



**MONROE CITY COUNCIL**  
**Finance & Human Resources Committee Meeting**  
Tuesday, October 15, 2019, 6 P.M.  
Monroe City Hall, Passport Table

**2019 Committee**  
Councilmembers  
Patsy Cudaback  
Jason Gamble  
Kirk Scarboro

# AGENDA

**I. Call to Order**

**II. Approval Minutes** (Meeting of Tuesday, September 17, 2019) [Page 2]

**III. Unfinished Business**

**IV. New Business**

A. HB1406/Qualifying Local Tax Alternatives (Administration) [Page 4]

**V. Other**

**VI. Next Committee Meeting** (November 19, 2019, 5:30 p.m.)

Agenda Items: Republic Services (surcharge follow up and 2020 rates); Non-Rep Benefits (HR)

**VII. Adjournment**



**MONROE CITY COUNCIL**  
**Finance & Human Resources**  
**Committee Meeting**  
Tuesday, September 17, 2019, 5:30 P.M.  
Monroe Coordination Center

**2019 Committee**  
Councilmembers  
Patsy Cudaback  
Jason Gamble  
Kirk Scarboro

**MINUTES**

**I. Call to Order**

A regular meeting of the Monroe City Council Finance & Human Resource Committee was held on September 17, 2019, at the Monroe Coordination Center. The Meeting was called to order by Councilmember Gamble at 5:34 p.m.

Committee Present: Councilmembers Patsy Cudaback, Jason Gamble, and Kirk Scarboro  
Mayor Present: Geoffrey Thomas  
Staff Present: Elizabeth Adkisson, City Clerk; Becky Hasart, Finance Director; Deborah Knight, City Administrator; and Ben Swanson, Community Development Director  
Public Present: Heather Rousey

**II. Approval Minutes** (Meeting of Tuesday, August 20, 2019)

Councilmember Cudaback moved to approve the Monroe City Council Finance & Human Resource Committee Meeting Minutes of Tuesday, August 20, 2019; the motion was seconded by Councilmember Scarboro. Motion carried (3-0).

**III. Unfinished Business - NONE**

**IV. New Business**

A. FCS Group Introduction to Planning Fee Cost of Service Study  
(Community Development & Finance)

Ms. Hasart and Mr. Swanson introduced representatives from FCS Group who are performing a cost of service study associated with the City's development activities and services.

Mr. Matt Hobson, Project Manager, and Mr. Martin Chaw, Financial Planning and Analysis Project Manager, provided background information on the Planning Fee Cost of Service Study, including: why cost of service studies are important, key study steps (cost of service methodology; cost recovery analysis and policy; fee design; and fee survey); proposed study calendar; and items for discussion (cost recovery policy; fee structure options; and fee survey).

General discussion ensued throughout the presentation regarding current fee structure, study scope of work and timeline; cost of service methodology and policy; fees of comparable cities; cost recovery; and goals of fee study.

**V. Other - NONE**

**VI. Next Committee Meeting** (October 15, 2019, 5:30 p.m.)

The Committee reviewed items for the October Meeting: Republic Services (surcharge follow up and 2020 rates). Councilmember Gamble noted his absence on October 15, 2019.

**VII. Adjournment**

There being no further business, Councilmember Scarborough moved to adjourn the Tuesday, September 17, 2019, Monroe City Council Finance & Human Resource Committee meeting; the motion was seconded by Councilmember Cudaback. Motion carried (3-0).

The meeting adjourned at 6:38 p.m.

DRAFT



**MONROE CITY COUNCIL**  
**Finance & Human Resources Committee Meeting**  
**Tuesday, October 15, 2019, 6:00 P.M.**

**2019 Committee**  
 Councilmembers  
 Jason Gamble  
 Kirk Scarboro  
 Patsy Cudaback

**Agenda Bill**

<b>SUBJECT:</b>	<b>HB1406/Qualifying Local Tax Alternatives</b>
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<b>DATE:</b>	<b>DEPT:</b>	<b>CONTACT:</b>	<b>PRESENTER:</b>	<b>ITEM:</b>
10/15/2019	Administration	Deborah Knight	Becky Hasart	<b>New Business #1</b>

**Discussion – Committee:** 08/27/2019; 10/15/2019  
**Discussion – Council:** 09/17/2019 (Study Session)  
**Attachments:** 1. City Council Agenda Bill 19-191 from 09/17/2019  
 2. RCW 84.52.105

