



SEATTLE CITY COUNCIL

Finance, Native Communities, and Tribal Governments Committee

Agenda

Wednesday, July 2, 2025

9:30 AM

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

Dan Strauss, Chair
Maritza Rivera, Vice-Chair
Robert Kettle, Member
Sara Nelson, Member
Rob Saka, Member

Chair Info: 206-684-8806; Dan.Strauss@seattle.gov

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SEATTLE CITY COUNCIL
Finance, Native Communities, and Tribal
Governments Committee
Agenda
July 2, 2025 - 9:30 AM

Meeting Location:

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

Committee Website:

<https://seattle.gov/council/committees/finance-native-communities-and-tribal-governments>

This meeting also constitutes a meeting of the City Council, provided that the meeting shall be conducted as a committee meeting under the Council Rules and Procedures, and Council action shall be limited to committee business. Pursuant to Council Rule VI.C.10, members of the public providing public comment in Chambers will be broadcast via Seattle Channel.

Members of the public may register for remote or in-person Public Comment to address the Council. Speakers must be registered in order to be recognized by the Chair. Details on how to register for Public Comment are listed below:

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

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.

Please submit written comments no later than four business hours prior to the start of the meeting to ensure that they are distributed to Councilmembers prior to the meeting. Comments may be submitted at Council@seattle.gov or at Seattle City Hall, Attn: Council Public Comment, 600 4th Ave., Floor 2, Seattle, WA 98104. Business hours are considered 8 a.m. - 5 p.m. Comments received after that time will be distributed after the meeting to Councilmembers and included as part of the public record.

Please Note: Times listed are estimated

A. Call To Order

B. Approval of the Agenda

C. Public Comment

D. Items of Business

1. [Appt 03189](#) **Appointment of Dan Eder as Director, City Budget Office, for a term to July 1, 2029.**

Attachments: [Appointment Packet](#)

Supporting Documents: [Interim Director Eder's Written Responses to Council Questions](#)

Briefing, Discussion, and Possible Vote

Presenter: Dan Eder, Interim Director, City Budget Office

2. [CB 121012](#) **AN ORDINANCE** relating to the financing of the Seattle Social Housing Developer; authorizing the Director of Finance to enter into a loan agreement with the Seattle Social Housing Developer; authorizing a loan of funds in an amount up to \$2,000,000 from the General Fund as bridge financing to be repaid from future tax proceeds; and ratifying and confirming certain prior acts.

Attachments: [Ex 1 - Loan Agreement](#)

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

Briefing, Discussion, and Possible Vote

Presenters: Jamie Carnell, Director, Office of City Finance; Christa Valles, Mayor's Office; Roberto Jiménez, CEO, Seattle Social Housing; Jennifer LaBrecque, Council Central Staff

3. **Proposed Business and Occupation (B&O) Tax Rebalancing**

Supporting
Documents: [Draft Ordinance](#)
 [Draft Summary and Fiscal Note](#)
 [Presentation - Revenue Options](#)
 [Mayor's Office Presentation](#)
 [Central Staff Presentation](#)

Briefing and Discussion

Presenters: Greg Wong, Deputy Mayor, Mayor's Office; Dan Eder, Interim Director, City Budget Office; Tom Mikesell and Jennifer LaBrecque, Council Central Staff

E. Adjournment



Legislation Text

File #: Appt 03189, **Version:** 1

Appointment of Dan Eder as Director, City Budget Office, for a term to July 1, 2029.

The Appointment Packet is provided as an attachment.

City of Seattle



City Budget Director

**Confirmation Packet
June 3, 2025**

Dan Eder



June 3, 2025

The Honorable Sara Nelson
President, Seattle City Council
Seattle City Hall, 2nd Floor
Seattle, WA 98104

Dear Council President Nelson:

It is my pleasure to transmit to the City Council the following confirmation packet for my appointment of Dan Eder as City Budget Director and Director of the City Budget Office.

The materials in this packet are divided into two sections:

A. **Dan Eder**

This section contains Mr. Eder's appointment, oath of office form, and resume.

