



MEMO TO: Members of the City Council

FROM: Mayor John Marchione

DATE: December 3, 2019

SUBJECT: Adoption of a Resolution of Intent and a Revised Ordinance Repealing Ordinance No. 2974 and Declaring Request for First Half of the Sales Tax Credit to Access Additional Funding to Support Affordable Housing

I. RECOMMENDED ACTION

Per the State of Washington Department of Revenue's (DOR) request: 1. Approve an additional Resolution of Intent in alignment with Substitute House Bill (SHB) 1406 for the first half of the sales tax credit against the State sales tax. 2. Repeal Ordinance No. 2974 and adopt a revised Ordinance declaring the City of Redmond's request for the first half of the sales tax credit against the State to be used for affordable housing purposes.

II. DEPARTMENT CONTACTS

Malisa Files, Finance Director
Haritha Narra, Senior Financial Analyst

425-556-2166
425-556-2163

III. DESCRIPTION/BACKGROUND

In August of 2019, Council passed Ordinance No. 2974 declaring their intent to impose the first half of the sales tax credit against the State for affordable housing purposes. As Council will recall, in support of housing choices, the Washington State Legislature approved a local revenue sharing program for local governments by providing up to 0.0146% local sales and use tax credit. The tax credit is available in increments of 0.0073% depending upon the imposition of a qualifying local tax. The tax credit is in place for 20 years and can be used for a variety of housing needs including:

- Acquiring, rehabilitating or constructing affordable housing including new units within an existing structure or supportive housing facilities under RCW 71.24.385.
- Operations and maintenance of new affordable or supportive housing facilities.
- Bonding, land acquisition, direct capital investment down payment assistance and rehabilitation of single-family homes owned by individuals who meet 60% area median income (AMI) qualifications.
- Rental assistance for cities with populations less than 100,000.

During Committee of the Whole and Study Session conversations, Council chose to pursue the first half of the sales tax credit but decided against seeking approval for a qualifying

local tax with the voters to access the second half. The Finance Department sent Council's original ordinance to the Washington State Department of Revenue (DOR) and was told the Ordinance did not meet the letter of the law with regards to the intent language and the specificity of approval of the first half of the tax credit.

In order to meet the DOR requirements, staff recommends repealing the original ordinance (Attachment C) and approving a resolution of intent as well as a revised ordinance. The attached resolution and ordinance (Attachments A and B) have been reviewed and approved by the DOR to confirm the language meets their interpretation of the new law.

IV. PREVIOUS DISCUSSIONS HELD

Previous discussions held by Council, include:

- Study Session – August 13, 2019
- Finance Administration and Communications Committee of the Whole – August 20 and November 26, 2019

V. IMPACT

A. Service/Delivery:

The sales tax credit against the state will be used to enhance the City's efforts toward the Housing Choices goals in the Community Strategic Plan.

B. Fiscal Note:

Redmond will receive approximately \$320,000 each year for twenty years to be used for affordable housing purposes as stated above.

VI. ALTERNATIVES TO STAFF RECOMMENDATION

Council could take several actions, including:

- Approve the resolution and ordinance as presented.
- Approve the resolution and ordinance with changes.
- Not approve the resolution and ordinance which would preclude the City from receiving the sales tax credit amount of \$320,000 annually.

VII. TIME CONSTRAINTS

The revised resolution and ordinance need to be approved by January 31, 2019 per SHB 1406.

VIII. LIST OF ATTACHMENTS

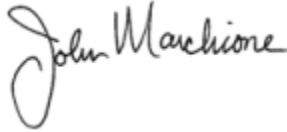
Attachment A: Resolution of Intent

Attachment B: Revised Ordinance for First Half of the Sales Tax Credit

Attachment C: Original Ordinance No. 2974



Malisa Files, Finance Director



Approved for Agenda _____
John Marchione, Mayor