

AGENDA

**Economic Development Committee Meeting
Thursday August 1, 2019
5:00 p.m. – 5:50 p.m.
North Conference Room**

- 1. Call to Order**
- 2. Approval of the May 23rd, 2019 meeting minutes**
- 3. House Bill 1406**
Staff will present information regarding this bill which allows cities to retain a portion of sales tax for investments in affordable and supportive housing. The City of Des Moines' involvement in the South King Housing and Homelessness Partnership (SKHHP) is crucial in a collaborative approach to 1406.

DRAFT MINUTES

**Economic Development Committee Meeting
Thursday May 23, 2019
6:00 p.m. – 6:50 p.m.
South Conference Room**

<u>Council Members</u>	<u>City Staff</u>
Chair Jeremy Nutting	Michael Matthias – City Manager
Co-Chair Vic Pennington	Dan Brewer – Chief Operating Officer
Mayor Matt Pina	Susan Cezar – Chief Strategic Officer (CSO)
	Scott Wilkins - Harbormaster
	Denise Lathrop – Planning & Development Services Manager
	Brandon Carver – Public Works Director
	Jodi Grager – Community Development Assistant

Guests: Councilmembers Luisa Bangs, Matt Mahoney and Traci Buxton; and Highline School District Representatives: Scott Logan, Denise Stiffarm, Rod Sheffer

1. Call to Order

Chair Jeremy Nutting called the meeting to order at 6:00 p.m.

2. Approval of the March 28th, 2019 meeting minutes

Minutes approved as submitted.

3. School Impact Fees (SIF)

CSO Cezar presented a summary of the Highline School District's School Impact Fees and King County's 2019 School Impact Mitigation Measures Fee Guide, (Agenda Item #3 Attachment 1). Planning and Development Services Manager Denise Lathrop introduced the Highline School District representatives to inform and respond to questions.

- HSD is in the process of updating School Impact Fees for the 2019-2020 school year.
- The District has seen more students/families living in multi-family units.
- SIF results in new development funding additional capacity rather than relying on communities passing school levies and bonds.

For timing, staff is recommending bringing an ordinance to City Council with the updated school capital facilities plan, with fees effective on January 1, 2020.

Direction Given to Staff – Bring a draft ordinance to committee for review.

4. 2019 Work Program

This item will be addressed on the next available agenda.

5. 2019 Marina Redevelopment

City Manager Michael Matthias started the discussion by updating the committee regarding the Commercial property at 605 S 223rd St known as The Tag Zone. A non-profit group, SR3 Sealife Emergency Response Unit, is interested in the property

as a field hospital for their response, rehabilitation and research facility, (Agenda Item #5 Attachment 1). The City proposes a different location for this exciting venture; in the parking lot north of the Marina Sculpture Garden. This area would allow for outdoor saltwater tanks that would be necessary for the work of the Sealife Rescue mission. This would be an excellent location for public education and the large number of visitors that are anticipated each year. The City may consider contributing by providing utilities to this area and recouping the costs over time to facilitate the development. Other recent and proposed Marina District projects were also discussed including the Marina Steps, (Agenda Item #5 Attachment 2). Maps titled Primary Locations and Additional Locations were given to the committee to illustrate the City's beautification efforts and placement of flower pots, (Agenda Item #5 Attachment 3).

6. Parcel Development in the Marina

CM Matthias referred to Agenda Item #5 Attachment 2 – Des Moines Marina District Projects map to point out a section of the Marina that may be open to private development (Section #12). Redevelopment costs may require funding from the sale of City property. The discussion included these concerns:

- This section of the Marina floor is centrally located and may separate the Marina into halves
- Private ownership of a section poses City limitations of future control

The committee requested a draft proposal in order to better understand the ramifications of this decision.

7. Branding Project: Phase 1 Beautification

This item will be addressed on the next available agenda.

The next meeting is scheduled for June 27th, 2019.

Adjourned at 6:50 p.m.

Respectfully submitted by,

Jodi Grager, Community Development Assistant



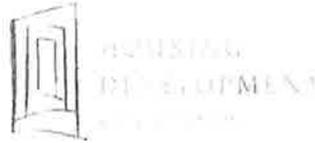
HB 1406 Implementation Options for the City of Des Moines

Background

HB 1406 provides a new funding tool for local jurisdictions to increase investment in affordable housing. It allows cities to retain a portion of the state's share of sales tax for investment in affordable or supportive housing production, preservation and/or operation and maintenance of units to assist persons whose income is at or below 60% of area median income. The revenue is offset by a reduction in the state's portion and does not result in an increased tax on consumers. The table below provides an outline of options for Des Moines that include; participation alternatives, timeline, projected revenue and implementation requirements.

