



City of Tukwila  
**Planning & Economic  
 Development Committee**

- ◆ Thomas McLeod, Chair
- ◆ Kathy Hougardy
- ◆ Zak Idan

<u>Distribution:</u>	
T. McLeod	Mayor Ekberg
K. Hougardy	D. Cline
Z. Idan	R. Bianchi
D. Quinn	C. O'Flaherty
	A. Youn
	L. Humphrey

# AGENDA

**MONDAY, OCTOBER 5, 2020 – 5:30 PM**

HAZELNUT CONFERENCE ROOM  
 (At east entrance of City Hall)

**THIS MEETING WILL NOT BE CONDUCTED AT CITY FACILITIES  
 BASED ON THE GOVERNOR'S PROCLAMATION 20-28.**

**THE PHONE NUMBER FOR THE PUBLIC TO LISTEN TO THIS  
 MEETING IS: 1-253-292-9750, Access Code 548948654#**

Item	Recommended Action	Page
<b>1. BUSINESS AGENDA</b>		
a. An ordinance on House Bill 1590 – Local Sales and Use Tax for Affordable Housing. <i>Meredith Sampson, Assistant Planner</i>	a. Forward to 10/5 Regular Meeting New Business.	<b>Pg.1</b>
b. Tourism funding: (1) Lodging tax – Six-year financial model. (2) Lodging tax – New initiatives. <i>Brandon Miles, Business Relations Manager</i>	b. Discussion only.	<b>Pg.15</b>
c. Process for land sales. <i>Derek Speck, Economic Development Administrator</i>	c. Discussion only.	
<b>2. MISCELLANEOUS</b>		

**Next Scheduled Meeting:** *October 19, 2020*



The City of Tukwila strives to accommodate individuals with disabilities.  
 Please contact the City Clerk's Office at **206-433-1800** ([TukwilaCityClerk@TukwilaWA.gov](mailto:TukwilaCityClerk@TukwilaWA.gov)) for assistance.





## **INFORMATIONAL MEMORANDUM**

**TO: Planning & Economic Development Committee**

**FROM: Minnie Dhaliwal, Deputy Director of Department of Community Development**

**BY: Meredith Sampson, Associate Planner**

**CC: Mayor Ekberg**

**DATE: October 5, 2020**

**SUBJECT: HB 1590**

### **ISSUE**

Does Tukwila want to participate in legislation that will increase the City's sales tax by .1% to be used toward local investments in affordable housing and related services?

### **BACKGROUND**

During the 2020 legislative session, the state approved HB 1590 (RCW 82.14.530) which allows the legislative authority of a county or a city to impose one tenth of one percent (.1%) local sales and use tax, without voter approval, for affordable housing and related services. Previously this tax could be imposed only if approved by a majority of county or city voters. HB 1590 took effect on June 11, 2020. The legislation provides that if counties do not implement the tax by September 30, 2020, then cities have the opportunity to implement the tax.

King County can only impose this tax if they plan to spend at least 30% of the revenue collected through the sales tax increase within any city with a population greater than 60,000 people located in King County within that city's boundaries. If the county imposes the tax after a city does, the county must credit the city as well as enter into an interlocal agreement with that city to determine how the services and provisions described below will be allocated and funded in the city.

A minimum of 60% of the revenue collected from this tax must be used for the following:

1. Constructing affordable housing, which may include new units of affordable housing within an existing structure, and facilities providing housing-related services.
2. Constructing mental and behavioral health-related facilities.
3. 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.

The affordable housing units and facilities providing housing-related services may only be provided to people whose income is at or below 60% of the area median income (AMI) for King County and who fall into one of the following groups:

- People with behavioral health disabilities
- Veterans
- Senior Citizens
- Homeless, or at-risk of being homeless families with children
- Unaccompanied youth or young adults
- People with disabilities

- Domestic violence survivors

The remainder of the revenue collected from this tax must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services.

Additionally, the county or city imposing the tax has the authority to issue general obligation or revenue bonds and they may use or pledge up to 50% of the revenue collected for repayment of the bonds to finance the provision or construction of affordable housing, facilities where housing-related programs are provided, or evaluation and treatment centers. Revenue collected from this tax can be used to offset reductions in state or federal funds for the purposes described above. A maximum of 10% of the revenue collected from this tax may be used to supplant existing local funds.

## **DISCUSSION**

King County did not opt to participate in HB 1590 before the September 30, 2020 deadline, giving cities within the county the opportunity to participate themselves. However, the budget proposal that King County Council is considering includes a measure that proposes the King County Council enact the 0.1% sales tax increase as authorized by HB 1590, to fund a \$400 million investment in permanent housing for the chronically homeless – those HUD defines as residing in a place not meant for human habitation for at least year, and with a serious physical or behavioral health issues. The new funding would provide a place to call home for about 2,000 people, and, with State legislative approval, take advantage of the current favorable real estate market to make an immediate difference in people’s lives. (State legislative approval is needed because the bill as written only applies to new construction. King County would like to purchase existing structures to provide more housing for chronically homeless individuals. It is reasonable to assume that if King County gets this fix that it would be applicable to all participating jurisdictions.) State Representative Cindy Ryu and State Senator Patty Kuderer will sponsor legislation to allow jurisdictions to purchase distressed motels, hotels, nursing homes and other facilities.

