



SEATTLE CITY COUNCIL

Select Budget Committee

Agenda

Wednesday, July 1, 2020

10:00 AM

Session I at 10 a.m. & Session II at 2 p.m.

Remote Meeting. Call listen line at 206-684-8566 or access Seattle Channel online.

Teresa Mosqueda, Chair
Lisa Herbold, Vice-Chair
M. Lorena González, Member
Debora Juarez, Member
Andrew J. Lewis, Member
Tammy J. Morales, Member
Alex Pedersen, Member
Kshama Sawant, Member
Dan Strauss, Member

Chair Info: 206-684-8808; Teresa.Mosqueda@seattle.gov

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Council Chamber Listen Line: 206-684-8566

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Meeting Location:

Remote Meeting. Call listen line at 206-684-8566 or access Seattle Channel online.

Committee Website:

<http://www.seattle.gov/council/committees/budget>

This meeting also constitutes a meeting of the City Council, provided that the meeting shall be conducted as a committee meeting under the Council Rules and Procedures, and Council action shall be limited to committee business.

In-person attendance is currently prohibited per Washington State Governor's Proclamation No. 20-28.5 through July 1, 2020. Meeting participation is limited to access by telephone conference line and Seattle Channel online.

Register online to speak during the Public Comment period at the 10:00 a.m. (Session I) or 2:00 p.m. (Session II) Select Budget Committee meeting at

<http://www.seattle.gov/council/committees/public-comment>.

Sign-up registration will begin two hours before the 10:00 a.m. (Session I) and 2:00 p.m. (Session II) Select Budget Committee meeting start times, and registration will end at the conclusion of each Public Comment period during the meeting. Speakers must be registered in order to be recognized by the Chair.

Submit written comments to all Councilmembers at

Council@seattle.gov

Sign-up to provide Public Comment at the meeting at

<http://www.seattle.gov/council/committees/public-comment>

Watch live streaming video of the meeting at

<http://www.seattle.gov/council/watch-council-live>

Listen to the meeting by calling the Council Chamber Listen Line at 206-684-8566

Please Note: Times listed are estimated

Session I - 10:00 a.m.

A. Call To Order

B. Approval of the Agenda

C. Public Comment (Part I of II)

Register online to speak during the Public Comment period at the 10:00 a.m., Session I of the Select Budget Committee meeting at <http://www.seattle.gov/council/committees/public-comment>.

Sign-up registration will begin two hours before the 10:00 a.m., Session I of the Select Budget Committee meeting start time, and registration will end at the conclusion of the Public Comment period during the meeting. Speakers must be registered in order to be recognized by the Chair.

D. Items of Business

1. [CB 119810](#) **AN ORDINANCE** relating to taxation; imposing a payroll expense tax on persons engaging in business in Seattle; adding a new Chapter 5.38 to the Seattle Municipal Code; and amending Sections 5.30.010, 5.30.060, 5.55.010, 5.55.040, 5.55.060, 5.55.150, 5.55.165, 5.55.220, 5.55.230, and 6.208.020 of the Seattle Municipal Code.

Supporting

Documents:

[Summary and Fiscal Note](#)

[Central Staff Presentation - List of Proposed Amendments](#)

[Amendment 21 \(Mosqueda\) - Technical Definition](#)

[Amendment 20 \(Mosqueda and Morales\) - Rates](#)

[Amendment 11 \(Sawant\) - Rates](#)

[Amendment 15 \(Sawant\) - Rates](#)

[Amendment 16 \(Sawant\) - Rates - Black Lives Matter](#)

[Amendment 17 \(Sawant\) - Rates - Green New Deal](#)

[Amendment 1 \(Herbold and Sawant\) - Effective Date](#)

[Amendment 5 \(Juarez and Pedersen\) - Ballot Measure](#)

[Amendment 8 \(Pedersen\) - Exempt Nonprofits](#)

[Amendment 14 \(Mosqueda\) - 5-year Exempt Nonprofit Healthcare Providers](#)

[Amendment 7 \(Pedersen\) - 2-Year Exemption for Hospitals and Healthcare Entities](#)

[Amendment 3 \(Sawant\) - Sunset](#)

[Amendment 4 \(Pedersen\) - Sunset](#)

[Amendment 6 \(Pederson\) - Level Playing Field](#)

[Amendment 12 \(Mosqueda and Strauss\) - Strengthen Level Playing Field Provisions](#)

[Amendment 18 \(Morales\) - Maintain a Level Playing Field](#)

[CB 119772 - Payroll Expense Tax \(Sawant / Morales\)](#)

[CB 119773 - Interfund Loan \(Sawant / Morales\)](#)

[CB 119774 - Spending Plan \(Sawant / Morales\)](#)

Briefing, Discussion, and Possible Vote

Presenters: Dan Eder, Tom Mikesell, Aly Pennucci, and Traci Ratzliff,
Council Central Staff

2. [CB 119811](#) **AN ORDINANCE establishing a spending plan for proposed use of the proceeds generated from the payroll expense tax authorized by the ordinance introduced as Council Bill 119810 establishing an oversight committee; and adding a new Section 3.35.100 to the Seattle Municipal Code.**

Attachments: [Att 1 - Proposed Spending Plan](#)

Supporting

Documents:

[Summary and Fiscal Note](#)

[Central Staff Memo](#)

[Proposed Substitute for CB 119811](#)

[Amendment 1 to Proposed Substitute \(Pedersen\)](#)

[Amendment 2 to Proposed Substitute \(Pedersen\)](#)

Briefing, Discussion, and Possible Vote

Presenters: Aly Pennucci and Traci Ratzliff, Council Central Staff

3. [CB 119812](#) **AN ORDINANCE amending Ordinance 126000, which adopted the 2020 Budget; making appropriations from the Emergency Fund for public assistance during the COVID-19 civil emergency; making an appropriation from the General Fund for public assistance during the civil emergency; and making appropriations from the Revenue Stabilization Fund for public assistance during the civil emergency; all by a 3/4 vote of the City Council.**

Supporting

Documents:

[Summary and Fiscal Note](#)

Briefing and Discussion

Presenters: Aly Pennucci and Traci Ratzliff, Council Central Staff

Session II - 2:00 p.m.

E. Public Comment (Part II of II)

Register online to speak during the Public Comment period at the 2:00 p.m., Session II of the Select Budget Committee meeting at <http://www.seattle.gov/council/committees/public-comment>.

Sign-up registration will begin two hours before the 2:00 p.m., Session II of the Select Budget Committee meeting start time, and registration will end at the conclusion of the Public Comment period during the meeting. Speakers must be registered in order to be recognized by the Chair.

F. Items of Business

4. [CB 119816](#) **AN ORDINANCE related to the City’s response to the 2020 COVID-19 crisis; amending Ordinance 126000, which adopted the 2020 Budget; accepting funding from non-City sources; changing appropriations to various departments and budget control levels, and from various funds in the Budget; declaring an emergency; and establishing an immediate effective date; all by a 3/4 vote of the City Council.**

Supporting Documents:

[Summary and Fiscal Note](#)

[Central Staff Memo](#)

[Amendment 1 \(Mosqueda & Herbold\) - Technical Correction](#)

[Amendment 2 \(Mosqueda & Herbold\) - Technical Correction](#)

Briefing, Discussion, and Possible Vote

Presenters: Jeff Simms and Amy Gore, Council Central Staff

5. **City Budget Office Overview of the 2020 Rebalancing Package**

Supporting Documents:

[Presentation \(06/24/2020\)](#)

Briefing and Discussion

Presenters: Ben Noble, Director, and Julie Dingley, City Budget Office; Deputy Mayor Shefali Ranganathan

G. Adjournment



Legislation Text

File #: CB 119810, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to taxation; imposing a payroll expense tax on persons engaging in business in Seattle; adding a new Chapter 5.38 to the Seattle Municipal Code; and amending Sections 5.30.010, 5.30.060, 5.55.010, 5.55.040, 5.55.060, 5.55.150, 5.55.165, 5.55.220, 5.55.230, and 6.208.020 of the Seattle Municipal Code.

WHEREAS, the City Council intends to revisit the tax imposed by this new Chapter 5.38 in the event that an organization with overlapping jurisdiction implements a progressive revenue source that provides City of Seattle (“City”) funding at levels equivalent to those generated through this payroll expense tax; and

WHEREAS, on March 11, 2020, the World Health Organization announced that the novel coronavirus (COVID-19) is officially a global pandemic; and

WHEREAS, on February 29, 2020, the Washington Governor issued Proclamation 20-05, proclaiming a state of emergency for all counties throughout the state of Washington in response to new cases of COVID-19, and

WHEREAS, on March 25, 2020, the Washington Governor issued Proclamation 20-25, prohibiting all people in Washington from leaving their homes and all non-essential businesses in Washington from conducting business (“Stay Home, Stay Healthy Proclamation”); and

WHEREAS, these actions are appropriate for public health reasons but result in severe economic impacts on families and individuals in Seattle; and

WHEREAS, these impacts are felt most strongly by people with low incomes who have become unemployed or had their work hours severely reduced; and

WHEREAS, federal and state assistance to people with low incomes will not be sufficient to meet their basic needs during this public health and financial crisis; and

WHEREAS, without additional support, many people with low incomes will face severe financial hardship that will have significant negative impacts, including but not limited to public health impacts and greater housing insecurity, as well as impacts to small businesses and the local economy; and

WHEREAS, on November 2, 2015, the Mayor of Seattle issued a Proclamation of Civil Emergency related to homelessness; on November 3, 2015, the City Council adopted Resolution 31630 ratifying and confirming the Mayoral Proclamation of Civil Emergency; and the civil emergency remains in effect. As of 2019 there were roughly 11 percent more people experiencing homelessness in the region than in 2015; and

WHEREAS, a national study published in the *Journal of Urban Affairs* established the correlation between increasing rent and homelessness, finding that an increase of \$100 in median rent for an area results in a 15 percent (metro areas) and a 39 percent (nearby suburbs and rural areas) increase in homelessness; and

WHEREAS, average rents in Seattle rose 69 percent between 2010 and 2018, far beyond the rate of inflation and more than double the national average; and

WHEREAS, the 2019 Seattle-King County Point in Time Count of persons experiencing homelessness estimates there are 11,199 individuals experiencing homelessness in the region; and

WHEREAS, the October 2019 Report and Recommendations of the King County Regional Affordable Housing Task Force found that 156,000 affordable homes were needed immediately, and another 88,000 affordable homes by 2040, to ensure that no low-income or working households were cost-burdened; and

WHEREAS, the Third Door Coalition proposal advocates for the creation of 6,500 permanent supportive housing units as a proven solution for meeting the housing and services needs of those who are

chronically homelessness; and

WHEREAS, the City recognizes the importance of using a “Housing First” approach in the development of permanent housing for those experiencing homelessness, which prioritizes providing access to low- or no-barrier housing for such persons; and

WHEREAS, the affordable housing crisis, homelessness emergency, and now the COVID-19 pandemic and related economic and unemployment emergencies in Seattle are deeply impacting the lives of people throughout Seattle and the region, and disproportionately harm people of color, immigrants, the LGBTQ community, indigenous peoples’ communities, disabled community members, and women, who already struggle against entrenched inequality; and

WHEREAS, the International Monetary Fund’s recent World Economic Outlook forecasts the worst global recession since the Great Depression; and

WHEREAS, the City Budget Office’s recent economic forecast for the Seattle metropolitan area predicts significant job loss, high unemployment, and declining per capita income; and

WHEREAS, the City Budget Office projects the City’s revenue will be impacted by between \$210 million and \$300 million in 2020; and

WHEREAS, a significant decline in revenue will impact the City’s ability to provide necessary support to communities facing hardship due to the COVID-19 public health crisis and recession and to adequately address the ongoing homelessness crisis; and

WHEREAS, the period of economic recovery from the 2007-2009 Great Recession resulted in worsening economic disparities in Washington, and households experiencing deep poverty increased by 15,000 in the state; and

WHEREAS, the economic hardships and loss of wealth resulting from the Great Recession disproportionately impacted households of color, in particular Black households and Hispanic and Latinx households; and

WHEREAS, the gains in income growth associated with the period of economic recovery and growth in

Washington leading up to the COVID-19 recession have been concentrated among the wealthiest households; and

WHEREAS, public investments have not kept pace with the growing economy, and in fact have declined from pre-Great Recession levels; and

WHEREAS, austerity measures and spending cuts made in response to the Great Recession resulted in uneven and slow economic recovery, and prolonged hardship for vulnerable and marginalized communities; and

WHEREAS, Washington ranks as the worst in the nation for regressive state and local tax systems; and

WHEREAS, the U.S. Internal Revenue Service states that “a progressive tax takes a larger percentage of income from high-income groups than from low-income groups and is based on the concept of ability to pay”; and

WHEREAS, on November 20, 2017, the City Council unanimously adopted Resolution 31782, “establishing a process by which [T]he City of Seattle will determine new progressive revenues including an Employee Hours Tax, expressing the City Council’s intent to impose such potential revenues, and expressing the City Council’s intent to make investments with these revenues that would assist people who are homeless or at a high risk of becoming homeless in obtaining and retaining stable housing”; and

WHEREAS, Resolution 31782 established a Progressive Revenue Task Force (“Task Force”) and requested that the Task Force evaluate and determine “appropriate tax rates and possible exemption levels that are expected to yield between \$25 million and \$75 million in revenue per year”; and

WHEREAS, the Progressive Revenue Task Force’s March 9, 2018, final report recommended that the City seek to collect \$75 million from a new employee hours tax, a new payroll tax, or both to address homelessness and affordable housing; and

WHEREAS, the City imposed an employee hours tax through Ordinance 125578 that would have raised \$47 million annually plus a measure of inflation; and

WHEREAS, the City repealed the employee hours tax through Ordinance 125592; and

WHEREAS, The City of Seattle intends to exercise its taxing authority, as granted by the Washington State Constitution and as authorized by the Washington State Legislature; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. A new Chapter 5.38 is added to the Seattle Municipal Code as follows:

Chapter 5.38 PAYROLL EXPENSE TAX

5.38.010 Administrative provisions

All of the provisions contained in Chapter 5.55 shall have full force and application with respect to taxes imposed under the provisions of this Chapter 5.38 except as may be expressly stated to the contrary herein.

5.38.020 Definitions

The definitions contained in Chapter 5.30 shall be fully applicable to this Chapter 5.38 except as may be expressly stated to the contrary herein. The following additional definitions shall apply throughout this Chapter 5.38:

“Business” has the same meaning as that term is defined in Section 5.30.020. Depending on the context, “business” may also mean a person engaging in business in Seattle.

“Compensation” means remuneration as that term is defined in RCW 50A.05.010. “Compensation” does not include payments to an owner of a pass-through entity that are not earned for services rendered or work performed, such as return of capital, investment income, or other income from passive activities.

“Employee” means any individual who performs work, labor, or personal services of any nature for compensation paid by a business. For purposes of this Chapter 5.38, the term “employee”:

1. Includes individuals who are members of limited liability companies, members of professional limited liability companies, partners, other owners of pass-through entities, and sole proprietors; and
2. Includes individuals who would be considered to be independent contractors for purposes of the business license tax under subsection 5.45.090.S.

“Grocery business” means:

1. A business whose primary business is making retail sales of food and food ingredients to consumers that are exempt from the retail sales tax under RCW 82.08.0293; and

2. A business whose primary business is making wholesale sales of food and food ingredients that will be exempt from the retail sales tax under RCW 82.08.0293 when resold by the purchaser.

For subsections (1) and (2) of this definition, “primary business” means that 70 percent of the gross income of the business for purposes of calculating the business license tax under Chapter 5.45 is attributable to that business activity.

“Local government entity” has the same meaning as that term is defined in RCW 4.96.010.

“Net distribution” means the draws from net income by any owner of a pass-through entity. Taxable distributions are limited by the amount of draws or net income for that owner, whichever is less. If the owner’s draw exceeds that individual’s net profit, the excess draw is a return of capital. A return of capital is not taxable because it is a liquidation of an owner’s assets.

“Pass-through entity” includes a trust, partnership, corporation described in Subchapter S of the Internal Revenue Code of 1986, as amended, limited liability company, limited liability partnership, professional corporation, and any other person or entity which is not subject to the income tax imposed by Subtitle A, Chapter 1 of the Internal Revenue Code of 1986, as amended, or which is allowed a deduction in computing such tax for distributions to the owners or beneficiaries of such person or entity.

“Payroll expense” means the compensation paid in Seattle to employees. Compensation is paid in Seattle to an employee if:

1. The employee is primarily assigned within Seattle;
2. The employee is not primarily assigned to any place of business for the tax period and the employee performs 50 percent or more of their service for the tax period in Seattle; or
3. The employee is not primarily assigned to any place of business for the tax period, the employee does not perform 50 percent or more of their service in any city, and the employee resides in Seattle.

“Primarily assigned” means the business location of the taxpayer where the employee performs their duties.

“Remuneration” has the same meaning as that term is defined in RCW 50A.05.010.

“Taxpayer” means any person who engages in any business in Seattle or who performs any act for which a tax is imposed under this Chapter 5.38.

5.38.030 Tax imposed-Rate

A. A payroll expense tax is hereby levied upon and shall be collected from every person engaging in business within Seattle.

B. The amount of the payroll expense tax due shall be the payroll expense of the business, subject to any deductions authorized under this Chapter 5.38, multiplied by the following rates:

1. For businesses with payroll expense up to \$1 billion, the rate shall be:

a. Seven-tenths percent of the payroll expense of employees with annual compensation of \$150,000 to \$499,999; and

b. One and four-tenths percent of the payroll expense of employees with annual compensation of \$500,000 or more.

2. For businesses with payroll expense greater than \$1 billion, the rate shall be:

a. One and four-tenths percent of the payroll expense of employees with annual compensation of \$150,000 to \$499,999; and

b. Two and one-tenth percent of the payroll expense of employees with annual compensation of \$500,000 or more.

C. The tax imposed by this Chapter 5.38 is levied on businesses. A business may not make any deductions from employees’ compensation to pay for this tax.

5.38.040 Exemptions from the payroll expense tax

A. The following are exempt from the payroll expense tax:

1. Any business having payroll expense, as defined under Section 5.38.020, of less than \$7 million in the most recent complete calendar year.
2. Any business engaged in business in Seattle as a grocery business.
3. Any individual who is an independent contractor for purposes of the business license tax under subsection 5.45.090.S and whose compensation is included in the payroll expense of another business subject to the tax imposed by Section 5.38.030.
4. Businesses that are preempted from taxation by cities pursuant to federal or state statutes or regulations, including, but not limited to, the following:
 - a. Insurance businesses and their agents as defined by RCW 48.01.050 and 48.17.010, respectively, and whose total revenue is exempt from the business license tax per Chapter 5.45.
 - b. Businesses that only sell, manufacture, or distribute motor vehicle fuel as defined in RCW 82.38.020 and exempted under RCW 82.38.080.
 - c. Businesses that only distribute or sell liquor as defined in RCW 66.04.010 and exempted in RCW 66.08.120.
 - d. Federal and state government agencies and any local governmental entity.

5.38.050 Allocation and apportionment

A. The Director may adopt procedures to allow taxpayers who have payroll expenses consisting of work done and services provided within and outside Seattle to use a representative test period or conduct a survey based on factual data to arrive at a formula with which to calculate the percentage of payroll expense attributable to Seattle. Any formula so established will be subject to review and correction by the Director.

B. If payroll expense as defined in Section 5.38.020 does not fairly represent the extent of the compensation paid by the taxpayer to its employees that is attributable to work performed or services rendered in Seattle, the taxpayer may petition the Director for, or the Director may require, the employment of another method to effectuate an equitable allocation and apportionment.

C. Nothing in this Chapter 5.38 shall be construed as requiring the payment of any tax for engaging in business when such payment would be in violation of the Constitution or a statute of the United States or of the Constitution or a statute of the state of Washington. Notwithstanding anything to the contrary herein, if imposition of the City's tax would place an undue burden upon interstate commerce or violate other constitutional requirements, a taxpayer shall be allowed a credit to the extent necessary to preserve the validity of the City's tax, and still apply the City's tax to as much of the taxpayer's activities as may be subject to the City's taxing authority.

D. Businesses engaging temporary or contracted employees shall report and pay the tax on the payroll expense of such temporary or contracted employees, whether or not they are from an employment agency.

5.38.060 Payroll expense tax-When due

The payroll expense tax imposed by this Chapter 5.38 shall be due and payable on a quarterly basis in accordance with Section 5.55.040. Notwithstanding Section 5.55.040, the tax due for 2021 shall be payable on the same date that the tax payment for the fourth quarter of 2021 is due. The Director may use discretion to assign businesses to an annual reporting period. Forms for such filings shall be prescribed by the Director. Persons discontinuing their business activities in Seattle shall report and pay the payroll expense tax at the same time as they file their final business license tax return under Chapter 5.45.

5.38.070 Adjustments for inflation

A. Beginning on January 1, 2022, and on January 1 of every year thereafter, the Director shall adjust in the manner described in subsection 5.38.070.B the following dollar amounts:

1. The amount of the dollar thresholds in Section 5.38.030; and
2. The amount of the exemption in subsection 5.38.040.A.1.

B. The amounts listed in subsection 5.38.070.A shall increase commensurate with the rate of growth of the prior year's June-to-June Consumer Price Index (CPI-U) for the Seattle-Tacoma-Bellevue area as published by the United States Department of Labor. The amounts calculated shall be rounded to the nearest whole dollar.

5.38.080 Tax in addition to other license fees or taxes

The tax imposed herein shall be in addition to any license fee or tax imposed or levied under any other law, statute, or ordinance whether imposed or levied by the City, the State, or other governmental entity or political subdivision.

5.38.090 Tax part of operating overhead

It is not the intention of this Chapter 5.38 that the taxes herein levied upon persons engaging in business be construed as taxes upon the customers of such businesses, but that taxes shall be levied upon, and collectible from, the person engaging in the business activities herein designated and that such taxes or fees shall constitute a part of the operating overhead or cost of doing business of such persons.

5.38.100 Maintaining a level playing field

To maintain a level playing field for the payroll expense tax imposed in this Chapter 5.38, the Council intends to monitor proposals for any taxes imposed by King County or the State of Washington on progressive revenue, including payroll expense taxes. The City intends to work with King County and the State of Washington to consider amendments to the tax imposed by this Chapter 5.38 in the event that businesses become subject to future significant progressive taxes at the county or state level.

5.38.110 Rules and regulations

The Director shall adopt, publish, and enforce rules and regulations not inconsistent with this Chapter 5.38 for the purpose of carrying out the provisions of this Chapter 5.38, including but not limited to rules to determine the payroll expense attributable to work performed and services rendered by employees in Seattle.

5.38.120 Sunset

For all periods from January 1, 2021, through December 31, 2030, a payroll expense tax as imposed by this Chapter 5.38 is hereby levied. No business shall owe a payroll expense tax for payroll expenses after December 31, 2030, and this Chapter 5.38 shall be limited to determining and collecting the payroll expense tax due for all business activities prior to December 31, 2030.

Section 2. Section 5.30.010 of the Seattle Municipal Code, last amended by Ordinance 125934, is amended as follows:

5.30.010 Definition provisions

The definitions contained in this Chapter 5.30 shall apply to the following chapters of the Seattle Municipal Code: Chapters 5.32 (Amusement Devices), 5.35 (Commercial Parking Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.47 (Heating Oil Tax), 5.48 (Business Tax-Utilities), 5.50 (Firearms and Ammunition Tax), 5.52 (Gambling Tax), 5.53 (Sweetened Beverage Tax), and 5.55 (General Administrative Provisions) unless expressly provided for otherwise therein, and shall also apply to other chapters and sections of the Seattle Municipal Code in the manner and to the extent expressly indicated in each chapter or section. Words in the singular number shall include the plural and the plural shall include the singular. Words in one gender shall include all other genders.

Section 3. Subsections 5.30.060.B and 5.30.060.C of the Seattle Municipal Code, which section was last amended by Ordinance 125934, are amended as follows:

5.30.060 Definitions, T-Z

* * *

B. “Taxable gross income of the business and the value of products,” as used in Section 5.55.030 to determine the business license tax certificate fee, and “taxable gross income” (~~means~~) mean the taxpayer’s total amount of gross proceeds of sale, gross income of the business, and the value of products, less any deductions available to the taxpayer under Chapter 5.45.

C. “Taxpayer” means any “person,” as herein defined, required by Chapter 5.55 to have a business license tax certificate, or liable for any license, tax, or fee, or for the collection of any tax or fee, under Chapters 5.32 (Revenue Code), 5.35 (Commercial Parking Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.47

(Heating Oil Tax), 5.48 (Business Tax-Utilities), 5.50 (Firearms and Ammunition Tax), 5.52 (Gambling Tax), and 5.53 (Sweetened Beverage Tax), or who engages in any business or who performs any act for which a tax or fee is imposed under those chapters.

* * *

Section 4. Section 5.55.010 of the Seattle Municipal Code, last amended by Ordinance 125934, is amended as follows:

5.55.010 Application of chapter stated

Unless expressly stated to the contrary in each chapter, the provisions of this Chapter 5.55 shall apply with respect to the licenses and taxes imposed under this Chapter 5.55 and Chapters 5.32 (Amusement Devices), 5.35 (Commercial Parking Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.47 (Heating Oil Tax), 5.48 (Business Tax-Utilities), 5.50 (Firearms and Ammunition Tax), 5.52 (Gambling Tax), 5.53 (Sweetened Beverage Tax), and under other titles, chapters, and sections in such manner and to such extent as indicated in each such title, chapter, or section.

Section 5. Subsection 5.55.040.A of the Seattle Municipal Code, which section was last amended by Ordinance 125934, is amended as follows:

5.55.040 When due and payable-Reporting periods-Monthly, quarterly, and annual returns-Threshold provisions-Computing time periods-Failure to file returns

A. Other than any annual license fee or registration fee assessed under this Chapter 5.55, the taxes imposed by Chapters 5.32 (Amusement Devices), 5.35 (Commercial Parking Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.47 (Heating Oil Tax), 5.48 (Business Tax-Utilities), 5.50 (Firearms and Ammunition Tax), 5.52 (Gambling Tax), and 5.53 (Sweetened Beverage Tax) shall be due and payable in quarterly installments. The Director may use discretion to assign businesses to a monthly or annual reporting period depending on the tax

amount owing or type of tax. Taxes imposed by subsections 5.52.030.A.2 and 5.52.030.B.2 for punch boards and pull-tabs shall be due and payable in monthly installments. Tax returns and payments are due on or before the last day of the next month following the end of the assigned reporting period covered by the return.

* * *

Section 6. Subsection 5.55.060.A of the Seattle Municipal Code, which section was last amended by Ordinance 125934, is amended as follows:

5.55.060 Records to be preserved-Examination-Inspection-Search warrants-Estoppel to question assessment

A. Every person liable for any fee or tax imposed by this Chapter 5.55 and Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, and 5.53 shall keep and preserve, for a period of five years after filing a tax return, such records as may be necessary to determine the amount of any fee or tax for which the person may be liable; which records shall include copies of all federal income tax and state tax returns and reports made by the person. All books, records, papers, invoices, ticket stubs, vendor lists, gambling games, and payout information, inventories, stocks of merchandise, and other data, including federal income tax and state tax returns, and reports needed to determine the accuracy of any taxes due, shall be open for inspection or examination at any time by the Director or a duly authorized agent. Every person’s business premises shall be open for inspection or examination by the Director or a duly authorized agent. For the purposes of this Section 5.55.060, for the tax imposed by Chapter 5.53, “business premises” means wherever the person’s business records and tax documents are maintained and does not mean every site owned or operated by the person.

* * *

Section 7. Subsection 5.55.150.E of the Seattle Municipal Code, which section was last amended by Ordinance 125934, is amended as follows:

5.55.150 Appeal to the Hearing Examiner

* * *

E. The Hearing Examiner shall ascertain the correct amount of the tax, fee, interest, or penalty due either by affirming, reversing, or modifying an action of the Director. Reversal or modification is proper if the Director's assessment or refund denial violates the terms of this Chapter 5.55, or Chapters 5.30, 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, or 5.53.

* * *

Section 8. Section 5.55.165 of the Seattle Municipal Code, last amended by Ordinance 125934, is amended as follows:

5.55.165 Director of Finance and Administrative Services to make rules

The Director of Finance and Administrative Services shall have the power and it shall be the Director's duty, from time to time, to adopt, publish, and enforce rules and regulations not inconsistent with this Chapter 5.55, with Chapters 5.30, 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, or 5.53, or with law for the purpose of carrying out the provisions of such chapters, and it shall be unlawful to violate or fail to comply with any such rule or regulation.

Section 9. Subsections 5.55.220.A and 5.55.220.B of the Seattle Municipal Code, which section was last amended by Ordinance 125934, are amended as follows:

5.55.220 Unlawful actions-Violation-Penalties

A. It shall be unlawful for any person subject to the provisions of this Chapter 5.55 or Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, and 5.53:

1. To violate or fail to comply with any of the provisions of this Chapter 5.55, or Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, and 5.53, or any lawful rule or regulation adopted by the Director;
2. To make or manufacture any license required by this Chapter 5.55 except upon authority of the Director;
3. To make any false statement on any license, application, or tax return;

4. To aid or abet any person in any attempt to evade payment of a license fee or tax;
5. To refuse admission to the Director to inspect the premises and/or records as required by this Chapter 5.55, or to otherwise interfere with the Director in the performance of duties imposed by Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, and 5.53;
6. To fail to appear or testify in response to a subpoena issued pursuant to Section 3.02.120 in any proceeding to determine compliance with this Chapter 5.55 and Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, and 5.53;
7. To testify falsely in any investigation, audit, or proceeding conducted pursuant to this Chapter 5.55;
8. To continue to engage in any business activity, profession, trade, or occupation after the revocation of or during a period of suspension of a business license tax certificate issued under Section 5.55.030; or
9. In any manner, to hinder or delay the City or any of its officers in carrying out the provisions of this Chapter 5.55 or Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, and 5.53.

B. Each violation of or failure to comply with the provisions of this Chapter 5.55, or Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, or 5.53 shall constitute a separate offense. Except as provided in subsection 5.55.220.C, any person who commits an act defined in subsection 5.55.220.A is guilty of a gross misdemeanor, punishable in accordance with Section 12A.02.070. The provisions of Chapters 12A.02 and 12A.04 apply to the offenses defined in subsection 5.55.220.A, except that liability is absolute and none of the mental states described in Section 12A.04.030 need be proved.

* * *

Section 10. Subsection 5.55.230.A of the Seattle Municipal Code, which section was last amended by Ordinance 125934, is amended as follows:

5.55.230 Denial, revocation of, or refusal to renew business license tax certificate

A. The Director, or the Director's designee, has the power and authority to deny, revoke, or refuse to renew any business license tax certificate or amusement device license issued under the provisions of this Chapter 5.55. The Director, or the Director's designee, shall notify such applicant or licensee in writing by mail in accordance with Section 5.55.180 of the denial of, revocation of, or refusal to renew the license and on what grounds such a decision was based. The Director may deny, revoke, or refuse to renew any business license tax certificate or other license issued under this Chapter 5.55 on one or more of the following grounds:

1. The license was procured by fraud or false representation of fact.
2. The licensee has failed to comply with any provisions of this Chapter 5.55.
3. The licensee has failed to comply with any provisions of Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, or 5.53.
4. The licensee is in default in any payment of any license fee or tax under Title 5 or Title 6.

* * *

Section 11. Subsection 6.208.020.A of the Seattle Municipal Code, which section was last amended by Ordinance 125934, is amended as follows:

6.208.020 Denial, revocation of, or refusal to renew business license

A. In addition to any other powers and authority provided under this Title 6, the Director, or the Director's designee, has the power and authority to deny, revoke, or refuse to renew any business license issued under the provisions of this Chapter 6.208. The Director, or the Director's designee, shall notify such applicant or licensee in writing by mail of the denial, revocation of, or refusal to renew the license and on what grounds such a decision was based. The Director may deny, revoke, or refuse to renew any license issued under this Chapter 6.208 on one or more of the following grounds:

1. The license was procured by fraud or false representation of fact.
2. The licensee has failed to comply with any provisions of this Chapter 6.208.
3. The licensee has failed to comply with any provisions of Chapters 5.32, 5.35, 5.38, 5.39, 5.40,

5.45, 5.46, 5.47, 5.48, 5.50, or 5.52.

4. The licensee is in default in any payment of any license fee or tax under Title 5 or Title 6.

5. The property at which the business is located has been determined by a court to be a chronic nuisance property as provided in Chapter 10.09.

6. The applicant or licensee has been convicted of theft under subsection 12A.08.060.A.4 within the last ten years.

7. The applicant or licensee is a person subject within the last ten years to a court order entering final judgment for violations of chapters 49.46, 49.48, or 49.52 RCW, or 29 U.S.C. 206 or 29 U.S.C. 207, and the judgment was not satisfied within 30 days of the later of either: a. The expiration of the time for filing an appeal from the final judgment order under the court rules in effect at the time of the final judgment order; or b. If a timely appeal is made, the date of the final resolution of that appeal and any subsequent appeals resulting in final judicial affirmation of the findings of violations of chapters 49.46, 49.48, or 49.52 RCW, or 29 U.S.C. 206 or 29 U.S.C. 207.

8. The applicant or licensee is a person subject within the last ten years to a final and binding citation and notice of assessment from the Washington Department of Labor and Industries for violations of chapters 49.46, 49.48, or 49.52 RCW, and the citation amount and penalties assessed therewith were not satisfied within 30 days of the date the citation became final and binding.

9. Pursuant to subsections 14.16.100.A.4, 14.17.075.A, 14.19.100.A.4, 14.20.080.A.4, 14.22.115.A.4, and 14.23.115.A.4, the applicant or licensee has failed to comply, within 30 days of service of any settlement agreement, with any final order issued by the Director of the Office of Labor Standards, or any final order issued by the Hearing Examiner under Chapters 14.16, 14.17, 14.19, 14.20, 14.22, and 14.23 for which all appeal rights have been exhausted, and the Director of the Office of Labor Standards has requested that the Director deny, refuse to renew, or revoke any business license held or requested by the applicant or licensee. The denial, refusal to renew, or revocation shall remain in effect until such time as the violation(s)

under Chapters 14.16, 14.17, 14.19, 14.20, 14.22, and 14.23 are remedied.

10. The business is one that requires an additional license under this Title 6 and the business does not hold that license.

11. The business has been determined under a separate enforcement process to be operating in violation of law.

* * *

Section 12. Severability. If any part, provision, or section of this ordinance is held to be void or unconstitutional, all other parts, provisions, and sections of this ordinance not expressly so held to be void or unconstitutional shall continue in full force and effect.

Section 13. Sections 1 through 11 of this ordinance shall take effect on January 1, 2021.

Section 14. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the _____ day of _____, 2020, and signed by me in open session in authentication of its passage this _____ day of _____, 2020.

President _____ of the City Council

Approved by me this _____ day of _____, 2020.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2020.

Monica Martinez Simmons, City Clerk

(Seal)

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Legislative	Tom Mikesell 4-8735/ Dan Eder 4-8147	

** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to taxation; imposing a payroll expense tax on persons engaging in business in Seattle; adding a new Chapter 5.38 to the Seattle Municipal Code; and amending Sections 5.30.010, 5.30.060, 5.55.010, 5.55.040, 5.55.060, 5.55.150, 5.55.165, 5.55.220, 5.55.230, and 6.208.020 of the Seattle Municipal Code.

Summary and background of the Legislation: This council bill would impose a tax on business payrolls of \$7 million or more annually. The new tax would have different rates determined by size of business and level of compensations as follows:

1. Seattle payroll from \$7 million to \$999,999,999.99:
 - a. Individual employee compensation \$150,000 to \$499,999.99: 0.7%
 - b. Individual employee compensation at or above \$500,000: 1.4%
2. Seattle Payroll at or above \$1 billion:
 - a. Individual employee compensation \$150,000 to \$499,999.99: 1.4%
 - b. Individual employee compensation at or above \$500,000: 2.1%

Federal and state government entities, grocery stores, and businesses preempted from taxation by cities under federal or Washington State laws, and businesses with payrolls below the \$7 million threshold, would be exempt.

