

ORDINANCE NO. 2019-020

AN ORDINANCE imposing the maximum capacity available from the City's annual taxable retail sales and use tax, as provided for in Substitute House Bill 1406 effective July 28, 2019, to be used for the provision of affordable housing opportunities within the City.

WHEREAS, the residents of the City of Yakima are subject to a retail sales and use tax of 8.2% for retail goods and services purchased within the City; and

WHEREAS, the City of Yakima does not impose any of the "qualifying local taxes" identified in Section 1(1)(e) of Substitute House Bill 1406; and

WHEREAS, Substitute House Bill 1406 provides the opportunity to a city to legislatively authorize, fix and impose a sales and use tax in the maximum amount of up to 0.0146% of the taxable retail sales occurring in the City; the maximum amount available to the City is determined by a number of factors that include whether the City levies a "qualifying local tax"; and

WHEREAS, the tax imposed under Substitute House Bill 1406 must be deducted from the amount of tax otherwise required to be collected or paid to the Department of Revenue, as authorized under RCW 82.08 and RCW 82.12, and retained by the City; and

WHEREAS, the tax revenue that the City is authorized to retain under the operation of Substitute House Bill 1406 may only be used for acquiring, rehabilitating or constructing affordable housing, including new units of affordable housing within existing structures or facilities providing supportive housing services, or for providing rental assistance to tenants; and

WHEREAS, the housing and services provided pursuant to the use of the taxes retained under the operation of Substitute House Bill 1406 may only be provided to persons with incomes at or below 60% of the median income of the City; and

WHEREAS, the Yakima City Council is keenly aware of the need in the community for opportunities to provide affordable housing assistance to the residents of the City who are experiencing low income, as well as the fact that there is a shortage of good quality affordable housing within the community; and

WHEREAS, the City Council finds that it is in the best interests of the City to take advantage of this opportunity to retain the maximum amount of the sales and use tax revenue collected within the City to enhance the affordable housing opportunities to low income residents of the City; Now, Therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF YAKIMA:

Section 1. Section 3.78.065 entitled "Imposition of sales and use tax for affordable and supportive housing" is added as a new Section to the Yakima Municipal Code and reads as follows:

3.78.065 Imposition of sales and use tax for affordable and supportive housing.

A. There is imposed a sales and use tax, as the case may be, as authorized by Chapter 338, Laws of 2019, which shall be codified in chapter 82.14 RCW, upon every taxable event, as

defined in chapter 82.14 RCW, occurring within the City of Yakima. The tax shall be imposed upon and collected from those persons from whom the state sales tax or use tax is collected pursuant to chapter 82.08 and 82.12 RCW.

B. The rate of the tax imposed by this Section 3.78.065 shall be the maximum rate authorized under Chapter 338, Laws of 2019, which shall be 0.0073 percent, except that in the event the City of Yakima levies a "qualifying local tax" as defined by and before the deadline imposed by Chapter 338, Laws of 2019, the rate shall be 0.0146 percent.

C. The tax imposed under this Section 3.78.065 shall be deducted from the amount of tax otherwise required to be collected or paid to the Department of Revenue under chapter 82.08 or 82.12 RCW. Under subsection 1(3) of Chapter 338, Laws of 2019, the Department of Revenue will perform the collection of such taxes on behalf of The City of Yakima at no cost to the City.

D. Under subsections 1(4) and 1(5) of Chapter 338, Laws of 2019, the Department of Revenue will calculate the maximum amount of tax distributions for The City of Yakima based on the taxable retail sales in the City in state fiscal year 2019, and the tax imposed under this Section 3.78.065 will cease to be distributed to the City of Yakima for the remainder of any state fiscal year in which the amount of tax exceeds the maximum amount of tax distributions for the City as properly calculated by the Department of Revenue. Distributions to The City of Yakima that have ceased during a state fiscal year shall resume at the beginning of the next state fiscal year.

Section 2. Section 3.78.067 entitled "Purposes of tax" is added as a new Section to the Yakima Municipal Code and reads as follows:

3.78.067 Purposes of tax.

A. The City may use the funds collected by the tax imposed under section 3.78.065 or bonds issued under subsection 1(9) of Chapter 338, Laws of 2019 only for the following purposes and in accordance with Chapter 338, Laws of 2019:

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; or
3. Providing rental assistance to tenants, unless and until the population of the city of Yakima should exceed 100,000, upon which event the funds collected shall only be used in accordance with 3.78.067(A)(1) and (2).

B. The housing and services provided under this Section 3.78.067 may only be provided to persons whose income is at or below 60 percent of the median income of the City.

C. In determining the use of funds under this Section 3.78.067, the City must consider the income of the individuals and families to be served, the leveraging of the resources made available under Section 3.78.065, and the housing needs within the City.

