



SEATTLE CITY COUNCIL

Select Budget Committee

Agenda

Wednesday, April 22, 2020

10:00 AM

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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SEATTLE CITY COUNCIL
Select Budget Committee
Agenda
April 22, 2020 - 10:00 AM

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 the Washington Governor's Proclamation No. 20-28 until April 23, 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. 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. 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.

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

A. Call To Order

B. Approval of the Agenda

C. Public Comment

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

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D. Items of Business

1. Spring Economic and Revenue Forecast Update

Supporting Documents: [Presentation](#)

Briefing and Discussion (60 minutes)

Presenters: Ben Noble, Director, Dave Hennes, George Emerson, Jan Duras, and Joe Russell, City Budget Office; Kirstan Arestad, Executive Director, and Tom Mikesell, Council Central Staff

2. Introduction and discussion on the Payroll Expense Tax Package (CB 119772, 119773, & 119774), presented by Kirstan Arestad, Executive Director, and Council Central Staff (90 minutes)

[CB 119774](#)

AN ORDINANCE establishing a spending plan for the proceeds generated from the payroll expense tax authorized by the ordinance introduced as Council Bill 119772 to fund immediate cash assistance for low-income households impacted by the COVID-19 crisis in 2020 and the development of social housing that is permanently affordable, high-quality, and energy-efficient, to fund housing-related components of Seattle's Green New Deal as articulated in Resolution 31895, and to fund other investments; establishing a Social Housing Board and amending the duties of the Green New Deal Oversight Board to make funding recommendations; establishing a requirement for an Implementation Plan; adding a new Section 3.14.750 to, and amending Section 3.14.979 of, the Seattle Municipal Code; amending Ordinance 126000, which adopted the 2020 Budget; changing appropriations to various departments and budget control levels, and from various funds in the 2020 Budget; declaring an emergency; and establishing an immediate effective date; all by a 3/4 vote of the City Council.

*Supporting**Documents:*[Att 1 - Proposed Five-Year Spending Plan](#)[Summary and Fiscal Note](#)[Central Staff Memo \(4/22/20\)](#)[Presentation on CBs 119772, 119773, & 119774](#)**Briefing and Discussion**

Presenters: Aly Pennucci, Supervising Analyst, and Traci Ratzliff, Council Central Staff

[CB 119772](#)

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; 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; 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 \(4/22/20\)](#)**Briefing and Discussion**

Presenter: Tom Mikesell, Council Central Staff

[CB 119773](#)

AN ORDINANCE relating to the financing of responses to the civil emergency; authorizing the loan of funds from the Low Income Housing Fund to the General Fund; authorizing the loan of funds from the Housing Incentive Fund to the General Fund; authorizing the loan of funds from the Families Education and Preschool Promise Levy Fund to the General Fund; authorizing the loan of funds from the Move Seattle Levy Fund to the General Fund; authorizing the loan of funds from the Seattle Parks District Fund to the General Fund; authorizing the loan of funds from the 2019 Library Levy Fund to the General Fund; 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 \(4/22/20\)](#)**Briefing and Discussion**

Presenter: Dan Eder, Deputy Director, Council Central Staff

E. Adjournment



Legislation Text

File #: Inf 1629, **Version:** 1

Spring Economic and Revenue Forecast Update

Economic and Revenue Update

Seattle City Council

April 22, 2020



The information in this presentation is a forecast and “forward-looking statement.” No assurance can be given that the forecast results described will be realized, and actual results may differ materially from those expressed or implied. This information is prepared primarily to provide information to City elected officials and staff. It has not been prepared with a view to, nor is it suitable for, any investment decision regarding any bonds or financial obligations of the City or any of its instrumentalities. The financial data and other information provided herein is not warranted as to completeness or accuracy for purposes of federal securities laws and regulations. This forecast information speaks only as of the date it was prepared and is subject to change without notice. Any person interested in the bonds or financial obligations of the City should carefully review any information posted by the City at emma.msrb.org.



U.S. Economic Forecast from IHS Markit

- Assumes that the spread of coronavirus in U.S. peaks in 2020 Q2, allowing a gradual lifting of restrictions on social gathering starting in 2020 Q3
- Scenarios: baseline (45% probability), pessimistic (35% probability), optimistic (20% probability)
- All three scenarios **predict a recession that will be short** (2020 Q1 - 2020 Q3 in the baseline and pessimistic scenarios, 2020 Q1 - 2020 Q2 in the optimistic scenario) **but quite deep**
 - Baseline scenario: consumer spending drops by 5.5% in 2020, real GDP by 5.4%, employment by 14 mil., unemployment peaks at 10.3% in 2020 Q4
 - Pessimistic scenario: consumer spending drops by 17.1% in 2020, real GDP by 14.9%, employment by 34 mil., unemployment rate peaks at 22.2% in 2020 Q3
- All three scenarios incorporate the \$2.3 trillion CARES Act, near zero federal funds rate maintained through 2025, plus new round of Quantitative Easing (net purchases of Treasury debt)

Regional Economic Forecast for Seattle Metropolitan District (MD)

- Econometric model for Seattle MD (King and Snohomish Counties)
- Inputs
 - U.S. economic forecast from IHS (GDP, income, employment, unemployment rate, CPI, and other variables)
 - regional data is also used (GDP and income from BEA, employment from ESD, permit data from SDCI, and other variables)
- Output
 - regional economic forecast for 2020-2029 (GDP, personal income, employment by industry, unemployment rate, CPI, housing permits)
- Our regional forecast is used as input into our revenue forecasts for the large economically driven revenues (e.g., sales tax, B&O tax, REET and others)
- April 2020 forecast scenarios
 - **rapid recovery** based on IHS baseline scenario
 - **slow recovery** based on IHS pessimistic scenario



Regional Economic Forecast for Seattle MD

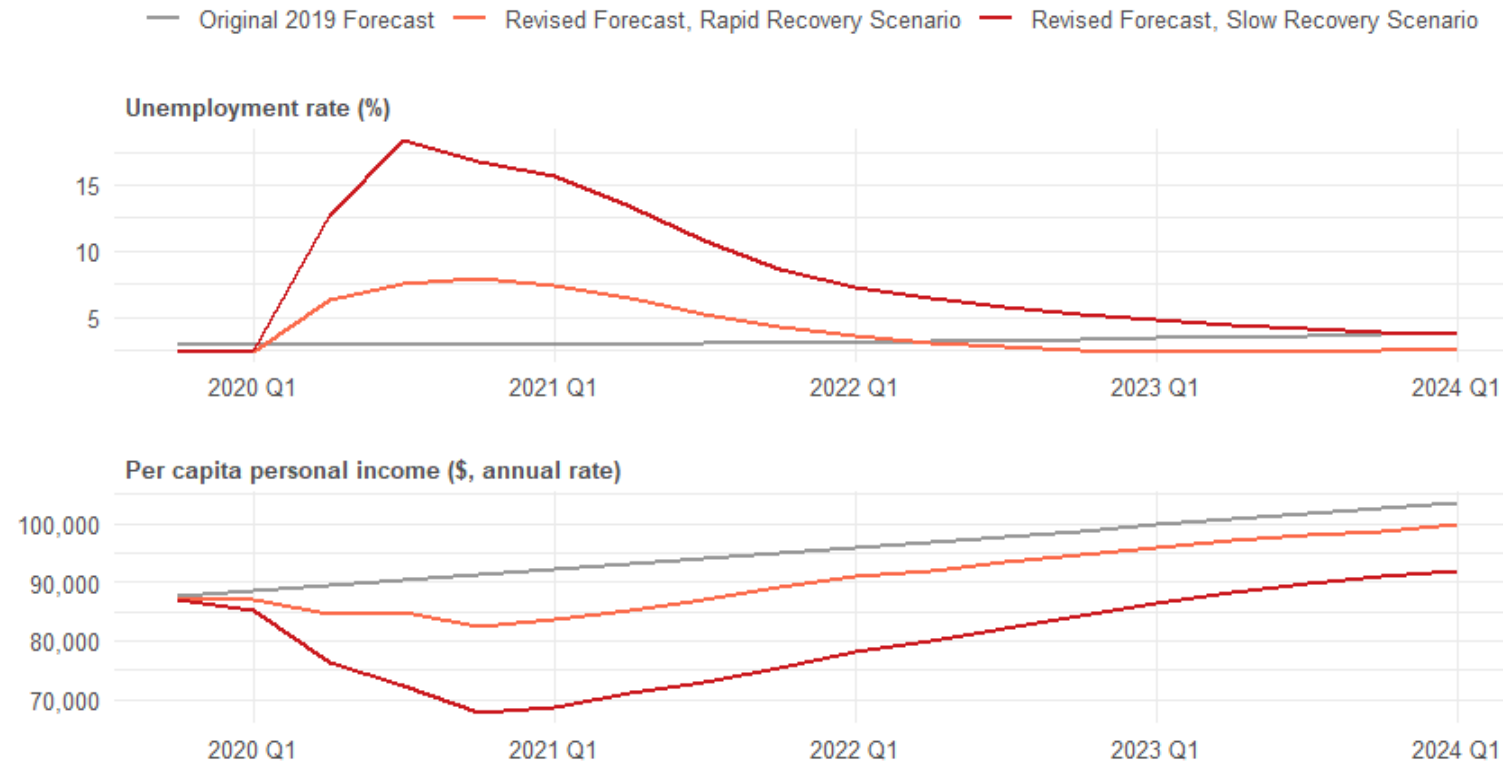
Significant downside risk for 2020

Rapid Recovery Scenario

- 45% probability
- About 65,000 jobs lost
- 8% unemployment rate by year end
- Income per capita 5.5% lower by year end

Slow Recovery Scenario

- 35% probability
- About 170,000 jobs lost
- 18% unemployment rate by year end
- Income per capita 12.5% lower by year end



Uncertainty Prevails -

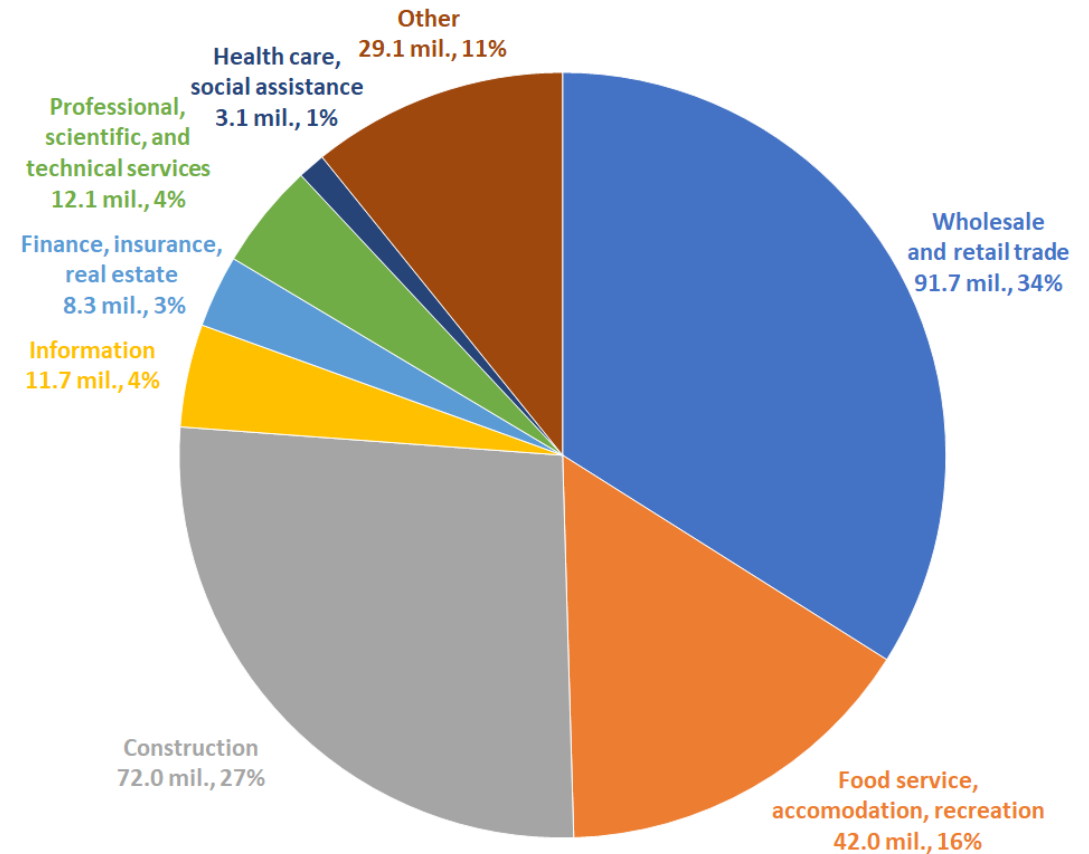
Only Just Beginning to See Revenue Receipts from Crisis Period

Availability of Revenue Information			
	% of General Fund	Tax Period	Information Lag (weeks from end of tax period)
Property Taxes	23%	Bi-Annual	2
B&O Tax	20%	Quarterly	7
Sales Tax	20%	Monthly	7
Utilities Taxes	15%	Monthly	6
REET	NA	Monthly	1



