



SEATTLE CITY COUNCIL
CENTRAL STAFF

Payroll Expense Tax Proposals

Council Bills: 119772, 119773, 119774, 119810, 119811, 119812

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SELECT BUDGET COMMITTEE | JUNE 24, 2020

Presentation Overview

Spending Proposals

- Comparison of proposals
- Estimate of housing units (CB 119811)
- Policy Considerations

Tax Proposals

- Comparison of proposals
- Policy Considerations

Proposed Legislation

Jump Start Seattle Proposal

- Council Bill (CB) 119810: Proposed Payroll Tax
- CB 119811: Jump Start Seattle spending plan
- CB 119812: 2020 COVID relief spending

Councilmembers Sawant & Morales Proposal

- CB 119772: Payroll Tax
- CB 11973: Interfund Loan Proposal
- CB 119774: Spending plan

Defining Acronyms

AMI (Area Median Income):

Midpoint income for a specified geographic area.

HH (Household)

PSH (Permanent Support Housing):

Most intensive intervention model for people who experience homelessness. Consists of affordable housing with access to flexible and individualized services.

O&S (Operating & Services):

Cost to operate and provide supportive services to people living in PSH.

OH (Office of Housing)

Spending Proposals: Comparison Overview

	CB 119774 (as introduced) Sawant / Morales	CB 119811 & 119812 Mosqueda
Estimated Annual Spending	~\$500 million	~\$200 million ¹
Categories of spending	See slide 5	
Funding Source for 2020 COVID relief	Interfund loan	Emergency Fund & Revenue Stabilization Fund
Oversight	New Social Housing Board (elected body in 2023) – 23 members Green New Deal Oversight Board	New Payroll Tax Oversight Committee – 9 members
Emergency Clause / Immediate Effective Date	Yes	No

¹ CB 119811 assumes about \$200 million in annual spending beginning in 2022 with a small inflation adjustment; total spending in 2022 is assumed to be \$203 million.

	CB 119774 as Introduced				CBs 119811 & CB 119812					
Year	2020 ¹		2021 and beyond ¹		2020 ¹ (CB 119812)		2021 ¹ (CB 119811)		2022 - 2030 ¹ (CB 119811)	
Category of Spending ²	Amount	Share	Annual Investment ³	Share	Amount	Share	Amount	Share	Annual Investment ³	Share
COVID-19 Relief										
<i>Cash Assistance - general</i>	\$200	100%	-	-	-	-	-	-	-	-
<i>Small Business Support</i>	-	-	-	-	\$18	21%	\$17	20%	-	-
<i>Immigrant & Refugee Support</i>	-	-	-	-	\$18	21%			-	-
<i>Food Security Support</i>	-	-	-	-	\$14	16%			-	-
<i>Immediate Housing (e.g., rental assistance, shelter de-intensification)</i>	-	-	-	-	\$36	42%			-	-
Continuity of Services	-	-	-	-	-	-	\$65	75%	-	-
Affordable Rental Housing & O&S	-	-	\$400	72%	-	-	-	-	\$143	65%
Green New Deal Implementation	-	-	\$133	23%	-	-	-	-	-	-
Equitable Development Initiative	-	-	-	-	-	-	-	-	\$22	10%
Business Support	-	-	-	-	-	-	-	-	\$44	20%
Start-up and administration costs	-	-	\$18	3-5%	- ⁴	- ⁴	\$4	5%	\$11	5%
TOTAL	\$200	100%	\$551	3.2%	\$86	100%	\$86	100%	\$220	100%

¹\$s in millions.

²2021: CB 119774 pays back interfund loan used in 2020 to provide COVID relief. CB 119811 includes \$86 million to replenish Emergency and Revenue Stabilization Funds used in 2020 for COVID relief (not reflected above).

³Annual investment amounts represent the average over 10 years for CB 119774 and over 9 years for CB 119811.

