

2017 - 2018 Seattle City Council Green Sheet

Rejected

Tab	Action	Option	Version
227	1	D	1

Budget Action Title: Increase affordable housing investment by \$160 million, redirect REET to debt service in SDOT, amend and pass CB 118839, amend and pass CB 118849, and create new expenditure BCLs in CRS and FAS.

Ongoing: Yes

Has CIP Amendment: Yes Has Budget Proviso: No

Primary Sponsor: Sawant, Kshama

Councilmembers:

Staff Analyst: Dan Eder; Tony Kilduff

Council Bill or Resolution: C.B. 118839 and C.B. 118849

Budget Committee Vote:

Date	Result	SB	TB	LG	BH	LH	RJ	DJ	MO	KS
11/16/2016	Fail 2- 7	N	N	N	N	N	N	N	Y	Y

Summary of Dollar Effect

See the following pages for detailed technical information

	2017 Increase (Decrease)	2018 Increase (Decrease)
General Subfund		
General Subfund Revenues	\$45,000,000	\$115,000,000
<u>General Subfund Expenditures</u>	<u>\$45,000,000</u>	<u>\$115,000,000</u>
Net Balance Effect	\$0	\$0
Other Funds		
Cumulative Reserve Subfund - REET I Subaccount (00163)		
Revenues	\$0	\$0
<u>Expenditures</u>	<u>\$0</u>	<u>\$0</u>
Net Balance Effect	\$0	\$0
Transportation Operating Fund (10310)		
Revenues	\$0	\$0
<u>Expenditures</u>	<u>\$0</u>	<u>\$0</u>
Net Balance Effect	\$0	\$0
Low-Income Housing Fund (16400)		

Tab	Action	Option	Version
227	1	D	1

Revenues	\$45,000,000	\$115,000,000
<u>Expenditures</u>	<u>\$45,000,000</u>	<u>\$115,000,000</u>
Net Balance Effect	\$0	\$0
Finance and Administrative Services Fund (50300)		
Revenues	\$1,500,000	\$7,600,000
<u>Expenditures</u>	<u>\$1,500,000</u>	<u>\$7,600,000</u>
Net Balance Effect	\$0	\$0
Total Budget Balance Effect	\$0	\$0

Budget Action description:

This budget action would increase by \$160 million the amount of funding the Office of Housing provides to housing developers during the 2017-2018 biennium 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 \$145 million in additional Limited Tax General Obligation (LTGO) bonds: \$30 million in the 2017 Adopted Budget and \$115 million in the 2018 Endorsed Budget. In addition to \$145 million in LTGO bonds, this budget action anticipates that the City will sell property that was acquired for the purpose of building a new North Precinct police station at N. 130th St. and Aurora Ave. N. The budget action assumes that the sale will take place in 2017 and \$15 million from the proceeds of that sale will support the Office of Housing. Council anticipates passing a future resolution if needed to expedite the sale of the property.

The \$30 million in 2017 LTGO bonds would require the City to pay approximately \$1.5 million in debt service in mid-2017 (for 3/4 year) and \$2.0 million starting in 2018 and annually thereafter for the balance of a 30-year term. The \$115 million in 2018 LTGO bonds would require the City to pay approximately \$5.6 million in debt service in mid-2018 and \$9.5 million starting in 2019 and annually thereafter for the balance of a 30-year term. Debt service in 2018 for the two issues would be \$7.6 million.

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 2017 and 2018 LTGO bonds using General Subfund (GSF), requiring the Council to free up GSF 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 \$1.5 million GSF in SDOT's 2017 Proposed Budget to pay for debt service on the \$30 million in affordable housing LTGO bonds;
3. Council directs the Executive to \$7.6 million GSF in SDOT's 2018 Proposed Budget to pay for debt service on the \$30 million in affordable housing LTGO bonds issued in 2017 and the \$115 million to be issued in 2018;
4. 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;

<i>Tab</i>	<i>Action</i>	<i>Option</i>	<i>Version</i>
227	1	D	1

5. Council intends to consider a future action to revise the City’s financial policies to expand the types of projects for which REET may be used to pay debt service;
6. Council amends the CIP to remove the North Area Interim & Long-Term Facilities CIP project and all proposed funding in 2017 and 2018;
7. Council reduces REET funding by \$1.5 million in 2017 and \$7.6 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; and
8. 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 \$30 million from \$108 million to \$138 million;
 - b. increases the Office of Housing’s 2017 appropriations by \$30 million for additional affordable housing;
 - c. amends the Seattle Police Department - North Area Interim and Long-Term Facilities (A1PS117) project to reduce appropriations by \$1.5 million in 2017 and by \$7.6 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 \$1.5 million in 2017 and \$7.6 million in 2018 to pay debt service on a total of \$145 million in LTGO bonds during the 2017-2018 biennium for affordable housing (and then increase REET support to SDOT in equal amounts for each of these years). This

<i>Tab</i>	<i>Action</i>	<i>Option</i>	<i>Version</i>
227	1	D	1

reduction to SDOT is above the minimum GSF threshold established in the Move Seattle levy for 2017, but it is below the minimum GSF threshold 2018. Therefore, this budget action includes an amendment to the budget adoption ordinance (CB 118849) that by a 3/4 vote determines that economic or financial conditions prevent the Council from appropriating the minimum GSF threshold.