The key decisions that Tukwila must make are:

### **1. Does the City want to participate?**

Participation in HB 1590 will increase the sales tax in Tukwila by .1%--or one tenth of one percent. Tukwila’s expected revenue is \$2.2 million based on 2019 data. This tax can be imposed by council manic authority, with no vote necessary by Tukwila residents.

If Tukwila participates in HB 1590 prior to King County participating, King County must provide a credit against its tax for the full amount of the tax imposed by Tukwila. The bill stipulates that King County can only impose this tax if they plan to spend at least 30% of the revenue collected through the sales tax increase within any city with a population greater than 60,000 people, which does not include Tukwila. If Tukwila does not participate in HB 1590 and King County does choose to participate, the County will decide how to use the revenue collected.

### **2. How does the City want to use the revenue?**

This decision does not need to be made at this time. If the Council decides to pass an ordinance, staff will come back to the Committee with a process for determining how the revenue will be used.

The funds collected can be used to:

- Construct affordable housing, which may include new units of affordable housing within an existing structure, and facilities providing housing-related services.
- Construct mental and behavioral health-related facilities.
- Fund 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.

### **3. What are the deadlines for adopting legislation?**

To participate, Tukwila must adopt an ordinance prior to King County acting on the legislation. King County Executive, Dow Constantine, proposed 2021-2022 budget includes enacting the .1% sales tax increase for the County.

#### **FINANCIAL IMPACT**

Tukwila's expected revenue from HB 1590 is \$2.2 million based on the sales tax collected in 2019.

#### **RECOMMENDATION**

Staff recommends that the Planning and Economic Development Committee discuss this item and provide direction to either further discuss this item at the Regular Meeting on October 5, 2020 and/or discuss this at the Committee of the Whole meeting on October 12, 2020.

#### **ATTACHMENTS**

- A. House Bill 1590
- B. Draft Ordinance



CERTIFICATION OF ENROLLMENT

**HOUSE BILL 1590**

Chapter 222, Laws of 2020

66th Legislature  
2020 Regular Session

AFFORDABLE HOUSING SALES AND USE TAX--COUNCILMANIC AUTHORITY

EFFECTIVE DATE: June 11, 2020

Passed by the House March 9, 2020  
Yeas 52 Nays 44

LAURIE JINKINS

**Speaker of the House of  
Representatives**

Passed by the Senate March 6, 2020  
Yeas 27 Nays 21

CYRUS HABIB

**President of the Senate**

Approved March 31, 2020 10:44 AM

JAY INSLEE

**Governor of the State of Washington**

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 1590** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

**Chief Clerk**

FILED

March 31, 2020

**Secretary of State  
State of Washington**





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HOUSE BILL 1590

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AS AMENDED BY THE SENATE

Passed Legislature - 2020 Regular Session

**State of Washington**                      **66th Legislature**                      **2019 Regular Session**

**By** Representatives Doglio, Dolan, Macri, Cody, Gregerson, Wylie, Appleton, Robinson, Ormsby, Frame, and Davis

Read first time 01/24/19. Referred to Committee on Housing, Community Development & Veterans.

1            AN ACT Relating to allowing the local sales and use tax for  
2 affordable housing to be imposed by a councilmanic authority; and  
3 amending RCW 82.14.530.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            **Sec. 1.** RCW 82.14.530 and 2015 3rd sp.s. c 24 s 701 are each  
6 amended to read as follows:

7            (1)(a)(i) A county legislative authority may submit an  
8 authorizing proposition to the county voters at a special or general  
9 election and, if the proposition is approved by a majority of persons  
10 voting, impose a sales and use tax in accordance with the terms of  
11 this chapter. The title of each ballot measure must clearly state the  
12 purposes for which the proposed sales and use tax will be used. The  
13 rate of tax under this section may not exceed one-tenth of one  
14 percent of the selling price in the case of a sales tax, or value of  
15 the article used, in the case of a use tax.

16            (ii) As an alternative to the authority provided in (a)(i) of  
17 this subsection, a county legislative authority may impose, without a  
18 proposition approved by a majority of persons voting, a sales and use  
19 tax in accordance with the terms of this chapter. The rate of tax  
20 under this section may not exceed one-tenth of one percent of the

1 selling price in the case of a sales tax, or value of the article  
2 used, in the case of a use tax.

3 (b) (i) ~~If a county ((with a population of one million five~~  
4 ~~hundred thousand or less has not imposed))~~ does not impose the full  
5 tax rate authorized under (a) of this subsection ~~((within two years~~  
6 ~~of October 9, 2015))~~ by September 30, 2020, any city legislative  
7 authority located in that county may ~~((submit))~~ :

8 (A) Submit an authorizing proposition to the city voters at a  
9 special or general election and, if the proposition is approved by a  
10 majority of persons voting, impose the whole or remainder of the  
11 sales and use tax rate in accordance with the terms of this chapter.  
12 The title of each ballot measure must clearly state the purposes for  
13 which the proposed sales and use tax will be used;

14 (B) Impose, without a proposition approved by a majority of  
15 persons voting, the whole or remainder of the sales and use tax rate  
16 in accordance with the terms of this chapter.

