



CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Director of Finance and Administration
Robin Jenkinson, City Attorney

Date: July 7, 2011

Subject: **USE OF REAL ESTATE EXCISE TAX (REET) REVENUES TO FUND OPERATIONS & MAINTENANCE IN 2011**

RECOMMENDATION:

Council approve ordinance to amend the Kirkland Municipal Code to allow for expenditure of REET revenues in accordance with recently amended legislation.

BACKGROUND DISCUSSION:

On May 16, 2011 the Governor signed HB 1953 permitting local real estate excise taxes to be used for maintenance and operation expenditures of existing capital facilities through calendar year 2016. The law becomes effective on July 22, 2011 and restricts this specific, limited-duration use of REET I and REET II revenues to the greater of \$100,000 or 35% of each type of REET revenue up to \$1 million annually.

At the City Manager's request, the Parks and Public Works departments compiled the following list of items to be funded with REET revenues in 2011 as allowed under HB 1953.

Proposed Parks Department uses totaling \$94,534:

- Restore service to neighborhood restrooms at North Kirkland Community Center, South Rose Hill, Phyllis Needy - \$14,739
- Restore 6 portable toilets at neighborhood parks (Woodlands, Tot, Spinney, Terrace, Forbes Creek, Rose Hill Meadow) - \$7,643
- Community park watering (new area by transit center at Peter Kirk park) - \$3,000
- Clean and preserve 27 public art pieces - \$ 9,013
- Seasonal help (900 hours of painting and staining) - \$15,911
- Seasonal help to support cemetery maintenance - \$9,728
- New roof and paint for the Waverly Beach restroom - \$18,500
- New roof and paint for the Houghton Beach restroom - \$16,000

Potential Public Works Department uses totaling approximately \$100,000:

- Leasing roadside mower and attachments
- Hiring two grounds crew personnel or equivalent to begin maintenance of roadway shoulders and medians

Anticipated REET I and REET II revenues in 2011 are available to fund the items listed above.

At the July 5 City Council meeting, the Council reviewed the list of proposed uses of Real Estate Excise Tax (REET) revenues in 2011 to fund operating and maintenance functions and directed staff to reflect the changes in the next budget amendment. It was also noted that the use of REET revenues for road maintenance would require an amendment to the Kirkland Municipal Code, which is reflected in the attached ordinance.

The attached Ordinance removes a provision from KMC Section 5.18.045 that restricted the expenditure of second quarter REET funds to projects specified in the transportation portion of the capital facilities plan and therefore prevents the City from using these funds for roads maintenance. This restriction was placed on second quarter REET funds voluntarily by the City when the provision was adopted in 1996--it was not required under state law. Removal of the restriction will give the City the maximum flexibility allowed under state law for expenditure of second quarter REET funds. Any proposed expenditure of REET funds either for capital or maintenance would still require Council review and approval. It should also be noted that the current state legislation allowing for expanded use of second quarter REET funds will expire on December 31, 2016.

ORDINANCE NO. 4315

AN ORDINANCE OF THE CITY OF KIRKLAND AMENDING KIRKLAND MUNICIPAL CODE CHAPTER 5.18 RELATING TO REAL ESTATE TAX AND AUTHORIZING THE EXPENDITURE OF SECOND QUARTER PERCENT REAL ESTATE EXCISE TAX FOR THE OPERATIONS AND MAINTENANCE OF EXISTING CAPITAL PROJECTS.

The City Council of the City of Kirkland do ordain as follows:

Section 1. Kirkland Municipal Code ("KMC") Section 5.18.030 is hereby amended to read as follows:

5.18.030 Consistency with state tax.

The taxes imposed in this chapter shall comply with all applicable rules, regulations, laws and court decisions regarding real estate excise taxes as imposed by the state under Chapter 82.45 RCW, Chapter 82.46 RCW and Chapter 458-61 WAC. The provisions of those chapters to the extent they are not inconsistent with this chapter shall apply as though fully set forth in this chapter.

Section 2. KMC Section 5.18.045 is hereby amended to read as follows:

5.18.045 Distribution of additional excise tax.

The King County treasurer shall place one percent of the proceeds of the additional tax imposed by Section 5.18.012 of this chapter in the county current expense fund to defray costs of collection. Remaining proceeds from the additional tax imposed by Section 5.18.012 shall be distributed to the city monthly. These proceeds shall be used by the city consistent with the requirements of RCW 82.46.035 (and as that section may be amended). ~~In addition, revenues generated from the tax imposed under Section 5.18.012 of this chapter shall be used by the city solely for financing projects specified in the transportation portion of the capital facilities plan element of the city's comprehensive plan.~~ This section shall not limit the existing authority of the city to impose special assessments on property benefited thereby in the manner prescribed by law.

Section 3. This ordinance shall be in force and effect five days from and after its passage by the Kirkland City Council and publication, as required by law.

Passed by majority vote of the Kirkland City Council in open meeting this ____ day of _____, 2011.

Signed in authentication thereof this ____ day of _____, 2011.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney