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A Catalyst for Change – The City's Role in Creating and Improving Affordable Housing
Implementation of SHB 1406
June 27, 2019
Association of Washington Cities' 2019 Annual Conference
"Building Community"
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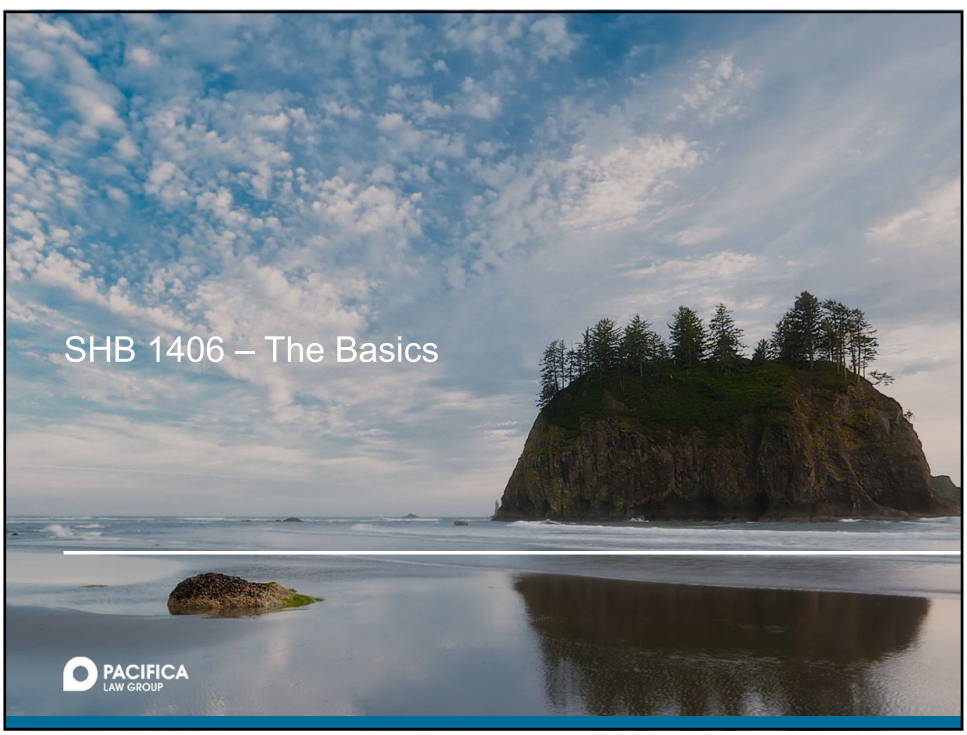
SHB 1406 – The Basics
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A New Source of Revenue for Housing

Cities and Counties May Impose a "New" Sales and Use Tax

If imposed, the tax revenues come out of the State sales and use tax, so consumers see no difference at the register

- There is a two-step process to enacting the tax:
  - Adopt a resolution of intent authorizing the tax before January 28, 2020
  - Adopt legislation enacting the tax before July 28, 2020
- Actual tax rates may be either 0.0146 or 0.0073 percent
  - Actual amount will depend on multiple factors, including participation of other overlapping jurisdictions and whether a city has a "qualifying local tax"
- Once enacted, the tax can be collected for 20 years from when first imposed
- Tax revenues are capped each year based on the amount of revenues for the fiscal year ending June 30, 2019

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Authorized Uses of the Revenue

Cities With a Population Greater than 100,000 (and Counties Greater than 400,000)

- Acquiring, rehabilitating, or constructing affordable housing, including
  - New units of affordable housing within an existing structure
  - Facilities providing supportive housing services
- Funding operations and maintenance costs of new units of affordable or supportive housing

Cities With a Population Less than 100,000 (and Counties Less than 400,000)

- Both of the items above, and
- Providing rental assistance to tenants

The housing and services *must* support households earning 60% or less of median income for the city (or county) imposing the tax

