



# CITY OF SEATTLE

## City Council

### Agenda

#### Special Meeting

Thursday, September 19, 2024

2:00 PM

Council Chamber, City Hall  
600 4th Avenue  
Seattle, WA 98104

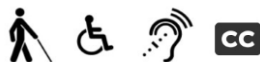
Sara Nelson, Council President  
Joy Hollingsworth, Member  
Robert Kettle, Member  
Cathy Moore, Member  
Tammy J. Morales, Member  
Maritza Rivera, Member  
Rob Saka, Member  
Dan Strauss, Member  
Tanya Woo, Member

Chair Info: 206-684-8809; [Sara.Nelson@seattle.gov](mailto:Sara.Nelson@seattle.gov)

[Watch Council Meetings Live](#) [View Past Council Meetings](#)

Council Chamber Listen Line: 206-684-8566

The City of Seattle encourages everyone to participate in its programs and activities. For disability accommodations, materials in alternate formats, accessibility information, or language interpretation or translation needs, please contact the Office of the City Clerk at 206-684-8888 (TTY Relay 7-1-1), [CityClerk@Seattle.gov](mailto:CityClerk@Seattle.gov), or visit <https://seattle.gov/cityclerk/accommodations> at your earliest opportunity. Providing at least 72-hour notice will help ensure availability; sign language interpreting requests may take longer.



**CITY OF SEATTLE**  
**City Council**  
**Agenda**  
**Special Meeting**  
**September 19, 2024 - 2:00 PM**

**Meeting Location:**

Council Chamber, City Hall, 600 4th Avenue, Seattle, WA 98104

**Committee Website:**

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

---

Members of the public may register for remote or in-person Public Comment to address the Council. Details on how to provide Public Comment are listed below:

Remote Public Comment - Register online to speak during the Public Comment period at

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

Online registration to speak will begin one hour before the 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.

In-Person Public Comment - Register to speak on the Public Comment sign-up sheet located inside Council Chambers at least 15 minutes prior to the meeting start time. 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 prior to 12 p.m. on the day of the meeting at [Council@seattle.gov](mailto:Council@seattle.gov) or at Seattle City Hall, Attn: Council Public Comment, 600 4th Ave., Floor 2, Seattle, WA 98104.*

**A. CALL TO ORDER**

**B. ROLL CALL**

**C. PRESENTATIONS**

**D. PUBLIC COMMENT**

*Members of the public may sign up to address the Council for up to 2 minutes on matters on this agenda; total time allotted to public comment at this meeting is 20 minutes.*

**E. APPROVAL OF THE AGENDA****F. COMMITTEE REPORTS**

Discussion and vote on Council Bills (CB), Resolutions (Res), Appointments (Appt), and Clerk Files (CF).

**CITY COUNCIL:**

1. [CF 314535](#) City Council motion and declaration of City Council intent to not adopt Initiative 137, and placing Initiative No. 137 on the February 11, 2025, ballot in conjunction with the measure to fund the Seattle Social Housing Developer by allocating funds from Seattle's existing Payroll Expense Tax (Council Bill 120864), a proposed alternative measure on the same matter.

**Attachments:** [City Council Declaration and Intent](#)

2. [CB 120864](#) AN ORDINANCE relating to funding the Seattle Social Housing Developer; requesting that a special election be held on February 11, 2025 for submission to the qualified electors of the City of a proposition to fund the Seattle Social Housing Developer through the City's existing Payroll Expense Tax; amending Section 5.38.055 of the Seattle Municipal Code; proposing a ballot title; and ratifying and confirming certain prior acts.

**Supporting Documents:** [Summary and Fiscal Note](#)

3. [Res 32148](#) A RESOLUTION regarding Initiative 137 concerning excess compensation payroll taxes to fund the Social Housing Developer (which the City Council determined not to enact on September 19, 2024); authorizing the City Clerk and the Executive Director of the Ethics and Elections Commission to take those actions necessary to enable proposed Initiative 137 to appear on the February 11, 2025 ballot and the local voters' pamphlet in conjunction with the Payroll Expense Tax proposal (City Council Bill 120864), which is a proposed alternative measure dealing with the same subject matter in accordance with Charter Article IV; requesting the King County Elections Director to place the proposed Initiative 137 and its alternate on the February 11, 2025 election ballot in accordance with applicable law; and providing for the publication of such proposed Initiative Measure and its alternate.

**Attachments:** [Att A - City of Seattle Initiative Measure No. 137](#)

**Supporting**

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

4. [Res 32142](#) A RESOLUTION regarding Initiative 137 concerning a payroll expense tax to fund the Social Housing Developer; authorizing the City Clerk and the Executive Director of the Ethics and Elections Commission to take those actions necessary to enable the proposed Initiative Measure to appear on the November 5, 2024, ballot and the local voters' pamphlet; requesting the King County Elections Director to place the proposed Initiative Measure on the November 5, 2024, ballot; and providing for the publication of such proposed Initiative Measure.

**Attachments:** [Att A - City of Seattle Initiative Measure No. 137](#)

**Supporting**

**Documents:** [Summary and Fiscal Note](#)  
[Amendment A](#)

## G. ADJOURNMENT



## Legislation Text

---

**File #:** CF 314535, **Version:** 1

---

City Council motion and declaration of City Council intent to not adopt Initiative 137, and placing Initiative No. 137 on the February 11, 2025, ballot in conjunction with the measure to fund the Seattle Social Housing Developer by allocating funds from Seattle's existing Payroll Expense Tax (Council Bill 120864), a proposed alternative measure on the same matter.



# SEATTLE CITY COUNCIL

RE: FOR CLERK FILE No. 314535

September 19, 2024

## CITY COUNCIL MOTION AND DECLARATION OF CITY COUNCIL INTENT

In accordance with City Charter Article IV, Section 1, the Council, instead of enacting Initiative 137, intends on this same day to adopt a different measure (Council Bill 120864) dealing with the same subject but conflicting in several particulars, and directs that both measures be placed on the February 11, 2025, general election ballot to be voted on by the people, in accordance with applicable law. The Council intends to transmit to King County Elections Initiative 137 via City Council Resolution.

Adopted by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2025,  
and signed by me in open session in authentication of its adoption this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_  
President \_\_\_\_\_ of the City Council

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_  
Scheereen Dedman, City Clerk

(Seal)



Legislation Text

File #: CB 120864, Version: 1

CITY OF SEATTLE

ORDINANCE \_\_\_\_\_

COUNCIL BILL \_\_\_\_\_

AN ORDINANCE relating to funding the Seattle Social Housing Developer; requesting that a special election be held on February 11, 2025 for submission to the qualified electors of the City of a proposition to fund the Seattle Social Housing Developer through the City’s existing Payroll Expense Tax; amending Section 5.38.055 of the Seattle Municipal Code; proposing a ballot title; and ratifying and confirming certain prior acts.

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

Section 1. Section 5.38.055 of the Seattle Municipal Code, last amended by Ordinance 126719, is amended as follows:

**5.38.055 Payroll expense tax - Allocation of proceeds**

A. Notwithstanding other provisions of this Section 5.38.055, for the first five annual budgets to which this subsection 5.38.055.A applies, and as this subsection 5.38.055.A may be subsequently renewed by future ordinance, \$10,000,000 of payroll expense tax revenues is allocated for the Seattle Social Housing Developer to acquire, develop, or rehabilitate social housing and provide administrative support to the Social Housing Developer. This 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. The amounts calculated shall be rounded to the nearest whole dollar. The Office of Housing will administer the allocation. The Housing Funding Policies adopted by ordinance, as amended, apply to the allocation unless noted otherwise in this subsection 5.38.055.A.

1. Up to five percent of the total amount allocated by this subsection 5.38.055.A may be used by the Seattle Social Housing Developer to pay for its administrative costs.

2. Funds to the Seattle Social Housing Developer may be used for acquisition, construction or rehabilitation costs, including pre-development costs, of social housing, provided that the City's funding may only be used for the costs for housing residents up to 80 percent area median income (AMI). For social housing developments that include housing for residents earning above 80 percent AMI and/or commercial or other nonresidential spaces, costs associated with non-residential uses and housing for residents above 80 percent AMI are not eligible for program funding under this subsection 5.38.055.A and shall be paid for from different fund sources.

3. Capital funds may be awarded by the Office of Housing in the form of either a grant or a loan, as determined at the discretion of the Director of the Office of Housing, taking into consideration the needs of the Seattle Social Housing Developer and the intent to protect the City's long-term investment in affordable housing for low-income residents.

4. The Seattle Social Housing Developer is deemed an eligible borrower under the Housing Funding Policies. However, the Seattle Social Housing Developer must have hired a chief executive officer and chief financial officer, or their equivalents, and demonstrated that it has adequate financial controls, as determined by the Director of the Office of Housing, prior to receiving capital funding under this subsection 5.38.055.A.