17 (ii) The rate of tax under this section may not exceed one-tenth  
18 of one percent of the selling price in the case of a sales tax, or  
19 value of the article used, in the case of a use tax.

20 ~~((ii) If a))~~ (iii) A county with a population of greater than  
21 one million five hundred thousand ~~((has not imposed the full))~~ may  
22 impose the tax authorized under (a) (ii) of this subsection ~~((within~~  
23 ~~three years of October 9, 2015, any city legislative authority))~~ only  
24 if the county plans to spend at least thirty percent of the moneys  
25 collected under this section that are attributable to taxable  
26 activities or events within any city with a population greater than  
27 sixty thousand located in that county ~~((may submit an authorizing~~  
28 ~~proposition to the city voters at a special or general election and,~~  
29 ~~if the proposition is approved by a majority of persons voting,~~  
30 ~~impose the whole or remainder of the sales and use tax rate in~~  
31 ~~accordance with the terms of this chapter. The title of each ballot~~  
32 ~~measure must clearly state the purposes for which the proposed sales~~  
33 ~~and use tax will be used. The rate of tax under this section may not~~  
34 ~~exceed one-tenth of one percent of the selling price in the case of a~~  
35 ~~sales tax, or value of the article used, in the case of a use tax))~~  
36 within that city's boundaries.

37 (c) If a county imposes a tax authorized under (a) of this  
38 subsection after a city located in that county has imposed the tax  
39 authorized under (b) of this subsection, the county must provide a  
40 credit against its tax for the full amount of tax imposed by a city.

1 (d) The taxes authorized in this subsection are in addition to  
2 any other taxes authorized by law and must be collected from persons  
3 who are taxable by the state under chapters 82.08 and 82.12 RCW upon  
4 the occurrence of any taxable event within the county for a county's  
5 tax and within a city for a city's tax.

6 (2)(a) Notwithstanding subsection (4) of this section, a minimum  
7 of sixty percent of the moneys collected under this section must be  
8 used for the following purposes:

9 (i) Constructing affordable housing, which may include new units  
10 of affordable housing within an existing structure, and facilities  
11 providing housing-related services; or

12 (ii) Constructing mental and behavioral health-related  
13 facilities; or

14 (iii) Funding the operations and maintenance costs of new units  
15 of affordable housing and facilities where housing-related programs  
16 are provided, or newly constructed evaluation and treatment centers.

17 (b) The affordable housing and facilities providing housing-  
18 related programs in (a)(i) of this subsection may only be provided to  
19 persons within any of the following population groups whose income is  
20 at or below sixty percent of the median income of the county imposing  
21 the tax:

22 (i) Persons with (~~mental illness~~) behavioral health  
23 disabilities;

24 (ii) Veterans;

25 (iii) Senior citizens;

26 (iv) Homeless, or at-risk of being homeless, families with  
27 children;

28 (v) Unaccompanied homeless youth or young adults;

29 (vi) Persons with disabilities; or

30 (vii) Domestic violence survivors.

31 (c) The remainder of the moneys collected under this section must  
32 be used for the operation, delivery, or evaluation of mental and  
33 behavioral health treatment programs and services or housing-related  
34 services.

35 (3) A county that imposes the tax under this section must consult  
36 with a city before the county may construct any of the facilities  
37 authorized under subsection (2)(a) of this section within the city  
38 limits.

39 (4) A county that has not imposed the tax authorized under RCW  
40 82.14.460 prior to October 9, 2015, but imposes the tax authorized

1 under this section after a city in that county has imposed the tax  
2 authorized under RCW 82.14.460 prior to October 9, 2015, must enter  
3 into an interlocal agreement with that city to determine how the  
4 services and provisions described in subsection (2) of this section  
5 will be allocated and funded in the city.

6 (5) To carry out the purposes of subsection (2)(a) and (b) of  
7 this section, the legislative authority of the county or city  
8 imposing the tax has the authority to issue general obligation or  
9 revenue bonds within the limitations now or hereafter prescribed by  
10 the laws of this state, and may use, and is authorized to pledge, up  
11 to fifty percent of the moneys collected under this section for  
12 repayment of such bonds, in order to finance the provision or  
13 construction of affordable housing, facilities where housing-related  
14 programs are provided, or evaluation and treatment centers described  
15 in subsection (2)(a)(iii) of this section.

16 (6)(a) Moneys collected under this section may be used to offset  
17 reductions in state or federal funds for the purposes described in  
18 subsection (2) of this section.

19 (b) No more than ten percent of the moneys collected under this  
20 section may be used to supplant existing local funds.

Passed by the House March 9, 2020.  
Passed by the Senate March 6, 2020.  
Approved by the Governor March 31, 2020.  
Filed in Office of Secretary of State March 31, 2020.