To payroll tax would be imposed January 1, 2021 and, based on estimates using available government data, would generate approximately \$173.5 million annually. The tax sunsets on December 31, 2030 and includes a statement that the City Council intends to monitor progressive tax proposals from governments with overlapping jurisdiction and consider amendments to the tax in the event that businesses become subject to future significant progressive taxes at the state or county level.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? Yes No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? Yes No

Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
 Implementing the corporate payroll tax would require both one-time startup costs (including costs to update or create new computer systems) and ongoing administrative costs. CB 119811 provides 5% of total estimated revenue for administration as part of the 2021 spending plan.

Is there financial cost or other impacts of *not* implementing the legislation?
 This council bill provides the revenue to repay a \$86 million use of the City’s Emergency Management Fund and Revenue Stabilization Fund in 2020, that is included in Council Bill 119812. Not implementing this legislation, but approving the appropriations in Council Bill 119812, would require that these funds be replenished from other General Fund resources.

If there are no changes to appropriations, revenues, or positions, please delete sections 3.a., 3.b., and 3.c. and answer the questions in Section 4.

3.a. Appropriations

This legislation adds, changes, or deletes appropriations.

3.b. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2020 Revenue	2021 Estimated Revenue
General Fund 001000		Payroll Expense Tax	\$0	\$173,500,000
TOTAL			\$0	\$173,500,000

Is this change one-time or ongoing?
 The payroll expense tax is effective through December 31, 2030.

3.c. Positions

This legislation adds, changes, or deletes positions.

4. OTHER IMPLICATIONS

- a. Does this legislation affect any departments besides the originating department?**
This ordinance would generate both one-time setup and ongoing administrative costs for the Department of Finance & Administrative Services. See 3.b above.
- b. Is a public hearing required for this legislation?**
No.
- c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**
No.
- d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.
- e. Does this legislation affect a piece of property?**
No.
- f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**
As described in CB 119811 and CB 119812, the proceeds from the taxes to be collected under this council bill would be used in 2021 repay proposed uses in 2020 of the Emergency Management Fund and the Revenue Stabilization Fund that funds small business support, housing security and services, support for immigrant and refugee communities, and emergency grocery vouchers. In 2022 and thereafter proceeds support affordable housing investments, Equitable Development Initiative projects, and support for local business and workforce stability.
- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)?**
While this ordinance would generate revenues to support expanded programming, it does not directly establish or expand any initiatives or programs.



SEATTLE CITY COUNCIL
CENTRAL STAFF

Payroll Expense Tax Amendments

Council Bill 119810

DAN EDER | TOM MIKESELL

SELECT BUDGET COMMITTEE | JULY 1, 2020

Presentation Overview

Amendments

- Technical Amendments
- Tax Structure / Rates
- Other Amendments

Technical Amendments

#	Sponsor	Subject	1	3	4	5	6	7	8	11	12	14	15	16	17	18	20	21
21	Mosqueda	Technical Amendment																

Tax Structure / Rate Amendments

#	Sponsor	Subject	1	3	4	5	6	7	8	11	12	14	15	16	17	18	20	21
20	Mosqueda/Morales	Rates								X			X	X	X		X	
11	Sawant	Rates								X			X	X	X		X	
15	Sawant	Rates								X			X				X	
16	Sawant	Rates								X				X			X	
17	Sawant	Rates								X					X		X	

All Other Amendments

#	Sponsor	Subject	1	3	4	5	6	7	8	11	12	14	15	16	17	18	20	21
1	Herbold / Sawant	Effective Date																
5	Juarez / Pedersen	Placing on the November Ballot																
8	Pedersen	Exemptions - Non-Profits																

#	Sponsor	Subject	1	3	4	5	6	7	8	11	12	14	15	16	17	18	20	21
14	Mosqueda	Exemptions - Healthcare						X				X						
7	Pedersen	Exemptions - Healthcare						X				X						

#	Sponsor	Subject	1	3	4	5	6	7	8	11	12	14	15	16	17	18	20	21
3	Sawant	Sunset		X	X		X				X					X		
4	Pedersen	Sunset		X	X													
6	Pedersen	Maintain a Level Playing Field					X				X					X		
12	Mosqueda / Strauss	Maintain a Level Playing Field					X				X					X		
18	Morales	Maintain a Level Playing Field					X				X					X		

Questions?

Amendment 21
to
CB #119810 – Payroll Expense Tax
Sponsor: Mosqueda

On line 1 of page 6, amend the following as shown:

5.38.020 Definitions

The definitions contained in Chapter 5.30 shall be fully applicable to this Chapter 5.38 except as may be expressly stated to the contrary herein. The following additional definitions shall apply throughout this Chapter 5.38:

“Business” has the same meaning as that term is defined in Section 5.30.020. Depending on the context, “business” may also mean a person engaging in business in Seattle.

“Compensation” means remuneration as that term is defined in RCW 50A.05.010. —, net distributions, or incentive payments, including guaranteed payments, whether based on profit or otherwise, earned for services rendered or work performed, whether paid directly or through an agent, and whether in cash or in property or the right to receive property. “Compensation” does not include payments to an owner of a pass-through entity that are not earned for services rendered or work performed, such as return of capital, investment income, or other income from passive activities.

“Employee” means any individual who performs work, labor, or personal services of any nature for compensation paid by a business. For purposes of this Chapter 5.38, the term “employee”:

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1. Includes individuals who are members of limited liability companies, members of professional limited liability companies, partners, other owners of pass-through entities, and sole proprietors; and

2. Includes individuals who would be considered to be independent contractors for purposes of the business license tax under subsection 5.45.090.S.

“Grocery business” means:

1. A business whose primary business is making retail sales of food and food ingredients to consumers that are exempt from the retail sales tax under RCW 82.08.0293; and

2. A business whose primary business is making wholesale sales of food and food ingredients that will be exempt from the retail sales tax under RCW 82.08.0293 when resold by the purchaser.

For subsections (1) and (2) of this definition, “primary business” means that 70 percent of the gross income of the business for purposes of calculating the business license tax under Chapter 5.45 is attributable to that business activity.

“Local government entity” has the same meaning as that term is defined in RCW 4.96.010.

“Net distribution” means the draws from net income by any owner of a pass-through entity. Taxable distributions are limited by the amount of draws or net income for that owner, whichever is less. If the owner’s draw exceeds that individual’s net profit, the excess draw is a return of capital. A return of capital is not taxable because it is a liquidation of an owner’s assets.

“Pass-through entity” includes a trust, partnership, corporation described in Subchapter S of the Internal Revenue Code of 1986, as amended, limited liability company, limited liability partnership, professional corporation, and any other person or entity which is not subject to the

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income tax imposed by Subtitle A, Chapter 1 of the Internal Revenue Code of 1986, as amended, or which is allowed a deduction in computing such tax for distributions to the owners or beneficiaries of such person or entity.

“Payroll expense” means the compensation paid in Seattle to employees. Compensation is paid in Seattle to an employee if:

1. The employee is primarily assigned within Seattle;
2. The employee is not primarily assigned to any place of business for the tax period and the employee performs 50 percent or more of their service for the tax period in Seattle; or
3. The employee is not primarily assigned to any place of business for the tax period, the employee does not perform 50 percent or more of their service in any city, and the employee resides in Seattle.

“Primarily assigned” means the business location of the taxpayer where the employee performs their duties.

“Remuneration” has the same meaning as that term is defined in RCW 50A.05.010.

“Taxpayer” means any person who engages in any business in Seattle or who performs any act for which a tax is imposed under this Chapter 5.38.

<p>Effect: This technical amendment would modify the definition of compensation to match the sponsor’s intent during the drafting process. It adds the following when they are earned for services rendered: net distributions that are payments to an owner, partner, or LLC member; stock grants; and, bonuses.</p>
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Amendment 20
to
CB #119810 – Payroll Expense Tax
Sponsor: Mosqueda and Morales

On line 9 of page 8, amend the following as shown:

5.38.030 Tax imposed—Rate

A. A payroll expense tax is hereby levied upon and shall be collected from every person engaging in business within Seattle.

B. The amount of the payroll expense tax due shall be the payroll expense of the business, subject to any deductions authorized under this Chapter 5.38, multiplied by the following rates:

1. For businesses with payroll expense up to ~~\$1 billion~~ 99,999,999.99, the rate shall be:

a. Seven-tenths percent of the payroll expense of employees with annual compensation of \$150,000 to ~~\$4~~ 399,999.99; and

b. One and ~~four~~ seven-tenths percent of the payroll expense of employees with annual compensation of ~~\$5~~ 400,000 or more.

2. For businesses with payroll expense of \$100 million to \$999,999,999.99, the rate shall be:

a. Seven-tenths percent of the payroll expense of employees with annual compensation of \$150,000 to \$399,999.99; and

b. One and nine-tenths percent of the payroll expense of employees with annual compensation of \$400,000 or more.

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23. For businesses with payroll expense ~~of greater than~~ \$1 billion or greater, the rate shall

be:

a. One and four-tenths percent of the payroll expense of employees with annual compensation of \$150,000 to \$4399,999.99; and

b. Two and ~~one~~four-tenths percent of the payroll expense of employees with annual compensation of \$5400,000 or more.

C. The tax imposed by this Chapter 5.38 is levied on businesses. A business may not make any deductions from employees' compensation to pay for this tax.

Effect: This amendment would modify the compensation and total payroll expense tiers, as follows:

- Adds a middle rate tier of total business payroll expense that includes payrolls from \$100 million to \$999.9 million;
- Revises the compensation tiers such that higher tax rates apply at a \$400,000 compensation amount;
- Within the \$7m to \$99.9 million tiers, the following tax rates would apply:
 - Compensation of \$150,000 to \$399,000: 0.7%
 - Compensation of \$400,000 and above: 1.7%.
- Within the \$100m to \$999.9 million payroll tier, the following tax rates would apply:
 - Compensation of \$150,000 to \$399,000: 0.7%
 - Compensation of \$400,000 and above: 1.9%.
- Within the greater than \$1 billion payroll tier, the following tax rates would apply:
 - Compensation of \$150,000 to \$399,000: 1.4%
 - Compensation of \$400,000 and above: 2.4%.

These changes would increase estimated 2021 revenue to \$214.3 million.

Amendment 11
to
CB #119810 – Payroll Expense Tax
Sponsor: Sawant

On line 10 of page 1, amend the following as shown:

~~WHEREAS, the City Council intends to revisit the tax imposed by this new Chapter 5.38 in the event that an organization with overlapping jurisdiction implements a progressive revenue source that provides City of Seattle (“City”) funding at levels equivalent to those generated through this payroll expense tax; and~~

WHEREAS, on March 11, 2020, the World Health Organization announced that the novel coronavirus (COVID-19) is officially a global pandemic; and

WHEREAS, on February 29, 2020, the Washington Governor issued Proclamation 20-05, proclaiming a state of emergency for all counties throughout the state of Washington in response to new cases of COVID-19, and

WHEREAS, on March 25, 2020, the Washington Governor issued Proclamation 20-25, prohibiting all people in Washington from leaving their homes and all non-essential businesses in Washington from conducting business (“Stay Home, Stay Healthy Proclamation”); and

WHEREAS, these actions are appropriate for public health reasons but result in severe economic impacts on families and individuals in Seattle; and

WHEREAS, these impacts are felt most strongly by people with low incomes who have become unemployed or had their work hours severely reduced; and

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WHEREAS, federal and state assistance to people with low incomes will not be sufficient to meet their basic needs during this public health and financial crisis; and

WHEREAS, without additional support, many people with low incomes will face severe financial hardship that will have significant negative impacts, including but not limited to public health impacts and greater housing insecurity, as well as impacts to small businesses and the local economy; and

WHEREAS, on November 2, 2015, the Mayor of Seattle issued a Proclamation of Civil Emergency related to homelessness; on November 3, 2015, the City Council adopted Resolution 31630 ratifying and confirming the Mayoral Proclamation of Civil Emergency; and the civil emergency remains in effect. As of 2019 there were roughly 11 percent more people experiencing homelessness in the region than in 2015; and

WHEREAS, a national study published in the *Journal of Urban Affairs* established the correlation between increasing rent and homelessness, finding that an increase of \$100 in median rent for an area results in a 15 percent (metro areas) and a 39 percent (nearby suburbs and rural areas) increase in homelessness; and

WHEREAS, average rents in Seattle rose 69 percent between 2010 and 2018, far beyond the rate of inflation and more than double the national average; and

WHEREAS, the 2019 Seattle–King County Point in Time Count of persons experiencing homelessness estimates there are 11,199 individuals experiencing homelessness in the region; and

WHEREAS, the October 2019 Report and Recommendations of the King County Regional Affordable Housing Task Force found that 156,000 affordable homes were needed

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immediately, and another 88,000 affordable homes by 2040, to ensure that no low-income or working households were cost-burdened; and

WHEREAS, the Third Door Coalition proposal advocates for the creation of 6,500 permanent supportive housing units as a proven solution for meeting the housing and services needs of those who are chronically homeless; and

WHEREAS, the City recognizes the importance of using a “Housing First” approach in the development of permanent housing for those experiencing homelessness, which prioritizes providing access to low- or no-barrier housing for such persons; and

WHEREAS, the affordable housing crisis, homelessness emergency, and now the COVID-19 pandemic and related economic and unemployment emergencies in Seattle are deeply impacting the lives of people throughout Seattle and the region, and disproportionately harm people of color, immigrants, the LGBTQ community, indigenous peoples’ communities, disabled community members, and women, who already struggle against entrenched inequality; and

WHEREAS, the International Monetary Fund’s recent World Economic Outlook forecasts the worst global recession since the Great Depression; and

WHEREAS, the City Budget Office’s recent economic forecast for the Seattle metropolitan area predicts significant job loss, high unemployment, and declining per capita income; and

WHEREAS, the City Budget Office projects the City’s revenue will be impacted by between \$210 million and \$300 million in 2020; and

WHEREAS, a significant decline in revenue will impact the City’s ability to provide necessary support to communities facing hardship due to the COVID-19 public health crisis and recession and to adequately address the ongoing homelessness crisis; and

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WHEREAS, the period of economic recovery from the 2007–2009 Great Recession resulted in worsening economic disparities in Washington, and households experiencing deep poverty increased by 15,000 in the state; and

WHEREAS, the economic hardships and loss of wealth resulting from the Great Recession disproportionately impacted households of color, in particular Black households and Hispanic and Latinx households; and

WHEREAS, the gains in income growth associated with the period of economic recovery and growth in Washington leading up to the COVID-19 recession have been concentrated among the wealthiest households; and

WHEREAS, public investments have not kept pace with the growing economy, and in fact have declined from pre–Great Recession levels; and

WHEREAS, austerity measures and spending cuts made in response to the Great Recession resulted in uneven and slow economic recovery, and prolonged hardship for vulnerable and marginalized communities; and

WHEREAS, Washington ranks as the worst in the nation for regressive state and local tax systems; and

WHEREAS, the U.S. Internal Revenue Service states that “a progressive tax takes a larger percentage of income from high-income groups than from low-income groups and is based on the concept of ability to pay”; and

WHEREAS, on November 20, 2017, the City Council unanimously adopted Resolution 31782, “establishing a process by which [T]he City of Seattle will determine new progressive revenues including an Employee Hours Tax, expressing the City Council’s intent to impose such potential revenues, and expressing the City Council’s intent to make

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investments with these revenues that would assist people who are homeless or at a high risk of becoming homeless in obtaining and retaining stable housing”; and

WHEREAS, Resolution 31782 established a Progressive Revenue Task Force (“Task Force”) and requested that the Task Force evaluate and determine “appropriate tax rates and possible exemption levels that are expected to yield between \$25 million and \$75 million in revenue per year”; and

WHEREAS, the Progressive Revenue Task Force’s March 9, 2018, final report recommended that the City seek to collect \$75 million from a new employee hours tax, a new payroll tax, or both to address homelessness and affordable housing; and

WHEREAS, the City imposed an employee hours tax through Ordinance 125578 that would have raised \$47 million annually plus a measure of inflation; and

WHEREAS, the City repealed the employee hours tax through Ordinance 125592; and

WHEREAS, The City of Seattle intends to exercise its taxing authority, as granted by the Washington State Constitution and as authorized by the Washington State Legislature;

NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

On line 1 of page 6, amend the following as shown:

5.38.020 Definitions

The definitions contained in Chapter 5.30 shall be fully applicable to this Chapter 5.38 except as may be expressly stated to the contrary herein. The following additional definitions shall apply throughout this Chapter 5.38:

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“Business” has the same meaning as that term is defined in Section 5.30.020. Depending on the context, “business” may also mean a person engaging in business in Seattle.

“Compensation” means remuneration as that term is defined in RCW 50A.05.010, net distributions, or incentive payments, including guaranteed payments, whether based on profit or otherwise, earned for services rendered or work performed, whether paid directly or through an agent, and whether in cash or in property or the right to receive property. “Compensation” does not include payments to an owner of a pass-through entity that are not earned for services rendered or work performed, such as return of capital, investment income, or other income from passive activities.

“Employee” means any individual who performs work, labor, or personal services of any nature for compensation paid by a business. For purposes of this Chapter 5.38, the term “employee”:

1. Includes individuals who are members of limited liability companies, members of professional limited liability companies, partners, other owners of pass-through entities, and sole proprietors; and

2. Includes individuals who would be considered to be independent contractors for purposes of the business license tax under subsection 5.45.090.S.

“Grocery business” means:

1. A business whose primary business is making retail sales of food and food ingredients to consumers that are exempt from the retail sales tax under RCW 82.08.0293; and

2. A business whose primary business is making wholesale sales of food and food ingredients that will be exempt from the retail sales tax under RCW 82.08.0293 when resold by the purchaser.

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For subsections (1) and (2) of this definition, “primary business” means that 70 percent of the gross income of the business for purposes of calculating the business license tax under Chapter 5.45 is attributable to that business activity.

“Integrated business enterprise” means separate business entities that are organized so that a separate business entity controls the operation of one or more other business entities. The factors to consider to determine control include, but are not limited to:

1. Degree of interrelation between the operations of multiple entities;

2. Degree to which the entities share common management;

3. Centralized control of labor relations; and

4. Degree of common ownership or financial control over the entities.

All business organized into an integrated business enterprise are considered “members” of that integrated business enterprise.

“Local government entity” has the same meaning as that term is defined in RCW 4.96.010.

“Net distribution” means the draws from net income by any owner of a pass-through entity. Taxable distributions are limited by the amount of draws or net income for that owner, whichever is less. If the owner’s draw exceeds that individual’s net profit, the excess draw is a return of capital. A return of capital is not taxable because it is a liquidation of an owner’s assets.

“Pass-through entity” includes a trust, partnership, corporation described in Subchapter S of the Internal Revenue Code of 1986, as amended, limited liability company, limited liability partnership, professional corporation, and any other person or entity which is not subject to the income tax imposed by Subtitle A, Chapter 1 of the Internal Revenue Code of 1986, as amended,

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or which is allowed a deduction in computing such tax for distributions to the owners or beneficiaries of such person or entity.

“Payroll expense” means the compensation paid in Seattle to employees. Compensation is paid in Seattle to an employee if:

1. The employee is primarily assigned within Seattle;
2. The employee is not primarily assigned to any place of business for the tax period and the employee performs 50 percent or more of their service for the tax period in Seattle; or
3. The employee is not primarily assigned to any place of business for the tax period, the employee does not perform 50 percent or more of their service in any city, and the employee resides in Seattle.

“Primarily assigned” means the business location of the taxpayer where the employee performs their duties.

“Remuneration” has the same meaning as that term is defined in RCW 50A.05.010.

“Taxable integrated business enterprise” means an integrated business enterprise whose members have a combined having payroll expense, as defined under subsection 5.38.020, of more than \$7,000,000 in the most recent complete calendar year.

“Taxpayer” means any person who engages in any business in Seattle or who performs any act for which a tax is imposed under this Chapter 5.38.

On line 9 of page 8, amend the following as shown:

5.38.030 Tax imposed—Rate

A. A payroll expense tax is hereby levied upon and shall be collected from every person engaging in business within Seattle.

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B. The amount of the payroll expense tax due shall be the payroll expense of the business, subject to any deductions authorized under this Chapter 5.38, multiplied by a rate of 1.63%.~~the following rates:~~

~~1. For businesses with payroll expense up to \$1 billion, the rate shall be:~~

~~a. Seven tenths percent of the payroll expense of employees with annual compensation of \$150,000 to \$499,999; and~~

~~b. One and four tenths percent of the payroll expense of employees with annual compensation of \$500,000 or more.~~

~~2. For businesses with payroll expense greater than \$1 billion, the rate shall be:~~

~~a. One and four tenths percent of the payroll expense of employees with annual compensation of \$150,000 to \$499,999; and~~

~~b. Two and one tenth percent of the payroll expense of employees with annual compensation of \$500,000 or more.~~

C. The tax imposed by this Chapter 5.38 is levied on businesses. A business may not make any deductions from employees' compensation to pay for this tax.

On line 5 of page 9, amend the following as shown:

5.38.040 Exemptions from the payroll expense tax

A. The following are exempt from the payroll expense tax:

1. Any business, except members of a taxable integrated business enterprise, having payroll expense, as defined under Section 5.38.020, of less than \$7 million in the most recent complete calendar year.

2. Any business engaged in business in Seattle as a grocery business.

3. Any business having a formally recognized exemption from income tax pursuant to Sections 501(c), 501(d), or 401(a) of the Internal Revenue Code of 1986, as

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amended, as qualified by Sections 502, 503, and 504 of the Internal Revenue Code of 1986, as amended.

4. Any business engaged in business as a consumer directed employer as defined in RCW 74.39A.009.

5. Any business engaged in business as a home care agency as defined in RCW 70.127.010, licensed under RCW 70.127 and receiving funding under provisions of RCW 74.39A.310

36. Any individual who is an independent contractor for purposes of the business license tax under subsection 5.45.090.S and whose compensation is included in the payroll expense of another business subject to the tax imposed by Section 5.38.030.

47. Businesses that are preempted from taxation by cities pursuant to federal or state statutes or regulations, including, but not limited to, the following:

a. Insurance businesses and their agents as defined by RCW 48.01.050 and 48.17.010, respectively, and whose total revenue is exempt from the business license tax per Chapter 5.45.

b. Businesses that only sell, manufacture, or distribute motor vehicle fuel as defined in RCW 82.38.020 and exempted under RCW 82.38.080.

c. Businesses that only distribute or sell liquor as defined in RCW 66.04.010 and exempted in RCW 66.08.120.

d. Federal and state government agencies and any local governmental entity.

On line 1 of page 11, amend the following as shown:

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5.38.060 Payroll expense tax—When due

The payroll expense tax imposed by this Chapter 5.38 shall be due and payable on a quarterly basis in accordance with Section 5.55.040. Notwithstanding Section 5.55.040, the tax due for 2020 and 2021 shall be payable on the same date that the tax payment for the fourth quarter of 2021 is due. The Director may use discretion to assign businesses to an annual reporting period. Forms for such filings shall be prescribed by the Director. Persons discontinuing their business activities in Seattle shall report and pay the payroll expense tax at the same time as they file their final business license tax return under Chapter 5.45.

On line 9 of page 11, amend the following as shown:

5.38.070 Adjustments for inflation

A. Beginning on January 1, 2022, and on January 1 of every year thereafter, the Director shall adjust in the manner described in subsection 5.38.070.B the following dollar amounts:

1. The amount of the dollar thresholds in Section 5.38.030; and
2. The amount of the exemption in subsection 5.38.040.A.1.

B. The amounts listed in subsection 5.38.070.A shall increase commensurate with the rate of growth of the prior year's June-to-June Consumer Price Index (CPI-U) for the Seattle-Tacoma-Bellevue area as published by the United States Department of Labor. The amounts calculated shall be rounded to the nearest whole dollar.

C. If the annual change in the CPI-U is negative, no adjustment to the amount must be made.

On line 7 of page 12, amend the following as shown:

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5.38.100 Maintaining a level playing field

~~To maintain a level playing field for the payroll expense tax imposed in this Chapter 5.38, the Council intends to monitor proposals for any taxes imposed by King County or the State of Washington on progressive revenue, including payroll expense taxes. The City intends to work with King County and the State of Washington to consider amendments to the tax imposed by this Chapter 5.38 in the event that businesses become subject to future significant progressive taxes at the county or state level.~~

On line 19 of page 12, amend the following as shown:

5.38.120 Sunset

~~For all periods from January 1, 2021, through December 31, 2030, a payroll expense tax as imposed by this Chapter 5.38 is hereby levied. No business shall owe a payroll expense tax for payroll expenses after December 31, 2030, and this Chapter 5.38 shall be limited to determining and collecting the payroll expense tax due for all business activities prior to December 31, 2030.~~

On line 1 of page 22, amend the following as shown:

Section 13. Sections 1 through 11 of this ordinance shall take effect on ~~January 1,~~

~~2024~~August 1, 2020.

Effect: To generate a total \$500 million in estimable annual revenue using the 'Tax Amazon' tax structure, this amendment includes the following changes:

- Removes sunset provision;
- Removes level playing field provision;
- Makes the following changes to rate structure:
 - Removes all compensation rate tiers;
 - Removes differential total payroll rate tiers above the \$7 million total payroll;
 - Adds a single tax rate of 1.63% applied to all non-exempt payroll expense.
- Exempts non-profit businesses and home care agencies;
- defines two or more businesses informally organized as an integrated business enterprise as a single business for the purpose of calculating and measuring payroll expense against the payroll expense tax's \$7 million threshold
- Precludes downward adjustments to the exemption threshold due to declines in the annual consumer price index; and,
- Changes the tax start date to August 1, 2020 and makes 2020 tax liabilities payable with the 2021 payment.

Amendment 15
to
CB #119810 – Payroll Expense Tax
Sponsor: Sawant

On line 10 of page 1, amend the following as shown:

~~WHEREAS, the City Council intends to revisit the tax imposed by this new Chapter 5.38 in the event that an organization with overlapping jurisdiction implements a progressive revenue source that provides City of Seattle (“City”) funding at levels equivalent to those generated through this payroll expense tax; and~~

WHEREAS, on March 11, 2020, the World Health Organization announced that the novel coronavirus (COVID-19) is officially a global pandemic; and

WHEREAS, on February 29, 2020, the Washington Governor issued Proclamation 20-05, proclaiming a state of emergency for all counties throughout the state of Washington in response to new cases of COVID-19, and

WHEREAS, on March 25, 2020, the Washington Governor issued Proclamation 20-25, prohibiting all people in Washington from leaving their homes and all non-essential businesses in Washington from conducting business (“Stay Home, Stay Healthy Proclamation”); and

WHEREAS, these actions are appropriate for public health reasons but result in severe economic impacts on families and individuals in Seattle; and

WHEREAS, these impacts are felt most strongly by people with low incomes who have become unemployed or had their work hours severely reduced; and

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WHEREAS, federal and state assistance to people with low incomes will not be sufficient to meet their basic needs during this public health and financial crisis; and

WHEREAS, without additional support, many people with low incomes will face severe financial hardship that will have significant negative impacts, including but not limited to public health impacts and greater housing insecurity, as well as impacts to small businesses and the local economy; and

WHEREAS, on November 2, 2015, the Mayor of Seattle issued a Proclamation of Civil Emergency related to homelessness; on November 3, 2015, the City Council adopted Resolution 31630 ratifying and confirming the Mayoral Proclamation of Civil Emergency; and the civil emergency remains in effect. As of 2019 there were roughly 11 percent more people experiencing homelessness in the region than in 2015; and

WHEREAS, a national study published in the *Journal of Urban Affairs* established the correlation between increasing rent and homelessness, finding that an increase of \$100 in median rent for an area results in a 15 percent (metro areas) and a 39 percent (nearby suburbs and rural areas) increase in homelessness; and

WHEREAS, average rents in Seattle rose 69 percent between 2010 and 2018, far beyond the rate of inflation and more than double the national average; and

WHEREAS, the 2019 Seattle–King County Point in Time Count of persons experiencing homelessness estimates there are 11,199 individuals experiencing homelessness in the region; and

WHEREAS, the October 2019 Report and Recommendations of the King County Regional Affordable Housing Task Force found that 156,000 affordable homes were needed

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immediately, and another 88,000 affordable homes by 2040, to ensure that no low-income or working households were cost-burdened; and

WHEREAS, the Third Door Coalition proposal advocates for the creation of 6,500 permanent supportive housing units as a proven solution for meeting the housing and services needs of those who are chronically homeless; and

WHEREAS, the City recognizes the importance of using a “Housing First” approach in the development of permanent housing for those experiencing homelessness, which prioritizes providing access to low- or no-barrier housing for such persons; and

WHEREAS, the affordable housing crisis, homelessness emergency, and now the COVID-19 pandemic and related economic and unemployment emergencies in Seattle are deeply impacting the lives of people throughout Seattle and the region, and disproportionately harm people of color, immigrants, the LGBTQ community, indigenous peoples’ communities, disabled community members, and women, who already struggle against entrenched inequality; and

WHEREAS, the International Monetary Fund’s recent World Economic Outlook forecasts the worst global recession since the Great Depression; and

WHEREAS, the City Budget Office’s recent economic forecast for the Seattle metropolitan area predicts significant job loss, high unemployment, and declining per capita income; and

WHEREAS, the City Budget Office projects the City’s revenue will be impacted by between \$210 million and \$300 million in 2020; and

WHEREAS, a significant decline in revenue will impact the City’s ability to provide necessary support to communities facing hardship due to the COVID-19 public health crisis and recession and to adequately address the ongoing homelessness crisis; and

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WHEREAS, the period of economic recovery from the 2007–2009 Great Recession resulted in worsening economic disparities in Washington, and households experiencing deep poverty increased by 15,000 in the state; and

WHEREAS, the economic hardships and loss of wealth resulting from the Great Recession disproportionately impacted households of color, in particular Black households and Hispanic and Latinx households; and

WHEREAS, the gains in income growth associated with the period of economic recovery and growth in Washington leading up to the COVID-19 recession have been concentrated among the wealthiest households; and

WHEREAS, public investments have not kept pace with the growing economy, and in fact have declined from pre–Great Recession levels; and

WHEREAS, austerity measures and spending cuts made in response to the Great Recession resulted in uneven and slow economic recovery, and prolonged hardship for vulnerable and marginalized communities; and

WHEREAS, Washington ranks as the worst in the nation for regressive state and local tax systems; and

WHEREAS, the U.S. Internal Revenue Service states that “a progressive tax takes a larger percentage of income from high-income groups than from low-income groups and is based on the concept of ability to pay”; and

WHEREAS, on November 20, 2017, the City Council unanimously adopted Resolution 31782, “establishing a process by which [T]he City of Seattle will determine new progressive revenues including an Employee Hours Tax, expressing the City Council’s intent to impose such potential revenues, and expressing the City Council’s intent to make

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investments with these revenues that would assist people who are homeless or at a high risk of becoming homeless in obtaining and retaining stable housing”; and

WHEREAS, Resolution 31782 established a Progressive Revenue Task Force (“Task Force”) and requested that the Task Force evaluate and determine “appropriate tax rates and possible exemption levels that are expected to yield between \$25 million and \$75 million in revenue per year”; and

WHEREAS, the Progressive Revenue Task Force’s March 9, 2018, final report recommended that the City seek to collect \$75 million from a new employee hours tax, a new payroll tax, or both to address homelessness and affordable housing; and

WHEREAS, the City imposed an employee hours tax through Ordinance 125578 that would have raised \$47 million annually plus a measure of inflation; and

WHEREAS, the City repealed the employee hours tax through Ordinance 125592; and

WHEREAS, The City of Seattle intends to exercise its taxing authority, as granted by the Washington State Constitution and as authorized by the Washington State Legislature;

NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

On line 1 of page 6, amend the following as shown:

5.38.020 Definitions

The definitions contained in Chapter 5.30 shall be fully applicable to this Chapter 5.38 except as may be expressly stated to the contrary herein. The following additional definitions shall apply throughout this Chapter 5.38:

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“Business” has the same meaning as that term is defined in Section 5.30.020. Depending on the context, “business” may also mean a person engaging in business in Seattle.

“Compensation” means remuneration as that term is defined in RCW 50A.05.010, net distributions, or incentive payments, including guaranteed payments, whether based on profit or otherwise, earned for services rendered or work performed, whether paid directly or through an agent, and whether in cash or in property or the right to receive property. “Compensation” does not include payments to an owner of a pass-through entity that are not earned for services rendered or work performed, such as return of capital, investment income, or other income from passive activities.

“Employee” means any individual who performs work, labor, or personal services of any nature for compensation paid by a business. For purposes of this Chapter 5.38, the term “employee”:

1. Includes individuals who are members of limited liability companies, members of professional limited liability companies, partners, other owners of pass-through entities, and sole proprietors; and
2. Includes individuals who would be considered to be independent contractors for purposes of the business license tax under subsection 5.45.090.S.

“Grocery business” means:

1. A business whose primary business is making retail sales of food and food ingredients to consumers that are exempt from the retail sales tax under RCW 82.08.0293; and
2. A business whose primary business is making wholesale sales of food and food ingredients that will be exempt from the retail sales tax under RCW 82.08.0293 when resold by the purchaser.

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For subsections (1) and (2) of this definition, “primary business” means that 70 percent of the gross income of the business for purposes of calculating the business license tax under Chapter 5.45 is attributable to that business activity.

“Local government entity” has the same meaning as that term is defined in RCW 4.96.010.

“Net distribution” means the draws from net income by any owner of a pass-through entity. Taxable distributions are limited by the amount of draws or net income for that owner, whichever is less. If the owner’s draw exceeds that individual’s net profit, the excess draw is a return of capital. A return of capital is not taxable because it is a liquidation of an owner’s assets.

“Pass-through entity” includes a trust, partnership, corporation described in Subchapter S of the Internal Revenue Code of 1986, as amended, limited liability company, limited liability partnership, professional corporation, and any other person or entity which is not subject to the income tax imposed by Subtitle A, Chapter 1 of the Internal Revenue Code of 1986, as amended, or which is allowed a deduction in computing such tax for distributions to the owners or beneficiaries of such person or entity.

“Payroll expense” means the compensation paid in Seattle to employees. Compensation is paid in Seattle to an employee if:

1. The employee is primarily assigned within Seattle;
2. The employee is not primarily assigned to any place of business for the tax period and the employee performs 50 percent or more of their service for the tax period in Seattle; or
3. The employee is not primarily assigned to any place of business for the tax period, the employee does not perform 50 percent or more of their service in any city, and the employee resides in Seattle.

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“Primarily assigned” means the business location of the taxpayer where the employee performs their duties.

“Remuneration” has the same meaning as that term is defined in RCW 50A.05.010.

“Taxpayer” means any person who engages in any business in Seattle or who performs any act for which a tax is imposed under this Chapter 5.38.

On line 9 of page 8, amend the following as shown:

5.38.030 Tax imposed—Rate

A. A payroll expense tax is hereby levied upon and shall be collected from every person engaging in business within Seattle.

B. The amount of the payroll expense tax due shall be the payroll expense of the business, subject to any deductions authorized under this Chapter 5.38, multiplied by the following rates:

1. For businesses with payroll expense up to \$1 billion, the rate shall be:

a. ~~1.88~~~~Seven tenths~~ percent of the payroll expense of employees with annual compensation of \$150,000 to \$499,999; and

b. ~~3.77~~~~One and four tenths~~ percent of the payroll expense of employees with annual compensation of \$500,000 or more.

2. For businesses with payroll expense greater than \$1 billion, the rate shall be:

a. ~~3.77~~~~One and four tenths~~ percent of the payroll expense of employees with annual compensation of \$150,000 to \$499,999; and

b. ~~5.65~~~~Two and one tenth~~ percent of the payroll expense of employees with annual compensation of \$500,000 or more.

