

**2017 - 2018 Seattle City Council Green Sheet**

Ready for Notebook

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**Budget Action Title:** Increase affordable housing investment by \$29 million, redirect REET to debt service in SDOT, amend and pass as amended C.B. 118839, and create new expenditure BCLs in CRS and FAS.

Ongoing: Yes

Has CIP Amendment: Yes                                      Has Budget Proviso: No

Primary Sponsor: Herbold, Lisa

Councilmembers: Bagshaw; González; Johnson; O'Brien; Sawant

Staff Analyst: Dan Eder; Tony Kilduff

Council Bill or Resolution: C.B. 118839

Date		Total	SB	TB	LG	BH	LH	RJ	DJ	MO	KS
	Yes										
	No										
	Abstain										
	Absent										

**Summary of Dollar Effect**

*See the following pages for detailed technical information*

	<b>2017 Increase (Decrease)</b>	<b>2018 Increase (Decrease)</b>
<b>General Subfund</b>		
<b><i>General Subfund Revenues</i></b>	\$29,000,000	\$0
<b><u>General Subfund Expenditures</u></b>	<u>\$29,000,000</u>	<u>\$0</u>
<b><i>Net Balance Effect</i></b>	<b>\$0</b>	<b>\$0</b>
<b>Other Funds</b>		
<b><i>Cumulative Reserve Subfund - REET I Subaccount (00163)</i></b>		
<b><i>Revenues</i></b>	\$0	\$0
<b><u>Expenditures</u></b>	<u>\$0</u>	<u>\$0</u>
<b><i>Net Balance Effect</i></b>	<b>\$0</b>	<b>\$0</b>
<b><i>Transportation Operating Fund (10310)</i></b>		
<b><i>Revenues</i></b>	\$0	\$0
<b><u>Expenditures</u></b>	<u>\$0</u>	<u>\$0</u>
<b><i>Net Balance Effect</i></b>	<b>\$0</b>	<b>\$0</b>

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<b><i>Low-Income Housing Fund (16400)</i></b>		
<b><i>Revenues</i></b>	<i>\$29,000,000</i>	<i>\$0</i>
<b><i>Expenditures</i></b>	<i>\$29,000,000</i>	<i>\$0</i>
<b><i>Net Balance Effect</i></b>	<b><i>\$0</i></b>	<b><i>\$0</i></b>
<b><i>Finance and Administrative Services Fund (50300)</i></b>		
<b><i>Revenues</i></b>	<i>\$1,414,869</i>	<i>\$1,886,491</i>
<b><i>Expenditures</i></b>	<i>\$1,414,869</i>	<i>\$1,886,491</i>
<b><i>Net Balance Effect</i></b>	<b><i>\$0</i></b>	<b><i>\$0</i></b>
<b><i>Total Budget Balance Effect</i></b>	<b><i>\$0</i></b>	<b><i>\$0</i></b>

***Budget Action description:***

This budget action would increase by \$29 million (in addition to the \$54 million included for that purpose in the 2017 Proposed Budget) the amount of funding the Office of Housing provides to housing developers through its annual Notice of Available Funding process for the purpose of expanding the supply of new affordable housing units.

The proposal would be funded by issuing \$29 million in additional Limited Term General Obligation (LTGO) bonds.

The \$29 million in LTGO bonds would all be issued in 2017, requiring the City to pay approximately \$1.4 million in debt service in mid-2017 (for 3/4 year) and \$1.9 million starting in 2018 and annually thereafter for the balance of a 30 year term. State law prohibits using Real Estate Excise Tax I (REET) to pay for developing affordable housing, and the City cannot use REET to pay for debt service on bonds issued for that purpose. This budget action would fund the debt service on the \$29 million in LTGO bonds using General Subfund (GSF), requiring the Council to free up GSF in 2017 and 2018 for that purpose. Doing so will involve several steps (detailed below) that the Council would take affirmatively through this budget action:

1. Council determines that it can no longer reasonably make as much GSF available to the Seattle Department of Transportation (SDOT) due to the ongoing homelessness emergency.
2. Council directs the Executive to use \$1.4 million GSF in SDOT's 2017 Proposed Budget and \$1.9 million GSF in 2018 to pay for debt service on the \$29 million in affordable housing LTGO bonds.
3. Council reprograms Commercial Parking Tax (CPT) included in SDOT's 2017-2018 Proposed Budget in order to pay for those services that GSF can no longer support.
4. Council approves a limited-term departure from the City's financial policies that limits the types of projects for which REET may be used to pay debt service in 2017 and 2018.
5. Council amends the North Area Interim & Long-Term Facilities CIP project to decrease funding from \$15 million in the proposed budget to \$11.6 million.
6. Council reduces REET funding by \$1.4 million in 2017 and \$1.9 million in 2018 to the North Area Interim & Long-Term project and transfers that funding to SDOT to support the debt service payments that CPT would have funded.

