

July 29, 2019

MEMORANDUM

To: Members of the Housing, Health, Energy, and Workers' Rights Committee
From: Traci Ratzliff, Council Central Staff
Subject: Resolution 31893 and Council Bill 119590 - Implementing a local sales and use tax for affordable and supportive housing

On August 1, the Housing, Health, Energy and Workers' Rights Committee will discuss and potentially vote on [Resolution 31893](#). The Resolution states the City's intent to impose a 0.0146 percent "sales and use tax" to fund affordable and supportive housing. In addition, the Committee will discuss and potentially vote on [Council Bill 119590](#) that authorizes the imposition of this sales and use tax.

The State Legislature authorized this new sales tax through passage of [Substitute House Bill \(SHB\) 1406](#) during the 2019 session. SHB 1406 went into effect July 29, 2019 and requires the City to adopt a resolution stating its intent to impose the new sales tax and an ordinance authorizing the new sales tax. Once approved, the City Finance Director will notify the Washington State Department of Revenue of its intent to collect the tax. If adopted, the City will begin collecting the tax on October 1, 2019.

The tax will be credited against the State sales and use tax collected in the City so that the total tax paid by the consumer will not increase. The amount the City can collect annually will be limited to the amount of taxable retail sales generated in the City in State Fiscal Year (FY) 2019 (July 1, 2018 – June 30, 2019). This will generate approximately \$4.5 million a year. The tax expires 20 years from the date it is authorized by the City. Actual collections will fluctuate depending on the economic health of the City.

The revenue generated from the tax may only be used for (1) acquiring, rehabilitating, or constructing affordable housing; and/or (2) the operations and maintenance costs of new units of affordable or supportive housing. The housing or services funded must serve persons at or below 60 percent of median income. The City may bond against the revenue generated from the tax to fund eligible costs.

The Council and Mayor will determine specifically how the proceeds from this revenue source will be allocated in the 2020 Budget within the allowed categories identified above.

cc: Kirstan Arestad, Central Staff Director
Erik Sund, Supervising Analyst
Aly Pennucci, Supervising Analyst