



Mayor Nadine Woodward

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CITY CLERK'S OFFICE

December 14, 2020

Spokane City Council
808 W. Spokane Falls Blvd.
Spokane, WA 99201

Dear Council President Beggs and Councilmembers,

Thanks to years of regional growth, Spokane has become a larger, and more economically, socially, and culturally diverse community. As a result, Spokane is a more dynamic and richer place to live. Yet, there is another side to this story; sustained growth has resulted in a concerning decrease in the affordable housing options we have long enjoyed. Regardless of income or circumstance, it's a challenge to find rental or purchase options. This is especially pronounced for our lower income neighbors, first time buyers, and young families. I acknowledge these challenges and am writing to inform you that I will allow Ordinance C35982 to become law without my signature.

As Mayor, I firmly believe the success of our city is tied to its vibrancy, the affordability of our neighborhoods, and the holistic quality of life that residents have, and I am wholly committed to looking at ways we can create solutions to make sure we remain on the best path forward for our region.

Tragically, today we find ourselves 10 months into a global pandemic that has crippled the livelihoods of so many members of our community and placed unparalleled stress, both financially and mentally, on our families. We are also facing housing price growth coupled with a looming economic recession. The City Council's decision to implement a new sales tax in order to fund additional affordable housing touches on both of these challenges, but I am concerned that now is not the time for a new burden on our citizens. My position on this legislation has been that new taxes should be decided through a public vote, based upon the merits of the proposal and robust dialogue. However, the strong City Council support for this measure is noted, and I recognize the need for the projects this tax will eventually fund. City staff is committed to move forward in implementing an efficient and effective program that maximizes the community benefit.

In order to use our citizen's hard-earned dollars responsibly, we will simultaneously create an internal delivery mechanism for the new funding source, work with our community on creating an oversight mechanism that preserves the integrity of the funding source, and set reasonable benchmarks to make sure that we wisely steward these dollars and deliver the greatest value in the most transparent way. Just as our citizens are being careful with every dollar they earn, so we too must be accountable, thoughtful, and deliberate in our actions.

The City of Choice

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Phone: 509.625.6250 FAX: 509.625.6563

In closing, although I do not support enacting this new tax in our challenging economic climate, and I believe our citizens should have been afforded the opportunity to weigh in on a proposal that will impact their finances, we will deliver a plan that will ensure the funds generated will be used responsibly. Housing and affordability are top priorities for my Administration, and I will continue to push forward policies, programs, and partnerships that deliver upon this goal.

Sincerely,

A handwritten signature in purple ink that reads "Nadine Woodward". The signature is written in a cursive, flowing style.

Nadine Woodward
Mayor



Agenda Sheet for City Council Meeting of:
11/23/2020

Date Rec'd	11/11/2020
Clerk's File #	ORD C35982
Renews #	
Cross Ref #	
Project #	
Bid #	
Requisition #	

Submitting Dept	CITY COUNCIL
Contact Name/Phone	BRIAN 625-6254 MCCLATCHEY
Contact E-Mail	BMCCLATCHEY@SPOKANECITY.ORG
Agenda Item Type	First Reading Ordinance
Agenda Item Name	0320 - IMPOSING SALES AND USE TAX FOR HOUSING AND RELATED SERVICES

Agenda Wording
An ordinance imposing a sales and use tax for the construction, acquisition, and rehabilitation of attainable housing and housing-related supportive services; and enacting a new chapter 07.08C of the Spokane Municipal Code.

Summary (Background)
The Washington state legislature has authorized, by passing HB 1590, cities and counties to impose an additional 0.1% sales and use tax, provided that the revenues from that tax must be spent on the construction, acquisition, and rehabilitation of affordable housing, and on housing-related supportive services. This ordinance imposes the sales and use tax, describes project funding priorities, sets a sunset date, and provides a framework for application review and project funding recommendations.

Lease? NO	Grant related? NO	Public Works? NO
Fiscal Impact		Budget Account
Revenue	\$ 4,100,000	# TBD
Select	\$	#
Select	\$	#
Select	\$	#

Approvals		Council Notifications	
Dept Head	MCCLATCHEY, BRIAN	Study Session\Other	UD (9/14/20); FA (11/16/20)
Division Director		Council Sponsor	CMs Wilkerson, Stratton, and Burke
Finance	WALLACE, TONYA	Distribution List	
Legal	PICCOLO, MIKE		
For the Mayor	ORMSBY, MICHAEL	PASSED BY	

Additional Approvals
Purchasing FIRST READING OF THE ABOVE ORDINANCE HELD ON 11/23/2020 AND FURTHER ACTION WAS DEFERRED

SPOKANE CITY COUNCIL:
[Signature]
CITY CLERK

[Signature]
CITY CLERK

ORDINANCE NO. C-35982

An ordinance imposing a sales and use tax for the construction, acquisition, and rehabilitation of attainable housing and for housing-related supportive services; and enacting a new chapter 07.08C of the Spokane Municipal Code.

