



**Date:** July 16, 2019  
**To:** City Council  
**From:** Nathan West, *City Manager*, and William Bloor, *City Attorney*  
**Subject:** Deadlines for Enacting Local Qualifying Taxes to Take Advantage of HB 1406

**Summary:** This year, Washington State enacted HB 1406. It authorizes cities to increase tax revenue to be used for affordable housing. To obtain the greatest revenue increase under HB 1406, a city must 1) enact a “local qualifying tax” no later than July 28, 2020 and 2) declare its intention to authorize the sales tax credit created by HB 1406 no later than January 28, 2020. This issue is extremely time sensitive considering the ultimate deadline for implementation and available election dates.

**Funding:** Funding for the special elections follows: 1) November 5, 2019 General Election-\$7,000-\$12,000 total; 2) February 11, 2020 Special Election-possibly up to \$70,000 if no other jurisdiction is on the ballot; 3) April 28, 2020 Special Election-possible up to \$70,000 if no other jurisdiction is on the ballot. Election costs are distributed among participating jurisdictions based on the number of races/measures each has on the ballot and the number of voters in each of the participating jurisdictions.

**Recommendation:** Consider whether and when to adopt the attached two Resolutions: 1) one Resolution provides for the submission to the voters of the City at the November general election a proposition to impose a “qualifying local tax” of 0.1 percent for affordable and supportive housing; 2) the second Resolution declares the Council’s intent to authorize a 0.0146 percent sales tax credit. The revenue generated by both resolutions is limited to the support of affordable and supportive housing.

**Background / Analysis:** At the July 2, 2019 Council Meeting, a number of the Councilmembers expressed an interest in enhancing the City’s revenue stream for the purpose of affordable housing. To collect the basic tax authorized by HB 1406, the City, not later than January 28, 2020, must declare its intention to authorize that tax. This issue is extremely time sensitive considering the ultimate deadline for implementation and available election dates.

Additionally, to obtain the greatest revenue increase under the newly-enacted HB 1406, the City must enact a “local qualifying tax” no later than July 28, 2020. HB 1406 identifies four different taxes that qualify as a “local qualifying tax” for the purpose of funding affordable housing: RCW 82.14.460, RCW 82.14.530, RCW 84.52.050, and RCW 84.52.105. The first two involve a sales tax rate change and the second two involve property tax levies. All four require the City Council to submit a ballot proposition to a vote of the people for approval. Staff recommends the sales tax options considering associated costs will be shared with millions of individuals that

visit our community annually. The deadlines that must be met for the City to place ballot propositions before the voters at upcoming elections are the same for all four of the taxes.

**Elections Between July 2019 and July 2020**

As noted above, in order to take full advantage of the provisions of HB 1406, the City must enact the “local qualifying tax” no later than July 28, 2020. Pursuant to RCW 29A.04.330(2) and RCW 29A.04.311, the following elections will be held between July 2019 and July 2020:

August Primary Election:	August 6, 2019 <sup>1</sup>
November General Election:	November 5, 2019
February Special Election:	February 11, 2020
April Special Election:	April 28, 2020

The following table shows the filing deadlines and the dates taxes would take effect for each election date.

Event			
Election Date	November 5, 2019	February 11, 2020	April 28, 2020
Submission of Resolution to County Auditor	August 6, 2019	December 13, 2019	February 11, 2020
Date Increase Takes Effect	Sales taxes would increase April 1, 2020; and property taxes would increase Jan. 1, 2021	Sales taxes would increase July 1, 2020; and property taxes would increase Jan. 1, 2021	Both Sales taxes and property taxes would increase Jan. 1, 2021

In considering the foregoing, it is important to note that the deadlines shown above are the dates on or before which the City must file its formal resolution and ballot title with the county Auditor. A certain amount of time is required to prepare the resolution and for the City Council to formally approve it.

The period of time necessary to formally approve the necessary resolutions is not subject to statutory guidelines, and it can vary. A significant lead time could be required – the Council may take time to evaluate and select from among the four different “local qualifying tax” choices; may elect to conduct one or more public hearings, and may deliberate concerning the precise wording of any ballot proposition to be submitted to the voters. In contrast, there is no statutory requirement that deliberation over the options provided by HB 1406 must continue over several council meetings. It is possible to deliberate and take final action within a single City Council meeting.

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<sup>1</sup> The filing deadlines have already passed for this election.