B. **Background Check**

This section contains the report on Mr. Eder's background check.

The City Budget Office (CBO) is a crucial City department, striving to balance available revenues with the spending needed to provide necessary services to the people of Seattle. It works with every other City department and every City elected official to manage existing budgets, develop and refine policy proposals, and to ultimately reach an annual balanced budget. It's a common saying in government that budgets are a reflection of our values, so the stewardship of this work is among the most important in the City. It is important that an experienced, thoughtful leader manage this effort.

Dan Eder has a long history of public service in policy and budget, including 17 years in the City of Seattle. Having served as both my Policy Director and as my Budget Director, I can personally vouch for his thoughtfulness, vast knowledge of City history, policies, and processes, and ability to lead a team of professionals. His experience at City Council Central Staff, including as Interim Director, are a profound asset to a role that is essential to effective governance of the City.

Before referring Mr. Eder's nomination to you, my office consulted with leaders and stakeholders who have worked alongside him, including community stakeholders, his fellow City of Seattle Department Directors, City Council Central staff, Councilmembers, and staff in the City Budget Office. Overall, feedback from stakeholders was overwhelmingly positive. They identified Mr. Eder's ability to communicate effectively about difficult and technical problems and conveyed that he is a thoughtful, collaborative, and knowledgeable leader whose expertise is critical to the City's operations.

I trust that after reviewing Dan Eder's confirmation materials, meeting with him, and following Councilmember Strauss' diligent Finance, Native Communities, and Tribal Governments Committee review, you will find that he is the right choice to serve as City Budget Director. Mr. Eder's integrity, experience, and commitment to public service will lead him succeed in a role that is crucial to everything we do as a city.

If you have any questions about the attached materials or need additional information, Chief of Staff & General Counsel Jeremy Racca in my office would welcome hearing from you. I appreciate your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Bruce A. Harrell". The signature is written in a dark ink and is positioned above the printed name and title.

Bruce A. Harrell
Mayor of Seattle

SECTION

A



City of Seattle
Office of the Mayor

June 3, 2025

Dan Eder
Sent via e-mail

Dear Dan,

It gives me great pleasure to appoint you to serve as the Director, City Budget Office (CBO) effective June 4, 2025 at an annual salary of \$233,043.20.

Your appointment as Director is subject to City Council confirmation; therefore, you will need to attend the Council's confirmation hearings. Once confirmed by the City Council, you serve at the pleasure of the Mayor.

Your contingent offer letter provided employment information related to the terms of your employment, compensation, and benefits.

Dan, congratulations on your nomination. I look forward to continuing our collaboration to achieve our One Seattle vision to build a thriving, innovative, and equitable city we are all proud to call home.

Sincerely,


A handwritten signature in black ink that reads "Bruce C. Harrell". The signature is fluid and cursive, with the first name "Bruce" and last name "Harrell" clearly legible.

Bruce Harrell
Mayor

cc: Personnel File
Recruitment File



City of Seattle Department Head Notice of Appointment

Appointee Name: Dan Eder	
City Department Name: City Budget Office	Position Title: City Budget Director
<input checked="" type="checkbox"/> Appointment OR <input type="checkbox"/> Reappointment	City Council Confirmation required? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Appointing Authority: <input type="checkbox"/> City Council <input checked="" type="checkbox"/> Mayor <input type="checkbox"/> Other: Fill in appointing authority	Term of Position: * Council Confirmation to 7/1/2029 <input type="checkbox"/> Serving remaining term of a vacant position
Background: <p>The City Budget Office (CBO) is a crucial City department, striving to balance available revenues with the spending needed to provide necessary services to the people of Seattle. It works with every other City department and every City elected official to manage existing budgets, develop and refine policy proposals, and to ultimately reach an annual balanced budget. It's a common saying in government that budgets are a reflection of our values, so the stewardship of this work is among the most important in the City. It is important that an experienced, thoughtful leader manage this effort.</p> <p>Dan Eder has a long history of public service in policy and budget, including 17 years in the City of Seattle. Having served as both my Policy Director and as my Budget Director, I can personally vouch for his thoughtfulness, vast knowledge of City history, policies, and processes, and ability to lead a team of professionals. His experience at City Council Central Staff, including as Interim Director, are a profound asset to a role that is essential to effective governance of the City.</p>	
Authorizing Signature:  Date Signed: June 3, 2025	Appointing Signatory: Bruce A. Harrell Mayor of Seattle

*Term begin and end date is fixed and tied to the position and not the appointment date.



