



NOTICE OF SPECIAL CITY COUNCIL MEETING

Notice is hereby given that the North Bend City Council has scheduled a Special Virtual City Council Meeting on Monday, October 12, 2020 starting at 7 p.m. Due to current public health concerns and associated orders this meeting will be conducted entirely online. All Councilmembers and staff will be participating remotely.

The public will be able to participate in this meeting online using Zoom Meetings. Public comment will be accepted at the meeting or by email to the City Clerk at soppedal@northbendwa.gov. If emailing in public comment to the City Clerk please submit by 5 p.m., Monday, October 12, 2020 so that a copy can be provided to Council prior to the meeting.

Zoom Meeting Access Information:

To Sign Up for a Zoom Account: <https://zoom.us/join>

Meeting ID: 824 5203 1568

Password: 823804

Call In Phone Number: 1-253-215-8782

Public Comment Instructions and a copy of the October 12, 2020 Special Council Packet are available for viewing at the following link: [October 12, 2020 Special Council Packet](#)

SPECIAL CITY COUNCIL MEETING

October 12, 2020 – AGENDA

Virtual Meeting

1. 7:00 P.M., Call to Order, Roll Call
2. AB20-135 – Resolution – Imposing Sales & Use Tax for Housing & Related Services
3. Adjournment

Posted October 8, 2020



City Council Agenda Bill

SUBJECT:	Agenda Date: October 12, 2020	AB20-135
Resolution Imposing a 0.1% Sales Tax to Fund Affordable Housing, Mental Health and Related Services	Department/Committee/Individual	
	Mayor Rob McFarland	
	City Administrator – David Miller	
	City Attorney – Mike Kenyon/Londi Lindell	X
	City Clerk – Susie Oppedal	
	Comm. & Economic Development – Rebecca Deming	
	Finance – Dawn Masko	
Cost Impact: This Resolution will generate additional revenue to invest toward affordable housing, mental health and related services.	Public Works – Mark Rigos	
Fund Source: General		
Timeline: Immediate		

Attachments: Resolution

SUMMARY STATEMENT:

Background

This agenda bill seeks City Council consideration of a proposed resolution implementing an 0.1% sales tax to fund affordable housing, mental health services, and related services.

In 2015, the Washington State Legislature enacted legislation allowing any county to levy a sales tax up to 0.1% for affordable housing and related services. Initially, the tax increase required voter approval. In 2020, the legislature passed HB 1590, which allowed this tax to be passed using Councilmanic authority. The bill was codified in [RCW 82.14.530](#).

In 2015, when the tax was first authorized, counties had a first right of refusal in imposing the tax. If a county chose not to impose the tax by an imposed deadline, a city could choose to impose it. With the legislation in 2020 to allow for Councilmanic implementation of the tax, the deadline for counties to impose the tax was extended until Sept. 30, 2020. After this date, any city may impose the tax through a vote of the City Council or by ballot measure. King County has scheduled adoption of this sales tax for October 13, 2020 and King County Councilmember Kathy Lambert has advised the City she expects King County to adopt this tax.

Proposal

The Administration is bringing forward consideration of a Resolution implementing the sales and use tax in anticipation of the King County Council imposing the tax on October 13, 2020. Counties, including King County, had until Sept. 30, 2020 to impose the tax. After that time, a city may impose the tax. If King County subsequently adopts the tax as expected, any city who had the tax in place prior to the County's adoption of the tax will receive a credit for their share of the tax by the County. Any city that does not have a tax in place at the time of County adoption loses the opportunity to directly receive the revenue generated within its boundaries from the 0.1% tax.

While provisions are in place in state law to ensure reinvestment and coordination between the County and cities whose population is over 60,000 on use of the sales tax proceeds, no such provision exists for cities with less than 60,000 in population, such as North Bend.

The current sales tax rate in the City is 8.9%. This proposal will increase North Bend's sales tax rate by 0.1% for a total rate of 9.0%. Based on our current sales tax numbers it is anticipated that

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the additional 0.1% tax would generate approximately \$300,000 in additional sales tax revenue annually. Depending on the impact of COVID-19 on sales tax revenues in 2021, the amount collected could be less than \$300,000.

Based on information provided by the Municipal Research & Services Center (MRSC) as of July 1, 2020, the following cities had imposed the 0.1% tax for affordable housing: Anacortes, Ellensburg, Olympia and Port Angeles. In the last week, the cities of Issaquah, Kent, Renton, Snoqualmie and Covington also imposed the tax

It is important to clarify that this tax is distinct from the City Council's action earlier this year to obtain a credit of the existing State sales tax revenue for investment in affordable housing. That action provided the City with a credit for a portion, 0.0073%, of the amount of taxable retail sales within the City and did not impose any new tax on City residents.

