



SEATTLE CITY COUNCIL

Finance and Housing Committee

Agenda

Friday, July 9, 2021

9:30 AM

Remote Meeting. Call 253-215-8782; Meeting ID: 586 416 9164; or
Seattle Channel online.

Teresa Mosqueda, Chair
Lisa Herbold, Vice-Chair
M. Lorena González, Member
Andrew J. Lewis, Member
Dan Strauss, Member
Tammy J. Morales, Alternate

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

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<http://seattle.gov/cityclerk/accommodations>.



SEATTLE CITY COUNCIL
Finance and Housing Committee
Agenda
July 9, 2021 - 9:30 AM

Meeting Location:

Remote Meeting. Call 253-215-8782; Meeting ID: 586 416 9164; or Seattle Channel online.

Committee Website:

<http://www.seattle.gov/council/committees/finance-and-housing>

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

In-person attendance is currently prohibited per Washington State Governor's Proclamation 20-28.15, until the COVID-19 State of Emergency is terminated or Proclamation 20-28 is rescinded by the Governor or State legislature. Meeting participation is limited to access by telephone conference line and online by the Seattle Channel.

Register online to speak during the Public Comment period at the 9:30 a.m. Finance and Housing Committee meeting at <http://www.seattle.gov/council/committees/public-comment>.

Online registration to speak at the Finance and Housing Committee meeting will begin two hours before the 9:30 a.m. 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 Councilmember Mosqueda at Teresa.Mosqueda@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 253-215-8782 Meeting ID: 586 416 9164

One Tap Mobile No. US: +12532158782,,5864169164#

Please Note: Times listed are estimated

A. Call To Order

B. Approval of the Agenda

C. Public Comment

D. Items of Business

1. [CB 120114](#) **AN ORDINANCE** relating to the Office of Housing; authorizing the acquisition of two parcels in South Park for the purpose of development of affordable housing and community ground floor space; placing the property under the jurisdiction of the Office of Housing; and ratifying and confirming certain prior acts.

Supporting Documents:

[Summary and Fiscal Note](#)

[Summary Att 1 – Property Map](#)

[Presentation](#)

Briefing, Discussion, and Possible Vote

Presenters: Emily Alvarado, Director, and Jessica Gomez, Office of Housing; Alberto Rodriguez, Office of Sustainability and Environment; Traci Ratzliff, Council Central Staff

2. [CB 120113](#) **AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; amending Section 5.73.070 of the Seattle Municipal Code to temporarily allow certain extensions of the Multifamily Housing Property Tax Exemption program completion deadline as permitted by state law; and ratifying and confirming certain prior acts.**

Supporting

Documents: [Summary and Fiscal Note](#)
[Presentation](#)

Briefing, Discussion, and Possible Vote

Presenters: Emily Alvarado, Director, and Jennifer LaBrecque, Office of Housing; Traci Ratzliff, Council Central Staff

3. [CB 120119](#) **AN ORDINANCE relating to employment in Seattle; amending Sections 100.025 and Section 5 of Ordinance 126274 to establish a new date for ending hazard pay requirements and automatically repealing the ordinance.**

Supporting

Documents: [Summary and Fiscal Note](#)

Briefing and Discussion

Presenter: Karina Bull, Council Central Staff

4. [CB 120118](#) **AN ORDINANCE** related to creating a fund for Payroll Expense Tax revenues; adding a new Section 5.38.055 to the Seattle Municipal Code; and providing additional guidelines for expending proceeds.

Supporting Documents:

[Summary and Fiscal Note](#)

[Central Staff Memo](#)

[Amendment 1](#)

Briefing, Discussion, and Possible Vote

Presenter: Aly Pennucci, Council Central Staff

E. Adjournment



Legislation Text

File #: CB 120114, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to the Office of Housing; authorizing the acquisition of two parcels in South Park for the purpose of development of affordable housing and community ground floor space; placing the property under the jurisdiction of the Office of Housing; and ratifying and confirming certain prior acts.

WHEREAS, The City of Seattle created the place-based and interdepartmental Duwamish Valley Program in 2016 to engage Duwamish Valley residents in identifying their priorities to advance environmental justice and equitable development; and

WHEREAS, the Duwamish Valley Action Plan (2018) identified six racial equity outcomes, strategies, and actions that reflected community priorities, including investing City resources to preserve existing and increase access to affordable housing; and

WHEREAS, the median household income in South Park in 2018 was \$34,605; 55 percent of South Park residents are renters; and almost 55 percent of those are “rent-burdened,” which is defined by the U.S. Department of Housing and Urban Development as spending more than 30 percent of income on housing; and

WHEREAS, the Office of Housing has been working to achieve the goals of the Duwamish Valley Action Plan, including pursuing opportunities for permanent affordable housing for low-income households in the Duwamish Valley; and

WHEREAS the Office of Housing has entered into purchase and sale agreements to acquire two real property parcels at the intersection of 14th Avenue S and S Henderson Street in South Park, at a combined purchase price of \$3,650,000, contingent upon City Council ordinance authorization; and

WHEREAS, the Office of Housing expects to engage community stakeholders to inform a future vision for the redevelopment of the two parcels for affordable housing and related community uses; and

WHEREAS, the Office of Housing expects to release a Request for Proposals for the redevelopment of the two parcels, which are approximately 18,000 square feet of developable land; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Director of the Office of Housing or designee (“OH Director”) is authorized on behalf of The City of Seattle to acquire the described real property (“Property”) situated in the City of Seattle, County of King, State of Washington, identified as King County parcel numbers 788360-8611 and 788360-8608, together with all rights, privileges, and other property pertaining thereto, at a combined purchase price of no greater than \$3,650,000, for the purpose of developing affordable housing, for households at or below 60 percent of area median income and for other potential community uses, and for general municipal purposes:

788360-8611 (8914 14th Avenue South):

PARCEL A: LOTS 45, 46, 47 AND 48, BLOCK 45 OF SOUTH PARK, AS PER PLAT RECORDED IN VOLUME 4 OF PLATS, PAGE 87, IN KING COUNTY, WASHINGTON; EXCEPT THE NORTH 30 FEET THEREOF.

PARCEL B: THE NORTH 30 FEET OF LOTS 45, 46, 47 AND 48, BLOCK 45 OF SOUTH PARK, AS PER PLAT RECORDED IN VOLUME 4 OF PLATS, PAGE 87, IN KING COUNTY, WASHINGTON

788360-8608 (1412 South Henderson Street):

LOTS 43 AND 44, BLOCK 45, SOUTH PARK, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 4 OF PLATS, PAGE 87, RECORDS OF KING COUNTY, WASHINGTON.

Section 2. The OH Director is authorized, on behalf of The City of Seattle, to execute such documents as deemed necessary to purchase the Properties; to accept and record deeds and other necessary instruments on behalf of the City; to provide relocation assistance to the extent required by law to the occupants of the properties; to enter into agreements with the existing owners and tenants as needed to facilitate the successful acquisition of the properties, including but not limited to an assignment and assumption of leases and contracts,

and entering into new leases or lease amendments which the OH Director deems reasonable and in the best interest of the City consistent with the purposes set forth herein; to correct minor errors in the legal description of the Property, if any; to take any further actions with respect to the Property consistent with the purposes set forth herein, including conducting community engagement and a request for proposals/qualifications with respect to redevelopment of the Property for affordable housing and related community uses; and upon acquisition of the Property, it shall be under the jurisdiction of the Office of Housing.