⁴In 2020, the admin costs are included in the total amount provided for each investment area.

Spending Proposals: Housing and Services Investments Comparison Overview

	CB 119774	CB 119811
Year Investments Begin	2021	2022
Annual Investment in Housing & Services in 2022	\$374 million	\$132 million
Incomes Served	≤100 percent of AMI	≤50 percent of AMI
Priority population	<i>n/a</i>	HH with incomes ≤50 AMI <i>75% of funding to ≤30% AMI</i>
Total Unit Estimate over 10 years	10,600	3,200
PSH Unit Estimate over 10 years	2,600	2,300

CB 119811: Housing and Services Investments

Assumptions included in all scenarios

PSH Units:

- City pays full per unit cost to develop and operate PSH units
- 20 percent of all units would be developed on land donated by the City or other entities

30-50 Percent AMI Units:

- City pays the full cost to develop 80 percent of the units
- City pays about \$170k per unit to develop the remaining 20 percent of these units

Acquisition:

- Units obtained through acquisition of existing buildings will service HH with incomes between 30 to 50 percent AMI

CB 119811: Housing & Services Investments

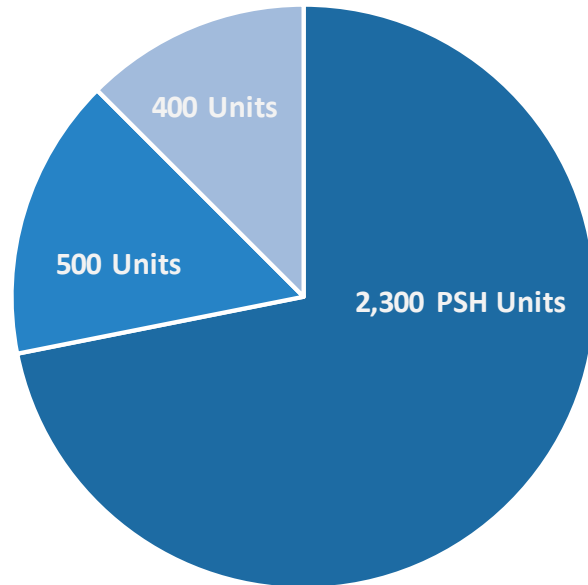
Unit Estimate Scenarios

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Per unit cost				
- Average cost (current OH labor standards)	X		X	X
- Lowest cost (assumes strategies to decrease costs)		X		
PSH O&S cost (Y2-10)	X	X		X
PSH O&S cost (Y11-20)				X

CB 119811

10-year Housing Unit Estimates Scenario 1

3,200 Total Units
\$236 million for O&S



■ PSH ■ 30-50% AMI ■ Acquisition (30-50% AMI)

Scenario 1 Assumptions:

- **Average per unit cost assumptions**

Includes current OH labor standards required in all projects funded by the City

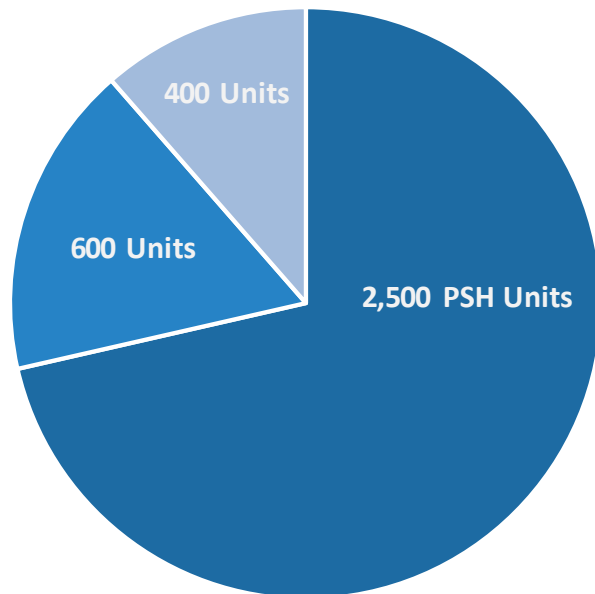
- **O&S costs for PSH units included annually, starting in Year 2**