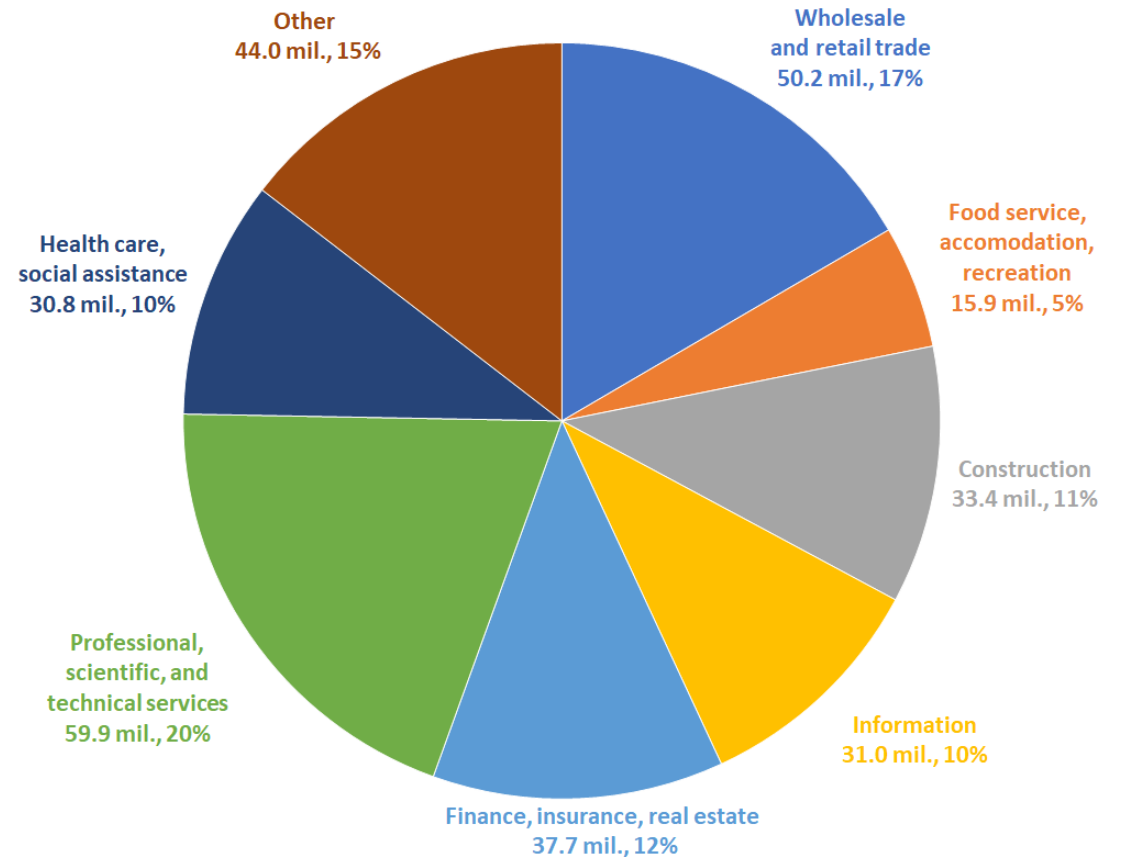
Sales Tax Revenue Composition in 2019

- 133.7 mil. so about **half** of sales tax revenue (about 10% of General Fund revenue) was generated by sectors at high risk (**wholesale and retail trade, food, accommodation and recreation services**)
- construction which accounted for additional quarter of sales tax revenue (5% of General Fund) is likely to see large decline as well

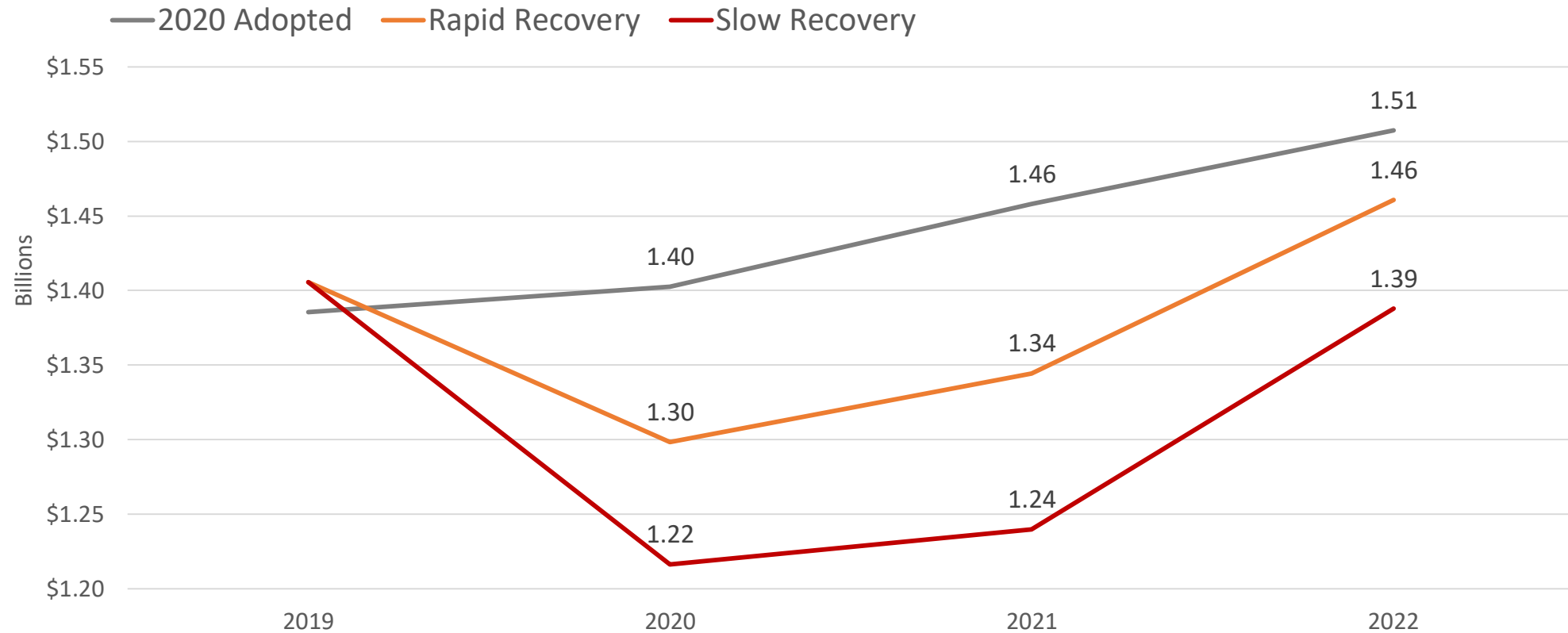


B&O Tax Revenue Composition in 2019

- B&O tax revenue sources are more diversified across industries
- in 2019 wholesale and retail trade, and food, accommodation and recreation services brought in 66.1 mil. so about 4.5% of General Fund revenue



General Fund Revenue Scenarios



General Fund Revenue – Slow Recovery

Slow Growth Scenario (\$1,000s)	2019 Actuals	2020 Adopted	2020 Revised	2020 Change	2021 April	2022 April
Property Taxes	320,736	345,085	340,888	(4,197)	353,291	365,600
Sales Taxes	291,961	298,842	233,423	(65,420)	224,522	276,851
Business & Occupation Taxes & Licenses	320,503	315,537	257,531	(58,007)	246,406	303,489
Utility Taxes	212,610	220,557	207,286	(13,270)	216,037	226,703
Court Fines/Parking	67,621	65,705	31,459	(34,246)	52,128	64,217
All Else	192,079	156,775	145,567	(11,208)	147,227	150,876
General Fund Total	1,405,509	1,402,501	1,216,154	(186,347)	1,239,610	1,387,736
<i>Growth Rate Year/Year</i>			-13%		2%	12%
Seattle Center	21,666	22,033	12,881	(9,152)	13,129	14,698
Parks & Recreation	30,153	33,474	10,474	(23,000)	10,676	11,952

2020 Totals do not include Mercer Megablock proceeds



Other Revenue - Slow Recovery

Slow Growth Scenario (\$1,000s)	2019 Actuals	2020 Adopted	2020 Revised	2020 Change	2021 April	2022 April
Other General Government Revenues						
Admission Tax	11,384	11,691	3,462	(8,230)	9,073	9,527
Short-term Rental Tax	6,845	10,500	5,600	(4,900)	8,750	10,500
Sweetened Beverage Tax	24,119	24,329	16,876	(7,453)	21,515	23,970
Real Estate Excise Tax	100,933	82,958	48,313	(34,645)	61,645	75,351
STBD	64,832	63,726	54,960	(8,766)	TBD	TBD
Commercial Parking Tax	49,232	45,596	30,321	(15,275)	43,088	45,596
School Zone Camera Fund	9,657	9,666	7,440	(2,226)	14,219	13,162
Total	267,003	248,466	166,972	(81,494)	158,290	178,106
 Grand Total	 1,724,330	 1,706,474	 1,406,480	 (299,994)	 1,421,705	 1,592,492



Resources for Balancing

- Rainy Day Fund (Revenue Stabilization Account) (\$60.8 m)
- Emergency Fund (\$66.9 m)
- Unanticipated 2019 Year-end General Fund Balance (\$18.6 m)
- Reduce 2020 spending
- Other Fund Balances / One-time Resources
- Levy Funds – pursue flexibility allowed under authorizing legislation
- Federal and State COVID-19 response and mitigation funding





Legislation Text

File #: CB 119774, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE establishing a spending plan for the proceeds generated from the payroll expense tax authorized by the ordinance introduced as Council Bill 119772 to fund immediate cash assistance for low-income households impacted by the COVID-19 crisis in 2020 and the development of social housing that is permanently affordable, high-quality, and energy-efficient, to fund housing-related components of Seattle's Green New Deal as articulated in Resolution 31895, and to fund other investments; establishing a Social Housing Board and amending the duties of the Green New Deal Oversight Board to make funding recommendations; establishing a requirement for an Implementation Plan; adding a new Section 3.14.750 to, and amending Section 3.14.979 of, the Seattle Municipal Code; amending Ordinance 126000, which adopted the 2020 Budget; changing appropriations to various departments and budget control levels, and from various funds in the 2020 Budget; declaring an emergency; and establishing an immediate effective date; all by a 3/4 vote of the City Council.

WHEREAS, the City Council ("Council") adopted the ordinance introduced as Council Bill 119772,

authorizing the collection of a new payroll expense tax ("tax on corporate payroll") to be imposed beginning June 2020; and

WHEREAS, the new tax on corporate payroll is anticipated to generate an average of \$500 million in proceeds 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, Seattle has been in the throes of a stunning and unprecedented affordable housing and homelessness crisis, which is now being greatly exacerbated and complicated by the COVID-19 pandemic and related economic and unemployment crisis described more below. Sky-high rents and soaring home prices have been and are driving working-class households, seniors, students, and especially working families of color out of Seattle, and sometimes into homelessness; and

WHEREAS, the affordable housing crisis, 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, even as Seattle experienced a record-breaking construction boom, being recognized as the nation's construction crane capital three years running, the housing crisis worsened, showing that the for-profit market has failed working people; 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, numerous studies have shown that rising rent increases homelessness. One such study showed that each \$100 increase in the average rent caused a 15 percent increase in homelessness in urban areas; and

WHEREAS, the affordable housing crisis is no better for homebuyers, with the median price of recently sold homes reaching a staggering \$713,900, putting home ownership out of reach for the vast majority of working people; and

WHEREAS, the affordable housing crisis puts housing out of reach for teachers, bus and truck drivers, healthcare workers, construction workers, city employees, restaurant and bar workers, and a slew of other workers who daily make Seattle run, and furthermore is driving out seniors and others who survive on fixed incomes; 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 soaring cost of housing is destroying the social fabric of communities through gentrification, driving people away from their friends and family, faith communities, small businesses, and neighborhoods, as exemplified by the fact that the number of Black residents in Seattle’s Central District has plunged from 70 percent in the 1970s to under 20 percent today; and

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

WHEREAS, housing is a human right and Seattle urgently needs bold public policy to solve the multiple and overlapping crises, including the affordable housing and homelessness crisis, the COVID-19 pandemic and related economic and unemployment crisis, and the climate change crisis; and

WHEREAS, the private housing market has failed, and will continue to fail, to meet basic human housing needs; and

WHEREAS, the people of Seattle therefore need a significant expansion of social housing (publicly-owned or publicly-controlled housing), where rents are permanently affordable, stable, predictable, and fair; and

WHEREAS, in 2001, the Seattle City Council (“Council”) adopted, with the Mayor concurring, Resolution 30316, supporting efforts to curb global warming, adopting greenhouse gas (GHG) emission reduction

goals for Seattle, and committing to ongoing efforts to achieve these goals; and

WHEREAS, the 2016 Greenhouse Gas Inventory, published in February 2019, found that total greenhouse gas emissions in Seattle rose by one percent between 2014 and 2016, and that in order to achieve the goals of the Climate Action Plan adopted via Resolution 31447, Seattle's emissions reduction rate needs to increase by a factor of seven; and

WHEREAS, in August 2016, the Council adopted, with the Mayor concurring, Resolution 31681 to advance the efforts of the Equity & Environment Agenda, adopting goals for all environmental and sustainability work in Seattle that prioritize communities of color, immigrants, refugees, people with low-incomes, youth, and limited-English proficiency individuals; 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, in August 2019, Resolution 31895 recognized that, while it has made some progress towards reducing its dependence on fossil fuels, the current pace of progress is insufficient to make the necessary changes to shift Seattle's economy to be more equitable and ecologically sustainable; and

WHEREAS, Resolution 31895 established key goals and committed the City to implement comprehensive strategies as described in Section 1 of this ordinance; and

WHEREAS, Resolution 31895 envisioned the need to establish a dedicated revenue source in order to implement Green New Deal strategies; and

WHEREAS, climate activists in Seattle and worldwide, led by young people, have organized mass mobilizations and strikes demanding that government take immediate and dramatic action to address the

climate crisis; and

WHEREAS, in Seattle, these demands for a Green New Deal for Seattle have been bravely led by many people and communities, including middle- and high-school students, workers in the tech industry, indigenous communities, and communities of color; and

WHEREAS, the new tax on corporate payroll will generate significant funds to address identified inequities and to respond to the multiple and overlapping crises, including the affordable housing and homelessness crisis, the COVID-19 pandemic and related economic and unemployment crisis, and the climate change crisis; and

WHEREAS, these additional funds will provide immediate financial relief and in the long-term will increase the construction and preservation of thousands of units of permanently affordable housing for low- and moderate-income households to address the housing affordability and homelessness crisis, will contribute to reducing Seattle's climate pollution, and will in the process support thousands of unionized, 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 World Health Organization has announced 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 have severe economic impacts on families and individuals in Seattle; and

WHEREAS, these impacts are being 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 financial 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 can provide immediate cash assistance to households impacted by this crisis to help meet their basic needs; and

WHEREAS, the City will use an interfund loan authorized by the ordinance introduced as Council Bill 119773 to provide funding to support the immediate cash assistance to eligible households in 2020, to be repaid with proceeds from the new tax on corporate payroll collected in 2021; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Findings. The City Council finds that:

A. Supporting the development and preservation of stable and permanently affordable housing for people experiencing homelessness and also for low- and middle-income households with incomes up to 100 percent of the area median income (AMI) is a fundamental governmental purpose and will result in numerous benefits to the City as described below.

B. Data from the 2012-2016 American Community Survey (ACS) shows that: over 65,000 households in Seattle with incomes at or below 100 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.

C. The 2019 point-in-time count of people experiencing homelessness in King County found at least 5,228 individuals living unsheltered in addition to at least 5,971 more individuals who are experiencing homelessness but are sheltered, for a total of at least 11,119 individuals who are experiencing homelessness.

D. Increased investments in stable and permanently affordable housing will reduce the number of households that are cost burdened or severely cost burdened, which should help with the prevention of homelessness and the severe associated harms and costs.

E. Publicly-funded workers, such as teachers, firefighters, public servants, law enforcement, nurses, social workers, and transit operators, including those in professions historically underrepresented by persons and communities of color, often cannot afford to live in the communities in which they serve due to increasing housing costs. Employees of nonprofit organizations who help deliver essential public services on contract, as well as those who help provide essential services to the poor and infirm as part of their organizational mission, are similarly housing cost constrained.