--- END ---

# DRAFT

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, RELATING TO TAXATION; IMPOSING THE ADDITIONAL LOCAL SALES AND USE TAX UNDER RCW 82.14.530 TO FUND INVESTMENTS IN AFFORDABLE AND SUPPORTIVE HOUSING AND HOUSING RELATED SERVICES, INCLUDING MENTAL AND BEHAVIORAL HEALTH RELATED FACILITIES, TO BE CODIFIED AT CHAPTER 3.15 OF THE TUKWILA MUNICIPAL CODE; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS**, Tukwila's Comprehensive Plan states that almost half of City residents are burdened by housing costs, paying more than 30% of their income for housing; and

**WHEREAS**, Goal 3.2 of Tukwila's Comprehensive Plan is that the City of Tukwila has safe, healthy, and affordable homes for all residents; and

**WHEREAS**, Goal 3.3 of Tukwila's Comprehensive Plan is that the City of Tukwila supports and collaborates with other jurisdictions and organizations to assess housing needs, coordinate funding, and preserve and create affordable housing opportunities; and

**WHEREAS**, an implementation strategy in Tukwila's Comprehensive Plan is to support and encourage legislation at the County, State, and federal level that promotes affordable housing goals; and

**WHEREAS**, House Bill 1590 was approved by the Washington State Legislature in 2020 and grants councilmanic authority to implement a sales tax based affordable housing levy; and

**WHEREAS**, the State legislation provides that any county may impose this sales tax; and any city may impose this sales tax after September 30, 2020 if the county has not imposed the full 0.1% first; and

**WHEREAS**, a minimum of 60% of the revenue collected from the tax must be used for constructing affordable housing, 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; and the remainder

of the funds collected can be used for the operation, delivery or evaluation of mental and behavioral health treatment programs and services or housing related services; and

**WHEREAS**, the facilities and programs funded through the levy must serve individuals whose income is below 60% Area Median Income (AMI) of the county imposing the tax and fall within the following population groups: 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; and

**WHEREAS**, no more than 10% of the moneys collected under this ordinance may be used to supplant existing local funds; and

**WHEREAS**, if King County imposes this tax after a city located within that county has imposed this tax, the county must provide a credit against its tax for the full amount imposed by the city; and

**WHEREAS**, RCW 82.14.530 authorizes the City of Tukwila to issue general obligation or revenue bonds to carry out the purposes of the legislation and to pledge up to 50% of the moneys collected for repayment of such bonds, in order to finance the provision or construction of affordable housing facilities or evaluation and treatment centers; and

**WHEREAS**, the City of Tukwila intends to impose the .1% (one tenth of one percent) local sales and use tax authorized under RCW 82.14.530;

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

**Section 1. Chapter 3.15 of the Tukwila Municipal Code Established.** A chapter of the Tukwila Municipal Code entitled “Sales and Use Tax for Affordable and Supportive Housing and Services,” to be codified as Tukwila Municipal Code (TMC) Chapter 3.15, is hereby established to read as follows:

**CHAPTER 3.15  
ADDITIONAL SALES AND USE TAX FOR AFFORDABLE AND  
SUPPORTIVE HOUSING AND SERVICES**

Sections:

- 3.15.010 Imposition of Additional Sales and Use Tax for Affordable and Supportive Housing and Related Services
- 3.15.020 Purposes of Tax
- 3.15.030 Administration and Collection – Statutory Compliance

**Section 2. Regulations Established.** TMC Section 3.15.010, “Imposition of Additional Sales and Use Tax for Affordable and Supportive Housing and Related Services,” is hereby established to read as follows:

**3.15.010 Imposition of Additional Sales and Use Tax for Affordable and Supportive Housing and Related Services**

A. The additional sales and use tax shall be imposed at a rate of .1% (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, as authorized by Chapter 222, Laws of 2020, which are codified in RCW 82.14.530, upon every taxable event, as defined in RCW 82.14, occurring within the City of Tukwila. The tax shall be imposed upon and collected from those persons from whom the state sales tax or use tax is collected pursuant to Chapters 82.08 and 82.12 RCW.

B. The rate of the tax imposed by TMC Section 3.15.010 shall be .1% (one-tenth of one percent) of the selling price or value of the article used, as the case may be.

**Section 3. Regulations Established.** TMC Section 3.15.020, "Purposes of Tax," is hereby established to read as follows:

### **3.15.020 Purposes of Tax**

A. The City must use a minimum of 60% of the moneys collected under TMC Section 3.15.010 only for the following purposes and in accordance with RCW 82.14.530:

1. Constructing affordable housing, which may include new units of affordable housing within an existing structure, and facilities providing housing-related services; or
2. Constructing mental and behavioral health-related facilities; or
3. 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.

B. The housing and services provided under TMC Section 3.15.020 may only be provided to persons within any of the following population groups whose income is at or below 60% of the median income of King County:

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

C. The remainder of the moneys collected under this section must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services.