5. The Seattle Social Housing Developer will not have to compete in the Office of Housing's Notice of Funding Availability (NOFA) process for its dedicated portion of capital funds, but it will need to submit a complete application for an award, as defined in the application component section of the Housing Funding Policies. Any award will be conditional upon the Office of Housing's standard underwriting and review process for affordable housing developments. The award amount is at the discretion of the Director, based upon the underwriting analysis of the project and the City's goal to leverage the maximum amount of outside funding for affordable housing projects.

6. If dedicated capital funds are not awarded to the Seattle Social Housing Developer within three years



of their original allocation, they will be made available through the Office of Housing’s regular NOFA process.

7. Consistent with current and future reporting on affordable housing projects funded by the Office of Housing, the Office of Housing shall, through its Annual Report to the City Council, report on awards made to the social housing developer. Information shall include: Office of Housing funding amounts at award, closing, and completion; number of units and affordability level at project award, closing, and completion; date of loan or award closing; and date of completion. For projects at closing and completion, the Office of Housing shall also report on the other non-City fund sources and amounts used to support the development of the project.

\* \* \*

Section 2. The City Council and Mayor find that this ordinance is on the same subject as proposed in Initiative 137. The City Council has determined not to enact Initiative 137 and proposes this ordinance as an alternative measure dealing with the same subject pursuant to City Charter Article IV, Section 1. The City Council directs that the City Clerk file this ordinance with the Director of Elections of King County, Washington, as ex officio supervisor of elections, requesting that the Director of Elections call and conduct a special election to be held on February 11, 2025, for the purpose of submitting to the qualified electors of the City the proposition set forth in this ordinance pursuant to City Charter Article IV, Section 1 and applicable law as an alternative measure different from Initiative 137 but dealing with the same subject. The City Clerk is directed to certify to the King County Director of Elections the ballot title approved by the City Attorney in accordance with responsibilities under RCW 29A.36.071 and RCW 29A.72.050. The following ballot title statement of subject and concise description are submitted to the City Attorney for consideration:

City of Seattle Proposition No. \_\_ concerns funding the Seattle Social Housing Developer.

This measure would fund the Seattle Social Housing Developer by allocating funds from Seattle’s existing Payroll Expense Tax.

Section 3. Certification of such proposition by the City Clerk to the King County Director of Elections in accordance with law prior to the date of such election on February 11, 2025, and any other act consistent

with the authority and prior to the effective date of this ordinance, are ratified and confirmed.

Section 4. To the extent necessary to submit this ordinance to the vote of the people pursuant to Charter Article IV, subsection 1.D: this ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070. If approved by the people, this ordinance shall take full effect pursuant to Charter Article IV, subsections 1.F and 1.G.

Passed by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2024, and signed by me in open session in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_

President \_\_\_\_\_ of the City Council

Approved / returned unsigned / vetoed this \_\_\_\_\_ day of \_\_\_\_\_, 2024.  
/

\_\_\_\_\_

Bruce A. Harrell, Mayor

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_

Scheereen Dedman, City Clerk

(Seal)

## SUMMARY and FISCAL NOTE

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
LEG	Jennifer LaBrecque	

### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to funding the Seattle Social Housing Developer; requesting that a special election be held on February 11, 2025 for submission to the qualified electors of the City of a proposition to fund the Seattle Social Housing Developer through the City’s existing Payroll Expense Tax; amending Section 5.38.055 of the Seattle Municipal Code; proposing a ballot title; and ratifying and confirming certain prior acts.

#### **Summary and Background of the Legislation:**

This legislation creates an alternative option to Initiative 137 (I-137), as allowed under Seattle City Charter Article IV. If City Council were to approve this legislation, both the original I-137 and the alternative would go to voters for their consideration on the February 11, 2025 special election ballot.

I-137 was filed with the Office of the City Clerk on February 13, 2024 (Clerk File 322950). On July 26, 2024 King County elections provided a Certificate of Sufficiency verifying that there were sufficient signatures to place the petition on the ballot. I-137 would impose a tax on payroll expenses for employers doing business in Seattle. The new tax would apply a five percent rate on compensation above \$1,000,000 a year paid to Seattle-based employees. Under I-137, at least 95% of the tax revenue shall be allocated to Seattle’s Social Housing Developer Public Development Authority (Social Housing Developer) for development and acquisition of social housing, operation costs, maintenance costs, rehabilitation of acquisitions, making control investments in housing developments, and other functions that advance its mission. Up to 5% of the tax revenue may be allocated to administer the tax, but the amount to administer the tax cannot exceed \$2,000,000 per year. If approved, proponents of I-137 estimate that the tax would generate about \$50 million each year.

This legislation offers an alternative by amending the Payroll Expense Tax (PET) so that the Seattle Social Housing Developer receives \$10 million annually in dedicated PET funding for five years. Funding could be used to acquire, develop, or rehabilitate social housing and provide administrative support to the Social Housing Developer; funding for administrative support would be limited to 5% annually or \$500,000. The Office of Housing (OH) will administer the dedicated funding.

The legislation provides some special accommodations to the Seattle Social Housing Developer, as compared to other affordable housing developers accessing capital funding from OH. The Seattle Social Housing Developer:

- Does not have to compete with other projects in OH’s annual Notice of Funding Availability Process
- Can use PET for units up to 80% AMI (all other developers are restricted to 60% AMI)
- Is considered an Eligible Borrower (otherwise, it normally does not meet criteria)
- Can receive funding in the form of a grant or loan; for other developers funding is always a loan
- Can receive an award greater than 40% total development cost for a project, the normal standard in the Housing Funding Policies

The legislation also provides accountability measures for use of public funds.

- The Seattle Social Housing Developer must have a chief executive officer, chief financial officer and adequate financial controls prior to receiving capital funds
- The Seattle Social Housing Developer must submit a complete application, with award conditional upon underwriting standards found in OH’s existing Housing Funding Policies
- The Seattle Social Housing Developer, and any awarded project, are subject to OH’s Housing Funding Policies, unless exempted in the ordinance
- If dedicated funding is not awarded within 3 years of original allocation, then it will be made available through OH’s regular NOFA process
- OH shall, through its Annual Report, provide information on social housing projects awarded, total amount of award, number of units and affordability levels and date of loan or grant closing and date of project completion

### 3. SUMMARY OF FINANCIAL IMPLICATIONS

**Does this legislation have financial impacts to the City?**

Yes  No

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

This legislation will not change total City revenues or total expenditures but does impose new restrictions on the use of PET revenues. Under existing City code, PET revenues must be allocated, on a percentage basis, across five categories:

- 5% for administration, collection, and evaluation of the tax;
- 62% for housing and housing services;
- 9% for the City’s Equitable Development Initiative;
- 15% to support economic recovery and provide economic stability; and
- 9% to advance the Seattle Green New Deal.

If approved by voters, this legislation would further require \$10 million of annual PET revenues to be allocated to the Seattle Social Housing Developer for a period of five years.

The Council can anticipate being asked to review the policies governing the allocation of PET proceeds as part of the upcoming 2025-2026 biennial budget process. PET revenues are likely to play a significant role in the Mayor’s proposal to address the City’s General Fund

projected deficit. Council modifications to the PET expenditure policies will need to accommodate the potential for voters to approve a \$10 million allocation to the Social Housing Developer.

#### 4. OTHER IMPLICATIONS

**Please describe any perceived implication for the principles of the Race and Social Justice Initiative.** In Seattle low-income households are disproportionately black, indigenous, or people of color (BIPOC) households and black households are most likely to be low-income<sup>1</sup>. BIPOC renter households are also disproportionately rent-burdened. Over half (57%) of all Black renter households in Seattle are cost-burdened, and over a quarter (27%) are severely cost burdened, meaning they spend over half of their incomes on housing costs.<sup>2</sup> Provision of income and rent restricted housing for low-income households can provide housing stability and reduce rent burden.

##### a. Climate Change Implications

- i. **Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way?** No effect
- ii. **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 effect

**b. 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)? What mechanisms will be used to measure progress towards meeting those goals?** OH will report on the dedicated \$10 million for social housing as part of it's annual investment report, including any funds awards, the number of units being funded and affordability level, and when projects are completed.

#### 5. CHECKLIST

Please click the appropriate box if any of these questions apply to this legislation.

- Is a public hearing required?**
- Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?**

<sup>1</sup> Seattle Market Rate Housing Needs and Supply Analysis, BERK, April 2021, page 19/  
<https://www.seattle.gov/Documents/Departments/OPCD/OngoingInitiatives/HousingChoices/SeattleMarketRateHousingNeedsAndSupplyAnalysis2021.pdf>

<sup>2</sup> Ibid, page 23

**If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**

**Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

If yes, please review requirements in Resolution 31203 for applicability and complete and attach "Additional risk analysis and fiscal analysis for non-utility partner projects" form.