F. It will benefit the City if public employees and other middle-income and low-income employees are able to find affordable housing in the communities where they work.

G. Stable and permanently affordable housing for low-income and middle-income residents is expected to result in stronger educational outcomes for children and better health outcomes for families.

H. In certain cases, mixed-income affordable housing projects may be desirable and may contribute to the long-term sustainability of the project.

I. Additional permanently affordable housing is also anticipated to result in benefits to the economy, such as generating additional tax revenue to the City and supporting construction jobs related to the development of new housing as described in the April 2015 National Association of Home Builders (NAHB) report that showed construction of a 100 unit multifamily building supported 90 construction jobs.

J. Climate change is altering Washington's seasonal temperature and rainfall patterns. This change can

result in introducing new or exacerbating existing health risks, such as heat-related illnesses, increased risk of breathing and heart problems from smoke exposure, food and water contamination, traumatic injuries, mental health problems from flooding and other weather extremes, and increased exposure to infectious diseases.

While the City has made some progress towards reducing its dependence on fossil fuels, the primary source of carbon dioxide emissions, as one strategy to address climate change, that progress is insufficient to make the necessary changes to shift Seattle's economy to be more equitable and ecologically sustainable.

K. Energy for heating, cooling, and powering buildings accounted for more than one-third of Seattle's greenhouse gas emissions in 2016.

L. Implementing housing-related strategies outlined in the City's Green New Deal, Resolution 31895, will help achieve the goals outlined in that resolution to create a future where Seattle residents can live healthy, prosperous lives, free of toxic chemicals and fossil fuels, and where the social and ecological well-being of all people is a priority. These housing-related strategies include the following:

1. Creating more permanently affordable housing, located near transit hubs, green space, and neighborhood amenities to reduce dependence on private vehicles;
2. Using anti-displacement strategies and alternative housing models, such as: acquisition of existing affordable housing in areas at risk of displacement, community-owned cooperative housing, community land ownership, and community land conservation that will allow communities to grow and prosper within Seattle;
3. Increasing housing density as a means to meet both current unmet demand for affordable housing and projected future population growth;
4. Supporting the transition of housing from the use of natural gas and heating oil to electricity;
5. Strengthening green building standards for new construction to minimize emissions while maximizing energy efficiency; and
6. Expanding renewable energy jobs and investing in job training programs that equip all

workers with the necessary skills to thrive in the green economy and ensure a just transition for workers whose jobs currently depend on the fossil fuel industry (e.g., retraining mechanics to service electric vehicles) and prepare new workers to support the transition to a renewable energy economy.

M. The failure to make adequate provision for housing affordable to households with incomes at or below 100 percent of AMI can push many households to seek housing further away from work, which leads to increased greenhouse gas emissions from transportation, as well as congestion on the transportation infrastructure. Providing for more housing affordable to households with incomes at or below 100 percent of AMI in the City could result in commute trip reductions, less traffic for City residents and City employees, less City spending on transportation infrastructure, and a reduction in greenhouse gas emissions.

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

O. 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.

P. 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 April 24, 2020 to combat the spread of the disease.

Q. 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.

R. 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.”

S. As of April 1, 2020, the Washington State Department of Health confirmed 5,984 cases of COVID-19

and 247 deaths caused by the virus.

T. 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 people with low incomes who have become unemployed or had their work hours severely reduced and will have both immediate and long-term impacts.

U. 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, over 133,000 individuals statewide and 37,000 individuals in King County, alone, have filed for unemployment insurance in just the first weeks. Unemployment insurance generally only covers a portion of lost wages. Those filing for unemployment insurance will, in all likelihood, only increase as the closure continues. This will put more and more Seattle households, particularly low-income households, in financial peril.

V. Federal and state assistance is inaccessible to many people with low-incomes, 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. Additional and immediate financial support to 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.

W. 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.

X. The spending plan is being tailored to address both immediate and long-term, basic human health and housing needs created by the multiple and overlapping crises, which include the long-running affordable housing and homelessness crisis, which has now been greatly exacerbated and complicated by the COVID-19 pandemic and related economic and unemployment crises, as well as the longer-term climate change crisis which nevertheless requires prompt and bold action now.

Y. Investments in affordable housing and Seattle's Green New Deal are necessary to help counteract the

economic and health impacts caused by the COVID-19 crisis by creating jobs and increasing the supply of long-term affordable housing that will be needed by people who saw a significant reductions in income due to employment changes stemming from the crisis.

Section 2. Proceeds from the new tax on corporate payroll imposed by the ordinance introduced as Council Bill 119772 shall be used as described in subsections 2.A through 2.D of this ordinance. Immediate cash assistance to low-income households impacted by COVID-19 crisis will be provided in 2020 and funded by an interfund loan authorized by the ordinance introduced as Council Bill 119773. Proceeds from the tax on corporate payroll will be used to repay this loan. Attachment 1 to this ordinance establishes the proposed spending plan for the first five years of the tax on corporate payroll. The spending plan may be amended from time to time by the City Council by ordinance.

A. Implementation and administrative costs. No more than five percent of the proceeds in the first year shall be used to fund one-time expenditures to implement and administer the tax on corporate payroll authorized by the ordinance introduced as Council Bill 119772 and to implement the investments in Housing and Services, Green New Deal housing-related strategies, and cash assistance for low-income households impacted by the COVID-19 crisis, described in Section 2 of this ordinance. No more than three percent of the proceeds in subsequent years shall be used to fund the ongoing administrative functions to assess and collect the tax and administer the investments in Housing and Services and Green New Deal housing-related strategies described in Section 2 of this ordinance.

B. Cash assistance for low-income households impacted by COVID-19 crisis. In 2021, approximately \$205,000,000 shall be allocated to pay back the interfund loan authorized by the ordinance introduced as Council Bill 119773, used in 2020 to provide cash assistance to low-income households in Seattle in response to the economic impacts of the COVID-19 crisis. The economic impacts caused by COVID-19 include but are not limited to loss or reduction in income because of: illness; loss of employment; reduction in compensated hours of work; business or office closure; a need to miss work to care for a family member or child, where that

care is uncompensated; or other similar loss of income due to the COVID-19 crisis. These funds could serve up to 100,000 Seattle households with monthly payments of \$500 for four months.

1. Distribution

a. Up to \$100,000,000 will be distributed first to low-income households enrolled in existing City assistance programs, or State assistance programs administered by the City, that provide a direct financial benefit, including, but not limited to: the Utility Discount Program, Early Childhood Education and Assistance Program, Child Care Assistance Program, households that qualify for free tuition in the Seattle Preschool Program and Pathway to Seattle Preschool Program, and Fresh Bucks.

b. Up to \$100,000,000 will be distributed to low-income households economically impacted by the COVID-19 crisis but not enrolled in existing City assistance programs that provide a direct financial benefit (e.g. food vouchers, child care tuition assistance, utility discounts). The distribution should prioritize those who experience structural or institutional barriers to accessing support from the government (e.g. language barriers, fear of deportation, experiencing homelessness, lack of a permanent address, experiencing domestic violence, seniors), and those who require assistance immediately (i.e. people who are recently unemployed or had their work hours severely reduced). The Executive shall establish eligibility criteria for distributing cash assistance to low-income households who are not receiving cash assistance through the process established in subsection 2.B.1.a but have been economically impacted by the COVID-19 crisis.

c. After distributing the first of the four payments to households described in subsections 2.B.1.a and 2.B.1.b of this ordinance, any remaining, unallocated funds may be distributed to either households enrolled in existing City assistance programs or to households identified in subsection 2.B.1.b.

2. For purposes of this ordinance, a low-income household means: (1) any household that is eligible for existing City assistance programs, or State assistance programs administered by the City; or (2) households not enrolled in such programs that have been impacted by the COVID-19 crisis and meet eligibility criteria established by the Executive.

3. The Executive shall establish criteria and a process to distribute the cash assistance to households described in subsection 2.B.1.b of this ordinance and shall provide a written report or briefing to the City Council on the prior to distributing funds.

4. The Executive shall provide a monthly report to the City Council on the distribution of the cash assistance. The report shall include details on the spending to date, including information on the households receiving the cash assistance, and modifications made, if any, to the process or criteria used for distribution. The first report shall be due two weeks after the first payment is distributed.

C. Housing and services. Seventy-five percent of the proceeds remaining after funding implementation and administration costs in subsection 2.A of this ordinance, and after funding payment of the interfund loan described in subsection 2.B of this ordinance, shall be allocated to develop and preserve permanently affordable social housing for households experiencing homelessness and those with incomes between zero and 100 percent of AMI as will be further defined in the implementation plan described in Section 4 of this ordinance. Newly constructed housing will be built consistent with the Seattle's Green New Deal strategies to equitably increase building energy efficiency and decrease use of fossil fuels in homes, as outlined in Resolution 31895. Such housing will be publicly owned or be publicly rent-controlled and regulated through appropriate legal agreements between the City and the housing providers. Such legal agreements shall specify the affordability requirements, including limiting annual rent increases for tenants to not more than the annual percentage increase in the housing component of the consumer price index for rent of primary residences for the Seattle area. The proceeds for housing and services may be used for:

1. Developing and preserving permanently affordable rental housing for households with incomes between zero and 100 percent of AMI. Such housing may be mixed-income and may also include, and funds may be used to provide, related and needed community services and spaces such as affordable childcare, community gathering spaces, and open space;

2. Funding to support the ongoing operations and services for permanent supportive housing

units, including an array of comprehensive services such as counseling and treatment, disability support, skills training, job search assistance, and other services needed to maintain housing stability; and

3. Acquiring existing affordable housing, particularly in areas at high risk for displacement of existing low-income and moderate-income households.

D. Green New Deal housing related strategies. Twenty-five percent of the proceeds remaining after funding implementation and administration costs in subsection 2.A of this ordinance, and after funding payment of the interfund loan described in subsection 2.B of this ordinance, shall be allocated to investments in the following programs to implement the housing-related strategies called for in the Green New Deal. Investments shall be prioritized in communities historically most harmed by economic, racial, and environmental injustice.

1. Transitioning housing units from the use of natural gas and heating oil to electricity;

2. Solar installations;

3. Weatherization of existing residences, with a focus on housing for renters; and

4. Investing in job training programs to equip workers with the necessary skills to thrive in a green economy and ensure a just transition for workers whose jobs currently depend on the fossil fuel industry or who have been impacted by the COVID-19 economic and unemployment crisis, and prepare new workers to support the transition to renewable energy jobs. Specific investment proposals shall be informed by recommendations from the Green New Deal Oversight Board. The Green New Deal Oversight Board shall invite workers who are directly employed by the fossil fuel industry, or who have been impacted by the COVID-19 economic and unemployment crisis, or who are in jobs that may be displaced as a result of implementation of this spending plan, along with their unions, to work with them on just transition recommendations that have the objective of eliminating economic harm to affected workers.

Section 3. A new Section 3.14.750 of the Seattle Municipal Code is added to Subchapter V of Chapter 3.14 as follows:

3.14.750 Social Housing Board established

A. Establishment. There is established a Social Housing Board that shall make recommendations to the City Council and Mayor on the housing programs and related services that will be funded with the proceeds from the new tax on corporate payroll, established by the ordinance introduced as Council Bill 119772. Duties of the Board shall include the following:

1. Providing ongoing program and policy review, oversight, and monitoring of expenditures in the housing and services category, and review the performance of programs and services funded by the tax on corporate payroll.
2. Providing recommendations on the development and any future modifications to the implementation plan and funding policies for housing programs funded with the proceeds from the tax on corporate payroll.
3. Reviewing and providing recommendations to the City Council annually on the formation of requests for proposals that the Office of Housing issues to solicit development proposals from public and nonprofit housing providers.
4. Providing recommendations annually to the City Council on City budget priorities for housing and priority City actions in a given year for use of funds generated from the tax on corporate payroll. The City Council shall act on the recommendations through the annual budget process following a public hearing.
5. Coordinating efforts with the Green New Deal Oversight Board in Section 3.14.979 as needed, meeting at least annually to coordinate activities and to invite public comment and input on their work.

B. Membership. The Social Housing Board shall be comprised of 23 members serving two-year terms, with three members from each Council district, plus two or more designated young adult members, whose terms and method of appointment are governed by the Get Engaged Program in Chapter 3.51. Members of the Social Housing Board should include renters and homeowners, individuals from historically underrepresented groups, as well as individuals with housing development and finance experience.

C. Selection process

1. Members of the Social Housing Board other than the Get Engaged members shall be appointed by the City Council. Each of the seven City Councilmembers who represents a district shall nominate three people who live in the Councilmember's district. Initial terms end on December 31, 2023; subsequent terms end every two years thereafter. Any vacancy in an unexpired term of an appointed position shall be filled in the same manner as the original appointment.

2. If the City Charter is amended to allow for an election of members to the Social Housing Board, beginning in the 2023 primary and general election, for terms starting on January 1, 2024 and every two years thereafter, all members of the Social Housing Board except the Get Engaged members shall be elected. Voters in each City Council district are eligible to vote for the three representatives from the corresponding City Council district. If the City Charter is amended, the City Council intends to consider legislation to establish a regulatory framework governing such election. Vacancies between elections will be filled by the selection process in subsection 3.14.750.C.1.

D. A member whose term is ending may continue on an interim basis as a member with voting rights until such time as a successor for that position has been appointed or elected. This subsection 3.14.750.D does not apply to the Get Engaged members.

E. Any member may request an excused absence from any Social Housing Board meeting. The Social Housing Board may recommend, by a majority vote of all members of the Social Housing Board, that the City Council remove any Council-appointed member who is absent without excuse from three or more consecutive Board meetings. Any member may resign from the Social Housing Board at any time by notifying the City Council in writing. The City Council may remove any Council-appointed member for cause.

F. Meetings of the Social Housing Board

1. The Social Housing Board shall meet as a whole at least four times each year to conduct a quarterly review of social housing development in Seattle, to take public comment, and to make recommendations on program or policy changes to City Council and the Mayor. The Social Housing Board

shall seek input from the public to inform their recommendations to the City Council and the Mayor. The Director of the Office of Housing shall make public in a timely manner a schedule and location of the Social Housing Board meetings.

2. Meeting notifications, agendas, minutes of proceedings, findings, and recommendations, civic engagement information, and any other materials shall be available to the public and posted on the Social Housing Board's website.

3. All meetings of the Social Housing Board shall be held in the evening in a location that is accessible and conveniently located to the public. Social Housing Board meetings shall be open to the public.

