



## Legislation Details (With Text)

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**File created:** 8/21/2019      **In control:** Budget and Fiscal Management Committee

**On agenda:**      **Final action:** 8/28/2019

**Enactment date:** 8/28/2019      **Enactment #:** 18973

**Title:** AN ORDINANCE authorizing, fixing and imposing a local sales and use tax at a maximum rate of 0.0146 percent or a lower rate as allowed by law for affordable and supportive housing as authorized by Chapter 338, Laws of Washington 2019; adding a new chapter to K.C.C. Title 4A; and declaring an emergency.

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**Indexes:** Housing, Taxes

**Code sections:** 4A - .

**Attachments:** 1. Ordinance 18973, 2. 2019-0355 transmittal letter, 3. 2019-0355 fiscal note, 4. 2019-0354\_0355\_SR\_HousingSalesTaxSHB1406 ak v2, 5. 2019-0355\_AMD1\_ExpirationDates bar, 6. 2019-0354\_0355\_REVISIED\_SR\_HousingSalesTaxSHB1406 ak v2

Date	Ver.	Action By	Action	Result
8/28/2019	2	Metropolitan King County Council	Hearing held/closed and passed	Pass
8/27/2019	1	Budget and Fiscal Management Committee	Recommended Do Pass Substitute	Pass
8/21/2019	1	Metropolitan King County Council	Introduced and Referred	

AN ORDINANCE authorizing, fixing and imposing a local sales and use tax at a maximum rate of 0.0146 percent or a lower rate as allowed by law for affordable and supportive housing as authorized by Chapter 338, Laws of Washington 2019; adding a new chapter to K.C.C. Title 4A; and declaring an emergency.

### PREAMBLE:

In November 2015, King County declared a state of emergency to address the homelessness crisis. Multiple studies have found that the rising cost of housing and lack of access to affordable housing are a primary root cause of homelessness in King County.

In December 2018, The King County regional affordable housing task force found that the region needs an additional 44,000 homes affordable for very low- and extremely low-income households over the next five years. The task force further determined that by 2040, the region

will lack 244,000 homes affordable to our very low and extremely low income neighbors.

Additional funding is required to address the urgent need for affordable housing in King County.

In the 2019 Regular Session, the Washington state Legislature approved, and the Governor signed, Substitute House Bill 1406, which became Chapter 338, Laws of Washington 2019 ("the Act").

The Act authorizes the governing body of a county to impose a local sales and use tax for the acquisition, construction or rehabilitation of 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, and for the operations and maintenance costs of affordable or supportive housing.

The tax will be credited against state sales taxes collected within King County and, therefore, will not result in higher sales and use taxes within King County and will represent an additional source of funding to address affordable housing needs in King County.

The metropolitan King County council has determined that imposing the sales and use tax to address this affordable housing need will benefit the county's residents.

Ordinance 18972 (Proposed Ordinance 2019-0354), adopted by the King County council on August 28, 2019, fulfilled the requirement to adopt a resolution of intent to authorize the maximum capacity of the tax.

Through Motion 15445, the King County council accepted a Housing Engagement Plan for the distribution and administration of moneys within the housing and community development fund.

The plan commits the executive to working with an interbranch task force of members of the King County council to develop an implementation plan for any new funding sources provided by the state legislature for affordable housing and homelessness.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

**SECTION 1. Findings:**

A. Under Chapter 338, Laws of Washington 2019 ("the Act"), in order for the county to authorize, fix and impose the local sales and use tax ("the tax"), the council must first adopt a resolution of intent to authorize the maximum capacity of the tax and then the council must adopt the legislation that actually authorizes, fixes and imposes the maximum capacity of the tax.

B. The council adopted Ordinance 18972 (Proposed Ordinance 2019-0354), the resolution of intent, as an emergency ordinance and it is effective. This ordinance constitutes the legislation to authorize, fix and impose the maximum capacity of the tax required by the Act.

C. In order to ensure the maximum tax distributions to King County as authorized by the Act, the county must impose the tax in advance of any city imposing the tax authorized by the Act. As of the date of this ordinance, the county is not aware of any effective legislation authorizing, fixing and imposing the tax by a city.

D. Under RCW 82.14.055, before the tax change authorized by this ordinance may take effect, the county must give the state Department of Revenue at least thirty days' notice of the tax change and the change will only start on the beginning of a month. To meet the first requirement so that the tax change will be effective by October 1, 2019, this ordinance must be effective and the department notified before September 1, 2019.

F. Due to the method for calculating the county's maximum tax distribution outlined in the Act, if a city adopts legislation authorizing, fixing and imposing the tax and the state Department of Revenue effectuates a city's tax change before the department effectuates this ordinance, the region could lose affordable housing resources over the twenty-year life of the tax.

G. This ordinance must therefore take effect immediately in order to maximize the county's response to the critical affordable housing need in the county. Providing funding assistance to address this critical need will contribute to the public health and safety of the county's residents.