## **6. ATTACHMENTS**

**List Summary Attachments (if any):**



Legislation Text

---

**File #:** Res 32148, **Version:** 1

---

**CITY OF SEATTLE**

**RESOLUTION \_\_\_\_\_**

A RESOLUTION regarding Initiative 137 concerning excess compensation payroll taxes to fund the Social Housing Developer (which the City Council determined not to enact on September 19, 2024); authorizing the City Clerk and the Executive Director of the Ethics and Elections Commission to take those actions necessary to enable proposed Initiative 137 to appear on the February 11, 2025 ballot and the local voters' pamphlet in conjunction with the Payroll Expense Tax proposal (City Council Bill 120864), which is a proposed alternative measure dealing with the same subject matter in accordance with Charter Article IV; requesting the King County Elections Director to place the proposed Initiative 137 and its alternate on the February 11, 2025 election ballot in accordance with applicable law; and providing for the publication of such proposed Initiative Measure and its alternate.

WHEREAS, proponents submitted to the City Clerk a ballot measure petition concerning excess compensation payroll taxes to fund the Social Housing Developer (which the City Clerk designated as Seattle Initiative No. 137 in Clerk File No. 322950); and

WHEREAS, the City Clerk forwarded the petition to the Director of King County Elections for certification of whether the petition bears a sufficient number of valid signatures to qualify for introduction to the City Council as provided in Seattle City Charter Article IV, Section 1; and

WHEREAS, the Director of King County Elections has certified that the Initiative No. 137 petition bears sufficient valid signatures to qualify for introduction to the City Council as provided in Seattle City Charter Article IV, Section 1; and

WHEREAS, Seattle City Charter Article IV, Section 1 provides that, if the City Council does not enact an initiative bill or measure bearing a sufficient number of signatures, it shall be the duty of the City Council to submit the initiative measure to the voters of the City for their ratification or rejection; and

WHEREAS, in accordance with Seattle City Charter Article IV, Section 1 the City Council has determined not to enact Initiative 137 and has adopted an alternative, Council Bill 120864; and



WHEREAS, the City Council finds that Initiative 137 and Council Bill 120864 conflict in certain particulars;  
and

WHEREAS, the City Council seeks to place both Initiative 137 and its alternative on the ballot for  
consideration by the voters of the City of Seattle; NOW, THEREFORE,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE THAT:**

Section 1. In accordance with City Charter Article IV, the Council reviewed Initiative 137 and  
determined not to enact it by motion approved by the Council. The Council directs that Initiative 137 be placed  
on the February 11, 2025 ballot to be voted on by the people, in accordance with applicable law.

Section 2. Pursuant to City Charter Article IV, Section 1, in addition to placing Initiative 137 on the  
ballot, the Council adopted Council Bill (CB) 120864, an alternative measure dealing with the same subject as  
Initiative 137. CB 120864 and Initiative 137 conflict in several particulars. The Council is placing CB 120864  
on the February 11, 2025 ballot to be voted on by the people at the same time as Initiative 137.

Section 3. The City Clerk is authorized and directed to take those actions necessary to place City of  
Seattle Initiative Measure No. 137 filed in Clerk File (CF) 322950, a copy of which is attached as Attachment A  
to this resolution, in conjunction with CB 120864, on the February 11, 2025 ballot, including but not limited to  
publishing the proposed Initiative Measure and its alternate as provided by the City Charter.

Section 4. The Executive Director of the Ethics and Elections Commission is authorized and requested  
to take those actions necessary to place information regarding City of Seattle Initiative Measure No. 137 in  
conjunction with CB 120864 in the February 11, 2025 voters' pamphlet.

Section 5. The Director of Elections of King County, Washington, as ex officio supervisor of elections,  
is requested to call for a special election and place City of Seattle Initiative Measure No. 137 in conjunction  
with CB 120864 on the February 11, 2025 ballot, and in accordance with applicable law.

Adopted by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2024, and signed by  
me in open session in authentication of its adoption this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_  
President \_\_\_\_\_ of the City Council

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_  
Scheereen Dedman, City Clerk

(Seal)

**Attachments:**

Attachment A - City of Seattle Initiative Measure No. 137 (from Clerk File 322950)



Please return signed petitions forms to:

House Our Neighbors  
600 1<sup>st</sup> Ave. Suite 531  
Seattle, WA 98104

Telephone: (206) 822-1812  
Email: info@houseourneighbors.org  
www.letsbuildsocialhousing.org

WARNING: Ordinance 94289 provides as follows: Section 1. It is unlawful for any person: 1. To sign or decline to sign any petition for a City initiative, referendum, or Charter amendment, in exchange for any consideration or gratuity or promise thereof; or 2. To give or offer any consideration or gratuity to anyone to induce him or her to sign or not to sign a petition for a City initiative, referendum, or Charter amendment; or 3. To interfere with or attempt to interfere with the right of any voter to sign or not to sign a petition for a City initiative, referendum, or Charter amendment petition by threat, intimidation or any other corrupt means or practice; or 4. To sign a petition for a City initiative, referendum, or Charter amendment with any other than his or her true name, or to knowingly sign more than one (1) petition for the same initiative, referendum or Charter amendment measure, or to sign any such petition knowing that he or she is not a registered voter of The City of Seattle. The provisions of this ordinance shall be printed as a warning on every petition for a City initiative, referendum, or Charter amendment. Section 2. Any person violating any of the provisions of this ordinance shall upon conviction thereof be punishable by a fine of not more than Five Hundred Dollars (\$500) or by imprisonment in the City Jail for a period not to exceed six (6) months, or by both such fine and imprisonment.

**INITIATIVE PETITION FOR SUBMISSION TO THE CITY COUNCIL OF SEATTLE**

To the City Council of The City of Seattle:

We, the undersigned registered voters of The City of Seattle, State of Washington, propose and ask for the enactment as an ordinance of the measure known as Initiative Measure No. 137 entitled:

City of Seattle Initiative Measure 137 concerns a payroll expense tax to fund the Social Housing Developer.

This measure would impose a tax on payroll expenses for employers doing business in Seattle. The tax rate would be 5% on annual compensation above \$1,000,000 paid in Seattle to any employee. Proceeds would support the Social Housing Developer, a public development authority created to develop, own, and maintain social housing in Seattle. The tax imposed would be in addition to the City's payroll expense tax levied under Seattle Municipal Code Chapter 5.38.

Should this measure be approved?

Yes \_\_\_\_\_  
No \_\_\_\_\_

a full, true and correct copy of which is included herein, and we petition the Council to enact said measure as an ordinance; and, if not enacted within forty-five (45) days from the time of receipt thereof by the City Council, then to be submitted to the qualified electors of The City of Seattle for approval or rejection at the next regular election or at a special election in accordance with Article IV, Section 1 of the City Charter; and each of us for himself or herself says: I have personally signed this petition; I am a registered voter of The City of Seattle, State of Washington, and my residence address is correctly stated.

Petitioner's Signature	Printed Name	Residence Address Street and Number	Date Signed
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			
16.			
17.			
18.			
19.			
20.			

AN ACT to levy an excess compensation payroll expense tax to fund the Seattle Social Housing Developer.

BE IT ENACTED BY THE PEOPLE OF THE CITY OF SEATTLE:

Section 1. A new Chapter 5.37 is added to Title 5 of the Seattle Municipal Code as follows:

**Chapter 5.37 SOCIAL HOUSING TAX**

**5.37.000 Purpose**

On February 14, 2023, Seattle voters approved Initiative 135 by a 14-point margin. I-135 created the Seattle Social Housing Developer to develop, own, and maintain social housing developments in the City of Seattle and for all related lawful purposes or public functions within the limits of the City of Seattle and outside of the City to the extent provided by state law. Social housing is available to all, permanently affordable, and publicly owned in perpetuity. Social housing will increase the supply of permanent, truly affordable housing for Seattle residents. Social housing is an internationally proven model that spans multiple countries and continents, including but not limited to: Maryland's Montgomery County, Toronto, Finland, Singapore, France, Vienna, and New Zealand to name a few. The social housing tax levied through this initiative provides a progressive revenue source that will support the Seattle Social Housing Developer's efforts to expand access to affordable social housing in Seattle by funding the construction and acquisition of social housing, operation costs, maintenance costs, rehabilitation of acquisitions, making control investments in housing developments, and other functions that advance its mission. The housing developed under this ordinance will be permanently protected for public use, dedicated to workforce and community housing, and will thereby increase the supply of permanent, truly affordable housing. The social housing payroll tax will provide a critical, ongoing revenue stream for the Seattle Social Housing Developer to fulfill its mission as outlined in Initiative 135. This revenue stream should eventually complement other sources of funding as the Seattle Social Housing Developer looks to federal grants, State of Washington revenue streams, and other sources to accelerate its ability to build and acquire social housing.

**5.37.010 Administrative provisions**

The provisions contained in Chapter 5.55 shall apply to the taxes imposed in this Chapter except as expressly stated to the contrary herein.