Section 3. Any act consistent with the authority of this ordinance taken after its passage and prior to its effective date is ratified and confirmed.

Section 4. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the _____ day of _____, 2021, and signed by me in open session in authentication of its passage this _____ day of _____, 2021.

President _____ of the City Council

Approved by me this _____ day of _____, 2021.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2021.

Monica Martinez Simmons, City Clerk

(Seal)

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Office of Housing	Emily Alvarado/ (206) 684-3727	Miguel Jimenez/684-5805

** 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 Office of Housing; authorizing the acquisition of two parcels in South Park for the purpose of development of affordable housing and community ground floor space; placing the property under the jurisdiction of the Office of Housing; and ratifying and confirming certain prior acts.

Summary of the Legislation: This legislation would allow the Office of Housing to acquire two real property parcels (788360-8611 and 788360-8608) at the intersection of 14th Avenue S. and S. Henderson Street in South Park, for the purpose of developing affordable housing, for households at or below sixty percent of area median income with ground floor community uses. The combined purchase price of both parcels would total \$3.65M and would provide approximately 18,000 square feet of land for development. Closing is projected for August 15, 2021.

Following the acquisition of the properties OH will conduct a community engagement process to inform a Request for Proposal for an affordable housing development on the site.

Background: Since 2018, the Office of Housing has been working to achieve the goals it set out in the [Duwamish Valley Action Plan](#). These are:

1. Strong local community organization that has the expertise and capacity to pursue affordable housing and anti-displacement strategies in the Duwamish Valley.
2. Stabilize incumbent low-income renters and homeowners to prevent displacement in the Duwamish Valley.
3. Pursue additional opportunities for permanent affordable housing for low-income households in the Duwamish Valley.

This acquisition will support future development of affordable rental housing that will achieve the following community-driven goals: 1) mixed-use development 2) family-sized units and 3) community-oriented space located on the ground floor. This acquisition advances City efforts of environmental justice and equitable development in the Duwamish Valley, including priorities set in the Duwamish Valley Action Plan, a City-community shared vision for the South Park and Georgetown.

OH worked with a real estate broker to identify sites suitable for redevelopment. Current uses of the properties include two commercial tenants and one residential tenant. Any required relocation will occur after a Request for Qualifications and a timeline for development has been identified.

2. CAPITAL IMPROVEMENT PROGRAM

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

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes __X__ 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?

There are acquisition and pre-development costs to be paid for with existing Office of Housing revenues and using existing 2021 Adopted Budget appropriations.

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

No

4. OTHER IMPLICATIONS

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

Yes. Operational – The Finance and Administrative Services (FAS) Department may serve as the property management entity of the property. This will involve FAS having custodial management of the property, including leasing, collection of rents, payment of expenses, and other property management duties.

b. Is a public hearing required for this legislation?

No

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

No

d. Does this legislation affect a piece of property?

Yes, see Attachment 1 for a map of the property.

e. 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 [Duwamish Valley Action Plan](#) highlighted major disparities within the South Park community, which is primarily made up of BIPOC community members. The median household income in South Park in 2018 was \$34,605. 55% of South Park residents are renters and almost 55% of those are rent burdened.

The acquisition and development of a mixed-use building in a neighborhood with sizable inequities would create a positive impact to South Park. This building will provide safe, healthy and affordable housing to households who have been displaced or are at risk of

displacement, as well as provide community space on the ground floor in the heart of the community. The ground floor would also help activate the 14th Avenue corridor and be a central location for community services.

All community engagement materials and presentations will be translated in the main languages in the community.

f. Climate Change Implications

1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?

No

2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.

No

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).

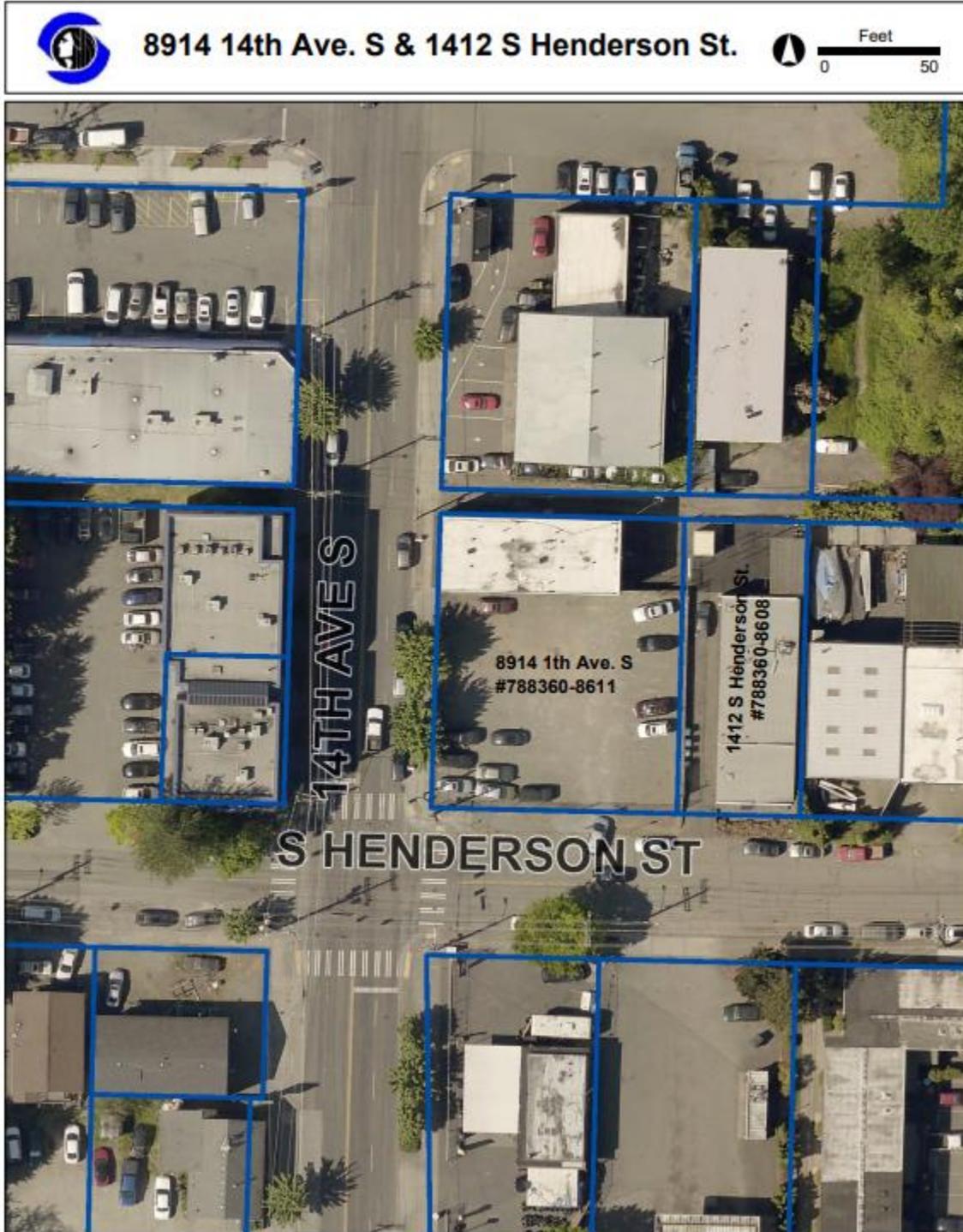
No

List attachments/exhibits below:

Summary Attachment 1 – Property Map

Property Map

** This map is intended for illustrative and informational purposes only and is not intended to modify anything in the legislation.



