City of Seattle
Mayor Edward B. Murray

November 28, 2016

Monica Martinez Simmons
Seattle City Clerk
600 4th Avenue, 3rd Floor
Seattle, WA 98124

Dear Ms. Martinez Simmons,

I am returning Council Bill 118839 without my signature, understanding that it will become law.

This legislation authorizes the City to issue debt to pay for a number of important capital projects. As part of the budget process, Council amended the proposed bill to include authorization of $29 million in debt for affordable housing. My concerns about this specific policy choice, and the broader budgeting precedent it could represent, preclude me from endorsing the bill with my signature. I would prefer to reject the bill outright, but have chosen not to because this piece of legislation also provides funding for critical infrastructure investments, including fire station upgrades, seawall construction and replacement of several City-wide information technology systems.

Through the voters' support for doubling the housing levy and our successful efforts to establish the Mandatory Housing Affordability (MHA) program, the City has established long-term, sustainable sources of funding for affordable housing. Through leveraging of state, federal and private resources this funding will provide a cost-effective means of building hundreds of affordable housing units each and every year going forward. The additional debt introduced in the Council's amended bill represents a more costly approach that will provide only a one-time addition of resources. Over the 30-year term authorized by Council, interest payments will add more than $27 million to the cost of the $29 million in bonds, almost doubling the total price to Seattle taxpayers. If borrowing was the only approach we had to address the crisis of affordability, taking on such additional costs might make sense. But it is not; both the Housing Levy and MHA provide significant cash resources, and our work to add authority for REET III and expand the reach of the Multi-Family Tax Exemption (MFTE) hold the promise of additional debt-free funding.

From a budgeting perspective, issuing 30-year bonds while identifying just two years of one-time funding to repay the debt is an entirely unsustainable approach to managing the City's finances.

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However, this is exactly what Council has done in using "fund swaps" to repay the bonds in 2017 and 2018. In 2019, and every year following until 2047, almost $2 million of scare General Fund resources will be needed make the required bond payments. This will leave the City with nearly $2 million less to support basic functions such as police protection, fire department response, parks maintenance and human services. The Council's budget simply delays the difficult decisions about which of these services will become a lower priority.

Housing affordability is a crisis, but it is not the only issue we must address as the City's elected leadership. We must balance the competing demands of the City and manage the City's resources in sustainable manner that fully acknowledges the long-term fiscal impacts of our current decisions.

Sincerely,

Edward B. Murray
Mayor of Seattle

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