



# Health and Community Services

Cynthia Foley

Council Initiated:

Yes

No

**ECAF:** 2024-0041  
**Ordinance:** 24-004

**Type:**

- Contract  
 Board Appt.  
 Code Amendment  
 Budget Action  
 Other

**Requested Handling:**

- Normal  
 Expedite  
 Urgent

**Fund Source:**

- General Fund  
 Other  
 N/A

**Executive Rec:**

- Approve  
 Do Not Approve  
 N/A

**Approved as to**

**Form:**

- Yes  
 No  
 N/A

**Subject:** Amending Allowed Uses of the Affordable Housing Sales and Tax Credit Under SCC 4.122.050

**Scope:** Local governments are authorized to collect the Affordable Housing Sales and Use Tax Credit under RCW 82.14.540<sup>1</sup>. This sales tax credit is sometimes referred to as HB 1406 funding in reference to the authorizing legislation from 2019<sup>2</sup>.

In 2023, the State Legislature passed SB 5604<sup>3</sup> expanding allowable uses of the Affordable Housing Sales and Use Tax Credit to include rental assistance. Proposed Ordinance 24-004 amends Snohomish County Code so that it refers directly to State law and stays current with uses authorized in RCW 82.14.540. The immediate impact of proposed Ordinance 24-004 would be to expand allowable uses of the Affordable Housing Sales and Tax Credit to include rental assistance. Additionally, any future changes to the uses of the tax credit authorized at the State level would also be permissible under Snohomish County Code.

**Duration:** N/A

**Fiscal Impact:**  Current Year  Future-Year  N/A

There are no fiscal impacts.

**Authority Granted:** N/A

**Background:** On October 14, 2019, the Snohomish County Council passed Ordinance 19-062, adding Chapter 4.122 Affordable and Supportive Housing Sales Tax Credit to Snohomish County Code. This code allows a sales tax credit (deducted from tax that would otherwise be paid to the Washington State Department of Revenue) to be used locally for affordable and supportive housing. Snohomish County Code 4.122.050 allows the funds to be used for:

(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<sup>4</sup>; or*

(2) *Funding the operations and maintenance costs of new units of affordable or supportive housing.*

<sup>1</sup> [RCW 82.14.540: Affordable and supportive housing—Sales and use tax. \(wa.gov\)](#)

<sup>2</sup> [1406-S.SL.pdf \(wa.gov\)](#)

<sup>3</sup> [5604-S.SL.pdf \(wa.gov\)](#)

<sup>4</sup> [RCW 71.24.385: Behavioral health administrative services and managed care organizations—Mental health and substance use disorder treatment programs—Development and design requirements. \(wa.gov\)](#)

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On December 13, 2023, Council approved the 2023 Housing and Behavioral Health Capital Fund Investment Plan<sup>5</sup> in Amended Motion 23-492<sup>6</sup>. The motion requires quarterly reports on plan spending, an updated annual spending plan, and an annual report. It also requires capital contracts issued with plan funds to come before Council for approval.

The Affordable Housing Sales and Use Tax Credit is one of two sources of funding for the Housing and Behavioral Health Capital Fund Investment Plan. It is the smaller funding source for the plan and estimated to provide \$10,633,485 in new and accrued revenue between 2022 and 2026. Total anticipated plan revenue during those years is \$130,556,122.

**Requested Action:** Set time and date for Public Hearing at GLS on February 28, 2024.

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<sup>5</sup> [Snohomish County Council - File #: 2023-1347 \(legistar.com\) \(Capital Fund Plan\)](#)

<sup>6</sup> [2023-1347 - Amended Motion 23-492 \(legistar.com\)](#)