**REQUESTED ACTION:** None. Informational only.

**POLICY CONSIDERATIONS**

*House Bill 1406 was introduced to the City Council at the September 17, 2019, Study Session (see Attachment 1) and was first introduced to the Legislative Affairs Committee on August 27, 2019.*

*House Bill 1406 requires the City Council to adopt a “resolution of intent” between July 28, 2019, and January 31, 2020, in order to receive a portion of the state’s sales tax for affordable housing and rental assistance programs for twenty years.*

*There were two policy questions:*

- 1. Does the City Council want to implement HB 1406 before January 31, 2020?*
- 2. Does the City Council want to implement a qualifying local tax before July 31, 2020?*

*The first policy question was answered at the September 17, 2019, Study Session. The City Council provided direction to move forward with a letter of intent to access the first half of the state’s sales tax credit.*

*The City Council requested additional information regarding a qualifying local tax. After tonight’s discussion, should the Finance/HR Committee recommend that the City Council pursue implementing a qualifying local tax before July 31, 2020?*

**DESCRIPTION/BACKGROUND**

Attachment One details the state sales tax credit the City can utilize to help provide affordable and/or supportive housing. Again, the City is eligible to receive 0.0073 percent of the state sales tax credit with the adoption of the resolution of intent and then the appropriate ordinance. The City can access an additional 0.0073 percent if it also implements a “qualifying local tax” (QLT) prior to July 31, 2020.

The three QLT options available to a city our size and in our geographic region are:

- A sales and use tax for affordable housing (RCW 82.14.530);
- Affordable housing tax levy (RCW 84.52.105); or
- A levy lid lift (RCW 84.55.050) that is restricted solely to affordable housing.

All three options would require voter approval with a simple majority vote and would have to be approved prior to July 31, 2020.

**QLT – Sales and Use Tax**

House Bill 1406 allows cities, with voter approval, to implement up to one tenth of one percent (0.1 percent) of a sales tax to be used for affordable housing. The minimum sales tax that could be requested is half this amount or one half of one tenth of one percent (0.05 percent). Again, this amount would have to be voter approved but can be presented at any special, primary, or general election. Current estimates on the amount that would be raised is:

- One tenth of one percent (0.1%) \$47,700
- One half of one tenth of one percent (0.05%) \$23,850

**QLT – Affordable housing levy (excess levy)**

House Bill 1406 allows cities, with voter approval, to implement an affordable housing levy up to \$0.50 per \$1,000 of assessed valuation for ten years. MRSC believes this levy would require an annual vote. There is no minimum on the amount of the levy but if the County also obtains an approval for this levy, the two levies cannot exceed \$0.50 in the aggregate. If the two levies exceed the \$0.50, the levy adopted last would adjust down until the aggregate is below \$0.50.

Before the City could go to the voters for this levy, the following is required by RCW 84.52.105 (see Attachment 2):

- The governing body of the county, city, or town declares the existence of an emergency with respect to the availability of housing that is affordable to very low-income households in the taxing district; and
- The governing body of the county, city, or town adopts an affordable housing financing plan to serve as the plan for expenditure of funds raised by a levy authorized under this section, and the governing body determines that the affordable housing financing plan is consistent with either the locally adopted or state-adopted comprehensive housing affordability strategy, required under the Cranston-Gonzalez national affordable housing act (42 U.S.C. Sec. 12701, et seq.), as amended.

For tax year 2019, the following are amounts that could be realized from this tax levy:

- \$0.01 per \$1,000 AV \$ 28,850
- \$0.10 per \$1,000 AV \$ 288,500
- \$0.25 per \$1,000 AV \$ 721,250
- \$0.50 per \$1,000 AV \$ 1,442,500

**QLT – Levy Lid Lift restricted solely to affordable housing**

House Bill 1406 allows cities, with voter approval, to implement an affordable housing levy lid lift to our existing property tax levy. There is no minimum or maximum rate per \$1,000 of assessed value but the levy would be subject to our \$1.60 property tax jurisdictional limit. However, Municipal Research Services Center (MRSC) has confirmed with the Department of Revenue that a city cannot request a levy lid lift while it still has banked property tax capacity. The City of Monroe would have to exhaust our banked capacity before we could request a levy lid lift, regardless of the use for the voted levy. In addition, we cannot use our banked capacity as a qualifying local tax as this amount would not be subject to voter approval. The City of Monroe’s current property tax banked capacity is \$252,852



## Description/Background from 09/17/2019

In the 2019 legislative session the state approved a revenue sharing program for local governments (cities and counties) by providing **up to** a 0.0146 percent local sales and use tax credited against the state sales tax for affordable housing and rental assistance (Attachment A).