**5.37.020 Definitions**

The definitions applicable to Chapter 5.38, as in effect on January 1, 2024, shall be fully applicable to this Chapter except as may be expressly stated to the contrary herein. The following additional definition shall apply throughout this Chapter 5.37:

"Excess compensation" means annual compensation to an employee in excess of \$1,000,000.

**5.37.030. Determining excess compensation paid in Seattle to employees**

For employees who receive excess compensation, the taxpayer shall determine the amount of excess compensation subject to the tax levied in this Chapter by calculating the portion of such excess compensation paid in Seattle using the method for making such determination with respect to compensation under Section 5.38.025, as in effect on January 1, 2024.

**5.37.040 Tax Imposed – Rate**

- A. An excess compensation payroll expense tax is hereby levied upon and shall be collected from persons engaging in business within Seattle.
- B. The amount of tax due shall be 5% of the excess compensation paid in Seattle for each employee of the taxpayer.
- C. The tax imposed by this Chapter is levied on businesses. A business may not make any deductions from the employees' compensation to pay for this tax.
- D. The tax imposed by this Chapter is in addition to the payroll expense tax levied under Chapter 5.38.

**5.37.050 Exemptions from the tax**

- A. The following are exempt from the tax imposed by this Chapter:
  1. Any individual who is an independent contractor for purposes of the business license tax under subsection 5.45.090.S and whose excess compensation is included in the tax paid by another business pursuant to Section 5.37.040.
  2. Businesses that are preempted from taxation by cities pursuant to federal or state statutes or regulations, including the businesses identified in subsection 5.38.040.A.4, as in effect on January 1, 2024.

**5.37.060 Allocation and apportionment**

The provisions of Section 5.38.050, as in effect on January 1, 2024, shall have full force and application with respect to the tax imposed in this Chapter.

**5.37.070 Allocation of proceeds**

- A. All revenue received through the tax levied in this Chapter shall be allocated as follows:
  1. At least 95% of the tax revenue shall be allocated and promptly transferred to Seattle's Social Housing Developer, the Public Development Authority established by Initiative 135.
  2. Up to 5% of the tax revenue may be allocated to administer the tax, but in no event shall the amount so allocated exceed \$2,000,000 per year.

**5.37.080 When due**

- A. The tax imposed by this Chapter shall take effect as of January 1, 2025, and shall be due and payable in quarterly installments in accordance with Section 5.55.040.
- B. 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 excess compensation payroll expense tax at the same time as they file their final business license tax return under Chapter 5.45.

**5.37.090 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.

**5.37.100 Tax part of operating overhead**

It is not the intention of this Chapter 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.

**5.37.110 Rules and regulations**

The Director shall adopt, publish, and enforce rules and regulations not inconsistent with this Chapter for the purpose of carrying out the provisions of this Chapter, including but not limited to rules to ensure that businesses subject to both the payroll expense tax under Chapter 5.38 and the tax under this Chapter are able to streamline and consolidate their filings for those taxes.

Section 2. Section 5.30.010 of the Seattle Municipal Code, last amended by Ordinance 126880, is amended as follows:

**5.30.010 - Definition provisions**

The definitions contained in this Chapter 5.30 shall apply to Chapters 5.35 (Commercial Parking Tax), 5.37 (Social Housing Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.48 (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 as expressly indicated in each chapter or section. Words in the singular number shall include the plural and the plural shall include the singular. Words in one gender shall include all other genders.

Section 3. Subsection 5.30.060.C of the Seattle Municipal Code, which section was last amended by Ordinance 126880 is amended as follows:

**5.30.060 Definitions, T—Z**

\*\*\*

C. "Taxpayer" means any person 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 5.35 (Commercial Parking Tax), 5.37 (Social Housing Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.47 (Heating Oil Tax), 5.48 (Business Tax—Utilities), 5.50 (Firearms and Ammunition Tax), 5.52 (Gambling Tax), and 5.53 (Sweetened Beverage Tax), or who engages in any business or who performs any act for which a tax or fee is imposed under those chapters.

\*\*\*

Section 4. Section 5.55.010 of the Seattle Municipal Code, last amended by Ordinance 126880, 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 5.35 (Commercial Parking Tax), 5.37 (Social Housing Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.48 (Business Tax—Utilities), 5.50 (Firearms and Ammunition Tax), 5.52 (Gambling Tax), 5.53 (Sweetened Beverage Tax), and under other titles, chapters, and sections in such manner and to such extent as indicated in each such title, chapter, or section.

Section 5. Subsection 5.55.040.A of the Seattle Municipal Code, which section was last amended by Ordinance 126880, is amended as follows:

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

A. Other than any annual license fee or registration fee assessed under this Chapter 5.55, the taxes imposed by Chapters 5.35 (Commercial Parking Tax), 5.37 (Social Housing Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.48 (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. Effective January 1, 2021, tax returns and payments are due on or before the time as provided in RCW 82.32.045(1), (2), and (3).

\*\*\*

Section 6. Subsection 5.55.060.A of the Seattle Municipal Code, which section was last amended by Ordinance 126880, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 5.48, 5.50, 5.52, and 5.53 shall keep and preserve, for a period of five years after filing a tax return, such records as may be necessary to determine the amount of any fee or tax for which the person may be liable; which records shall

include copies of all federal income tax and state tax returns and reports made by the person. All books, records, papers, invoices, ticket stubs, vendor lists, gambling games, and payout information, inventories, stocks of merchandise, and other data, including federal income tax and state tax returns, and reports needed to determine the accuracy of any taxes due, shall be open for inspection or examination at any time by the Director or a duly authorized agent. Every person's business premises shall be open for inspection or examination by the Director or a duly authorized agent. For the purposes of this Section 5.55.060, for the tax imposed by Chapter 5.53, "business premises" means wherever the person's business records and tax documents are maintained and does not mean every site owned or operated by the person.

\*\*\*

Section 7. Section 5.55.150 of the Seattle Municipal Code, which section was last amended by Ordinance 126880, 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, 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 5.48, 5.50, 5.52, or 5.53.

\*\*\*

Section 8. Section 5.55.165 of the Seattle Municipal Code, last amended by Ordinance 126880, is amended as follows:

**5.55.165 Director of Finance and Administrative Services to make rules**

The Director of Finance and Administrative Services shall have the power and it shall be the Director's duty, from time to time, to adopt, publish, and enforce rules and regulations not inconsistent with this Chapter 5.55, with Chapters 5.30, 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 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 9. Subsections 5.55.220.A and 5.55.220.B of the Seattle Municipal Code, which section was last amended by Ordinance 126880, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 5.48, 5.50, 5.52, or 5.53 shall constitute a separate offense. Except as provided in subsection 5.55.220.C, any person who commits an act defined in subsection 5.55.220.A is guilty of a gross misdemeanor, punishable in accordance with Section 12A.02.070. The provisions of Chapters 12A.02 and 12A.04 apply to the offenses defined in subsection 5.55.220.A, except that liability is absolute and none of the mental states described in Section 12A.04.030 need be proved.

\*\*\*

Section 10. Subsection 5.55.230.A of the Seattle Municipal Code, which section was last amended by Ordinance 126880, 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 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 5.48, 5.50, 5.52, or 5.53.
4. The licensee is in default in any payment of any license fee or tax under Title 5 or Title 6.

\*\*\*

Section 11. Subsection 6.208.020.A of the Seattle Municipal Code, which section was last amended by Ordinance 126880, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 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 relevant provisions in Title 8, 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, 14.23.115.A.4, 14.26.210.A.4, 14.27.210.A.4, 14.28.210.A.4, 14.30.180.A.4, 14.33.210.A.4, and 14.34.210.A.4, subsection 100.240.A.4 of Ordinance 126091, subsection 100.240.A.4 of Ordinance 126094, and subsection 100.240.A.4 of Ordinance 126274, 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 Title 8, Chapters 14.16, 14.17, 14.19, 14.20, 14.22, 14.23, 14.26, 14.27, 14.28, 14.29, 14.30, 14.33, and 14.34, Ordinance 126091, Ordinance 126094, and Ordinance 126274 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 Title 8, Chapters 14.16, 14.17, 14.19, 14.20, 14.22, 14.23, 14.26, 14.27, 14.28, 14.29, 14.30, 14.33, and 14.34, Ordinance 126091, Ordinance 126094, and Ordinance 126274 are remedied.
10. The business is one that requires an additional license under this Title 6 and the business does not hold that license.
11. The business has been determined under a separate enforcement process to be operating in violation of law.