WHEREAS, Spokane is experiencing historically low rental vacancy rates, rising average rents, and increasing median home prices which are outpacing gains in the median household income in Spokane, increasing the housing cost burden on many households and putting homeownership increasingly out of reach for households with incomes at or below the area median income; and

WHEREAS, in addition, we recognize that in Spokane, as in many communities around the country, housing and land use policy has historically discriminated against people of color in many ways, which has had the effect of lower home ownership rates, diminished wealth-building ability, and poorer health and educational outcomes for people of color in Spokane; and

WHEREAS, the housing market is complex and in the necessarily multi-pronged approach to the crisis in housing affordability in Spokane, one of the most effective methods is to increase the supply of housing, both rental and owner-occupied, at all price points; and

WHEREAS, Spokane's crisis of affordable housing is shared state-wide, and in response, the Washington state legislature in the 2020 session enacted House Bill 1590, which allows cities to adopt a 0.1% sales and use tax by ordinance to provide funding for the construction of affordable housing and housing-related supportive services; and

WHEREAS, Spokane County had the first opportunity to enact such a sales and use tax until September 20, 2020, until which time the City would not have had the authority to enact such a tax, and Spokane County did not do so; and

WHEREAS, the City intends to adopt a 0.1% sales and use tax for the construction and acquisition of affordable housing and the provision of housing-related supportive services, impose a sunset date at which the tax could be discontinued or reauthorized, and establish an advisory committee of residents and stakeholders to review applications and provide recommendations to the City Council on the use of the funds derived from this tax and periodically report on the effectiveness of this chapter; and

WHEREAS, creating a locally-controlled source of revenue is vital for the development of innovative ways to build and acquire more housing in Spokane with the primary goal of home ownership, maintain and rehabilitate existing housing to allow lower-income families to remain in their homes, provide the types of services that vulnerable people and people who are at risk of homelessness need, increase the number of people in Spokane who are homeowners through a variety of measures such as subsidizing the

City of Spokane application fees, building fees, and hook-up fees for homes with an attainable retail price at or below an 60% medium family income; supporting the development of more affordable housing types with down payment assistance, the formation of a land trust, land bank, cooperative housing, and other innovative housing solutions; and help ensure people in Spokane are at lower risk of homelessness; and

WHEREAS, all funding decisions made concerning the funds derived from this chapter shall include broad equity considerations to ensure that people who currently face housing discrimination and populations that have historically faced discrimination in housing markets or as the result of housing policy are well-represented in the process of making funding determinations.

NOW THEREFORE, the City of Spokane does ordain:

Section 1. That there is enacted a new chapter 08.07C of the Spokane Municipal Code to read as follows:

Chapter 08.07C Sales and Use Tax for Housing and Housing-Related Supportive Services

Section 08.07C.010 Purpose and Intent

The City Council enacts this chapter with the intent to help strengthen our community by ensuring that everyone has access to housing which is affordable for them, regardless of their income, by providing a locally-controlled source of revenue to accomplish the specific objectives of state law, as identified by the Washington state legislature in HB 1590 (Chapter 222, Laws of 2020).

Section 08.07C.020 Imposition of Sales and Use Tax; Notification to and Collection by the State Department of Revenue

- A. There is imposed a sales and use tax, as the case may be, as authorized by Chapter 222, Laws of 2020, as codified at RCW 82.14.530, upon every taxable event, as defined in chapter 82.14 RCW, occurring within the City of Spokane.
- B. The rate of the tax authorized by this section may not exceed one-tenth of one percent (0.1%) of the selling price in the case of a sales tax, or value of the article used, in the case of a use tax.
- C. The tax authorized by this section is in addition to any other taxes authorized by law and must be collected from persons who are taxable by the state under Chapters 82.08 and 82.12, RCW, upon the occurrence of any taxable event within the city.
- D. The City shall notify the Department of Revenue of the imposition of the tax no sooner than April 1, 2021, and shall only make such notification if the City has not begun collection of an alternative and unrestricted revenue source in a

projected amount which is equivalent to the projected revenues authorized by this section.

Section 08.07C.030 Uses of Tax Revenues; Funding Priorities

- A. The City may use the moneys collected by the tax imposed under SMC 08.07C.020 or bonds issued under RCW 82.14.530(5) only for the purposes described in RCW 82.14.530, with a minimum of sixty percent (60%) of the revenue collected under this chapter to be used for the following purposes, consistent with RCW 82.14.530(2), with a specific preference for occupant ownership of housing units, including, without limitation, cooperatively-owned multi-family projects:
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 remainder of the moneys collected under this chapter must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services, with the overall objective of helping to maintain housing stability.
- C. Recommendations on the use of revenues collected under this chapter shall employ a racial equity framework that promotes equity, works to reduce disparities in housing, and achieve equitable outcomes for marginalized populations and populations that have been subject to historical or present discrimination in housing markets and/or housing policy.
- D. The City may, under the authority of RCW 82.14.530(5), issue general obligation or revenue bonds within the limitations now or hereafter prescribed by state law, and may use, and is authorized to pledge, up to fifty percent (50%) of the revenues collected under the authority of this chapter 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 described in RCW 82.14.530(2)(a)(iii).
- E. Revenues collected under this chapter may be used to offset reductions in state or federal funds for the purposes described in RCW 82.14.530(2).
- F. No more than ten percent (10%) of the revenues collected under the authority of this chapter may be used to supplant existing local funds.

