

April 9, 2020

Governor Jay Inslee
PO Box 40002
Olympia, WA 98504-0002

Governor Inslee:

Washington's 281 cities and towns appreciate your leadership and your administration's outreach and support for cities during the COVID-19 emergency. Your action to provide clarity and relief on key statutory requirements for local governments has been very helpful for cities as the state's partners in this emergency effort.

As you continue to evaluate and take additional steps to address this emergency, we ask that you focus on the economic impact facing cities and find opportunities like those suggested below to offset some of those impacts. Like the state, cities of all sizes are seeing a dramatic downturn in revenue and are expecting that trend to continue. This loss of revenue comes at a time when cities' expenses are skyrocketing as they cover the cost of overtime, equipment, and other support for first responders. Many cities are already furloughing or laying off employees.

Cities ask that the state identify funds (either from the state's emergency response funding or from the federal CARES Act funding) to provide direct financial support to cities to help cover these extraordinary costs. Because of the restrictions in the CARES Act, only jurisdictions with populations over 500,000 will receive direct federal funding, resulting in just one Washington city, Seattle, guaranteed any federal funding. Unfortunately, cities all over the state are impacted. We ask that any relief helps to cover the myriad costs resulting from the emergency and loss of revenue.

Additionally, we ask that you use your emergency powers to provide cities greater flexibility to spend existing local revenues on these critical needs. Cities have some revenue streams that are restricted for designated purposes; but, during this unprecedented emergency, it makes sense to allow broader use of those existing funds to cover the most critical costs and to eliminate any non-supplanting or other restrictions to enable cities to allocate resources during this time of significant revenue loss.

- Criminal justice sales taxes
 - Cities and counties levy criminal justice sales taxes that are shared via a distribution formula and must be used for criminal justice purposes. Cities would like to be able to use those funds for any emergency response costs with the maximum flexibility.
- Lodging sales tax and tourism promotion fees
 - Cities can levy a local lodging sales tax and per-room tourism promotion fee, but those funds are restricted primarily to efforts to promote tourism. During this emergency, cities would like approval to use those funds for response efforts, such as providing emergency shelter or quarantine housing.
- Affordable housing sales tax credit (HB 1406 funds)

- Cities would like flexibility to use these resources for COVID-19 quarantine and isolation needs, and to replace lost homeless shelter capacity due to social distancing within shelters.
- Real Estate Excise Taxes (REET)
 - These revenues are primarily dedicated to capital investments. We urge that cities be allowed to repurpose those funds for short-term emergency needs.
- Property tax levy lid lifts
 - Cities with voter-approved levy lid lift authority to increase their property tax above the one percent limit have non-supplanting requirements on the use of those funds. Provide more flexibility for use of these local funds.
- Interfund loans
 - Cities may have reserve funds for specific purposes and can (under certain circumstances) provide themselves interfund loans to the city general fund. Cities would like maximum flexibility to use this existing tool without resulting in an audit finding.
- Frequency of local audits
 - For jurisdictions with a clean audit history, temporarily reduce the frequency of state audits and the associated billing costs, as the state did in response to the recession a decade ago.

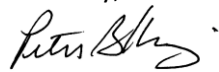
As mentioned previously, cities appreciate the action taken thus far to provide regulatory relief during the emergency. There are some further policy areas where cities need additional clarification or support to help with our shared response.

Multifamily Tax Exemption emergency timeline extension

- In addition to the previous request for tolling land use statutory deadlines, we are also requesting an extension of the timeline to complete construction of multifamily housing under the Multifamily Tax Exemption Program. Current law requires construction to be completed within three years of the date the exemption is approved. RCW 84.14.090(5) allows a one-time extension of 24 months due to circumstances beyond the property owner's control. If this extension was granted prior to the construction pause related to the coronavirus emergency order, sites that were on track to narrowly finish construction within the extension period will not make the deadline. An additional emergency extension will address this concern.

Again, we thank you for your leadership and support. Together we will get through this emergency. We appreciate your consideration of these requests.

Sincerely,



Peter B. King
CEO

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