(e.g., O&S for PSH units funded in Year 1 begins in Year 2 and is funded through Year 10)

CB 119811

10-year Housing Unit Estimates Scenario 2

3,400 Total Units
\$259 million for O&S



■ PSH ■ 30-50% AMI ■ Acquisition (30-50% AMI)

Scenario 2 Assumptions:

- **Lower per unit cost assumption**

Per unit cost reduced through strategies such as: building on publicly-owned land, relaxing certain development regulations, streamlining permitting processes, and using innovative construction methods

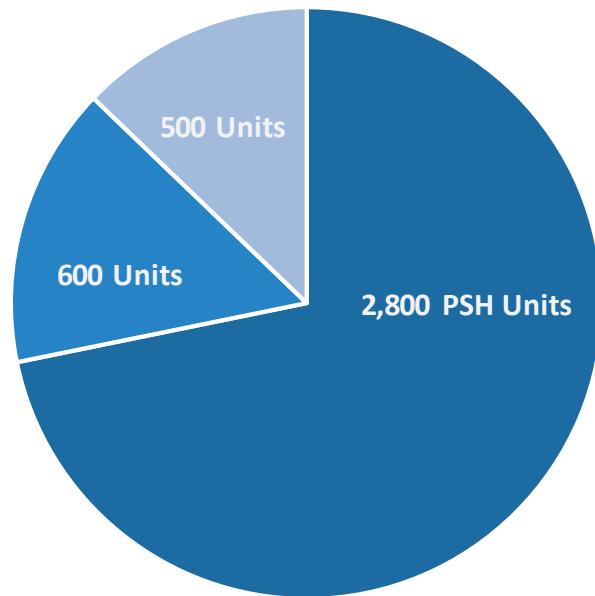
- **O&S costs for PSH units included annually, starting in Y2**

(e.g., O&S for PSH units funded in Y1 begins in Y2 and is funded through Y10)

CB 119811

10-year Housing Unit Estimates Scenario 3

3,900 Total Units
\$0 for O&S



■ PSH ■ 30-50% AMI ■ Acquisition (30-50% AMI)

Scenario 3 Assumptions:

- **Average per unit cost**

Includes current OH labor standards required in all projects funded by the City

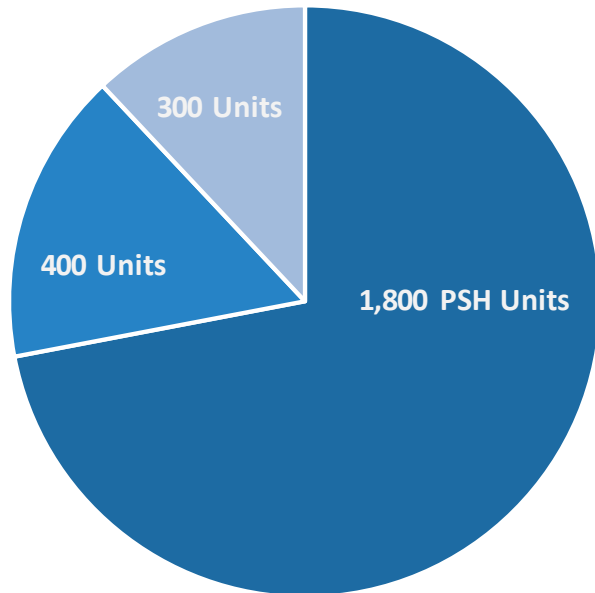
- **100% of funds used for capital investments**

Funding for O&S costs for PSH units would need to be identified from an alternative source