	Recommended Alternative	Alternative 1	Alternative 2	No Action
Participation Alternatives	Sub-regional Approach Adopting a resolution declaring the city's intent to adopt the legislation through a sub-regional approach of pooling the revenue in partnership with other cities in the existing SKHHP Interlocal Agreement (ILA) to get the most impact of the revenue (*excluding King County)	City acts on its own Adopt a resolution of intent to adopt the legislation as a city	City acts on its own and adopts a local qualifying tax Adopt a resolution of intent and enact a qualifying local tax	City opts to not take any action to implement HB1406
Action & Timeline	Pass a resolution of intent by January 28, 2020 (Deadline) . If adopted earlier, funds can be accessed by fall 2019 Department of Revenue requires 30-days' notice of adoption of sales tax credits and the change must occur on a first day of the month	Pass a resolution of intent by January 28, 2020 (Deadline)	Pass a resolution of intent by January 28, 2020(Deadline) The qualifying local tax must be enacted by the deadline of July 30th, 2020 (i.e. housing levy or .1 percent sales tax)	In the second year of the bill's effective date, the revenue goes to the County
Implementation requirements	Each SKHHP participating city must adopt their resolution of intent to pool the revenue through the ILA The final legislation must be adopted by July 30th, 2020	Pass a resolution of intent	Pass a resolution and work to enact a qualifying local tax approved by voters in the general or special elections	No requirements
Projected revenue	Des Moines's 0.0073 percent portion: \$29,793 SKHHP cities ILA Partners Pool of 0.0073: \$1,006,841 ; Full Authority 0.0146: \$2,013,683 (if all SKHHP cities adopted a qualifying tax)	Des Moines's 0.0073 percent portion: \$29,793	Des Moines's 0.0073 percent portion: \$29,793 Full Authority 0.0146 portion: \$59,586	Des Moines's 0.0073 percent portion: \$27,793 goes to the county





New Funding Tool: HB 1406

HB 1406 allows cities and counties to retain a portion of the sales tax for investment in affordable or supportive housing. This portion is offset by a reduction in the state's portion, and therefore does not result in an increased tax on consumers. The bill sets up a system for cities and counties to share the revenue, with two tiers based on whether a jurisdiction has adopted a "qualifying local tax". Seattle is currently the only city in King County with a qualifying tax.

The bill gives 6 months for jurisdictions to declare their intent and 12 months to act on legislation. After 12 months, a county may implement any authority that has gone unused by cities. For the first 12 months, the tax is limited to:

- 0.0073% for a city without a qualifying local tax, or a county within the limits of a nonparticipating city
- 0.0146% for a city with a qualifying tax, or a participating city in a county that declares it will not levy the tax, or a county within unincorporated areas or within cities that declare they will not levy the tax

After 12 months, the tax is limited to:

- 0.0073% for a city without a qualifying local tax, or a county within the limits of a participating city
- 0.0146% for a city with a qualifying tax, or a participating city in a county that declares it will not levy the tax, or a county within unincorporated areas or within any nonparticipating cities.

Cities have a choice of whether to be a participating or nonparticipating city, and a choice of whether to adopt a qualifying tax to increase the portion they may retain. After 12 months, any available revenue that is not collected by a city will be retained by the County.

Figure 1. Illustration of available taxing authorities.

First 12 months:

participating city w/ qualifying tax	participating city w/out qualifying tax	nonparticipating cities	in unincorporated areas	in cities that declare they will not levy the tax
0.0146% - city	0.0073% - city 0% - county	0% - city 0.0073% - county	0.0146% - county	0.0146% - county

After 12 months:

participating city w/ qualifying tax	participating city w/out qualifying tax	nonparticipating cities	in unincorporated areas
0.0146% - city	0.0073% - city 0.0073% - county	0.0146% - county	0.0146% - county

Qualifying Local Taxes

Qualifying local taxes include the following:

- ➔ • An affordable housing levy authorized under RCW 84.52.105, which allows cities or counties to impose up to fifty cents per thousand dollars of assessed value of property for up to ten years if approved by a majority of voters in the taxing district. The governing body of the jurisdiction must first declare the existence of a housing emergency and adopt a financing plan.
- ➔ • The sales and use tax for housing and related services authorized under RCW 82.14.530, provided the city has imposed the tax at a minimum of at least half of the authorized rate (0.1%). Cities must place a ballot proposition before voters for approval.
- The sales tax for chemical dependency and mental health treatment services or therapeutic courts authorized under RCW 582.14.460 imposed by a city. Because King County has already authorized this tax, cities within King County would not be eligible to use this authority.
- The levy authorized under RCW 84.55.050, if used solely for affordable housing.

RCW 84.55.050 sets forth procedures for increasing levy authority if a proposition is approved by a majority of voters of a taxing district.

A qualifying tax must be "instated" no later than twelve months after the effective date of the law, which means no later than July 30, 2020. The Association of Washington Cities (AWC) is currently seeking a clarification to confirm that "instated" means that an ordinance has been adopted.

Potential Revenue Estimates

The maximum amount a city may collect will be limited by the amount of taxable retail sales within a jurisdiction in fiscal year 2019 times the applicable rate. Figure 2 shows the estimated revenue potential based on Taxable Retail Sales in SKHHP cities in 2018.

Figure 2. Revenue Potential in SKHHP Cities based on Taxable Retail Sales in 2018

Location Code	Location	Sum Taxable	Of	.0073%	.0146%
1709	DES MOINES	408,126,524		29,793	59,586
1712	COVINGTON	598,331,933		43,678	87,356
1715	KENT RTA	2,540,649,460		185,467	370,935
1721	NORMANDY PARK	66,659,736		4,866	9,732
1725	RENTON RTA	3,238,085,022		236,380	472,760
1729	TUKWILA	2,219,811,849		162,046	324,093
1732	FEDERAL WAY	1,700,573,961		124,142	248,284
1734	BURIEN	896,941,531		65,477	130,953
1702	AUBURN/KING RTA	2,034,521,028		148,520	297,040
		13,703,701,044		1,000,370	2,000,740

Eligible Housing and Services Uses

The housing and services funded with the tax must serve populations earning up to 60% of the county median income. In determining the use of funds, a county or city must consider the income of the individuals and families to be served, the leveraging of the resources made available for each income level, and the housing needs within the jurisdiction.

All cities and counties may use the funds for:

- I. Acquiring, rehabilitating, or constructing affordable housing, which may include new units of affordable housing within an existing structure or facilities providing supportive housing services under RCW 71.24.385; or
- II. Funding the operations and maintenance costs of new units of affordable or supportive housing.

Cities with population under 100,000 and counties with population under 400,000 may also use the funds for rental assistance.

Bonding Authority / Interlocal Agreements

Cities and counties may pledge the funds for repayment of general obligation or revenue bonds and may also enter into interlocal agreements with other counties, cities, or public housing authorities to pool the tax receipts received under this section. The existing SKHHP Interlocal Agreement (ILA) is a structure to enable cities to pool revenue for investment in housing.

Deadlines to Act

To impose the tax, a county or city legislative authority must adopt within 6 months of the effective date of the legislation a resolution of intent to adopt legislation to authorize the maximum capacity of the tax. The resolution requires simple majority approval. In addition, the legislative authority must approve actual legislation within 12 months. The bill takes effect 90 days after the end of the session, which means that cities must adopt a resolution by January 31, 2020, and actual legislation by July 27, 2020. The tax expires 20 years after the jurisdiction first imposes the tax.



July 10, 2019
SCA PIC Meeting

HB 1406 State Sales Tax Credit for Affordable Housing

Discussion

HB 1406 provides new resources for cities and counties for affordable housing and supportive services in the form of a credit against the state share of local sales taxes. In order to secure the ability to access these funds, cities are required to adopt a resolution of intent to implement the tax credit by January 28, 2020 and implementing legislation by July 28, 2020. If a city does not adopt a resolution of intent by the statutory deadline, the ability to access those funds is transferred to the county.

Many cities in King County have begun initially discussing options for implementing the sales tax credit individually or in concert with other jurisdictions as authorized by the new law. In addition, the King County Affordable Housing Committee was recently briefed on HB 1406 and will be considering if there is support that committee could provide for implementing the tax credit or recommendations for a regional strategy for use of those funds.