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How to Use the Money

In determining the use of funds, cities must consider:

- The income of the individuals and families to be served (again, less than 60% AMI)
- Leveraging of the revenues
- Housing needs within the jurisdiction

Cities can issue general obligation or revenue bonds and pledge the tax revenues to debt repayment

Cities and counties may enter into interlocal agreements with one or more counties, cities, or public housing authorities

- Allows a pooling of tax receipts to make the money go further

Cities and counties enacting the tax must file annual reports with Department of Revenue

- Note DOR sales tax change timeline

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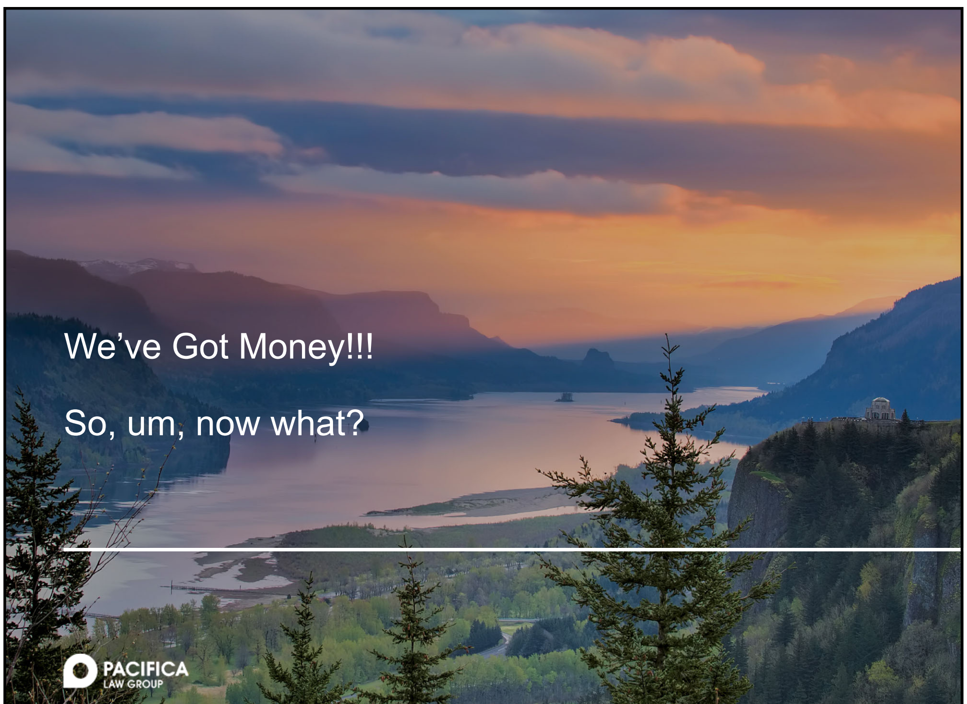

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Potential Ways to Use the Funds

Facilities Investment
- Directly investing in construction or rehabilitation projects
  - Gap financing to help projects already in the works achieve financial viability
  - Contingent loan agreements to allow projects to access the market
  - Directly building the projects

Supportive Investments
- Directly investing in people
  - Operating and maintenance subsidies for new affordable or supportive housing
  - Rental assistance*

Downpayment Assistance
- Directly investing in neighborhoods

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Existing Models

Facilities Investment
- HOME Fund
- REET Investments
- City and County Affordable Housing investments

Supportive Services
- City of Seattle
- Section 8

Downpayment Assistance
- Washington State Housing Finance Commission partnerships

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Working Together to Pool Resources

A county or city may enter into an interlocal agreement with one or more counties, cities or public housing authorities under the provisions of the Interlocal Cooperation Act (chapter 39.34 RCW) to make the money go farther

In addition to requirements of the Interlocal Cooperation Act, the interlocal agreement may include but is not limited to:

- Pooling tax receipts
- Pledging tax receipts to bonds issued by one or more parties to the agreement
- Allocating the proceeds of the taxes levies or the bonds issued to a joint project

