RECOMMENDATION**

Staff recommends that the Council adopt Resolution No. 448.

Approved By: City Manager **DT** City Attorney **MK**

## **BACKGROUND**

Washington State Substitute House Bill (SHB) 1406, which was adopted during this past legislative session, authorizes the governing body of a county or city to impose a local sales tax, credited against the state sales tax, for affordable and supportive housing. This House Bill approved a revenue sharing program for local governments by providing up to 0.0146% of local sales and use tax credited against the state sales tax for housing investments. Because Shoreline does not have a Qualifying Local Tax (QLT), it is limited to imposing this tax at a rate of 0.0073%.

The tax credit is in place for up to 20 years and can be used for acquiring, rehabilitating, or constructing affordable housing; operations and maintenance of new affordable or supportive housing facilities; and, in Shoreline, rental assistance. The funding must be spent on projects that serve persons whose income is at or below sixty percent of the area median income. Jurisdictions may also issue bonds to finance authorized projects.

Jurisdictions that wish to receive the housing sales tax credit must pass a Resolution of Intent no later than January 27, 2020 and an Authorizing Ordinance no later than July 27, 2020. On October 14, 2019, the City Council discussed SHB 1406 and proposed Resolution No. 448 (Attachment A), which would serve as the Council's Resolution of Intent to authorize this sales tax credit. The staff report for this Council discussion can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2019/staffreport101419-8b.pdf>.

## **ALTERNATIVES ANALYSIS**

There are two alternatives related to this item:

- 1. Adopt proposed Resolution No. 448 and subsequently adopt Ordinance No. 869:** These actions would authorize the City to impose a 0.0073% sales and use tax credit to be used in support of affordable housing activities as outlined above.
- 2. Decline to take action:** In this instance, the City would not impose the sales tax credit and the 0.0073% share would revert to King County, providing the County the opportunity to direct the expenditures of these funds.

Following discussion of this issue on October 14, 2019, the City Council directed staff to bring back proposed Resolution No. 448 for adoption (Alternative No. 1 above). Council did not have any concerns with moving forward authorizing their intent to collect the maximum capacity of a sales tax for affordable and supportive housing in accordance with SHB 1406.

## **COUNCIL GOAL(S) ADDRESSED**

This item directly addresses Council Goal 1 (Strengthen Shoreline's economic climate and opportunities); Action Step 4 (Encourage affordable housing development in Shoreline and engage the community to determine which additional housing types and policies may be appropriate for Shoreline...).

## **RESOURCE/FINANCIAL IMPACT**

The projected estimate of sales tax resources available to the City of Shoreline is about \$81,700 per year. The tax credit will be available for up to 20 years. This local sales tax authority is a credit against the state sales tax, so it does not increase the sales tax for the consumer.

## **RECOMMENDATION**

Staff recommends that the Council adopt Resolution No. 448.

## **ATTACHMENTS**

Attachment A: Resolution No. 448

**RESOLUTION NO. 448**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DECLARING THE CITY COUNCIL'S INTENT TO ADOPT LEGISLATION TO AUTHORIZE THE MAXIMUM CAPACITY OF A SALES AND USE TAX FOR AFFORDABLE AND SUPPORTIVE HOUSING IN ACCORDANCE WITH SUBSTITUTE HOUSE BILL 1406.**

WHEREAS, in 2015, the City Council passed Resolution No. 379 expressing the City's commitment to continue to help incentivize and aid in the development of affordable housing in the City; and

WHEREAS, in the 2019 regular session, the Washington State Legislature adopted Substitute House Bill (SHB) 1406 (chapter 338, Laws of 2019), adding a new section to chapter 82.14 RCW so as to encourage investments in affordable and supportive housing through a revenue sharing program between the State of Washington and local governments; and

WHEREAS, SHB 1406 permits the City Council to authorize a local sales and use tax for the acquisition, construction, or rehabilitation of affordable housing or facilities providing supportive housing services, and for the operations and maintenance costs of affordable or supporting housing; SHB 1406 further authorizes cities with a population of less than 100,000 to utilize the tax collected for the provision of rental assistance to tenants; and

WHEREAS, the local sales and use tax authorized by SHB 1406 shall be deducted from the amount of tax otherwise required to be collected or paid to the Washington State Department of Revenue pursuant to chapters 82.08 or 82.12 RCW; and

WHEREAS, given this reduction, the local sales and use tax authorized by SHB 1406 will not result in higher sales and use taxes and represents an additional source of funding to address affordable and supportive housing needs within the City for those persons whose income is at or below sixty percent of the City median income; and

WHEREAS, the City Council has determined that there are qualified residents of the City with a need for affordable and supportive housing and that the imposition of the local sales and use tax will provide a benefit to all of the City's residents; and

WHEREAS, the effective date of SHB 1406 is July 28, 2019, and SHB 1406 requires the City to adopt a resolution of intent within six months and legislation within one year of the effective date; and

WHEREAS the City Council desires, with this Resolution, to declare its intent to impose a local sales and use tax as authorized by SHB 1406 as set forth herein;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, HEREBY RESOLVES:**

**Section 1. Resolution of Intent.** The City Council of the City of Shoreline declares its intent to adopt legislation to authorize the maximum capacity of the local sales and use tax authorized by SHB 1406 within one year of the effective date of SHB 1406.

**Section 2. Direction to City Staff.** City Staff is directed to undertake all action necessary to facilitate the adoption of the legislation contemplated by this Resolution and to present to the City Council for consideration and adoption.

**Section 3. Severability.** If any one or more sections, subsections, or sentences of this Resolution are held to be unconstitutional or invalid, such decision shall not affect the validity of the remaining portion of this Resolution and the same shall remain in full force and effect.

**Section 4. Effective Date of Resolution.** This Resolution shall take effect and be in full force immediately upon passage by the City Council.

**ADOPTED BY A SIMPLE MAJORITY VOTE OF THE CITY COUNCIL  
ON OCTOBER 28, 2019.**

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Mayor Will Hall

**ATTEST:**

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Jessica Simulcik Smith  
City Clerk