CITY OF SEATTLE ▪ STATE OF WASHINGTON
OATH OF OFFICE

State of Washington

County of King

I, Dan Eder, swear or affirm that I possess all of the qualifications prescribed in the Seattle City Charter and the Seattle Municipal Code for the position of City Budget Director; that I will support the Constitution of the United States, the Constitution of the State of Washington, and the Charter and Ordinances of The City of Seattle; and that I will faithfully conduct myself as City Budget Director.

Dan Eder

Subscribed and sworn to before me

this ____ day of _____, 2025.

[Seal]

Scheereen Dedman, City Clerk

Dan Eder



EMPLOYMENT:

Interim Budget Director, City Budget Office

2024 to Present

- Leading the process to fund the Mayor's and Council's top priority initiatives.
- Developed the Mayor's \$8.3 billion proposed budget for Council deliberations and adoption. Reduced administrative costs and championed financial policy changes. Preserved public-facing programs and investments despite structural challenges such as slowing revenues, emerging threats to ongoing federal grants, and the end of one-time federal Covid-19 support.
- Supporting the Mayor in implementing immediate actions and longer-term strategies to ensure the City can provide critical services through a dramatic downturn in forecasted revenues.

Policy Director, Mayor's Office

2021 to 2024

- Developed and reviewed policy proposals for the Mayor's Office.
- Established a process for Deputy Mayors and other senior Mayor's Office staff to make informed decisions about department-generated policy proposals.
- Provided policy direction for major initiatives, including:
 - Multiple successful funding measures (parks, housing, transportation);
 - Renewed partnerships with the Downtown Seattle Association and Visit Seattle;
 - New cost-free licenses for cannabis retailers who meet social equity criteria; and
 - Partnership agreement to install kiosks in downtown Seattle and other areas.

Interim Director, City Council Central Staff

2008 to 2021

- Promoted from other roles to lead the Council's policy staff.
- Provided strategic advice and technical assistance on a range of complex policy issues.
- Identified policy alternatives, evaluated risks, and helped inform Councilmembers when making their decisions.

Project Manager, Sound Transit

1997 to 2008

- Promoted from other roles to serve as Project Manager.
- Developed complex, high-profile public works projects including transit centers, parking garages, a highway interchange, and a commuter rail station.

EDUCATION:

Master of Public Administration

Daniel J. Evans School of Public Affairs, University of Washington
Seattle, WA – 1997

Bachelor of Arts, French Literature

Swarthmore College
Swarthmore, PA – 1984

SELECTED COMMUNITY ACTIVITIES:

Member: City Budget Office's Race & Social Justice Initiative Change Team

Seattle, WA – 2024 to present

Member: Legislative Department's Race & Social Justice Initiative Change Team

Seattle, WA – 2010 to 2021

Board Treasurer: Franklin High School Parent Teacher Association

Seattle, WA – 2015 to 2018

Board Member: Lakeridge Swim Club

Seattle, WA – 2016 to 2017

Founder & Site Coordinator: Brandon Street P-Patch Orchard

Seattle, WA – 2002 to 2016

Board Member: Lake Washington Girls Middle School

Seattle, WA – 2010 to 2014

SELECTED PROFESSIONAL TRAININGS & CONFERENCES:

Co-Motion

Los Angeles, CA – November 2023

Convention, Sports & Entertainment Facilities Conference

San Diego, CA – May 2019

Association of Luxury Suite Directors Conference & Trade Show

Miami, FL – July 2017

Walk/Bike/Places Conference

Vancouver, BC – September 2016

National Association for Civilian Oversight of Law Enforcement

Denver, CO – September 2013

SECTION

B



City of Seattle

Seattle Human Resources

Kimberly Loving, Director

May 20, 2025

TO: Pam Inch – Senior Executive Recruiter - SHR

FROM: Annie Nguyen – Citywide Employment Compliance Advisor - SHR

SUBJECT: Background check for **Daniel Eder**

The Seattle Human Resources has received a copy of **Daniel Paul Eder's** background check provided by Global Screening Solutions on May 2024. There were no findings that would impact their employment eligibility.