Use of Revenue

Per RCW 82.14.530, the revenue generated from the 0.1% sales tax for affordable housing is restricted to the following:

Minimum of 60% to be used for:

- Constructing affordable housing, which may include new units of affordable housing within an existing structure, and facilities providing housing-related services; or
- Constructing mental and behavioral health-related facilities; or
- Funding the operations and maintenance costs of new units of affordable housing and facilities where housing-related programs are provided, or newly constructed evaluation and treatment centers.

Remaining (<40%) to be used for:

- "the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services."

RCW 82.14.530 also specifies that these funds must only be used for persons within any of the following population groups whose income is at or below 60% AMI:

- Persons with behavioral health disabilities;
- Veterans;
- Senior citizens;
- Homeless, or at-risk of being homeless, families with children;
- Unaccompanied homeless youth or young adults;
- Persons with disabilities; or
- Domestic violence survivors.

These revenues could be used towards affordable housing, mental health and related services. Given the COVID-19 pandemic, the City is in particular need of these services. These additional funds would move the City towards its goal of increasing affordable housing identified in the City's Comprehensive Plan.

The North Bend City Council could determine how funds raised here could be spent on projects within North Bend.

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Scenarios

1. City Does Not Impose Tax; King County Does Impose

If the City does not impose the 0.1% tax and King County does, the City’s tax rate will increase by 0.1% and the County will determine the use of the revenue, within the statutory requirements. King County is required to invest at least 30% of what is collected in cities over 60,000. King County's current proposal for use of the sales tax revenue, referred to as "Health through Housing," has a goal of housing 2,000 King County residents who are experiencing homelessness or are at risk of chronic homelessness. The City of North Bend has no assurance or statutory guarantee in how these funds are spent in North Bend or even if any funds will be invested in North Bend.

2. City Imposes Tax; King County Does Not Impose Tax

The City would use the funds generated by the 0.1% tax towards affordable housing, mental health and related services. This would move the City towards its goal of increasing affordable housing identified in its Comprehensive Plan. If the County does not impose the tax as anticipated, the attached Resolution provides that the Administration will return to Council with a repealer resolution providing an opportunity for Council to repeal this Resolution and proposed tax increase.

3. Both City and County Impose Tax

This is the most probable outcome given Councilmember’s Lambert’s prediction. If the City imposes the tax prior to the County imposing it, then the County would be required to provide the portion of the tax generated in North Bend to the City. The City would then have the ability to spend the funds as allowed under RCW 82.14.530.

Administration's Recommendation

The Administration recommends adoption of the proposed Resolution.

APPLICABLE BRAND GUIDELINES: This Agreement supports the City’s Brand Statement in the following ways: consistent delivery of quality affordable housing services.

COMMITTEE REVIEW AND RECOMMENDATION: This Agreement was reviewed by the Finance and Administrative Committee on October 6, 2020 and the Committee recommended bringing this matter to the full City Council for its review.

RECOMMENDED ACTION: MOTION to approve AB20-135, adopting a resolution imposing a 0.1% sales tax to fund affordable housing, mental health and related services.

RECORD OF COUNCIL ACTION

<i>Meeting Date</i>	<i>Action</i>	<i>Vote</i>
October 12, 2020		

RESOLUTION

A RESOLUTION OF THE CITY OF NORTH BEND, WASHINGTON, IMPOSING PURSUANT TO RCW 82.14.030 AN ADDITIONAL SALES AND USE TAX OF ONE-TENTH OF ONE PERCENT FOR HOUSING AND RELATED SERVICES AS AUTHORIZED BY RCW 82.14.530; ADDING A NEW CHAPTER 3.11 TO THE NORTH BEND MUNICIPAL CODE; PROVIDING FOR SEVERABILITY AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, the City of North Bend has a critical need for additional funding to provide affordable housing and housing-related services for the homeless or people in danger of becoming homeless; and

WHEREAS, housing affordability is a growing problem in the City of North Bend which requires prompt attention to reduce human suffering for the City’s residents; and

WHEREAS, RCW 82.14.530 authorizes the imposition of an additional sales and use tax of one-tenth of one percent to be used for funding affordable housing; and

WHEREAS, under HB 1590, passed by the state legislature as Chapter 222, Laws of 2020 (the “Act”), counties were given the exclusive right to impose the tax until September 30, 2020 and cities were given the right to impose the tax thereafter as long as the county had not already done so; and