\*\*\*

Section 12. Section 12 of City of Seattle Initiative Measure 135 shall be amended as follows:

**Section 12. City Startup Support.**

The City shall provide the Public Developer limited in-kind assistance as necessary for the first 18 months of startup, including but not limited to office space, staffing, supplies, insurance and bonding, and legal services. This in-kind support shall include hiring and retaining the Public Developer's chief executive officer and chief financial officer. This in-kind support shall not derive from any existing housing funding or reduce any City support for other housing projects. The City Council or the people acting through the initiative power shall ~~will~~ decide the amount of subsequent City support for the Public Developer, which may include funds from any source available to do so including, without limitation, the general fund, grant funds, and by issuing Councilmanic Revenue Bonds.

Section 13. Severability. The provisions of this ballot initiative are declared to be separate and severable. If any clause, sentence, paragraph, section, or portion of this ballot initiative, or the application thereof to any person or circumstances is held to be invalid, it shall not affect the validity of the remainder, or the validity of its application to other persons or circumstances.



## SUMMARY and FISCAL NOTE

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
LEG	Jennifer LaBrecque	

### 1. BILL SUMMARY

**Legislation Title:** A RESOLUTION regarding Initiative 137 concerning excess compensation payroll taxes to fund the Social Housing Developer (which the City Council determined not to enact on September 19, 2024); authorizing the City Clerk and the Executive Director of the Ethics and Elections Commission to take those actions necessary to enable proposed Initiative 137 to appear on the February 11, 2025 ballot and the local voters' pamphlet in conjunction with the Payroll Expense Tax proposal (City Council Bill 120864), which is a proposed alternative measure dealing with the same subject matter in accordance with Charter Article IV; requesting the King County Elections Director to place the proposed Initiative 137 and its alternate on the February 11, 2025 election ballot in accordance with applicable law; and providing for the publication of such proposed Initiative Measure and its alternate.

#### **Summary and Background of the Legislation:**

This resolution directs King County Elections to place both Initiative 137 (I-137) and an alternative on the February 11, 2025 election ballot.

I-137 was filed with the Office of the City Clerk on February 13, 2024 (Clerk File 322950). On July 26, 2024 King County elections provided a Certificate of Sufficiency verifying that there were sufficient signatures to place the petition on the ballot. I-137 would impose a tax on payroll expenses for employers doing business in Seattle for purposes of social funding. Proponents estimate it would generate about \$50 million annually. The alternative, Council Bill (CB) 120864, would amend the Payroll Expense Tax (PET) so that the Seattle Social Housing Developer receives \$10 million annually, administered by the Seattle Office of Housing (OH), in dedicated PET funding for five years. Funding could be used to acquire, develop, or rehabilitate social housing and provide administrative support to the Social Housing Developer. CB 120864 provides some accommodations to the Seattle Social Housing Developer as compared to other affordable housing developers accessing capital through OH, while also providing some accountability measures for public funding.

### 2. CAPITAL IMPROVEMENT PROGRAM

#### **Does this legislation create, fund, or amend a CIP Project?**

Yes  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.

### 3. SUMMARY OF FINANCIAL IMPLICATIONS

**Does this legislation have financial impacts to the City?**

Yes  No

The resolution submits I-137 and the alternative to the Seattle voters for their approval in the February 11, 2025 special election. Because the resolution only sends I-137 and the alternative to voters, and does not actually implement the proposed tax or PET amendments, there are no financial impacts associated with the resolution.

#### 3.d. Other Impacts

##### *I-137 Impacts*

If approved, proponents of I-137 estimate that the tax would generate about \$50 million each year over the next ten years.

The Seattle Office of Economic and Revenue Forecasts (Forecast Office) reviewed the methodology used to develop these projections and found that it seemed generally sound and on the conservative side. The Forecast Office also noted that there are several data limitations which make projecting this type of tax revenue difficult: 1) compensation data does not exist at the City of Seattle level, so assumptions must be made to extrapolate from data provided for a larger geographic area and 2) payroll data from the Employment Security Department does not include some corporate officer positions, which are more likely to be high income earners.

The Forecast Office also indicated other challenges with projecting the tax revenue associated with I-137. Like the current Payroll Expense Tax, tax revenue collections associated with I-137 would be potentially volatile. According to the Forecast Office, a large share of annual revenue from the existing payroll expense tax comes from a small subset of businesses in the technology sector. Further, a not insignificant amount of compensation paid by employers in the technology sector comes in the form of grants of company stock. For that reason, recent forecasts of the existing payroll expense tax by the Forecast Office have shown a positive correlation between tax collections and trends in technology stock values. As such, volatility in value of technology stocks can reasonably be expected to translate into volatility in tax collections.

Additionally, the increase to the payroll expense tax proposed by I-137 could cause businesses to change their hiring behavior to avoid taxation – such as moving existing employees to locations outside Seattle and/or shifting new hires to locations outside the city. As noted by the Forecast Office, these types of behavioral shifts could impact not only the potential revenue from the proposed new tax, but also revenues from the existing payroll expense tax and other tax revenue sources, including the sales tax, real estate taxes, and the business and occupation tax.

Overall, according to the Forecast Office the proponent’s estimate of annual proceeds around \$50 million per year seems conservative and could be significantly higher. But given the volatility of the tax revenue and its potential to impact business decisions about employee locations, it could also be lower.

The Office of City Finance (OCF) has indicated that, should I-137 be approved by voters, they would request an additional 1.0 FTE Senior Customer Service Representative (Sr. CSR) and 1.0 FTE Tax Auditor to assist with the additional work resulting from the new tax. The fully loaded costs for these positions, assuming a 2026 start date, is \$119,057 for the Sr. CSR and \$151,725 for the Tax Auditor. Based on the cost of previous projects, OFC estimates that the cost of developing the technology system to administer this tax could be around \$1.5 million and that the ongoing maintenance fees for the system would be about \$10,000 per year.

### *I-137 Alternative Impacts*

This legislation will not change total City revenues or total expenditures but does impose new restrictions on the use of PET revenues. Under existing City code, PET revenues must be allocated, on a percentage basis, across five categories:

- 5% for administration, collection, and evaluation of the tax;
- 62% for housing and housing services;
- 9% for the City's Equitable Development Initiative;
- 15% to support economic recovery and provide economic stability; and
- 9% to advance the Seattle Green New Deal.

If approved by voters, this legislation would further require \$10 million of annual PET revenues to be allocated to the Seattle Social Housing Developer for a period of five years.

The Council can anticipate being asked to review the policies governing the allocation of PET proceeds as part of the upcoming 2025-2026 biennial budget process. PET revenues are likely to play a significant role in the Mayor's proposal to address the City's General Fund projected deficit. Council modifications to the PET expenditure policies will need to accommodate the potential for voters to approve a \$10 million allocation to the Social Housing Developer.

## **4. OTHER IMPLICATIONS**

**a. Please describe how this legislation may affect any departments besides the originating department.**

OCF would administer the tax.

**b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**

No

**c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**



- i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

In Seattle low-income households are disproportionately black, indigenous, or people of color (BIPOC) households and black households are most likely to be low-income<sup>1</sup>. BIPOC renter households are also disproportionately rent-burdened. Over half (57%) of all Black renter households in Seattle are cost-burdened, and over a quarter (27%) are severely cost burdened, meaning they spend over half of their incomes on housing costs.<sup>2</sup> Provision of income and rent restricted housing for low-income households can provide housing stability and reduce rent burden.

- ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation. N/A**

- iii. What is the Language Access Plan for any communications to the public? None**

**d. Climate Change Implications**

- i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.** Legislation not likely to have material impact on carbon emissions.
- ii. 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.** Legislation not likely to have material impact on climate change resiliency.

- e. 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)? What mechanisms will be used to measure progress towards meeting those goals?**

There are no specific long-term or measure goals included in I-137 or any mechanisms to measure progress towards meeting goals.

---

<sup>1</sup> Seattle Market Rate Housing Needs and Supply Analysis, BERK, April 2021, page 19/  
<https://www.seattle.gov/Documents/Departments/OPCD/OngoingInitiatives/HousingChoices/SeattleMarketRateHousingNeedsAndSupplyAnalysis2021.pdf>

<sup>2</sup> Ibid, page 23

## 5. CHECKLIST

Please click the appropriate box if any of these questions apply to this legislation.

- Is a public hearing required?**
- Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?**
- If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**
- Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**  
If yes, please review requirements in Resolution 31203 for applicability and complete and attach "Additional risk analysis and fiscal analysis for non-utility partner projects" form.

## 6. ATTACHMENTS

**List Summary Attachments (if any):**



Legislation Text

---

**File #:** Res 32142, **Version:** 1

---

**CITY OF SEATTLE**

**RESOLUTION \_\_\_\_\_**

A RESOLUTION regarding Initiative 137 concerning a payroll expense tax to fund the Social Housing Developer; authorizing the City Clerk and the Executive Director of the Ethics and Elections Commission to take those actions necessary to enable the proposed Initiative Measure to appear on the November 5, 2024, ballot and the local voters' pamphlet; requesting the King County Elections Director to place the proposed Initiative Measure on the November 5, 2024, ballot; and providing for the publication of such proposed Initiative Measure.