- G. No more than two and one-half percent (2.5%) of the revenues collected under the authority of this chapter may be used for administrative expenses or program implementation costs incurred by the City of Spokane.

Section 08.07C.040 Advisory Committee

The City Council will form a housing action sub-committee (the “sub-committee”) by resolution, which shall provide recommendations to the City Council concerning the use of funds derived from the tax imposed by this chapter and chapter 08.07B SMC, and shall provide input on the use of funds derived from any tax increment financing (“TIF”) districts which provide or allow for the use of revenues for affordable housing, as defined in governing law. Appointments to the sub-committee shall be made to ensure a significant degree of participation by people who have been most negatively impacted by the present housing crisis and historical patterns of discrimination in housing markets and housing policy, including families at risk of homelessness or with a lived experience of homelessness; Black, Indigenous, and other people of color; immigrants; seniors; people with disabilities; domestic violence survivors, unaccompanied homeless youth or young adults; and veterans.

Section 08.07C.050 Funding Process

- A. No later than June 1 of each year following the effective date of this section, applications for construction, rehabilitation, or acquisition project funding shall be due for award in the following year. The construction of such projects shall commence within twenty-four (24) months of the award date.
- B. No later than May 1 of each year following the effective date of this section, applications for housing-related services funding shall be due for award beginning October 1 of each year. Such service contracts shall be no longer than twenty-four (24) months in duration.
- C. The sub-committee, with the assistance of appropriate Administration and Council staff, shall receive and review all applications, and shall conduct such investigation and information-gathering as it deems appropriate in order to become fully knowledgeable concerning all applications.
- D. When making its recommendations for housing construction funding, the sub-committee shall give priority to applications which meet the following goals:
 - 1. Constructing mixed-use housing;
 - 2. Locating housing in designated Centers and Corridors;
 - 3. Creating permanently affordable housing, defined as maintaining affordability for households earning up to 60% of AMI for at least forty (40) years for rental housing and for at least twenty-five (25) years for owner-occupied housing;

4. Addressing the racial wealth gap through increasing homeownership for populations that have historically been subject to discrimination in housing markets or housing policy;
 5. Locating housing near public transit lines, preferably within 1/8 mile of a high-performance transit line;
 6. Distributing attainable housing throughout the City, in a variety of neighborhoods and in close proximity to services such as parks and open space, schools, and services;
 7. Using universal design to create a sufficient number of units that are safe and accessible, regardless of age, physical ability or stature; and
 8. Creating units that use less net energy and require less maintenance in order to reduce long term costs of ownership.
- E. With the assistance of the appropriate Administration and Council staff and input from the City of Spokane Community, Housing and Human Services Board, the sub-committee shall make an initial written finding as to whether each application complies with the requirements of this chapter and include that finding with those project applications it recommends for approval, and shall forward such findings and the complete application file to the City Council or a standing Council committee, consistent with such process the Council shall determine by resolution, for its review.
- F. For each project application referred to a standing Council committee, if the standing Council committee agrees, by majority vote of the members present, with the sub-committee's recommendation, the standing committee Chairperson shall forward each such project application, along with the sub-committee's written findings, to the full City Council for consideration on its regular legislative agenda.
- G. Any funding awarded under the authority of this chapter shall be administered by the appropriate department of the City administration, and funding recommendations must take into account the historic performance of the applicant, both in the construction and the maintenance of housing.


Section 08.07C.060 Sunset

The tax imposed by the City under this chapter shall expire twenty (20) years after the effective date of this Ordinance No. C-35982, unless earlier extended by ordinance. Beginning three (3) years before the expiration date, the City's Chief Financial Officer or designee shall provide notice to the City Council and the Mayor of the impending expiration date of the tax, and shall also promptly notify the City Council and Mayor of the

repayment status of any bonds issued and secured by the revenues received by virtue of the tax imposed by this chapter.

Section 2. Severability. If any word, sentence, provision, clause or section of this ordinance is deemed by a court of competent jurisdiction to be invalid or unenforceable, such severance shall not affect the validity, legality, or constitutionality of the remainder of this ordinance.

PASSED by the City Council on November 30, 2020.




Council President

Attest:



City Clerk

Approved as to form:



~~Assistant~~ City Attorney

Mayoral Decision to Return Unsigned

Returned: 12/15/2020

Mayor

Date

January 13, 2021

Effective Date