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7. This budget action also does the following:

- a. amends and recommends passage of C.B. 118839 by increasing the amount of Limited Term General Obligation bonds by \$29 million from \$108 million to \$137 million;
- b. increases the Office of Housing’s 2017 appropriations by \$29 million for additional affordable housing;
- c. amends the Seattle Police Department - North Area Interim and Long-Term Facilities (A1PS117) project to reduce appropriations by \$1.4 million in 2017 and by \$1.9 million in 2018;
- d. amends SDOT's Debt Service - CRF CIP Project TC320060 to reflect debt service payments to be paid with REET instead of the GSF that the City has determined is no longer reasonably available for this purpose in light of the affordable housing crisis and homelessness State of Emergency;
- e. creates a new Debt Service REET I-Eligible Projects BCL in the Cumulative Reserve Subfund - REET I with the following purpose statement: “The purpose of the Debt Service REET I-Eligible Projects budget control level is to make payments to the City’s Bond Interest and Redemption Fund for principal repayment and interest obligations on bond financed REET I-eligible capital projects.”; and
- f. creates a new Affordable Housing Debt Service BCL in FAS with the following purpose statement: "The purpose of the Affordable Housing Debt Service BCL is to pay the debt service on the 2017 LTGO bond issue for affordable housing."

The Move Seattle Levy (passed by voters in November 2015) sets a minimum threshold of \$40 million GSF (plus annual inflation) support to SDOT. If in any given year the City does not appropriate the required minimum, the City must do one of the following: either (a) do not collect the approximately \$95 million in levy proceeds or (b) “by a 3/4 vote determine that economic or financial conditions prevent the Council from appropriating the [minimum GSF threshold].”

The proposal would reduce the GSF support to SDOT by approximately \$1.4 million in 2017 and \$1.9 million in 2018 to pay debt service on \$29 million in LTGO bonds for affordable housing (and then increase REET support to SDOT in equal amounts for each of these years). This level of GSF reduction to SDOT is above the minimum GSF threshold established in the Move Seattle levy for both 2017 and 2018.

Starting in 2019, the City will begin using GSF to pay about \$1.9 million in annual debt service. Council intends to establish a Growth Fund by 2019 that will be funded with some of the property tax proceeds attributable to new construction in Seattle.

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### Budget Action Transactions

**Budget Action Title:** Increase affordable housing investment by \$29 million, redirect REET to debt service in SDOT, amend and pass as amended C.B. 118839, and create new expenditure BCLs in CRS and FAS.

#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BCL or Revenue Source	Summit Code	Fund	Year	Revenue Amount	Expenditure Amount
1	Decrease FAS use of REET I for North Area CIP				FAS	Public Safety Facilities - Police (00163-CIP)	A1PS1	00163	2017		(\$1,414,869)
2	Increase CRS support to SDOT for debt service on REET I-eligible projects				CRS	CRS REET I Support to Transportation	2EC30	00163	2017		\$1,414,869
3	Increase SDOT revenue from CRS for debt service on REET I--eligible projects				SDOT	Operating Transfer In-From Cumulative Reserve Subfund - REET I	587116	10310	2017	\$1,414,869	
4	Decrease GSF support to SDOT for debt service on REET I-eligible projects				FG	Transportation Fund	Q5971039	00100	2017		(\$1,414,869)
5	Decrease SDOT revenue from GSF for debt service on REET I-eligible projects				SDOT	Operating Transfer In-From General Fund	587001	10310	2017	(\$1,414,869)	
6	Increase GSF support to FAS for debt service on LTGO bonds issued for affordable housing				FG	Finance and Administrative Services Fund	QA001004	00100	2017		\$1,414,869
7	Increase FAS revenue from GSF for debt service on LTGO bonds issued for affordable housing				FAS	Debt Management	587001	50300	2017	\$1,414,869	

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#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BCL or Revenue Source	Summit Code	Fund	Year	Revenue Amount	Expenditure Amount
8	Increase FAS spending on debt service for LTGO bonds issued for affordable housing				FAS	Affordable Housing Debt Service	TBD1	50300	2017		\$1,414,869
9	Decrease FAS use of REET I for North Area CIP				FAS	Public Safety Facilities - Police (00163-CIP)	A1PS1	00163	2018		(\$1,886,491)
10	Increase CRS support to SDOT for debt service on REET I-eligible projects				CRS	CRS REET I Support to Transportation	2EC30	00163	2018		\$1,886,491
11	Increase SDOT revenue from CRS for debt service on REET I--eligible projects				SDOT	Operating Transfer In-From Cumulative Reserve Subfund - REET I	587116	10310	2018	\$1,886,491	
12	Decrease GSF support to SDOT for debt service on REET I-eligible projects				FG	Transportation Fund	Q5971039	00100	2018		(\$1,886,491)
13	Decrease SDOT revenue from GSF for debt service on REET I-eligible projects				SDOT	Operating Transfer In-From General Fund	587001	10310	2018	(\$1,886,491)	
14	Increase GSF support to FAS for debt service on LTGO bonds issued for affordable housing				FG	Finance and Administrative Services Fund	QA001004	00100	2018		\$1,886,491
15	Increase FAS revenue from GSF for debt service on LTGO bonds issued for affordable housing				FAS	Debt Management	587001	50300	2018	\$1,886,491	
16	Increase FAS spending on debt service on LTGO bonds issued for affordable housing				FAS	Affordable Housing Debt Service	TBD1	50300	2018		\$1,886,491

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#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BCL or Revenue Source	Summit Code	Fund	Year	Revenue Amount	Expenditure Amount
17	Increase GSF revenue from LTGO Bond sale for affordable housing				GSF	Other Miscellaneous Revenue	469990	00100	2017	\$29,000,000	
18	Increase GSF support to OH for affordable housing				FG	Low Income Housing Fund	Q5976400	00100	2017		\$29,000,000
19	Increase OH revenue from GSF for affordable housing				OH	General Subfund Support	587001	16400	2017	\$29,000,000	
20	Increase GSF spending on affordable housing				OH	Low-Income Housing Fund 16400	XZ-R1	16400	2017		\$29,000,000