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C. The tax imposed by this Chapter 5.38 is levied on businesses. A business may not make any deductions from employees' compensation to pay for this tax.

On line 5 of page 9, amend the following as shown:

5.38.040 Exemptions from the payroll expense tax

A. The following are exempt from the payroll expense tax:

1. Any business having payroll expense, as defined under Section 5.38.020, of less than \$7 million in the most recent complete calendar year.

2. Any business engaged in business in Seattle as a grocery business.

3. Any individual who is an independent contractor for purposes of the business license tax under subsection 5.45.090.S and whose compensation is included in the payroll expense of another business subject to the tax imposed by Section 5.38.030.

4. Businesses that are preempted from taxation by cities pursuant to federal or state statutes or regulations, including, but not limited to, the following:

a. Insurance businesses and their agents as defined by RCW 48.01.050 and 48.17.010, respectively, and whose total revenue is exempt from the business license tax per Chapter 5.45.

b. Businesses that only sell, manufacture, or distribute motor vehicle fuel as defined in RCW 82.38.020 and exempted under RCW 82.38.080.

c. Businesses that only distribute or sell liquor as defined in RCW 66.04.010 and exempted in RCW 66.08.120.

d. Federal and state government agencies and any local governmental entity.

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Date: 6/29/20

Version: 1

On line 1 of page 11, amend the following as shown:

5.38.060 Payroll expense tax—When due

The payroll expense tax imposed by this Chapter 5.38 shall be due and payable on a quarterly basis in accordance with Section 5.55.040. Notwithstanding Section 5.55.040, the tax due for 2020 and 2021 shall be payable on the same date that the tax payment for the fourth quarter of 2021 is due. The Director may use discretion to assign businesses to an annual reporting period. Forms for such filings shall be prescribed by the Director. Persons discontinuing their business activities in Seattle shall report and pay the payroll expense tax at the same time as they file their final business license tax return under Chapter 5.45.

On line 9 of page 11, amend the following as shown:

5.38.070 Adjustments for inflation

A. Beginning on January 1, 2022, and on January 1 of every year thereafter, the Director shall adjust in the manner described in subsection 5.38.070.B the following dollar amounts:

1. The amount of the dollar thresholds in Section 5.38.030; and
2. The amount of the exemption in subsection 5.38.040.A.1.

B. The amounts listed in subsection 5.38.070.A shall increase commensurate with the rate of growth of the prior year's June-to-June Consumer Price Index (CPI-U) for the Seattle-Tacoma-Bellevue area as published by the United States Department of Labor. The amounts calculated shall be rounded to the nearest whole dollar.

C. If the annual change in the CPI-U is negative, no adjustment to the amount must be made.

On line 7 of page 12, amend the following as shown:

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5.38.100 Maintaining a level playing field

~~To maintain a level playing field for the payroll expense tax imposed in this Chapter 5.38, the Council intends to monitor proposals for any taxes imposed by King County or the State of Washington on progressive revenue, including payroll expense taxes. The City intends to work with King County and the State of Washington to consider amendments to the tax imposed by this Chapter 5.38 in the event that businesses become subject to future significant progressive taxes at the county or state level.~~

On line 19 of page 12, amend the following as shown:

5.38.120 Sunset

~~For all periods from January 1, 2021, through December 31, 2030, a payroll expense tax as imposed by this Chapter 5.38 is hereby levied. No business shall owe a payroll expense tax for payroll expenses after December 31, 2030, and this Chapter 5.38 shall be limited to determining and collecting the payroll expense tax due for all business activities prior to December 31, 2030.~~

On line 1 of page 22, amend the following as shown:

Section 13. Sections 1 through 11 of this ordinance shall take effect on ~~January 1,~~

~~2024~~August 1, 2020.

Effect: This amendment includes the following changes:

- Removes sunset provision;
- Removes level playing field provision;
- Increases tax rates for all total payroll and compensation tiers;
- Precludes downward adjustments to the exemption threshold due to declines in the annual consumer price index; and,
- Changes the tax start date to August 1, 2020 and makes 2020 tax liabilities payable with the 2021 payment.

The estimable portion of these changes result in a revised estimate of \$466.6 million total annual revenue, and \$194.5 million revenue in 2020.

The additional \$293 million, beginning in 2021, is intended to replace lost General Fund revenues.

Amendment 16
to
CB #119810 – Payroll Expense Tax
Sponsor: Sawant

On line 9 of page 8, amend the following as shown:

5.38.030 Tax imposed—Rate

A. A payroll expense tax is hereby levied upon and shall be collected from every person engaging in business within Seattle.

B. The amount of the payroll expense tax due shall be the payroll expense of the business, subject to any deductions authorized under this Chapter 5.38, multiplied by the following rates:

1. For businesses with payroll expense up to \$1 billion, the rate shall be:

a. ~~Seven tenths~~0.91 percent of the payroll expense of employees with annual compensation of \$150,000 to \$499,999; and

b. ~~One and four tenths~~1.82 percent of the payroll expense of employees with annual compensation of \$500,000 or more.

2. For businesses with payroll expense greater than \$1 billion, the rate shall be:

a. ~~One and four tenths~~1.82 percent of the payroll expense of employees with annual compensation of \$150,000 to \$499,999; and

b. ~~Two and one tenth~~2.73 percent of the payroll expense of employees with annual compensation of \$500,000 or more.

C. The tax imposed by this Chapter 5.38 is levied on businesses. A business may not make any deductions from employees' compensation to pay for this tax.

Tom Mikesell

Date: 6/26/20

Version: 1

Effect: To generate an additional \$52 million in estimable annual revenue, this amendment would increase the rates, as follows:

- Business payroll \$7 million to \$999.9 million:
 - Compensation \$150,000 - \$500,000: 0.91%
 - Compensation \$500,000 and above: 1.82%
- Business payroll \$1 billion and above:
 - Compensation \$150,000 - \$500,000: 1.82%
 - Compensation \$500,000 and above: 2.73%

The newly generated revenues are associated with an amendment to CB119811, to build 1,000+ homes in the Central District for people 0 - 80% AMI.

Amendment 17
to
CB #119810 – Payroll Expense Tax
Sponsor: Sawant

On line 9 of page 8, amend the following as shown:

5.38.030 Tax imposed—Rate

A. A payroll expense tax is hereby levied upon and shall be collected from every person engaging in business within Seattle.

B. The amount of the payroll expense tax due shall be the payroll expense of the business, subject to any deductions authorized under this Chapter 5.38, multiplied by the following rates:

1. For businesses with payroll expense up to \$1 billion, the rate shall be:

a. ~~Seven tenths~~0.91 percent of the payroll expense of employees with annual compensation of \$150,000 to \$499,999; and

b. ~~One and four tenths~~1.82 percent of the payroll expense of employees with annual compensation of \$500,000 or more.

2. For businesses with payroll expense greater than \$1 billion, the rate shall be:

a. ~~One and four tenths~~1.82 percent of the payroll expense of employees with annual compensation of \$150,000 to \$499,999; and

b. ~~Two and one tenth~~2.73 percent of the payroll expense of employees with annual compensation of \$500,000 or more.

C. The tax imposed by this Chapter 5.38 is levied on businesses. A business may not make any deductions from employees' compensation to pay for this tax.

Tom Mikesell

Date: 6/26/20

Version: 1

Effect: To generate an additional \$52 million in estimable annual revenue, this amendment would increase the rates, as follows:

- Business payroll \$7 million to \$999.9 million:
 - Compensation \$150,000 - \$500,000: 0.91%
 - Compensation \$500,000 and above: 1.82%
- Business payroll \$1 billion and above:
 - Compensation \$150,000 - \$500,000: 1.82%
 - Compensation \$500,000 and above: 2.73%

The newly generated revenues are associated with an amendment to CB119811, which adds Green New Deal investments.

Amendment 1
to
CB #119810 – Payroll Expense Tax
Sponsor: CM Herbold and CM Sawant
Effective Date

On line 1 of page 22, amend the following as shown:

Section 13. Sections 1 through 11 of this ordinance shall take effect on ~~January 1,~~
~~2021~~August 1, 2020.

On line 1 of page 11, amend the following as shown:

5.38.060 Payroll expense tax—When due

The payroll expense tax imposed by this Chapter 5.38 shall be due and payable on a quarterly basis in accordance with Section 5.55.040—except that the tax shall be due and payable on an annual basis for 2020 and the measure of the tax shall be prorated based on the effective date of the tax. Notwithstanding Section 5.55.040, the tax due for 2020 and 2021 shall be payable on the same date that the tax payment for the fourth quarter of 2021 is due. The Director may use discretion to assign businesses to an annual reporting period. Forms for such filings shall be prescribed by the Director. Persons discontinuing their business activities in Seattle shall report and pay the payroll expense tax at the same time as they file their final business license tax return under Chapter 5.45.

Effect: This amendment would change the imposition date of the Payroll Expense (“Jump Start”) Tax from January 1, 2021 to August 1, 2020. The amendment would generate an estimated \$74.5M in additional City revenue that would be collected on February 1, 2022.

Dan Eder
Date: 6/29/20
Version: 1

Amendment 5
to
CB #119810 – Payroll Expense Tax
Sponsors: CM Juarez and CM Pedersen
Placing on the November ballot

On line 2 of page 22, amend the following as shown:

Section 13. Sections 1 through 11 of this ordinance shall take effect on January 1, 2021, provided that this legislation is submitted to the people of Seattle for their approval pursuant to Seattle City Charter Article IV, Section 1.H, and King County Elections certifies that the measure is approved by Seattle voters.

Effect: This amendment would require voter approval before the tax becomes effective. In order to place the tax bill before Seattle voters, Council would need to act on separate legislation formally requesting that King County Records and Elections add the question to an upcoming ballot. The deadline for the November 2020 general election is August 4, 2020.

Amendment 8
to
CB #119810 – Payroll Expense Tax
Sponsor: CM Pedersen
Exempt Non-Profits

On line 5 of page 9, amend the following as shown:

5.38.040 Exemptions from the payroll expense tax

A. The following are exempt from the payroll expense tax:

1. Any business having payroll expense, as defined under Section 5.38.020, of less than \$7 million in the most recent complete calendar year.

2. Any business engaged in business in Seattle as a grocery business.

3. Non-profit organizations as defined in Section 5.30.040.

43. Any individual who is an independent contractor for purposes of the business license tax under subsection 5.45.090.S and whose compensation is included in the payroll expense of another business subject to the tax imposed by Section 5.38.030.

54. Businesses that are preempted from taxation by cities pursuant to federal or state statutes or regulations, including, but not limited to, the following:

a. Insurance businesses and their agents as defined by RCW 48.01.050 and 48.17.010, respectively, and whose total revenue is exempt from the business license tax per Chapter 5.45.

b. Businesses that only sell, manufacture, or distribute motor vehicle fuel as defined in RCW 82.38.020 and exempted under RCW 82.38.080.

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c. Businesses that only distribute or sell liquor as defined in RCW

66.04.010 and exempted in RCW 66.08.120.

d. Federal and state government agencies and any local governmental

entity.

Effect: This amendment would exempt non-profits from the Payroll Excise (“Jump Start”) Tax using the existing Section 5.30.040 of the Seattle Municipal Code: *“Non-profit organization’ means an organization in which no part of the income can be distributed to its members, directors, or officers and that holds a current tax exempt status as provided under Sec. 501(c)(3) of the Internal Revenue Code, as hereafter amended, or is specifically exempted from the requirement to apply for tax exempt status under Sec. 501(c)(3).”*

The State of Washington’s Employment Security Department (ESD) data includes only one composite category with both non-profits of all kinds and both non-profit and for-profit hospitals. This category from ESD is broader than what would be covered by the proposed nonprofit exemption because it includes for-profit hospitals and may include other forms of non-profits such as 501(c)(4)-type (a form of non-profit organizations that attempt to influence candidates for public office and that are ineligible for receiving tax-deductible donations) and potentially other types of non-profits. Using ESD’s category – the only one available – Central Staff estimates that this amendment could decrease 2021 tax revenues by \$9.2 million. However, that estimate overstates the likely reduction in tax revenue because ESD’s category includes for-profit hospitals and may also include other kinds of nonprofits which are not part of this amendment.

Amendment 14
to
CB #119810 – Payroll Expense Tax
Sponsor: CM Mosqueda
Five-year Exemption for Non-Profit Healthcare Providers

On line 1 of page 6, amend the following as shown:

5.38.020 Definitions

The definitions contained in Chapter 5.30 shall be fully applicable to this Chapter 5.38 except as may be expressly stated to the contrary herein. The following additional definitions shall apply throughout this Chapter 5.38:

“Business” has the same meaning as that term is defined in Section 5.30.020. Depending on the context, “business” may also mean a person engaging in business in Seattle.

“Compensation” means remuneration as that term is defined in RCW 50A.05.010.

“Compensation” does not include payments to an owner of a pass-through entity that are not earned for services rendered or work performed, such as return of capital, investment income, or other income from passive activities.

“Employee” means any individual who performs work, labor, or personal services of any nature for compensation paid by a business. For purposes of this Chapter 5.38, the term “employee”:

1. Includes individuals who are members of limited liability companies, members of professional limited liability companies, partners, other owners of pass-through entities, and sole proprietors; and

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2. Includes individuals who would be considered to be independent contractors for purposes of the business license tax under subsection 5.45.090.S.

“Grocery business” means:

1. A business whose primary business is making retail sales of food and food ingredients to consumers that are exempt from the retail sales tax under RCW 82.08.0293; and

2. A business whose primary business is making wholesale sales of food and food ingredients that will be exempt from the retail sales tax under RCW 82.08.0293 when resold by the purchaser.

For subsections (1) and (2) of this definition, “primary business” means that 70 percent of the gross income of the business for purposes of calculating the business license tax under Chapter 5.45 is attributable to that business activity.

“Local government entity” has the same meaning as that term is defined in RCW 4.96.010.

“Net distribution” means the draws from net income by any owner of a pass-through entity. Taxable distributions are limited by the amount of draws or net income for that owner, whichever is less. If the owner’s draw exceeds that individual’s net profit, the excess draw is a return of capital. A return of capital is not taxable because it is a liquidation of an owner’s assets.

“Non-profit healthcare entity” means either (a) a non-profit entity engaged primarily in the provision of comprehensive healthcare services, including primary and specialty care, that provide at least 50 percent of their services to patients covered by Medicaid and to patients who have no third-party payor or (b) a non-profit entity that conducts life sciences research and development.

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“Pass-through entity” includes a trust, partnership, corporation described in Subchapter S of the Internal Revenue Code of 1986, as amended, limited liability company, limited liability partnership, professional corporation, and any other person or entity which is not subject to the income tax imposed by Subtitle A, Chapter 1 of the Internal Revenue Code of 1986, as amended, or which is allowed a deduction in computing such tax for distributions to the owners or beneficiaries of such person or entity.

“Payroll expense” means the compensation paid in Seattle to employees. Compensation is paid in Seattle to an employee if:

1. The employee is primarily assigned within Seattle;
2. The employee is not primarily assigned to any place of business for the tax period and the employee performs 50 percent or more of their service for the tax period in Seattle; or
3. The employee is not primarily assigned to any place of business for the tax period, the employee does not perform 50 percent or more of their service in any city, and the employee resides in Seattle.

“Primarily assigned” means the business location of the taxpayer where the employee performs their duties.

“Remuneration” has the same meaning as that term is defined in RCW 50A.05.010.

“Taxpayer” means any person who engages in any business in Seattle or who performs any act for which a tax is imposed under this Chapter 5.38.

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On line 5 of page 9, insert the following as shown:

5.38.040 Deductions from the payroll expense tax

For the period from January 1, 2021 through December 31, 2025, taxpayers that are non-profit healthcare entities may deduct from the measure of the tax the payroll expense of employees with annual compensation of \$150,000 to \$399,999.99.

Effect: This amendment would exempt for five years compensation from \$150,000 to \$399,999.99 at non-profit healthcare entities from the Payroll Excise (“Jump Start”) Tax. Data currently provided from the Employment Securities Department does not enable Central Staff to estimate the magnitude of effect on diminished revenues that would result from this amendment.

Amendment 7
to
CB #119810 – Payroll Expense Tax
Sponsor: CM Pedersen
Two-Year Exemption for Hospitals and Healthcare Entities

On line 5 of page 9, amend the following as shown:

5.38.040 Exemptions from the payroll expense tax

A. The following are exempt from the payroll expense tax:

1. Any business having payroll expense, as defined under Section 5.38.020, of less than \$7 million in the most recent complete calendar year.

2. Any business engaged in business in Seattle as a grocery business.

3. Hospitals as defined in RCW 70.41.020 are exempt for the period from January 1, 2021 through December 31, 2022.

4. Businesses engaged primarily in the provision of comprehensive healthcare services, including primary and specialty care, that provide at least 25 percent of their services to patients covered by Medicaid or Medicare and to patients who have no third-party payor are exempt for the period from January 1, 2021 through December 31, 2022.

53. Any individual who is an independent contractor for purposes of the business license tax under subsection 5.45.090.S and whose compensation is included in the payroll expense of another business subject to the tax imposed by Section 5.38.030.

64. Businesses that are preempted from taxation by cities pursuant to federal or state statutes or regulations, including, but not limited to, the following:

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a. Insurance businesses and their agents as defined by RCW 48.01.050 and 48.17.010, respectively, and whose total revenue is exempt from the business license tax per Chapter 5.45.

b. Businesses that only sell, manufacture, or distribute motor vehicle fuel as defined in RCW 82.38.020 and exempted under RCW 82.38.080.

c. Businesses that only distribute or sell liquor as defined in RCW 66.04.010 and exempted in RCW 66.08.120.

d. Federal and state government agencies and any local governmental entity.

Effect: This amendment would exempt hospitals and healthcare entities such as hospitals from the Payroll Excise (“Jump Start”) Tax for a two-year period. Data currently provided from the Employment Securities Department does not enable Central Staff to estimate the magnitude of effect on diminished revenues that would result from this amendment.

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Amendment 3
to
CB #119810 – Payroll Expense Tax
Sponsor: CM Sawant
Eliminate Sunset Provisions

On line 4 of page 1, amend the following as shown:

..title

AN ORDINANCE relating to taxation; imposing a payroll expense tax on persons engaging in business in Seattle; adding a new Chapter 5.38 to the Seattle Municipal Code; and amending Sections 5.30.010, 5.30.060, 5.55.010, 5.55.040, 5.55.060, 5.55.150, 5.55.165, 5.55.220, 5.55.230, and 6.208.020 of the Seattle Municipal Code.

..body

~~WHEREAS, the City Council intends to revisit the tax imposed by this new Chapter 5.38 in the event that an organization with overlapping jurisdiction implements a progressive revenue source that provides City of Seattle (“City”) funding at levels equivalent to those generated through this payroll expense tax; and~~

WHEREAS, on March 11, 2020, the World Health Organization announced that the novel coronavirus (COVID-19) is officially a global pandemic; and

On line 1 of page 12, amend the following as shown and change the section numbering accordingly:

5.38.090 Tax part of operating overhead

It is not the intention of this Chapter 5.38 that the taxes herein levied upon persons engaging in business be construed as taxes upon the customers of such businesses, but that taxes shall be levied upon, and collectible from, the person engaging in the business activities herein

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designated and that such taxes or fees shall constitute a part of the operating overhead or cost of doing business of such persons.

5.38.100 Maintaining a level playing field

~~To maintain a level playing field for the payroll expense tax imposed in this Chapter 5.38, the Council intends to monitor proposals for any taxes imposed by King County or the State of Washington on progressive revenue, including payroll expense taxes. The City intends to work with King County and the State of Washington to consider amendments to the tax imposed by this Chapter 5.38 in the event that businesses become subject to future significant progressive taxes at the county or state level.~~

5.38.110 Rules and regulations

The Director shall adopt, publish, and enforce rules and regulations not inconsistent with this Chapter 5.38 for the purpose of carrying out the provisions of this Chapter 5.38, including but not limited to rules to determine the payroll expense attributable to work performed and services rendered by employees in Seattle.

5.38.120 Sunset

~~For all periods from January 1, 2021, through December 31, 2030, a payroll expense tax as imposed by this Chapter 5.38 is hereby levied. No business shall owe a payroll expense tax for payroll expenses after December 31, 2030, and this Chapter 5.38 shall be limited to determining and collecting the payroll expense tax due for all business activities prior to December 31, 2030.~~

Effect: This amendment would eliminate the sunset provisions. The Payroll Excise (“Jump Start”) Tax would remain in effect unless and until the City passes separate, future legislation to end the tax.

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Amendment 4
to
CB #119810 – Payroll Expense Tax
Sponsor: CM Pedersen
Sunset

On line 19 of page 12, amend the following as shown:

5.38.120 Sunset

For all periods from January 1, 2021, through December 31, ~~2030~~2024, a payroll expense tax as imposed by this Chapter 5.38 is hereby levied. No business shall owe a payroll expense tax for payroll expenses after December 31, ~~2030~~2024, and this Chapter 5.38 shall be limited to determining and collecting the payroll expense tax due for all business activities prior to December 31, ~~2030~~2024.

Effect: This amendment would end the tax on December 31, 2024 instead of on December 31, 2030.

Amendment 6
to
CB #119810 – Payroll Expense Tax
Sponsor: CM Pedersen
Strengthen the “Level the Playing Field” Section

On line 7 of page 12, amend the following as shown:

5.38.100 Maintaining a level playing field

To maintain a level playing field for the payroll expense tax imposed in this Chapter 5.38, the Council intends to monitor proposals for any taxes imposed by King County or the State of Washington on progressive revenue, including payroll expense taxes. The City ~~intends to shall~~ work with King County and /or the State of Washington to consider amendments to reduce the tax imposed by this Chapter 5.38 in the event that businesses become subject to future ~~significant~~ progressive taxes at the county and/or state level that would generate revenue for the City of Seattle in amounts equivalent to or greater than the revenue that would be raised by this Chapter 5.38.

Effect: This amendment would make more explicit the Council’s intent to reduce the Payroll Excise (“Jump Start”) Tax if either King County or the State of Washington impose future progressive taxes that generate equivalent or greater tax revenues.

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Amendment 12
to
CB #119810 – Payroll Expense Tax
Sponsor: CM Strauss, CM Mosqueda
Maintain a Level Playing Field

On line 7 of page 12, amend the following as shown:

5.38.100 Maintaining a level playing field

~~To maintain a level playing field for the payroll expense tax imposed in this Chapter 5.38, the Council intends to monitor proposals for any taxes imposed by King County or the State of Washington on progressive revenue, including payroll expense taxes. The City intends to work with King County and the State of Washington to consider amendments to the tax imposed by this Chapter 5.38 in the event that businesses become subject to future significant progressive taxes at the county or state level.~~ To maintain a level playing field and to provide predictability for the businesses impacted by the payroll expense tax imposed in this Chapter 5.38, the Council intends to monitor proposals for any taxes imposed by King County or the State of Washington to ensure: a) businesses in its jurisdiction are not subject to additional payroll taxes imposed under Chapter 5.38, b) filings are consolidated and streamlined to reduce administrative burden on taxpayers and Finance and Administrative Services, and c) a sustainable, progressive funding source is maintained for the items as described in Council Bill 119811.

Effect: This amendment would state the Council’s intent to monitor proposals for taxes imposed by King County or the State of Washington and to consider future amendments to the City’s Payroll Excise (“Jump Start”) Tax.

Amendment 18
to
CB #119810 – Payroll Expense Tax
Sponsor: CM Morales
Maintain a Level Playing Field

On line 7 of page 12, amend the following as shown:

5.38.100 Maintaining a level playing field

To maintain a level playing field for the payroll expense tax imposed in this Chapter 5.38, the Council intends to monitor proposals for any taxes imposed by King County or the State of Washington on progressive revenue, including payroll expense taxes. The City intends to work with King County and the State of Washington to consider amendments to the tax imposed by this Chapter 5.38 in the event that businesses become subject to future significant progressive taxes at the county or state level. In the event that the Director of Finance and Administrative Services files a report with the City Clerk indicating that King County or the State of Washington have passed a new corporate tax that will generate an equivalent amount of net City revenues to the City tax revenues generated by this Chapter 5.38, then no business shall owe a payroll expense tax for payroll expenses beginning one year from the imposition date of such new corporate tax, and this Chapter 5.38 shall thereafter be limited to determining and collecting the payroll expense tax due for all business activities.

Effect: This amendment would automatically sunset the Payroll Expense (“Jump Start”) Tax one year after the imposition date by King County or the State of Washington of new a new form of corporate tax that will generate an equivalent amount of City taxes to the Jump Start Tax. The City could use the one year period to evaluate the new King County or State of Washington corporate tax.



Legislation Text

File #: CB 119811, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE establishing a spending plan for proposed use of the proceeds generated from the payroll expense tax authorized by the ordinance introduced as Council Bill 119810 establishing an oversight committee; and adding a new Section 3.35.100 to the Seattle Municipal Code.

WHEREAS, the City Council (“Council”) adopted the ordinance introduced as Council Bill 119810,

authorizing the collection of a new payroll expense tax (“payroll tax”) to be imposed beginning January 2021; and

WHEREAS, the new payroll tax is anticipated to generate about \$173 million in proceeds in 2021 with a goal of generating about \$200 million on an annual basis, as shown in the spending plan included as Attachment 1 to this ordinance; and

WHEREAS, on November 2, 2015, the Mayor issued a Proclamation of Civil Emergency to address the homelessness crisis in the City of Seattle; and

WHEREAS, on November 3, 2015, the City Council adopted Resolution 31630, ratifying and confirming the Mayoral Proclamation of Civil Emergency; and

WHEREAS, the Civil Emergency to address the homelessness crisis is still in effect today; and

WHEREAS, on March 11, 2020, the World Health Organization announced that the novel coronavirus (COVID -19) is officially a global pandemic; and

WHEREAS, on February 29, 2020 the Washington Governor issued Proclamation 20-05, proclaiming a state of

emergency for all counties throughout the state of Washington in response to new cases of COVID-19;
and

WHEREAS, on March 13, 2020 the President of the United States declared a national state of emergency in response to the COVID-19 pandemic; and

WHEREAS, on March 25, 2020 the Washington Governor issued Proclamation 20-25, prohibiting all people in Washington State from leaving their homes and all non-essential businesses in Washington State from conducting business (“Stay Home - Stay Healthy Proclamation”); and

WHEREAS, these actions are appropriate for public health reasons but result in severe economic impacts on families and individuals in Seattle; and

WHEREAS, these impacts are felt most strongly by people with low incomes who have become unemployed or had their work hours severely reduced; and

WHEREAS, the affordable housing crisis, homelessness emergency, and now the COVID-19 pandemic and related economic and unemployment emergencies, in Seattle are deeply impacting the lives of people throughout Seattle and the region and disproportionately harms people of color, immigrants, the LGBTQ community, indigenous peoples’ communities, disabled community members, and women, who already struggle against entrenched inequality; and

WHEREAS, average rents in Seattle rose 69 percent between 2010 and 2018, far beyond the rate of inflation and more than double the national average; and

WHEREAS, more than 4,280 students in Seattle Public Schools are homeless or have unstable housing; and

WHEREAS, even before the COVID-19 emergency, thousands of Seattle renters faced eviction threats every year, and in September 2018, the Seattle Women’s Commission and the King County Bar Association jointly published *Losing Home: The Human Cost of Eviction in Seattle*, finding that more than half of Seattle renters receiving eviction notices in 2017 owed one month’s rent or less, and most tenants who are evicted become homeless; and

WHEREAS, the *Losing Home* report found that evictions in Seattle fall disproportionately on women and people of color, with people of color constituting about 35 percent of renters, and nearly 52 percent of evictions involved people of color; and

WHEREAS, the October 2019 Report and Recommendations of the King County Regional Affordable Housing Task Force found that 156,000 affordable homes were needed immediately and another 88,000 affordable homes by 2040 to ensure that no low-income or working households were cost burdened; and

WHEREAS, the 2019 point-in-time count of people experiencing homelessness in King County estimates there are 11,199 individuals experiencing homelessness in the region; and

WHEREAS, the Third Door Coalition proposal advocates for the creation of 6,500 permanent supportive housing units as a proven solution for meeting the housing and services needs of those who are chronically homeless; and

WHEREAS, the City recognizes the importance of using a “Housing First” approach in the development of permanent housing for those experiencing homelessness that prioritizes providing access to low or no barrier housing for such persons; and

WHEREAS, in addition to increasing investments to support programs that provide housing security and that increase the supply of affordable housing, the Council is committed to pursuing additional strategies, such as changes to development regulations and permit review processes, to reduce the time and costs of building affordable housing; and

WHEREAS, in October 2016, the Council adopted, with the Mayor concurring, Resolution 31712, endorsing community principles for green jobs, defining a green job as one that preserves or enhances environmental health as well as the economic and social well-being of people and communities, centers on communities most negatively impacted by climate change, and pays a living wage while providing career pathways; and

WHEREAS, the City Council adopted Resolution 31895 establishing a Green New Deal for Seattle; and

WHEREAS, Resolution 31895 envisioned the need to establish a dedicated revenue source in order to implement Green New Deal strategies, including creating more permanently affordable housing, located near transit hubs, green space, and neighborhood amenities to reduce dependence on private vehicles and strengthening green building standards for new construction to minimize emissions while maximizing energy efficiency; and

WHEREAS, the Council is committed to advancing strategies to improve job quality for the local work force, including investing in labor-management trainings and partnering with other entities committed to implementing and adopting innovative workforce strategies; and

WHEREAS, the new tax will generate significant funds that will increase the construction and preservation of new permanently affordable housing units for low-income households to address the housing affordability and homelessness crisis, will contribute to reducing Seattle’s climate pollution, and will in the process support living-wage jobs, and in doing so will help the City make the necessary changes to shift Seattle’s economy to be more equitable and ecologically sustainable; and

WHEREAS, the City is committed to eliminating racial inequities through implementation of the Race and Social Justice Initiative; and

WHEREAS, Resolution 31577, adopted in May 2015, affirmed that The City of Seattle’s core value of racial and social equity is one of the foundations on which the Comprehensive Plan is built, and defined “equitable development” as public and private investments, programs, and policies in neighborhoods to meet the needs of marginalized people and reduce disparities; and

WHEREAS, Ordinance 125173, passed in October 2016, amended the Seattle Comprehensive Plan to increase its emphasis on race and social equity, and affirm the conclusions of the Seattle 2035 Equity Analysis that was part of the City’s overall analysis of the Plan; and

WHEREAS, Resolution 31711, adopted in September 2016, identified the Equitable Development Initiative as a key component of implementing Ordinance 125173 and approved the Equitable Development

Implementation Plan and the Equitable Development Financial Investment Strategy to advance the public purposes of community stability, cohesion, and affordability; and

WHEREAS, the City's Equitable Development Initiative supports community driven projects that promote economic opportunities for marginalized populations and enhance community cultural anchors, affordable housing development, health services, child care services, and other community services that support the needs of diverse populations in areas at risk of displacement; and

WHEREAS, the Equitable Development Initiative receives annual funding of \$5 million from the short-term rental tax, but this funding is insufficient to support the number of current projects in development and additional future projects; and

WHEREAS, on March 18, 2019, the City Council adopted Resolution 31870, committing to taking future actions to mitigate displacement impacts on marginalized communities, including communities of color and low-income communities, particularly in neighborhoods identified as at high risk of displacement by the Growth and Equity Analysis. One action called for was to identify a permanent and consistent source of funding for the Equitable Development Initiative, beyond the \$5 million per year expected to be generated through the short-term rental tax, with a long-term goal of \$20 million annually; and

WHEREAS, the new payroll tax will generate significant funds to address identified inequities and to respond to the economic and public health impacts caused by the COVID-19 pandemic that are anticipated to persist beyond 2020; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Findings. The City Council finds that:

A. On March 3, 2020, the Mayor proclaimed that a civil emergency exists in the City of Seattle related to the COVID-19 virus.

B. On March 11, 2020, the Governor of Washington State and the Local Health Officer for Public Health - Seattle & King County issued parallel orders prohibiting gatherings of 250 people or more for social,

spiritual and recreational activities in King County.

C. On March 13, 2020, the Governor of Washington state issued an emergency order announcing all K-12 schools in Washington to be closed from March 17, 2020 through June 19, 2020 to combat the spread of the disease.

D. On March 13, 2020, the President of the United States declared a national emergency to allow the government to marshal additional resources to combat the virus.

E. On March 23, 2020, the Governor of Washington State issued an emergency order (“the Stay Home, Stay Safe” order) announcing that “[a]ll people in Washington State shall immediately cease leaving their home or place of residence except: (1) to conduct or participate in essential activities, and/or (2) for employment in essential business services.”

F. As of June 11, 2020, the Washington State Department of Health confirmed 25,171 cases of COVID-19 and 1,204 deaths caused by the virus in Washington State, with 8,611 confirmed cases and 586 deaths caused by the virus in King County.

G. The COVID-19 crisis has had a significant impact on the local economy impacting the retail, restaurant, construction, gig economy, and other industries resulting in layoffs and reduced work hours for a significant percentage of this workforce and loss of income for small businesses. These impacts are being felt most strongly by low income workers, people of color, immigrants, and members of the LGBTQIA community, who have become unemployed or had their work hours severely reduced and will have both immediate and long-term impacts.

H. There are at least 38,000 businesses in the City of Seattle employing a minimum of 655,000 individuals. Since the Governor of Washington closed or limited operations of many businesses in the state beginning in March, the statewide unemployment rate went from 5.1 percent in March to 15.4 percent in April. This equates to 199,000 individuals in March, and 610,000 individuals in April who are unemployed. In the Seattle/ Bellevue/Everett area, the unemployment rate went from 5.6 percent in March to 14.5 percent in April.

This equates to 96,000 individuals in March and 248,000 individuals in April who are unemployed. Rising unemployment will put more and more Seattle households, particularly low-income households, in financial peril.

I. Providing financial assistance to small business owners and operators is necessary to prevent small businesses from having to close permanently due to the hardship associated with government-mandated full or partial closure of their businesses, or requirements to implement new businesses practices and physical modifications to the business to meet public health guidance, during and after the COVID-19 crisis. Such assistance shall provide economic benefits to the public by saving or creating jobs, moderating impacts to local tax revenue by supporting continue operations of small businesses and ensuring that businesses can modify operations as necessary to comply with public health guidance.

J. Federal and state assistance is inaccessible to many people with low-incomes, to many small businesses, and is being delayed for many others, and will not be sufficient to meet their basic needs during the COVID-19 public health and financial crisis. In addition, federal assistance provided to small businesses may not allow flexibility in terms of non-payroll costs that can be covered, timeline for expending funds, etc. Therefore, additional and immediate financial support to small businesses and people with low-incomes is necessary to help meet their basic needs and to help minimize impacts to public health as well as the local economy.

K. The economic impacts from the COVID-19 emergency are drastic and immediate but are also expected to last much longer than the civil shut-down emergency itself.

L. Data from the 2012-2016 American Community Survey (ACS) shows that: over 60,000 households in Seattle with incomes at or below 80 percent of AMI are cost burdened, paying more than 30 percent of their income for rent and utilities; and 29,000 households with incomes at or below 50 percent of area AMI are severely cost burdened, paying over 50 percent of their income for rent and utilities, and, as a result, are at potential risk of homelessness.

M. The COVID-19 emergency poses a serious threat to the housing stability of households who are unable to pay rent due during the crisis and is expected to impact the ability for people to be securely housed beyond 2020.

N. Spending on equitable development investments, including the community-identified and City-approved projects included in the Equitable Development Financial Investment Strategy, achieves a clear public purpose in advancing the City’s core value of racial and social equity through fostering the development and improvement of physical and social assets serving communities, economic development, education, and workforce training programs, and other public benefits.

O. The spending plan is being tailored to address both the shorter (2021) and longer-term (2022 and beyond) basic human health and public health needs created by the multiple and overlapping crises, which include the long-running affordable housing and homelessness crisis, food insecurity, and loss of childcare and small businesses through the community, which has now been greatly exacerbated and complicated by the COVID-19 pandemic and related economic and unemployment crises.