G. The Office of Housing shall provide staff support for the Social Housing Board as needed to ensure their ability to function and to maintain the Social Housing Board's website.

Section 4. Section 3.14.979 of the Seattle Municipal Code, enacted by Ordinance 125926, is amended as follows:

3.14.979 Green New Deal Oversight Board

A. There is established a Green New Deal Oversight Board (Board) that shall advise and make recommendations to the Mayor and City Council related to the Green New Deal for Seattle and monitor progress in meeting intended outcomes and goals. Duties of the Board shall include the following:

1. Providing proposals for the design of new policies, programs, and projects and for modifications to existing policies, programs, and projects to the Mayor, City Council, and City departments that advance the Green New Deal for Seattle;

2. Supporting the planning and implementation of individual City departmental actions, policies, programs, and practices, to make Seattle climate-pollution free by 2030;

3. Providing recommendations on City budget priorities and priority City actions;

4. Coordinating efforts with the Environmental Justice Committee, Equitable Development Initiative Advisory Board, Transportation Equity Workgroup, and other City Boards and Commissions, as

needed((:)) , and meeting at least annually with the Social Housing Board to coordinate activities and to invite public comment and input on their work;

5. Submitting an initial workplan to the Council and the Mayor by July 1, 2020, and provide an updated workplan annually thereafter. The workplan should:

a. Define what constitutes a policy, program, or project that advances the Green New Deal for Seattle;

b. Identify the Board's annual scope of work, including priorities, goals, outcomes, and key stakeholders to consult; and

c. Provide an annual engagement plan for collaborating with existing committees, boards, and commissions whose scope align with those of the Board((:)) ;

6. Reviewing a semiannual, or at a frequency determined by the workplan, report of outcomes and indicators for the previous year related to policies, programs, and projects related to the Green New Deal for Seattle((:)) ; and

7. Making recommendations to the City Council and Mayor on Green New Deal housing related strategies that will be funded with the proceeds from the tax on corporate payroll, including recommendations on the development and any future modifications to the implementation plan.

* * *

Section 5. Implementation plan. On or before DATE, the Executive shall submit an Implementation Plan for the new tax on corporate payroll to the City Council. The Plan may be amended by ordinance. The plan shall include:

A. A specific spending proposal for the Housing and Services and Green New Deal investments years one through five consistent with the program areas described in subsections 2.C and 2.D of this ordinance;

B. Proposed outcomes for each funded program or service;

C. How the programs or services will be implemented (such as responsible department and funding

processes);

D. Proposed policies for implementing funded programs or services, prioritizing investments in communities historically most harmed by economic, racial, and environmental injustice, at high risk of displacement; and

E. Proposal for working with the Social Housing Board and the Green New Deal Oversight Board to provide ongoing program and policy review, oversight and monitoring of expenditures, and reviewing performance of programs and services as the plan is implemented.

The City Council intends to adopt modifications to the City's Housing Funding Policies to have such policies apply to the revenues generated from the new tax on corporate payroll. This shall include changes to reflect annual reporting requirements for investments made using the proceeds from the tax on corporate payroll. The Council anticipates adopting such modifications when adopting the Implementation Plan in 2020.

The Executive shall work with the City Council, the Social Housing Board, and the Green New Deal Oversight Board in the development of this Implementation Plan to ensure it is consistent with the proposed Spending Plan. The City Council intends to add a proviso to funding in the 2021 budget to ensure funding is appropriated consistent with the proposed Spending Plan found in Attachment 1 to this ordinance, as may be amended by the City Council.

Section 6. It is the Council's intent that new construction multi-family housing development projects described in Section 2 of this ordinance, regardless of whether the project is or is not considered a public works project, shall be consistent with the standards set forth in Chapter 20.37 of the Seattle Municipal Code, known as the Priority Hire Program, and the standards described below. Such standards shall include: hiring of workers who are from economically distressed ZIP codes and apprenticeship utilization; and other standards such as payment of commercial prevailing wages which shall be included in a Community Workforce Agreement. New construction housing development projects shall also demonstrate adherence to labor laws and a commitment to labor harmony.

Section 7. In order to pay for necessary costs and expenses incurred or to be incurred in 2020, but for which insufficient appropriations were made due to causes that could not reasonably have been foreseen at the time of making the 2020 Budget, contingent 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
#1	TBD	General Fund	TBD	\$200,000,000

Section 8. 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 9. 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 10. 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 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 Five-Year Spending Plan

Program/Activity	Program Description	2021 Spending ¹	2022 Spending	2023 Spending	2024 Spending	2025 Spending	Total / 5-year goals
Direct Case Assistance							
Cash Assistance to Low Income Households Impacted by the COVID-19 Crisis	Pay back the interfund loan (including interest) used in 2020 to provide cash assistance to Seattle households during the COVID-19 Crisis. These funds could serve up to 100,000 Seattle households with monthly payments of five hundred dollars for four months.	\$205 million	-	-	-	-	\$205 million Cash assistance to 100,000 low income households
	% of revenue (after start-up and ongoing administrative costs)	27%	-	-	-	-	
Affordable Housing Inventory & Services							
Rental Housing Production to Assist Households from Zero to 100% of AMI	Capital construction or acquisition of units in affordable housing projects, including mixed income, permanently serving households with incomes from 0% of Area Median Income (AMI) to 100% of AMI.	\$414 million	\$362 million	\$362 million	\$361 million	\$361 million	\$1.8 billion 5-Year Goal: 5,600 units
Operating and Services Support for PSH	Operating and services support for PSH serving the most vulnerable homeless with incomes at 0-30% of AMI.	-	\$9 million	\$17 million	\$25 million	\$33 million	\$70 million supporting 1,400 PSH units Funded in years 1-4
Affordable Housing Inventory and Services Subtotal		\$414 million	\$371 million	\$378 million	\$386 million	\$394 million	\$1.9 billion
% of revenue (after start-up and ongoing administrative costs)		55%	75%	75%	75%	75%	
Green New Deal Implementation							
Green New Deal Implementation	Fund the following strategies to help implement Seattle’s Green New Deal as articulated in Resolution 31895: investments to convert residential housing units from natural gas and heating oil to electric heat; solar installations; weatherization of existing residences; and investing in job training programs to equip workers with the necessary skills to thrive in the green economy and ensure a just transition for workers whose jobs currently depend on the fossil fuel industry.	\$138 million	\$124 million	\$126 million	\$129 million	\$131 million	\$648 million
% of revenue (after start-up and ongoing administrative costs)		18%	25%	25%	25%	25%	
Start-up & Ongoing Administrative Costs							
Start-up costs and ongoing administration		\$29 million	\$15 million	\$16 million	\$16 million	\$16 million	\$92 million
% of total revenue ²		5%	3%	3%	3%	3%	
TOTAL ANNUAL SPENDING:		\$786 million	\$510 million	\$520 million	\$531 million	\$541 million	\$2.9 billion

¹ The spending plan assumes that in 2020, the City will use an interfund loan to direct \$200 million dollars to be distributed as cash assistance directly to low-income households in the City of Seattle in response to the impacts of the COVID-19 emergency. In 2021, the payroll tax revenue generated in 2020 but collected in 2021 will be used first to pay back that interfund loan, including interest.

² If the full amount allocated to the “start-up and ongoing administrative costs” category is not needed, any remaining revenue will be split 75/25 between the affordable housing inventory & services and Green New Deal implementation categories.

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Legislative	Traci Ratzliff/Aly Pennucci 4-8153 and 4-8148	Julie Dingley 4-5523

** 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 the proceeds generated from the payroll expense tax authorized by the ordinance introduced as Council Bill xxxxxx to fund immediate cash assistance for low-income households impacted by the COVID-19 crisis in 2020 and the development of social housing that is permanently affordable, high-quality, and energy-efficient, to fund housing-related components of Seattle's Green New Deal as articulated in Resolution 31895, and to fund other investments; establishing a Social Housing Board and amending the duties of the Green New Deal Oversight Board to make funding recommendations; establishing a requirement for an Implementation Plan; adding a new Section 3.14.750 to, and amending Section 3.14.979 of, the Seattle Municipal Code; and amending Ordinance 126000, which adopted the 2020 Budget; changing appropriations to various departments and budget control levels, and from various funds in the 2020 Budget; declaring an emergency; and establishing an immediate effective date; all by a $\frac{3}{4}$ vote of the City Council.

Summary and background of the Legislation: This Council Bill would adopt a proposed 5-year spending plan for the new payroll expense tax authorized by the ordinance introduced as Council Bill [REDACTED]. This tax is expected to generate an average of \$500 million annually (adjusted by inflation). The new tax would be authorized beginning June 1, 2020 but would not begin collection until 2021. Specifically, the bill:

1. Appropriates \$200 million generated through an Interfund Loan authorized by Council Bill [REDACTED] to provide emergency cash assistance in 2020 for up to 100,000 low-income households including those that have lost income directly as a result of the coronavirus crisis.
2. Directs the first \$205 million in 2021 to repay principal and interest on the Interfund Loan.
3. Directs 5% of the revenue in 2021 and 3% in all subsequent years for start-up and ongoing administration costs.
4. Directs 75% of the remaining revenue for investments to build up to 10,800 units of new social housing in the first 10 years.
5. Directs 25% of the remaining revenue for investments in housing-related strategies called for in Seattle's Green New Deal (GND).

This new tax will support immediate cash assistance for those impacted by the COVID-19 crisis in 2020 and the development of social housing and housing-related components of Seattle's Green New Deal in 2021 and beyond. Below are further details on the spending

associated with this new payroll tax in 2020 and the next five years. This legislation includes an emergency clause and, if adopted, would go into effect immediately.

1. Spending Plan for 2020

Emergency Cash Assistance (2020 only)

In response to the economic impacts of the COVID-19 crisis, the spending plan for the proposed tax on corporate payroll would direct up to \$200 million dollars in 2020 for emergency cash assistance to low-income households. The \$200 million would support up to 100,000 households with \$500 payments per month over four months in 2020.

To distribute the emergency cash assistance as quickly as possible, the intent is to build on the Emergency Grocery Voucher Program by distributing cash to households currently enrolled in existing assistance programs (e.g., the Utility Discount Program, Fresh Bucks, etc.). Fifty percent of the funds (\$100 million) will be distributed to low-income households enrolled in existing City assistance programs, or State assistance programs administered by the City.

The remaining 50% of the funds (\$100 million) will be distributed to those impacted by the COVID-19 crisis but not enrolled in existing assistance programs. These funds would be prioritized for distribution to low-income households including, but not limited to, those who are:

- unemployed or had their work hours severely reduced;
- seniors;
- immigrants and refugees,
- at risk of deportation;
- experiencing homelessness or lack a permanent address;
- households with language barriers;
- experiencing domestic violence; and
- low-income households not enrolled in existing assistance programs.

After distributing the first of the four payments, any unallocated funds may be distributed to either households enrolled in existing City assistance programs or to the priority households listed above.

2. Spending Plan (by Category) for 2021 and Beyond

In 2021, approximately \$205 million will be used to repay the principal and interest owed on the IFL for direct cash assistance in 2020. After repayment of the IFL in 2021, the annual spending of the new tax will be as described below.

After accounting for start-up and ongoing administrative costs, 75% of the anticipated revenue would be dedicated to developing and acquiring social housing affordable to households with incomes from zero to 100% of AMI, and to provide services for Permanent Supportive Housing (PSH) units. The remaining 25% of the tax revenue, after startup and administrative costs, would support implementation of select housing-related strategies identified in Seattle's Green New Deal (GND) [Resolution 31895](#).

Social Housing Investments

Depending on the mix of housing investments, the new revenue could provide \$1.8 billion for about 5,600 housing units by year five and \$4 billion for about 10,809 housing units by year 10. In addition, \$70 million could support the operating and service costs for about 1,400 PSH units by year five and \$382 million for about 3,393 PSH units by year 10.

A new Social Housing Board is proposed that would guide and oversee all housing development and preservation investments. The 21-member board would include three representatives from each Council district; members will include renters and homeowners, individuals from historically underrepresented groups, as well as individuals with housing development and finance experience.

Green New Deal Investments

The following housing-related strategies identified in the GND resolution would be prioritized for funding:

- Investments to convert residential housing units from natural gas and heating oil to electric heat;
- Weatherization of existing residences;
- Solar installations; and
- Investing in job training programs to equip workers with skills needed in the green economy and assist workers whose jobs currently depend on the fossil fuel industry to transition to a green economy.

Further, the investments in housing development and preservation are consistent with the following housing-related strategies identified in the GND resolution:

- Create more affordable housing located near transit hubs, green space, and neighborhood amenities to reduce dependence on private vehicles;
- Use anti-displacement strategies and alternative housing models, such as: acquisition of existing affordable housing in areas at risk of displacement, community-owned cooperative housing, community land ownership, etc.; and
- Increase housing density to meet current unmet demand for affordable housing and projected future population growth.

The GND Oversight Board established by [Ordinance 125926](#) would guide and oversee the proposed investments in GND housing-related strategies. The Board would invite workers who are employed by the fossil fuel industry, or those in jobs that may be displaced due to the implementation of this spending plan, along with their unions, to coordinate on “just” transition recommendations to minimize economic harm to affected workers.

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 2023:

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 \$	
	2019	2020	2019	2020
		\$200,000,000		
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2019	2020	2019	2020
Positions affected:	No. of Positions		Total FTE Change	
	2019	2020	2019	2020

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?

Yes. There will be costs associated with distributing the cash assistance in 2020. In addition, there will also be costs associated with the preparation of the Implementation Plan for the spending of the tax that must be developed in 2020 by the Executive in consultation with the City Council. These costs will need to be addressed in a 2020 supplemental budget ordinance.

In addition, there will be costs associated with collection of the new tax and expenditure of the funds anticipated from this tax. The 5-year spending plan included in Attachment 1 to the proposed legislation assumes that up to five percent of the revenue in year one and up to three percent of the revenue in subsequent years generated from the new tax on corporate payroll will be used to cover the start-up and ongoing administrative costs.

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

The City is under a declared emergency and experiencing a significant homelessness and affordable housing crises and issues on climate change. The proposed funding and programs attempt to provide additional resources to address these problems.

3.a. Appropriations

N/A 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.

Fund Name and number	Dept	Budget Control Level Name/##	2019 Appropriation Change	2020 Estimated Appropriation Change
TOTAL				

**See budget book to obtain the appropriate Budget Control Level for your department.*

This table should reflect appropriations that are a direct result of this legislation. In the event that the project/programs associated with this ordinance had, or will have, appropriations in other legislation please provide details in the Appropriation Notes section below. If the appropriation is not completely supported by revenue/reimbursements listed below, please identify the funding source (e.g. available fund balance) to cover this appropriation in the notes section. Also indicate if the legislation changes appropriations one-time, ongoing, or both.