Cc: Personnel File

Seattle Department of Human Resources

Seattle Municipal Tower, 700 5th Avenue Suite 5500, PO Box 34028, Seattle, WA 98124-4028
(206) 684-7999 • TTY: 7-1-1 Fax: (206) 684-4157 • Employment Website: www.seattle.gov/jobs

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Appointment Questions

City Budget Office Interim Director, Director Eder

Background & Vision

- 1. You've served in various roles across City government, including Council staff leadership, giving you insight into the workings of both the Executive and Legislative branches. As the City enters a challenging budget cycle, strong collaboration between the Mayor's Office and Council will be essential. Reflecting on last year's budget process, what worked well, what didn't, and how would you strengthen communication and collaboration between the legislative and executive branches?*

If confirmed, it would be an honor and privilege to continue serving the City as Budget Director. For most of my career, I worked in leadership roles on the City Council's Central Staff. After working with then-Councilmember and Council President Harrell, I was honored that Mayor Harrell asked me to serve as his policy director. Since the middle of 2024, I have been the City's Interim Budget Director.

My years supporting Councilmembers gave me a first-hand view of how important it is for policymakers to have full information about options and tradeoffs. This certainly includes budget policy choices. Full and unbiased access to information is critical to decision-making, and as budget director I would continue to prioritize getting Councilmembers critical information in a timely manner, working closely with your Central Staff to make sure that you have access to the best information.

As you are aware, I became interim budget director in mid-2024 when the City was grappling with how to address a \$250 million General Fund deficit. The Mayor asked me to help him propose a balanced budget without devastating consequences to critical services such as public safety, housing, homelessness, libraries, and food access. I'm proud of the work that City leaders did to accomplish that goal: the Mayor's proposed budgets for 2025 and 2026 were fully balanced within available revenues, and the City Council adopted and endorsed balanced budgets.

Unfortunately, the City again finds itself in a challenging budget situation as we head into this fall. In light of bad news in the April revenue forecast, we will need to make difficult choices about what to prioritize.

Reflecting on how to improve upon last year's successful budget process, I want to be more purposeful in reaching out to each Councilmember later this summer to inform the Mayor's decisions about the proposed budget. I will also affirmatively seek Councilmembers' input about top priorities for continued funding and any areas they would favor for spending reductions.

2. *The City of Seattle is facing a structural budget deficit in the years ahead. What do you view as the main contributors to that deficit and what would you recommend the city do to prepare for it?*

It will take time to put the City on a more sustainable path, but some steps can and must be taken in the upcoming budget cycle.

The City adopted a balanced 2025 budget and endorsed a balanced 2026 budget by using a surplus of one-time Payroll Expense Tax revenues and changing financial policies to allow ongoing support for the General Fund. Because some of the Payroll Expense Tax revenues were one-time fund balance, we projected a deficit in the General Fund starting in 2027.

All of the spending in the budget supports services that residents, businesses, community organizations, and visitors rely on; and we are not embarking on a "cuts only" strategy. Nonetheless, lower revenues will require that we make difficult choices about how to reduce some spending.

Unfortunately, the City's April 2025 revenue forecast revealed that evolving economic conditions are leading to lower revenues than anticipated in the budgets for 2025 and 2026. The General Fund and Payroll Expense Tax revenues are no longer expected to be sufficient to cover all of the spending included in the adopted and endorsed budgets.