D. The City of Yakima must report annually to the Washington State Department of Commerce, in accordance with the Department's rules, on the collection and use of the revenue from the tax imposed under Section 3.78.065.

E. Under subsection 1(12) of Chapter 338, Laws of 2019, the tax imposed by the City under Section 3.78.065, will expire 20 years after the date on which the tax is first imposed. The Finance Director shall provide notice to the City Council and the City Manager of the expiration date of the tax each year beginning three years before the expiration date, and shall also promptly notify the City Council and City Manager of any changes to the expiration date.

Section 3. Section 3.78.080 of the Yakima Municipal Code is hereby amended to read as follows:

3.78.080 Administration and collection of tax.

The administration and collection of the tax imposed by Sections 3.78.060 through 3.78.100 of this chapter shall be in accordance with the provisions of RCW 82.14.050 and Chapter 338, Laws of 2019.

Section 4. 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 Yakima, any necessary agreement with the Department of Revenue for the collection and administration of the tax enacted by this ordinance.

Section 5. Any notice given or agreement executed by the Finance Director as authorized by Section 4 of this ordinance prior to the effective date of this ordinance is ratified and confirmed.

Section 6. Severability. If any section, subsection, paragraph, sentence or clause of this ordinance is declared invalid or unconstitutional for any reason, such decision shall not affect the validity or constitutionality of the remaining portions of the ordinance.

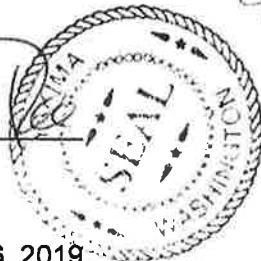
Section 7. Sections 1 through 3 of this ordinance shall take effect on November 1, 2019.

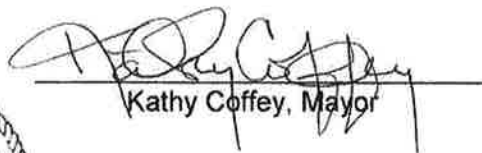
Section 8. This ordinance shall be in full force and effect 30 days after its passage, approval, and publication as provided by law and by the City Charter.

PASSED BY THE CITY COUNCIL this 3rd day of September, 2019.

ATTEST:


Sonya Claar Tee




Kathy Coffey, Mayor

Publication Date: September 6, 2019
Effective Date: October 6, 2019



**BUSINESS OF THE CITY COUNCIL
YAKIMA, WASHINGTON
AGENDA STATEMENT**

Item No. 15.
For Meeting of: September 3, 2019

ITEM TITLE: Ordinance imposing a local sales and use tax, as provided for in Substitute House Bill 1406, to be used for the provision of affordable housing opportunities within the City; adding new Sections 3.78.065 and 3.78.067 to the Yakima Municipal Code; and amending Section 3.78.080 of the Yakima Municipal Code

SUBMITTED BY: Ryan Bleek, Assistant City Attorney

SUMMARY EXPLANATION:

On July 28, 2019, Substitute House Bill 1406 went into effect. The Bill provides an opportunity for participating cities and counties to retain up to a maximum amount of 0.0146% of the retail sales and use tax otherwise collected by and paid to the State to be used for purposes of supporting the provision of affordable housing within the participating city or county. The actual tax rate permitted to be imposed by each jurisdiction is dependent on several factors specified in HB 1406. As a credit against the sales and use tax collected by the State, the total tax paid by the consumer will not increase.

On August 5, 2019, the Yakima City Council passed Resolution R-2019-076 expressing the Council's intent to adopt legislation authorizing the imposition of the sales and use tax pursuant to HB 1406, which this ordinance would so impose. The passage of this ordinance would comply with the requirement of HB 1406 that legislation authorizing the sales and use tax be passed no later than July 27, 2020. Additionally, the sooner that this ordinance goes into effect, the sooner the City can access the funds available under HB 1406. Such funds may be used by the City for acquiring, rehabilitating or constructing affordable housing, including new units of affordable housing within existing structures or facilities providing supportive housing services, or for providing rental assistance to tenants. The affordable housing assistance is available to persons whose income is at or below sixty percent of the City's median income level.

ITEM BUDGETED: NA

STRATEGIC PRIORITY: Neighborhood and Community Building

**APPROVED FOR
SUBMITTAL:**

Interim City Manager

STAFF RECOMMENDATION:

Pass Ordinance.

BOARD/COMMITTEE RECOMMENDATION:**ATTACHMENTS:**

Description	Upload Date	Type
 ord redline	8/28/2019	Cover Memo
 Ordinance re Sales Taxes & HB 1406 w-changes accepted	8/28/2019	Ordinance