In regard to timing, note that it is much less expensive for the City to place a ballot proposition on a general election ballot, rather than a special election ballot. The only general election that falls within the time limits set by HB 1406 is the November 2019 election. The filing deadline for that election is August 6, 2019. Therefore, if the Council wants to place a ballot proposition on the general ballot, it will need to act tonight, or will need to act at a special City Council meeting called prior to August 6.

**Funding Overview:** Funding for the special elections is as follows: 1) November 5, 2019 General Election-\$7,000-\$12,000 total; 2) February 11, 2020 Special Election-possibly up to \$70,000 if no other jurisdiction is on the ballot; 3) April 28, 2020 Special Election-possible up to \$70,000 if no other jurisdiction is on the ballot. Election costs are distributed among participating jurisdictions based on the number of races/measures each has on the ballot and the number of voters in each of the participating jurisdictions.

RESOLUTION NO. 14-19

A RESOLUTION of the City Council of the City of Port Angeles, Washington, providing for the submission to the voters of the City of a Proposition to impose a qualifying local tax of 0.1 percent pursuant to RCW 82.14.530 for affordable and supportive housing.

WHEREAS, the City Council for the City of Port Angeles, Washington desires to implement a local sales tax in support of affordable or supportive housing; and

WHEREAS, the City of Port Angeles is struggling with affordable housing issues because of a shortage of affordable housing; and

WHEREAS, many people are paying more than 50 or 60 percent of income on rent; and

WHEREAS, people are living in places that are not meant to be housing, such as cars or streets and others are on the verge of homelessness; and

WHEREAS, the revenue in this bill targets people who need it most; and

WHEREAS, the funds derived from a 0.1 percent sales tax is collected and distributed locally, and

WHEREAS, fund from this sales tax shall be used only for the following purposes:

Constructing affordable housing, which may include new units of affordable housing within an existing structure, and facilities providing housing-related services; 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.

WHEREAS, RCW 82.14.530 provides for the imposition of a 0.1 percent sale tax if authorized by a ballot proposition approved by a majority of voters at an election held within the taxing district; and

WHEREAS, the City Council has determined it is in the best interest of the City and its residents to submit a proposition pursuant to RCW 82.14.530.

BE IT RESOLVED by the City Council of the City of Port Angeles as follows:

Section 1. Pursuant to RCW 82.14.530, the Port Angeles City Council hereby calls for the submission of a proposition to the qualified electors of the City asking whether the City should impose a qualifying local tax of 0.1 percent pursuant to RCW 82.14.530, to be used only for the following purposes:

Constructing affordable housing, which may include new units of affordable housing within an existing structure, and facilities providing housing-related services; 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.

Section 2. Ballot Title. The City Clerk is hereby authorized and directed to certify the following proposition to the Clallam County Auditor in substantially the following form:

CITY OF PORT ANGELES PROPOSITION NO. 1  
AFFORDABLE AND SUPPORTIVE HOUSING – LOCAL SALES AND USE TAX

The City Council of the City of Port Angeles adopted Resolution No. \_\_\_\_\_ concerning a proposition to implement a sales tax of 0.1 percent pursuant to RCW 82.14.530 to be used only for construction of affordable housing, or funding the operations and maintenance of new units of affordable housing and facilities where housing-related programs are provided.

Should this proposition be approved?

YES .....

NO.....

Section 3. Election. The City Manager is authorized and directed to make all arrangements and agreements necessary to have this ballot measure included on the ballot at the November 5, 2019 general election.

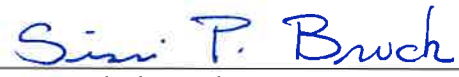
Section 4. Corrections. The City Clerk and City Attorney are authorized to make necessary clerical corrections to this resolution including, but not limited to, the correction of scrivener's/clerical errors, references, resolution numbering, section/subsection numbers and

any references thereto, and to make corrections or revisions consistent with the requirements of state and local law which do not change the substantive meaning of this resolution.

Section 5. Severability. In the event any one or more of the provisions of this resolution shall for any reason be held to be invalid, such invalidity shall not affect or invalidate any other provision of this resolution, but this resolution shall be construed and enforced as if such invalid provision had not been contained herein.

Section 6. Effective Date. This Resolution shall be in full force and effect immediately upon adoption.

ADOPTED by the City Council of the City of Port Angeles at a regular meeting of said Council held on the 16<sup>th</sup> day of July, 2019.

  
Sissi Bruch, Mayor

ATTEST:

  
Kari Martinez-Bailey, City Clerk

APPROVED AS TO FORM:

  
William E. Bloor, City Attorney