

CITY COUNCIL REGULAR SESSION

Resolution imposing an additional sales and use tax of one-tenth of one percent for housing and related services as authorized in RCW 82.14.530, and providing for severability and establishing an effective date.

Mac Cummins, Director, 452-6191

Emil King, Assistant Director, 452-7223

Community Development

Toni Call, Director, 452-7863

Keyi Lu, Assistant Director, 452-4190

Finance & Asset Management

EXECUTIVE SUMMARY

Increasing the availability of affordable housing and mental and behavioral health services are important priorities for the Bellevue City Council. Providing more affordable housing units and improved access to behavioral services are critical to the overall health and safety of Bellevue residents. State law (RCW 82.14.530) allows a sales and use tax increase of up to 0.1 percent imposed at either the city or county level. There are policy and timing implications highlighted below relating to either the City of Bellevue or King County collecting and spending potential funds. The tax collected would begin on or after January 1, 2021.

RECOMMENDATION

The King County Council is expected to vote this week to enact the sales tax increase. This action would impose the tax throughout the county, including Bellevue, and the collection and expenditure of funds would be governed by King County. There is an opportunity for the Bellevue City Council to take action to impose the tax under the authority granted under state law. If the City were to do so prior to the County imposing the full tax, the City would collect and invest the full measure of the tax within Bellevue.

Tonight's Council discussion and potential action represent an opportunity to consider whether the City should impose the tax. This opportunity has a built-in urgency due to provisions of the statute and the potential action by the County Council. If the County imposes the tax before the City does, the County will determine how the revenue is spent, with the state law requiring that only a portion come back to the jurisdiction that generated the revenue. While we do not have full details of how the County would plan to use the tax, it is likely that Bellevue will have little influence on how the revenue is spent. Staff wants to ensure that Council is aware of the opportunity to impose this tax and the impact of which entity governs the use of the funds.

BACKGROUND/ANALYSIS

Enabling Law and Intent

The Legislature adopted House Bill 1590 during the most-recent legislative session to allow the potential for a new sales and use tax to be imposed at the county or city level for affordable housing

and mental and behavioral health. Codified as Revised Code of Washington (RCW) Section 82.14.530, the law allows an increase of up to 0.1 percent sales and use tax to be imposed either by election or through councilmanic authority for the following purposes:

- Constructing affordable housing, as well as securing new affordable units in existing buildings;
- Constructing mental and behavioral health-related facilities; or
- Funding operation and maintenance of new affordable units and facilities, or newly constructed evaluation and treatment centers.

A minimum of 60 percent of funds collected must be used for: (1) constructing affordable housing, (2) constructing mental and behavioral health-related facilities, or (3) funding the operations and maintenance costs of new units of affordable housing and facilities where housing related programs are provided, or newly constructed evaluation and treatment centers.

The affordable housing and facilities providing housing related programs may only be provided for specific populations at or below 60 percent of Area Median Income (AMI), including persons with behavioral health disabilities, veterans, senior citizens, homeless or at-risk homeless, persons with disabilities, or domestic violence survivors. The remainder of the funds must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services. If King County imposed the tax, it would need to consult with any city before constructing any facilities within the city. In addition, if King County enacts the tax, it must spend at least 30 percent of the revenue collected from jurisdictions over 60,000 in population within those jurisdictions. Bellevue, as well as Seattle, Kent, Renton, Federal Way, Kirkland, Auburn, Redmond, and Sammamish meet this threshold. If on the other hand, Bellevue imposes the tax before King County, then 100 percent of the collected revenue would come to Bellevue for allocation.

Timing Considerations

The RCW allows that if the county does not impose the full tax rate (0.1 percent) by September 30, 2020, then any city located in that county may: (1) seek voter approval; or (2) impose the remainder or entire tax through city councilmanic authority.

King County is in the process of enacting the full 0.1 percent tax. Since any King County action would be after September 30, cities who impose the full tax before King County would gain local authority for its full use through a credit from the county. Several cities in King County have imposed the tax in the last several days, including Issaquah, Kent, Renton, Covington and Snoqualmie.

Anticipated Revenues

King County estimates collection of approximately \$140 million in revenue for the two-year period beginning on January 1, 2021. The County intends to prioritize expenditures in support of housing and services for those living below 30 percent AMI and would further focus on allocating funds with the objective of reducing racial and ethnic disproportionality among those experiencing chronic homelessness. Additionally, King County has proposed bonding against the sales tax revenue generated by this increase. The County has stated its intent to develop a bond package for \$400 million over the next biennium, with use of up to 50 percent of collected funds for repayment.

Scenario 1 –Bellevue imposes the tax before King County: Based on Bellevue’s taxable sales in 2019, the 0.1 percent would likely generate \$8.9 million per year, and up to 10 percent (\$890,000) of the revenue collected under this section may be used to supplant existing local funds.

Scenario 2 – King County imposes a county-wide tax before Bellevue acts: Bellevue residents and businesses would be subject to the tax, however, the City would not control the expenditure of the funds. Under the provisions of the state law, 30 percent of the revenues collected in Bellevue would need to be spent within Bellevue. Based on 2019 taxable sales, this amounts to around \$2.6 million per year.

Note: Sales tax projections in this memorandum are based on 2019 sales; this figure will be impacted by COVID and its associated economic recovery. It is likely that sales tax revenues in 2021 and through any recovery period will be lower.

Fit with Bellevue’s Plan for Affordable Housing

Bellevue has an ambitious Affordable Housing Strategy and revenue from the sales tax increase would provide nearly \$9 million per year to create more affordable housing. State law allows the funds to be directed for people with incomes up to 60 percent of AMI. King County’s target population for this funding is people with incomes at or below 30 percent AMI. Potential investments in Bellevue, through County or City enactment of the tax, could include the following:

- Capital funding of the 80-unit transitional housing at Eastgate;
- Services in existing housing where a percentage of the units are for those coming out of homelessness, e.g. 30Bellevue and Andrews Glen; or
- Funds could be allocated through the human services fund for homeless services/housing such as Congregation for the Homeless (CFH).

A Bellevue-adopted tax would allow for greater level of investment in the City and local control of items such as targeted AMI-level. If King County imposes the tax, Bellevue’s influence on where and what would be funded or located in the City would occur through a yet-to-be determined framework established by King County.

POLICY & FISCAL IMPACTS

Policy Impact

The King County Council is very likely to impose this sales tax increase and Bellevue residents and businesses would be subject to the tax. The proposed Resolution would ensure the full measure of the sales tax collected within Bellevue would be applied to further City policy relating to providing housing and services to those most in need, including assistance due to disability, health, age, or other circumstance.

Fiscal Impact

Based on Bellevue’s taxable sales in 2019, the 0.1 percent would likely generate \$8.9 million per year, and up to 10 percent (\$890,000) of the moneys collected could be used to supplant existing local funds. During the COVID recovery period, these amounts should be assumed to be lower than 2019. If imposed, the sales and use tax increase would go into effect on January 1, 2021.

OPTIONS

1. Adopt the Resolution imposing an additional sales and use tax of one-tenth of one percent for housing and related services as authorized in RCW 82.14.530, and providing for severability and establishing an effective date.
2. Do not adopt the Resolution and provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

Proposed Resolution No. 9826

AVAILABLE IN COUNCIL LIBRARY

N/A