Is this change one-time or ongoing?

Please explain any complicated scenarios – e.g. three-year funding agreement but not permanent ongoing.

Appropriations Notes:

3.b. Revenues/Reimbursements

N/A 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	2019 Revenue	2020 Estimated Revenue
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? Proposed tax will be ongoing beginning in June 1, 2020

Revenue/Reimbursement Notes:

3.c. Positions

N/A 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	2019 Positions	2019 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?

Yes. Office of Housing, Office of Sustainability and Environment, Finance and Administrative Services, possibly Human Services Department.

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

d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation? No

For example, legislation related to sale of surplus property, condemnation, or certain capital projects with private partners may require publication of notice. If you aren't sure, please check with your lawyer. If publication of notice is required, describe any steps taken to comply with that requirement.

e. Does this legislation affect a piece of property? No

If yes, and if a map or other visual representation of the property is not already included as an exhibit or attachment to the legislation itself, then you must include a map and/or other visual representation of the property and its location as an attachment to the fiscal note. Place a note on the map attached to the fiscal note that indicates the map is intended for illustrative or informational purposes only and is not intended to modify anything in the legislation.

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 proposed spending plan is intended to support those who have traditionally benefitted the least from public investments, including: immigrant and refugees, people of color, those with language and other institutional barriers to accessing government services. This

legislation supports the City's goals to alleviate poverty, reduce climate change and reliance on fossil fuels, and advance racial equity.

- 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 to the Ordinance that describes the intended spending and goals for outcomes associated with proposed spending plan,

April 17, 2020

MEMORANDUM

To: Select Budget Committee
From: Traci Ratzliff, Analyst and Aly Pennucci, Supervising Analyst
Subject: Payroll Expense Tax Package - Spending Plan and Appropriation

On Wednesday, April 22, 2020 the Select Budget Committee (Select Committee) will begin discussions on the proposed Payroll Expense Tax package (aka Tax on Corporate Payroll). This tax package includes three separate, but interconnected bills:

1. [CB 119772](#) – Tax
2. [CB 119773](#) – Interfund Loan
3. [CB 119774](#) – Spending Plan and Appropriation

This memo describes CB 119774 (Spending Plan). The separate memo posted to the April 22 Select Committee agenda summarizing the tax and interfund loan bills provide the context for the proposed spending plan. [Attachment 1 to CB 119774](#) provides a table summarizing the proposed spending by category for years one through five.

CB 119774: Proposed Spending Plan

Emergency Cash Assistance in 2020 Only

In response to the economic impacts of the COVID-19 crisis, the Spending Plan bill would appropriate \$200 million in 2020 for emergency cash assistance to low-income households, including but not limited to seniors, immigrants and refugees, and people experiencing homelessness. As described in the companion memo on the proposed tax and interfund loan, taxes owed for 2020 would not be collected until February 2022. CB 119773 authorizing an interfund loan is proposed to fund the cash assistance program in 2020.

The \$200 million is intended to support up to 100,000 households with payments of \$500 per month over a four-month period in 2020, for a total of \$2,000 per household.¹

To distribute the emergency cash assistance as quickly as possible, the intent is to build on the [Emergency Grocery Voucher Program](#) by distributing 50 percent of the funds (\$100 million) to low-income households enrolled in existing City assistance programs, or State assistance programs administered by the City, such as Fresh Bucks, the Child Care Assistance Program, and the Early Childhood Education and Assistance Program.

¹ Any costs associated with the Executive's administration and distribution of these funds could reduce the total number of households supported.

The Office of Sustainability and Environment (OSE), in coordination with City departments, identified existing programs serving households most in need and who could also be enrolled quickly in the Emergency Grocery Voucher Program, while respecting privacy agreements subject to each program. OSE prioritized these programs with close ties to communities of color and those programs developed with an extensive race and social justice lens.

Families/households enrolled in the following programs would be eligible to receive the first round of emergency cash assistance (\$100 million) with varying income requirements:

- **Utility Discount Program (UDP)** serves households earning less than 70 percent of the state median income.
- **Fresh Bucks** serves individuals living in households with incomes below 80 percent of the Area Median Income (AMI)².
- **Early Childhood Education and Assistance Program (ECEAP)** serves families at or below 110 percent of the Federal Poverty Level (FPL).
- **Child Care Assistance Program** serves families with income that falls between 200 percent and 350 percent of the FPL.
- **Seattle Preschool Program** and **Pathway to Seattle Preschool Program** serve families with incomes up to 350 percent of the FPL. Families who qualify for tuition assistance could also qualify for the direct emergency cash assistance made available under this bill.

Tables 1 through 3 break out the income thresholds by household size for the UDP, Fresh Bucks, and ECEAP Program.

Table 1: UDP Eligibility

Household Size	Yearly Income (70% State Median Income)
1	\$35,592
2	\$46,548
3	\$57,492
4	\$68,448
5	\$79,404
6	\$90,348
7	\$92,400
8	\$94,464
9	\$95,516
10	\$98,568

Table 2: Fresh Bucks Program Eligibility

Household Size	Yearly Income (80% AMI)
1	\$61,800
2	\$ 70,600
3	\$ 79,450
4	\$ 88,250
5	\$ 95,350
6	\$ 102,400
7	\$ 109,450
8	\$ 116,500
9	\$ 123,550
10	\$ 130,650

² AMI is the household income for the median (“middle”) household in a region. The Department of Housing and Urban Development (HUD) annually calculates and publishes AMI figures for a specific area.

Table 3: ECEAP Eligibility

Family Size	Monthly Family Income (110% FPL)
2	\$0 to \$1,550
3	\$0 to \$1,956
4	\$0 to \$2,361
5	\$0 to \$2,765
6	\$0 to \$3,171

The remaining \$100 million would be distributed to those impacted by the COVID-19 crisis but not enrolled in an existing City assistance programs, or State assistance programs administered by the City. These funds would be prioritized for low-income households including, but not limited to, those who are:

- unemployed or had work hours severely reduced;
- seniors;
- immigrants and refugees;
- at risk of deportation;
- experiencing homelessness or lack a permanent address;
- households with language barriers; and
- experiencing domestic violence.

The proposed Spending Plan legislation requires the Executive develop eligibility criteria for distributing cash assistance to these households and provide a written report or brief the Council prior to distributing these funds. This “second round” of distribution will be informed by the work OSE has done to expand distribution of the Emergency Grocery Vouchers to displaced workers. This will likely rely on community-based organizations who have relationships with the communities they serve.

Spending Plan by Category for 2021 and Beyond

In 2021, approximately \$205 million would go to repay the principal and interest owed on the interfund loan for providing direct cash assistance in 2020. After repayment of the loan in 2021, the annual funding, after accounting for ongoing administrative costs, would be distributed as follows:

- 75 percent to develop and acquire affordable social housing³ for households with incomes between zero and 100 percent of AMI, and to provide services for Permanent Supportive Housing (PSH) units.

³ Under this proposal, “social housing” is defined as affordable housing that is either publicly owned or owned or operated by a public development authority (PDA) or a nonprofit housing provider that enters into a regulatory agreement with the City that includes rent and income restrictions.

- 25 percent to support implementation of select housing-related strategies identified in Seattle's Green New Deal (GND) [Resolution 31895](#).

Social Housing Investments⁴

Depending on the mix of housing investments, the new revenue could provide approximately \$1.9 billion to fund the development or acquisition of about 5,600 housing units affordable to households with incomes between zero and 100 percent of AMI by the end of 2025. This includes \$70 million in the first five years for operating and service costs for about 1,400 PSH units funded in years 2021 through 2024. These estimates are based on the following assumptions:

- The City's ability to leverage City investment with other funding sources (e.g., Low-Income Housing Tax Credits). This leverage will likely be limited because those sources may be fully utilized with investments in projects using funds from the Housing Levy and other existing City investments in affordable housing. Additionally, those other sources of funds typically prioritize projects that serve deeper levels of affordability and have lower per unit costs. The estimates therefore assume that the:
 - City pays the full cost to develop and operate PSH units and units serving households between 80 and 100 percent of AMI;
 - City pays the full cost to develop 80 percent of the units serving households with incomes between 30 and 80 percent of AMI; City pays 48 percent of the cost to develop the remaining 20 percent of units serving these households;
 - 20 percent of all units will be developed on land donated by the City or other entity;
 - 70 percent of the estimated units will be newly constructed units; 30 percent will be provided through acquisition of existing buildings;
- Funding for ongoing operating and services costs for PSH units funded in year one will be needed beginning in year two; units funded in years one and two will require funding for O&M costs in year 3; and so on;

The legislation requires that all new construction multi-family housing be built consistent with green building standards and includes the Priority Hire program and other standards, such as payment of commercial prevailing wages which shall be included in a Community Workforce Agreement for such housing. This may increase the per unit cost above what was assumed in the initial unit estimates described previously, thereby reducing the estimated number of units.

⁴ Unit production estimates are based on average per unit costs in projects funded by the City or the Seattle Housing Authority that include primarily one bedroom and studio units. Per unit costs vary depending on the location, size, mix of units, etc.

Tables 4 and 5 provide the income and rent limits that would be required today for households with incomes at 30, 60, 80, and 100 percent of AMI to qualify for the proposed social housing.

Table 4: Income Limits⁵

Family size	30% AMI	60% AMI	80% AMI	100% AMI
1 person	\$23,250	\$46,500	\$61,800	\$76,000
2 persons	\$26,550	\$53,150	\$70,600	\$86,900
3 persons	\$29,900	\$59,800	\$79,450	\$97,750
4 persons	\$33,200	\$66,400	\$88,250	\$108,600
5 persons	\$35,850	\$71,750	\$95,350	\$117,300
6 persons	\$38,500	\$77,050	\$102,400	\$126,000
7 persons	\$41,200	\$82,350	\$109,450	\$134,650
8 persons	\$43,850	\$87,650	\$116,500	\$143,350

Table 5: Rent limits (Including Utilities)⁶

Unit Size	30% AMI	60% AMI	80% AMI	100% AMI
0 bedrooms	\$581	\$1,162	\$1,545	\$1,900
1 bedroom	\$622	\$1,245	\$1,655	\$2,036
2 bedrooms	\$747	\$1,495	\$1,986	\$2,443
3 bedrooms	\$863	\$1,726	\$2,295	\$2,823
4 bedrooms	\$962	\$1,926	\$2,560	\$3,150
5 bedrooms	\$1,063	\$2,125	\$2,824	\$3,475

A new Social Housing Board, to be supported by the Office of Housing, is proposed that would guide and oversee all housing development and preservation investments. The 23-member board would include three representatives from each Council district plus two or more Get Engaged members; members would include renters and homeowners, individuals from historically underrepresented groups, as well as individuals with housing development and finance experience. Initial membership would be established through a Council appointment process through 2023. The intent is that before the expiration of these initial appointments, an amendment to the City Charter would occur to allow for members of the Social Housing Board to be elected by the people. If an election does not occur, the Council would continue to appoint members to the Board.

⁵ Source: <https://www.seattle.gov/Documents/Departments/Housing/PropertyManagers/IncomeRentLimits/2019%20RHP%20Income%20Limits.pdf> and HUD-April 2019.

⁶ Affordable rents are calculated based on a household paying no more than 30% of their income on rent and utilities.

GND Investments

The following housing-related strategies identified in the GND resolution would be prioritized for funding:

- Investments to convert residential housing units from natural gas and heating oil to electric heat;⁷
- Weatherization of existing residences;
- Solar installations; and
- Investing in job training programs to equip workers with skills needed in the green economy and assist workers whose jobs currently depend on the fossil fuel industry to transition to a green economy.

Further, the investments in housing development and preservation are consistent with the following housing-related strategies identified in the GND resolution:

- Create more affordable housing located near transit hubs, green space, and neighborhood amenities to reduce dependence on private vehicles;
- Utilize anti-displacement strategies and alternative housing models, such as: acquisition of existing affordable housing in areas at risk of displacement, community-owned cooperative housing, community land ownership, etc.; and
- Increase housing density to meet current unmet demand for affordable housing and projected future population growth.

The GND Oversight Board established by [Ordinance 125926](#) would guide and oversee the proposed investments in GND housing-related strategies. The Oversight Board would invite workers who are directly employed by the fossil fuel industry, or who are in jobs that may be displaced as a result of implementation of this spending plan, along with their unions, to coordinate on “just” transition recommendations that have the objective of eliminating economic harm to affected workers.

Implementation Plan

The legislation directs the Executive to submit an Implementation Plan to the Council for the new tax to the City Council by a date to be determined (an amendment will be necessary prior to acting on CB 119774 to include a specific date). The Executive is directed to work with the City Council and the Social Housing and Green New Deal Oversight Boards in the development of the Implementation Plan. The plan would include:

⁷ As an example, about 38,000 existing housing units could be converted to electric heating systems if all the revenue proposed for GND investments was used for this purpose. This assumes the cost to convert the heat source to an electric heat pump system is ~\$16,000 per unit, adjusted annually for inflation.

1. A specific spending proposal for the Housing and Services and Green New Deal investments for years 2021 through 2025 consistent with those included in CB 119774;
2. Proposed outcomes for each funded program or service;
3. How the programs or services will be implemented (such as responsible department and funding processes);
4. Proposed policies for implementing funded programs or services, prioritizing investments in communities historically most harmed by economic, racial and environmental injustice, and are at high risk of displacement; and
5. A proposal for working with the Social Housing Board and Green New Deal Oversight Board to provide ongoing program and policy review, oversight and monitoring of expenditures and reviewing performance of programs and services implemented.

Annual reporting requirements will be addressed when the Council considers the implementation plan and any necessary change City's Housing Funding Policies.

Appropriation

Section 7 in the Spending Plan (CB 119774) includes a proposed \$200 million appropriation for the direct cash assistance spending in 2020. The legislation as introduced does not identify a specific City department to direct the appropriation; that would need to be decided and the bill would need to be amended prior to final action.

Emergency Clause

The spending plan proposal is generated to respond to public needs resulting from the COVID-19 and homelessness civil emergencies and to address climate change. The proposal therefore includes an emergency provision and would have an immediate effective date if passed by a three-quarters of Councilmembers and signed by the Mayor.

