

**CITY COUNCIL REGULAR SESSION**

Resolution declaring the intent of City of Bellevue to adopt legislation to authorize a sales and use tax for affordable and supportive housing in accordance with Substitute House Bill 1406 (CHAPTER 338, LAWS OF 2019), and other matters related thereto.

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*Finance & Asset Management*

**EXECUTIVE SUMMARY**

This is the first of two actions regarding Substitute House Bill (SHB) 1406 (codified as RCW 82.14.540) regarding funding for affordable and supportive housing. As required under SHB 1406, this Resolution states 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 is a credit against the state share of the sales and use tax collected in the City.

The second action under separate cover is an Ordinance amending Chapter 4.12 of the Bellevue City Code to impose, collect, and use the sales tax credit authorized by SHB 1406 to receive a portion of the state sales and use tax for affordable and supportive housing. These two actions will complete the necessary steps to implement SHB 1406 as it applies to Bellevue.

**RECOMMENDATION**

Move to adopt Resolution No. 9683

If approved, effective date: 11/18/2019

**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. This Resolution takes the first step and expresses Bellevue's intent to exercise the tax authority. Once Council adopts the companion Ordinance and the City notifies the 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 to 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 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.

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

### **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 Resolution declaring the intent of City of Bellevue to adopt legislation to authorize a sales and use tax for affordable and supportive housing in accordance with Substitute House Bill 1406 (CHAPTER 338, LAWS OF 2019), and other matters related thereto.
2. Do not adopt the Resolution and provide alternative direction to staff.

## **ATTACHMENTS & AVAILABLE DOCUMENTS**

A. SHB 1406 (codified as RCW 84.12.514)  
Proposed Resolution No. 9683

## **AVAILABLE IN COUNCIL LIBRARY**

Affordable Housing Strategy