In March, anticipating the potential for bad news in the April revenue forecast, I asked Executive departments to propose reductions to the 2026 Endorsed Budget. With my support and advice, the Mayor also issued a directive to every Executive-branch department requiring that they underspend their 2025 Adopted Budget, including but not limited to an immediate freeze on: new hires, all discretionary travel and training, new contracts, and new initiatives. At the same time, CBO and the Mayor's Office provided departments with a tool to elevate any proposed exemptions to the freeze in order to ensure that crucial City business continued without serious impacts.

As discussed in upcoming responses, aligning the budget with available resources will require other potential changes to the 2026 Endorsed Budget including potential new revenue and increasing government efficiency.

3. *What do you see as the biggest challenges facing the City Budget Office over the next five years and how do you plan to approach them?*

Among the budget director's most important priorities is to assemble, nurture, and grow a team that can adeptly navigate the City's current and future budget challenges. At a time when all City departments are being asked to do the same (or more) with potential reductions in available resources, the leadership in CBO will face the same challenges of finding great people, supporting their onboarding, providing opportunities for professional growth, and creating a strong cadre of outstanding financial professionals that help the City address these challenges.

A broader challenge is that the City's costs of providing general government services (those that are not funded by special purpose levies) have increased at a faster rate than supporting general government revenues. We will need to take multiple steps to address this challenge.

Like other cities in Washington State, Seattle's most flexible revenues have not kept pace with growing expenses. The General Fund pays for public safety and a range of other critical services; and the cost of providing these services increases generally with inflation (an average of more than five percent annually over the last five years). Especially in recent years, the growth in General Fund expenses has consistently outstripped the growth in General Fund revenues. One of the biggest General Fund revenues is property taxes, the allowable annual growth of which has since 2001 been limited to 1 percent plus new construction.

Seattle – like many other Washington cities – has increasingly relied on special purpose taxes to support narrowly restricted but important purposes (e.g., affordable housing, transportation, education, libraries, etc.). I am incredibly grateful that Seattle's voters have continued to support these important needs. But the costs for police, fire, CARE, courts, the law department, and many other departments are not covered by special purpose taxes and have risen substantially faster than the growth of the General Fund revenues.

Seattle counts on the Payroll Expense Tax to bridge the gap between General Fund expenses growing faster than General Fund revenues. In April, the Office of Economic and Revenue Forecasts (OERF) downgraded its projection of Payroll Expense Tax revenues. OERF determined several reasons for this negative outlook: the threat of tariffs, market volatility, and decisions by some businesses to slow their growth or even decrease their Seattle workforce.

Seattle will likely require a mix of more than one strategy to rebalance its budget: some new revenues, some reduced spending, and some efficiencies.

4. *We are in a time where technology, especially budgeting-related software, is expanding rapidly. What role do you think new and emerging technologies could play in the city's budgeting process moving forward?*

The Executive and the Council have recently partnered to pilot the use of an innovative technology to support our collective budget decision-making. CBO and Central Staff are engaging with a vendor who uses AI to analyze government budgets to determine where Seattle may be an outlier. For example, the product could analyze manager/employee ratios, fleet size, revenue sources, or equipment needs.

We are in the early stages of this work, but I am excited to see how this and other technologies could help inform the budget work that we all collectively do, while balancing that against potential concerns about privacy and job replacement and ensuring consistency with City technology policies.

Budget Process

5. *There is always room to improve the City's budget process. If confirmed, what changes would you prioritize to increase transparency and engagement with the public and external stakeholders?*

I agree that there are always opportunities to improve the budget process, and I'm committed to doing so. As budget director, I will continue partnering with Council President Nelson, Select Budget Committee Chair Strauss, Director Noble and his budget team, and all of the Councilmembers to ensure that the City's budget process is inclusive, transparent, and informed by robust public engagement.

CBO's role is to support the City's elected policymakers by creating the Mayor's Proposed Budget and by providing information to the Council and its Central Staff. We know that policymakers hear from the public on a daily basis, and that feedback helps us in shaping budget proposals that reflect the policymakers' priorities.

