



## City of Ferndale

### POVERTY TASK FORCE REPORT

MEETING DATE: Oct. 2<sup>nd</sup>, 2019

**SUBJECT: Revenue Measures for Task Force Recommendations**

**DATE: 10/30/19**

**FROM: Riley Sweeney, Communications Officer**

**PRESENTATION BY: Riley Sweeney**

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**SYNOPSIS:** Here is an overview of the potential revenue options available for supporting our recommendations.

**STAFF NOTES:** Throughout our task force meetings, there is a common theme from our guest speakers – “We could do that if only we had funding.” Unfortunately, that is the cold hard truth; without resources, many of our proposals will stay on the shelf.

Providing a funding mechanism as part of our recommendations ensures that this is a complete package. Obviously, taxes are always a controversial subject – especially in light of the fierce battle of the School Bond in recent years. However the cold hard truth is this – local government is about solving problems larger than a person and if we are serious about planning for the future, that doesn’t happen for free.

For each taxing measure, I’ve included some pros and cons – as you can imagine, they are somewhat subjective. Please take them with a grain of salt.

Funding mechanisms as a whole are broken into two categories – **property taxes** and **sales taxes**.

When considering a **property tax**, here are some things to consider. A property tax is proportional – meaning it affects wealthier people at a higher rate than those in poverty, although they can have a negative impact on those with a fixed income.

Property taxes are also much more stable – it is unlikely to be impacted by market fluctuations or changing consumer behaviors.

That said, the school district just implemented a property tax, the fire district and city council are both looking at property tax measures in 2020 and we are still paying a premium on our state property taxes due to the results of the McCleary decision for the next three years.

A **sales tax** is regressive – meaning it impacts low-income people more than those making better off. It also fluctuates with the market, when things are going well, there’s plenty of sales tax revenue. When the recession hits, it dries up.

That said, sales taxes usually face less political resistance because there is an aspect of choice – “I just won’t buy as much.” Although from a practical purpose, it is hard to avoid the sales tax.

Ferndale does not have many sales tax producing businesses. To put it in perspective, our number two revenue generator for sales tax for many years was the McDonalds at Pilot (Haggen being first – and Grocery Outlet as the third). We actually have the sales tax revenue equivalent to a town one sixths our size – the price of being so close to Bellis Fair, although as Amazon continues to devour the retail market, we may see a slow but steady growth.

## OPTION #1: Affordable Housing Levy

Any city may impose a property tax levy of up to \$0.50 per \$1,000 of assessed value to finance affordable housing for low-income households. This money must be used to provide housing, specifically targeted at people making \$30k or less per year. Bellingham did this in 2012 and again in 2018 creating the Bellingham Home Fund. They specifically targeted these funds towards creating new rental and transitional housing, funding critical repairs and weatherization for those who qualified and matching funds for federal grants to get homeless and specifically, homeless veterans, into housing.

**Total Funds Generated (at the \$0.50 level):** Approximately \$700,000.

**Requires Council Action?** Yes, council must declare a state of emergency over housing and put the measure on the ballot. It must also adopt an affordable housing strategy (i.e. a plan on how to spend the money).

**Voter Approved?** Yes, by 50%.

**Sunset Provision?** Lasts for 10 years.

**Pros:** Reliable funds guaranteed for ten years can be leveraged for some good housing construction projects, home rehabilitation projects, rental assistance, and social service programs that are tied to housing.

**Cons:** It’s a property tax increase and the use of the funds must be tied to low-income housing.

**Further Reading:** State law for authorizing use (<https://app.leg.wa.gov/RCW/default.aspx?cite=84.52.105>). Bellingham’s resolution to create a Housing Levy (<http://mrsc.org/getmedia/3fdef940-2560-4aa8-ad5c-cf54c32b1eb5/b45o2018-09.pdf.aspx>), details on how they spent the money (<https://bellingham.maps.arcgis.com/apps/Cascade/index.html?appid=144b4a582a4f409caf10f5e76c1ff262>)

## OPTION #2: Affordable Housing & Related Services Sales Tax

Any city or town may levy a sales tax up to 0.1% for affordable housing as long as the county has not done so first. This relatively new option was enacted by the state legislature in 2015 and requires voter approval.

At least 60% of the revenue must be used for funding/construction of affordable housing units or the operations and maintenance of facilities for affordable housing programs are available.

**Total Funds Generated Annually:** Approximately \$250,000.

**Requires Council Action?** Yes, council must place it on the ballot.

**Voter Approved?** Yes, by 50%.

**Sunset Provision?** No.

**Pros:** More flexible than Option 1 – allowing for 40% to be used for supplemental services (i.e. a full-time staffer at the Opportunity Council) although it does not generate significant funds.

**Cons:** Limited funds - \$60k does not go very far in terms of construction.

**Further Reading:** Legal basis ((RCW 82.14.530)

### OPTION #3: Public Safety Sales Tax

Any city or town may impose a sales tax of up to 0.1% for public safety with voter approval (RCW 82.14.450). At least one-third of the revenue must be used solely for criminal justice purposes – which could easily be put towards a new courthouse. 15% of the revenue must be shared with the County and the Dept. of Revenue retains 1% for administrative fees.

**Total Funds Generated Annually:** Approximately \$84,000.

**Requires Council Action?** Yes, council must place it on the ballot.

**Voter Approved?** Yes, by 50%.

**Sunset Provision?** No.

**Pros:** Perhaps the most flexible option – this would allow us to contribute some funds towards a new courthouse and fund poverty solutions with the remainder.

**Cons:** The Sheriff may try to use this as his funding mechanism for the new jail and preempt our use.

**Further Reading:** Legal basis (<https://app.leg.wa.gov/rcw/default.aspx?cite=82.14.450>)