At the July PIC meeting, members will be briefed on HB 1406 and have the opportunity to share information about the status of discussions related to implementation within your city; priorities for expending tax credit funds; guidance for what support could be provided regionally to make the most efficient and effective use of tax credit funds; and, feedback on how SCA can support city priorities.

Background

HB 1406 was approved during the 2019 legislative session to provide cities and counties with a new source of funds for affordable housing and supportive services. The bill authorizes cities and counties to retain a portion of sales taxes that would otherwise be paid to the state, which means implementing the tax at the local level results in no increase in the taxes paid by the consumer.

In order to take advantage of this new funding source, cities and counties must act quickly. First, a resolution of intent to implement the tax credit must be adopted by January 28, 2020 (six months after the effective date of the bill) and, second, legislation authorizing the tax credit must be adopted by July 28, 2020 (12 months after the effective date of the bill). Included here as [Attachment A](#) is a resolution template drafted by Pacifica Law Group LLP that jurisdictions may use to express their intent to implement the tax by the January 28, 2020 deadline. A spending plan is not required as part of the initial resolution of intent to implement the tax.

The maximum rate that cities may retain under the bill is either .0146% or .0073% of local sales depending on whether the city has adopted a “qualifying local tax” as described below. If a city does not have a qualifying local tax, the city and county are each eligible to receive a credit of .0073% of local sales. If a city chooses not to implement the .0073% credit, the county is then authorized to retain the full .0146% of local sales generated within that city.

Qualifying local taxes include the following:

- The affordable housing levy authorized under [RCW 84.52.105](#);
- The sales and use tax for housing and related services authorized under [RCW 82.14.530](#);
- The sales tax for chemical dependency and mental health treatment services or therapeutic courts authorized under [RCW 82.14.460](#);
- The property tax levy authorized under [RCW 84.55.050](#) if used solely for affordable housing.

Approximate annual revenues by city, based on 2017 sales figures and a rate of .0073%, can be found in [Attachment B](#). The actual maximum collection amount will be based on state fiscal year 2019 sales in each jurisdiction. Total annual revenue for all SCA cities is anticipated to be greater than \$3 million per year. The credit expires 20-years after it is first implemented.

To assist with understanding the timing and rate options for cities, AWC has provided a helpful guide and decision-making flowchart for cities that is included here as [Attachment C](#).

Eligible Expenditures

Cities may use funds collected from the tax credit for acquiring, rehabilitating, or constructing affordable housing; operations and maintenance of new affordable or supportive housing facilities; and, for cities with populations below 100k, funds may also be used for rental assistance. The funding must be spent on projects that serve persons whose income is at or below sixty percent of the area median income. Revenues from the tax may be pooled with other local governments or a public housing authority via interlocal agreements and may also be used to repay bonds issued to carry out projects authorized under the law.

Regional Collaboration

Because the annual tax credit amounts collected by smaller jurisdictions are projected to be modest, smaller cities may want to consider pooling their resources with other jurisdictions or housing authorities. Many cities in King County have begun initially discussing options for implementing the sales tax credit individually or in concert with other regional or subregional organizations such as A Regional Coalition for Housing (ARCH) and the South King Housing and Homelessness Partners (SKHHP). In addition, the King County Affordable Housing Committee was recently briefed on HB 1406 and will be considering whether that committee could provide support for implementing the tax credit or recommendations for a regional strategy for use of those funds.



NOW, THEREFORE, BE IT [RESOLVED][ORDAINED] BY THE [CITY COUNCIL/COUNTY BOARD OF COMMISSIONERS] OF THE [CITY OF _____/ _____ COUNTY] AS FOLLOWS:

Section 1. Resolution of Intent. The [City Council/County Board of Commissioners] declares its intent to adopt legislation to authorize the maximum capacity of the sales and use tax authorized by SHB 1406 within one year of the effective date of SHB 1406, or by July 28, 2020.

Section 2. Further Authority; Ratification. All [City/County] officials, their agents, and representatives are hereby authorized and directed to undertake all action necessary or desirable from time to time to carry out the terms of, and complete the actions contemplated by, this [resolution][ordinance]. All acts taken pursuant to the authority of this [resolution][ordinance] but prior to its effective date are hereby ratified.

Section 3. Effective Date. This [resolution][ordinance] shall take effect [immediately upon its passage and adoption][_____ days after the passage and publication].

Passed by majority vote of the _____ in open meeting this _____ day of _____, 2019.

[insert appropriate signature blocks]