P. Investments in the programs and services described in this ordinance will help counteract the economic and health impacts caused by the COVID-19 crisis by investing in low-income communities, small businesses, and other services that will continue to be needed in 2021 and beyond by people who saw significant reductions in income due to employment changes and business closures or reductions stemming from the crisis.

Q. The City’s Adopted 2020 Budget fully appropriates all available municipal revenues to address the many and varied needs of the community.

R. At an April 22 presentation to the Select Budget Committee, the City Budget Director stated that a “Rapid Recovery” in City General Fund finances from the COVID 19 civil emergency would result in a \$100 million or 7 percent reduction in General Fund revenues available for City spending priorities in 2020, and further stated that a “Slow Recovery” scenario would result in a \$186 million or 13 percent reduction in

General Fund revenues and about \$113 million reduction in other general government revenues in 2020, for a total reduction of about \$300 million in 2020.

S. The City will impose a new payroll tax through Council Bill 119810 that is expected to provide new and sufficient revenues to allow the City, in 2021, to replenish emergency funds used in 2020 to make public assistance available to households most impacted by the COVID-19 civil emergency and to provide resources to maintain services and provide longer terms solutions to address the inequities exacerbated by the COVID-19 crisis.

Section 2. Proceeds from the new payroll tax imposed by the ordinance introduced as Council Bill 119810 may only be used as described in subsections 2.A and 2.B of this ordinance and summarized in Attachment 1 to this ordinance. The programs funded in this spending plan may be used to provide assistance to low income people who live or work in Seattle. The spending plan may be amended from time to time by the City Council by ordinance.

A. In 2021, the first \$86 million may be used to replenish the City's Emergency Fund and Revenue Stabilization Fund balance that was reduced in 2020 to fund programs that address the economic impacts caused by COVID-19. Any remaining proceeds from the payroll tax are intended to be used as follows:

1. Up to five percent may be used to administer the payroll tax authorized by the ordinance introduced as Council Bill 119810 and to administer the investments described in subsections 2.A.2 and 2.A.3 of this ordinance. If less than five percent of remaining funds is needed for implementation and administration, any remaining funds may be used for other programs and services described in subsections 2.A.2 through 2.A.4 of this ordinance.

2. Seventy-five percent may be used to (1) provide continuity of services and programs administered or supported by the City prior to the COVID-19 crises that, absent the support from the payroll tax revenue, would see a reduction in funding; and (2) funding to support increased costs and the expansion of services and programs administered or funded by the City that support low-income communities, immigrant

and refugee communities, people experiencing homelessness or housing insecurity, people experiencing food insecurity, and to fund other City programs and services that address the needs of low-income households and small businesses. It is the Council's intent that funding is prioritized for investments in services and programs that service lower-income neighborhoods.

3. Twenty percent may be used to continue some funding for the programs and services that received funding in 2020 as described in the ordinance introduced as Council Bill 119812.

B. In all subsequent years, the proceeds from the payroll tax will be allocated as described in an implementation plan adopted by the City Council biennially, with the first plan adopted in 2021 for spending in years 2022 and 2023. The intent is to allocate funding as follows:

1. Up to five percent of the proceeds may be used to administer the payroll tax authorized by the ordinance introduced as Council Bill 119810 and to administer the investments described in subsections 2.B.2 through 2.B.4 of this ordinance. If less than five percent of remaining funds are needed for administration, any remaining funds may be used for other programs and services described in subsections 2.B.2 through 2.B.4 of this ordinance.

2. Housing and services. Sixty-five percent of the proceeds may be used to support (1) capital costs associated with the construction or acquisition of rental housing for low-income households, including but not limited to people with disabilities, the elderly, low-wage working people, homeless individuals and families, and families with children; (2) operating and services costs of rental housing serving households at or below 30 percent of area median income (AMI); and (3) associated infrastructure to support the ongoing operations costs for the housing, such as maintenance, retrofitting, and energy efficient upgrades to support the housing. Of the proceeds proposed for housing and services, the Council intends that 70 percent will support housing serving households with incomes at or below 30 percent of AMI and 30 percent will support housing serving households with incomes at or below 50 percent of AMI, provided that such projects include units serving some households at or below 30 percent of AMI

It is the Council's intent that new construction of housing projects funded with this tax will be built consistent with the City's Housing Funding Policies as adopted by Ordinance 119531, or as may be amended. These include, but are not limited to:

a. Requirements and goals that advance labor equity outcomes, such as: the payment of prevailing wages, apprenticeship utilization, and employment of Women and Minority Owned Businesses. Imposing additional requirements including, but not limited to: preferred entry to apprenticeship programs, requirements for pre-apprenticeship, mentoring or other training programs, and utilization of workers from economically distressed areas, will be considered for new construction housing projects based on the results of the evaluation of the 2nd and Mercer housing pilot project, expected in mid-2021. The implementation plan that will be adopted by the City Council in 2021 will guide spending for 2022 and 2023, and may impose further labor equity-related requirements for new construction projects and recommend any needed amendments to the City's Housing Funding Policies to impose such requirements.

b. Prioritize projects that advance equitable development goals and address displacement, including those proposed or supported by local, community-based, non-profit organizations that are culturally relevant and historically rooted, particularly when the project site is in an area that is at high risk for displacement.

c. Utilize well-located publicly owned properties to achieve cost savings for affordable housing development through reduced or no-cost land transfers, favorable purchase terms, and efficient funding and disposition processes.

3. Ten percent of the proceeds may be used to support the Equitable Development Initiative (EDI). Funding may be used to support community-initiated equitable development projects that advance economic mobility and opportunity, prevent residential, commercial, and cultural displacement, build on local cultural assets, promote transportation mobility and connectivity, develop healthy and safe neighborhoods, and enable equitable access to all neighborhoods. Funds would be appropriated to the Office of Planning and

Community Development and allocated through the EDI's existing established funding process for awarding EDI grants. This funding may be used to support both the non-housing and affordable housing components of EDI projects. Investments in EDI projects that include an affordable housing component will be prioritized.

4. Twenty percent of the proceeds may be used to support local businesses and tourism to spur the local economic recovery, and to provide economic stability for the city's workforce. Investments will prioritize programs and services that diversify the local economy and improve job quality, including investing in labor-management training programs and partnerships with organizations whose work focuses on innovative workforce strategies that support and create jobs with strong pay and benefits. This will include:

a. At least \$650,000 in 2022 to contract with an organization with expertise and experience in developing a plan and can act as a catalyst to launch programs and services that will help transition a just local economy that provides stable, safe, and healthy family sustaining jobs. The Council expects that, in 2021, the Executive will convene a group that includes, but is not limited to, representatives from City departments, labor organizations, and small businesses, to develop the scope of work and to select a firm to carry out this work in 2022.

b. Any remaining funds will be used to invest in individuals' businesses, activities that promote and support business districts and tourism, and to support business organizations focused on retaining and growing the workforce, including job training programs that provide a path to careers that provide family-sustaining wages and benefits. Preference will be given to businesses and business organizations who provide a safe, healthy, and economically beneficial working environment for its employees by providing the following, including but not limited to: codes of conduct, health care benefits, educational benefits, retirement benefits, living wage standards, and entering into a labor peace agreement with employees.

Section 3. On or before June 30, 2021, the Executive is requested to submit an Implementation Plan for the payroll tax spending for years 2022 and beyond to the City Council that includes:

A. Specific spending proposal for years 2022 and beyond;

- B. Proposed outcomes for each funded program or service;
- C. How the programs or services will be implemented (i.e., responsible department, funding processes, etc.);
- D. Proposed policies for implementing funded programs or services,
- E. Recommended modifications to the City’s Housing Funding policies imposing new labor equity outcomes for new construction housing projects, if appropriate; and
- F. Proposal for the detailed roles and responsibilities for the Oversight Committee described in Section 5 of this ordinance.

The Executive, with the support of the Seattle Office for Civil Rights, will conduct racial equity analysis on the proposed implementation plan prior to submittal to the City Council. The completion of this analysis should not delay submittal of the Implementation Plan by June 30, 2021. The Executive is expected to work cooperatively with the City Council in the development of this implementation plan to ensure it is consistent with the proposed spending plan.

Section 4. A new Section 3.35.100 is added to the Seattle Municipal Code as follows:

3.35.100 Payroll Tax Oversight Committee

A. There is established an Oversight Committee for the purpose of providing oversight on the services and programs supported by the payroll tax and the impacts of this tax on the number of jobs and businesses in the City, and other data that directly relates to measuring the impact of this tax on the City’s economy. The Oversight Committee shall provide an annual report that provides this information to the Mayor and the City Council. The Oversight Committee shall consult with the Coalition of City Unions, Small Business Advisory Council, Housing Levy Oversight Committee, the Green New Deal Oversight Board and other oversight bodies that monitor programs and services similar to those supported by the payroll tax. The Committee may elect officers and establish rules of procedure, including what shall constitute a quorum. The Director of Neighborhoods or such other department head as may be designated by the Mayor shall provide the Committee

such information as is necessary for the Committee to determine the status of individual programs and projects.

B. The Oversight Committee shall consist of nine voting members, appointed to positions number 1 through 9.

1. Position 1 shall be a City employee appointed by the Mayor or designee; position 2 shall be a City employee appointed by the City Council; positions 3 through 9 shall be persons outside City government. Positions 3, 5, and 7 shall be appointed by the Mayor. Positions 4, 6, 8 and 9 shall be appointed by the City Council.

2. Positions 3 and 4 shall represent labor.

3. Positions 5 and 6 shall represent business.

4. Positions 7 and 8 shall represent community organizations that reflect the diversity of the City.

5. Position 9 shall represent communities that will benefit from the proposed spending.

6. The appointing authority may remove any member who is absent from two or more consecutive meetings without cause.

C. No more than three committee members appointed by the Mayor and no more than two committee members appointed by the City Council shall be an officer, director, board member, trustee, partner, or employee of an entity that receives or competes for funding under this ordinance; or be a member of the immediate family of, or an individual residing with, an officer, director, board member, trustee, partner, or employee of an entity that receives or competes for funding under this ordinance; or be a person seeking or having an arrangement concerning future employment with an entity that receives or competes for funding under this ordinance. For the purposes of this Section 3.35.100, an individual's "immediate family" means the individual's spouse, domestic partner, child, child of a spouse or domestic partner, sibling-in-law, parent, parent of a spouse or domestic partner, a person for whom the individual acts as a guardian, or a person claimed as a dependent on the individual's most recent federal income tax return. Subject to the preceding sentence and applicable law, an individual serving as an officer, director, board member, trustee, partner, or employee of an

entity that receives or competes for funding under this ordinance, or who has an interest in such an entity, shall not thereby be disqualified from serving on the Committee, but shall fully disclose any such relationships and shall not vote on any matter in which the interest of such entity is directly involved.

D. Upon the resignation, retirement, death, incapacity, or removal of a member, the authority appointing such member may appoint a replacement for the balance of the term.

E. The initial terms of positions 1, 3, 5, 7, and 9 shall be two years; the initial terms of positions 2, 4, 6, and 8 shall be three years; all subsequent terms shall be three years. Any vacancy in an unexpired term shall be filled in the same manner as the original appointment. A member whose term is ending may continue on an interim basis as a member with voting rights until such time as a replacement for that position has been appointed by the City Council or confirmed by the City Council.

F. Members shall serve without pay, except that members may request compensation of \$50 per hour served if participating on the committee presents a financial hardship. Upon such request, the Director of Neighborhoods is authorized to expend funds in the Department of Neighborhood's budget for this purpose. No money may be expended for services rendered prior to a request being filed with the Director.

Section 5. Severability. The provisions of this ordinance are declared to be separate and severable. The invalidity of any clause, sentence, paragraph, subdivision, section, or portion of this ordinance, or the invalidity of its application to any person or circumstance, does not affect the validity of the remainder of this ordinance or the validity of its application to other persons or circumstances.

Section 6. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by a 3/4 vote of all the members of the City Council the _____ day of _____, 2020, and signed by me in open session in authentication of its passage this

_____ day of _____, 2020.

President _____ of the City Council

Approved by me this _____ day of _____, 2020.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2020.

Monica Martinez Simmons, City Clerk

(Seal)

Attachments:

Attachment 1 - Proposed Spending Plan

Jump Start Seattle –Proposed Spending Plan

2021 Proposed Spending			
Program/Activity	Program Description	%	\$
Replenish Emergency Fund	Replenish the City’s Emergency Fund balance that was reduced in 2020 to fund programs that address the economic impacts caused by COVID-19.		\$86 million
Continuity of Services	Provide continuity of services and programs administered or supported by the City prior to the COVID-19 crises that, absent the support from the payroll tax revenue, would see a reduction in funding; and funding to support increased costs and the expansion of services and programs administered or funded by the City that support low-income communities.	75% ¹	\$65 million
COVID Relief - continued	Continue funding for some of the programs and services that received funding in 2020 to provide public assistance to low-income households and small businesses impacted by the COVID-19 emergency.	20% ¹	\$17 million
	Start-up costs and ongoing administration ²	5% ¹	\$4 million
TOTAL ANNUAL SPENDING:		100%¹	\$172 million
2022 + Beyond Proposed Spending			
Housing and Services	<ul style="list-style-type: none"> - Construction or acquisition of rental housing serving households with incomes between 0%-50% of Area Median Income (AMI) with at least 70% of funds used to serve households with incomes between 0-30% of AMI; and - Operating and services costs to support housing serving households between 0-30% of AMI. 	65%	\$132 million
Equitable Development Initiative	Funding for the Equitable Development Initiative (EDI) to support the non-housing and affordable housing components of EDI projects with a goal of at least \$20 million annually.	10%	\$20 million
Business Support	Funding to support local businesses and tourism to spur the local economic recovery, and to provide economic stability for the city’s workforce.	20%	\$41 million
	Start-up costs and ongoing administration	5%	\$10 million
TOTAL ANNUAL SPENDING:		100%	\$203 million³

¹ After replenishing the emergency fund

² In 2021, the admin costs are not applied to the \$86 million to replenish the emergency funds

³ The *revenue goal* is about \$200 million annually; in 2022 a small inflationary adjustment is assumed

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Legislative Department	Aly Pennucci/Traci Ratzliff	

** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: An ordinance establishing a spending plan for proposed use of the proceeds generated from the payroll excise tax authorized by the ordinance introduced as Council Bill 119810; establishing an oversight board; and adding a new Section 3.35.100 to the Seattle Municipal Code

Summary and background of the Legislation: This ordinance establishes proposed spending plans for 2021, and 2022 and beyond, that utilize the proceeds generated from the payroll excise tax authorized by the ordinance introduced as Council Bill 119810. A summary of the proposed spending for 2021 and 2022 and beyond are described in Attachment 1 to the ordinance. The Executive is requested to submit by June 30, 2021 an Implementation Plan for spending in these years and to conduct a racial equity analysis of that plan before submittal to the Council for approval. The Implementation Plan shall include the following:

- Specific spending proposal for years 2022 and beyond;
- Proposed outcomes for each funded program or service;
- How the programs or services will be implemented (i.e., responsible department, funding processes, etc.);
- Proposed policies for implementing funded programs or services;
- Recommended modifications to the City’s Housing Funding policies imposing new labor equity outcomes for new construction housing projects, if appropriate; and
- Proposal for the detailed roles and responsibilities for the Oversight Committee established in the legislation.

The legislation also establishes a nine-member Payroll Tax Oversight Committee. This Committee will provide oversight on the services and programs supported by the payroll tax and the impacts of this tax on the number of jobs and businesses in the City, and other data that directly relates to measuring the impact of this tax on the City’s economy. The Oversight Committee shall provide an annual report that provides this information to the Mayor and the City Council. The Oversight Committee shall consult with the Coalition of City Unions, Small Business Advisory Committee, Housing Levy Oversight Committee, the Green New Deal Oversight Committee, and other oversight committees that monitor programs and services similar to those supported by the payroll tax. Four of the Oversight Committee members will be appointed by the Mayor and five members will be appointed by the Council. Members of the Oversight Committee shall include representatives of: labor, business, community organizations that reflect the diversity of the City, and communities that will benefit from the proposed spending.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes ___x___ No

If yes, please fill out the table below and attach a new (if creating a project) or marked-up (if amending) CIP Page to the Council Bill. Please include the spending plan as part of the attached CIP Page. If no, please delete the table.

Project Name:	Project I.D.:	Project Location:	Start Date:	End Date:	Total Project Cost Through 2025:

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes ___x___ No

If there are no changes to appropriations, revenues, or positions, please delete the table below.

Appropriation change (\$):	General Fund \$		Other \$	
	2020	2021	2020	2021
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2020	2021	2020	2021
Positions affected:	No. of Positions		Total FTE Change	
	2020	2021	2020	2021

Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

If so, describe the nature of the impacts. This could include increased operating and maintenance costs, for example.

Is there financial cost or other impacts of *not* implementing the legislation?

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

Office of Housing, Office of Economic Development, Office of Immigrant and Refugee Affairs, Human Services Department, Department of Neighborhoods will all likely be involved in implementing programs funded in the proposed spending plan. Five percent of the tax revenues will be provided to support implementation and administration of these programs.

b. Is a public hearing required for this legislation? No

- c. **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?** No
- d. **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No
- e. **Does this legislation affect a piece of property?** No
- f. **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?** This funding will support programs that assist: low-income households, individuals and families who are homeless and are disproportionately represented by people of color, immigrants and refugees, small businesses, and others to have greater access to needed services, including housing, food, jobs, and other services to assist them recover from the effects of COVID-19.
- g. **If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).** As described in Attachment 1 to the legislation.
List attachments/exhibits below:

June 30, 2020

MEMORANDUM

To: Select Budget Committee
From: Traci Ratzliff, Analyst and Aly Pennucci, Supervising Analyst
Subject: Jump Start Seattle: Council Bills 119811 and 119812

On Wednesday, July 1, 2020, the Select Budget Committee (Committee) will discuss and may vote on [Council Bill \(CB\) 119811](#) (Jump Start Seattle Spending Plan). [CB 119812](#) (COVID Relief Proposal) will be discussed in Committee on July 15.

This memo:

- Describes a proposed substitute version of the Spending Plan for Committee's consideration;
- Presents two proposed amendments to that Spending Plan substitute version;
- Describes a proposal to consider a resolution that will provide more granular spending plan details in the coming weeks; and
- Describes potential changes to the COVID-Relief Proposal.

Spending Plan (CB 119811) – Proposed Substitute

Attachment 1 to this memo is a substitute version of CB 119811 proposed by Councilmember Mosqueda. The proposed substitute establishes the spending categories that would be supported by proceeds from the proposed Jump Start Seattle payroll tax ([CB 119810](#)). The proposed substitute also maintains the request included in the bill as introduced submittal of an implementation plan by June 30, 2021 and establishes the Payroll Tax Oversight Committee. Specifically, the proposed substitute would:

- Remove Attachment 1 to CB 119811 that includes a specific allocation of funds for each spending category (using what was assumed to be the annual tax revenue generated from CB 119810 as introduced);
- Amend Section 2 of CB 119811 that would:
 - Remove the references to Attachment 1;
 - Remove all references to specific dollar amounts or the percent of funds allocated to a spending category; and
 - Add language confirming Council's intent to adopt, by resolution, the spending plan details by year and program area.

Discussions to date suggest that the Committee generally agrees on the broad spending categories included in the proposed substitute (i.e., COVID relief and continuity of services in 2021 and in 2022 and beyond; investments in affordable housing, small businesses and the

city's workforce; the Equitable Development Initiative; and investments to implement Green New Deal (GND) strategies).

Because there are numerous amendments to the proposed tax bill (CB 119810) -- amendments that could increase or decrease the annual revenue estimates, it is premature to adopt spending details by year and program area. These details would instead be included in a resolution that would be considered for adoption by Council in the coming weeks.

Amendments to the Proposed Substitute to CB 119811

In addition to the proposed substitute version, there are two potential amendments to the proposed Substitute Bill (Sections 3 and 4 of CB 119811) for the Committee's consideration:

1. Evaluation and Effectiveness. Amend CB 119811 as shown in Attachment 2 to:
 - Add language to subsection 2.B.1 to include the cost of evaluating the effectiveness of the proposed investments as an authorized use of funds allocated for administration; and
 - Add language to Section 3 to ensure the implementation plan includes an evaluation framework to measure the results of the programs and services funded by the payroll tax revenue.

2. Payroll Tax Oversight Committee. Amend CB 119811 as shown in Attachment 3 to:
 - Reduce the number of members of the proposed Payroll Tax Oversight Committee that can be an officer, director, board member, trustee, partner, or employee of any entity that receives or competes for funding from five members (55.5 percent) to two members (22.2 percent). This is a similar, proportionally, to the number of members on the Families, Education, Preschool, and Promise Levy (FEPP) Oversight Committee that are associated with an entity that receives or competes for FEPP funding (29.4%); and
 - Clarify that compensation to committee members can be provided if participating on the committee presents a financial hardship. However, such compensation must be approved by the Director of Neighborhoods prior to payment.

Future Resolution

Following adoption of the Spending Plan (CB 119811) that outlines the eligible spending categories, and the adoption of the Tax Bill (CB 119810) that estimates the annual tax revenue, the Council will adopt, by resolution (or through adoption of the annual budget), spending details by year and program area. The resolution will be introduced with the details included in the Spending Plan as introduced on June 22, 2020. The resolution may include, either at introduction or as proposed through amendments, the proposed spending details outlined below. (Additional proposals for the allocation of funds and programmatic details may be proposed through the course of the Committee's deliberations.)

Potential proposals for this resolution could include, but are not limited to:

- Adding details and clarifying language for investments in businesses, workforce development, and business districts to include, for example, programs that retrain workers who are transitioning to a new profession. The goal is to ensure new opportunities will provide comparable or improved pay and benefits. *(Sponsor: Councilmember Mosqueda)*
- Adding specific green building requirements for proposed affordable housing investments. *(Sponsor: Councilmember Mosqueda)*
- Allocating 10 percent of the payroll tax revenue to implement Seattle’s GND strategies. *(Sponsor: Councilmember Morales)*
- Allocating a specific portion of funds (about \$50 million annually) to implement GND housing related strategies and about \$50 million annually to support the construction or acquisition of affordable rental housing in the Central District that serves households with incomes at or below 80 percent of area median 3income. The proposed housing investments in the Central District will include affirmative marketing and community preference requirements. *(Sponsor: Councilmember Sawant)*
- Adding long-term rental assistance as an eligible investment area beginning in 2022 under the “Housing and Services” spending category. *(Sponsor: CM González)*
- Adding affordable homeownership as an eligible investment area beginning in 2022 under the “Housing and services”. *(Sponsor: Councilmember Herbold)*
- Modifying the proposed economic revitalization investments that begin in 2020 to (a) include nonprofit organizations, (b) prioritize investments in businesses and business or organizations from marginalized Seattle communities such as those led by Black, Indigenous, and People of Color (BIPOC), and (c) prevent economic displacement. *(Sponsor: Councilmember Pedersen)*

In addition to the changes described above, a table similar to what was included as Attachment 1 to CB 119811 as introduced will be provided. This will reflect the proposed allocation of funds that can only be developed after the payroll tax proposal is adopted.

COVID Relief Bill (CB 119812)

CB 119812 authorizes spending \$66.3 million from the City’s Emergency Fund and \$19.5 million from the Revenue Stabilization Fund in 2020. This funding would support programs and services that address the economic impacts caused by the COVID-19 epidemic, including small businesses, low-income and low-wage individuals and families, and immigrant and refugee communities. A discussion and potential vote are scheduled for July 15 to provide time for the Committee to understand how this proposal fits into the broader 2020 budget rebalancing proposal and the Mayor’s proposed investment in COVID relief programs.

To date, the following potential amendments have been identified. Additional amendment options, or modifications to these potential amendments, may be identified during the Committee’s review, discussions, and public engagement.

- Immediate Housing:
 - Strengthen the proviso language to ensure spending in this category is not used for congregate shelters. *(Sponsor: Councilmember Mosqueda)*
 - Allocate about one-third of the funding for shelter de-intensification for new tiny home villages. *(Sponsor: Councilmember Morales)*

- Immigrant and Refugee Support:
 - Increase the portion of the funding directed to the Office of Immigrant and Refugee Affairs (OIRA) for expenditures incurred by the department to administer Seattle’s low-income immigrant and refugee workers program from five percent to 11 percent. *(Sponsor: Council President González)*
 - Add language to prioritize those who experience structural or institutional barriers to accessing support from government programs for this funding category, provide in house language support (e.g., language access and translation services), and require compliance with the City's requirements regarding making inquiries into immigration status. *(Sponsor: Council President González)*

- Small Business & Child Care Support:
 - Add language to prioritize support for those business owners with limited English proficiency, including providing in house language support or funding community-based organizations for outreach and technical assistance (e.g., language access, translation services, outreach that is culturally responsive). *(Sponsor: Council President González)*
 - Expand the eligibility criteria to allow small businesses with up to five full-time equivalencies (FTEs) employees (rather than five employees) to qualify for assistance. *(Sponsor: Council President González)*
 - Expand eligibility to include all child care providers that adhere to labor laws and have a commitment to labor harmony, and to include family, friends, and neighbor providers. *(Sponsor: Councilmember Mosqueda)*
 - Authorize an additional \$9 million in spending from the Emergency and Revenue Stabilization funds to provide additional support for small businesses. *(Sponsor: Councilmember Strauss)*
 - Expand the eligibility criteria to allow small businesses with up to 15 FTEs (rather than five employees) to qualify for assistance. *(Sponsor: Councilmember Strauss)*
 - Modify the eligibility criteria to specify that nonprofits that provide community services are eligible, regardless of number of FTEs. *(Sponsor: Councilmember Strauss)*

- Allocate a portion of funding to provide tax relief to small businesses. (*Sponsor: Councilmember Strauss*)

Attachments:

1. Substitute version of CB 119811
2. Amendment 1 to Proposed Substitute CB 119811
3. Amendment 2 to Proposed Substitute CB 119811

cc: Kirstan Arestad, Executive Director

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CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

..title

AN ORDINANCE establishing a spending plan for proposed use of the proceeds generated from the payroll expense tax authorized by the ordinance introduced as Council Bill 119810 establishing an oversight committee; and adding a new Section 3.35.100 to the Seattle Municipal Code.

..body

WHEREAS, the City Council (“Council”) adopted the ordinance introduced as Council Bill 119810, authorizing the collection of a new payroll expense tax (“payroll tax”) to be imposed beginning January 2021; and

~~WHEREAS, the new payroll tax is anticipated to generate about \$173 million in proceeds in 2021 with a goal of generating about \$200 million on an annual basis, as shown in the spending plan included as Attachment 1 to this ordinance; and~~

WHEREAS, on November 2, 2015, the Mayor issued a Proclamation of Civil Emergency to address the homelessness crisis in the City of Seattle; and

WHEREAS, on November 3, 2015, the City Council adopted Resolution 31630, ratifying and confirming the Mayoral Proclamation of Civil Emergency; and

WHEREAS, the Civil Emergency to address the homelessness crisis is still in effect today; and

WHEREAS, on March 11, 2020, the World Health Organization announced that the novel coronavirus (COVID-19) is officially a global pandemic; and

WHEREAS, on February 29, 2020 the Washington Governor issued Proclamation 20-05, proclaiming a state of emergency for all counties throughout the state of Washington in response to new cases of COVID-19; and

1 WHEREAS, on March 13, 2020 the President of the United States declared a national state of
2 emergency in response to the COVID-19 pandemic; and

3 WHEREAS, on March 25, 2020 the Washington Governor issued Proclamation 20-25,
4 prohibiting all people in Washington State from leaving their homes and all non-essential
5 businesses in Washington State from conducting business (“Stay Home – Stay Healthy
6 Proclamation”); and

7 WHEREAS, these actions are appropriate for public health reasons but result in severe economic
8 impacts on families and individuals in Seattle; and

9 WHEREAS, these impacts are felt most strongly by people with low incomes who have become
10 unemployed or had their work hours severely reduced; and

11 WHEREAS, the affordable housing crisis, homelessness emergency, and now the COVID-19
12 pandemic and related economic and unemployment emergencies, in Seattle are deeply
13 impacting the lives of people throughout Seattle and the region and disproportionately
14 harms people of color, immigrants, the LGBTQ community, indigenous peoples’
15 communities, disabled community members, and women, who already struggle against
16 entrenched inequality; and

17 WHEREAS, average rents in Seattle rose 69 percent between 2010 and 2018, far beyond the rate
18 of inflation and more than double the national average; and

19 WHEREAS, more than 4,280 students in Seattle Public Schools are homeless or have unstable
20 housing; and

21 WHEREAS, even before the COVID-19 emergency, thousands of Seattle renters faced eviction
22 threats every year, and in September 2018, the Seattle Women’s Commission and the
23 King County Bar Association jointly published *Losing Home: The Human Cost of*

1 *Eviction in Seattle*, finding that more than half of Seattle renters receiving eviction
2 notices in 2017 owed one month’s rent or less, and most tenants who are evicted become
3 homeless; and

4 WHEREAS, the *Losing Home* report found that evictions in Seattle fall disproportionately on
5 women and people of color, with people of color constituting about 35 percent of renters,
6 and nearly 52 percent of evictions involved people of color; and

7 WHEREAS, the October 2019 Report and Recommendations of the King County Regional
8 Affordable Housing Task Force found that 156,000 affordable homes were needed
9 immediately and another 88,000 affordable homes by 2040 to ensure that no low-income
10 or working households were cost burdened; and

11 WHEREAS, the 2019 point-in-time count of people experiencing homelessness in King County
12 estimates there are 11,199 individuals experiencing homelessness in the region; and

13 WHEREAS, the Third Door Coalition proposal advocates for the creation of 6,500 permanent
14 supportive housing units as a proven solution for meeting the housing and services needs
15 of those who are chronically homelessness; and

16 WHEREAS, the City recognizes the importance of using a “Housing First” approach in the
17 development of permanent housing for those experiencing homelessness that prioritizes
18 providing access to low or no barrier housing for such persons; and

19 WHEREAS, in addition to increasing investments to support programs that provide housing
20 security and that increase the supply of affordable housing, the Council is committed to
21 pursuing additional strategies, such as changes to development regulations and permit
22 review processes, to reduce the time and costs of building affordable housing; and

1 WHEREAS, in October 2016, the Council adopted, with the Mayor concurring, Resolution
2 31712, endorsing community principles for green jobs, defining a green job as one that
3 preserves or enhances environmental health as well as the economic and social well-
4 being of people and communities, centers on communities most negatively impacted by
5 climate change, and pays a living wage while providing career pathways; and

6 WHEREAS, the City Council adopted Resolution 31895 establishing a Green New Deal for
7 Seattle; and

8 WHEREAS, Resolution 31895 envisioned the need to establish a dedicated revenue source in
9 order to implement Green New Deal strategies, including creating more permanently
10 affordable housing, located near transit hubs, green space, and neighborhood amenities to
11 reduce dependence on private vehicles and strengthening green building standards for
12 new construction to minimize emissions while maximizing energy efficiency; and

13 WHEREAS, the Council is committed to advancing strategies to improve job quality for the
14 local work force, including investing in labor-management trainings and partnering with
15 other entities committed to implementing and adopting innovative workforce strategies;
16 and

17 WHEREAS, the new tax will generate significant funds that will increase the construction and
18 preservation of new permanently affordable housing units for low-income households to
19 address the housing affordability and homelessness crisis, will contribute to reducing
20 Seattle's climate pollution, and will in the process support living-wage jobs, and in doing
21 so will help the City make the necessary changes to shift Seattle's economy to be more
22 equitable and ecologically sustainable; and

1 WHEREAS, the City is committed to eliminating racial inequities through implementation of the
2 Race and Social Justice Initiative; and

3 WHEREAS, Resolution 31577, adopted in May 2015, affirmed that The City of Seattle’s core
4 value of racial and social equity is one of the foundations on which the Comprehensive
5 Plan is built, and defined “equitable development” as public and private investments,
6 programs, and policies in neighborhoods to meet the needs of marginalized people and
7 reduce disparities; and

8 WHEREAS, Ordinance 125173, passed in October 2016, amended the Seattle Comprehensive
9 Plan to increase its emphasis on race and social equity, and affirm the conclusions of the
10 Seattle 2035 Equity Analysis that was part of the City’s overall analysis of the Plan; and

11 WHEREAS, Resolution 31711, adopted in September 2016, identified the Equitable
12 Development Initiative as a key component of implementing Ordinance 125173 and
13 approved the Equitable Development Implementation Plan and the Equitable
14 Development Financial Investment Strategy to advance the public purposes of
15 community stability, cohesion, and affordability; and

16 WHEREAS, the City’s Equitable Development Initiative supports community driven projects
17 that promote economic opportunities for marginalized populations and enhance
18 community cultural anchors, affordable housing development, health services, child care
19 services, and other community services that support the needs of diverse populations in
20 areas at risk of displacement; and

21 WHEREAS, the Equitable Development Initiative receives annual funding of \$5 million from
22 the short-term rental tax, but this funding is insufficient to support the number of current
23 projects in development and additional future projects; and

1 WHEREAS, on March 18, 2019, the City Council adopted Resolution 31870, committing to
2 taking future actions to mitigate displacement impacts on marginalized communities,
3 including communities of color and low-income communities, particularly in
4 neighborhoods identified as at high risk of displacement by the Growth and Equity
5 Analysis. One action called for was to identify a permanent and consistent source of
6 funding for the Equitable Development Initiative, beyond the \$5 million per year
7 expected to be generated through the short-term rental tax, with a long-term goal of \$20
8 million annually; and

9 WHEREAS, the new payroll tax will generate significant funds to address identified inequities
10 and to respond to the economic and public health impacts caused by the COVID-19
11 pandemic that are anticipated to persist beyond 2020; NOW, THEREFORE,

12 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

13 Section 1. Findings. The City Council finds that:

14 A. On March 3, 2020, the Mayor proclaimed that a civil emergency exists in the City of
15 Seattle related to the COVID-19 virus.

16 B. On March 11, 2020, the Governor of Washington State and the Local Health Officer
17 for Public Health – Seattle & King County issued parallel orders prohibiting gatherings of 250
18 people or more for social, spiritual and recreational activities in King County.

19 C. On March 13, 2020, the Governor of Washington state issued an emergency order
20 announcing all K-12 schools in Washington to be closed from March 17, 2020 through June 19,
21 2020 to combat the spread of the disease.

22 D. On March 13, 2020, the President of the United States declared a national emergency
23 to allow the government to marshal additional resources to combat the virus.

1 E. On March 23, 2020, the Governor of Washington State issued an emergency order
2 (“the Stay Home, Stay Safe” order) announcing that “[a]ll people in Washington State shall
3 immediately cease leaving their home or place of residence except: (1) to conduct or participate
4 in essential activities, and/or (2) for employment in essential business services.”

5 F. As of June 11, 2020, the Washington State Department of Health confirmed 25,171
6 cases of COVID-19 and 1,204 deaths caused by the virus in Washington State, with 8,611
7 confirmed cases and 586 deaths caused by the virus in King County.

8 G. The COVID-19 crisis has had a significant impact on the local economy impacting the
9 retail, restaurant, construction, gig economy, and other industries resulting in layoffs and reduced
10 work hours for a significant percentage of this workforce and loss of income for small
11 businesses. These impacts are being felt most strongly by low income workers, people of color,
12 immigrants, and members of the LGBTQIA community, who have become unemployed or had
13 their work hours severely reduced and will have both immediate and long-term impacts.

14 H. There are at least 38,000 businesses in the City of Seattle employing a minimum of
15 655,000 individuals. Since the Governor of Washington closed or limited operations of many
16 businesses in the state beginning in March, the statewide unemployment rate went from 5.1
17 percent in March to 15.4 percent in April. This equates to 199,000 individuals in March, and
18 610,000 individuals in April who are unemployed. In the Seattle/ Bellevue/Everett area, the
19 unemployment rate went from 5.6 percent in March to 14.5 percent in April. This equates to
20 96,000 individuals in March and 248,000 individuals in April who are unemployed. Rising
21 unemployment will put more and more Seattle households, particularly low-income households,
22 in financial peril.