Starting in 2019, the City will begin using GSF to pay about \$9.5 million in annual debt service on the 2017 and 2018 LTGO bonds authorized by this budget action. Council will annually need to determine whether to not collect the Move Seattle levy proceeds or by a super-majority vote determine that the economic or financial conditions prevent the Council from appropriating the minimum GSF threshold.

Tab	Action	Option	Version
227	1	D	1

Budget Action Transactions

Budget Action Title: Increase affordable housing investment by \$160 million, redirect REET to debt service in SDOT, amend and pass CB 118839, amend and pass CB 118849, 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		(\$1,500,000)
2	Increase CRS REET I fund balance due to lower North Area CIP spending				CRS	Use of (Contributions to) Fund Balance - REET I	379100	00163	2017	(\$1,500,000)	
3	Increase CRS support to SDOT for debt service on REET I-eligible projects				CRS	CRS REET I Support to Transportation	2EC30	00163	2017		\$1,500,000
4	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	\$1,500,000	
5	Decrease GSF support to SDOT for debt service on REET I-eligible projects				FG	Transportation Fund	Q5971039	00100	2017		(\$1,500,000)
6	Decrease SDOT revenue from GSF for debt service on REET I-eligible projects				SDOT	Operating Transfer In-From General Fund	587001	10310	2017	(\$1,500,000)	
7	Increase GSF support to FAS for debt service on LTGO bonds issued for affordable housing				FG	Finance and Administrative Services Fund	QA001004	00100	2017		\$1,500,000

Tab	Action	Option	Version
227	1	D	1

#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BCL or Revenue Source	Summit Code	Fund	Year	Revenue Amount	Expenditure Amount
8	Increase FAS revenue from GSF for debt service on LTGO bonds issued for affordable housing				FAS	Debt Management	587001	50300	2017	\$1,500,000	
9	Increase FAS spending on debt service for LTGO bonds issued for affordable housing				FAS	Affordable Housing Debt Service	TBD1	50300	2017		\$1,500,000
10	Increase GSF revenue from the sale of LTGO bonds for affordable housing				GSF	Other Miscellaneous Revenue	469990	00100	2017	\$30,000,000	
11	Increase GSF revenue from the sale of North Precinct site				GSF	Other Miscellaneous Revenue	469990	00100	2017	\$15,000,000	
12	Increase GSF support to OH for affordable housing				FG	Low Income Housing Fund	Q5976400	00100	2017		\$45,000,000
13	Increase OH revenue from GSF for affordable housing				OH	General Subfund Support	587001	16400	2017	\$45,000,000	
14	Increase OH spending on affordable housing				OH	Low-Income Housing Fund 16400	XZ-R1	16400	2017		\$45,000,000
15	Decrease FAS use of REET I for North Area CIP				FAS	Public Safety Facilities - Police (00163-CIP)	A1PS1	00163	2018		(\$7,600,000)
16	Increase CRS REET I fund balance due to lower North Area CIP spending				CRS	Use of (Contributions to) Fund Balance - REET I	379100	00163	2018	(\$7,600,000)	
17	Increase CRS support to SDOT for debt service on REET I-eligible projects				CRS	CRS REET I Support to Transportation	2EC30	00163	2018		\$7,600,000

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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
18	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	\$7,600,000	
19	Decrease GSF support to SDOT for debt service on REET I-eligible projects				FG	Transportation Fund	Q5971039	00100	2018		(\$7,600,000)
20	Decrease SDOT revenue from GSF for debt service on REET I-eligible projects				SDOT	Operating Transfer In-From General Fund	587001	10310	2018	(\$7,600,000)	
21	Increase GSF support to FAS for debt service on LTGO bonds issued for affordable housing				FG	Finance and Administrative Services Fund	QA001004	00100	2018		\$7,600,000
22	Increase FAS revenue from GSF for debt service on LTGO bonds issued for affordable housing				FAS	Debt Management	587001	50300	2018	\$7,600,000	
23	Increase FAS spending on debt service on LTGO bonds issued for affordable housing				FAS	Affordable Housing Debt Service	TBD1	50300	2018		\$7,600,000
24	Increase GSF revenue from LTGO Bond sale for affordable housing				GSF	Other Miscellaneous Revenue	469990	00100	2018	\$115,000,000	
25	Increase GSF support to OH for affordable housing				FG	Low Income Housing Fund	Q5976400	00100	2018		\$115,000,000
26	Increase OH revenue from GSF for affordable housing				OH	General Subfund Support	587001	16400	2018	\$115,000,000	
27	Increase OH spending on affordable housing				OH	Low-Income Housing Fund 16400	XZ-R1	16400	2018		\$115,000,000