Benefits include

- Stretching each tax dollar to make it go farther
- Regional decision making and solutions to investing in affordable and supportive housing
- Sharing of resources, services, and cost sharing
- Unified service delivery

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Interlocal Cooperation Act 101

Allows two or more public agencies to enter into agreements with one another for joint or cooperative action

Can take various forms

- Service agreement
- Joint resolution or cooperation policy
- Establish a joint board for administering a joint or cooperative undertaking
- Establish a separate administrative agency to independently operate a specific program or carry out a specific purpose

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Interlocal Cooperation Act 101

The interlocal agreement should specify:

- its duration;
- whether the new agency is legally separate from the parties;
- its purpose or purposes;
- the manner of financing the joint or cooperative undertaking and of establishing and maintaining a budget therefor;
- the permissible method or methods to be employed in accomplishing the partial or complete termination of the agreement and for disposing of property upon such partial or complete termination; and
- any other necessary and proper matters

Approved by ordinance, resolution or motion of the legislative authorities of the parties

Either filed with the county auditor or posted in a public agency's website or other electronically retrievable public source

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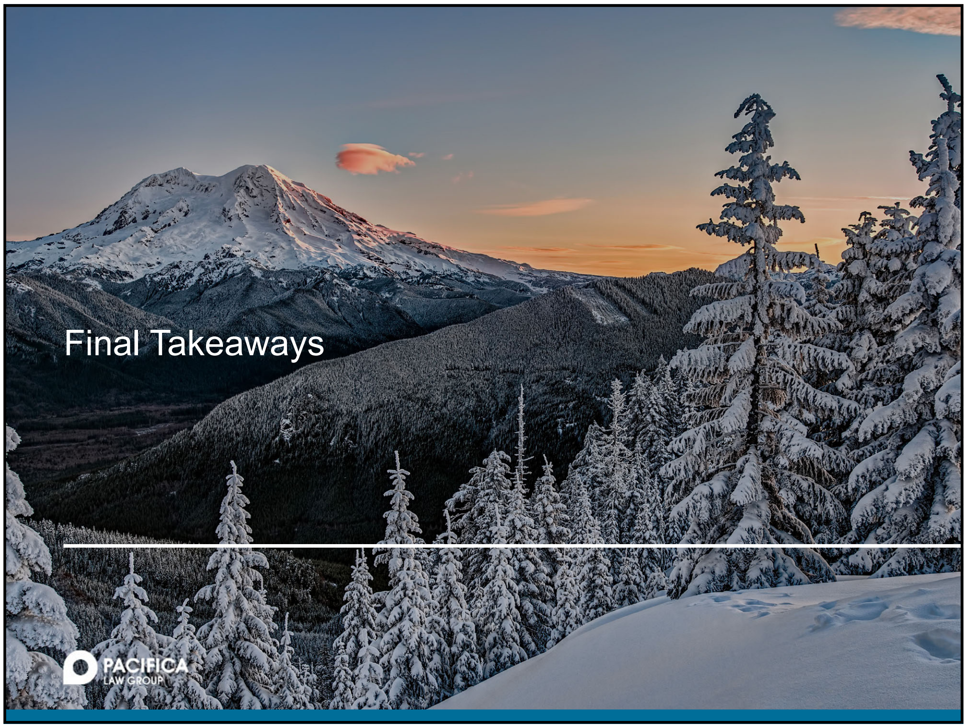

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Upcoming Milestones, Next Steps, and Additional Opportunities

Adopt a resolution of intent before January 28, 2020

Keep an eye out for FY2019 tax figures and additional information and updates

Engage your partners (neighboring jurisdictions, housing authorities, counties, and nonprofit providers)

Enact the sales and use tax before July 28, 2020

Other Resources

- Pacifica lunch seminar on interlocal agreements: July 23, 2019
- Washington State Housing Finance Commission (www.wshfc.org)

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