D. To carry out the purposes of RCW 82.14.530, the legislative authority of the city imposing the tax has the authority to issue general obligation or revenue bonds within the limitations now or hereafter prescribed by the laws of this state, and may use, and is authorized to pledge, up to 50% of the moneys collected under this section for repayment of such bonds, in order to finance the provision or construction of affordable housing, facilities where housing-related programs are provided, or evaluation and treatment centers.

**Section 4. Regulations Established.** TMC Section 3.15.030, "Administration and Collection – Statutory Compliance," is hereby established to read as follows:

**3.15.030 Administration and Collection – Statutory Compliance**

The administration and collection of the tax imposed by TMC Chapter 3.15 shall be in accordance with the provisions of Washington State Legislature Chapter 222, Laws of 2020, which shall be codified in Chapter 82.14 RCW.

**Section 5.** The Finance Director is authorized to provide any necessary notice to the Department of Revenue to effectuate the tax enacted by this ordinance and to execute, for and on behalf of the City of Tukwila, any necessary agreement with the Department of Revenue for the collection and administration of the tax enacted by this ordinance.

**Section 6. Corrections by City Clerk or Code Reviser Authorized.** Upon approval of the City Attorney, the City Clerk and the code reviser are authorized to make necessary corrections to this ordinance, including the correction of clerical errors; references to other local, state or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering.

**Section 7. Severability.** If any section, subsection, paragraph, sentence, clause or phrase of this ordinance or its application to any person or situation should be held to be invalid or unconstitutional for any reason by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of the remaining portions of this ordinance or its application to any other person or situation.

**Section 8. Effective Date.** This ordinance or a summary thereof shall be published in the official newspaper of the City, and shall take effect and be in full force five days after passage and publication as provided by law.

PASSED BY THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, at a Regular Meeting thereof this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

ATTEST/AUTHENTICATED:

\_\_\_\_\_  
Christy O'Flaherty, MMC, City Clerk

\_\_\_\_\_  
Allan Ekberg, Mayor

APPROVED AS TO FORM BY:

Filed with the City Clerk: \_\_\_\_\_

Passed by the City Council: \_\_\_\_\_

Published: \_\_\_\_\_

Effective Date: \_\_\_\_\_

Ordinance Number: \_\_\_\_\_

\_\_\_\_\_  
Office of the City Attorney





## INFORMATIONAL MEMORANDUM

TO: **Planning and Economic Development Committee**

FROM: **Brandon Miles, Business Relations Manager**

CC: **Mayor Ekberg**

DATE: **September 28, 2020**

SUBJECT: **Lodging Tax Six Year Financial Model**

### **ISSUE**

Discussion of the lodging tax six-year financial model and possible funding reductions due to COVID-19

### **BACKGROUND**

The City of Tukwila collects a 1% lodging tax on all eligible stays in Tukwila hotels, motels, and Airbnbs. Washington State law limits the use of lodging tax funds to tourism promotion activities. Funds collected can be used by the City or third parties to help bring tourists (both day and night tourists) to the City.

State Law allows the City to use lodging tax funds as follows:

- Tourism marketing;
- Marketing and operations of special events and festivals designed to attract tourists;
- Operations and capital expenditures of tourism-related facilities owned or operated by a municipality or a public facilities district; or
- Operations of tourism-related facilities owned or operated by nonprofit organizations.

Historically, the City has used lodging tax funds for a variety of activities including providing funds to Seattle Southside Regional Tourism Authority, the Museum of Flight, Starfire Sports, Seattle Southside Chamber of Commerce, and the City of Tukwila. Funds have been used for a variety of activities, such as marketing, small festivals, and sponsorship of tourist related events.

In 2019 the City collected \$819,000 in lodging tax. The City ended 2019 with approximately \$1.9 million of funds on hand. For 2020 the City is forecasting a significant drop in lodging tax funds due to COVID-19. Staff is now forecasting that lodging tax fund revenues will only be about \$400,000 in 2020. Unspent will remain in the City's lodging tax funds and can be used in future years. State law does not allow lodging tax funds to be used to support City general operations.

The table below outlines approved lodging tax applications for 2019:

<b>Applicant</b>	<b>Activity Funded</b>	<b>Total Amount</b>	<b>New Activity for 2019?</b>
Seattle Southside Regional Tourism Authority (SSRTA)	Destination Marketing activities, focused on tourists outside 50 miles of the City.	\$202,500	No, the City has provided this amount of funding annually to SSRTA over the last five years.

