

**CITY COUNCIL REGULAR SESSION**

Ordinance amending the Bellevue City Code to impose a sales and use tax credit authorized by Substitute House Bill (SHB) 1406 to receive a portion of the state sales and use tax for affordable and supportive housing; adding a new Section 4.12.028 to Chapter 4.12 to implement the tax credit; providing for severability and establishing an effective date.

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**EXECUTIVE SUMMARY**

This is the second of two actions regarding Substitute House Bill (SHB) 1406 regarding funding for affordable and supportive housing. The first was an action to adopt a Resolution to state Bellevue's intent to impose a local sales and use tax at the maximum rate authorized by SHB 1406 to fund investments in affordable and supportive housing. This is not a tax increase. The tax will be credited against the state's share of sales and use tax collected in the City. Pending passing the Resolution earlier on the agenda, tonight, this Ordinance to amend Chapter 4.12 implements Bellevue's intent to impose the sales tax credit authorized by SHB 1406 to receive a portion of the state sales and use tax for affordable and supportive housing. In addition, it adds a new Section 4.12.028 Sales and Use Tax for Affordable Housing to the Bellevue City Code.

**RECOMMENDATION**

Move to adopt Ordinance No. 6486  
If approved, effective date: 11/29/2019

**BACKGROUND/ANALYSIS**

During the Regional Issue Study Session update of the May 28 City Council meeting and the September 23 State Legislative update, staff briefed Council about SHB 1406. This legislation was passed by the 2019 legislature and re-directs a portion of the state's share of the retail sales tax for local use for affordable housing. This is not a tax increase. The tax is a credit against the state's share of sales and use tax collected in the City. The total tax paid by the consumer will not increase. The credit is authorized for 20 years beginning in 2020.

To implement SHB 1406, the state statute requires two pieces of legislation: 1) a resolution expressing Bellevue's intent to impose the sales tax authority as a credit against the state sales tax, and 2) an ordinance implementing the credit. Once the companion Resolution is approved, this Ordinance takes the second step to amend Chapter 4.12 of the Bellevue City Code to impose the sales tax credit authorized by SHB 1406 to receive a portion of the state sales and use tax for affordable and supportive housing. Once Council adopts this Ordinance and the City notifies Washington Department of Revenue (DOR) of its adoption, the City may begin receiving the distribution of the tax from the State in 2020.

SHB 1406 allows a jurisdiction to impose a .0073 percent credit against the state sales and use tax. A jurisdiction may impose a higher .0146 percent credit if the jurisdiction has passed a voter approved housing or mental health services levy or if the county declares it will not impose this credit. If a city chooses not to authorize the credit, the county may claim that city's .0073 percent credit in addition to its own credit. On August 21, King County passed an Ordinance declaring the intent of imposing this credit, and an Ordinance to impose this tax.

For cities with populations over 100,000 like Bellevue, the sales tax credit funds may only be used for the purposes of:

- A. Acquiring, rehabilitating or constructing affordable housing, which may include new units within an existing structure or facilities providing supportive housing services funded by a behavioral health organization; or
- B. Funding the operations and maintenance costs of the new units.

The housing and services may only be provided to individuals whose income is at or below 60 percent of the median income. Sixty percent of the median income for a household of one person in King County is \$46,500 and for a household of four persons in King County is \$66,420 (U.S. Housing and Urban Development 2019 Income Limits).

The allowed categories identified by SHB 1406 align with the City of Bellevue's Affordable Housing Strategy. The actions tonight would secure funding needed to implement some of the actions in Bellevue's Affordable Housing Strategy. Future discussions on the specific use of the funding would occur next year.

## **POLICY & FISCAL IMPACTS**

### **Policy Impact**

RCW 71.24.385 sets forth requirements for how behavioral health organizations may spend funding appropriated by the Legislature.

RCW 82.14.055(2) sets the notice requirement and waiting period for a local sale and use tax that is a credit against the state sales tax or use tax.

### **Fiscal Impact**

The maximum amount available to Bellevue will be calculated based on Bellevue's state fiscal year 2019 taxable sales. A .0073 percent credit would provide an estimated \$625,000 annually for housing for the City. Actual collections will fluctuate depending on the economic health of the City. The credit is authorized for 20 years beginning in 2020.

## **OPTIONS**

1. Adopt the Ordinance amending the Bellevue City Code to impose a sales and use tax credit authorized by Substitute House Bill (SHB) 1406 to receive a portion of the state sales and use tax for affordable and supportive housing; adding a new Section 4.12.028 to Chapter 4.12 to implement the tax credit; providing for severability and establishing an effective date.
2. Do not adopt the Ordinance and provide alternative direction to staff.

## **ATTACHMENTS & AVAILABLE DOCUMENTS**

A. SHB 1406 (codified as RCW 84.12.514)  
Proposed Ordinance No. 6486

## **AVAILABLE IN COUNCIL LIBRARY**

Affordable Housing Strategy