1 I. Providing financial assistance to small business owners and operators is necessary to
2 prevent small businesses from having to close permanently due to the hardship associated with
3 government-mandated full or partial closure of their businesses, or requirements to implement
4 new businesses practices and physical modifications to the business to meet public health
5 guidance, during and after the COVID-19 crisis. Such assistance shall provide economic benefits
6 to the public by saving or creating jobs, moderating impacts to local tax revenue by supporting
7 continue operations of small businesses and ensuring that businesses can modify operations as
8 necessary to comply with public health guidance.

9 J. Federal and state assistance is inaccessible to many people with low-incomes, to many
10 small businesses, and is being delayed for many others, and will not be sufficient to meet their
11 basic needs during the COVID-19 public health and financial crisis. In addition, federal
12 assistance provided to small businesses may not allow flexibility in terms of non-payroll costs
13 that can be covered, timeline for expending funds, etc. Therefore, additional and immediate
14 financial support to small businesses and people with low-incomes is necessary to help meet
15 their basic needs and to help minimize impacts to public health as well as the local economy.

16 K. The economic impacts from the COVID-19 emergency are drastic and immediate but
17 are also expected to last much longer than the civil shut-down emergency itself.

18 L. Data from the 2012-2016 American Community Survey (ACS) shows that: over
19 60,000 households in Seattle with incomes at or below 80 percent of AMI are cost burdened,
20 paying more than 30 percent of their income for rent and utilities; and 29,000 households with
21 incomes at or below 50 percent of area AMI are severely cost burdened, paying over 50 percent
22 of their income for rent and utilities, and, as a result, are at potential risk of homelessness.

1 M. The COVID-19 emergency poses a serious threat to the housing stability of
2 households who are unable to pay rent due during the crisis and is expected to impact the ability
3 for people to be securely housed beyond 2020.

4 N. Spending on equitable development investments, including the community-identified
5 and City-approved projects included in the Equitable Development Financial Investment
6 Strategy, achieves a clear public purpose in advancing the City's core value of racial and social
7 equity through fostering the development and improvement of physical and social assets serving
8 communities, economic development, education, and workforce training programs, and other
9 public benefits.

10 O. The spending plan is being tailored to address both the shorter (2021) and longer-term
11 (2022 and beyond) basic human health and public health needs created by the multiple and
12 overlapping crises, which include the long-running affordable housing and homelessness crisis,
13 food insecurity, and loss of childcare and small businesses through the community, which has
14 now been greatly exacerbated and complicated by the COVID-19 pandemic and related
15 economic and unemployment crises.

16 P. Investments in the programs and services described in this ordinance will help
17 counteract the economic and health impacts caused by the COVID-19 crisis by investing in low-
18 income communities, small businesses, and other services that will continue to be needed in
19 2021 and beyond by people who saw significant reductions in income due to employment
20 changes and business closures or reductions stemming from the crisis.

21 Q. The City's Adopted 2020 Budget fully appropriates all available municipal revenues
22 to address the many and varied needs of the community.

1 R. At an April 22 presentation to the Select Budget Committee, the City Budget Director
2 stated that a “Rapid Recovery” in City General Fund finances from the COVID 19 civil
3 emergency would result in a \$100 million or 7 percent reduction in General Fund revenues
4 available for City spending priorities in 2020, and further stated that a “Slow Recovery” scenario
5 would result in a \$186 million or 13 percent reduction in General Fund revenues and about \$113
6 million reduction in other general government revenues in 2020, for a total reduction of about
7 \$300 million in 2020.

8 S. The City will impose a new payroll tax through Council Bill 119810 that is expected to
9 provide new and sufficient revenues to allow the City, in 2021, to replenish emergency funds
10 used in 2020 to make public assistance available to households most impacted by the COVID-19
11 civil emergency and to provide resources to maintain services and provide longer terms solutions
12 to address the inequities exacerbated by the COVID-19 crisis.

13 Section 2. Proceeds from the new payroll tax imposed by the ordinance introduced as
14 Council Bill 119810 may only be used as described in subsections 2.A and 2.B of this ordinance
15 ~~and summarized in Attachment 1 to this ordinance~~. The programs funded in this spending plan
16 may be used to provide assistance to low income people who live or work in Seattle. The
17 Council intends to adopt by resolution or through adoption of the annual budget, spending details
18 by year and program area to provide: (1) specific allocations of funds for each program area
19 based on the anticipated annual revenue from the payroll tax authorized by the ordinance
20 introduced as Council Bill 119810; and (2) programmatic details such as incomes levels served
21 by proposed housing investments. The spending plan may be amended from time to time by the
22 City Council by ordinance.

1 A. In 2021, ~~the first \$86 million may be used~~ to replenish the City's Emergency Fund and
 2 Revenue Stabilization Fund balance that was reduced in 2020 to fund programs that address the
 3 economic impacts caused by COVID-19. Any remaining proceeds from the payroll tax are
 4 intended to be used as follows:

5 1. ~~Up to five percent may be used to~~ To administer the payroll tax authorized by the
 6 ordinance introduced as Council Bill 119810 and to administer the investments described in
 7 subsections 2.A.2 and 2.A.3 of this ordinance. ~~If less than five percent of remaining funds is~~
 8 ~~needed for implementation and administration, any remaining funds may be used for other~~
 9 ~~programs and services described in subsections 2.A.2 through 2.A.4 of this ordinance.~~

10 2. ~~Seventy-five percent may be used to~~ (1) provide continuity of services and
 11 programs administered or supported by the City prior to the COVID-19 crises that, absent the
 12 support from the payroll tax revenue, would see a reduction in funding; and (2) funding to
 13 support increased costs and the expansion of services and programs administered or funded by
 14 the City that support low-income communities, immigrant and refugee communities, people
 15 experiencing homelessness or housing insecurity, people experiencing food insecurity, and to
 16 fund other City programs and services that address the needs of low-income households and
 17 small businesses. It is the Council's intent that funding is prioritized for investments in services
 18 and programs that service lower-income neighborhoods.

19 3. ~~Twenty percent may be used to~~ continue some funding for extend funding for
 20 ~~the~~ programs and services that received funding in 2020 as described in the ordinance introduced
 21 as Council Bill 119812.

22 B. In all subsequent years, the proceeds from the payroll tax will be allocated as
 23 described in the resolution intended by this section or through adoption of the annual budget and

1 ~~further~~ described in an implementation plan adopted by the City Council biennially, with the first
 2 plan adopted in 2021 for spending in years 2022 and 2023. The intent is to ~~allocate funding as~~
 3 ~~follows use the proceeds from the payroll tax authorized by the ordinance introduced as Council~~
 4 ~~Bill 119810 as follows:~~

5 1. ~~Up to five percent of the proceeds may be used to~~To administer the payroll tax
 6 authorized by the ordinance introduced as Council Bill 119810 and to administer the investments
 7 described in subsections 2.B.2 through 2.B.4~~5~~ of this ordinance. ~~If less than five percent of~~
 8 ~~remaining funds are needed for administration, any remaining funds may be used for other~~
 9 ~~programs and services described in subsections 2.B.2 through 2.B.4 of this ordinance.~~

10 2. Housing and services. ~~Sixty-five percent of the proceeds may be used t~~To
 11 support (1) capital costs associated with the construction or acquisition of ~~rental~~ housing for low-
 12 income households, including but not limited to people with disabilities, the elderly, low-wage
 13 working people, homeless individuals and families, and families with children; (2) operating and
 14 services costs of rental housing serving households at or below 30 percent of area median
 15 income (AMI); ~~and~~ (3) associated infrastructure to support the ongoing operations costs for the
 16 housing, such as maintenance, retrofitting, and energy efficient upgrades to support the housing;
 17 ~~and (4) rental assistance programs. Of the proceeds proposed for housing and services, the~~
 18 ~~Council intends that 70 percent will support housing serving households with incomes at or~~
 19 ~~below 30 percent of AMI and 30 percent will support housing serving households with incomes~~
 20 ~~at or below 50 percent of AMI, provided that such projects include units serving some~~
 21 ~~households at or below 30 percent of AMI~~

1 It is the Council's intent that new construction of housing projects funded with
 2 this tax will be built consistent with the City's Housing Funding Policies as adopted by
 3 Ordinance 119531, or as may be amended. These include, but are not limited to:

4 a. Requirements and goals that advance labor equity outcomes, such as:
 5 the payment of prevailing wages, apprenticeship utilization, and employment of Women and
 6 Minority Owned Businesses. Imposing additional requirements including, but not limited to:
 7 preferred entry to apprenticeship programs, requirements for pre-apprenticeship, mentoring or
 8 other training programs, and utilization of workers from economically distressed areas, will be
 9 considered for new construction housing projects based on the results of the evaluation of the 2nd
 10 and Mercer housing pilot project, expected in mid-2021. The implementation plan that will be
 11 adopted by the City Council in 2021 will guide spending for 2022 and 2023, and may impose
 12 further labor equity-related requirements for new construction projects and recommend any
 13 needed amendments to the City's Housing Funding Policies to impose such requirements.

14 b. Prioritize projects that advance equitable development goals and
 15 address displacement, including those proposed or supported by local, community-based, non-
 16 profit organizations that are culturally relevant and historically rooted, particularly when the
 17 project site is in an area that is at high risk for displacement.

18 c. Utilize well-located publicly owned properties to achieve cost savings
 19 for affordable housing development through reduced or no-cost land transfers, favorable
 20 purchase terms, and efficient funding and disposition processes.

21 3. ~~Ten percent of the proceeds may be used to~~ To support the Equitable
 22 Development Initiative (EDI). Funding may be used to support community-initiated equitable
 23 development projects that advance economic mobility and opportunity, prevent residential,

1 commercial, and cultural displacement, build on local cultural assets, promote transportation
 2 mobility and connectivity, develop healthy and safe neighborhoods, and enable equitable access
 3 to all neighborhoods. ~~Funds would be appropriated to the Office of Planning and Community
 4 Development and allocated through the EDI's existing established funding process for awarding
 5 EDI grants. This funding may be used to support both the non-housing and affordable housing
 6 components of EDI projects. Investments in EDI projects that include an affordable housing
 7 component will be prioritized.~~

8 4. ~~Twenty percent of the proceeds may be used t~~To support local businesses and
 9 tourism to spur the local economic recovery, and to provide economic stability for the city's
 10 workforce. ~~Investments will prioritize programs and services that diversify the local economy
 11 and improve job quality, including investing in labor management training programs and
 12 partnerships with organizations whose work focuses on innovative workforce strategies that
 13 support and create jobs with strong pay and benefits. This will include:~~

14 a. ~~At least \$650,000 in 2022 to contract with an organization with
 15 expertise and experience in developing a plan and can act as a catalyst to launch programs and
 16 services that will help transition a just local economy that provides stable, safe, and healthy
 17 family sustaining jobs. The Council expects that, in 2021, the Executive will convene a group
 18 that includes, but is not limited to, representatives from City departments, labor organizations,
 19 and small businesses, to develop the scope of work and to select a firm to carry out this work in
 20 2022.~~

21 b. ~~Any remaining funds will be used to invest in individuals' businesses, activities
 22 that promote and support business districts and tourism, and to support business organizations
 23 focused on retaining and growing the workforce, including job training programs that provide a~~

~~path to careers that provide family sustaining wages and benefits. Preference will be given to businesses and business organizations who provide a safe, healthy, and economically beneficial working environment for its employees by providing the following, including but not limited to: codes of conduct, health care benefits, educational benefits, retirement benefits, living wage standards, and entering into a labor peace agreement with employees.~~

5. For investments that advance Seattle’s Green New Deal as described in Resolution 31895. Investments should be prioritized in communities historically most harmed by economic, racial, and environmental injustice.

Section 3. On or before June 30, 2021, the Executive is requested to submit an Implementation Plan for the payroll tax spending for years 2022 and beyond to the City Council that includes:

- A. Specific spending proposal for years 2022 and beyond;
- B. Proposed outcomes for each funded program or service;
- C. How the programs or services will be implemented (i.e., responsible department, funding processes, etc.);
- D. Proposed policies for implementing funded programs or services;
- E. Recommended modifications to the City’s Housing Funding policies imposing new labor equity outcomes for new construction housing projects, if appropriate; and
- F. Proposal for the detailed roles and responsibilities for the Oversight Committee described in Section 5 of this ordinance.

The Executive, with the support of the Seattle Office for Civil Rights, will conduct racial equity analysis on the proposed implementation plan prior to submittal to the City Council. The completion of this analysis should not delay submittal of the Implementation Plan by June 30,

1 2021. The Executive is expected to work cooperatively with the City Council in the development
2 of this implementation plan to ensure it is consistent with the proposed spending plan.

3 Section 4. A new Section 3.35.100 is added to the Seattle Municipal Code as follows:

4 **3.35.100 Payroll Tax Oversight Committee**

5 A. There is established an Oversight Committee for the purpose of providing oversight on
6 the services and programs supported by the payroll tax and the impacts of this tax on the number
7 of jobs and businesses in the City, and other data that directly relates to measuring the impact of
8 this tax on the City's economy. The Oversight Committee shall provide an annual report that
9 provides this information to the Mayor and the City Council. The Oversight Committee shall
10 consult with the Coalition of City Unions, Small Business Advisory Council, Housing Levy
11 Oversight Committee, the Green New Deal Oversight Board and other oversight bodies that
12 monitor programs and services similar to those supported by the payroll tax. The Committee may
13 elect officers and establish rules of procedure, including what shall constitute a quorum. The
14 Director of Neighborhoods or such other department head as may be designated by the Mayor
15 shall provide the Committee such information as is necessary for the Committee to determine the
16 status of individual programs and projects.

17 B. The Oversight Committee shall consist of nine voting members, appointed to positions
18 number 1 through 9.

19 1. Position 1 shall be a City employee appointed by the Mayor or designee;
20 position 2 shall be a City employee appointed by the City Council; positions 3 through 9 shall be
21 persons outside City government. Positions 3, 5, and 7 shall be appointed by the Mayor.
22 Positions 4, 6, 8 and 9 shall be appointed by the City Council.

23 2. Positions 3 and 4 shall represent labor.

1 3. Positions 5 and 6 shall represent business.

2 4. Positions 7 and 8 shall represent community organizations that reflect the
3 diversity of the City.

4 5. Position 9 shall represent communities that will benefit from the proposed
5 spending.

6 6. The appointing authority may remove any member who is absent from two or
7 more consecutive meetings without cause.

8 C. No more than three committee members appointed by the Mayor and no more than
9 two committee members appointed by the City Council shall be an officer, director, board
10 member, trustee, partner, or employee of an entity that receives or competes for funding under
11 this ordinance; or be a member of the immediate family of, or an individual residing with, an
12 officer, director, board member, trustee, partner, or employee of an entity that receives or
13 competes for funding under this ordinance; or be a person seeking or having an arrangement
14 concerning future employment with an entity that receives or competes for funding under this
15 ordinance. For the purposes of this Section 3.35.100, an individual's "immediate family" means
16 the individual's spouse, domestic partner, child, child of a spouse or domestic partner, sibling-in-
17 law, parent, parent of a spouse or domestic partner, a person for whom the individual acts as a
18 guardian, or a person claimed as a dependent on the individual's most recent federal income tax
19 return. Subject to the preceding sentence and applicable law, an individual serving as an officer,
20 director, board member, trustee, partner, or employee of an entity that receives or competes for
21 funding under this ordinance, or who has an interest in such an entity, shall not thereby be
22 disqualified from serving on the Committee, but shall fully disclose any such relationships and
23 shall not vote on any matter in which the interest of such entity is directly involved.

1 D. Upon the resignation, retirement, death, incapacity, or removal of a member, the
2 authority appointing such member may appoint a replacement for the balance of the term.

3 E. The initial terms of positions 1, 3, 5, 7, and 9 shall be two years; the initial terms of
4 positions 2, 4, 6, and 8 shall be three years; all subsequent terms shall be three years. Any
5 vacancy in an unexpired term shall be filled in the same manner as the original appointment. A
6 member whose term is ending may continue on an interim basis as a member with voting rights
7 until such time as a replacement for that position has been appointed by the City Council or
8 confirmed by the City Council.

9 F. Members shall serve without pay, except that members may request compensation of
10 \$50 per hour served if participating on the committee presents a financial hardship. Upon such
11 request, the Director of Neighborhoods is authorized to expend funds in the Department of
12 Neighborhood's budget for this purpose. No money may be expended for services rendered prior
13 to a request being filed with the Director.

14 Section 5. Severability. The provisions of this ordinance are declared to be separate and
15 severable. The invalidity of any clause, sentence, paragraph, subdivision, section, or portion of
16 this ordinance, or the invalidity of its application to any person or circumstance, does not affect
17 the validity of the remainder of this ordinance or the validity of its application to other persons or
18 circumstances.

Aly Pennucci and Traci Ratzliff
LEG Jump Start Seattle Spending Plan ORD
~~D4aD2b~~

1 Section 6. This ordinance shall take effect and be in force 30 days after its approval by
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

4 Passed by a 3/4 vote of all the members of the City Council the _____ day of
5 _____, 2020, and signed by me in open session in authentication of its
6 passage this ____ day of _____, 2020.

7 _____
8 President _____ of the City Council

9 Approved by me this _____ day of _____, 2020.

10 _____
11 Jenny A. Durkan, Mayor

12 Filed by me this _____ day of _____, 2020.

13 _____
14 Monica Martinez Simmons, City Clerk

15 (Seal)

16
17 **Attachments:**
18 **Attachment 1 — Proposed Spending Plan**

July 1, 2020
Version: 1
Aly Pennucci

Amendment 1 To Council Bill 119811

Select Budget Committee

Sponsor: Councilmember Pedersen

Amendatory language shown in track changes ~~track changes~~

Amend subsection 2.B, page 11 (lines 22-23) and page 12 (lines 1-3) as follows:

* * *

B. In all subsequent years, the proceeds from the payroll tax will be allocated as described in an implementation plan adopted by the City Council biennially, with the first plan adopted in 2021 for spending in years 2022 and 2023. The intent is to allocate funding as follows:

1. To administer and evaluate the effectiveness of the payroll tax authorized by the ordinance introduced as Council Bill 119810, ~~and~~ to administer the investments described in subsections 2.B.2 through 2.B.5 of this ordinance, and to evaluate the effectiveness of at least those investments described in subsection 2.B.4 of this ordinance.

Amend Section 3, page 15, lines 1 and 4 as follows:

Section 3. On or before June 30, 2021, the Executive is requested to submit an Implementation Plan for the payroll tax spending for years 2022 and beyond to the City Council that includes:

A. Specific spending proposal for years 2022 and beyond;

B. Proposed outcomes for each funded program or service and the tracking and evaluation framework to measure actual results as compared to the proposed outcomes and to implement improvements as needed;

C. How the programs or services will be implemented (i.e., responsible department, funding processes, etc.);

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D. Proposed policies for implementing and evaluating the effectiveness of funded programs or services,

E. Recommended modifications to the City's Housing Funding policies imposing new labor equity outcomes for new construction housing projects, if appropriate; and

F. Proposal for the detailed roles and responsibilities for the Oversight Committee described in Section 5 of this ordinance.

Effect: This amendment would:

- Add language to subsection 2.B.1 to include the cost of evaluating the effectiveness of the proposed investments as an authorized use of funds allocated for administration; and
- Add language to Section 3 to ensure the implementation plan includes an evaluation framework to measure the results of the programs and services funded by the payroll tax revenue.

July 1, 2020
Version: 1
Aly Pennucci

Amendment 2 To Council Bill 119811

Select Budget Committee

Sponsor: Councilmember Pedersen

Amendatory language shown in track changes ~~track changes~~

Amend Section 4, page 16 (lines 19-20) and page 18 (line 2), as follows:

* * *

Section 4. A new Section 3.35.100 is added to the Seattle Municipal Code as follows:

3.35.100 Payroll Tax Oversight Committee

* * *

C. No more than ~~three~~one committee members appointed by the Mayor and no more than ~~two~~one committee members appointed by the City Council shall be an officer, director, board member, trustee, partner, or employee of an entity that receives or competes for funding under this ordinance; or be a member of the immediate family of, or an individual residing with, an officer, director, board member, trustee, partner, or employee of an entity that receives or competes for funding under this ordinance; or be a person seeking or having an arrangement concerning future employment with an entity that receives or competes for funding under this ordinance. For the purposes of this Section 3.35.100, an individual's "immediate family" means the individual's spouse, domestic partner, child, child of a spouse or domestic partner, sibling-in-law, parent, parent of a spouse or domestic partner, a person for whom the individual acts as a guardian, or a person claimed as a dependent on the individual's most recent federal income tax return. Subject to the preceding sentence and applicable law, an individual serving as an officer, director, board member, trustee, partner, or employee of an entity that receives or competes for funding under this ordinance, or who has an interest in such an entity, shall not thereby be

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Version: 1
Aly Pennucci

disqualified from serving on the Committee, but shall fully disclose any such relationships and shall not vote on any matter in which the interest of such entity is directly involved.

D. Upon the resignation, retirement, death, incapacity, or removal of a member, the authority appointing such member may appoint a replacement for the balance of the term.

E. The initial terms of positions 1, 3, 5, 7, and 9 shall be two years; the initial terms of positions 2, 4, 6, and 8 shall be three years; all subsequent terms shall be three years. Any vacancy in an unexpired term shall be filled in the same manner as the original appointment. A member whose term is ending may continue on an interim basis as a member with voting rights until such time as a replacement for that position has been appointed by the City Council or confirmed by the City Council.

F. Members shall serve without pay, except that members may request compensation of \$50 per hour served if participating on the committee presents a financial hardship. Upon such request, the Director of Neighborhoods is authorized to expend funds in the Department of Neighborhood's budget for this purpose. No money may be expended for services rendered prior to a request being filed with and approved by the Director

* * *

Effect: This amendment would:

1. Reduce the number of members of the proposed Payroll Tax Oversight Committee that can be an officer, director, board member, trustee, partner, or employee of any entity that receives or competes for funding from five members (55.5%) to two members (22.2%). This is a similar, proportionally, to the number of members on the Families, Education, Preschool, and Promise Levy (FEPP) Oversight Committee that are associated with an entity that receives or competes for FEPP funding (29.4%); and
2. Clarify that compensation to committee members can be provided if participating on the committee presents a financial hardship. However, such compensation must be approved by the Director of Neighborhoods prior to payment.

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CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

..title

AN ORDINANCE establishing a spending plan for proposed use of the proceeds generated from the payroll expense tax authorized by the ordinance introduced as Council Bill 119810 establishing an oversight committee; and adding a new Section 3.35.100 to the Seattle Municipal Code.

..body

WHEREAS, the City Council (“Council”) adopted the ordinance introduced as Council Bill 119810, authorizing the collection of a new payroll expense tax (“payroll tax”) to be imposed beginning January 2021; and

~~WHEREAS, the new payroll tax is anticipated to generate about \$173 million in proceeds in 2021 with a goal of generating about \$200 million on an annual basis, as shown in the spending plan included as Attachment 1 to this ordinance; and~~

WHEREAS, on November 2, 2015, the Mayor issued a Proclamation of Civil Emergency to address the homelessness crisis in the City of Seattle; and

WHEREAS, on November 3, 2015, the City Council adopted Resolution 31630, ratifying and confirming the Mayoral Proclamation of Civil Emergency; and

WHEREAS, the Civil Emergency to address the homelessness crisis is still in effect today; and

WHEREAS, on March 11, 2020, the World Health Organization announced that the novel coronavirus (COVID-19) is officially a global pandemic; and

WHEREAS, on February 29, 2020 the Washington Governor issued Proclamation 20-05, proclaiming a state of emergency for all counties throughout the state of Washington in response to new cases of COVID-19; and

1 WHEREAS, on March 13, 2020 the President of the United States declared a national state of
2 emergency in response to the COVID-19 pandemic; and

3 WHEREAS, on March 25, 2020 the Washington Governor issued Proclamation 20-25,
4 prohibiting all people in Washington State from leaving their homes and all non-essential
5 businesses in Washington State from conducting business (“Stay Home – Stay Healthy
6 Proclamation”); and

7 WHEREAS, these actions are appropriate for public health reasons but result in severe economic
8 impacts on families and individuals in Seattle; and

9 WHEREAS, these impacts are felt most strongly by people with low incomes who have become
10 unemployed or had their work hours severely reduced; and

11 WHEREAS, the affordable housing crisis, homelessness emergency, and now the COVID-19
12 pandemic and related economic and unemployment emergencies, in Seattle are deeply
13 impacting the lives of people throughout Seattle and the region and disproportionately
14 harms people of color, immigrants, the LGBTQ community, indigenous peoples’
15 communities, disabled community members, and women, who already struggle against
16 entrenched inequality; and

17 WHEREAS, average rents in Seattle rose 69 percent between 2010 and 2018, far beyond the rate
18 of inflation and more than double the national average; and

19 WHEREAS, more than 4,280 students in Seattle Public Schools are homeless or have unstable
20 housing; and

21 WHEREAS, even before the COVID-19 emergency, thousands of Seattle renters faced eviction
22 threats every year, and in September 2018, the Seattle Women’s Commission and the
23 King County Bar Association jointly published *Losing Home: The Human Cost of*

1 *Eviction in Seattle*, finding that more than half of Seattle renters receiving eviction
2 notices in 2017 owed one month’s rent or less, and most tenants who are evicted become
3 homeless; and

4 WHEREAS, the *Losing Home* report found that evictions in Seattle fall disproportionately on
5 women and people of color, with people of color constituting about 35 percent of renters,
6 and nearly 52 percent of evictions involved people of color; and

7 WHEREAS, the October 2019 Report and Recommendations of the King County Regional
8 Affordable Housing Task Force found that 156,000 affordable homes were needed
9 immediately and another 88,000 affordable homes by 2040 to ensure that no low-income
10 or working households were cost burdened; and

11 WHEREAS, the 2019 point-in-time count of people experiencing homelessness in King County
12 estimates there are 11,199 individuals experiencing homelessness in the region; and

13 WHEREAS, the Third Door Coalition proposal advocates for the creation of 6,500 permanent
14 supportive housing units as a proven solution for meeting the housing and services needs
15 of those who are chronically homelessness; and

16 WHEREAS, the City recognizes the importance of using a “Housing First” approach in the
17 development of permanent housing for those experiencing homelessness that prioritizes
18 providing access to low or no barrier housing for such persons; and

19 WHEREAS, in addition to increasing investments to support programs that provide housing
20 security and that increase the supply of affordable housing, the Council is committed to
21 pursuing additional strategies, such as changes to development regulations and permit
22 review processes, to reduce the time and costs of building affordable housing; and

1 WHEREAS, in October 2016, the Council adopted, with the Mayor concurring, Resolution
2 31712, endorsing community principles for green jobs, defining a green job as one that
3 preserves or enhances environmental health as well as the economic and social well-
4 being of people and communities, centers on communities most negatively impacted by
5 climate change, and pays a living wage while providing career pathways; and

6 WHEREAS, the City Council adopted Resolution 31895 establishing a Green New Deal for
7 Seattle; and

8 WHEREAS, Resolution 31895 envisioned the need to establish a dedicated revenue source in
9 order to implement Green New Deal strategies, including creating more permanently
10 affordable housing, located near transit hubs, green space, and neighborhood amenities to
11 reduce dependence on private vehicles and strengthening green building standards for
12 new construction to minimize emissions while maximizing energy efficiency; and

13 WHEREAS, the Council is committed to advancing strategies to improve job quality for the
14 local work force, including investing in labor-management trainings and partnering with
15 other entities committed to implementing and adopting innovative workforce strategies;
16 and

17 WHEREAS, the new tax will generate significant funds that will increase the construction and
18 preservation of new permanently affordable housing units for low-income households to
19 address the housing affordability and homelessness crisis, will contribute to reducing
20 Seattle's climate pollution, and will in the process support living-wage jobs, and in doing
21 so will help the City make the necessary changes to shift Seattle's economy to be more
22 equitable and ecologically sustainable; and

1 WHEREAS, the City is committed to eliminating racial inequities through implementation of the
2 Race and Social Justice Initiative; and

3 WHEREAS, Resolution 31577, adopted in May 2015, affirmed that The City of Seattle’s core
4 value of racial and social equity is one of the foundations on which the Comprehensive
5 Plan is built, and defined “equitable development” as public and private investments,
6 programs, and policies in neighborhoods to meet the needs of marginalized people and
7 reduce disparities; and

8 WHEREAS, Ordinance 125173, passed in October 2016, amended the Seattle Comprehensive
9 Plan to increase its emphasis on race and social equity, and affirm the conclusions of the
10 Seattle 2035 Equity Analysis that was part of the City’s overall analysis of the Plan; and

11 WHEREAS, Resolution 31711, adopted in September 2016, identified the Equitable
12 Development Initiative as a key component of implementing Ordinance 125173 and
13 approved the Equitable Development Implementation Plan and the Equitable
14 Development Financial Investment Strategy to advance the public purposes of
15 community stability, cohesion, and affordability; and

16 WHEREAS, the City’s Equitable Development Initiative supports community driven projects
17 that promote economic opportunities for marginalized populations and enhance
18 community cultural anchors, affordable housing development, health services, child care
19 services, and other community services that support the needs of diverse populations in
20 areas at risk of displacement; and

21 WHEREAS, the Equitable Development Initiative receives annual funding of \$5 million from
22 the short-term rental tax, but this funding is insufficient to support the number of current
23 projects in development and additional future projects; and

1 WHEREAS, on March 18, 2019, the City Council adopted Resolution 31870, committing to
2 taking future actions to mitigate displacement impacts on marginalized communities,
3 including communities of color and low-income communities, particularly in
4 neighborhoods identified as at high risk of displacement by the Growth and Equity
5 Analysis. One action called for was to identify a permanent and consistent source of
6 funding for the Equitable Development Initiative, beyond the \$5 million per year
7 expected to be generated through the short-term rental tax, with a long-term goal of \$20
8 million annually; and

9 WHEREAS, the new payroll tax will generate significant funds to address identified inequities
10 and to respond to the economic and public health impacts caused by the COVID-19
11 pandemic that are anticipated to persist beyond 2020; NOW, THEREFORE,

12 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

13 Section 1. Findings. The City Council finds that:

14 A. On March 3, 2020, the Mayor proclaimed that a civil emergency exists in the City of
15 Seattle related to the COVID-19 virus.

16 B. On March 11, 2020, the Governor of Washington State and the Local Health Officer
17 for Public Health – Seattle & King County issued parallel orders prohibiting gatherings of 250
18 people or more for social, spiritual and recreational activities in King County.

19 C. On March 13, 2020, the Governor of Washington state issued an emergency order
20 announcing all K-12 schools in Washington to be closed from March 17, 2020 through June 19,
21 2020 to combat the spread of the disease.

22 D. On March 13, 2020, the President of the United States declared a national emergency
23 to allow the government to marshal additional resources to combat the virus.

1 E. On March 23, 2020, the Governor of Washington State issued an emergency order
2 (“the Stay Home, Stay Safe” order) announcing that “[a]ll people in Washington State shall
3 immediately cease leaving their home or place of residence except: (1) to conduct or participate
4 in essential activities, and/or (2) for employment in essential business services.”

5 F. As of June 11, 2020, the Washington State Department of Health confirmed 25,171
6 cases of COVID-19 and 1,204 deaths caused by the virus in Washington State, with 8,611
7 confirmed cases and 586 deaths caused by the virus in King County.

8 G. The COVID-19 crisis has had a significant impact on the local economy impacting the
9 retail, restaurant, construction, gig economy, and other industries resulting in layoffs and reduced
10 work hours for a significant percentage of this workforce and loss of income for small
11 businesses. These impacts are being felt most strongly by low income workers, people of color,
12 immigrants, and members of the LGBTQIA community, who have become unemployed or had
13 their work hours severely reduced and will have both immediate and long-term impacts.

14 H. There are at least 38,000 businesses in the City of Seattle employing a minimum of
15 655,000 individuals. Since the Governor of Washington closed or limited operations of many
16 businesses in the state beginning in March, the statewide unemployment rate went from 5.1
17 percent in March to 15.4 percent in April. This equates to 199,000 individuals in March, and
18 610,000 individuals in April who are unemployed. In the Seattle/ Bellevue/Everett area, the
19 unemployment rate went from 5.6 percent in March to 14.5 percent in April. This equates to
20 96,000 individuals in March and 248,000 individuals in April who are unemployed. Rising
21 unemployment will put more and more Seattle households, particularly low-income households,
22 in financial peril.

1 I. Providing financial assistance to small business owners and operators is necessary to
2 prevent small businesses from having to close permanently due to the hardship associated with
3 government-mandated full or partial closure of their businesses, or requirements to implement
4 new businesses practices and physical modifications to the business to meet public health
5 guidance, during and after the COVID-19 crisis. Such assistance shall provide economic benefits
6 to the public by saving or creating jobs, moderating impacts to local tax revenue by supporting
7 continue operations of small businesses and ensuring that businesses can modify operations as
8 necessary to comply with public health guidance.

9 J. Federal and state assistance is inaccessible to many people with low-incomes, to many
10 small businesses, and is being delayed for many others, and will not be sufficient to meet their
11 basic needs during the COVID-19 public health and financial crisis. In addition, federal
12 assistance provided to small businesses may not allow flexibility in terms of non-payroll costs
13 that can be covered, timeline for expending funds, etc. Therefore, additional and immediate
14 financial support to small businesses and people with low-incomes is necessary to help meet
15 their basic needs and to help minimize impacts to public health as well as the local economy.

16 K. The economic impacts from the COVID-19 emergency are drastic and immediate but
17 are also expected to last much longer than the civil shut-down emergency itself.

18 L. Data from the 2012-2016 American Community Survey (ACS) shows that: over
19 60,000 households in Seattle with incomes at or below 80 percent of AMI are cost burdened,
20 paying more than 30 percent of their income for rent and utilities; and 29,000 households with
21 incomes at or below 50 percent of area AMI are severely cost burdened, paying over 50 percent
22 of their income for rent and utilities, and, as a result, are at potential risk of homelessness.

1 M. The COVID-19 emergency poses a serious threat to the housing stability of
2 households who are unable to pay rent due during the crisis and is expected to impact the ability
3 for people to be securely housed beyond 2020.

4 N. Spending on equitable development investments, including the community-identified
5 and City-approved projects included in the Equitable Development Financial Investment
6 Strategy, achieves a clear public purpose in advancing the City’s core value of racial and social
7 equity through fostering the development and improvement of physical and social assets serving
8 communities, economic development, education, and workforce training programs, and other
9 public benefits.

10 O. The spending plan is being tailored to address both the shorter (2021) and longer-term
11 (2022 and beyond) basic human health and public health needs created by the multiple and
12 overlapping crises, which include the long-running affordable housing and homelessness crisis,
13 food insecurity, and loss of childcare and small businesses through the community, which has
14 now been greatly exacerbated and complicated by the COVID-19 pandemic and related
15 economic and unemployment crises.

16 P. Investments in the programs and services described in this ordinance will help
17 counteract the economic and health impacts caused by the COVID-19 crisis by investing in low-
18 income communities, small businesses, and other services that will continue to be needed in
19 2021 and beyond by people who saw significant reductions in income due to employment
20 changes and business closures or reductions stemming from the crisis.

21 Q. The City’s Adopted 2020 Budget fully appropriates all available municipal revenues
22 to address the many and varied needs of the community.

1 R. At an April 22 presentation to the Select Budget Committee, the City Budget Director
2 stated that a “Rapid Recovery” in City General Fund finances from the COVID 19 civil
3 emergency would result in a \$100 million or 7 percent reduction in General Fund revenues
4 available for City spending priorities in 2020, and further stated that a “Slow Recovery” scenario
5 would result in a \$186 million or 13 percent reduction in General Fund revenues and about \$113
6 million reduction in other general government revenues in 2020, for a total reduction of about
7 \$300 million in 2020.