WHEREAS, proponents submitted to the City Clerk a ballot measure petition concerning a payroll expense tax to fund the Social Housing Developer (which the City Clerk designated as Seattle Initiative No. 137 in Clerk File 322950); and

WHEREAS, the City Clerk forwarded the petition to the Director of King County Elections for certification of whether the petition bears a sufficient number of valid signatures to qualify for introduction to the City Council as provided in Seattle City Charter Article IV, Section 1; and

WHEREAS, the Director of King County Elections has certified that the Initiative No. 137 petition bears sufficient valid signatures to qualify for introduction to the City Council; and

WHEREAS, Seattle City Charter Article IV, Section 1 provides that, if the City Council does not enact an initiative bill or measure bearing a sufficient number of signatures, it shall be the duty of the City Council to submit the initiative measure to the voters of the City for their ratification or rejection; NOW, THEREFORE,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE THAT:**

Section 1. The City Clerk is authorized and directed to take those actions necessary to place City of Seattle Initiative No. 137 in Clerk File 322950, a copy of which is attached to this resolution as Attachment A,

on the November 5, 2024, ballot, including but not limited to publishing the proposed Initiative Measure as provided by the City Charter.

Section 2. The Executive Director of the Ethics and Elections Commission is authorized and requested to take those actions necessary to place information regarding City of Seattle Initiative Measure 137 in the November 5, 2024, voters' pamphlet.

Section 3. The Director of Elections of King County, Washington, as ex officio supervisor of elections, is requested to call for a special election and place City of Seattle Initiative Measure 137 on the November 5, 2024, ballot, with the following ballot title approved by the Seattle City Attorney:

City of Seattle Initiative Measure 137 concerns a payroll expense tax to fund the Social Housing Developer.

This measure would impose a tax on payroll expenses for employers doing business in Seattle. The tax rate would be 5% on annual compensation above \$1,000,000 paid in Seattle to any employee. Proceeds would support the Social Housing Developer, a public development authority created to develop, own, and maintain social housing in Seattle. The tax imposed would be in addition to the City's payroll expense tax levied under Seattle Municipal Code Chapter 5.38.

Should this measure be approved?

Yes \_\_\_\_\_

No \_\_\_\_\_

Adopted by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2024, and signed by me in open session in authentication of its adoption this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_  
President \_\_\_\_\_ of the City Council

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

---

Scheereen Dedman, City Clerk

(Seal)

**Attachments:**

Attachment A - City of Seattle Initiative Measure No. 137 (from Clerk File 322950)



Please return signed petitions forms to:

House Our Neighbors  
600 1<sup>st</sup> Ave. Suite 531  
Seattle, WA 98104

Telephone: (206) 822-1812  
Email: info@houseourneighbors.org  
www.letsbuildsocialhousing.org

WARNING: Ordinance 94289 provides as follows: Section 1. It is unlawful for any person: 1. To sign or decline to sign any petition for a City initiative, referendum, or Charter amendment, in exchange for any consideration or gratuity or promise thereof; or 2. To give or offer any consideration or gratuity to anyone to induce him or her to sign or not to sign a petition for a City initiative, referendum, or Charter amendment; or 3. To interfere with or attempt to interfere with the right of any voter to sign or not to sign a petition for a City initiative, referendum, or Charter amendment petition by threat, intimidation or any other corrupt means or practice; or 4. To sign a petition for a City initiative, referendum, or Charter amendment with any other than his or her true name, or to knowingly sign more than one (1) petition for the same initiative, referendum or Charter amendment measure, or to sign any such petition knowing that he or she is not a registered voter of The City of Seattle. The provisions of this ordinance shall be printed as a warning on every petition for a City initiative, referendum, or Charter amendment. Section 2. Any person violating any of the provisions of this ordinance shall upon conviction thereof be punishable by a fine of not more than Five Hundred Dollars (\$500) or by imprisonment in the City Jail for a period not to exceed six (6) months, or by both such fine and imprisonment.

**INITIATIVE PETITION FOR SUBMISSION TO THE CITY COUNCIL OF SEATTLE**

To the City Council of The City of Seattle:

We, the undersigned registered voters of The City of Seattle, State of Washington, propose and ask for the enactment as an ordinance of the measure known as Initiative Measure No. 137 entitled:

City of Seattle Initiative Measure 137 concerns a payroll expense tax to fund the Social Housing Developer.

This measure would impose a tax on payroll expenses for employers doing business in Seattle. The tax rate would be 5% on annual compensation above \$1,000,000 paid in Seattle to any employee. Proceeds would support the Social Housing Developer, a public development authority created to develop, own, and maintain social housing in Seattle. The tax imposed would be in addition to the City's payroll expense tax levied under Seattle Municipal Code Chapter 5.38.

Should this measure be approved?

Yes \_\_\_\_\_  
No \_\_\_\_\_

a full, true and correct copy of which is included herein, and we petition the Council to enact said measure as an ordinance; and, if not enacted within forty-five (45) days from the time of receipt thereof by the City Council, then to be submitted to the qualified electors of The City of Seattle for approval or rejection at the next regular election or at a special election in accordance with Article IV, Section 1 of the City Charter; and each of us for himself or herself says: I have personally signed this petition; I am a registered voter of The City of Seattle, State of Washington, and my residence address is correctly stated.

Petitioner's Signature	Printed Name	Residence Address Street and Number	Date Signed
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			
16.			
17.			
18.			
19.			
20.			

AN ACT to levy an excess compensation payroll expense tax to fund the Seattle Social Housing Developer.

BE IT ENACTED BY THE PEOPLE OF THE CITY OF SEATTLE:

Section 1. A new Chapter 5.37 is added to Title 5 of the Seattle Municipal Code as follows:

**Chapter 5.37 SOCIAL HOUSING TAX**

**5.37.000 Purpose**

On February 14, 2023, Seattle voters approved Initiative 135 by a 14-point margin. I-135 created the Seattle Social Housing Developer to develop, own, and maintain social housing developments in the City of Seattle and for all related lawful purposes or public functions within the limits of the City of Seattle and outside of the City to the extent provided by state law. Social housing is available to all, permanently affordable, and publicly owned in perpetuity. Social housing will increase the supply of permanent, truly affordable housing for Seattle residents. Social housing is an internationally proven model that spans multiple countries and continents, including but not limited to: Maryland’s Montgomery County, Toronto, Finland, Singapore, France, Vienna, and New Zealand to name a few. The social housing tax levied through this initiative provides a progressive revenue source that will support the Seattle Social Housing Developer’s efforts to expand access to affordable social housing in Seattle by funding the construction and acquisition of social housing, operation costs, maintenance costs, rehabilitation of acquisitions, making control investments in housing developments, and other functions that advance its mission. The housing developed under this ordinance will be permanently protected for public use, dedicated to workforce and community housing, and will thereby increase the supply of permanent, truly affordable housing. The social housing payroll tax will provide a critical, ongoing revenue stream for the Seattle Social Housing Developer to fulfill its mission as outlined in Initiative 135. This revenue stream should eventually complement other sources of funding as the Seattle Social Housing Developer looks to federal grants, State of Washington revenue streams, and other sources to accelerate its ability to build and acquire social housing.

**5.37.010 Administrative provisions**

The provisions contained in Chapter 5.55 shall apply to the taxes imposed in this Chapter except as expressly stated to the contrary herein.

**5.37.020 Definitions**

The definitions applicable to Chapter 5.38, as in effect on January 1, 2024, shall be fully applicable to this Chapter except as may be expressly stated to the contrary herein. The following additional definition shall apply throughout this Chapter 5.37:

“Excess compensation” means annual compensation to an employee in excess of \$1,000,000.

**5.37.030. Determining excess compensation paid in Seattle to employees**

For employees who receive excess compensation, the taxpayer shall determine the amount of excess compensation subject to the tax levied in this Chapter by calculating the portion of such excess compensation paid in Seattle using the method for making such determination with respect to compensation under Section 5.38.025, as in effect on January 1, 2024.

**5.37.040 Tax Imposed – Rate**

- A. An excess compensation payroll expense tax is hereby levied upon and shall be collected from persons engaging in business within Seattle.
- B. The amount of tax due shall be 5% of the excess compensation paid in Seattle for each employee of the taxpayer.
- C. The tax imposed by this Chapter is levied on businesses. A business may not make any deductions from the employees’ compensation to pay for this tax.
- D. The tax imposed by this Chapter is in addition to the payroll expense tax levied under Chapter 5.38.

**5.37.050 Exemptions from the tax**

- A. The following are exempt from the tax imposed by this Chapter:
  1. Any individual who is an independent contractor for purposes of the business license tax under subsection 5.45.090.S and whose excess compensation is included in the tax paid by another business pursuant to Section 5.37.040.
  2. Businesses that are preempted from taxation by cities pursuant to federal or state statutes or regulations, including the businesses identified in subsection 5.38.040.A.4, as in effect on January 1, 2024.