SECTION 2. Sections 3 through 12 of this ordinance should constitute a new chapter in K.C.C. Title 4A.

NEW SECTION. SECTION 3. For the purposes of this title, "nonparticipating city," "participating city" and "qualifying local tax" have the same meanings as in Section 1, Chapter 338, Laws of Washington 2019.

NEW SECTION. SECTION 4. For the purpose of providing funding for acquiring, rehabilitating or constructing affordable housing, and for funding the operations and maintenance costs of new units of affordable or supportive housing, and as authorized by Section 1, Chapter 338, Laws of Washington 2019, which will be codified in chapter 82.14 RCW, there is hereby authorized, fixed and imposed a sales and use tax upon all taxable events, as defined in chapter 82.14 RCW, occurring with King County, except within the limits of any participating city in King County so long as the city also levies a qualifying local tax.

NEW SECTION. SECTION 5.

A. The tax rates established in this section applies from the effective date of this ordinance until July 28, 2020.

B. In unincorporated King County and within any King County city that has declared it will not levy the sales and use tax authorized by Chapter 338, Laws of Washington 2019, or has not adopted a resolution in accordance with Section 1(2)(e)(1), Chapter 338, Laws of Washington 2019, the rate of the tax imposed by section 4 of this ordinance shall be 0.0146 percent of the selling price in the case of a sales tax or the value of the article used, in the case of a use tax. Within any participating cities that do not currently levy a qualifying local tax, the rate of the tax imposed by section 4 of this ordinance shall be 0.0073 percent of the selling price in the case of a sales tax or the value of the article used, in the case of a use tax.

C. This section expires July 28, 2020.

NEW SECTION. SECTION 6. Beginning July 29, 2020, within the unincorporated area of King County and within the limits of any nonparticipating King County city, the rate of the sales and use tax imposed

by section 4 of this ordinance shall be 0.0146 percent of the selling price in the case of a sales tax or the value of the article used, in the case of a use tax. Within the limits of any participating city that is not levying a qualifying local tax, the rate of the sales and use tax imposed by section 4 of this ordinance shall be 0.0073 percent of the selling price in the case of a sales tax or the value of the article used, in the case of a use tax.

NEW SECTION. SECTION 7. The tax imposed under section 4 of this ordinance shall be deducted from the amount of tax otherwise required to be collected or paid to the state Department of Revenue under chapter 82.08 or 82.12 RCW. The state Department of Revenue must perform the collection of the tax on behalf of the county at no cost to the county.

NEW SECTION. SECTION 8. As required by Section 1(4), Chapter 338, Laws of Washington 2019, the state Department of Revenue shall calculate the maximum amount of tax distributions for King County as a participating county. The tax imposed by section 4 of this ordinance shall cease to be distributed for the remainder of the state fiscal year in which the amount of the tax imposed by section 4 of this ordinance exceeds the maximum amount of tax distributions for King County. Distributions from the state Department of Revenue shall resume at the beginning of the next state fiscal year and continue each state fiscal year until the maximum amount of tax distributions is disbursed or until the tax imposed under section 4 of this ordinance has expired.

NEW SECTION. SECTION 9.

A. The moneys received from taxes imposed under section 4 of this ordinance or bonds issued under Section 1(9), Chapter 338, Laws of Washington 2019, may only be used for affordable and supportive housing and in accordance with Chapter 338, Laws of Washington 2019, for the purposes of:

1. 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
2. Funding the operations and maintenance costs of new units of affordable or supportive housing.

B. The housing and services provided under this subsection may only be provided to persons whose income is at or below sixty percent of the median income of the county.

NEW SECTION. SECTION 10. The budget director shall immediately provide notice to the state Department of Revenue of the tax imposed by section 4 of this ordinance as required by RCW 82.14.055 and is authorized to execute any necessary agreement with the state Department of Revenue concerning the collection and administration of the tax imposed in section 4 of this ordinance.

NEW SECTION. SECTION 11. For the purposes of Chapter 338, Laws of Washington 2019, the date the county authorized, fixed and imposed the tax is the effective date of this ordinance.

NEW SECTION. SECTION 12. The director of the department of community and human services must report annually to the state Department of Commerce on the collection and use of the revenue from the tax imposed under section 4 of this ordinance, in accordance with the state Department of Commerce's rules prescribing content of the reports.

SECTION 13. Sections 1 through 3 and 7 through 12 of this ordinance expire twenty-two years after the date the tax change takes effect in accordance with RCW 82.14.055(2). Section 6 of this ordinance expires twenty years after the date the tax change takes effect in accordance with RCW 82.14.055(2).

SECTION 14. **Emergency.** The county council finds as a fact and declares that an emergency exists and that this ordinance is necessary for the immediate preservation of public peace, health or safety or for the support of county government and its existing public institutions.