



INFORMATIONAL MEMORANDUM

TO: Planning and Community Development Committee

FROM: Rachel Bianchi, Deputy City Administrator

CC: Mayor Ekberg

DATE: March 7, 2023

SUBJECT: Distribution of HB 1406 Funds

ISSUE

Staff is seeking Council direction on whether the City should change how it distributes its HB 1406 funds.

DISCUSSION

In 2019 the State Legislature allowed local governments to collect a portion of state sales tax for addressing affordable housing. The tax credit is in place for up to 20 years and results in approximately \$165,000 per year in the City of Tukwila. Per State law, the funding must serve those at or below 60% of the area median income. The revenue from HB 1406 can be used for:

1. Acquiring, rehabilitating, or constructing affordable housing; and/or
2. Operations and maintenance of new affordable housing or supportive housing facilities; and/or
3. Providing rental assistance to tenants (only an option for cities with a population less than 100,000).

Currently, the City of Tukwila allocates 90% of the HB 1406 funds to rental assistance and 10% to the capital projects fund run by the South King County Housing and Homelessness Partners (SKHHP). The City of Tukwila is a founding member of SKHHP, which also includes Auburn, Burien, Covington, Des Moines, Federal Way, Kent, Maple Valley, Normandy Park, Renton and King County. Prior to the pandemic, these agencies contemplated pooling a majority of the HB 1406 funds to a capital project fund to spur affordable housing and homelessness prevention projects in South King County. Currently, the majority of these cities contribute 100% of their HB 1406 funds to SKHHP's capital efforts.

The Council deliberated – and ultimately decided – on the distribution of HB 1406 just as the COVID-19 pandemic began to show significant impacts and the decision on the existing distribution was in response to wanting to ensure Tukwila residents financially impacted by the pandemic had adequate rental assistance. However, the City committed to revisiting the distribution once the pandemic waned. Tukwila Human Services staff has seen a significant decrease in the number of qualified residents seeking rental assistance and believes this is a good time to revisit the distribution of HB 1406 funds. SKHHP's housing capital fund is now up and running with the first two projects approved for funding. The City Council authorized its allocation to these projects by a resolution adopted in February 2023.

During the original deliberation around the distribution of these funds, prior to COVID, there appeared to be some consensus around the idea of splitting the funds 70% to SKHHP and 30% to rental assistance in Tukwila. Staff believes this is the right balance of distribution of these funds, which would allow Tukwila to be a regional contributor to capital projects in South King County while retaining some funds for ongoing rental assistance. These rental assistance funds are in addition to the annual rental assistance funds included in the Human Services budget.

RECOMMENDATION

The Council is being asked to approve the new distribution of HB 1406 funds. The attached draft resolution would distribute 70% of these funds to SKHHP's capital project funds and to rental assistance in Tukwila. If the Committee concurs, staff is requesting this item go to the March 27, 2023 Committee of the Whole and then on to the Consent Agenda on April 3, 2023.

ATTACHMENTS

Resolution

DRAFT

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, REPEALING RESOLUTION NO. 1984 AND REAUTHORIZING THE MAYOR TO UTILIZE THE FUNDS COLLECTED UNDER THE PROVISIONS OF WASHINGTON STATE SUBSTITUTE HOUSE BILL 1406 AND CITY OF TUKWILA ORDINANCE 2613 AS OUTLINED HEREIN.

WHEREAS, the 2019 Washington State Legislature enacted Substitute House Bill (SHB) 1406 on July 28, 2019, which authorizes cities and counties to recapture a portion of the Washington State sales tax for use to support affordable housing initiatives; and

WHEREAS, on September 16, 2019, the Tukwila City Council adopted and enacted Resolution No. 1966 and Ordinance No. 2613, which authorize a recapture of Washington State sales tax, under SHB 1406; and

WHEREAS, SHB 1406 funds may be used for the purpose of acquiring, rehabilitating or constructing affordable housing; funding the operations and maintenance costs of new units of affordable or supportive housing; and for rental assistance; and

WHEREAS, SHB 1406 requires counties and cities that enact its provisions to also provide annual reports to the Department of Commerce; and

WHEREAS, the South King Housing and Homelessness Partnership (SKHHP) Interlocal Agreement states that “the Parties have determined that the most efficient and expeditious way for the Parties to address affordable housing needs in South King County is through cooperative action and pooling public and private resources;” and

WHEREAS, on November 22, 2019, the SKHHP Executive Board adopted Resolution 2019-06, urging its members to pool funds collected under the provisions of SHB 1406; and

WHEREAS, on April 6, 2020, the City Council adopted Resolution No. 1984 authorizing the retention of 90% of the funds collected under SHB 1406 to be used for rental assistance due to the greater community need resulting from the COVID-19 pandemic; and

WHEREAS, the City Council requested to revisit this allocation of SHB 1406 funds between rental assistance and pooling amount with SKHHP; and

WHEREAS, the City of Tukwila's rental assistance program is now adequately funded without the need to keep 90% of SHB 1406 revenue due to the emergence of other county and federal funding sources;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. Resolution of Intent. The City Council declares its intent to authorize the City of Tukwila to keep 30% of the recaptured Washington State sales tax funds collected under SHB 1406 to be used for rental assistance to Tukwila residents and to transfer the remaining funds collected to the South King Housing and Homelessness Partners (SKHHP).

Section 2. Repealer. Resolution No. 1984 is hereby repealed.

PASSED BY THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, at a Regular Meeting thereof this _____ day of _____, 2023.

ATTEST/AUTHENTICATED:

Christy O'Flaherty, MMC
City Clerk

Cynthia Delostrinos Johnson
Council President

APPROVED AS TO FORM BY:

Filed with the City Clerk: _____
Passed by the City Council: _____
Resolution Number: _____

Office of the City Attorney