**5.37.060 Allocation and apportionment**

The provisions of Section 5.38.050, as in effect on January 1, 2024, shall have full force and application with respect to the tax imposed in this Chapter.

**5.37.070 Allocation of proceeds**

- A. All revenue received through the tax levied in this Chapter shall be allocated as follows:
  1. At least 95% of the tax revenue shall be allocated and promptly transferred to Seattle’s Social Housing Developer, the Public Development Authority established by Initiative 135.
  2. Up to 5% of the tax revenue may be allocated to administer the tax, but in no event shall the amount so allocated exceed \$2,000,000 per year.

**5.37.080 When due**

- A. The tax imposed by this Chapter shall take effect as of January 1, 2025, and shall be due and payable in quarterly installments in accordance with Section 5.55.040.
- B. 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 excess compensation payroll expense tax at the same time as they file their final business license tax return under Chapter 5.45.

**5.37.090 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.

**5.37.100 Tax part of operating overhead**

It is not the intention of this Chapter 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.

**5.37.110 Rules and regulations**

The Director shall adopt, publish, and enforce rules and regulations not inconsistent with this Chapter for the purpose of carrying out the provisions of this Chapter, including but not limited to rules to ensure that businesses subject to both the payroll expense tax under Chapter 5.38 and the tax under this Chapter are able to streamline and consolidate their filings for those taxes.

Section 2. Section 5.30.010 of the Seattle Municipal Code, last amended by Ordinance 126880, is amended as follows:

**5.30.010 - Definition provisions**

The definitions contained in this Chapter 5.30 shall apply to Chapters 5.35 (Commercial Parking Tax), 5.37 (Social Housing Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.48 (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 as expressly indicated in each chapter or section. Words in the singular number shall include the plural and the plural shall include the singular. Words in one gender shall include all other genders.

Section 3. Subsection 5.30.060.C of the Seattle Municipal Code, which section was last amended by Ordinance 126880 is amended as follows:

**5.30.060 Definitions, T—Z**

\*\*\*

C. “Taxpayer” means any person 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 5.35 (Commercial Parking Tax), 5.37 (Social Housing Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.47 (Heating Oil Tax), 5.48 (Business Tax—Utilities), 5.50 (Firearms and Ammunition Tax), 5.52 (Gambling Tax), and 5.53 (Sweetened Beverage Tax), or who engages in any business or who performs any act for which a tax or fee is imposed under those chapters.

\*\*\*

Section 4. Section 5.55.010 of the Seattle Municipal Code, last amended by Ordinance 126880, 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 5.35 (Commercial Parking Tax), 5.37 (Social Housing Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.48 (Business Tax—Utilities), 5.50 (Firearms and Ammunition Tax), 5.52 (Gambling Tax), 5.53 (Sweetened Beverage Tax), and under other titles, chapters, and sections in such manner and to such extent as indicated in each such title, chapter, or section.

Section 5. Subsection 5.55.040.A of the Seattle Municipal Code, which section was last amended by Ordinance 126880, is amended as follows:

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

A. Other than any annual license fee or registration fee assessed under this Chapter 5.55, the taxes imposed by Chapters 5.35 (Commercial Parking Tax), 5.37 (Social Housing Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.48 (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. Effective January 1, 2021, tax returns and payments are due on or before the time as provided in RCW 82.32.045(1), (2), and (3).

\*\*\*

Section 6. Subsection 5.55.060.A of the Seattle Municipal Code, which section was last amended by Ordinance 126880, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 5.48, 5.50, 5.52, and 5.53 shall keep and preserve, for a period of five years after filing a tax return, such records as may be necessary to determine the amount of any fee or tax for which the person may be liable; which records shall



include copies of all federal income tax and state tax returns and reports made by the person. All books, records, papers, invoices, ticket stubs, vendor lists, gambling games, and payout information, inventories, stocks of merchandise, and other data, including federal income tax and state tax returns, and reports needed to determine the accuracy of any taxes due, shall be open for inspection or examination at any time by the Director or a duly authorized agent. Every person's business premises shall be open for inspection or examination by the Director or a duly authorized agent. For the purposes of this Section 5.55.060, for the tax imposed by Chapter 5.53, "business premises" means wherever the person's business records and tax documents are maintained and does not mean every site owned or operated by the person.

\*\*\*

Section 7. Section 5.55.150 of the Seattle Municipal Code, which section was last amended by Ordinance 126880, 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, 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 5.48, 5.50, 5.52, or 5.53.

\*\*\*

Section 8. Section 5.55.165 of the Seattle Municipal Code, last amended by Ordinance 126880, is amended as follows:

**5.55.165 Director of Finance and Administrative Services to make rules**

The Director of Finance and Administrative Services shall have the power and it shall be the Director's duty, from time to time, to adopt, publish, and enforce rules and regulations not inconsistent with this Chapter 5.55, with Chapters 5.30, 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 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 9. Subsections 5.55.220.A and 5.55.220.B of the Seattle Municipal Code, which section was last amended by Ordinance 126880, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 5.48, 5.50, 5.52, or 5.53 shall constitute a separate offense. Except as provided in subsection 5.55.220.C, any person who commits an act defined in subsection 5.55.220.A is guilty of a gross misdemeanor, punishable in accordance with Section 12A.02.070. The provisions of Chapters 12A.02 and 12A.04 apply to the offenses defined in subsection 5.55.220.A, except that liability is absolute and none of the mental states described in Section 12A.04.030 need be proved.

\*\*\*

Section 10. Subsection 5.55.230.A of the Seattle Municipal Code, which section was last amended by Ordinance 126880, 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 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 5.48, 5.50, 5.52, or 5.53.
4. The licensee is in default in any payment of any license fee or tax under Title 5 or Title 6.

\*\*\*

Section 11. Subsection 6.208.020.A of the Seattle Municipal Code, which section was last amended by Ordinance 126880, 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 5.35, 5.37, 5.38, 5.39, 5.40, 5.45, 5.46, 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 relevant provisions in Title 8, 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, 14.23.115.A.4, 14.26.210.A.4, 14.27.210.A.4, 14.28.210.A.4, 14.30.180.A.4, 14.33.210.A.4, and 14.34.210.A.4, subsection 100.240.A.4 of Ordinance 126091, subsection 100.240.A.4 of Ordinance 126094, and subsection 100.240.A.4 of Ordinance 126274, 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 Title 8, Chapters 14.16, 14.17, 14.19, 14.20, 14.22, 14.23, 14.26, 14.27, 14.28, 14.29, 14.30, 14.33, and 14.34, Ordinance 126091, Ordinance 126094, and Ordinance 126274 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 Title 8, Chapters 14.16, 14.17, 14.19, 14.20, 14.22, 14.23, 14.26, 14.27, 14.28, 14.29, 14.30, 14.33, and 14.34, Ordinance 126091, Ordinance 126094, and Ordinance 126274 are remedied.
10. The business is one that requires an additional license under this Title 6 and the business does not hold that license.
11. The business has been determined under a separate enforcement process to be operating in violation of law.

\*\*\*

Section 12. Section 12 of City of Seattle Initiative Measure 135 shall be amended as follows:

**Section 12. City Startup Support.**

The City shall provide the Public Developer limited in-kind assistance as necessary for the first 18 months of startup, including but not limited to office space, staffing, supplies, insurance and bonding, and legal services. This in-kind support shall include hiring and retaining the Public Developer's chief executive officer and chief financial officer. This in-kind support shall not derive from any existing housing funding or reduce any City support for other housing projects. The City Council or the people acting through the initiative power shall ~~will~~ decide the amount of subsequent City support for the Public Developer, which may include funds from any source available to do so including, without limitation, the general fund, grant funds, and by issuing Councilmanic Revenue Bonds.

Section 13. Severability. The provisions of this ballot initiative are declared to be separate and severable. If any clause, sentence, paragraph, section, or portion of this ballot initiative, or the application thereof to any person or circumstances is held to be invalid, it shall not affect the validity of the remainder, or the validity of its application to other persons or circumstances.



## SUMMARY and FISCAL NOTE

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
LEG	Jennifer LaBrecque	

### **1. BILL SUMMARY**

**Legislation Title:** A RESOLUTION regarding Initiative 137 concerning a payroll expense tax to fund the Social Housing Developer; authorizing the City Clerk and the Executive Director of the Ethics and Elections Commission to take those actions necessary to enable the proposed Initiative Measure to appear on the November 5, 2024, ballot and the local voters' pamphlet; requesting the King County Elections Director to place the proposed Initiative Measure on the November 5, 2024, ballot; and providing for the publication of such proposed Initiative Measure.