Next Steps

The Select Budget Committee is expected to continue the discussion on CB 119774 and address outstanding questions at the meeting on Wednesday, April 29, 2020.

cc: Kirstan Arestad, Executive Director



SEATTLE CITY COUNCIL
CENTRAL STAFF

Payroll Expense Tax Legislative Package

Council Bills 119772, 119773 & 119774

KIRSTAN ARESTAD, DAN EDER, ALY PENNUCCI, TOM MIKESELL, TRACI RATZLIFF

SELECT BUDGET COMMITTEE | APRIL 22, 2020

AGENDA

Briefing and Discussion:

- **Spending Plan** - CB 119774: Traci Ratzliff & Aly Pennucci
- **Payroll Expense Tax** - CB 119772: Tom Mikesell
- **Interfund Loan (IFL)** - CB 119773: Dan Eder

Upcoming Select Committee Schedule

Tentative Schedule

April 29: Continue discussion and respond to outstanding questions.

May 13: Act on proposed amendments and the proposed legislative package (as amended).

Spending Plan Overview

- ☐ Emergency Cash Assistance (2020)
- ☐ Spending by Category (2021 – 2025)
- ☐ Implementation

Spending Plan – Cont'd

Emergency Cash Assistance in 2020

- \$200 million to serve up to 100,000 low-income households
- \$2,000 per household (\$500 per month for four months)
- 1st - \$100 million for households enrolled in existing City administered programs
- 2nd - \$100 million for households impacted by COVID-19 and NOT currently enrolled in a City administered programs

Program/Activity	2021	2022	2023	2024	2025	Total / 5-Year Goal
Interfund Lund Repayment for Emergency Cash Assistance						
Emergency Cash Assistance to Low Income Households Impacted by the COVID-19 Crisis	\$205 million	-	-	-	-	\$205 million Cash assistance to 100,000 low income households
Affordable Housing Inventory & Services						
Rental Housing Production to Assist Households from Zero to 100% of AMI	\$414 million	\$362 million	\$362 million	\$361 million	\$361 million	\$1.8 billion 5-Year Goal: 5,600 units
Operating and Services Support for PSH	-	\$9 million	\$17 million	\$25 million	\$33 million	\$84 million supporting 1,400 PSH units funded in years 1-4
<i>Affordable Housing Subtotal</i>	\$414 million	\$371 million	\$378 million	\$386 million	\$394 million	\$1.9 billion
Green New Deal Implementation						
Green New Deal Implementation	\$138 million	\$124 million	\$126 million	\$129 million	\$131 million	\$648 million
Start-up & Ongoing Administrative Costs						
Start-up costs and ongoing administration	\$29 million	\$15 million	\$16 million	\$16 million	\$16 million	\$92 million
TOTAL ANNUAL SPENDING:	\$786 million	\$510 million	\$520 million	\$531 million	\$541 million	\$2.9 billion

Spending Plan – Cont'd

□ Spending by Category (2021 - 2025)

Social Housing Investments

- \$1.9 billion for affordable housing and operating and service costs for PSH units
- Serve households (incomes 0% to 80% of AMI)
- Community workforce agreements for new development
- Green building standards

GND Investments

- \$648 million for investments to:
 - Convert housing from natural gas/heating oil to electric
 - Weatherize existing residences; Install solar; & Job training

Spending Plan – Cont'd

Implementation

- Implementation Plan Development
- Oversight Boards
- Appropriations
- Emergency Clause

Spending Plan Questions

Payroll Expense Tax - Overview

- ☐ Annual Revenue Amount
- ☐ Tax Structure (Rate & Threshold)
- ☐ Businesses Subject to the Tax
- ☐ Exemptions
- ☐ Emergency Clause Effect
- ☐ Imposition Date and Due Dates

Payroll Expense Tax, Cont'd

Annual Revenue Amount:

- \$500 million annually
- 2020 partial year: \$286.4 million, assuming June 1, 2020 start

Payroll Expense Tax, Cont'd

Tax Structure:

- Rate: 1.3% of payroll assigned to Seattle
- Generally business with \$7 million or higher Seattle payroll in previous year
- Determining Seattle-assigned payroll:
 - The employee is primarily assigned within Seattle;
 - The employee is not primarily assigned to any place of business for the tax period and the employee performs 50 percent or more of the employee's service for the tax period in Seattle; or
 - 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 the employee's service in any one city, and the employee resides in Seattle.

Payroll Expense Tax, Cont'd

- **Example Businesses:**
 - **Independent Contractors**
 - Payments included in payroll expenses if not included in another business' payroll
 - **Integrated Enterprises**
 - Seattle payroll for each business license holder measured against \$7 million threshold, irrespective of integration with other discrete businesses
 - **Franchise Businesses**
 - Each franchise business with a discrete business license measured against \$7 million threshold vs. aggregating all similar franchises

Payroll Expense Tax, Cont'd

☐ **Businesses Subject to Tax:**

- Businesses with Seattle payroll above the \$7 million annual threshold

☐ **Tax Exemptions:**

- Non-profit organizations
- Educational employers
- Grocery stores
- Local government employers

Payroll Expense Tax, Cont'd

Entities the City does not have the authority to tax:

- Federal and state governments and subsidiaries
- Insurance businesses and their agents
- Businesses that only sell, manufacture, or distribute motor vehicle fuel
- Businesses that only sell or distribute liquor

Payroll Expense Tax, Cont'd

Tax Effective and Due Dates:

- Effective June 1, 2020
- 2020 and 2021 payments due with final quarterly payment of 2021 (February 2022)
- Accruals to meet 2021 spending obligations

Emergency Clause:

- Immediate effective date with three-fourths ($\frac{3}{4}$) City Council vote and Mayor's signature

Payroll Tax Questions

Interfund Loan Overview

- ☐ Cumulative Loan Amount
- ☐ Six Potential Fund Sources
- ☐ Minimizing Impacts
- ☐ Emergency Clause

Interfund Loan Detail

- ❑ **Cumulative Loan Amount: \$200 million**
- ❑ **Six Potential Fund Sources, up to \$50 million each**
 - 1) Low Income Housing Fund
 - 2) Housing Incentive Fund
 - 3) Move Seattle Levy Fund
 - 4) Families Education and Preschool Promise Fund
 - 5) Parks Levy Fund
 - 6) 2019 Library Levy Fund

Interfund Loan Detail, Cont'd

Minimizing Impacts

- Requests analysis
- Requests a report within three weeks

Interfund Loan Detail, Cont'd

Emergency Clause

- Necessary to support 2020 Appropriations
- Effective immediately upon:
 - An affirmative vote of $\frac{3}{4}$ of Councilmembers AND
 - The Mayor's signature

Interfund Loan Questions

Thank you



Legislation Text

File #: CB 119772, **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; 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; declaring an emergency; and establishing an immediate effective date; all by a 3/4 vote of the City Council.

WHEREAS, the Mayor declared a civil emergency on March 3, 2020, and the City Council modified the civil emergency proclamation by adopting Resolution 31937 on March 5, 2020; and

WHEREAS, The City of Seattle's 2020 Budget fully appropriates all available municipal revenues to address the many and varied needs of the community; and

WHEREAS, 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, 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. The City Council finds and declares that:

A. There is no viable alternative to meet a core City objective.

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

C. 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.

D. 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 April 24, 2020, to combat the spread of the disease.

E. 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.

F. 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.”

G. As of April 1, 2020, the Washington State Department of Health confirmed 5,984 cases of COVID-19 and 247 deaths caused by the virus.

H. The COVID-19 crisis has had a significant adverse impact on the local economy, impacting the retail, restaurant, 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 people with low incomes who have become unemployed or had their work hours severely reduced.

I. There are at least 38,000 businesses in Seattle employing a minimum of 655,000 individuals. Since the Governor of Washington State closed or limited operations of many businesses in the state, over 133,000 individuals statewide and 37,000 individuals in King County, alone, have filed for unemployment insurance in just the first weeks. Unemployment insurance generally only covers a portion of lost wages. Those filing for unemployment insurance will, in all likelihood, only increase as the closure continues. This will put more and more Seattle households, particularly low-income households, in financial peril.

J. Federal and state assistance to people with low incomes will not be sufficient to meet their basic needs during the COVID-19 public health and economic crisis. Additional financial support to people with low

incomes is necessary to help meet their basic needs such as housing, food, and medical care, and to help minimize impacts to public health as well as the local economy.

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

L. On March 17, *The Seattle Times* quoted the City Budget Director as saying that a "best-case scenario" would be that the COVID 19 civil emergency causes as little as a \$110 million or seven percent reduction in General Fund revenues available for City spending priorities in 2020 (and this estimate was made prior to the Governor's emergency order closing all restaurants, bars, and other non-essential businesses).

M. This bill will impose a new payroll expense tax on the largest businesses that will provide new revenues to allow the City, through the procedures described herein, to make immediate cash assistance available to those households most impacted by the COVID-19 civil emergency.

N. The City will provide such immediate cash assistance through Council Bill (CB) 119774.

O. The interfund loan contemplated in CB 119773 is necessary to provide the immediate cash assistance through CB 119774 and is dependent on the tax authorized by this bill going into effect immediately and not being overturned by referendum.

P. As a result of the City having already fully committed the City's General Fund through the 2020 Adopted Budget and of the anticipated decrease in General Fund revenues, other means of repaying the interfund loans authorized by CB 119773 would not be feasible if the tax authorized by this bill were overturned by referendum.

Section 2. A new Chapter 5.38 is added to the Seattle Municipal Code as follows:

Chapter 5.38 TAX ON CORPORATE PAYROLL

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 SMC 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.

For subsections (1) and (2) of this definition, “primary business” means that 75 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 the employee’s 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 the employee’s service in any one city, and the employee resides in Seattle.

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

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

“Tax on corporate payroll” means the payroll expense tax imposed by this Chapter 5.38.

“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 tax on corporate payroll is hereby levied upon and shall be collected from every person engaging in business within Seattle.

B. The amount of the tax on corporate payroll due shall be the payroll expense of the business for the tax period, subject to any deductions authorized under this Chapter 5.38, and multiplied by a rate of 1.30 percent.

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 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 the 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.

5.38.050 Exemptions from the tax on corporate payroll

A. The following are exempt from the tax on corporate payroll:

1. Any business having payroll expense, as defined under subsection 5.38.020, of \$7,000,000 or less 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 amended, as qualified by Sections 502, 503, and 504 of the Internal Revenue Code of 1986, as amended.
4. Any individual who is an independent contractor for purposes of the business license tax under Section 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.
5. 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.

B. Beginning on January 1, 2022, and on January 1 of every year thereafter, the Director shall adjust the

amount of the exemption in subsection 5.38.050.A.1 as follows:

1. The amount 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;
2. If the annual change in the CPI-U is negative, no adjustment to the amount must be made; and
3. The amount calculated shall be rounded to the nearest whole dollar.

5.38.060 Tax on corporate payroll-When due

The tax on corporate payroll imposed by this Chapter 5.38 shall be due and payable in accordance with Section 5.55.040. The tax on corporate payroll 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. For years subsequent to 2020, the tax on corporate payroll shall be due quarterly. 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 tax on corporate payroll at the same time as they file their final business license tax return under Chapter 5.45.

5.38.070 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.

5.38.080 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.

5.38.090 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.

Section 3. 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 (Tax on Corporate Payroll), 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 4. Subsections 5.30.060.B and 5.30.060.C of the Seattle Municipal Code, which section was last amended by Ordinance 125934, is 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 (Tax on Corporate Payroll), 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 5. Section 5.55.010 of the Seattle Municipal Code, which was 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 (Tax on Corporate Payroll), 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 6. 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 p

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 (Tax on Corporate

Payroll), 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 7. 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 8. 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 9. Section 5.55.165 of the Seattle Municipal Code, which section was last amended by Ordinance 125934, are 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, 5.47, 5.46, 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 10. 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 11. 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 12. 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 13. 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 14. Effective date of tax. Sections 1 through 13 of this ordinance shall take effect on June 1, 2020.

Section 15. 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 16. By reason of the findings set out in Section 1 of this ordinance, and the emergency that is hereby declared to exist, this ordinance shall become effective immediately upon its passage by a 3/4 vote of the Council and its approval by the Mayor, as provided by Article IV, subsection 1.1 of the Charter of the City.

Passed by a 3/4 vote of all 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	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; 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; 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 council bill would impose a 1.3% tax on business payrolls of \$7 million or more annually. Federal and state government entities, nonprofit organizations, 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 generate revenue to meet needs from the COVID-19 civil emergency, the corporate payroll tax would be imposed effective June 1, 2020 and would generate approximately \$500 million annually. While the tax is effective June 1, 2020, payments for 2020 are due with the final tax payment for 2021. Partial year payments for 2020 total \$286.4 million.

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
		\$786,400,000		
	No. of Positions		Total FTE Change	
Positions affected:	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.

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. The Department of Finance and Administrative Services estimates these costs would include approximately \$5 million in one-time system costs, \$500,000 in annual system operating costs, 12-15 FTE positions, and \$400,000 in one-time operating costs.

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

Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs or consequences.

This council bill provides the revenue to repay a \$200 million interfund loan to the General Fund in 2020, that is included in Council Bill . Not implementing this legislation but approving the interfund loan in Council Bill would require that the loan be repaid from existing General Fund resources, which are otherwise fully programmed for 2020.

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.

Fund Name and number	Dept	Budget Control Level Name/##	2020 Appropriation Change	2021 Estimated Appropriation Change
TOTAL				

**See budget book to obtain the appropriate Budget Control Level for your department.*

This table should reflect appropriations that are a direct result of this legislation. In the event that the project/programs associated with this ordinance had, or will have, appropriations in other legislation please provide details in the Appropriation Notes section below. If the appropriation is not completely supported by revenue/reimbursements listed below, please identify the funding source (e.g. available fund balance) to cover this appropriation in the notes section. Also indicate if the legislation changes appropriations one-time, ongoing, or both.

Is this change one-time or ongoing?

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
General Fund 001000		Corporate Payroll Tax	\$0	\$786,400,000
TOTAL			\$0	\$786,400,000

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.

Ongoing.

Revenue/Reimbursement Notes:

The bill would generate approximately \$500 million annually. While the tax is effective June 1, 2020, payments for 2020 are due with the final tax payment for 2021. Partial year payments for 2020 total \$286.4 million, bringing the first year' revenue to \$786.4 million, reflecting both 2020 and 2021 tax payments.

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.).

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?

If yes, what public hearing(s) have been held to date, and/or what public hearing(s) are planned/required in the future?

No.

c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?

If yes, please describe the measures taken to comply with RCW 64.06.080.

No.

d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

For example, legislation related to sale of surplus property, condemnation, or certain capital projects with private partners may require publication of notice. If you aren't sure, please check with your lawyer. If publication of notice is required, describe any steps taken to comply with that requirement.

No.

e. Does this legislation affect a piece of property?

If yes, and if a map or other visual representation of the property is not already included as an exhibit or attachment to the legislation itself, then you must include a map and/or other visual representation of the property and its location as an attachment to the fiscal note. Place a note on the map attached to the fiscal note that indicates the map is intended for illustrative or informational purposes only and is not intended to modify anything in the legislation.