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Coordinate System: State Plane, NAD 83-91, Washington North Zone | Vertical Datum: North American Vertical Datum of 1988 (NAVD88). Map produced by DPO GIS Viewer (DPO - IT GIS).

6/8/2021

Acquisition of Land in South Park for Affordable Housing Development

Finance and Housing Committee

DATE: July 9th, 2021



City of Seattle 14

BACKGROUND

- 2017 Office of Housing, Housing Funding Policies: updated to allow for strategic acquisition of land, especially in areas of high risk of displacement, to support affordable housing development
- 2018 Duwamish Valley Action Plan: sets out anti-displacement goals for housing
- 2018 Community Driven Vision: organizing by South Park groups to address displacement, specifically the Duwamish Valley Affordable Housing Coalition (DVAHC) and support by Duwamish River Cleanup Coalition (DRCC)

ACQUISITION DETAILS

- Combined acquisition price is \$3.65M
- Combined parcel size is approximately 18,000 square feet
 - 8914 14th Avenue – Parcel #788360-8611
 - Zoning - C2-75 (M)
 - Square footage – 12,000
 - 1412 S. Henderson Street – Parcel #788360-8608
 - Zoning - C2-75 (M)
 - Square footage – 6,000

PROPERTIES

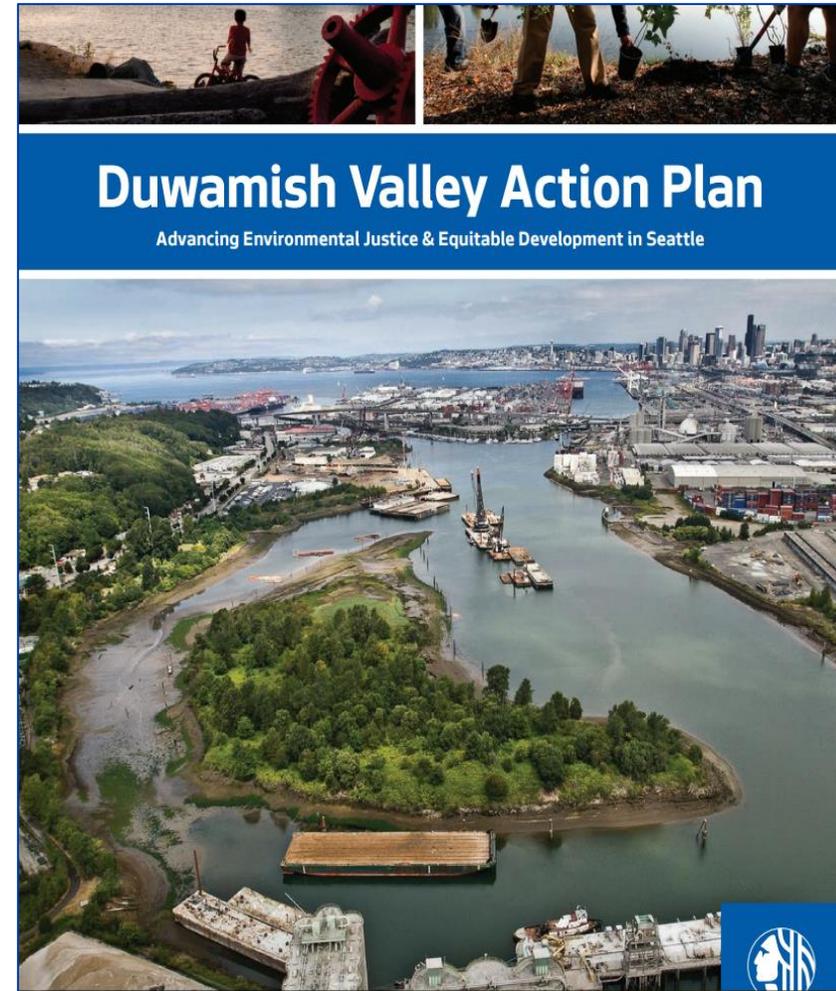


VISION FOR DEVELOPMENT

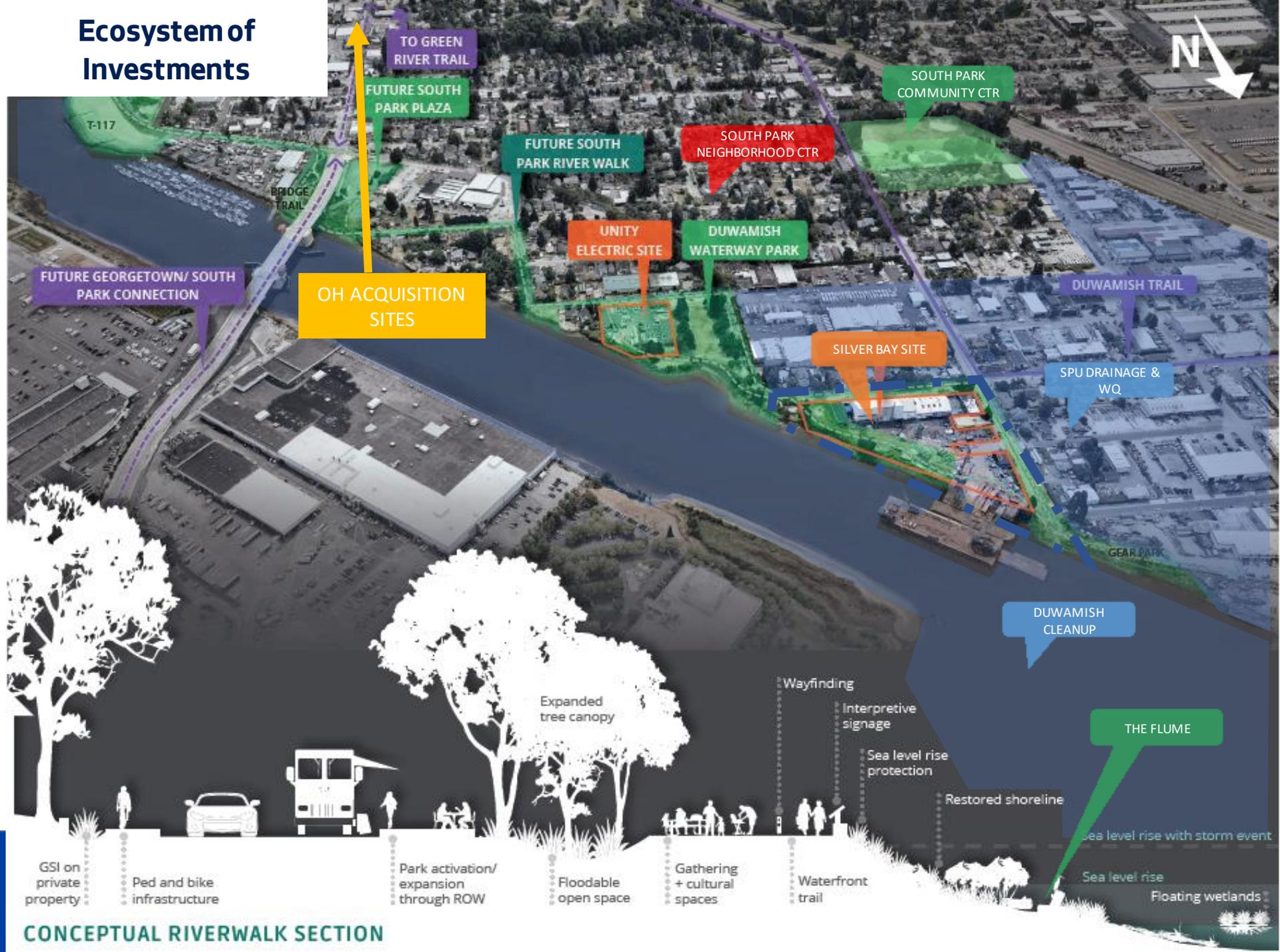
- 70-120+ family sized units for low-income families
- Community services on the ground floor
- Activation of 14th Avenue S. corridor with housing and ground floor uses
- Safe and healthy housing to those experiencing pressures of displacement
- Aim for highly energy and water efficient, all electric zero carbon building
- Utilize Community Preference to benefit those most impacted by displacement
- Meets the racial equity outcomes outlined in the Duwamish Valley Action Plan