Starfire Sports	Marketing for soccer events and tournaments.	\$44,500	No, the City has provided lodging tax funds to Starfire Sports for a number of years. The amount varies year to year.
Museum of Flight (MoF)	50 <sup>th</sup> anniversary exhibit of the Apollo 11 moon landing.	\$100,000	No, the City has had previous agreements with MoF for lodging tax funds. The amounts provided per year have ranged between \$35,000 and \$100,000.
City of Tukwila	2019 Rave Green Run	\$10,000	No, the City also sponsored this event in 2018.
City of Tukwila	General Administration (Funding for staff time, operations associated with the lodging tax program, and indirect fee allocation to the general fund.	\$116,525	No, the City has since 2017 an application for this item.
City of Tukwila	International Food Truck Rally (two separate events).	\$10,402	Yes.
City of Tukwila	International Rugby Promotion	\$15,459	Yes
City of Tukwila	Southcenter 50	\$7,500 (2019 expenditures only).	Yes
City of Tukwila	Southcenter Art	\$40,000	Yes
City of Tukwila	Tukwila Pond Master Plan	\$125,000	Yes

Six Year Financial Model

Starting in 2019 the City began to use a six-year financial model to guide the lodging tax program. The six-year financial model is used as a roadmap and is not a binding document for how the City will award funds. The updated six-year financial model is attached with this memo.

The following are the key highlights of the draft six-year financial model:

Revenue

Projected revenue through 2025 are shown, including the original, pre-COVID-19 anticipated revenue. Staff is forecasting a drastic reduction in lodging tax revenue due to a decrease in traveler spending. Just like after September 11 terror attacks, it will likely take a number of years for traveler spending to resume to its pre-COVID-19 levels.

Expenses

Expenses have been categorized into four major categories, with specific sub-categories under the major categories. A discussion of the specific sub-categories is provided below.

**Marketing, Sales, and Sponsorships**

• Contracted DMO Services

The City contracts for services from Seattle Southside Regional Tourism Authority (SSRTA) a destination marketing organization (DMO) to market the City to tourists outside of the 50 miles radius<sup>1</sup>. SSRTA provides a critical service marketing the City under the “Seattle Southside” name. The City also have a relationship with Visit Seattle, which provides DMO services for the entire county.

In 2019 the City provided \$202,500 to SSRTA to support SSRTA’s activities promoting the City. These funds are combined with TPA funds generated in the cities of SeaTac and Des Moines, as well as lodging tax funds from those two cities. SSRTA has budgeted ending 2021 with just over \$3.7 million of funds on hand.

Total Forecasted Expenditures through 2025:           \$1,012,500

• Sponsorships (MoF, Starfire Sports, etc)

Third parties, such as the Museum of Flight and Starfire Sports, are eligible to apply to receive lodging tax funds directly from the City. If awarded by the City, the City will enter a sponsorship agreement with the City to receive the funds and to outline the benefits provided to City from the sponsorship.

Total Forecasted Expenditures through 2025:           \$610,000

• Small Events (Tukwila Days, Spice Bridge, Juneteenth, etc.)

A small amount of funds has been allocated to help support and develop events in the City. These events would likely be produced and held by third parties, with financial assistance provided by the City. These small events can provide enormous benefit in helping the City develop a tourist entity.

Total Forecasted Expenditures through 2025:           \$65,000

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<sup>1</sup> The 50-mile radius is used because its generally believed that people who live more than 50 miles away from the City are more likely to visit the City as overnight guests versus coming just for the day.  
[https://tukwilawa.sharepoint.com/sites/mayorsoffice/cc/Council Agenda Items/Mayor's Office/PED, Oct. 5/Lodging Tax, Six Year Financial Model.doc](https://tukwilawa.sharepoint.com/sites/mayorsoffice/cc/Council%20Agenda%20Items/Mayor's%20Office/PED,%20Oct.%205/Lodging%20Tax,%20Six%20Year%20Financial%20Model.doc)

- Experience Tukwila, Branding and Marketing, Visitors

In 2020 the City launched digital platforms to promote the City to visitors, prospective businesses, and to help improve the overall image of the City. The digital platforms include Facebook, Twitter, Instagram, LinkedIn, and a dedicated website (currently under development). There will be ongoing costs to maintain these digital assets and to provide up to date images and stories promoting the City.

Total Forecasted Expenditures through 2025:        \$388,375

- World Cup Planning and Activation

The United, Canada, and Mexico will host the FIFA World Cup in 2026. Given Seattle's strong soccer fan base it is anticipated that Seattle may host several of the soccer matches. Should this occur tens of thousands of fans from throughout the globe will come to Seattle to watch these games. In addition, it is highly likely that Starfire Sports will be used by teams for training. With its proximity to Sea-Tac Airport and Starfire Sports, Tukwila could see a large influx of tourists for the World Cup. Staff has allocated funds to help with planning and preparation.

Total Forecasted Expenditures through 2025:        \$180,000

### COVID-19 Response

- SavingLocalKC.com

SavingLocalKC.com is a countywide initiative to help drive sales to businesses impacted by COVID-19 and the associated stay home orders. Staff is not anticipating provided lodging tax funds for SavingLocalKC.com after 2020.

Total Forecasted Expenditures through 2025:        \$154,170 (2020 funds)

- SSRTA Emergency Funds

As part of COVID-19 recovery, SSRTA requested funds to help market the region to meetings. The funds provided by the City will go to a rebate program for meetings booked in the City.

Total Forecasted Expenditures through 2025:        \$70,000

- Showare Sponsorship

When COVID-19 hit the region the City of Kent enacted a spending freeze which impacted all funds, including its lodging tax program. The City of Tukwila and City of Kent have discussed a partnership program in which events would be held at Showare and their hotel stays would be in Tukwila hotels. Groups that stay in Tukwila would be eligible for a rebate for each night booked in Tukwila.