8 S. The City will impose a new payroll tax through Council Bill 119810 that is expected to
9 provide new and sufficient revenues to allow the City, in 2021, to replenish emergency funds
10 used in 2020 to make public assistance available to households most impacted by the COVID-19
11 civil emergency and to provide resources to maintain services and provide longer terms solutions
12 to address the inequities exacerbated by the COVID-19 crisis.

13 Section 2. Proceeds from the new payroll tax imposed by the ordinance introduced as
14 Council Bill 119810 may only be used as described in subsections 2.A and 2.B of this ordinance
15 ~~and summarized in Attachment 1 to this ordinance~~. The programs funded in this spending plan
16 may be used to provide assistance to low income people who live or work in Seattle. The
17 Council intends to adopt by resolution or through adoption of the annual budget, spending details
18 by year and program area to provide: (1) specific allocations of funds for each program area
19 based on the anticipated annual revenue from the payroll tax authorized by the ordinance
20 introduced as Council Bill 119810; and (2) programmatic details such as incomes levels served
21 by proposed housing investments. The spending plan may be amended from time to time by the
22 City Council by ordinance.

1 A. In 2021, ~~the first \$86 million may be used~~ to replenish the City’s Emergency Fund and
2 Revenue Stabilization Fund balance that was reduced in 2020 to fund programs that address the
3 economic impacts caused by COVID-19. Any remaining proceeds from the payroll tax are
4 intended to be used as follows:

5 1. ~~Up to five percent may be used to~~ To administer the payroll tax authorized by the
6 ordinance introduced as Council Bill 119810 and to administer the investments described in
7 subsections 2.A.2 and 2.A.3 of this ordinance. ~~If less than five percent of remaining funds is~~
8 ~~needed for implementation and administration, any remaining funds may be used for other~~
9 ~~programs and services described in subsections 2.A.2 through 2.A.4 of this ordinance.~~

10 2. ~~Seventy five percent may be used to~~ (1) provide continuity of services and
11 programs administered or supported by the City prior to the COVID-19 crises that, absent the
12 support from the payroll tax revenue, would see a reduction in funding; and (2) funding to
13 support increased costs and the expansion of services and programs administered or funded by
14 the City that support low-income communities, immigrant and refugee communities, people
15 experiencing homelessness or housing insecurity, people experiencing food insecurity, and to
16 fund other City programs and services that address the needs of low-income households and
17 small businesses. It is the Council’s intent that funding is prioritized for investments in services
18 and programs that service lower-income neighborhoods.

19 3. ~~Twenty percent may be used to~~ continue some funding for extend funding for
20 ~~the~~ programs and services that received funding in 2020 as described in the ordinance introduced
21 as Council Bill 119812.

22 B. In all subsequent years, the proceeds from the payroll tax will be allocated as
23 described in the resolution intended by this section or through adoption of the annual budget and

1 further described in an implementation plan adopted by the City Council biennially, with the first
2 plan adopted in 2021 for spending in years 2022 and 2023. The intent is to ~~allocate funding as~~
3 ~~follows use the proceeds from the payroll tax authorized by the ordinance introduced as Council~~
4 ~~Bill 119810 as follows:~~

5 1. ~~Up to five percent of the proceeds may be used to~~To administer the payroll tax
6 authorized by the ordinance introduced as Council Bill 119810 and to administer the investments
7 described in subsections 2.B.2 through 2.B.~~4~~5 of this ordinance. ~~If less than five percent of~~
8 ~~remaining funds are needed for administration, any remaining funds may be used for other~~
9 ~~programs and services described in subsections 2.B.2 through 2.B.4 of this ordinance.~~

10 2. Housing and services. ~~Sixty-five percent of the proceeds may be used t~~To
11 support (1) capital costs associated with the construction or acquisition of ~~rental~~ housing for low-
12 income households, including but not limited to people with disabilities, the elderly, low-wage
13 working people, homeless individuals and families, and families with children; (2) operating and
14 services costs of rental housing serving households at or below 30 percent of area median
15 income (AMI); ~~and~~ (3) associated infrastructure to support the ongoing operations costs for the
16 housing, such as maintenance, retrofitting, and energy efficient upgrades to support the housing;
17 ~~and (4) rental assistance programs. Of the proceeds proposed for housing and services, the~~
18 ~~Council intends that 70 percent will support housing serving households with incomes at or~~
19 ~~below 30 percent of AMI and 30 percent will support housing serving households with incomes~~
20 ~~at or below 50 percent of AMI, provided that such projects include units serving some~~
21 ~~households at or below 30 percent of AMI~~

1 It is the Council’s intent that new construction of housing projects funded with
2 this tax will be built consistent with the City’s Housing Funding Policies as adopted by
3 Ordinance 119531, or as may be amended. These include, but are not limited to:

4 a. Requirements and goals that advance labor equity outcomes, such as:
5 the payment of prevailing wages, apprenticeship utilization, and employment of Women and
6 Minority Owned Businesses. Imposing additional requirements including, but not limited to:
7 preferred entry to apprenticeship programs, requirements for pre-apprenticeship, mentoring or
8 other training programs, and utilization of workers from economically distressed areas, will be
9 considered for new construction housing projects based on the results of the evaluation of the 2nd
10 and Mercer housing pilot project, expected in mid-2021. The implementation plan that will be
11 adopted by the City Council in 2021 will guide spending for 2022 and 2023, and may impose
12 further labor equity-related requirements for new construction projects and recommend any
13 needed amendments to the City’s Housing Funding Policies to impose such requirements.

14 b. Prioritize projects that advance equitable development goals and
15 address displacement, including those proposed or supported by local, community-based, non-
16 profit organizations that are culturally relevant and historically rooted, particularly when the
17 project site is in an area that is at high risk for displacement.

18 c. Utilize well-located publicly owned properties to achieve cost savings
19 for affordable housing development through reduced or no-cost land transfers, favorable
20 purchase terms, and efficient funding and disposition processes.

21 3. ~~Ten percent of the proceeds may be used to~~ To support the Equitable
22 Development Initiative (EDI). Funding may be used to support community-initiated equitable
23 development projects that advance economic mobility and opportunity, prevent residential,

1 commercial, and cultural displacement, build on local cultural assets, promote transportation
2 mobility and connectivity, develop healthy and safe neighborhoods, and enable equitable access
3 to all neighborhoods. ~~Funds would be appropriated to the Office of Planning and Community
4 Development and allocated through the EDI's existing established funding process for awarding
5 EDI grants. This funding may be used to support both the non-housing and affordable housing
6 components of EDI projects. Investments in EDI projects that include an affordable housing
7 component will be prioritized.~~

8 4. ~~Twenty percent of the proceeds may be used t~~To support local businesses and
9 tourism to spur the local economic recovery, and to provide economic stability for the city's
10 workforce. ~~Investments will prioritize programs and services that diversify the local economy
11 and improve job quality, including investing in labor management training programs and
12 partnerships with organizations whose work focuses on innovative workforce strategies that
13 support and create jobs with strong pay and benefits. This will include:~~

14 a. ~~At least \$650,000 in 2022 to contract with an organization with
15 expertise and experience in developing a plan and can act as a catalyst to launch programs and
16 services that will help transition a just local economy that provides stable, safe, and healthy
17 family sustaining jobs. The Council expects that, in 2021, the Executive will convene a group
18 that includes, but is not limited to, representatives from City departments, labor organizations,
19 and small businesses, to develop the scope of work and to select a firm to carry out this work in
20 2022.~~

21 b. ~~Any remaining funds will be used to invest in individuals' businesses, activities
22 that promote and support business districts and tourism, and to support business organizations
23 focused on retaining and growing the workforce, including job training programs that provide a~~

~~path to careers that provide family sustaining wages and benefits. Preference will be given to businesses and business organizations who provide a safe, healthy, and economically beneficial working environment for its employees by providing the following, including but not limited to: codes of conduct, health care benefits, educational benefits, retirement benefits, living wage standards, and entering into a labor peace agreement with employees.~~

5. For investments that advance Seattle’s Green New Deal as described in Resolution 31895. Investments should be prioritized in communities historically most harmed by economic, racial, and environmental injustice.

Section 3. On or before June 30, 2021, the Executive is requested to submit an Implementation Plan for the payroll tax spending for years 2022 and beyond to the City Council that includes:

- A. Specific spending proposal for years 2022 and beyond;
- B. Proposed outcomes for each funded program or service;
- C. How the programs or services will be implemented (i.e., responsible department, funding processes, etc.);
- D. Proposed policies for implementing funded programs or services;
- E. Recommended modifications to the City’s Housing Funding policies imposing new labor equity outcomes for new construction housing projects, if appropriate; and
- F. Proposal for the detailed roles and responsibilities for the Oversight Committee described in Section 5 of this ordinance.

The Executive, with the support of the Seattle Office for Civil Rights, will conduct racial equity analysis on the proposed implementation plan prior to submittal to the City Council. The completion of this analysis should not delay submittal of the Implementation Plan by June 30,

1 2021. The Executive is expected to work cooperatively with the City Council in the development
2 of this implementation plan to ensure it is consistent with the proposed spending plan.

3 Section 4. A new Section 3.35.100 is added to the Seattle Municipal Code as follows:

4 **3.35.100 Payroll Tax Oversight Committee**

5 A. There is established an Oversight Committee for the purpose of providing oversight on
6 the services and programs supported by the payroll tax and the impacts of this tax on the number
7 of jobs and businesses in the City, and other data that directly relates to measuring the impact of
8 this tax on the City's economy. The Oversight Committee shall provide an annual report that
9 provides this information to the Mayor and the City Council. The Oversight Committee shall
10 consult with the Coalition of City Unions, Small Business Advisory Council, Housing Levy
11 Oversight Committee, the Green New Deal Oversight Board and other oversight bodies that
12 monitor programs and services similar to those supported by the payroll tax. The Committee may
13 elect officers and establish rules of procedure, including what shall constitute a quorum. The
14 Director of Neighborhoods or such other department head as may be designated by the Mayor
15 shall provide the Committee such information as is necessary for the Committee to determine the
16 status of individual programs and projects.

17 B. The Oversight Committee shall consist of nine voting members, appointed to positions
18 number 1 through 9.

19 1. Position 1 shall be a City employee appointed by the Mayor or designee;
20 position 2 shall be a City employee appointed by the City Council; positions 3 through 9 shall be
21 persons outside City government. Positions 3, 5, and 7 shall be appointed by the Mayor.
22 Positions 4, 6, 8 and 9 shall be appointed by the City Council.

23 2. Positions 3 and 4 shall represent labor.

1 3. Positions 5 and 6 shall represent business.

2 4. Positions 7 and 8 shall represent community organizations that reflect the
3 diversity of the City.

4 5. Position 9 shall represent communities that will benefit from the proposed
5 spending.

6 6. The appointing authority may remove any member who is absent from two or
7 more consecutive meetings without cause.

8 C. No more than three committee members appointed by the Mayor and no more than
9 two committee members appointed by the City Council shall be an officer, director, board
10 member, trustee, partner, or employee of an entity that receives or competes for funding under
11 this ordinance; or be a member of the immediate family of, or an individual residing with, an
12 officer, director, board member, trustee, partner, or employee of an entity that receives or
13 competes for funding under this ordinance; or be a person seeking or having an arrangement
14 concerning future employment with an entity that receives or competes for funding under this
15 ordinance. For the purposes of this Section 3.35.100, an individual's "immediate family" means
16 the individual's spouse, domestic partner, child, child of a spouse or domestic partner, sibling-in-
17 law, parent, parent of a spouse or domestic partner, a person for whom the individual acts as a
18 guardian, or a person claimed as a dependent on the individual's most recent federal income tax
19 return. Subject to the preceding sentence and applicable law, an individual serving as an officer,
20 director, board member, trustee, partner, or employee of an entity that receives or competes for
21 funding under this ordinance, or who has an interest in such an entity, shall not thereby be
22 disqualified from serving on the Committee, but shall fully disclose any such relationships and
23 shall not vote on any matter in which the interest of such entity is directly involved.

1 D. Upon the resignation, retirement, death, incapacity, or removal of a member, the
2 authority appointing such member may appoint a replacement for the balance of the term.

3 E. The initial terms of positions 1, 3, 5, 7, and 9 shall be two years; the initial terms of
4 positions 2, 4, 6, and 8 shall be three years; all subsequent terms shall be three years. Any
5 vacancy in an unexpired term shall be filled in the same manner as the original appointment. A
6 member whose term is ending may continue on an interim basis as a member with voting rights
7 until such time as a replacement for that position has been appointed by the City Council or
8 confirmed by the City Council.

9 F. Members shall serve without pay, except that members may request compensation of
10 \$50 per hour served if participating on the committee presents a financial hardship. Upon such
11 request, the Director of Neighborhoods is authorized to expend funds in the Department of
12 Neighborhood's budget for this purpose. No money may be expended for services rendered prior
13 to a request being filed with the Director.

14 Section 5. Severability. The provisions of this ordinance are declared to be separate and
15 severable. The invalidity of any clause, sentence, paragraph, subdivision, section, or portion of
16 this ordinance, or the invalidity of its application to any person or circumstance, does not affect
17 the validity of the remainder of this ordinance or the validity of its application to other persons or
18 circumstances.

1 Section 6. This ordinance shall take effect and be in force 30 days after its approval by
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

4 Passed by a 3/4 vote of all the members of the City Council the _____ day of
5 _____, 2020, and signed by me in open session in authentication of its
6 passage this ____ day of _____, 2020.

7 _____

8 President _____ of the City Council

9 Approved by me this _____ day of _____, 2020.

10 _____

11 Jenny A. Durkan, Mayor

12 Filed by me this _____ day of _____, 2020.

13 _____

14 Monica Martinez Simmons, City Clerk

15 (Seal)

16 **Attachments:**

17 ~~Attachment 1—Proposed Spending Plan~~

Amendment 1 To Council Bill 119811

Select Budget Committee

Sponsor: Councilmember Pedersen

Amendatory language shown in track changes ~~track changes~~

Amend subsection 2.B, page 11 (lines 22-23) and page 12 (lines 1-3) as follows:

* * *

B. In all subsequent years, the proceeds from the payroll tax will be allocated as described in an implementation plan adopted by the City Council biennially, with the first plan adopted in 2021 for spending in years 2022 and 2023. The intent is to allocate funding as follows:

1. To administer and evaluate the effectiveness of the payroll tax authorized by the ordinance introduced as Council Bill 119810, ~~and~~ to administer the investments described in subsections 2.B.2 through 2.B.5 of this ordinance, and to evaluate the effectiveness of at least those investments described in subsection 2.B.4 of this ordinance.

Amend Section 3, page 15, lines 1 and 4 as follows:

Section 3. On or before June 30, 2021, the Executive is requested to submit an Implementation Plan for the payroll tax spending for years 2022 and beyond to the City Council that includes:

A. Specific spending proposal for years 2022 and beyond;

B. Proposed outcomes for each funded program or service and the tracking and evaluation framework to measure actual results as compared to the proposed outcomes and to implement improvements as needed;

C. How the programs or services will be implemented (i.e., responsible department, funding processes, etc.);

D. Proposed policies for implementing and evaluating the effectiveness of funded programs or services,

E. Recommended modifications to the City's Housing Funding policies imposing new labor equity outcomes for new construction housing projects, if appropriate; and

F. Proposal for the detailed roles and responsibilities for the Oversight Committee described in Section 5 of this ordinance.

Effect: This amendment would:

- Add language to subsection 2.B.1 to include the cost of evaluating the effectiveness of the proposed investments as an authorized use of funds allocated for administration; and
- Add language to Section 3 to ensure the implementation plan includes an evaluation framework to measure the results of the programs and services funded by the payroll tax revenue.

Amendment 2 To Council Bill 119811

Select Budget Committee

Sponsor: Councilmember Pedersen

Amendatory language shown in track changes ~~track changes~~

Amend Section 4, page 16 (lines 19-20) and page 18 (line 2), as follows:

* * *

Section 4. A new Section 3.35.100 is added to the Seattle Municipal Code as follows:

3.35.100 Payroll Tax Oversight Committee

* * *

C. No more than ~~three~~one committee members appointed by the Mayor and no more than ~~two~~one committee members appointed by the City Council shall be an officer, director, board member, trustee, partner, or employee of an entity that receives or competes for funding under this ordinance; or be a member of the immediate family of, or an individual residing with, an officer, director, board member, trustee, partner, or employee of an entity that receives or competes for funding under this ordinance; or be a person seeking or having an arrangement concerning future employment with an entity that receives or competes for funding under this ordinance. For the purposes of this Section 3.35.100, an individual's "immediate family" means the individual's spouse, domestic partner, child, child of a spouse or domestic partner, sibling-in-law, parent, parent of a spouse or domestic partner, a person for whom the individual acts as a guardian, or a person claimed as a dependent on the individual's most recent federal income tax return. Subject to the preceding sentence and applicable law, an individual serving as an officer, director, board member, trustee, partner, or employee of an entity that receives or competes for funding under this ordinance, or who has an interest in such an entity, shall not thereby be

disqualified from serving on the Committee, but shall fully disclose any such relationships and shall not vote on any matter in which the interest of such entity is directly involved.

D. Upon the resignation, retirement, death, incapacity, or removal of a member, the authority appointing such member may appoint a replacement for the balance of the term.

E. The initial terms of positions 1, 3, 5, 7, and 9 shall be two years; the initial terms of positions 2, 4, 6, and 8 shall be three years; all subsequent terms shall be three years. Any vacancy in an unexpired term shall be filled in the same manner as the original appointment. A member whose term is ending may continue on an interim basis as a member with voting rights until such time as a replacement for that position has been appointed by the City Council or confirmed by the City Council.

F. Members shall serve without pay, except that members may request compensation of \$50 per hour served if participating on the committee presents a financial hardship. Upon such request, the Director of Neighborhoods is authorized to expend funds in the Department of Neighborhood's budget for this purpose. No money may be expended for services rendered prior to a request being filed with and approved by the Director

* * *

Effect: This amendment would:

1. Reduce the number of members of the proposed Payroll Tax Oversight Committee that can be an officer, director, board member, trustee, partner, or employee of any entity that receives or competes for funding from five members (55.5%) to two members (22.2%). This is a similar, proportionally, to the number of members on the Families, Education, Preschool, and Promise Levy (FEPP) Oversight Committee that are associated with an entity that receives or competes for FEPP funding (29.4%); and
2. Clarify that compensation to committee members can be provided if participating on the committee presents a financial hardship. However, such compensation must be approved by the Director of Neighborhoods prior to payment.



Legislation Text

File #: CB 119812, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE amending Ordinance 126000, which adopted the 2020 Budget; making appropriations from the Emergency Fund for public assistance during the COVID-19 civil emergency; making an appropriation from the General Fund for public assistance during the civil emergency; and making appropriations from the Revenue Stabilization Fund for public assistance during the civil emergency; all by a 3/4 vote of the City Council.

WHEREAS, on March 11, 2020, the World Health Organization announced that the novel coronavirus (COVID-19) is officially a global pandemic; and

WHEREAS, on February 29, 2020 the Washington Governor issued Proclamation 20-05, proclaiming a state of emergency for all counties throughout the state of Washington in response to new cases of COVID-19, and

WHEREAS, on March 13, 2020 the President of the United States declared a national state of emergency in response to the COVID-19 pandemic; and

WHEREAS, on March 25, 2020 the Washington Governor issued Proclamation 20-25, prohibiting all people in Washington State from leaving their homes and all non-essential businesses in Washington State from conducting business (“Stay Home - Stay Healthy Proclamation”); and

WHEREAS, these actions are appropriate for public health reasons but result in severe economic impacts on businesses, families and individuals in Seattle; and

WHEREAS, these impacts are felt most strongly by people with low incomes who have become unemployed or had their work hours severely reduced; and

WHEREAS, federal and state assistance to people with low incomes will not be sufficient to meet their basic

needs during this public health and financial crisis; and

WHEREAS, without additional support, many people with low incomes will face severe financial hardship which will have significant negative impacts, including but not limited to public health impacts, greater housing insecurity, as well as impacts to small businesses and the local economy; and

WHEREAS, the City will use general fund balance and emergency funds in 2020 to support programs and services that support immigrant communities, small businesses, and the housing needs of low-income households, and people experiencing homelessness or housing insecurity in 2020, to be repaid with proceeds from the new tax collected in 2021; and

WHEREAS, regarding use of the proceeds of these appropriations for emergency financial assistance in response to the COVID-19 civil emergency, the City Council has determined that there is no viable alternative available for advancing a core City objective during a time of civil emergency; and

WHEREAS, after accounting for 2020 deposits the currently available Emergency Fund balance is \$66.9 million and the currently available Revenue Stabilization Account balance is \$60.8 million; and

WHEREAS, the City Budget Director reported on April 22, 2020 that the General Fund had an unanticipated year-end balance of \$18.6 million; and

WHEREAS, the affordable housing crisis, homelessness emergency, and now the COVID-19 pandemic and related economic and unemployment emergencies, in Seattle are deeply impacting the lives of people throughout Seattle and the region and disproportionately harms people of color, immigrants, the LGBTQIA community, indigenous peoples' communities, disabled community members, and women, who already struggle against entrenched inequality; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Findings. The City Council finds that:

A. On March 3, 2020, the Mayor proclaimed that a civil emergency exists in the City of Seattle related to the COVID-19 virus.

B. On March 11, 2020, the Governor of Washington State and the Local Health Officer for Public Health - Seattle & King County issued parallel orders prohibiting gatherings of 250 people or more for social, spiritual and recreational activities in King County.

C. On March 13, 2020, the Governor of Washington state issued an emergency order announcing all K-12 schools in Washington to be closed from March 17, 2020 through June 19, 2020 to combat the spread of the disease.

D. On March 13, 2020, the President of the United States declared a national emergency to allow the government to marshal additional resources to combat the virus.

E. On March 23, 2020, the Governor of Washington State issued an emergency order (“the Stay Home, Stay Safe” order) announcing that “[a]ll people in Washington State shall immediately cease leaving their home or place of residence except: (1) to conduct or participate in essential activities, and/or (2) for employment in essential business services.”

F. As of June 11, 2020, the Washington State Department of Health confirmed 25,171 cases of COVID-19 and 1,204 deaths caused by the virus in Washington State, with 8,611 confirmed cases and 586 deaths caused by the virus in King County.

G. The COVID-19 crisis has had a significant impact on the local economy impacting the retail, restaurant, construction, gig economy, and other industries resulting in layoffs and reduced work hours for a significant percentage of this workforce and loss of income for small businesses. These impacts are being felt most strongly by low income workers, people of color, immigrants, and members of the LGBTQIA community, who have become unemployed or had their work hours severely reduced and will have both immediate and long-term impacts.

H. There are at least 38,000 businesses in the City of Seattle employing a minimum of 655,000 individuals. Since the Governor of Washington closed or limited operations of many businesses in the state beginning in March, the statewide unemployment rate went from 5.1 percent in March to 15.4 percent in April.

This equates to 199,000 individuals in March, and 610,000 individuals in April who are unemployed. In the Seattle/Bellevue/Everett area, the unemployment rate went from 5.6 percent in March to 14.5 percent in April. This equates to 96,000 individuals in March and 248,000 individuals in April who are unemployed. Rising unemployment will put more and more Seattle households, particularly low-income households, in financial peril.

I. The impacts of the COVID-19 crisis on the economy, employment, job retention, child care, and businesses has resulted in: restaurants, bars, and other businesses being forced to close; workers being unable to go to work because of illness; the need to care for children home from day care or school or for other family members without paid sick or safe time; and reduced business income due to reduced demand as businesses struggle during the state of emergency proclaimed by Mayor Durkan on March 3, 2020. These impacts have led to a temporary closure of many businesses, which will struggle to reopen.

J. The impacts of the forced closure of businesses will be felt most by small businesses and nonprofits, which typically have smaller profit margins, smaller cash reserves, and less access to capital than larger for-profit businesses.

K. Providing financial assistance to small business owners and operators, including owners of family child care businesses, is necessary to prevent small businesses from having to close permanently due to the hardship associated with government-mandated full or partial closure of their businesses, or requirements to implement new businesses practices and physical modifications to the business to meet public health guidance, during and after the COVID-19 crisis. Such assistance shall provide economic benefits to the public by saving or creating jobs, maintaining access to child care so workers who have children at home can return to work, moderating impacts to local tax revenue by supporting continued operations of small businesses, and ensuring that businesses can modify operations as necessary to comply with public health guidance.

L. Federal and state assistance is inaccessible to many people with low-incomes, to many small businesses, and is being delayed for many others, and will not be sufficient to meet their basic needs during the

COVID-19 public health and financial crisis. In addition, federal assistance provided to small businesses, including child care providers, may not allow flexibility in terms of non-payroll costs that can be covered, timeline for expending funds, etc. Therefore, additional and immediate financial support to small businesses and people with low-incomes is necessary to help meet their basic needs and to help minimize impacts to public health as well as the local economy.

M. On March 12, 2020, the Governor issued Proclamation 20-08 closing schools in King, Snohomish, and Pierce Counties. The next day, he issued Proclamation 20-09 expanding the closing of schools to require the statewide closure of K-12 public and private schools until April 24, 2020 and then extended such orders again until June 19, 2020.

N. On June 11, 2020, the Governor issued Proclamation 20.09.2 allowing a phased re-opening of schools subject to the requirements of the Washington State Department of Health's K-12 Schools - Summer 2020 Guidance and the Re-opening K-12 Fall 2020-2021 Guidance.

O. The science of COVID-19 will evolve over the summer and into the school year, and the trajectory of disease in Washington State and Seattle specifically may require changes to the public health response and adds uncertainty to when the re-opening of schools full-time will occur.

P. The closure of schools increased the need for childcare for first responders, healthcare workers, and other essential front-line employees as they combat the COVID-19 emergency, and as other non-essential businesses are beginning to re-open workers who are required to return to work before schools re-open full time will add to increased need for childcare for all workers.

Q. The economic impacts from the COVID-19 emergency are drastic and immediate but are also expected to last much longer than the civil shut-down emergency itself.

R. Data from the 2012-2016 American Community Survey (ACS) shows that: over 60,000 households in Seattle with incomes at or below 80 percent of AMI are cost burdened, paying more than 30 percent of their income for rent and utilities; and 29,000 households with incomes at or below 50 percent of area AMI are

severely cost burdened, paying over 50 percent of their income for rent and utilities, and, as a result, are at potential risk of homelessness.

S. The 2019 point-in-time count of people experiencing homelessness in King County found in Seattle at least 3,558 individuals who are living unsheltered in addition to at least 4,239 more individuals who are experiencing homelessness but are sheltered, for a total of at least 7,797 individuals who are experiencing homelessness in Seattle.

T. The Centers for Disease Control and Prevention recommend against removing encampments while there is community spread of COVID-19 unless there is adequate housing available, defined as individual housing and non-congregate shelter options.

U. There may be circumstances in which moving people is necessary, even in a pandemic, but in those limited cases such activity should be planned and implemented with great care and appropriate individual housing or temporary alternative workable living arrangements made available.

V. The COVID-19 emergency poses a serious threat to the housing stability of households who are unable to pay rent due to this crisis. The United Way of King County, with funding provided by the City and other partners, expanded their Home Base program to provide emergency rental assistance to households in King County during the COVID-19 emergency. Over 2,500 applications have been submitted by low-income households in Seattle in need of rental assistance.

W. Investments in the programs and services described in this ordinance will help counteract the economic and health impacts caused by the COVID-19 crisis by investing in low-income communities, small businesses, and other services that will be needed by people who saw significant reductions in income due to employment changes and business closures or reductions stemming from the crisis.

X. The City's Adopted 2020 Budget fully appropriates all available municipal revenues to address the many and varied needs of the community.

Y. At an April 22 presentation to the Select Budget Committee, the City Budget Director stated that a

“Rapid Recovery” in City General Fund finances from the COVID 19 civil emergency would result in a \$100 million or 7 percent reduction in General Fund revenues available for City spending priorities in 2020, and further stated that a “Slow Recovery” scenario would result in a \$186 million or 13 percent reduction in General Fund revenues and about \$113 million reduction in other general government revenues in 2020, for a total reduction of about \$300 million in 2020. Additional information provided by the City Budget office anticipates the budget gap expected in 2020 due to increased spending addressing COVID-19 related needs and reduced General Fund resources.

Z. A new payroll tax authorized through Council Bill 119810 is anticipated to provide new and sufficient revenues to replenish the Emergency Fund and Revenue Stabilization Fund in 2021.

Section 2. In order to pay for expenses and obligations to address the economic impacts caused by the COVID-19 epidemic that could not have been anticipated at the time of making the 2020 Budget, appropriations for the following items in the 2020 Budget are increased from the funds shown, as follows:

Item	Department	Fund	Budget Summary Level/BCL Code	Amount
2.1	Executive (Office of Economic Development)	Emergency Fund (10102)	Business Services (BO-ED-X1D00)	\$14,448,000
2.2	Department of Education and Early Learning	Revenue Stabilization Fund (00166)	Early Learning (BO-EE-IL100)	\$3,612,000
2.3	Human Services Department	Emergency Fund (10102)	Addressing Homelessness (BO-HS-H3000)	\$32,643,800
2.4	Executive (Office of Housing)	Emergency Fund (10102)	Homeownership & Sustainability (BO-HU-2000)	\$1,082,000
2.5	Executive (Office of Housing)	Revenue Stabilization Fund (00166)	Multifamily Housing (BO-HU-3000)	\$2,347,800
2.6	Executive (Office of Immigrant and Refugee Affairs)	Emergency Fund (10102)	Office of Immigrant and Refugee Affairs (BO-IA-X1N00)	\$18,100,000

2.7	Executive (Office of Sustainability & Environment)	Revenue Stabilization Fund (00166)	Office of Sustainability and Environment (BO-SE-X1000)	\$13,545,000
Total				\$85,778,600

Section 3. The City Council (“Council”) intends to replenish the Emergency Fund and Revenue Stabilization Fund as described in the ordinance introduced as Council Bill 119811 in 2021 using proceeds received from the tax authorized in Council Bill 119810.

Section 4. The appropriations in Section 2 of this ordinance, amending the 2020 Adopted Budget, shall be subject to the following provisos:

1. Of the funding appropriated to the Office of Economic Development’s Business Services (BO-ED-X1D00) Budget Summary Level in the 2020 Adopted Budget, \$14.45 million of the funds shall be used to address the economic hardship small business owners and their employees experience due to loss of business income, layoffs and reduced work hours for a significant percentage of this workforce as a result of the COVID-19 crisis and may be used for no other purpose. Up to five percent of these funds may be used for expenditures incurred by the department or the community based nonprofit organizations (CBOs) to administer the investments. The Council intends that this funding will be allocated as follows:
 - A. \$14.1 million to provide financial assistance to small business owners or operators that would be used to reduce the economic hardship caused by COVID-19 crisis and assist small businesses to comply with public health guidelines, thereby protecting the local economy by reducing the number of businesses that are permanently closed and jobs permanently lost due to the short- and long-term economic impacts caused by COVID-19.
 - B. \$315,000 to provide training, referral services, and technical assistance to support businesses, including assistance in preparing applications for federal or state loans or grants that provide direct financial assistance to small businesses to prepare such businesses for the road to recovery.
 - C. The Council further intends that:
 - a. Up to \$10,000 in financial assistance may be provided to any single eligible small business owner under this proviso.
 - b. Assistance should be prioritized for businesses who commit to not reducing wages and benefits provided prior to the COVID-19 emergency, and for business who have historically, or recently, been unable to access other forms of assistance through state or federal programs available to support businesses, including businesses owned by Black, Indigenous, and people of color, and businesses in the creative industry. Any awards to those in the creative industry should be made in partnership with advocates in the creative industry sphere.
 - c. For purposes of this proviso, “small business” is defined as a business with five or fewer 162

employees.

- d. The Executive should develop eligibility criteria for small businesses who have been economically impacted by the COVID-19 crisis and for whom such assistance will provide economic benefits to the public by saving or creating jobs, moderating impacts to local tax revenue by supporting continue operations of small businesses and ensuring that businesses can modify operations as necessary to comply with public health guidance.
2. Of the funding appropriated to the Department of Education and Early Learning’s Early Learning (BO-EE-IL100) Budget Summary Level in the 2020 Adopted Budget, \$3.61 million of the funds shall be used to address the economic hardship family child care providers and their employees experience due to loss of income, layoffs and reduced work hours for a significant percentage of this workforce as a result of the COVID-19 crisis and may be used for no other purpose. Up to five percent of these funds may be used for expenditures incurred by the department or the community based nonprofit organizations (CBOs) to administer the investments. The Council intends that:
- A. Up to \$10,000 in financial assistance may be provided to any single eligible family child care provider under this proviso.
 - B. Assistance should be prioritized for child care providers who commit to not reducing wages and benefits provided prior to the COVID-19 emergency, and for providers who have historically, or recently, been unable to access other forms of assistance through state or federal programs available to support businesses.
 - C. For purposes of this ordinance, family child care is generally defined as licensed child care for mixed-age children and youth (0-12 years) provided by individuals operating in residential homes.
 - D. The Executive should develop eligibility criteria for family child care providers who have been economically impacted by the COVID-19 crisis and for whom such assistance will provide economic benefits to the public by saving or creating jobs, providing essential child care services as people return to work, and ensuring that family child care providers can modify operations as necessary to comply with public health guidance.
3. Of the funding appropriated to the Human Services Department’s Addressing Homelessness (BO-HS-H3000) Budget Summary Level in the 2020 Adopted Budget, \$32.64 million of the funds shall be used to address housing insecurity by funding housing programs and services that support low-income households and people experiencing homelessness and may be used for no other purpose. Up to five percent of these funds may be used for expenditures incurred by the department or the CBOs to administer the investments. The Council intends that the City will partner with CBOs that have a history of trust and success in reaching low-income communities and people experiencing homelessness, including experience reaching those who are traditionally marginalized or typically face barriers to enrolling in assistance programs, such as, but not limited to, language barriers, and other historically marginalized communities, to distribute the funds as follows:
- A. \$19.5 million for existing homelessness prevention programs and rental assistance programs such as the United Way of King County’s Home Base program; and
 - B. \$10.8 million for shelter de-intensification activities and housing or shelter options for unsheltered homeless individuals in non-congregate settings, including costs for new tiny

homes, acquiring or leasing hotels or motels or other buildings, or extending leases on such facilities; and

- C. \$2.35 million to support the ongoing service and operation costs of shelter providers. Eligible service and operating costs can include, but are not limited to: personal protective equipment, overtime or premium pay for staff, food service, or cleaning supplies.
4. Of the funding appropriated to the Office of Housing's Homeownership & Sustainability (BO-HU-2000) Budget Summary Level in the 2020 Adopted Budget, \$1.1 million of the funds shall be used for mortgage counseling and foreclosure prevention programs, including costs for housing counselors, legal aid, service coordination, and direct financial assistance. The Council intends that the City will partner with CBOs that have a history of trust and success in reaching low-income communities, including experience reaching those who are traditionally marginalized or typically face barriers to enrolling in assistance programs, such as, but not limited to, language barriers, and other historically marginalized communities. Up to five percent of these funds may be used for expenditures incurred by the department or the CBOs to administer the investments.
5. Of the funding appropriated to the Office of Housing's Multifamily Housing (BO-HU-3000) Budget Summary Level in the 2020 Adopted Budget, \$2.35 million of the funds shall be used for programs that support the ongoing service and operation costs of nonprofit affordable housing providers. Eligible service and operating costs can include, but are not limited to: personal protective equipment, overtime or premium pay for staff, food service, or cleaning supplies. Up to five percent of these funds may be used for expenditures incurred by the department or the CBOs to administer the investments.
6. Of the funding appropriated to the Office of Immigrant and Refugee Affairs' Office of Immigrant and Refugee Affairs (BO-IA-X1N00) Budget Summary Level in the 2020 Adopted Budget, \$17.05 million shall be for direct financial assistance to Seattle's low-income immigrant and refugee workers and households who have experienced the economic impacts caused by the COVID-19 crisis and may be used for no other purpose and \$1.05 million shall be for programs and services that provide language access support for low-income people who need help accessing and understanding federal, state and local assistance programs and may be spent for no other purpose. Up to five percent of these funds may be used for expenditures incurred by the department or the community based nonprofit organizations (CBOs) to administer the investments. The Council intends the following:
 - A. Prior to the expenditure of any funds for direct financial assistance, the Executive will partner with CBOs who have a history of trust and success in reaching immigrant and refugee communities to provide such assistance, such as the organizations who worked with the City to distribute emergency grocery vouchers.
 - B. Assistance should include direct cash assistance, including pre-paid debit or credit cards, or other services to assist with basic living expenses. The maximum amount of financial assistance provided per individual or household will not exceed \$1,000.
 - C. CBOs will determine the eligibility, including criteria to confirm income eligibility, prioritizing those who are ineligible for other federal or state emergency assistance, or are receiving such assistance in a limited or delayed manner that does not meet their needs, or those who have had or whose families have had adverse health impacts from COVID. Requests for documentation of eligibility should not impose an unnecessary burden on those applying for assistance and should not unnecessarily delay the approval and distribution process.