Duwamish Valley Program

- Established in 2016 in partnership with 18 City agencies.
- In 2018, released the Duwamish Valley Action Plan.
 - OH's acquisition aligns with the anti-displacement goals outlined in the Action Plan.



Ecosystem of Investments



Long-Term Strategies



To be developed by 2023.

TIMELINE

- OH Entered into Purchase and Sale Agreements: March 2021
- Projected Closing Date: August 15, 2021
- Community Engagement to Inform the Request for Proposals (RFP): Winter/Spring 2021-2022
- Creation of the Request for Proposals in partnership with community: Summer/Fall 2022
- Council approval required for property disposition to a housing provider after RFP

LEGISLATIVE ACTION

- Approves acquisition of the two parcels
- Acceptance satisfies City Charter requirements
- Places properties in OH jurisdiction



Legislation Text

File #: CB 120113, Version: 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; amending Section 5.73.070 of the Seattle Municipal Code to temporarily allow certain extensions of the Multifamily Housing Property Tax Exemption program completion deadline as permitted by state law; and ratifying and confirming certain prior acts.

WHEREAS, the State Legislature passed Engrossed Second Substitute Senate Bill 5287 in 2021, which provides that local jurisdictions may extend the deadline for completion of any outstanding MFTE application requirements for applications submitted on or before February 15, 2020; and

WHEREAS, the City intends to temporarily allow certain Projects to apply for an extension of outstanding MFTE application requirements subject to certain requirements; and

WHEREAS, the COVID-19 Pandemic has impacted real-estate project timelines and caused delays; NOW,

THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 5.73.070 of the Seattle Municipal Code, last amended by Ordinance 125932, is amended as follows:

5.73.070 Extension of Conditional Certificate

A. The expiration date of the Conditional Certificate may be extended by the Director by up to 24 months provided the owner submits to the Director a written request, stating the grounds for the extension, at least 60 days prior to expiration of the Conditional Certificate according to subsection 5.73.060.D, together with a fee of \$500 for the City's administrative cost to process the request. The Director may grant an extension

if the Director determines that:

1. The anticipated failure to complete new multifamily housing or rehabilitation improvements within the required time period is due to circumstances beyond the control of the owner; and

2. The owner has been acting and could reasonably be expected to continue to act in good faith and with due diligence; and

3. All the conditions of the contract will be satisfied upon completion of the project.

B. If the Conditional Certificate expires according to subsection 5.73.060.D and a request for an extension is not received according to subsection 5.73.070.A or subsection 5.73.070.C, the City shall assume the MFTE application has been withdrawn by the owner.

C. In addition to an extension of 24 months according to subsection 5.73.070.A, for applications received by the Office of Housing on or before February 15, 2020, the expiration date of the Conditional Certificate may be extended by the Director by up to five years provided the owner submits to the Director a written request, stating the grounds for the extension and the revised Project completion date, together with a fee of \$500 for the City's administrative cost to process the request. The Director may grant an extension if the Director determines that:

1. The owner has sufficiently demonstrated that the failure or anticipated failure to complete the project prior to expiration of the Conditional Certificate is due to impacts from the COVID-19 pandemic that were beyond the control of the owner;

2. The owner has been acting and could reasonably be expected to continue to act in good faith and with due diligence;

3. A contract has been executed, the owner has complied with all conditions required to date according to the contract except for completion delays due to impacts from the COVID-19 pandemic, and all outstanding conditions of the contract will be satisfied upon completion of the project;

4. The up to five-year extension request according to this subsection 5.73.070.C was received by

the Director on or before September 30, 2021;

5. The Director previously approved a full 24-month extension of the expiration date for the Conditional Certificate according to subsection 5.73.070.A; and

6. The expiration date of the Conditional Certificate based on the first full 24- month extension approved by the Director according to subsection 5.73.070.A was no earlier than February 15, 2020 and no later than February 15, 2022.

Section 2. Any act consistent with the authority of this ordinance taken after its passage and prior to its effective date is ratified and confirmed.

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

Passed by the City Council the _____ day of _____, 2021, and signed by me in open session in authentication of its passage this _____ day of _____, 2021.

President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2021.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2021.

Monica Martinez Simmons, City Clerk

(Seal)

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Office of Housing	Jennifer LaBrecque/206-684-0354	Miguel Jimenez/

** 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 Multifamily Housing Property Tax Exemption Program; amending Section 5.73.070 of the Seattle Municipal Code to temporarily allow certain extensions of the Multifamily Housing Property Tax Exemption program completion deadline as permitted by state law; and ratifying and confirming certain prior acts.

Summary and background of the Legislation: The legislation allows owners of projects delayed by COVID-19 five additional years by which time a Certificate of Occupancy must be issued, for a total of ten years total from time of application. This amendment is authorized by SB 5287, passed during this year’s state legislation session, and allows projects to proceed under old MFTE requirements (i.e. Program 4 or 5, depending on the date of the original application). Given the proposed conditions, Owners of approximately five projects or fewer are likely to pursue extensions to allow the maximum ten year timeline for project completion.

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?

There are two ways to evaluate the MFTE program’s tax impacts and cost. The first and simplest approach quantifies the amount of exempted property tax burden – that is, the amount of property tax that MFTE property owners collectively avoid in a given year due to offering income and rent-restricted set-aside units. Other (non-exempt) taxpayers absorb this tax burden. The second way of evaluating MFTE’s tax impacts and cost considers the amount of net new property tax revenue that MFTE properties’ new construction value would have generated absent MFTE. As intended under State law, the majority of that potential revenue is forgone when MFTE properties’ new construction value is excluded from the tax base for the duration of the exemption period. The remainder of the net new revenue is collected, with the associated net new tax burden shifted to other taxpayers.