Total Forecasted Expenditures through 2025:        \$20,000

- Seattle Southside Chamber of Commerce

The Seattle Southside Chamber of Commerce launched the “Soundside Promise” initiative to help businesses recover from COVID-19. The City of Tukwila is a supporter and the City Council approved a lodging tax request from the Chamber to support the initiative.

Total Forecasted Expenditures through 2025: \$50,000

**Destination Development**

• Wayfinding Plan Development and Installation

At the September 21, 2020 PED meeting staff provided an outline of a proposed initiative to develop a wayfinding plan for the tourist areas of the City. PED expressed interest in moving forward with developing a wayfinding plan and future installation of signage. The six-year financial model includes funds to complete the master plan and installation of some signage.

Total Forecasted Expenditures through 2025: \$450,000

• Southcenter Art Investment

In 2020 the LTAC and City Council approved a lodging tax application for the City’s Parks Department to develop an arts plan and to develop initial art along Baker Blvd. Baker Blvd was chosen because it has been identified as an event street and because it is part of the pedestrian spine connecting the commuter rail station to Westfield Southcenter. Additional funds have been allocated to install art throughout Southcenter, which will help create a better tourist destination.

Total Forecasted Expenditures through 2025: \$339,400

• Tukwila Pond

The City has long identified Tukwila Pond as a future amenity for the Southcenter District. The first step in turning the Pond vision into a reality is to complete a master plan. In 2019 LTAC and the City Council approved \$125,000 to the City’s Parks Department to complete the Plan. This work is anticipated to begin in 2020 and conclude in 2021. Staff has allocated funds in 2020 and 2021 to complete the Master Plan. Additional funds are shown in outlying years to be used for additional studies and park improvements. The funds allocated by lodging tax are not sufficient to complete all the anticipated future work needed for the Pond, other funds from the City and/or grants will be needed. Lodging tax funds could be used as a match to help secure additional sources of funds.

Total Forecasted Expenditures through 2025: \$725,000

**General Administration**

• Salary and Benefits

The lodging tax funds supports .5 FTE in the Economic Development Office. The half time staff member is responsible for overseeing the City’s tourist program, administering the lodging tax funding program, and staffing the LTAC. The salary and benefits shown were provided by the City’s Finance Department.

- City Overhead

State law allows the City to charge special funds, such as the lodging tax, an indirect cost allocation. The indirect cost allocation reimburses the general fund for costs associated for support the lodging tax funds. These costs include legal, facilities, technology services, fleet, and accounts payable. The indirect costs included in the six-year financial model was provided by the City's Finance Department.

- Administrative

The City includes funds for direct administrative costs associated with the City's work on promoting the City and management of the tourism program. These costs include travel, parking, registration for events, training, and educational materials. These funds are provided for any staff or elected official engaged in tourism related activities or events. The funds also include membership to several national and regional organizations which enhance the City's ability to bring tourist to the City.

Total Forecasted Expenditures through 2025:           \$130,000

## **DISCUSSION**

COVID-19 will have a severe impact on the City's lodging tax program over the next six years. Staff is not anticipating that lodging tax revenue will return to their pre-COVID-19 levels until 2025. Since 2014 the City has built up a considerable ending fund balance for the lodging tax. There is currently just over \$1.9 million of lodging tax funds available for the City to spend. This ending fund balance can be used to continue the City's investment in its tourist economy, even with the pullback in lodging tax collection. However, by 2024 the City will have used its ending fund balance and will no longer be able to support many of the initiatives identified above. Staff believes it would be prudent now to update the six-year financial model in order to avoid having to make drastic budget modifications in the future.

### Next Steps

Staff is requesting input from the Committee on modifications to the six-year financial model in order to address the forecasted budget deficit starting in 2024. Staff will come back to PED at the next meeting to address in more detail the three possible items identified above and any other suggestions from the Committee. This information will ultimately be used by staff and PED in the preparation of the final six-year financial model.

## **FINANCIAL IMPACT**

None. The six-year financial model is a planning document only and does not authorize any expenditure of lodging tax funds.

## **RECOMMENDATION**

Discussion Only.