7. Of the funding appropriated to the Office of Sustainability and Environment’s Office of Sustainability and Environment (BO-SE-X1000) Budget Summary Level in the 2020 Adopted Budget, \$13.6 million shall be used to continue and expand the Emergency Grocery Voucher program to allow more people participating in existing City programs to be served by this program and may be used for no other purpose. Existing City programs include, but are not limited to: Fresh Bucks, Utility Discount Program, Early Childhood Education and Assistance Program, Child Care Assistance Program, and the portion of the Seattle Preschool Program and the Pathway to Seattle Preschool Program that provide services to households that qualify for free tuition. Up to five percent of these funds may be used for expenditures incurred by the department or the CBOs to administer the investments.

The Council intends that vouchers will be made available for use at grocery stores participating in the existing Emergency Grocery Voucher program and expanded to include other community grocers and farmers markets. The Council intends that the Executive will work with CBOs that currently enroll people in the Fresh Bucks program to expand the use of vouchers by identifying culturally appropriate neighborhood grocers to participate in the voucher program.

Section 5. Severability. The provisions of this ordinance are declared to be separate and severable. The invalidity of any clause, sentence, paragraph, subdivision, section, or portion of this ordinance, or the invalidity of its application to any person or circumstance, does not affect the validity of the remainder of this ordinance or the validity of its application to other persons or circumstances.

Section 6. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by a 3/4 vote of all the members of the City Council the _____ day of _____, 2020, and signed by me in open session in authentication of its passage this _____ day of _____, 2020.

President _____ of the City Council

Approved by me this _____ day of _____, 2020.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2020.

Monica Martinez Simmons, City Clerk

(Seal)

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Legislative	Aly Pennucci/Traci Ratzliff	

* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.

1. BILL SUMMARY

Legislation Title: AN ORDINANCE amending Ordinance 126000, which adopted the 2020 Budget; making appropriations from the Emergency Fund for public assistance during the COVID-19 civil emergency; making an appropriation from the General Fund for public assistance during the civil emergency; and making appropriations from the Revenue Stabilization Fund for public assistance during the civil emergency; all by a 3/4 vote of the City Council.

Summary and background of the Legislation: This legislation appropriates \$86 million in 2020 funding - \$66.3 million from the Emergency Fund and \$19.5 million from the Revenue Stabilization Fund - to provide funding that addresses the economic impacts caused by the COVID-19 epidemic for small businesses, low-income and low-wage individuals and families, and immigrants and refugees. See Attachment 1 Summary Table for full description of the proposed spending of the \$86 million.

A new payroll tax authorized through Council Bill 119810 is anticipated to provide new and sufficient revenues to replenish the Emergency Fund and Revenue Stabilization Fund in 2021.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes x No

If yes, please fill out the table below and attach a new (if creating a project) or marked-up (if amending) CIP Page to the Council Bill. Please include the spending plan as part of the attached CIP Page. If no, please delete the table.

Project Name:	Project I.D.:	Project Location:	Start Date:	End Date:	Total Project Cost Through 2025:

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? x Yes ___ No

If there are no changes to appropriations, revenues, or positions, please delete the table below.

Appropriation change (\$):	General Fund \$		Other \$	
	2020	2021	2020	2021
Emergency Fund			\$66.3 million	
Revenue Stabilization Fund			\$19.5 million	
Total			\$85.8 million	

Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2020	2021	2020	2021
Positions affected:	No. of Positions		Total FTE Change	
	2020	2021	2020	2021

Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs? N/A
 If so, describe the nature of the impacts. This could include increased operating and maintenance costs, for example.

Is there financial cost or other impacts of *not* implementing the legislation? Small businesses, low income individuals and families and immigrant and refugees' households are suffering significant impacts from the COVID-19 crisis. Funding provide to date by the state and federal governments is inadequate to meet the immediate needs of these businesses and households. Therefore, additional resources are needed to meet identified needs.

If there are no changes to appropriations, revenues, or positions, please delete sections 3.a., 3.b., and 3.c. and answer the questions in Section 4.

3.a. Appropriations

This legislation adds, changes, or deletes appropriations.

If this box is checked, please complete this section. If this box is not checked, please proceed to Revenues/Reimbursements.

Item	Department	Fund	Budget Summary Level/BCL Code	Amount
2.1	Office of Economic Development	Emergency Fund (10102)	Business Services (BO-ED-X1D00)	\$14,448,000
2.2	Department of Education and Early Learning	Revenue Stabilization Fund (00166)	Early Learning (BO-EE-IL100)	\$3,612,000
2.3	Human Services Department	Emergency Fund (10102)	Addressing Homelessness (BO-HS-H3000)	\$32,643,800
2.4	Office of Housing	Emergency Fund (10102)	Homeownership & Sustainability (BO-HU-2000)	\$1,082,000
2.5	Office of Housing	Revenue Stabilization Fund (00166)	Multifamily Housing (BO-HU-3000)	\$2,347,800
2.6	Office of Immigrant and Refugee Affairs	Emergency Fund (10102)	Office of Immigrant and Refugee Affairs (BO-IA-X1N00)	\$18,100,000

2.7	Office of Sustainability & Environment	Revenue Stabilization Fund (00166)	Office of Sustainability and Environment (BO-SE-X1000)	\$13,545,000
Grand Total				\$85,778,600

Is this change one-time or ongoing? Possibly one-time

Please explain any complicated scenarios – e.g. three-year funding agreement but not permanent ongoing.

Appropriations Notes:

3.b. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

If this box is checked, please complete this section. If this box is not checked, please proceed to Positions.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2020 Revenue	2021 Estimated Revenue
TBD	TBD	Payroll Tax		\$86 million
TOTAL				

This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below. Do the revenue sources have match requirements? If so, what are they?

Is this change one-time or ongoing?

Please explain any complicated scenarios – e.g. three-year funding agreement but not permanent ongoing.

Revenue/Reimbursement Notes:

Emergency Fund and Revenue Stabilization Fund will be repaid with revenues generated The new payroll taxes. These revenues are anticipated in 2021.

3.c. Positions

This legislation adds, changes, or deletes positions.

If this box is checked, please complete this section. If this box is not checked, please proceed to Other Implications.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position # for Existing Positions	Position Title & Department*	Fund Name & #	Program & BCL	PT/FT	2020 Positions	2020 FTE	Does it sunset? (If yes, explain below in Position Notes)
TOTAL							

* *List each position separately*

This table should only reflect the actual number of positions created by this legislation. In the event that positions have been, or will be, created as a result of previous or future legislation or budget actions, please provide details in the Notes section below.

Position Notes:

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

If so, please list the affected department(s) and the nature of the impact (financial, operational, etc.). **Yes.** Five percent for the appropriations for each department are included to support the cost to implement and administer the programs as described in Attachment 1

b. Is a public hearing required for this legislation? No

If yes, what public hearing(s) have been held to date, and/or what public hearing(s) are planned/required in the future?

c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant? No

If yes, please describe the measures taken to comply with RCW 64.06.080.

d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation? No

e. Does this legislation affect a piece of property? No

f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?

This legislation will provide funding to assist low income households (disproportionately represented by people of color), immigrant and refugee households, and small businesses significantly impacted by the COVID-19 pandemic. The loss of employment, health impacts, etc. related to the COVID-19 pandemic are having significant impacts for these households and businesses. State and Federal assistance is inadequate to meet the immediate needs and therefore the City must step in to provide resources to assist.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s). See Attachment 1 for summary of outcomes to be achieved with funding.

List attachments/exhibits below:

Attachment 1 – Summary of 2020 Proposed Spending Direct COVID Relief

Attachment 1 – Summary of 2020 Proposed Spending Direct COVID Relief

Program/Activity	Program Description	% of total	2020 Spending ¹	Potential Impacts
Small Business Support	Small Business Stabilization Fund - Child Care	4.2%	\$3.6 million	\$10k grants to about 340 child care providers
	Small Business Stabilization Fund - small businesses	16.4%	\$14.1 million	\$10k grants to about 1,300 small businesses
	Training, referral services, and technical assistance to support businesses	0.4%	\$0.3 million	
	<i>Small Business Support - subtotal</i>	21%	\$18 million	
Immediate Housing	Homelessness prevention programs & Rental assistance programs such as the United Way of King County’s Home Base program	22%	\$19 million	1-month of rental assistance to 9,700 households (HH) or 3-months of rental assistance to about 3,300 households
	Shelter de-intensification and housing or shelter options for unsheltered homeless individuals in non-congregate settings (e.g. tiny homes, hotels or motels)	13%	\$11 million	If all used for tiny homes, create about 5-7 new villages
	Mortgage counseling and foreclosure prevention programs	1%	\$1 million	Mortgage assistance to about 35 households
	Programs that support the ongoing service and operation costs of nonprofit affordable housing & shelter providers	6%	\$5 million	
	<i>Immediate Housing - subtotal</i>	42%	\$36 million	
Immigrant and Refugee Support	Direct financial assistance for immigrant and refugee households	20%	\$17 million	Provide \$1,000 in financial assistance to about 16,200 households
	Language access support for people who need help accessing and understanding assistance programs	1%	\$1 million	
	<i>Immigrant and Refugee Support- subtotal</i>	21%	\$18 million	
Food Security Programs	Continuation or expansion of the Emergency Grocery Voucher program	16%	\$14 million	2-months of grocery vouchers (\$400/month) to about 16,000 households
	<i>Food Security - subtotal</i>	16%	\$14 million	
TOTAL ANNUAL SPENDING:		100%	\$86 million	

¹ The investments assume about five percent of funds will be needed to implement and administer these investments; if the full 5% is not needed to administer the funds, anything funds may be used for the direct programs and services described.



Legislation Text

File #: CB 119816, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE related to the City’s response to the 2020 COVID-19 crisis; amending Ordinance 126000, which adopted the 2020 Budget; accepting funding from non-City sources; changing appropriations to various departments and budget control levels, and from various funds in the Budget; declaring an emergency; and establishing an immediate effective date; all by a 3/4 vote of the City Council.

WHEREAS, the World Health Organization (WHO) has declared that COVID-19 disease is a global pandemic, which is particularly severe in high risk populations such as people with underlying medical conditions and the elderly, and the WHO has raised the health emergency to the highest level requiring dramatic interventions to disrupt the spread of this disease; and

WHEREAS, on February 29, 2020, Governor Jay Inslee declared a statewide state of emergency in response to outbreaks of the COVID-19 disease in Washington; and

WHEREAS, in response to outbreaks of the COVID-19 disease in Seattle, Mayor Jenny Durkan proclaimed a civil emergency exists in the City of Seattle in the Mayoral Proclamation of Civil Emergency dated March 3, 2020, modified by Resolution 31937; and

WHEREAS, on March 23, 2020, the Governor issued a “Stay Home, Stay Healthy” order, which, combined with other measures taken to prevent the transmission of COVID-19, effectively closed many businesses in the state of Washington; and

WHEREAS, on April 2, 2020, the Governor extended the “Stay Home, Stay Healthy” order through May 4, 2020; and

WHEREAS, on May 1, 2020, the Governor extended the “Stay Home, Stay Healthy” order through May 31,

2020; and

WHEREAS, many people in Seattle are struggling with the impacts of the COVID-19 disease and the measures taken to prevent its spread, including unemployment, housing insecurity, food insecurity; and

WHEREAS, local companies have recently reported laying off employees, experiencing substantial revenue losses, dealing with lost business due to fear and stigma, and seeing major declines in foot traffic as tens of thousands of employees are being asked to work from home; and

WHEREAS, these impacts are being felt across all industry sectors, including retail, restaurant, hospitality, transportation, logistics, arts, and culture; and

WHEREAS, the economic impact may have long-term, dynamic, and unpredictable local and regional consequences, necessitating the City to act and plan accordingly; and

WHEREAS, a number of City departments have implemented immediate assistance for affected local small businesses and displaced workers; and

WHEREAS, more than half of Seattle's residents are renters, and even before COVID-19, a substantial share of renters paid more than 30 percent of their income to remain stably housed; and

WHEREAS, the global COVID-19 crisis shows that our collective health depends on people being stably housed; and

WHEREAS, many Seattle renters are facing job loss, struggling with childcare, and dealing with other unprecedented financial burdens stemming from the global COVID-19 crisis, leaving many unable to pay rent; and

WHEREAS, notwithstanding Governor Inslee's eviction moratorium, renters need to pay their rent to ensure long-term housing stability; and

WHEREAS, the United Way of King County's expanded Home Base program to provide rental assistance to King County households that have lost all or part of their income due to the coronavirus pandemic, originally funded at \$5 million, including \$1 million of City resources, was oversubscribed within days of

its creation, further evidencing the impact of the immediate rental crisis; and

WHEREAS, on January 25, 2019, a point in time count enumerated more than 7,700 persons experiencing homelessness in Seattle; and

WHEREAS, among those persons experiencing homelessness, over 3,500 were unsheltered; and

WHEREAS, 70 percent of persons experiencing homelessness across King County find shelter and services in Seattle; and

WHEREAS, the Centers for Disease Control (CDC) has published its Interim Guidance on responding to COVID-19 among people experiencing homelessness that suggests a variety of responses and preventive measures to limit the spread of the virus among this extremely vulnerable population; and

WHEREAS, both the CDC and Seattle - King County Public Health recommend ensuring social distancing by maintaining at least 6 feet of distance between persons sleeping sheltered and unsheltered; and

WHEREAS, existing shelters that cannot meet the social distance minimum should be de-concentrated through redistribution of clients to alternate shelters, requiring The City of Seattle to invest in 450 new temporary shelter beds across the city; and

WHEREAS, there is insufficient shelter capacity to offer beds to every person sleeping outside and the City is aligned with the CDC recommendation against dispersion of encampments as that can contribute to the spread of the virus through social contact, thus requiring the City to increase access to hygiene facilities, toilets, handwashing, and showers by placing portable units across the City; and

WHEREAS, the most effective response to homelessness is a combination of poverty alleviation through safety net programs such as food banks, job training, and health care access; prevention of housing loss through employment assistance and education, rent support, and connection to appropriate supportive services; and immediate response to homelessness through ready access to shelter and health services, especially behavioral health care, and rapid connection to housing with short- or long-term financial support; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council finds and declares that:

A. On February 29, 2020, Governor Inslee proclaimed a State of Emergency for all counties throughout the State of Washington as a result of the confirmed person-to-person spread of COVID-19 in Washington State.

B. The COVID-19 disease, caused by a virus that spreads easily from person to person and which may cause serious injury and death, has spread throughout King County and the City of Seattle.

C. On March 3, 2020, Mayor Durkan issued a Proclamation of Civil Emergency declaring a civil emergency within the City of Seattle based on the confirmed spread of COVID-19 in King County and resulting deaths.

D. In addition to the paramount public health concerns, the spread of COVID-19 and the necessary measures taken to reduce that spread are causing and will continue to cause severe economic dislocation in the State of Washington, King County, and the City of Seattle. As of April 25, 2020, more than a half million Washingtonians have filed for jobless benefits since the start of the COVID-19 emergency. In addition, governments at all levels, including The City of Seattle, face major reductions in tax revenues even as they face major new emergency expenditures to combat the pandemic.

E. The State of Washington has taken a number of steps to mitigate the impacts of the COVID-19 pandemic on people, organizations, and businesses of Washington, including passing a COVID-19 relief bill in March 2020, which added state appropriations to programs used by The City of Seattle to assist people facing homelessness.

F. The quick acceptance and appropriation of these newly available funds is crucial to mitigating the impacts of COVID-19 on The City of Seattle and the people and organizations it serves.

Section 2. The Mayor or the Mayor's designee, the Human Services Director, and the General Manager/CEO of Seattle Public Utilities are authorized to accept the following non-City funding from the

grantors listed below; and to execute, deliver, and perform, on behalf of The City of Seattle, agreements for the purposes described below. The funds, when received, shall be deposited in the receiving funds identified below to support the appropriations in Section 3 of this ordinance.

Item	Department	Grantor	Purpose	Fund	Amount
2.1	Human Services Department	Washington state Department of Commerce Grant	Provide funding for emergency housing necessary to respond to the COVID-19 outbreak	Human Services Fund (16200)	\$12,250,000
2.2	Seattle Public Utilities	Washington state Department of Commerce Grant	Provide funding for emergency housing necessary to respond to the COVID-19 outbreak	General Fund (00100)	\$750,000
2.3	Human Services Department	Federal Older American's Act grant	Provide meals for seniors	Human Services Fund (16200)	\$498,120
Total					\$13,498,120

Section 3. Contingent upon the execution of the grant or other funding agreement authorized in Section 2, the appropriations for the following items in the 2020 Budget are increased from the funds shown, as follows:

Item	Department	Fund	Budget Summary Level/ BCL Code	Amount
3.1	Human Services Department	Human Services Fund (16200)	Addressing Homelessness (BO-HS-H3000)	\$3,300,000
3.2	Human Services Department	Human Services Fund (16200)	Addressing Homelessness (BO-HS-H3000)	\$4,850,000
3.3	Human Services Department	Human Services Fund (16200)	Supporting Affordability and Livability (BO-HS-H1000)	\$2,500,000
3.4	Human Services Department	Human Services Fund (16200)	Addressing Homelessness (BO-HS-H3000)	\$1,600,000
3.5	Seattle Public Utilities	General Fund (00100)	Utility Service and Operations (BO-SU-N200B)	\$750,000

3.6	Human Services Department	Human Services Fund (16200)	Supporting Affordability & Livability (BO-HS-1000)	\$498,120
Total				\$13,498,120

Unspent funds so appropriated shall carry forward to subsequent fiscal years until they are exhausted or abandoned by ordinance.

Section 4. Based on the findings of fact set forth in Section 1 of this ordinance, the Council finds and declares that this ordinance is a public emergency ordinance, which shall take effect immediately and is necessary for the protection of the public health, safety, and welfare.

Section 5. By reason of the findings set out in this ordinance, and the emergency that is declared to exist, this ordinance shall become effective immediately upon a passage by a 3/4 vote of the Council, and its approval by the Mayor, as provided in Article IV, subsection 1.I of the Charter of the City.

Passed by a 3/4 vote of all the members of all the members of the City Council the _____ day of _____, 2020, and signed by me in open session in authentication of its passage this _____ day of _____, 2020.

President _____ of the City Council

Approved by me this _____ day of _____, 2020.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2020.

Monica Martinez Simmons, City Clerk

(Seal)

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
City Budget Office	Ben Noble/4-6180	Adam Schaefer-4-8358

** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE related to the City’s response to the 2020 COVID-19 crisis; amending Ordinance 126000, which adopted the 2020 Budget; accepting funding from non-City sources; changing appropriations to various departments and budget control levels, and from various funds in the Budget; declaring an emergency; and establishing an immediate effective date; all by a 3/4 vote of the City Council.

Summary and background of the Legislation: This legislation follows in the path of previous legislation that accepted federal funding to support expanded shelter, food distribution, rental assistance and small business support to accept and appropriate state funding related to the COVID-19 pandemic crisis and response. This bill:

- 1) Makes legislative findings that an emergency ordinance is necessary to accept and appropriate these funds as quickly as possible.
- 2) Accepts a \$13,000,000 grant from the Washington Department of Commerce related to the COVID-19 pandemic crisis and response.
- 3) Appropriates the funds accepted, specifically:
 - **\$3,300,000 to sustain funding for Permanent Supportive Housing (PSH)**
This item backfills funding for Human Services Department investments in Permanent Supportive Housing (PSH) which were to be funded with revenues from the City’s new Short-Term Rental Tax. The economic slowdown caused by COVID-19 has led to a significant reduction in revenues from this tax. To avoid risk to these investments, the City will use a portion of the Washington State Department of Commerce grant for PSH services to ensure there is no gap in service. This action will mitigate the current risk to contracts supporting Downtown Emergency Service Center, Plymouth Housing Group, Catholic Community Services of Western Washington, and Compass Housing Alliance.
 - **\$2,500,000 for Food Support at PSH Sites**
This item provides resources for meal and grocery delivery at Permanent Supportive Housing sites throughout the city for up to six months. Social distancing recommendations issued by Public Health Seattle – King County (PHSKC) in response to the COVID-19 emergency have inhibited access to healthy meals for residents of Permanent Supportive Housing units. Residents typically make frequent use of food banks and congregate meal programs, which have been forced to change their service delivery models. At the same time, residents of these units are disproportionately at high risk for the more severe symptoms of COVID-19. This funding will allow the City to contract with local food and meal providers to ensure

residents of PSH units continue to receive meal service for up to six months while minimizing health and safety risks.

- **\$4,850,000 for Shelter and PSH enhancements necessitated by COVID and opportunity to redirect \$1,400,000 previously appropriated toward rental assistance.**

The Human Services Department has partnered with King County and the region's shelter service providers to implement measures to slow the spread of COVID-19 within the homeless population. As a result, Emergency Shelter, Day and Hygiene Center programs and Permanent Supportive Housing providers have incurred substantial costs to deliver services under these new models. These new grant funds will provide resources to help homeless services providers meet PHSKC social distancing and program delivery recommendations. This funding will be made available through RFP for impacted service providers to help cover a portion of these unanticipated costs. The funds accepted will also provide the opportunity for HSD to administratively redirect the \$1.4 million appropriated in Ordinance 127084 towards rental assistance, and restore overall rental assistance funding to the \$4,980,140 that was originally proposed and has been a concern for the City Council. (See chart below for detail on purposes for funds appropriated in Ordinances 126074, 126084, and this proposed bill.)

- **\$1,600,000 for Shelter Expansion Transition Period**

In response to the recommendations of PHSKC, the Human Services Department has pursued a shelter de-intensification strategy to slow the spread of COVID-19 in the homeless population. These efforts have resulted in emergency spending of approximately \$800,000 per month, which will be submitted by the City's Office of Emergency Management to FEMA for reimbursement. There is a likelihood that the City's shelter de-intensification strategy may need persist beyond the eventual end date that will be set by FEMA for reimbursable actions. This funding will support a two-month extension of the City's shelter de-intensification work beyond the end of the FEMA emergency.

- **\$750,000 for Hygiene Services Transition Period**

As a response to the COVID-19 pandemic, Seattle Public Utilities has procured and placed portable toilets, handwashing stations, and two mobile hygiene trailers with shower stalls in publicly-accessible locations throughout the City of Seattle. These facilities supply basic hygiene provisions to people experiencing homelessness and compensate for de-sheltering and for closures of community centers and public libraries. The City is pursuing reimbursement for the cost of these services from FEMA, under the current federal emergency declaration. This legislation provides funding for this programming in the likely event activities are extended beyond the declared emergency.

- **\$498,120 for Senior Food and Meals**

This item adds appropriation authority to the Supporting Affordability & Livability BSL, further expanding the \$4,983,977 appropriation made for senior food and meals in CB 126074 on May 4th. This appropriation is backed by revenue from a Federal Older American's Act grant and will provide nutrition programs to older adults in support of the City's response to COVID-19.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes X No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? X Yes ___ No

Appropriation change (\$):	General Fund \$		Other \$	
	2020	2021	2020	2021
	\$750,000	-	\$12,748,120	-
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2020	2021	2020	2021
	\$750,000	-	\$12,748,120	-
Positions affected:	No. of Positions		Total FTE Change	
	2020	2021	2020	2021
	-	-	-	-

Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
 No.

Is there financial cost or other impacts of *not* implementing the legislation?
 No.

3.a. Appropriations

X This legislation adds, changes, or deletes appropriations.

Fund Name and number	Dept	Budget Control Level Name/##*	2020 Appropriation Change	2021 Estimated Appropriation Change
Human Services Fund (16200)	HSD	Addressing Homelessness (BO-HS-H3000)	\$3,300,000	-
Human Services Fund (16200)	HSD	Addressing Homelessness (BO-HS-H3000)	\$4,850,000	
Human Services Fund (16200)	HSD	Supporting Affordability and Livability (BO-HS-H1000)	\$2,500,000	

Human Services Fund (16200)	HSD	Addressing Homelessness (BO-HS-H3000)	\$1,600,000	
General Fund (00100)	SPU	Utility Service and Operations (BO-SU-N200B)	\$750,000	-
Human Services Fund (16200)	HSD	Supporting Affordability and Livability (BO-HS-H1000)	\$498,120	
TOTAL			\$13,498,120	-

*See budget book to obtain the appropriate Budget Control Level for your department.

Is this change one-time or ongoing?

One-time

3.b. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2020 Revenue	2021 Estimated Revenue
Human Services Fund (16200)	HSD	Washington Department of Commerce	\$12,250,000	-
General Fund (00100)	SPU	Washington Department of Commerce	\$750,000	-
Human Services Fund (16200)	HSD	Federal Older American's Act grant	\$498,120	
TOTAL			\$13,498,120	-

Is this change one-time or ongoing?

One-time

3.c. Positions

This legislation adds, changes, or deletes positions.

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

This is a revenue acceptance/appropriation bill that impacts multiple City departments, as described above.

b. Is a public hearing required for this legislation?

No.

c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?

No.

d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

e. Does this legislation affect a piece of property?

No.

f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?

The impacts of the COVID-19 pandemic and measures taken to combat it disproportionately impact vulnerable communities, including people experiencing homelessness and people with low incomes. This bill aids the City's ability to mitigate the negative impacts on those communities as well as the community at large.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).

N/A

List attachments/exhibits below:

June 30, 2020

MEMORANDUM

To: Select Budget Committee
From: Jeff Simms, Analyst
Subject: Summary of CB 119816: Washington Department of Commerce and Federal Department of Health and Human Services Appropriations

On Wednesday, July 1, 2020, the Select Budget Committee will discuss and vote on [Council Bill \(CB\) 119816](#), which accepts grant funds received from the Washington Department of Commerce (Commerce) and the United States Department of Health and Human Services (HHS) and authorizes spending of those funds. This memo (1) summarizes the grants; (2) describes the uses proposed by the Executive; and (3) outlines areas the Council may want to consider amendments.

Grant Funds Received

CB 119816 accepts and authorizes spending \$13,498,120, of which \$13,000,000 come from Commerce to support emergency housing and homeless services in response to the COVID-19 outbreak. The remaining funds come from HHS, in accordance with the Older Americans Act, to support nutrition programs for older adults during the COVID-19 outbreak.

The Commerce grant, approved on March 27, 2020, originally stipulated that grant funding ended on September 30, 2020. The Executive requested passage of this budget legislation on an accelerated timeline compared to other supplemental budget legislation because of this deadline. However, on June 30, 2020, Commerce extended that deadline to December 31, 2020. Any supported activity must now be completed prior to December 31, and time will be allowed for financial close out after that date.

The Commerce grant agreement allows funds to be used only to "respond to the COVID-19 outbreak related to public health needs of people experiencing homelessness or otherwise in need of quarantine or isolation housing due to the COVID-19 outbreak", which is limited to:

1. Shelter needs,
2. Hygiene services,
3. Supplies,
4. Costs incurred by permanent supportive housing facilities due to the pandemic, and
5. Food access or delivery services.

Proposed Uses

The Executive proposes to use these funds for six specific uses, which align with the authorized spending categories in the Commerce grant agreement. Some of the proposed uses are

projected to occur in November and December, after Federal Emergency Management Authority (FEMA) funding is ended. The proposed spending includes the following:

1. \$3.3 million for Permanent Supportive Housing (PSH)

This proposal backfills funding for investments in PSH that were to be funded with revenues from the Short-term Rental Tax. The economic slowdown caused by COVID-19 has led to a significant reduction in revenues from this tax.

2. \$2.5 million for food support at PSH sites

This proposal reimburses providers for costs that have been or will be incurred for meal and grocery delivery for residents of PSH facilities, who are typically at high risk for more severe symptoms of COVID-19. Residents would typically access food banks and congregate meal programs at high rates, but those programs have been forced to change their service delivery models and may not be available for these residents during the COVID-19 outbreak.

3. \$4.85 million for enhancements at shelters, day and hygiene centers, and PSH sites necessitated by COVID-19

Emergency shelter, day and hygiene center programs, and PSH providers have incurred substantial costs to deliver services under new models that slow the spread of COVID-19. These programs will also incur future costs, including capital costs for facility modifications, to offer those service models going forward. This funding would offset those unanticipated costs. The Human Services Department (HSD) will issue a funding announcement inviting current providers to submit their costs for payment. When eligible, FEMA reimbursement for those funds will be sought.

4. \$1.6 million for ramping down shelter de-intensification

The City is currently incurring monthly costs of \$800,000 to spread shelter residents across a larger number of facilities, thereby increasing social distancing for residents in congregate shelters. The FEMA reimbursement for these costs will not be available after the federal declared emergency is ended. The timeline for that occurrence is not known, but CBO's planning assumes an end date in October. These funds would support an additional two-months of congregate shelter de-intensification following the end of the federal declared emergency.

5. \$750,000 for ramping down hygiene services

Seattle Public Utilities (SPU) has procured and placed portable toilets, handwashing stations, and two mobile hygiene trailers with shower stalls in publicly accessible locations throughout the City as basic hygiene provisions for people experiencing homelessness. The FEMA reimbursement for these costs will not be available after the federal declared emergency is ended. These funds would support an additional two-months of hygiene services following the end of the federal declared emergency.

6. \$498,120 for food and meal programs for seniors

Using funds from HHS, this proposal adds to the spending authorized in [Ordinance 126074](#) on May 4, 2020 to support the expansion of existing food programs for seniors and shifting the program model from congregate meals to home delivery to facilitate appropriate social distancing in response to the COVID-19 pandemic. The federal funds received for this activity exceed the amount previously appropriated.

Discussion

There are three areas of proposed spending that the Committee may wish to consider changing, one of which corrects a technical error.

1. Technical Correction

Section 2 of the legislation, as introduced, incorrectly describes the funds directed to SPU as supporting “emergency housing”. As noted in this memo, those funds support emergency hygiene services. SPU does not operate emergency housing.

Options:

- A. No change.
- B. Correct spending description.

2. Modification of Ordinance 126084

In [Ordinance 126084](#) (CARES Act funding), passed on May 18, 2020, the Council authorized \$1.4 million of Community Development Block Grant (CDBG) funding to allow shelter providers to achieve shelter de-intensification using non-congregate shelter options (e.g., hotel rooms) rather than using those funds for rental assistance, as the Executive had proposed. Those funds have not been expended or made available to contractees. The Executive has indicated that the proposed use of \$4.85 million to cover costs incurred by homeless service providers (use three) meets the Council’s desire to provide funds to service providers. While the new funding source would carry less administrative burden for capital projects, such as facility reconfigurations, service changes to-date have not been primarily to create non-congregate shelter options. The Executive will use administrative authority to redirect the CDBG funds for rental assistance, as initially proposed, assuming passage of this bill as it was introduced.

Options:

- A. No change.
- B. Authorize spending some Commence funds for different purposes than those proposed by the Executive so that the \$1.4 million of CDBG funding remains necessary for reimbursing homeless services providers.
- C. Through separate legislation, impose a proviso on the \$1.4 million of CDBG funding to ensure it is used as intended by Ordinance 126084.

3. Funding Level for COVID-19 Enhancements at Service Providers

It is unclear if the third proposed use, covering costs incurred by homeless service providers due to COVID-19, will be sufficient to meet all requests. HSD does not have estimates of the total costs incurred by homeless service providers to date or the portion of those costs that are eligible for FEMA reimbursement. In addition, providers will be able to request capital funding for long-term facility reconfigurations to respond to COVID-19, potentially further stretching this pool. That information will be obtained through the proposed application process. While new CDBG, Emergency Solutions Grant (ESG), and Commerce funding will become available as early as August 2020 and could be used to meet those requests, the Executive has not submitted a proposal for any of those funds nor publicly communicated an intent to use them for this purpose. In addition, there are substantial administrative burdens that come with some of those funding streams, notably CDBG, if they are used for capital projects.

Options:

- A. No change.
- B. Change the amount of funding from the Commerce grant for this purpose.

Next Steps:

A vote on this bill is anticipated on Wednesday, July 1. As such, it is likely that amendments to act on the above issues will need to be prepared in advance of Wednesday's meeting or for consideration at the Council meeting on July 6.

cc: Kirstan Arestad, Executive Director
Aly Pennucci, Supervising Analyst

Amendment 1
 to
CB 119816 – Washington Commerce Grant ORD
 Sponsor: CM Mosqueda and CM Herbold
 Technical Correction

Section 2, Page 5, Line 18: Amend the following as shown:

Item	Department	Grantor	Purpose	Fund	Amount
2.1	Human Services Department	Washington state Department of Commerce Grant	Provide funding for emergency housing necessary to respond to the COVID-19 outbreak	Human Services Fund (16200)	\$12,250,000
2.2	Seattle Public Utilities	Washington state Department of Commerce Grant	Provide funding for emergency housing <u>hygiene services</u> necessary to respond to the COVID-19 outbreak	General Fund (00100)	\$750,000
2.3	Human Services Department	Federal Older American's Act grant	Provide meals for seniors	Human Services Fund (16200)	\$498,120
Total					\$13,498,120

Effect: Corrects the description of the activities Seattle Public Utilities will carry out using authorized funds.

Amendment 2
 to
CB 119816 – Washington Commerce Grant ORD
 Sponsor: CM Mosqueda and CM Herbold
 Technical Correction

Section 2, Page 5, Line 18: Amend the following as shown:

Item	Department	Grantor	Purpose	Fund	Amount
2.1	Human Services Department	Washington state Department of Commerce Grant	Provide funding for emergency housing <u>homeless services</u> necessary to respond to the COVID-19 outbreak	Human Services Fund (16200)	\$12,250,000
2.2	Seattle Public Utilities	Washington state Department of Commerce Grant	Provide funding for emergency housing necessary to respond to the COVID-19 outbreak	General Fund (00100)	\$750,000
2.3	Human Services Department	Federal Older American's Act grant	Provide meals for seniors	Human Services Fund (16200)	\$498,120
Total					\$13,498,120

Effect: Corrects the description of the activities the Human Services Department will carry out using authorized funds. The proposed uses include funds for a range of homeless service providers in addition to housing providers.



Legislation Text

File #: Inf 1652, **Version:** 1

City Budget Office Overview of the 2020 Rebalancing Package

Seattle COVID-19 Response and 2020 Budget Rebalancing

June 24, 2020



Challenges Facing Our City

- A public health pandemic that is killing friends, families, and neighbors and COVID-19 has disproportionately impacted communities of color. Expected spending of \$233 million on COVID-19 response, focusing on the needs of the most vulnerable and BIPOC communities.
- Economic devastation and job losses that have led to record unemployment, an unprecedented loss of \$300 million in revenue, and community needs including food access and housing assistance. Now more than ever it is critical to preserving critical budget priorities that serve communities of color and historically underserved communities.
- A movement to demand anti-racist action, to divest and rethink policing, and end institutional racism.