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?

If yes, please explain how this legislation may impact vulnerable or historically disadvantaged communities. Using the racial equity toolkit is one way to help determine the legislation's impact on certain communities. If any aspect of the legislation involves communication or outreach to the public, please describe the plan for communicating with non-English speakers.

The proceeds from the taxes to be collected under this council bill would be used repay an interfund loan that supports emergency cash assistance payments in 2020. In 2021 and thereafter proceeds support affordable housing and housing-related Green New Deal investments adopted in Resolution 31895.

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).

This answer should highlight measurable outputs and outcomes.

While this ordinance would generate revenues to support expanded programming, it does not directly establish or expand any initiatives or programs.

List attachments/exhibits below:

April 17, 2020

MEMORANDUM

To: Select Budget Committee
From: Tom Mikesell, Analyst and Dan Eder, Deputy Director
Subject: Payroll Expense Tax Package - Tax and Interfund Loan

On Wednesday, April 22, 2020 the Select Budget Committee (Select Committee) will begin discussions on the proposed Payroll Expense Tax package (aka Tax on Corporate Payroll). This tax package includes three separate, but interconnected bills:

1. [CB 119772](#) – Tax
2. [CB 119773](#) – Interfund Loan (IFL)
3. [CB 119774](#) – Spending Plan and Emergency Appropriations

This memo describes CB 119772 (Tax Bill) and CB 119773 (IFL Bill). In short, the tax bill would impose a new payroll expense tax annually on businesses with payrolls in excess of \$7 million to generate \$500 million in tax revenue annually. The IFL bill would approve loans to support emergency appropriations in 2020. Combined, these two bills provide the financing mechanism for the spending proposal included in Spending Plan bill CB 119774 to fund emergency cash assistance to low-income households impacted by COVID-19, acquisition and development of social housing, and housing-related strategies identified in Seattle’s Green New Deal (GND) [Resolution 31895](#).

CB 119772: Tax Bill

A. Revenue Amount

Raises \$500 million annually (plus inflation beginning in 2022). Given a June 2020 effective date (described later in *Section D. Who Pays the Tax?*) tax revenues owed for 2020 (June through December) would be approximately \$286.4 million. The 2020 tax payment, however, would not be due until February 1, 2022.

B. Tax Structure

Imposes a tax on non-exempt business payroll expenses with a Seattle nexus in excess of \$7 million annually. Employers not exempted (discussed in *Section C. Exemptions*) would pay 1.3 percent times the total payroll paid to all employees for work performed in Seattle, as described below.

1. *Business Payroll Expense Calculation*

As described in *Section C. Exemptions* of this memo, the tax would apply to business payroll expenses above a \$7 million threshold for each individual business. The calculation of payrolls against that threshold bears further explanation given alternate approaches to business structures and employment in the ‘gig economy’. For example:

a. *Independent Contractors*

When calculating total annual payroll, the bill would require a business to include their payments to all independent contractors that provide work for that business. An exception would be made for independent contractors whose compensation is already included in another business' payroll calculation.

b. *Integrated Enterprises*

In some instances, an organization that informally operates and advertises as a single business can be a collection of related, but independently licensed businesses. For example, a restaurant management company can provide management and operational oversight to an array of smaller independent restaurant and catering businesses. This bill would treat each individual restaurant, and the management company itself, as discrete, independent businesses when determining if their payrolls exceed the \$7 million threshold.

c. *Franchise Businesses*

Similarly, for the purpose of determining total payroll, the bill treats individual franchises of a larger corporation as discrete businesses. For example, the payroll at an individual McDonalds franchise, which holds a business license with the City, will be tested against the \$7 million threshold, rather than the payrolls at all McDonalds restaurants in Seattle being aggregated and tested against the \$7 million threshold.

2. *Type of Compensation Included in Determining Payroll Expense*

The bill includes the following types of compensation in determining payroll expense:

All forms of remuneration 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."

The definition of compensation does not include payments to a pass-through entity that are not earned for services rendered, including return of capital, investment income, or other income from passive activities.

3. *Allocation of Payroll in Seattle*

A final element of determining the tax base requires assigning payroll attributable to work in Seattle. The approach is the same framework used in proportionally allocating liability for the City's existing Business License Tax (Business and Occupation or B&O tax) for businesses that operate both inside and outside the city limits. Specifically, the bill would include a three-part test of whether to include the payroll expense for an employee. The tax would apply to a payroll expense for an employee in one or more of the following circumstances:

- Employee is primarily assigned to Seattle;
- Employee performs 50 percent or more of their work in Seattle; or

- Employee resides in Seattle and does not perform 50 percent or more of their work in a single city.

This is similar to the allocation framework used in [HB 2948](#), a bill that was introduced during the 2020 regular session of the State Legislature and that would have granted authority for a county payroll tax.

C. Exemptions

Some businesses based on size and type would be exempted, as follows:

1. *Businesses Generally Not Subject to the Tax*

The bill would exempt businesses with annual payrolls less than \$7 million in 2020 and 2021. Beginning on January 2022, the exemption threshold grows with the rate of inflation. The exemption threshold (like the measure of the tax itself) is based on payroll expenses for work attributable to a business licensed in the City of Seattle. As an illustrative example, a hypothetical business has a worldwide payroll of \$10 million in 2019 of which \$5 million is for Seattle-based employees. This business would be exempt from paying the proposed tax because its annual Seattle-based payroll expense amount is less than the \$7 million exemption threshold.

2. *Other Exemptions*

The bill would exempt the following businesses irrespective of size of payroll expense:

- a. Non-profit organizations
- b. Educational employers
- c. Grocery stores
- d. Local government employers
- e. Those entities for which the City does not have authority to tax, specifically:
 - i. federal government and its subsidiaries,
 - ii. state government and its subsidiaries,
 - iii. insurance businesses and their agents ([SMC 5.45.090](#)),
 - iv. businesses that only sell, manufacture, or distribute motor vehicle fuel ([RCW 82.38.080](#)), and
 - v. businesses that only sell or distribute liquor ([RCW 66.08.120](#)).

Based on summaries of 2018 State Employment Security Department employment data provided by the King County Office of Financial Analysis to Seattle's City Budget Office, approximately 800 businesses would be required to pay the tax after accounting for all exemptions. This represents two percent of the 39,600 firms represented in the 2018 data.

D. Who pays the tax?

The tax must be paid by the employer and cannot be deducted from employee compensation.

E. Effective and Due Dates

To generate revenue to meet the needs from the COVID-19 civil emergency, the proposed tax would be imposed effective June 1, 2020. While the tax would take effect on June 1, 2020, tax payments for 2020 and 2021 would be due with the final tax payment for 2021 (the earliest we expect that Department of Finance and Administrative Services can both complete rulemaking and stand up the administrative infrastructure needed to accept tax payments).

F. Emergency Clause

The new tax revenue from this bill is generated to respond to public needs resulting from the COVID-19 and homelessness civil emergencies. The tax legislation therefore includes an emergency provision and would have an immediate effective date if passed by a three-quarters of Councilmembers and signed by the Mayor.

CB 119773: IFL Bill

The IFL bill would authorize interfund loans supporting the emergency 2020 appropriations addressed in the separate Spending Plan and Emergency Appropriations bill (CB 119774).

An interfund loan is the practice of one City fund borrowing from a different City “source” fund; the source fund has a cash balance that will be needed to meet future obligations, but the cash balance is temporarily used for other short-term spending priorities.

The IFL bill would authorize multiple City funds to make interfund loans to the General Fund (GF). The GF would repay the source funds the borrowed amounts plus interest in 2021 using the payroll expense tax revenues as described in the Spending bill.

A. Cumulative Loan Amount

The IFL bill would authorize the GF to borrow up to \$200 million from a to-be-determined combination of general government source funds.

The bill identifies six potential funds that would loan cash to the GF to support the emergency 2020 appropriations. These funds were selected based on Central Staff’s evaluation of year-end fund balances and a determination that the six funds would each likely be able to support a loan of up to \$50 million without significantly affecting the City’s ability to support projects and programs that were authorized in the 2020 Adopted Budget and the 2020-2025 Capital Improvement Program.

There is some uncertainty about how much cash is actually available in each fund and what impacts (if any) of the interfund loans would have on projects and programs. Authorizing a loan of up to \$50 million from each of the six funds is intended to provide the Executive with flexibility to address this uncertainty. The cumulative loan amount from the six sources (listed below) cannot exceed \$200 million.

1. Low Income Housing Fund
2. Housing Incentive Fund
3. Families Education and Preschool Promise Levy Fund
4. Move Seattle Levy Fund
5. Seattle Parks District Fund
6. 2019 Library Levy Fund

B. Minimizing Impacts

The bill would request that the Executive minimize or eliminate impacts on the City's other planned uses of cash in each of the six potential source funds during the period of the IFL.

The bill would also require that the Executive provide a report three weeks about how this goal will be accomplished within the flexibility provided.

C. Emergency Clause

The interfund loans are proposed to respond to the COVID-19 civil emergency. The IFL legislation therefore includes an emergency provision and would have an immediate effective date if passed by a three-quarters of the Councilmembers and signed by the Mayor.

cc: Kirstan Arestad, Executive Director



Legislation Text

File #: CB 119773, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to the financing of responses to the civil emergency; authorizing the loan of funds from the Low Income Housing Fund to the General Fund; authorizing the loan of funds from the Housing Incentive Fund to the General Fund; authorizing the loan of funds from the Families Education and Preschool Promise Levy Fund to the General Fund; authorizing the loan of funds from the Move Seattle Levy Fund to the General Fund; authorizing the loan of funds from the Seattle Parks District Fund to the General Fund; authorizing the loan of funds from the 2019 Library Levy Fund to the General Fund; declaring an emergency; and establishing an immediate effective date; all by a 3/4 vote of the City Council.

WHEREAS, on November 2, 2015, the Mayor issued a 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, the Mayor declared a civil emergency on March 3, 2020, and the City Council modified the civil emergency proclamation by adopting Resolution 31937 on March 5, 2020; and

WHEREAS, the City Council adopted an ordinance, introduced as Council Bill 119772, authorizing a tax on corporate payroll to be implemented and administered by the Department of Finance and Administrative Services effective January 1, 2021 with the first tax payments from taxpayers due on January 31, 2021; and

WHEREAS, regarding use of the proceeds of these interfund loans for an emergency 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, there is sufficient cash in the Low Income Housing Fund to support a loan of up to \$50,000,000 through the end of 2020; and

WHEREAS, there is sufficient cash in the Housing Incentive Fund to support a loan of up to \$50,000,000 through the end of 2020; and

WHEREAS, there is sufficient cash in the Families Education and Preschool Promise Levy Fund to support a loan of up to \$50,000,000 through the end of 2020; and

WHEREAS, there is sufficient cash in the Move Seattle Levy Fund to support a loan of up to \$50,000,000 through the end of 2020; and

WHEREAS, there is sufficient cash in the Seattle Park District Fund to support a loan of up to \$50,000,000 through the end of 2020; and

WHEREAS, there is sufficient cash in the 2019 Library Levy Fund to support a loan of up to \$50,000,000 through the end of 2020; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council finds and declares that:

A. There is no viable alternative to meet a core City objective. The extraordinary circumstances discussed in this section call for an exception to the Debt Management Policies approved by Resolution 31553 as contemplated by the Introduction to the Policies, and therefore the Director of Finance is authorized to make loans as provided for in this ordinance.

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

C. 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.

D. 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 April 24, 2020 to combat the spread of the disease.

E. 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.

F. 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.”

G. As of April 1, 2020, the Washington State Department of Health confirmed 5,984 cases of COVID-19 and 247 deaths caused by the virus.

H. The COVID-19 crisis has had a significant impact on the local economy impacting the retail, restaurant 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 people with low incomes who have become unemployed or had their work hours severely reduced.

I. 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, over 133,000 individuals statewide and 37,000 individuals in King County, alone, have filed for unemployment insurance in just the first weeks. Unemployment insurance generally only covers a portion of lost wages. Those filing for unemployment insurance will, in all likelihood, only increase as the closure continues. This will put more and more Seattle households, particularly low-income households, in financial peril.

J. Federal and state assistance to people with low low-incomes will not be sufficient to meet their basic needs during the COVID-19 public health and economic crisis. Additional financial support to people low-

incomes is necessary to help meet their basic needs such as housing, food, and medical needs, and to help minimize impacts to public health as well as the local economy.

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

L. On March 17, the Seattle Times quoted the City Budget Director as saying that a "best-case scenario" would be that the COVID 19 civil emergency causes as little as a \$110 million or 7% reduction in General Fund revenues available for City spending priorities in 2020 (and this estimate was made prior to the Governor's emergency order closing all restaurants, bars, and other non-essential businesses).

M. The City will provide such immediate cash assistance through Council Bill 119774.

N. The City will impose a new payroll expense tax through Council Bill 119772 on the largest businesses that will provide new revenues to allow the City to make immediate cash assistance available to those households most impacted by the COVID-19 civil emergency.

O. The interfund loan contemplated in this Council Bill is dependent on the tax authorized by Council Bill 119772 going into effect immediately and not being overturned by referendum.

P. As a result of the City having already fully committed the City's General Fund through the 2020 Adopted Budget and of the anticipated decrease in General Fund revenues, other means of repaying the interfund loans authorized by this Council Bill would not be feasible if the tax authorized by Council Bill 119772 were overturned by referendum.

Section 2. The City Council finds that there is no viable alternative to meet a core City objective, and therefore the Director of Finance is authorized to make a series of loans that shall not exceed a combined total of \$200,000,000 from the funds identified in this ordinance. The Director of Finance shall coordinate the loan amounts and sources in a manner that minimizes or eliminates the need to forestall capital projects or operations expenditures that would otherwise have required use of cash for the period of the loans.

Section 3. Within 21 days of the effective date of this ordinance, the Director of Finance shall report to

the Finance and Housing Committee:

A. The specific amounts borrowed from each fund to achieve the combined total \$200,000,000 in loans;
and

B. A summary of any capital projects or operations that were delayed or required to reduce spending because they would otherwise have required use of cash from each fund during the period of the loan.

Section 4. The Director of Finance is authorized to make a loan of not more than \$60,000,000 of principal and interest outstanding at any one time from the Low Income Housing Fund (16400) to the General Fund (00100) from which funds may be drawn to pay for the immediate needs resulting from the COVID-19 civil emergency that are authorized by Council Bill 119774. This loan is to be repaid no later than December 31, 2021, with interest on the loan at the rate of return of the City's Consolidated (Residual) Cash Pool.