## **ATTACHMENTS**

- Draft Six Year Financial Plan

# Lodging Tax Six Year Financial Plan

DRAFT, DISCUSSION ONLY

	Adopted Budget 2020	Estimate						Totals
		2020	2021	2022	2023	2024	2025	
<b>Revenue</b>								
Estimate as of January 2020	\$ 800,000	\$ 840,000	\$ 882,000	\$ 926,100	\$ 972,405	\$ 1,021,025	\$ 6,241,530	
Estimate as of May 7, 2020	\$ 800,000	\$ 400,000	\$ 450,000	\$ 600,000	\$ 700,000	\$ 800,000	\$ 5,744,095	
<b>Expenses</b>								
<b>Marketing, Sales, and Sponsorships</b>								
Contracted DMO Services	\$ 202,500	\$ 202,500	\$ 202,500	\$ 202,500	\$ 202,500	\$ 202,500	\$ 1,012,500	
Sponsorships (MoF, Starfire Sports, etc)	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 610,000	
Small Events (Tukwila Days, Spice Bridge, Juneteenth, etc)	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 65,000	
Experience Tukwila, Branding and Marketing, Visitors	\$ 88,375	\$ 88,375	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 388,375	
World Cup Planning and Activation	-	\$ 40,000	\$ 40,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 180,000	
<b>COVID-19 Response</b>								
SavingLocalKC.com	\$ 154,170	\$ 154,170					\$ 154,170	
SSRTA Emergency Funding	-	\$ 75,000					\$ 75,000	
Showare Sponsorship		\$ 15,000	\$ 5,000				\$ 20,000	
Seattle Southside Chamber of Commerce	-	\$ 20,000					\$ 50,000	
<b>Destination Development</b>								
Wayfinding Plan Development and Installation	\$ 50,000	\$ 100,000	\$ 150,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 450,000	
Southcenter Art Investments	\$ 39,400	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 339,400	
Tukwila Pond	\$ 125,000	\$ 100,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 725,000	
<b>General Administration</b>								
Salary and Benefits	\$ 74,997	\$ 78,802	\$ 79,978	\$ 82,377	\$ 84,849	\$ 87,394	\$ 398,287	
City Overhead Charge	\$ 19,416	\$ 24,008	\$ 25,231	\$ 25,988	\$ 26,768	\$ 27,571	\$ 121,410	
Administrative	\$ 30,000	\$ 20,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 130,000	
Total Expenditures:	\$ 948,858	\$ 1,000,310	\$ 1,047,709	\$ 1,005,865	\$ 1,009,116	\$ 1,012,465	\$ 7,609,929	
Beginning Fund Balance:	\$ 1,975,454	\$ 1,719,312	\$ 1,119,002	\$ 521,293	\$ 115,428	\$ (193,688)		
Ending Fund Balance:	\$ 1,826,596	\$ 1,119,002	\$ 521,293	\$ 115,428	\$ (193,688)	\$ (406,153)		

## Notes

Salary for Business Manager is split 50/50 between general fund and lodging tax. Salary savings reflects credit to lodging tax for 14 furlough days for 2020.

After 2022, salary and benefits is assumed to rise 3% per year.

After 2022, City overhead charge is assumed to increase 3% per year.

City overhead charge is charged to all special funds and recoups the cost of the general fund to support the lodging tax fund. This include facilities, IT services, legal, and accounting.

This document does not bind the City to provide funds nor does it authorize any funding. All use of lodging tax funds must be approved by LTAC and the City Council through an application process.

Cells in green show approved applications.

Updated 9/29/2020 by BJM







## **INFORMATIONAL MEMORANDUM**

**TO: Planning and Economic Development Committee**

**FROM: Brandon Miles, Business Relations Manager**

**CC: Mayor Ekberg**

**DATE: September 28, 2020**

**SUBJECT: Lodging Tax New Initiatives**

### **ISSUE**

Discussion of possible new initiatives for the lodging tax program.

### **BACKGROUND**

The City of Tukwila collects a 1% lodging tax on all eligible stays in Tukwila hotels, motels, and Airbnbs. Washington State law limits the use of lodging tax funds to tourism promotion activities. Funds collected can be used by the City or third parties to help bring tourists (both day and night tourists) to the City<sup>1</sup>.

State Law allows the City to use lodging tax funds as follows:

- Tourism marketing;
- Marketing and operations of special events and festivals designed to attract tourists;
- Operations and capital expenditures of tourism-related facilities owned or operated by a municipality or a public facilities district; or
- Operations of tourism-related facilities owned or operated by nonprofit organizations.

Third parties can request the lodging tax directly or the City can also request the funds on the organization's behalf. Any third-party obtaining lodging tax funds from the City must enter a service contract with the City.

### **DISCUSSION**

Staff is working with PED and the Lodging Tax Advisory Committee (LTAC) to prepare a six-year financial model for the lodging tax program. As part of this model, staff would like to identify possible new initiatives. These new initiatives will be categorized and then placed into the appropriate line item within the six-year financial model.

Based upon previous discussions with the City Council, LTAC, and community members, staff has identified the following new activities:

1. Funding of more art throughout the City.
2. More events within the City, specifically along Tukwila International Blvd.
3. A Tukwila signature event.
4. Marketing and promoting the City better within the region.
5. Exploring opportunities with the cities of Renton and Kent, specifically focused on aerospace and technology groups (KentValleyWa.com)
6. Overall business attraction.

What else should be consider adding to the six-year financial model?

**FINANCIAL IMPACT**

None. The six-year financial model is a planning document only and does not authorize any expenditure of lodging tax funds.

**RECOMMENDATION**

Discussion only. Staff would suggest that the Committee Chair report out at the full Council about new initiatives and invite other councilmembers to provide their ideas to staff.

**ATTACHMENTS**

None.