This sales tax option is actually a credit against the state sales tax rate of 6.5 percent, so it **will not** increase the tax rate for consumers. However, cities, towns, and counties have a limited time to take advantage of this option and must act rather quickly if they wish to participate.

The Association of Washington Cities estimates the City of Monroe would receive approximately \$45,000 (Attachment B) if the City Council adopts an ordinance by the July 27, 2020, deadline to implement the program.

The City is eligible to receive between 0.0073 and 0.0146 percent of the state sales tax. The exact amount received depends the local economy and:

1. Whether the City implements a “qualifying local tax” by July 31, 2020, which includes an “affordable housing levy”; “sales tax for chemical dependency and mental health services”; or “property tax levy for affordable housing”.
2. Whether Snohomish County takes action to levy its share of the tax credit.

There are two scenarios under which the city would receive the full amount of the 0.0146 percent tax credit under HB 1406:

1. City Adopts Qualifying Local Tax: a) One percent sales tax for affordable housing under HB 2263; or; b) the City implements an affordable housing levy under RCW 84.52.105; c) or the City implements a sales tax for chemical dependency and mental health services (RCW 82.14.460); d) or the City levies a property tax under RCW 84.55.050 for affordable housing.
2. Snohomish County declares it will not levy the tax or does not adopt a resolution of intent by February 1, 2020; and city does not adopt qualifying local tax.

### What Is a Qualifying Local Tax?

A “qualifying local tax” (QLT) is a local property or sales tax that a City has imposed, separately from SHB 1406, to address affordable housing or related issues. This provision within the bill *only applies to cities and towns*, and it allows them to double the sales tax credit. **The qualifying local tax is a “multiplier” that gives the City access to double the tax credit even when the County chooses to participate in the program.**

The QLT options are:

- An affordable housing levy ([RCW 84.52.105](#));
- A sales and use tax for affordable housing ([RCW 82.14.530](#));
- A levy lid lift ([RCW 84.55.050](#)) that is restricted solely to affordable housing; or
- A mental health and chemical dependency sales tax ([RCW 82.14.460](#)), which is only authorized by statute for those cities of at least 30,000 population located within Pierce County.

All of the qualifying local taxes require voter approval with a simple majority vote (with the exception of the mental health and chemical dependency sales tax) and may be presented at any special, primary, or general election.

### Adopting 1406

To receive the affordable housing sales tax credit, the City Council must:

- **Pass a resolution of intent by January 27, 2020**, that indicates intention to impose the sales tax credit at the maximum capacity by a simple majority vote of the legislative body. *This is the single most important step in being able to receive this sales tax credit option.* If this deadline is missed, there are no other opportunities to access the tax.
- **Adopt legislation to authorize by July 27, 2020**, to impose the maximum capacity of the affordable sales tax credit. This step must be completed in order to continue to access this sales tax credit whether you decide to impose a qualifying local tax or not.

### Using Funds from HB1406

The City of Monroe may use funds distributed through HB 1406 for:

1. Acquiring, rehabilitating, or constructing affordable housing (> 60 percent AMI), which may include new units within an existing structure or facilities providing supportive housing services under [RCW 71.24.385](#) (behavioral health organizations);
2. Operations and maintenance costs of new units of affordable or supportive housing.
3. Rental assistance to tenants that are at or below 60 percent of the median income.
4. Financing loans or grants to nonprofit organization or public housing authorities to carry out the purposes of the bill and may pledge the tax proceeds from HB 1406 for repayment of bonds in accordance with debt limitations imposed by the state constitution or statute.

Additionally, any participating city or county may enter into an interlocal agreement with other cities, counties, and/or housing authorities to pool and allocate the tax revenues received under SHB 1406 to fulfill the intent of the legislation.

### **FISCAL IMPACTS**

The Association of Washington Cities estimates the City of Monroe would receive approximately \$45,000 (Attachment B) from HB 1406 if the City Council adopts an ordinance by the July 27, 2020, deadline to implement the program.

According to Municipal Research,<sup>1</sup> the Department of Revenue (DOR) typically requires a seventy-five day notice for sales tax rate changes, but this is not a new sales tax and therefore will only require a thirty-day wait period.

The credit will take effect on the first day of the month following the thirty-day period ([RCW 82.14.055\(2\)](#)).