#### **Summary and Background of the Legislation:**

Proposed Initiative Petition No. 137 (I-137) was filed with the Office of the City Clerk on February 13, 2024 (Clerk File 322950). On July 26, 2024 King County elections provided a Certificate of Sufficiency verifying that there were sufficient signatures to place the petition on the ballot. I-137 would impose a tax on payroll expenses for employers doing business in Seattle.<sup>1</sup> The new tax would apply a five percent rate on compensation above \$1,000,000 a year paid to Seattle-based employee.

Under I-137, at least 95% of the tax revenue shall be allocated and promptly transferred to Seattle's Social Housing Developer Public Development Authority (Social Housing PDA) for development and acquisition of social housing, operation costs, maintenance costs, rehabilitation of acquisitions, making control investments in housing developments, and other functions that advance its mission. The Social Housing PDA was established under Initiative 135, which was approved by voters in February 2023; its purpose is to develop, own, and maintain publicly financed mixed-income social housing developments<sup>2</sup>. Up to 5% of the tax revenue may be allocated to administer the tax, but the amount to administer the tax cannot exceed \$2,000,000 per year.

---

<sup>1</sup> The proposed tax is like the Payroll Expense Tax in that it is a tax on business payroll expense, and as such relies on a generally similar tax base and most of the definitions in the current payroll expenses tax. It is different in that it imposes a 5% tax on every dollar of individual compensation above \$1,000,000, irrespective to size of business. In contrast, the Payroll Expense Tax applies to individual compensation of \$182,385 or higher, paid to any employees at a business with total payroll of \$8,511,281 or higher<sup>1</sup> and has both progressive tiers for both total business payroll and employee compensation level. Also, the current Payroll Expense Tax exempts some compensation at non-profit healthcare providers, whereas the proposed tax does not.

<sup>2</sup> As defined in I-135, social housing must 1) be owned by the PDA 2) Be mixed income, with units affordable to households earning 0% to 120% of Area Median Income 3) Allow tenants to remain in housing even if household income changes 4) Establish rental rates based on operations, maintenance, and loan payments 5) Allow residents opportunities for restorative justice conflict resolution prior to eviction proceedings 6) Not be sold or transferred to a private entity or public-private partnership 6) Allow residents have opportunities to participate in decision-making, and 7) Meet passive housing standards for new developments.

## 2. CAPITAL IMPROVEMENT PROGRAM

### Does this legislation create, fund, or amend a CIP Project?

Yes  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.

## 3. SUMMARY OF FINANCIAL IMPLICATIONS

### Does this legislation have financial impacts to the City?

Yes  No

The resolution submits Initiative I-137 to the Seattle voters for their approval in the November 2024 General Election. Because the resolution only sends Initiative I-137 to voters, and does not actually implement the proposed tax, there are no financial impacts associated with the resolution.

### 3.d. Other Impacts

If approved, proponents of I-137 estimate that the tax would generate about \$50 million each year over the next ten years.

The Seattle Office of Economic and Revenue Forecasts (Forecast Office) reviewed the methodology used to develop these projections and found that it seemed generally sound and on the conservative side. The Forecast Office also noted that there are several data limitations which make projecting this type of tax revenue difficult: 1) compensation data does not exist at the City of Seattle level, so assumptions must be made to extrapolate from data provided for a larger geographic area and 2) payroll data from the Employment Security Department does not include some corporate officer positions, which are more likely to be high income earners.

The Forecast Office also indicated other challenges with projecting the tax revenue associated with I-137. Like the current Payroll Expense Tax, tax revenue collections associated with I-137 would be potentially volatile. According to the Forecast Office, a large share of annual revenue from the existing payroll expense tax comes from a small subset of businesses in the technology sector. Further, a not insignificant amount of compensation paid by employers in the technology sector comes in the form of grants of company stock. For that reason, recent forecasts of the existing payroll expense tax by the Forecast Office have shown a positive correlation between tax collections and trends in technology stock values. As such, volatility in value of technology stocks can reasonably be expected to translate into volatility in tax collections.

Additionally, the increase to the payroll expense tax proposed by I-137 could cause businesses to change their hiring behavior to avoid taxation— such as moving existing employees to locations outside of the city of Seattle and/or shifting new hires to locations outside the city. As noted by the Forecast Office, these types of behavioral shifts could impact not only the potential revenue from the proposed new tax, but also revenues from the existing payroll expense tax and other tax revenue sources, including the sales tax, real estate taxes, and the business and occupation tax.

Overall, according to the Forecast Office the proponent’s estimate of annual proceeds around \$50 million per year seems conservative and could be significantly higher. But given the volatility of the tax revenue and its potential to impact business decisions about employee locations, it could also be lower.

The Office of City Finance (OFC) has indicated that, should I-137 be approved by voters, they would request an additional 1.0 FTE Senior Customer Service Representative (Sr. CSR) and 1.0 FTE Tax Auditor to assist with the additional work resulting from the new tax. The fully loaded costs for these positions, assuming a 2026 start date, is \$119,057 for the Sr. CSR and \$151,725 for the Tax Auditor. Based on the cost of previous projects, OFC estimates that the cost of developing the technology system to administer this tax could be around \$1.5 million and that the ongoing maintenance fees for the system would be about \$10,000 per year.

#### 4. OTHER IMPLICATIONS

**a. Please describe how this legislation may affect any departments besides the originating department.**

Office of City Finance would administer the tax.

**b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**

No

**c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**

**i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

In Seattle low-income households are disproportionately black, indigenous, or people of color (BIPOC) households and black households are most likely to be low-income<sup>3</sup>. BIPOC renter households are also disproportionately rent-burdened. Over half (57%) of all Black renter households in Seattle are cost-burdened, and over a quarter (27%) are severely cost burdened, meaning they spend over half of their incomes on housing costs.<sup>4</sup> Provision of income and rent restricted housing for low-income households can provide housing stability and reduce rent burden.

---

<sup>3</sup> Seattle Market Rate Housing Needs and Supply Analysis, BERK, April 2021, page 19/  
<https://www.seattle.gov/Documents/Departments/OPCD/OngoingInitiatives/HousingChoices/SeattleMarketRateHousingNeedsAndSupplyAnalysis2021.pdf>

<sup>4</sup> Ibid, page 23

f

ii. **Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.** N/A

iii. **What is the Language Access Plan for any communications to the public?** None

**d. Climate Change Implications**

i. **Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.** Legislation not likely to have material impact on carbon emissions.

ii. **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.** Legislation not likely to have material impact on climate change resiliency.

e. **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)? What mechanisms will be used to measure progress towards meeting those goals?**

There are no specific long-term or measure goals included in I-137 or any mechanisms to measure progress towards meeting goals.

**5. CHECKLIST**

Please click the appropriate box if any of these questions apply to this legislation.

**Is a public hearing required?**

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

**If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**

**Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

If yes, please review requirements in Resolution 31203 for applicability and complete and attach “Additional risk analysis and fiscal analysis for non-utility partner projects” form.

**6. ATTACHMENTS**

**List Summary Attachments (if any):**

## Amendment 1 to RES 32142 – Initiative No. 137

Sponsor: CP Nelson

Amendment to place Initiative No. 137 on the February 11, 2025 Special Election Ballot.

**Effect:** Resolution 32142 would have placed the City of Seattle Initiative No. 137 (I-137) on the November 5, 2024 General Election Ballot. In order to place I-137 on the November 5, 2024 General Election Ballot, Council would have needed to pass the Resolution 32142 by August 6, 2024. Because that did not occur, this amendment instead places I-137 on the next available Special Election ballot, which is February 11, 2025.

Amend the title as follows:

*A RESOLUTION regarding Initiative 137 concerning a payroll expense tax to fund the Social Housing Developer; authorizing the City Clerk and the Executive Director of the Ethics and Elections Commission to take those actions necessary to enable the proposed Initiative Measure to appear on the ~~November 5, 2024~~ February 11, 2025, ballot and the local voters' pamphlet; requesting the King County Elections Director to place the proposed Initiative Measure on the ~~November 5, 2024~~ February 11, 2025, ballot; and providing for the publication of such proposed Initiative Measure.*

Amend Section 1 as follows:

*The City Clerk is authorized and directed to take those actions necessary to place City of Seattle Initiative No. 137 in Clerk File 322950, a copy of which is attached to this resolution as Attachment A, on the ~~November 5, 2024~~ February 11, 2025, ballot including but not limited to publishing the proposed Initiative Measure as provided by the City Charter.*

Amend Section 2 as follows:

*The Executive Director of the Ethics and Elections Commission is authorized and requested to take those actions necessary to place information regarding City of Seattle Initiative Measure 137 in the ~~November 5, 2024~~ February 11, 2025, voters' pamphlet.*

Amend Section 3 as follows:

*The Director of Elections of King County, Washington, as ex officio supervisor of elections, is requested to call for a special election and place City of Seattle Initiative Measure 137 on the ~~November 5, 2024~~ February 11, 2025, ballot, with the following ballot title approved by the Seattle City Attorney:*