Section 5. The entire principal and interest amount of the loan authorized in Section 4 of this ordinance, and owed by the General Fund to the Low Income Housing Fund, is intended to be repaid no later than December 31, 2021 from the revenue generated from the tax on corporate payroll in Seattle Municipal Code Chapter 5.38.

Section 6. The Director of Finance is authorized to make a loan of not more than \$50,000,000 of principal and interest outstanding at any one time from the Housing Incentive Fund (16430) to the General Fund (00100) from which funds may be drawn to pay for the immediate needs resulting from the COVID-19 civil emergency that are authorized by Council Bill 119774. This loan is to be repaid no later than December 31, 2021, with interest on the loan at the rate of return of the City's Consolidated (Residual) Cash Pool.

Section 7. The entire principal and interest amount of the loan authorized in Section 6 of this ordinance, and owed by the General Fund to the Housing Incentive Fund, is intended to be repaid no later than December 31, 2021 from the revenue generated from the tax on corporate payroll in Seattle Municipal Code Chapter 5.38.

Section 8. The Director of Finance is authorized to make a loan of not more than \$50,000,000 of principal and interest outstanding at any one time from the Families Education and Preschool Promise Levy

Fund (17871) to the General Fund (00100) from which funds may be drawn to pay for the immediate needs resulting from the COVID-19 civil emergency that are authorized by Council Bill 119774. This loan is to be repaid no later than December 31, 2021, with interest on the loan at the rate of return of the City's Consolidated (Residual) Cash Pool.

Section 9. The entire principal and interest amount of the loan authorized in Section 8 of this ordinance, and owed by the General Fund to the Families Education and Preschool Promise Levy Fund, is intended to be repaid no later than December 31, 2021 from the revenue generated from the tax on corporate payroll in Seattle Municipal Code Chapter 5.38.

Section 10. The Director of Finance is authorized to make a loan of not more than \$50,000,000 of principal and interest outstanding at any one time from the Move Seattle Levy Fund (10398) to the General Fund (00100) from which funds may be drawn to pay for the immediate needs resulting from the COVID-19 civil emergency that are authorized by Council Bill 119774. This loan is to be repaid no later than December 31, 2021, with interest on the loan at the rate of return of the City's Consolidated (Residual) Cash Pool.

Section 11. The entire principal and interest amount of the loan authorized in Section 10 of this ordinance, and owed by the General Fund to the Move Seattle Levy Fund, is intended to be repaid no later than December 31, 2021 from the revenue generated from the tax on corporate payroll in Seattle Municipal Code Chapter 5.38.

Section 12. The Director of Finance is authorized to make a loan of not more than \$50,000,000 of principal and interest outstanding at any one time from the Seattle Park District Fund (19710) to the General Fund (00100) from which funds may be drawn to pay for the immediate needs resulting from the COVID-19 civil emergency that are authorized by Council Bill 119774. This loan is to be repaid no later than December 31, 2021, with interest on the loan at the rate of return of the City's Consolidated (Residual) Cash Pool.

Section 13. The entire principal and interest amount of the loan authorized in Section 12 of this ordinance, and owed by the General Fund to the Seattle Park District Fund, is intended to be repaid no later

than December 31, 2021 from the revenue generated from the tax on corporate payroll in Seattle Municipal Code Chapter 5.38.

Section 14. The Director of Finance is authorized to make a loan of not more than \$50,000,000 of principal and interest outstanding at any one time from the 2019 Library Levy Fund (18200) to the General Fund (00100) from which funds may be drawn to pay for the immediate needs resulting from the COVID-19 civil emergency that are authorized by Council Bill 119774. This loan is to be repaid no later than December 31, 2021, with interest on the loan at the rate of return of the City's Consolidated (Residual) Cash Pool.

Section 15. The entire principal and interest amount of the loan authorized in Section 14 of this ordinance, and owed by the General Fund to the 2019 Library Levy Fund, is intended to be repaid no later than December 31, 2021 from the revenue generated from the tax on corporate payroll in Seattle Municipal Code Chapter 5.38.

Section 16. The Director of Finance may effectuate the loans authorized in this ordinance by transferring cash to the General Fund until no later than December 31, 2020. The Director of Finance is further authorized to establish, and modify if necessary from time to time, a repayment plan and schedule.

Section 17. 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 18. 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 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 the financing of responses to the civil emergency; authorizing the loan of funds from the Low Income Housing Fund to the General Fund; authorizing the loan of funds from the Housing Incentive Fund to the General Fund; authorizing the loan of funds from the Families Education and Preschool Promise Levy Fund to the General Fund; authorizing the loan of funds from the Move Seattle Levy Fund to the General Fund; authorizing the loan of funds from the Seattle Parks District Fund to the General Fund; authorizing the loan of funds from the 2019 Library Levy Fund to the General Fund; 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 council bill would authorize the Director of Finance to make multiple interfund loans from City funds. Specifically, the council bill authorizes the Director of Finance to borrow up to a cumulative total of \$200,000,000 by borrowing up to \$50,000,000 from each of the following six funds: the Low Income Housing Fund, the Housing Incentive Fund, the Families Education and Preschool Promise Levy Fund, the Move Seattle Levy Fund, the Seattle Park District Fund, and the Library Levy Fund.

The council bill directs the Director of Finance to coordinate the loans so as to minimize or eliminate the need to forestall capital projects or operations expenditures that would otherwise have required use of the cash for the period of the loans.

The council bill directs the Director of Finance to submit a report within 21 days informing the Finance and Housing Committee of the specific amounts borrowed from each fund and any impacts to the ability of those funds to deliver the projects and spending anticipated in the 2020 Adopted Budget.

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?

The interfund loans will need to be repaid with interest.

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

This council bill provides immediate financial capacity for the City to make payments to individuals and households under Council Bill [REDACTED] who have been impacted by the health-related civil emergency and the homelessness-related civil emergency. Not implementing this legislation but approving the payments would require that the payments be supported by existing General Fund resources, which are otherwise fully programmed for 2020.

3.a. Appropriations

 This legislation adds, changes, or deletes appropriations.

Is this change one-time or ongoing?

Appropriations Notes:

3.b. Revenues/Reimbursements

 x 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		Interfund loan from multiple City funds	\$200,000,000	\$0
TOTAL			\$200,000,000	\$0

Is this change one-time or ongoing?

One-time.

Revenue/Reimbursement Notes:

3.c. Positions

 This legislation adds, changes, or deletes positions.

4. OTHER IMPLICATIONS

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

No.

- 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?

N/A.

- 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.

April 17, 2020

MEMORANDUM

To: Select Budget Committee
From: Tom Mikesell, Analyst and Dan Eder, Deputy Director
Subject: Payroll Expense Tax Package - Tax and Interfund Loan

On Wednesday, April 22, 2020 the Select Budget Committee (Select Committee) will begin discussions on the proposed Payroll Expense Tax package (aka Tax on Corporate Payroll). This tax package includes three separate, but interconnected bills:

1. [CB 119772](#) – Tax
2. [CB 119773](#) – Interfund Loan (IFL)
3. [CB 119774](#) – Spending Plan and Emergency Appropriations

This memo describes CB 119772 (Tax Bill) and CB 119773 (IFL Bill). In short, the tax bill would impose a new payroll expense tax annually on businesses with payrolls in excess of \$7 million to generate \$500 million in tax revenue annually. The IFL bill would approve loans to support emergency appropriations in 2020. Combined, these two bills provide the financing mechanism for the spending proposal included in Spending Plan bill CB 119774 to fund emergency cash assistance to low-income households impacted by COVID-19, acquisition and development of social housing, and housing-related strategies identified in Seattle’s Green New Deal (GND) [Resolution 31895](#).

CB 119772: Tax Bill

A. Revenue Amount

Raises \$500 million annually (plus inflation beginning in 2022). Given a June 2020 effective date (described later in *Section D. Who Pays the Tax?*) tax revenues owed for 2020 (June through December) would be approximately \$286.4 million. The 2020 tax payment, however, would not be due until February 1, 2022.

B. Tax Structure

Imposes a tax on non-exempt business payroll expenses with a Seattle nexus in excess of \$7 million annually. Employers not exempted (discussed in *Section C. Exemptions*) would pay 1.3 percent times the total payroll paid to all employees for work performed in Seattle, as described below.

1. *Business Payroll Expense Calculation*

As described in *Section C. Exemptions* of this memo, the tax would apply to business payroll expenses above a \$7 million threshold for each individual business. The calculation of payrolls against that threshold bears further explanation given alternate approaches to business structures and employment in the ‘gig economy’. For example:

a. *Independent Contractors*

When calculating total annual payroll, the bill would require a business to include their payments to all independent contractors that provide work for that business. An exception would be made for independent contractors whose compensation is already included in another business' payroll calculation.

b. *Integrated Enterprises*

In some instances, an organization that informally operates and advertises as a single business can be a collection of related, but independently licensed businesses. For example, a restaurant management company can provide management and operational oversight to an array of smaller independent restaurant and catering businesses. This bill would treat each individual restaurant, and the management company itself, as discrete, independent businesses when determining if their payrolls exceed the \$7 million threshold.

c. *Franchise Businesses*

Similarly, for the purpose of determining total payroll, the bill treats individual franchises of a larger corporation as discrete businesses. For example, the payroll at an individual McDonalds franchise, which holds a business license with the City, will be tested against the \$7 million threshold, rather than the payrolls at all McDonalds restaurants in Seattle being aggregated and tested against the \$7 million threshold.

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The bill includes the following types of compensation in determining payroll expense:

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The definition of compensation does not include payments to a pass-through entity that are not earned for services rendered, including return of capital, investment income, or other income from passive activities.

3. *Allocation of Payroll in Seattle*

A final element of determining the tax base requires assigning payroll attributable to work in Seattle. The approach is the same framework used in proportionally allocating liability for the City's existing Business License Tax (Business and Occupation or B&O tax) for businesses that operate both inside and outside the city limits. Specifically, the bill would include a three-part test of whether to include the payroll expense for an employee. The tax would apply to a payroll expense for an employee in one or more of the following circumstances:

- Employee is primarily assigned to Seattle;
- Employee performs 50 percent or more of their work in Seattle; or

- Employee resides in Seattle and does not perform 50 percent or more of their work in a single city.

This is similar to the allocation framework used in [HB 2948](#), a bill that was introduced during the 2020 regular session of the State Legislature and that would have granted authority for a county payroll tax.

C. Exemptions

Some businesses based on size and type would be exempted, as follows:

1. *Businesses Generally Not Subject to the Tax*

The bill would exempt businesses with annual payrolls less than \$7 million in 2020 and 2021. Beginning on January 2022, the exemption threshold grows with the rate of inflation. The exemption threshold (like the measure of the tax itself) is based on payroll expenses for work attributable to a business licensed in the City of Seattle. As an illustrative example, a hypothetical business has a worldwide payroll of \$10 million in 2019 of which \$5 million is for Seattle-based employees. This business would be exempt from paying the proposed tax because its annual Seattle-based payroll expense amount is less than the \$7 million exemption threshold.

2. *Other Exemptions*

The bill would exempt the following businesses irrespective of size of payroll expense:

- a. Non-profit organizations
- b. Educational employers
- c. Grocery stores
- d. Local government employers
- e. Those entities for which the City does not have authority to tax, specifically:
 - i. federal government and its subsidiaries,
 - ii. state government and its subsidiaries,
 - iii. insurance businesses and their agents ([SMC 5.45.090](#)),
 - iv. businesses that only sell, manufacture, or distribute motor vehicle fuel ([RCW 82.38.080](#)), and
 - v. businesses that only sell or distribute liquor ([RCW 66.08.120](#)).

Based on summaries of 2018 State Employment Security Department employment data provided by the King County Office of Financial Analysis to Seattle's City Budget Office, approximately 800 businesses would be required to pay the tax after accounting for all exemptions. This represents two percent of the 39,600 firms represented in the 2018 data.

D. Who pays the tax?

The tax must be paid by the employer and cannot be deducted from employee compensation.

E. Effective and Due Dates

To generate revenue to meet the needs from the COVID-19 civil emergency, the proposed tax would be imposed effective June 1, 2020. While the tax would take effect on June 1, 2020, tax payments for 2020 and 2021 would be due with the final tax payment for 2021 (the earliest we expect that Department of Finance and Administrative Services can both complete rulemaking and stand up the administrative infrastructure needed to accept tax payments).

F. Emergency Clause

The new tax revenue from this bill is generated to respond to public needs resulting from the COVID-19 and homelessness civil emergencies. The tax legislation therefore includes an emergency provision and would have an immediate effective date if passed by a three-quarters of Councilmembers and signed by the Mayor.

CB 119773: IFL Bill

The IFL bill would authorize interfund loans supporting the emergency 2020 appropriations addressed in the separate Spending Plan and Emergency Appropriations bill (CB 119774).

An interfund loan is the practice of one City fund borrowing from a different City “source” fund; the source fund has a cash balance that will be needed to meet future obligations, but the cash balance is temporarily used for other short-term spending priorities.

The IFL bill would authorize multiple City funds to make interfund loans to the General Fund (GF). The GF would repay the source funds the borrowed amounts plus interest in 2021 using the payroll expense tax revenues as described in the Spending bill.

A. Cumulative Loan Amount

The IFL bill would authorize the GF to borrow up to \$200 million from a to-be-determined combination of general government source funds.

The bill identifies six potential funds that would loan cash to the GF to support the emergency 2020 appropriations. These funds were selected based on Central Staff’s evaluation of year-end fund balances and a determination that the six funds would each likely be able to support a loan of up to \$50 million without significantly affecting the City’s ability to support projects and programs that were authorized in the 2020 Adopted Budget and the 2020-2025 Capital Improvement Program.

There is some uncertainty about how much cash is actually available in each fund and what impacts (if any) of the interfund loans would have on projects and programs. Authorizing a loan of up to \$50 million from each of the six funds is intended to provide the Executive with flexibility to address this uncertainty. The cumulative loan amount from the six sources (listed below) cannot exceed \$200 million.

1. Low Income Housing Fund
2. Housing Incentive Fund
3. Families Education and Preschool Promise Levy Fund
4. Move Seattle Levy Fund
5. Seattle Parks District Fund
6. 2019 Library Levy Fund

B. Minimizing Impacts

The bill would request that the Executive minimize or eliminate impacts on the City's other planned uses of cash in each of the six potential source funds during the period of the IFL.

The bill would also require that the Executive provide a report three weeks about how this goal will be accomplished within the flexibility provided.

C. Emergency Clause

The interfund loans are proposed to respond to the COVID-19 civil emergency. The IFL legislation therefore includes an emergency provision and would have an immediate effective date if passed by a three-quarters of the Councilmembers and signed by the Mayor.

cc: Kirstan Arestad, Executive Director