For example, if the City adopts the resolution of intent and then the enabling legislation (ordinance/resolution) during September 2019, the tax will take effect on November 1. The sales tax revenues from November will be remitted by retailers to DOR by the 25th of the following month (December), and the City will receive its first distribution of this tax credit on its end-of-month January disbursement from the State Treasurer's office.

Cities that have a qualifying local tax in place, will receive the full credit of 0.0146 percent as soon as they adopt the enacting ordinance.

All other cities and towns that have adopted the enacting ordinance, will collect a tax credit of 0.0073 percent until a ballot measure for a qualifying local tax has passed.

### **TIME CONSTRAINTS**

- HB 1406: Pass a resolution of intent by January 27, 2020, and adopt an ordinance to authorize by July 27, 2020.
- Qualifying Local Sales Tax: Adopt a Qualifying Local Sales Tax by July 31, 2020.

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<sup>1</sup> (MRSC <http://mrsc.org/Home/Stay-Informed/MRSC-Insight/July-2019/SHB-1406-Affordable-Housing-Sales-Tax-Credit.aspx>)

Deciding to present a qualifying local tax before the voters in order to gain the full tax credit will require some timing considerations, as the legislation requires that the qualifying local tax must be “instated” (which DOR is interpreting to mean “approved by voters”) within twelve months of the effective date of SHB 1406.

This deadline is July 27, 2020. The deadline for placement on the general election ballot has past (August 6), and the only other elections before the July 2020 deadline are the special elections in February and April.

#### **ALTERNATIVES TO REQUESTED ACTION**

- Discuss HB 1406 and Qualifying Local Sales Tax options.
- Direct Mayor and City Staff to bring back one or more options for discussion at the next City Council Finance/Human Resources Committee meeting.
- Direct Mayor and City Staff to bring a Resolution of Intent to the city council for action.
- Direct Mayor and City Staff to bring the alternatives to the Homelessness Policy Advisory Committee or Affordable Housing Committee for discussion and recommendations.

## RCW 84.52.105

### **Affordable housing levies authorized—Declaration of emergency and plan required.**

(1) A county, city, or town may impose additional regular property tax levies of up to fifty cents per thousand dollars of assessed value of property in each year for up to ten consecutive years to finance affordable housing for very low-income households when specifically authorized to do so by a majority of the voters of the taxing district voting on a ballot proposition authorizing the levies. If both a county, and a city or town within the county, impose levies authorized under this section, the levies of the last jurisdiction to receive voter approval for the levies shall be reduced or eliminated so that the combined rates of these levies may not exceed fifty cents per thousand dollars of assessed valuation in any area within the county. A ballot proposition authorizing a levy under this section must conform with RCW 84.52.054.

(2) The additional property tax levies may not be imposed until:

(a) The governing body of the county, city, or town declares the existence of an emergency with respect to the availability of housing that is affordable to very low-income households in the taxing district; and

(b) The governing body of the county, city, or town adopts an affordable housing financing plan to serve as the plan for expenditure of funds raised by a levy authorized under this section, and the governing body determines that the affordable housing financing plan is consistent with either the locally adopted or state-adopted comprehensive housing affordability strategy, required under the Cranston-Gonzalez national affordable housing act (42 U.S.C. Sec. 12701, et seq.), as amended.

(3) For purposes of this section, the term "very low-income household" means a single person, family, or unrelated persons living together whose income is at or below fifty percent of the median income, as determined by the United States department of housing and urban development, with adjustments for household size, for the county where the taxing district is located.

(4) The limitations in RCW **84.52.043** shall not apply to the tax levy authorized in this section.

[ 1995 c 318 § 10; 1993 c 337 § 2.]

## NOTES:

**Effective date—1995 c 318:** See note following RCW **82.04.030**.

**Finding—1993 c 337:** "The legislature finds that:

(1) Many very low-income residents of the state of Washington are unable to afford housing that is decent, safe, and appropriate to their living needs;

(2) Recent federal housing legislation conditions funding for affordable housing on the availability of local matching funds;

(3) Current statutory debt limitations may impair the ability of counties, cities, and towns to meet federal matching requirements and, as a consequence, may impair the ability of such counties, cities, and towns to develop appropriate and effective strategies to increase the availability of safe, decent, and appropriate housing that is affordable to very low-income households; and

(4) It is in the public interest to encourage counties, cities, and towns to develop locally based affordable housing financing plans designed to expand the availability of housing that

is decent, safe, affordable, and appropriate to the living needs of very low-income households of the counties, cities, and towns." [1993 c 337 § 1.]