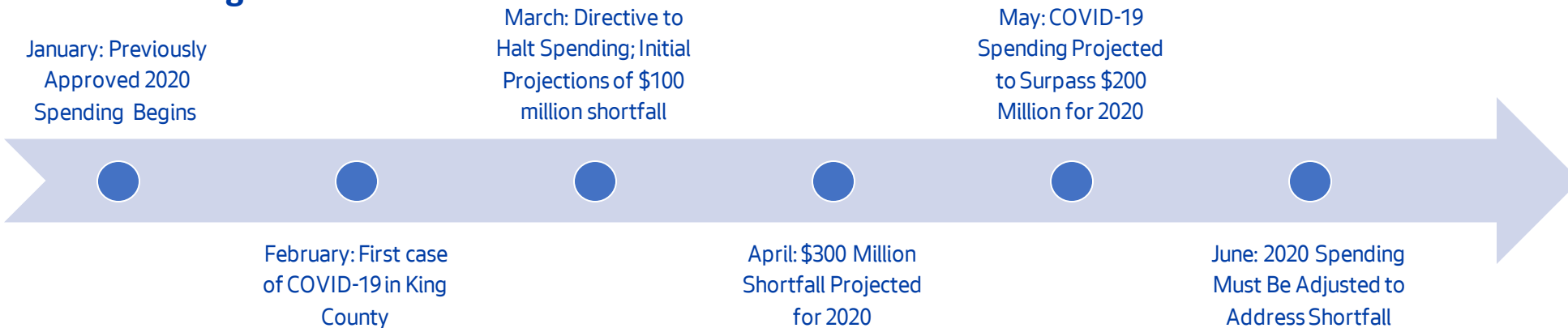


Budget Process Overview

Budget Process for 2021-2022 – *as originally planned*



COVID-19 Budget Process



Approach to COVID-19 Response

- Addressing urgent needs including meals, rental assistance, grocery vouchers, utilities, childcare, and other essential needs
- Protecting our most vulnerable neighbors experiencing homelessness in partnership with PHSKC and King County
- Assist small businesses, non-profits, artists, and cultural organizations as they struggle for survival
- Continue critical supports for First Responders & free citywide testing



Approach to SPD Budget

- SPD will face the largest budget cut among all department reductions for the General Fund
- Police spending will be reduced by \$20 million through the rest of this year
- Additional options for reductions are being developed for the 2021 budget
- We will engage community to provide substantive input on what 2021 SPD budget choices should be made



Approach to Racial Justice Investments & Priorities

- Continue critical COVID-19 investments for vulnerable and BIPOC communities like: housing, child care, testing, individuals experiencing homelessness, small businesses and support for immigrant and refugee residents
- Preserving programs to invest in community like EDI, Orca Opportunity, Youth Safety, FEPP
- Mayor has committed to invest \$100 million in BIPOC communities in 2021 budget

Near term 2020 budget actions following community conversations

- Review SPD budget options
- Redirect funding initially targeted for N. Precinct - \$4 million in capital funding
- \$5 million for mentorship programs with BIPOC youth
- 2020 budget commits \$500K to a community engagement process on policing and community investments
- Expediting land transfers (Byrd Barr, Central Area Senior Center, FS6)
- Develop a new vision for the E. Precinct area in partnership with community leaders

Rebalancing 2020 Budget: address revenue shortfall and cost of responding to COVID-19 pandemic

- The City's General Fund budget was balanced assuming almost \$1.5 billion in revenue.
- Updated forecast confirms that General Fund revenues could fall \$200 million short of the total anticipated in the 2020 adopted budget.
- The total funding gap for general government services could exceed \$300 million because other revenues, such as the soda tax, short-term rental tax, commercial parking tax, and earned revenues at the Seattle Center and Parks Department will also fall short of forecast.
- The public health challenge and economic impacts created by COVID-19 has demanded a robust response from the City. We anticipate total spending of \$233 million in response.



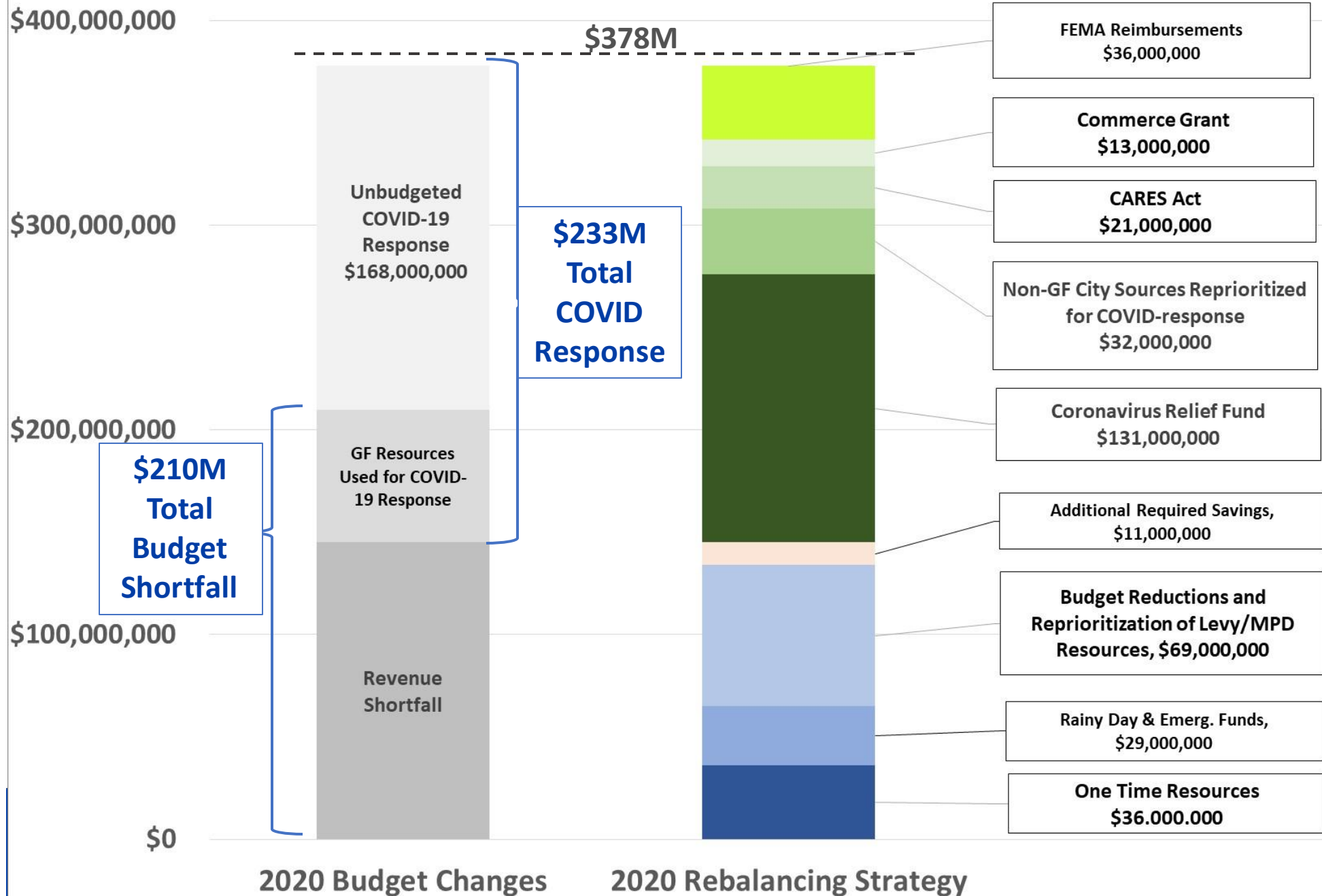
Resources to Balance

To minimize any reductions to City services or cuts to critical community programs, the City proposes utilizing state and federal resources as well as one-time sources to balance the 2020 budget.

- New State and Federal Resources (FEMA, CARES Act, Coronavirus Relief Fund, State Commerce)
- 2019 Year End Reserves (One Time Resources)
- 25% of City's Emergency Funds
- Refocus City Programs and Staff toward COVID-19
- Focused Budget Reductions, including SPD, City Hiring Freeze, and Travel
- Reprioritize use of Levy and MPD Resources



Rebalancing the 2020 Budget



Center the City's response in race and social justice to help address the disparate impact COVID-19 is having on communities of color.

- Respond to immediate impacts of the COVID-19 emergency and preserve ability to react as the situation evolves
- Protect our most vulnerable neighbors experiencing homelessness and address housing insecurity
- Support essential workers and community needs
- Assist small businesses, artists, and cultural organizations as they struggle for survival
- Continue critical supports for first responders & provide testing for residents & workers
- Maintain City services and support the City employees who provide them



Total Expenditures for COVID-19 Response

COVID-19 Spending	
Respond to Emergency COVID-19 impacts	\$38,620,000
Protect our most vulnerable neighbors experiencing homelessness and address housing insecurity	\$39,400,000
Support essential household and community needs	\$34,110,000
Assist small businesses, artists, and cultural organizations as they struggle for survival	\$5,210,000
Continue critical supports for First Responders	\$35,740,000
Maintain city services and support City employees who provide them	\$80,150,000
TOTAL (Of this total, approx. \$65 million is reprioritized General Fund)	\$233,200,000

*Total may not match due to round²⁰²



Respond to immediate impacts of the COVID-19 emergency and preserve ability to react as the situation evolves

COVID-19 Spending	
COVID-19 Supplies and Services	\$2,470,000
Cloth facial coverings for employees and community groups	\$790,000
Essential Workers - Hotel	\$3,070,000
Essential Workers - Childcare	\$5,450,000
COVID-19 Testing - public access sites and community test kits	\$8,790,000
Social Distance Ambassadors and social distancing in parks	\$2,040,000
Stay Healthy Streets/Street Closures	\$190,000
Cleaning of public buildings	\$100,000
COVID-19 Language Access	\$80,000
Hospital transitions to care for elderly non-Medicaid patients	\$150,000
Emergent COVID-19 response needs (June-Oct 2020)	\$15,350,000
TOTAL*	\$38,620,000

*Total may not match due to rounding. 203

Protect our most vulnerable neighbors experiencing homelessness and address housing insecurity

COVID-19 Spending	Total
Hygiene	3,700,000
Shower trailers, toilets and sinks	2,280,000
Reopening bathrooms at libraries	320,000
Purple bag program COVID-19 expansion	350,000
Continue hygiene service after FEMA period (2 months)	750,000
Emergency Shelter	15,580,000
NEW: RFP for shelter needs and PSH	4,850,000
Congregate sheltering	4,270,000
Noncongregate sheltering	2,530,000
Food at homeless shelters	2,080,000
Facial coverings for people experiencing homelessness & others	250,000
Shelter expansion ramp-down after FEMA period (2 months)	1,600,000
Housing and Homelessness Prevention	16,070,000
NEW: Food support for PSH Sites through December	2,500,000
Rental Assistance: City-funded Affordable Housing (NEW: \$4M)	5,410,000
Rental Assistance: Community-based Organizations and Home Base (NEW: \$5.4M)	7,730,000
Rental Assistance: Housing for People living with HIV/AIDS	430,000
Subtotal, Net New Homelessness Spending	35,350,000
PSH Operations: Short-term Rental Tax Fund Swap	3,300,000
Rental Assistance: Home for GOOD Pilot Fund Swap	750,000
Total, COVID-19 Homelessness Spending	39,400,000

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*Fund swap amounts are excluded from the net budget add total because they are already counted in the base 2020 Adopted Budget.

Protect our most vulnerable neighbors experiencing homelessness and address housing insecurity

COVID-19 Spending	FEMA	CDBG	ESG	HOPWA	Housing Levy	Commerce	CRF	Total
Hygiene	1,950,000	-	-	-	-	750,000	1,000,000	3,700,000
Shower trailers, toilets and sinks	1,710,000						570,000	2,280,000
Reopening bathrooms at libraries	240,000						80,000	320,000
Purple bag program COVID-19 expansion							350,000	350,000
Continue hygiene service after FEMA period (2 months)						750,000		750,000
Emergency Shelter	5,100,000	2,080,000				6,450,000	1,950,000	15,580,000
NEW: RFP for shelter needs and PSH						4,850,000		4,850,000
Congregate sheltering	3,200,000						1,070,000	4,270,000
Noncongregate sheltering	1,900,000						630,000	2,530,000
Food at homeless shelters			2,080,000					2,080,000
Facial coverings for people experiencing homelessness & others							250,000	250,000
Shelter expansion ramp-down after FEMA period (2 months)						1,600,000		1,600,000
Housing and Homelessness Prevention		4,230,000		430,000	910,000	2,500,000	8,000,000	16,070,000
NEW: Food support for PSH Sites through December						2,500,000		2,500,000
Rental Assistance: City-funded Affordable Housing		1,410,000					4,000,000	5,410,000
Rental Assistance: Community-based Organizations and Home Base		2,820,000			910,000		4,000,000	7,730,000
Rental Assistance: Housing for People living with HIV/AIDS				430,000				430,000
Subtotal, Net New Homelessness Spending by Funding Source	7,050,000	4,230,000	2,080,000	430,000	910,000	9,700,000	10,950,000	35,350,000
PSH Operations: Short-term Rental Tax Fund Swap						3,300,000		3,300,000
Rental Assistance: Home for GOOD Pilot Fund Swap			750,000					750,000
Total, by Funding Source	7,050,000	4,230,000	2,830,000	430,000	910,000	13,000,000	10,950,000	39,400,000

Support essential household and community needs

COVID-19 Spending	
Grocery Vouchers	\$14,500,000
Food for food banks and meal programs	\$9,900,000
Supports for Food Security	\$3,000,000
Food delivery for seniors	\$2,500,000
Waiving interest charges on delinquent SPU and SCL accounts	\$4,044,000
Expenses to facilitate distance learning	\$162,000
TOTAL	\$34,106,000

Assist small businesses, artists, and cultural organizations as they struggle for survival

COVID-19 Spending	
Grants to artists and arts organizations for business interruptions due to public health measures	\$1,295,000
Grants to small businesses for business interruption caused by required closures	\$3,910,000
TOTAL	\$5,205,000



Continue critical supports for first responders

COVID-19 Spending	
First responder costs substantially shifted to COVID-19 Response	\$26,509,000
Personal Protective Equipment (PPE)	\$8,267,000
Testing - First responders	\$612,000
Hotel - First responders	\$325,000
City's COVID-19 expenses at King County jail	\$22,000
TOTAL*	\$35,735,000

*Total may not match due to rounding.



Maintain City services and support the City employees who provide them

COVID-19 Spending	
Department staff redeployed to emergency response	\$45,694,000
Overtime for staff redeployed to emergency response	\$8,411,000
Temp labor for emergency response	\$2,334,000
Expenses to improve telework capabilities	\$1,718,000
Paid Leave and Unemployment Insurance for at-risk workers	\$11,987,000
Adapting City facilities/Operations for Reopening Requirements	\$10,000,000
TOTAL*	\$80,145,000

*Total may not match due to rounding.



Total Expenditures for COVID-19 Response

COVID-19 Spending	
Respond to Emergency COVID-19 impacts	\$38,620,000
Protect our most vulnerable neighbors experiencing homelessness and address housing insecurity	\$39,400,000
Support essential household and community needs	\$34,110,000
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Continue critical supports for First Responders	\$35,740,000
Maintain city services and support City employees who provide them	\$80,150,000
TOTAL (Of this total, approx. \$65 million is reprioritized General Fund)	\$233,200,000

*Total may not match due to round²⁰⁹

Proposed State Dept. of Commerce Grant - \$13M

Three-part approach:

1. **Sustain Emergency Response** for the period after FEMA “ends” the emergency
2. **Continue support for existing PSH contracts** whose funding source has dried up
3. **Fund new critical needs**
 - **New funding to provide 2,600 daily meals at City’s PSH locations** through the end of the year
 - **New Funding for Shelter and PSH Needs (\$4.85m):**
 - Equitable approach for existing contractors
 - Identifies provider expenses that are FEMA eligible

Proposed Use	Amount
Sustain COVID-19 Response for 2 months Beyond FEMA Emergency Designation	
Hygiene Interventions	\$750,000
Shelter De-densification Operations	\$1,600,000
Continue Support for Critical Existing Program	
Permanent Supportive Housing STRT Fund Swap	\$3,300,000
New Programs	
Food support for PSH Sites through December	\$2,500,000
Shelter and PSH enhancements necessitated by COVID	\$4,850,000
Total	\$13,000,000

Proposal for CRF - \$131.5 million

Emergency Response using Coronavirus Relief Fund	Amount
Local Match for FEMA	\$11,250,000
<i>Emergency Homelessness Shelter and Hygiene</i>	<i>\$2,350,000</i>
<i>Cleaning of public buildings and testing for public</i>	<i>\$2,220,000</i>
<i>Food for Food banks and economic instability</i>	<i>\$2,480,000</i>
<i>PPE / Testing / Quarantine for First Responders</i>	<i>\$2,240,000</i>
<i>Temporary and Overtime Labor for Emergency COVID-19 Response</i>	<i>\$1,960,000</i>
Non-FEMA Eligible Emergency Response Measures	\$9,390,000
<i>Face Masks</i>	<i>\$1,040,000</i>
<i>Stay Healthy Streets/Street Closures</i>	<i>\$190,000</i>
<i>Social Distance Ambassador Program</i>	<i>\$2,040,000</i>
<i>Hotel - Essential Workers</i>	<i>\$3,070,000</i>
<i>Purple bag program COVID-19 expansion</i>	<i>\$350,000</i>
<i>Community testing kits</i>	<i>\$150,000</i>
<i>COVID Language Access</i>	<i>\$80,000</i>
<i>COVID-19 Supplies and Services</i>	<i>\$2,470,000</i>
Emergent Response Needs in July through October	\$15,350,000
Adapting City Facilities and Managing "Re-entry" of the City's Workforce	\$10,000,000
Food Security Measures and Grocery Vouchers through October - \$2.5M/Month	\$12,500,000
Rental Assistance - \$1.6M/Month through October	\$8,000,000
Redeploying City Staff and Resources for Emergency Response (Non-OT/Temp)	\$65,000,000
Total	\$131,500,000



Emerging State and Federal Sources for Addressing Homelessness

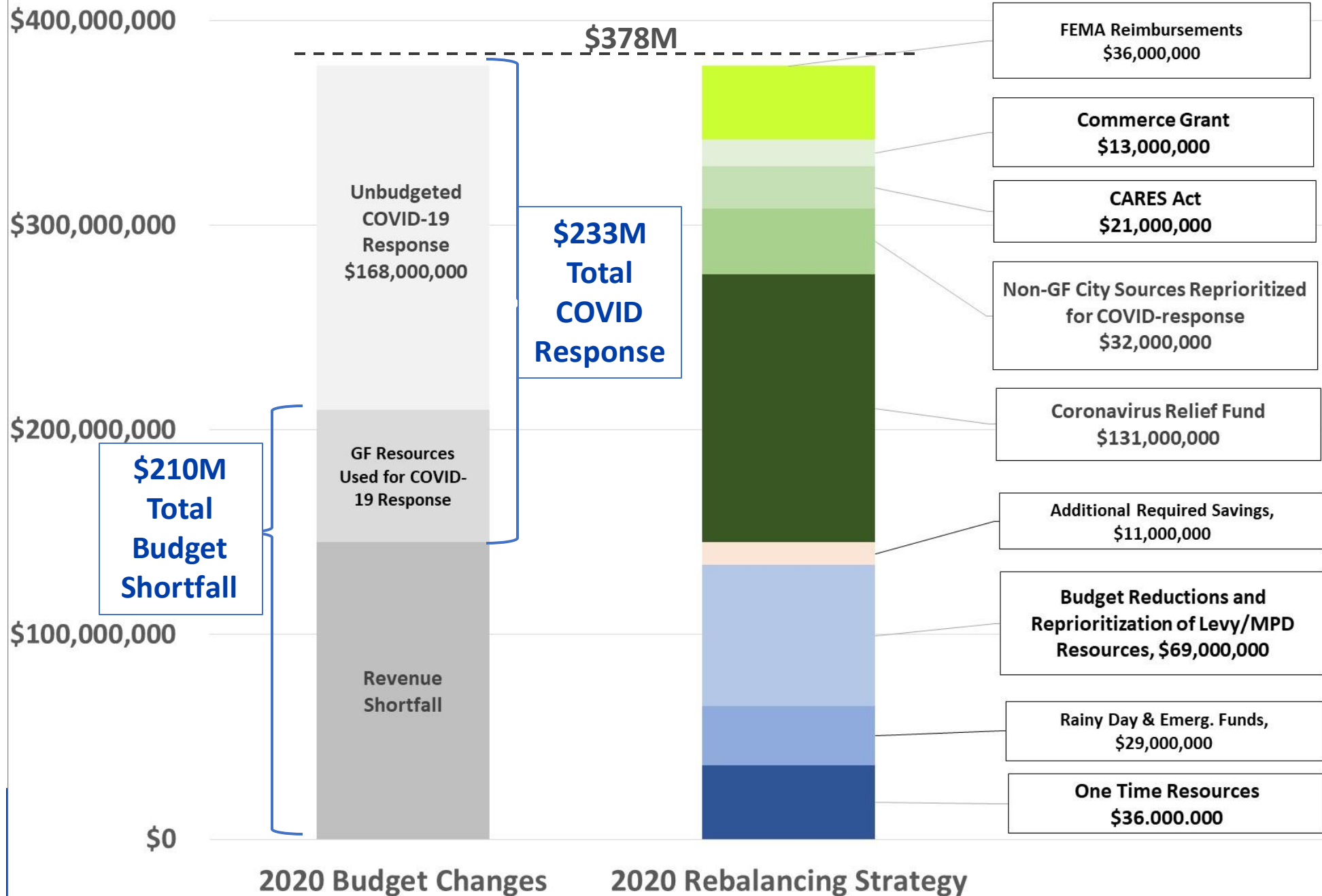
1. Emergency Solutions Grant (ESG) with new COVID allocation formula - \$26 million.
 - Funds can be used through September 30, 2022
 - 100% Match Requirement has been waived
2. New formula grant from the State Commerce Department. A joint application with the County is likely to be awarded ~\$11 million.
 - Funds will be available August 2020 to June 2023

COVID-19 Impact on City Resources

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Rebalancing the 2020 Budget



One Time Resources, Reserves and the CRF

Source	Amount
2019 Year-End Fund Balance and Other One-time Resources	\$36,000,000
Emergency Fund and Rainy Day Fund	\$29,000,000
Coronavirus Relief Fund	\$65,000,000
Total	\$130,000,000

- Strong financial finish to 2019 will help mitigate 2020 financial impacts
- Proposal for balancing 2020 and 2021 uses a portion of Emergency Funds for 2020 (~25%), but saves a significant share (~75%) for 2021 to mitigate impacts in 2021
- The CRF provides a means to pay for the existing City resources now being used to respond the COVID-19 crisis at a time the General Fund cannot sustain those services.



Budget Reductions and Reprioritization of Levy & MPD Resources

Source	Amount
Hold vacancies, delay hiring, reduce overtime	(\$26,500,000)
Reprioritization of Levy/MPD Resources (Details on following slide)	(\$24,500,000)
Travel, training, supplies, etc.	(\$6,100,000)
Consultants and Contracts	(\$5,500,000)
Neighborhood Matching Fund (NMF)	(\$1,500,000)
Other – including GF-funded technology and capital projects	(\$5,200,000)
Total	(\$69,300,000)



Reprioritization of Levy and MPD Resources - Detail

Source	Amount
Move Seattle Levy	\$10,000,000
Metropolitan Parks District	\$10,000,000
Families, Education, Preschool and Promise Levy	\$2,000,000
Library Levy	\$1,600,000
Reprioritize Grant Funding	\$900,000
Total	\$24,500,000

- For each of the affected departments, the revenues earned by the City will no longer provide the funding needed to pay for the base operations which the levies were intended to supplement.
- The basic budget approach is redirect funding that was to pay for capital projects or expanded programmatic funding to support these base operational costs.
- The capital projects will be deferred but could be funded again in the future.

Departmental Highlights - SPD

Seattle Police Department

- \$16 million reduction directed to rebalancing
- Pause the allocation of planning resources in the 2020 budget for a new North Precinct facility - \$4 million
- Freeze spending on vehicles and IT investments
- Immediately we will freeze hiring of sworn officers in 2021 until a new staffing model and plan is developed reflecting community priorities for public safety
- Mayor has asked for the SPD to prepare models of 20% - 30% - 50% budget reductions for community engagement

CPC, OIG and OPA

- No reductions.



Budget Changes - Departmental Highlights

Human Services Department

- Only reductions are to travel, training and vacancies.
- Services are being expanded in response to COVID-19, including food, shelter, and rental assistance, per our earlier description of the City's response COVID-19 response.

Department of Neighborhoods and Office of Economic Development

- DON and OED are working together to lead efforts on community outreach and small business assistance.
- Proposed reductions do include decreasing 2020 Neighborhood Matching (NMF) fund by \$1.5 million. A portion of NMF staff are on-loan to OED to support small business.

Office of Planning and Community Development

- Preserved full \$15 million of Mega-block proceeds for EDI projects.
- Preserve full \$5 million for 2020 EDI grants, by supplementing declining Short-term Rental Tax revenues with ~\$2 million of General Fund support.
- Shifting near-term focus of EDI toward COVID-19 response and relief to BIPOC communities from effects of pandemic.

Library

- Total General Fund reductions of \$2.9 million, but mitigated by \$1.6 million of Levy funding and \$500,000 from the Library Foundation.

Seattle Center

- Center's "earned" revenues have collapsed and basic maintenance and operations cannot be sustained without additional support.
- Rebalancing proposal thus increases 2020 General Fund support by \$9 million.



Budget Changes - Departmental Highlights

Department of Parks and Recreation

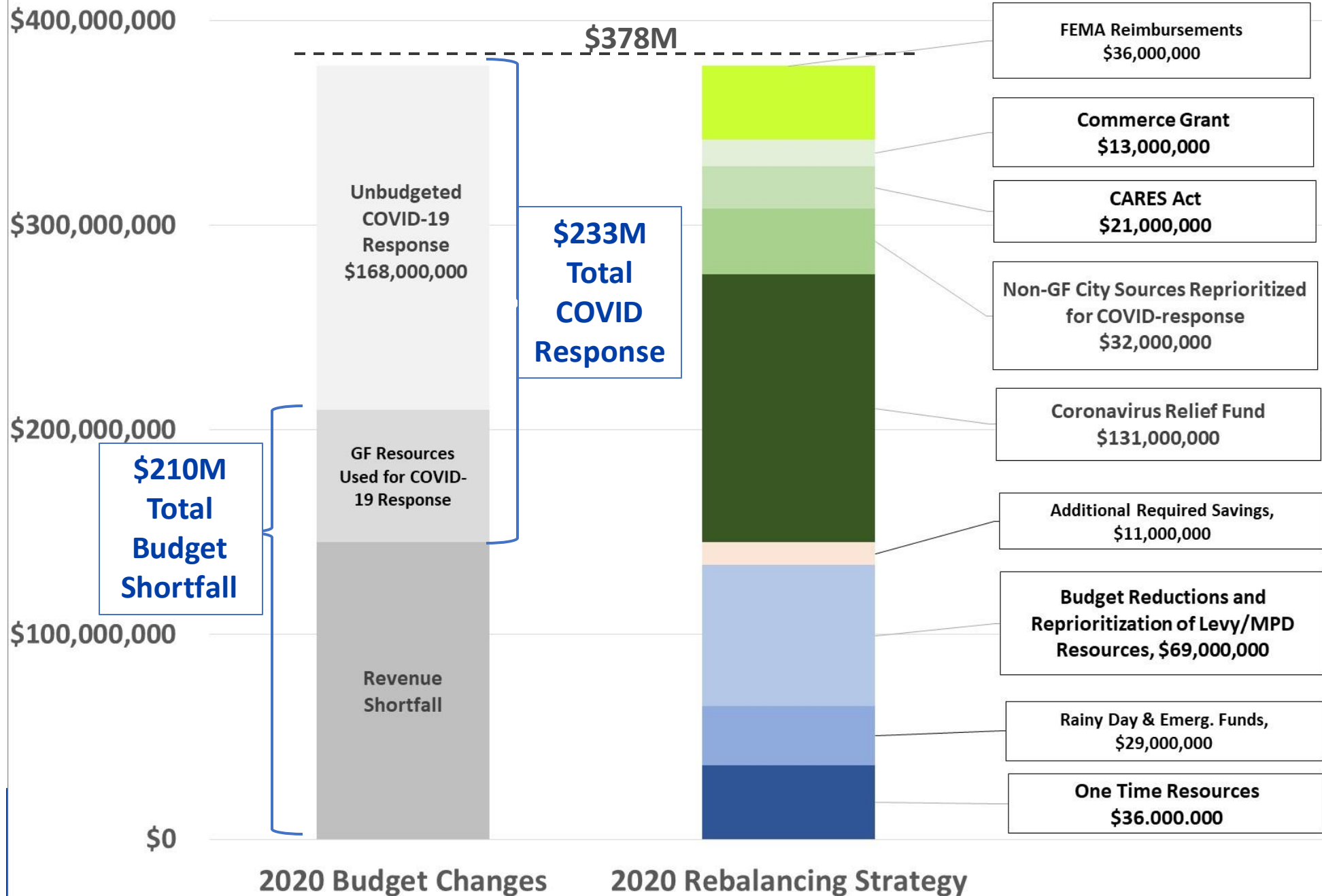
- Parks Department staff and facilities are playing a critical role in COVID-19 response.
- “Earned” revenues could fall short by \$23 million, if facilities remain closed through September; more if longer.
- Proposing to redirect \$10 million of MPD resources to help address this shortfall and to offset reduced General Fund support to the department. This will reduce funding for and lead to deferral of capital projects, including the development of land-bank parks sites and athletic field replacements.
- Decreased REET funding will further reduce resources available for capital projects.
- Parks Department is also reducing discretionary operational costs – for example reduced seasonal hiring for non-essential maintenance such as mowing, weeding, and picnic shelter cleaning.

Seattle Department of Transportation

- Overall revenue shortfall of \$50+ million, including a proposed General Fund reduction of \$13 million, a \$20 million decline in parking tax revenues, and a \$7+ million loss of street use fees.
- At the same time, SDOT is facing the unanticipated costs of the West Seattle Bridge.
- This is forcing a significant reprioritization of capital projects, and a number of projects have been “paused” while this reprioritization review is completed. This includes stopping work on the Center City Connector, and redirecting \$6 million of Mega-block proceeds to preserve funding for other transportation priorities.



Rebalancing the 2020 Budget



Legislative Action Needed for 2020 Rebalancing

- Ordinances to reprioritize Levy and MPD resources
- Ordinance to authorize spending from the Emergency and Rainy Day Funds, and resolution to defer repayment
- Resolution to temporarily expand use of REET dollars to pay for debt service
- Second quarter supplemental and grant acceptance ordinances
- Grant acceptance and appropriation of State Commerce funding
- Grant acceptance and appropriation of Federal Coronavirus Relief Fund (CRF)
- 2020 Budget revision ordinance
- 2019 Carry Forward and Exception ordinances

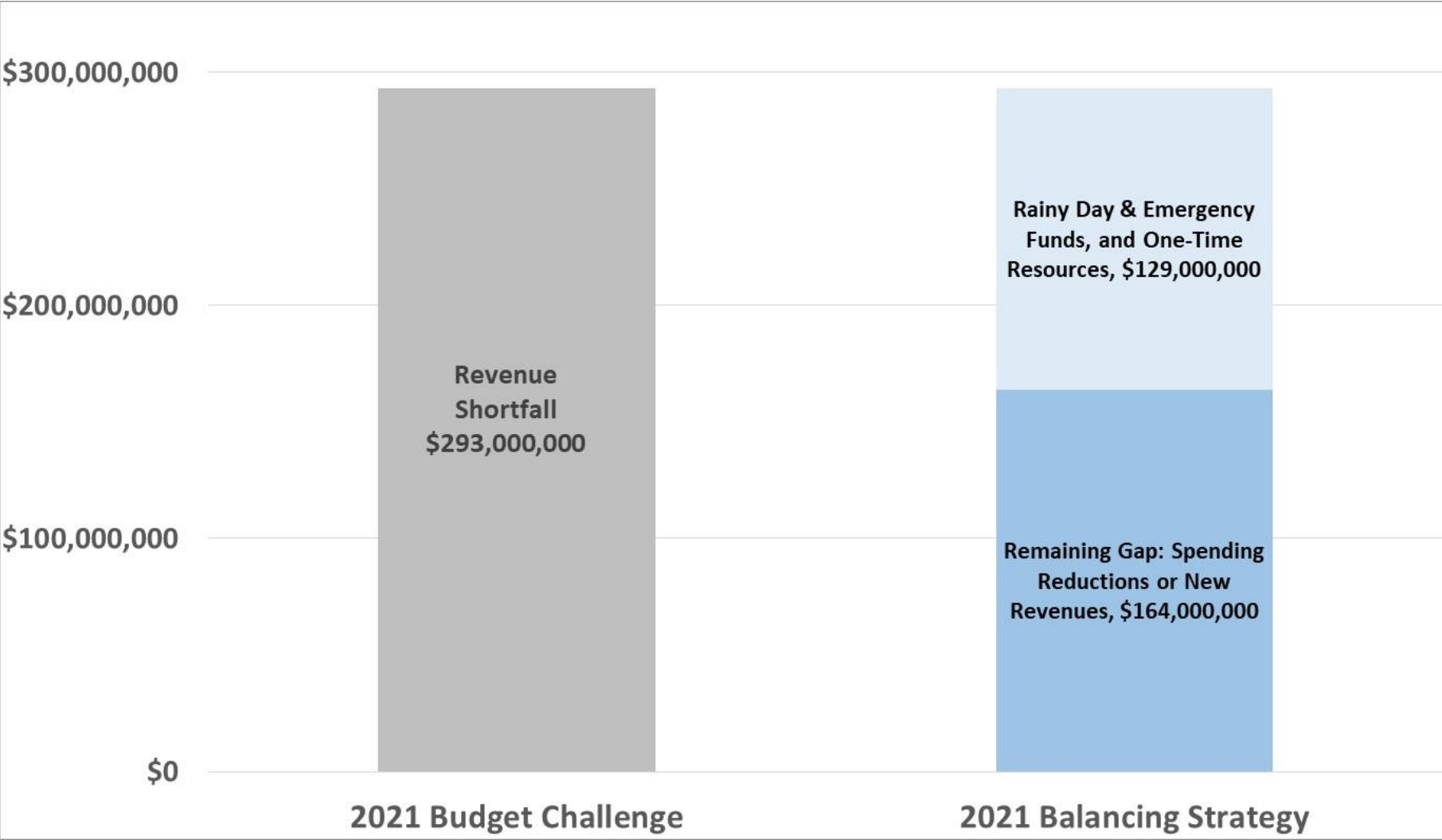


2021 Outlook

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Balancing the General Fund in 2021



Key Components of 2021 Strategy

- Advocacy for new state and federal resources.
- Draw down remainder of Rainy Day and Emergency Funds, and other one-time resources.
- Remaining 2021 budget gap exceeds \$160 million. New revenues may address some of this shortfall, but economic impact of COVID will still force deep reductions in City spending, and thus in City services.
- Labor costs are roughly 65% of overall General Fund spending, so impacts to the City workforce are unavoidable. Layoffs will be the most direct impacts, but negotiations with the City's unions may also provide alternative cost-savings strategies.
- Departments have been requested to develop proposals to reduce their 2021 budgets by 5%-10% relative to what would be their baseline spending. CBO will review opportunities to again redirect Levy and MPD resources.
- These strategies alone will be insufficient to rebalance. New revenues or additional cost savings will be needed to balance the 2021 budget. Likely it need to be a combination of both.
- Forecasts indicate that the economic impacts of COVID-19 will last for several years. Approach budget needs to acknowledge that this is not a short-run crisis.
- \$100 million investments in BIPOC communities will be led by community engagement process this summer

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