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

No

3.a. Appropriations

This legislation adds, changes, or deletes appropriations.

3.b. Revenues/Reimbursements

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

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2021 Revenue	2022 Estimated Revenue
16600 / Office of Housing Operating Fund	OH	\$500 per extension request	\$2,500	\$0
TOTAL				

Is this change one-time or ongoing?

This is a one-time change; applicants may only apply for the additional five-year extension by September 30, 2021.

Revenue/Reimbursement Notes:

Revenue estimates assume owners of five different projects apply for an additional five-year extension. This is at the high end of what OH anticipates in terms of interest in the extension, given the conditions on which it may be granted.

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

No

d. Does this legislation affect a piece of property?

No

e. 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? Because MFTE properties utilizing the additional 5 year extension will remain vested under older, less affordable versions of the program, MFTE units in those properties will be less affordable to members of vulnerable and historically disadvantaged communities than they would have been were owners to pursue exemptions according to the requirements currently required by SMC 5.73. However, if this legislation is not approved, property owners impacted by Covid may elect to move forward with development without MFTE. In that case, property taxes will not be shifted or foregone, but no units in properties delayed by Covid would have restricted rents. Rent limits under prior iterations of SMC Chapter 5.73 were closer to market-rate, notably for SEDUs, but the absence of rent caps could similarly reduce the ability of households from vulnerable or historically disadvantaged communities to lease units in the buildings.

f. Climate Change Implications

1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?

No

2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.

No

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s). N/A

List attachments/exhibits below:

MFTE COVID Related Extensions

Finance & Housing Committee

July 9, 2021

Multi-Family Tax Exemption Program

- Provides a 12-year exemption in return for income and rent restrictions on 20% or 25% of units
- One of City's primary tools for creating income and rent restricted housing
- Currently over 5,000 units in market-rate buildings across the City

Accommodating Time Sensitive & Required Updates to the RCW

Bifurcated strategy to accommodate changes locally:

- ***Ordinance #1***: Additional time to complete for projects impacted by COVID-19 (July)
- ***Ordinance #2***: Other time sensitive or required changes, including extension option (August)
- ***Resolution***: Address other program issues when Council considers program renewal (August)

Proposed MFTE Ordinance: Additional Time to Complete

- Currently, projects have 5 years from time of application to receive Certificate of Occupancy
- Because of COVID-19, RCW now allows an additional 5 years for some projects to complete

Proposed MFTE Ordinance: Additional Time to Complete

- Some projects can remain vested under older programs while receiving an additional 5 years to complete.
- Narrowly structured – must demonstrate delay due to COVID-19 plus other timing conditions
- Estimate at most a handful of projects will take advantage of it

Questions?





Legislation Text

File #: CB 120119, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to employment in Seattle; amending Sections 100.025 and Section 5 of Ordinance 126274 to establish a new date for ending hazard pay requirements and automatically repealing the ordinance.

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 the new coronavirus 19 (COVID-19); and

WHEREAS, on March 3, 2020, the Mayor proclaimed a civil emergency in response to new cases of COVID-19; and

WHEREAS, on February 3, 2021, the City of Seattle enacted Ordinance 126274 (Hazard Pay for Grocery Employees Ordinance) requiring grocery businesses to provide employees with hazard pay for work performed in Seattle during the COVID-19 emergency; and

WHEREAS, Ordinance 126274 states the intention of the City Council (Council) to consider modifying or eliminating hazard pay requirements after four months of implementation and review of the current health, safety, and economic risks of frontline work during the COVID-19 emergency; and

WHEREAS, on March 17, 2021, grocery employees working in Washington state became eligible for COVID-19 vaccinations; and

WHEREAS, on April 15, 2021, all Washington residents 16 years and older became eligible for COVID-19 vaccinations; and

WHEREAS, on May 12, 2021, all Washington residents 12 to 15 years became eligible for COVID-19

vaccinations; and

WHEREAS, on May 13, 2021, the Centers for Disease Control and Prevention (CDC) announced that fully vaccinated people no longer needed to wear a mask inside or outside, except in certain settings such as health care and correctional facilities and except where required by federal, state, local, tribal, or territorial laws, rules, and regulations, including local business and workplace guidance; and

WHEREAS, on May 13, 2021, the Washington Governor announced full adoption of the masking guidance issued by the CDC; and

WHEREAS, on June 29, 2021, Public Health - Seattle & King County announced the end of the Local Health Officer's indoor mask directive for fully vaccinated people; and

WHEREAS, Public Health - Seattle & King County reported that as of June 29, 2021, 72 percent of King County residents 12 years and older, had been fully vaccinated against COVID-19; and

WHEREAS, Public Health - Seattle & King County reported that as of June 29, 2021, there had been more than 60 days of declining COVID-19 cases and hospitalizations per 100,000 residents; and

WHEREAS, despite positive trends in vaccinations and key indicators of COVID-19 activity, Public Health - Seattle & King County has reported disproportionately lower rates of vaccinations among Black and Latinx residents and higher rates of COVID cases among Black and Native Hawaiian/Pacific Islander (NHPI) residents; and

WHEREAS, Public Health - Seattle & King County reported that as of June 29, 2021, 53 percent of Black eligible residents and 55 percent of Latinx eligible residents had been fully vaccinated against COVID-19; and

WHEREAS, Public Health - Seattle & King County reported that as of June 29, 2021, 27 percent of new COVID cases were among Black residents and seven percent of new COVID cases were among NHPI residents although Black and NHPI residents respectively comprise seven percent and one percent of King County's population; and

WHEREAS, Public Health - Seattle & King County has stated that continued precautions and efforts to increase vaccinations are critical to closing vaccination disparities and has expressed commitment to ongoing work with community partners to close the gap in vaccine rates; and

WHEREAS, Public Health - Seattle & King County has partnered with the United Food and Commercial Workers International Union Local 21 and Washington Food Industry Association to ensure access to vaccinations across modalities; and

WHEREAS, the Council is committed to developing and collaborating on policies to eliminate racial disparities in public health and to work toward a stronger Seattle; and

WHEREAS, on June 30, 2021, the Washington Governor announced a statewide reopening with a return to full capacity for the vast majority of public spaces, including grocery and retail stores; and

WHEREAS, the Council recognizes that continuing vaccination efforts and reduced numbers of COVID-19 cases and hospitalizations demonstrates considerable progress toward supporting the health and safety of our frontline workers and the community; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 100.025 of Ordinance 126274 is amended as follows:

100.025 Hazard pay requirements

* * *

C. Employers shall comply with the hazard pay requirements in this Section 100.025 ~~((for the duration of the civil emergency proclaimed by the Mayor on March 3, 2020.))~~ until the effective date of the ordinance introduced as Council Bill 120119.