CB 119811

10-year Housing Unit Estimates Scenario 4

2,500 Total Units
\$484 million for O&S



■ PSH ■ 30-50% AMI ■ Acquisition (30-50% AMI)

Scenario 4 Assumptions:

- **Average per unit cost**

Includes current OH labor standards required in all projects funded by the City

- **O&S costs for PSH units funded annually and covers costs through year 20**

(e.g., O&S for PSH units funded in Y1 begins in Y2 and includes saving for O&S costs n Y11-Y20)

CB 119811: 2020 Proposed Spending Policy Considerations

Source of Funds for 2020 Spending

- Identify alternative to use of Emergency Fund and the Revenue Stabilization Fund for 2020 spending

Add, delete, or modify spending categories funded in 2020?

- Increase or decrease total funding amount or amount for each program/service
- Add/delete programs/services funded
- Increase or decrease amount of assistance provided, (e.g., small business assistance capped at \$10k; direct financial assistance to immigrants & refugee households capped at \$1,000)

2020 Proposed Spending	
Small Business Support	\$18 million
Immediate Housing	\$36 million
Immigrant and Refugee Support	\$18 million
Food Security Programs	\$14 million
Total Spending	\$86 million

CB 119811: 2021 Proposed Spending Policy Considerations

Add, delete, or modify spending categories funded in 2021?

- Increase or decrease funding amount for each program/service
- Add/delete programs/services funded

2021 Proposed Spending	
Replenish Emergency & Revenue Stabilization Funds	\$86 million
Continuity of Services	\$65 million
Extend 2020 COVID Relief	\$17 million
Start-up and Administration Costs	\$4 million

CB 119811: 2022 + beyond Proposed Spending Policy Considerations

Add, delete, or modify spending categories funded in 2022 and beyond?

- Increase or decrease funding amount for each program/service
- Add/delete programs/services funded
- Modify spending parameters (e.g., the maximum AMI served by proposed housing investments)

2022 + Beyond Proposed Spending

65% Housing & Services

10% Equitable Development Initiative

20% Small Business Support

5% Start-up and administration costs

Spending Plan - Questions?

Tax Proposals: Comparison Overview

	CB 119772 (as introduced) Sawant / Morales	CB 119810 Mosqueda
Annual Revenue	\$500 million	\$173.5 million ¹
Type of Tax	Payroll Expense Tax	Payroll Expense Tax
Tax Base	<ul style="list-style-type: none"> • Business payrolls \$7 million + • All compensation 	<ul style="list-style-type: none"> • Business payrolls \$7 million + • Compensation \$150,000 and above
Rate	1.3%	<u>Payroll \$7 million to \$999.9 million:</u> <ul style="list-style-type: none"> • \$150,000 to \$499,999: 0.7% • \$500,000 +: 1.4% <u>Payroll \$1 billion and above:</u> <ul style="list-style-type: none"> • \$150,000 to \$499,999: 1.4% • \$500,000 +: 2.1%

¹Due to data limitations, the estimate does not include incremental revenue that may be generated from a portion (0.7%) of the rates on any businesses with payroll of \$1 billion and above.

Tax Proposals: Comparison Overview

	CB 119772	CB 119810
Exemptions	<ul style="list-style-type: none"> • Grocery stores • Governments • Motor fuel businesses • Liquor stores • Non-profits 	<ul style="list-style-type: none"> • Grocery stores • Governments • Motor fuel businesses • Liquor stores
Start date	June 1, 2020	January 1, 2021
Sunset Clause	No	<ul style="list-style-type: none"> • Ten years - December 31, 2030 • Intent for future Councils to monitor progressive tax proposals at State and King County and amend SMC

Tax Proposals: Policy Considerations

Increase or Decrease Revenue Amount:

- Change tax rates
- Add, remove or modify exemptions
- Change thresholds
 - Total payroll
 - Individual compensation
- Change tax start date

Add, remove or modify sunset provisions

Payroll Taxes - Questions?