WHEREAS, the North Bend City Council previously adopted amendments to Chapter 3 of the North Bend Municipal Code that imposed a sales and use tax to be deducted from the amount of tax otherwise required to be collected or paid to the Washington State Department of Revenue under Chapter 82.08 or 82.12 RCW; and

WHEREAS, the Act and RCW 82.14.530(1)(a) authorize the governing body of a county to impose a local sales and use tax, for construction of affordable housing and mental and behavioral health-related facilities and funding the operations and maintenance costs of new affordable housing units or new evaluation and treatment centers, in an amount not to exceed “one-tenth of one percent of the selling price in the case of a sales tax, or value of the article used, in the case of a use tax”; and

WHEREAS, the Act and RCW 82.14.530(1)(b)(i)(i)(B) further provide that if a county does not impose the full tax rate for affordable housing authorized under RCW 82.14.530(1)(a) by September 30, 2020, any city legislative authority located in that county may impose, without a proposition approved by a majority of persons voting, the whole or

remainder of such sales and use tax in accordance with the terms of Chapter 82.14 RCW; and

WHEREAS, the King County Council did not impose an affordable housing sales and use tax under RCW 82.14.530(1)(a) in any amount by September 30, 2020; and

WHEREAS, Chapter 82.14 RCW and specifically RCW 82.14.030 authorize the governing body of a city (i.e., the North Bend City Council) to impose a sales and use tax “by resolution or ordinance for the purposes authorized by this chapter [Chapter 82.14 RCW]”; and

WHEREAS, the Act and RCW 82.14.530(1)(c) provide that if a county imposes a tax authorized under RCW 82.14.530(1)(a) after a city located in that county has imposed the tax authorized under RCW 82.14.530(1)(b), the county must provide a credit against its tax for the full amount of tax imposed by a city; and

WHEREAS, King County has announced a meeting for October 13, 2020 for the purposes of imposing the additional sales and use tax authorized by Chapter 82.14 RCW; and

WHEREAS, the North Bend City Council has determined that the tax should be imposed and that the proceeds will be used for those purposes benefiting North Bend residents as authorized by RCW 82.14.530, including constructing affordable housing, constructing mental and behavioral health-related facilities, and funding the operations and maintenance costs of new units of affordable housing and facilities where housing-related programs are provided, or newly constructed evaluation and treatment centers;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Additional Sales and Use Tax Imposed. A new Chapter 3.11 is hereby added to the North Bend Municipal Code imposing the one-tenth of one percent sales and use tax authorized by RCW 82.14.530 to read as follows:

3.11.010 Additional Sales and Use Tax for Housing and Related Services.

- A. There is hereby imposed an additional sales and use tax, separate and apart from any other sales and use tax imposed by this chapter, upon every taxable event occurring in the City, for housing and related services as authorized by RCW 82.14.530.
- B. As used in this section, the term “taxable event” has the meaning set forth in RCW 82.14.020.
- C. The rate of the sales and use tax imposed by this section shall be one-tenth of one 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.

D. The tax shall be imposed upon and collected from those persons from whom the state sales tax or use tax is collected pursuant to RCW 82.08 and 82.12.

E. Moneys collected from the tax shall be used solely for those housing and related services authorized by RCW 82.14.530, as the same now exists or as hereafter amended.

F. As provided in RCW 82.14.530, if King County subsequently imposes a sales and use tax for housing and related services as authorized by such statute, the County shall provide a credit against its tax for the full amount of the tax imposed by the City.

Section 2. Repeal of Resolution. In the event that the King County Council fails to impose a sales and use tax for housing and related services as authorized by RCW 82.14.530, the Administration is directed to prepare a resolution repealing this Resolution in its entirety and present it to the North Bend City Council for its review and possible adoption.

Section 3. Severability. If any section, sentence, clause or phrase of this Resolution should be held to be invalid or unconstitutional by a court, board or tribunal of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this Resolution.

Section 4. Effective Date. This Resolution shall take effect immediately upon its passage; provided, however that the commencement of collection of the additional sales tax shall occur consistent with dates imposed pursuant to the Act.

PASSED BY THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, AT A SPECIAL MEETING THEREOF, THIS 12TH DAY OF OCTOBER, 2020.

CITY OF NORTH BEND:

APPROVED AS TO FORM:

Rob McFarland, Mayor

Michael R. Kenyon, City Attorney

ATTEST/AUTHENTICATED:

Effective: October 12, 2020
Posted:
Published:

Susie Oppedal, City Clerk