Section 2. Section 5 of Ordinance 126274 is amended as follows:

This ordinance shall be automatically repealed without subsequent Council action three years after ~~((the termination of the civil emergency proclaimed by the Mayor on March 3, 2020.))~~ the effective date of the ordinance introduced as Council Bill 120119.

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

Passed by the City Council the _____ day of _____, 2021, and signed by me in open session in authentication of its passage this _____ day of _____, 2021.

President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2021.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2021.

Monica Martinez Simmons, City Clerk

(Seal)

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
LEG	Karina Bull /x6-0078	n/a

** 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 employment in Seattle; amending Sections 100.025 and Section 5 of Ordinance 126274 to establish a new date for ending hazard pay requirements and automatically repealing the ordinance.

Summary and background of the Legislation: On February 3, 2021, the City of Seattle enacted Ordinance 126274 (Hazard Pay for Grocery Employees Ordinance) requiring grocery businesses to provide employees with hazard pay for work performed in Seattle during the COVID-19 emergency. The hazard pay was intended to compensate grocery employees for the risks of working on the frontlines of a global pandemic, improve their financial ability to access resources to stay safe and healthy, encourage them to continue their vital work, and support the welfare of the greater community that depends on grocery employees for safe and reliable access to food.

This legislation would end hazard pay requirements in recognition of the considerable progress made toward supporting the health and safety of frontline workers and the community through high rates of vaccinations and reduced numbers of COVID-19 cases and hospitalizations.

After hazard pay requirements are no longer in effect, the rest of the Hazard Pay for Grocery Employees Ordinance (e.g., recordkeeping, prohibition against retaliation, enforcement) would continue for three years after the effective date of this legislation and then would be automatically repealed without subsequent action by the Council.

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?

Yes. If this legislation is implemented, OLS would likely expend fewer resources (e.g., staff time) on outreach of hazard pay requirements. OLS would continue to have authority to

investigate non-compliance (e.g., failure to provide hazard pay during the relevant time period) for three years after the effective date of this legislation.

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

If this legislation is not implemented, OLS would likely continue their current level of spending and staff time on implementing hazard pay requirements. Currently, OLS maintains a web page with hazard pay information and outreach materials in multiple languages and, according to the office's [on-line, interactive dashboard](#), has responded to 30 questions about hazard pay requirements and initiated two investigations.

4. OTHER IMPLICATIONS

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

Yes. If this legislation is implemented, OLS would likely expend fewer resources (e.g., staff time) on outreach of hazard pay requirements. OLS would continue to have authority to investigate non-compliance (e.g., failure to provide hazard pay during the relevant time period) for three years after the effective date of this legislation.

b. Is a public hearing required for this legislation?

No.

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

No.

d. Does this legislation affect a piece of property?

No.

e. 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?

Ending hazard pay requirements for grocery store employees could have an impact on Black, Indigenous, and People of Color (BIPOC) workers. The risks of working during the pandemic are especially significant for BIPOC workers because they are overrepresented among the retail frontline workforce, more likely to earn lower incomes, and disproportionately impacted by COVID-19. Despite positive trends in vaccinations and key indicators of COVID-19 activity in King County, there are disproportionately lower rates of vaccinations among Black and Latinx residents and higher rates of COVID cases among Black and Native Hawaiian/Pacific Islander residents.

Public Health – Seattle & King County has stated that continued precautions and efforts to increase vaccinations are critical to closing vaccination disparities and has expressed commitment to ongoing work with community partners to close the gap in vaccine rates.

This legislation states Council's commitment to developing and collaborating on policies to eliminate racial disparities in public health and to work toward a stronger Seattle.

f. Climate Change Implications

1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?

N/A.

2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.

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).

OLS publicly shares information on outreach and enforcement efforts on their [on-line, interactive dashboard](#).

List attachments/exhibits below:



Legislation Text

File #: CB 120118, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE related to creating a fund for Payroll Expense Tax revenues; adding a new Section 5.38.055 to the Seattle Municipal Code; and providing additional guidelines for expending proceeds.

WHEREAS, on July 6, 2020 the City Council passed Ordinance 126108, imposing a progressive tax on

businesses with payrolls of \$7 million and higher annually (“Payroll Expense Tax”); and

WHEREAS, on July 6, 2020 the City Council passed Ordinance 126109, establishing a spending plan for the proceeds from the Payroll Expense Tax and a Payroll Tax Oversight Committee to provide oversight on the services and programs supported by this tax; and

WHEREAS, pursuant to the spending plan in Ordinance 126109, proceeds from the Payroll Expense Tax received in 2021 are intended to provide one-time support for continuity of services of programs that would have otherwise been reduced due to the revenue impacts from the economic recession, and to replenish uses of the City’s fiscal reserves for COVID-19 emergency response purposes in 2020; and

WHEREAS, on July 20, 2020 the City Council adopted Resolution 31957 to establish a clear spending plan on proceeds from the Payroll Expense Tax received in 2022 and future years to support new investments in affordable housing and homelessness services, new investments in equitable development and economic resilience, support for small businesses in Seattle, and investments that advance Seattle’s Green New Deal along with administration of the tax; and

WHEREAS, Resolution 31957 was based on months of engagement with a broad set of stakeholders from business, labor, housing, homelessness services, environmental justice organizations and more who

agreed and supported the spending priorities in the resolution; and

WHEREAS, as the economy recovers from the COVID-19 induced recession, General Fund revenues continue to return to their pre-pandemic trends, allowing for the Emergency and Rainy Day funds to be replenished and requiring a significantly lower level of payroll expense tax support for basic services in 2021 and beyond; and

WHEREAS, prior to the economic recession caused by the COVID-19 emergency, the six-year Financial Plan for the General Fund, developed by the City Budget Office and published with the 2020 Adopted Budget book, included \$1,510,029,000 from all approved revenue sources to support General Fund expenditures in 2022, with increasing amounts in future years; and

WHEREAS, on July 20, 2020 the City Council adopted Ordinance 126109, detailing a request for an implementation plan to be submitted to Council for approval in 2021 and Council has been informed that the requested implementation plan will not be submitted; and

WHEREAS, creating a separate fund in the City treasury to account for Payroll Expense Tax proceeds and their uses will enhance financial transparency and accountability of using the proceeds for their intended purpose as established in Resolution 31957; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. A new JumpStart Payroll Expense Tax Fund (“JumpStart Fund”) is created in the City Treasury effective January 1, 2022, to which proceeds remitted to The City of Seattle (“City”) from revenues collected from the Payroll Expense Tax imposed under Chapter 5.38 of the Seattle Municipal Code must be deposited, and from which expenditures may be paid for purposes described in Section 5.38.055 of the Seattle Municipal Code as added by this ordinance. The purpose of creating the JumpStart Fund is to separately account for revenues received from the tax and expended by City departments. The Fund shall receive earnings on its positive balances and pay interest on its negative balances.

Section 2. A new Section 5.38.055 is added to the Seattle Municipal Code as follows:

5.38.055 Payroll expense tax - Allocation of proceeds

A. In any year where General Fund revenues from all sources approved as of January 1, 2020 are projected to be lower than \$1,510,029,000, an amount equal \$1,510,029,000 minus the projected General Fund collections from non-payroll expense tax sources may be transferred into the General Fund to support programs and services funded by the General Fund. Projected payroll expense tax revenues remaining after any transfer allowed by this subsection 5.38.055.A shall only be used to either expand existing programs or create new programs, including associated program cost increases, that are consistent with subsection 5.38.055.B, and the amounts may not be used to supplant appropriations from other funding sources.

B. Amounts remaining after accounting for the allowed uses in subsection 5.38.055.A shall be allocated in accordance with the spending plan adopted in Resolution 31957, and outlined in Ordinance 126109 as follows:

1. Up to five percent of the annual JumpStart Fund revenue total is to administer and evaluate the effectiveness of the payroll expense tax authorized this Chapter 5.38, to administer the investments described in subsections 5.38.055.B.2 through 5.38.055.B.5, and to evaluate the effectiveness of at least those investments described in subsection 5.38.055.B.4. If less than five percent of remaining funds are needed for administration and evaluation, any remaining funds may be used for other programs and services described in subsections 5.38.055.B.2 through 5.38.055.B.5.

2. Sixty-two percent of the annual JumpStart Fund revenue total is for housing and services, which is further allocated as follows:

a. Eighty-two percent of the housing and services portion is allocated for: (i) capital costs associated with the construction or acquisition of rental housing serving households with incomes at or below 30 percent of area median income (AMI), but may be used to support housing serving households with incomes at or below 60 percent of AMI, when required to support the operational costs of a proposed housing project; (ii) operating and services costs of rental housing serving households with incomes at or below 30 percent of

AMI; and (iii) associated infrastructure to support the ongoing operations costs for the housing, such as maintenance, retrofitting, and energy efficient upgrades to support the housing.

b. Thirteen percent of the housing and services portion is allocated for community focused acquisition and development of affordable housing, and to support affirmative marketing efforts and development and implementation of community preference plans.

c. Five percent of the housing and services portion is allocated for permanently affordable homeownership opportunities serving households with incomes at or below 80 percent of AMI.

3. Nine percent of the annual JumpStart Fund revenue total is to support the Equitable Development Initiative (EDI) that supports community-initiated equitable development projects that advance economic mobility and opportunity, prevent residential, commercial, and cultural displacement, build on local cultural assets, promote transportation mobility and connectivity, develop healthy and safe neighborhoods, and enable equitable access to all neighborhoods.

4. Fifteen percent of the annual JumpStart Fund revenue total is to support local businesses and tourism to spur the local economic recovery, and to provide economic stability for the city’s workforce.

5. Nine percent of the annual JumpStart Fund revenue total is for investments that advance Seattle’s Green New Deal as described in Resolution 31895.

C. Except as provided in subsection 5.38.055.A, all uses of Payroll Expense Tax revenues as proscribed in subsection 5.38.055.B shall be in addition to funding levels for similar or the same programs as included in the City’s 2020 Adopted Budget and shall not supplant existing funding from any City fund or revenue source.

Section 4. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the _____ day of _____, 2021, and signed by

me in open session in authentication of its passage this _____ day of _____, 2021.

President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2021.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2021.

Monica Martinez Simmons, City Clerk

(Seal)

SUMMARY and FISCAL NOTE*

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

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

1. BILL SUMMARY

Legislation Title: AN ORDINANCE related to creating a fund for Payroll Expense Tax revenues; adding a new Section 5.38.055 to the Seattle Municipal Code; and providing additional guidelines for expending proceeds.

Summary and background of the Legislation: This council bill would create a new JumpStart Payroll Expense Tax Fund in the City Treasury effective January 1, 2022. All proceeds from the City’s payroll expense tax would be deposited into the fund and used according to the provisions of the fund, which generally provide for payroll expense tax revenues deposited in the fund to be used as follows:

- 62% for affordable and low-income housing;
- 15% for local business and tourism support;
- 9% for Equitable Development Initiative investments;
- 9% for Green New Deal; and,
- Up to 5% for administering the tax.

In 2022 and thereafter a portion of the fund’s revenue may be used to offset shortfalls in base General Fund revenues compared to forecasts made prior to the Covid-19 pandemic.

2. CAPITAL IMPROVEMENT PROGRAM

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

3. SUMMARY OF FINANCIAL IMPLICATIONS

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

Is there financial cost or other impacts of *not* implementing the legislation?
No

3.a. Appropriations

___ This legislation adds, changes, or deletes appropriations.

3.b. Revenues/Reimbursements

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

3.c. Positions

___ This legislation adds, changes, or deletes positions.

4. OTHER IMPLICATIONS

- a. **Does this legislation affect any departments besides the originating department?**
This legislation would create a new fund in the City treasury requiring management by the Department of Finance & Administrative Services.
- b. **Is a public hearing required for this legislation?**
No.
- c. **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.
- d. **Does this legislation affect a piece of property?**
No.
- e. **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
- f. **Climate Change Implications**
 1. **Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?**
No.
 2. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**
No.

- 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

July 6, 2021

MEMORANDUM

To: Finance & Housing Committee
From: Tom Mikesell, Analyst, and Aly Pennucci, Policy and Budget Manager
Subject: Council Bill 120118 – JumpStart Fund

On July 9, 2021, the Finance & Housing Committee (Committee) will discuss and possibly vote on [Council Bill \(CB\) 120118](#) which would create a new JumpStart Payroll Expense Tax Fund (JumpStart Fund) in the City’s treasury. This would provide accountability and transparency in the budget for the use of revenues raised from the payroll expense tax authorized by [Ordinance 126108](#), in line with the purposes detailed in the JumpStart spending plan passed by the City Council on July 6, 2020, through [Ordinance 126109](#), and further detailed through adoption of [Resolution 31957](#) on July 20, 2020.

This memo (1) provides background information on the proposal, (2) describes CB 120118 and highlights certain policy considerations for the Committee, and (3) outlines next steps.

Background

JumpStart Seattle Plan

On July 6, 2020, the Council passed Ordinance 126108, which authorized a progressive payroll expense tax on businesses with payrolls above \$7 million annually. The tax was estimated to generate \$214 million in 2021, with increasing collections in future years. To provide direction on use of the new tax proceeds, on July 6, 2020 the Council passed Ordinance 126109, which included a spending plan for the new payroll tax revenues. Subsequently adopted on July 20, 2020, Resolution 31957 provided detailed percentages for each spending plan category in Ordinance 126109. In combination, this suite of legislation formed the JumpStart Seattle Spending Plan that establishes specific uses for the payroll tax revenues.

In 2021, the spending plan directed the new tax revenues to repay uses of the City’s Emergency Fund for 2020 COVID response, to extend these COVID relief programs into 2021 as needed, to support existing City services in 2021 that would otherwise be cut due to pandemic-induced revenue losses, and to administer the new tax.

In 2022 and thereafter, the spending plan directs annual revenues from the payroll expense tax to affordable housing, the Equitable Development Initiative (EDI), Green New Deal investments, and small business investments, with a small portion dedicated to administering the new tax. Ordinance 126109 requested that the Executive submit an implementation plan for the new tax revenues that funds these stated uses by June 30, 2021. However, the Executive has not submitted the plan and there is no indication to date that the plan requested in Ordinance 126109 will be produced.

Payroll Expense Tax in 2021 Budget and General Fund Financial Plan

Passed by the Council on November 23, 2020, [Ordinance 126237](#) (the 2021 budget bill) included \$214 million from the payroll tax in 2021, allowing the City to avoid large reductions in City services and to provide immediate COVID-19 emergency relief, uses which were generally consistent with Ordinance 126109. Further, after the bill's passage, the City Budget Office (CBO) published the [2021 Adopted Budget Book](#), which memorialized the projected revenues and spending choices in the 2021 budget, and also included a [six year financial plan](#) for the General Fund, that included revenue and spending projections through 2024.

As presented in a [staff presentation](#) to the Finance & Housing Committee, the projections in the six-year financial plan signal future spending of payroll tax revenues for uses which may not be consistent with Ordinance 126109. While the financial plan did include the full amount of projected revenues from the payroll expense tax in 2022 and each year thereafter, it was not clear that its intended purposes as proscribed in Ordinance 126109 would be fulfilled based on a review of the financial plan. Further, the lack of an implementation plan requested in Ordinance provides additional uncertainty about whether the 2022 Proposed Budget will be consistent with the spending plan.

CB 120118 – JumpStart Fund

To provide transparent and accountable use of the use of payroll expense tax revenues in a manner consistent with Ordinance 126109, CB 120118 creates a new JumpStart Payroll Expense Tax Fund in the City treasury. Payroll expense tax revenues would be deposited in the JumpStart Fund, and spent according to the proscribed uses of the fund, which are consistent with Ordinance 126109, as follows:

- 62% for affordable and low-income housing;
- 15% for local business and tourism support;
- 9% for Equitable Development Initiative investments;
- 9% for Green New Deal; and,
- Up to 5% for administering the tax.

While the spending plan provided for the full measure of the new payroll expense tax revenues to be used for the above purposes in 2022 and beyond, recent revenue forecasts indicate that in the near term some amount of support for continuity of General Fund services may be necessary. To allow for the possibility that in 2022 General Fund revenues may not have fully recovered to pre-pandemic projections, and to provide continuity of staffing and services that were in place in place prior to the pandemic, a limited portion of payroll expense tax revenues would be allowed to cover revenues in 2022 and beyond to the extent which they are below the City Budget Office revenue projections made prior to the pandemic.

As shown in the [six-year financial plan](#) produced with the 2020 Adopted Budget (produced prior to the pandemic) projected 2022 General Fund revenues totaled \$1,510,029,000. This is higher than the amount of General Fund revenue currently expected in 2022, after excluding the payroll expense tax. As shown in the table below, after accounting for the increase in 2022 revenue projections presented by CBO in its [April 2021 Revenue Forecast](#) update to the Finance & Housing Committee in April 2021, General Fund revenues (less revenue from the new payroll expense tax) are projected to be lower than pre-pandemic projections. This is shown in row A.

	2022 General Fund Base Revenues
2020 Adopted Budget (6 yr. plan)	\$1,510,029,000
2021 Adopted Budget (6 yr. plan) ¹	(\$1,362,003,000)
CBO April '21 Forecast Update	(\$30,730,000)
A. 2022 General Fund revenue shortfall from pre-pandemic level	\$117,296,000
B. Allowed transfer from JumpStart Fund to General Fund	\$117,296,000
C. Payroll Expense Tax revenues for JumpStart Fund purposes ²	\$116,615,000

¹ Less projected 2022 revenue from payroll expense tax.

² Based on CBO payroll expense tax forecast of \$233,911,000 in 2022, as presented in April '21 Forecast Update to the Finance & Housing Committee.

Based on these numbers, as shown in Row B, CB 120118 would allow for \$117.3 million of payroll expense tax revenues to be transferred to the General Fund to support base services in the 2022 Budget. The remainder, shown in Row C and estimated to be \$116.6 million based on CBO's April revenue projections, would be restricted for the JumpStart Fund uses noted earlier.

It is worth noting that, given recent economic trends, and the likely economic boost from the impact of the full 'reopening' of the economy slated for June 30, the August revenue forecast could ultimately show an even higher level of base General Fund revenues than the number in the table above. This would further reduce the level of transfer from the new JumpStart Fund to the General Fund in the 2022 Budget and allow for a larger amount of the payroll tax revenues to be used for JumpStart Fund purposes. Alternately, if new virus variants or other unforeseen circumstances lead to slower reopening and a revenue forecast downgrade in August, the allowed transfer to the General Fund would be higher. CB 120118 would create the new fund effective January 1, 2022.

Policy Consideration

Creating a new fund does introduce some administrative complexities, such as managing and monitoring the cash balances for this new fund, and additional reporting and monitoring. In establishing a new fund, the administrative complexities need to be considered alongside the need to provide greater transparency in how the funds are used. The requested implementation plan would have provided more detail on the Executive's intent in implementing the spending plan; without transmittal of an implementation plan it is not clear how the payroll tax revenues will be allocated in the 2022 Proposed Budget. Creating this fund

is a strategy available to the council to codify in the SMC the authorized uses of the payroll tax revenues and to ensure that their legislative intent is clear.

In terms of the administrative challenges, the spending plan authorized by the Council in 2020, and the policies proposed in CB 120118, allows use of up to five percent of the payroll tax revenues for administering the tax and the proposed investments; this can be used to provide resources needed to implement and administer the JumpStart Fund. If CB 120119 is approved and departments determine that additional resources are needed to manage this new fund, the Council could consider modifying the fund policies in the future. In addition, the budget office indicated that directing the five percent for administration directly to the general fund, and not depositing that amount into the proposed JumpStart fund, would help mitigate some of the administrative burden. Chair Mosqueda is proposing an amendment to include this change for the Committee's consideration. Staff will distribute the specific amendment language prior to the committee discussion.

Next Steps

If the Committee votes to recommend passage of CB 120118 on July 9, 2021, the City Council could consider the legislation at the City Council Meeting on July 19.

cc: Dan Eder, Interim Director

Amendment 1 to CB 120118 - JumpStart Payroll Expense Tax Fund ORD

Sponsor: Chair Mosqueda

Direct five percent of payroll tax revenue for administration directly to the general fund

Amend Section 1 of CB 120018 as follows:

Section 1. A new JumpStart Payroll Expense Tax Fund (“JumpStart Fund”) is created in the City Treasury effective January 1, 2022, to which proceeds remitted to The City of Seattle (“City”) from revenues collected from the Payroll Expense Tax imposed under Chapter 5.38 of the Seattle Municipal Code, except for the revenues to support the expenditures in subsection 5.38.055.B.1, must be deposited, and from which expenditures may be paid for purposes described in Section 5.38.055 of the Seattle Municipal Code as added by this ordinance. The purpose of creating the JumpStart Fund is to separately account for revenues received from the tax and expended by City departments. The Fund shall receive earnings on its positive balances and pay interest on its negative balances. Revenues from the Payroll Expense Tax needed to support the expenditures in subsection 5.38.055.B.1 may be deposited into the General Fund.

Effect: The budget office indicated that directing the five percent for administration directly to the general fund, and not depositing that amount into the proposed JumpStart fund, would help mitigate some of the administrative burden in implementing this fund. This amendment allows for that.