In partnership with Council offices and Central Staff, CBO has made significant progress in recent years on things like real-time fiscal monitoring. That has led to more predictable and transparent department spending over the course of the year, resulting in fewer budget exceptions at the end of the fiscal year.

Council's creation of the Economic and Revenue Forecast Office and Council has provided unprecedented transparency regarding the rationale and data underlying the City's revenue forecasts. Finally, the implementation of a shared Executive/Legislative budget system has meant that data is sharable between the branches in ways that were previously impossible, increasing transparency but also reducing repetitive work in both CBO and Council. We continue to work on ways to partner with Council to get better information and data to inform decision-making, such as the AI vendor project mentioned above.

This year, we are piloting quarterly expenditure forecasts with a few departments to further improve our transparency with the City Council on the timing of anticipated expenditures throughout the year, which will better inform decision making when making mid-year budget adjustments.

6. *As Budget Director, what is your overall approach to ensuring that Council budget priorities reflected in the final adopted budget are spent-on time and on-budget?*

As budget director, I will be sensitive to Council budget priorities. I will endeavor to pass along information that I think Councilmembers will care about. I also expect there will be times when you have questions or requests for updates. When you (or your staff) reach out to me with such questions, I will do what I can to make sure you get answers.

On occasion, there will be high-priority projects that cannot be completed on time or within budget for one reason or another. I will be forthright in sharing information as I learn about it with you and your staff. I won't be shy about letting you know about bad news; and in that same vein, I will want to make sure you know about good news.

Effective and open communication is critically important for maintaining trust. Among other strategies, I meet regularly with both Dan Nolte, the Mayor's Deputy Chief of Staff, and Bayley Burgess, the Mayor's Labor and Council Liaison, the administration's routine points of contact for Councilmembers and their staff. They keep me abreast of the needs of Council offices, requests for information, and the like.

The Mayor and his leadership team have established strong and positive working relationships with Councilmembers to ensure the City takes care of all of its needs and priorities. In keeping with that approach, I have worked closely with all Councilmembers and meet routinely with Central Staff. This helps me stay abreast of Council priorities and ensures the administration can help address any emerging problems proactively.

Councilmembers all have my number, and many of you have taken me up on my offer to call at any time. I intend to continue this approach. This summer, I will offer each Councilmember an explicit opportunity to identify budget priorities that should be maintained and opportunities to reduce spending in light of recent downturns in municipal revenue forecasts.

7. *What criteria would you and your team use to evaluate program effectiveness, and how would you make tough decisions around cutting or eliminating programs? Additionally, what would be your suggested ways to communicate those decisions to non-financial audiences and community stakeholders?*

CBO's role is to support the work of the City's policymakers in making decisions. When departments submit proposals (either as part of the annual budget process or in the supplemental/stand-alone process), our team of Budget and Policy professionals dig in to evaluate the proposals to inform policymakers' forthcoming decisions. In the last decade, CBO focused its recommendations on how best to deploy new resources. That analysis evaluated questions such as:

- Is this proposal a new line of business for the City? Is another government partner (state, school district, county, etc.) already in this space, and what value would we be adding?
- What is the theory of change that this proposal advances?
- How will we measure success?
- Is the proposal reasonable at this size, or should it be scaled?
- How does this change address disparities?

More recently, in the aftermath of the COVID-19 public health emergency and resulting economic impacts, the focus of CBO's work has changed; and we now spend more time evaluating how best to deploy limited resources in meeting the City's missions and needs. Recommendations now are informed more by questions such as:

- What members of our community will be most impacted by this reduction?
- Can the department maintain the current level of service with fewer staff members?
- If we combine this function with another in a different department, can we achieve overhead savings?
- Is this program still meeting its original purpose? Has its priority changed?
- Is the program meeting its performance goals or metrics?
- Who or what groups are most impacted by proposed reductions?

Whenever the Executive proposes a reduction or elimination of a program via the budget process, it evaluates these lines of inquiry in publicly available materials as part of the legislative process. The impacts of proposed changes are summarized in budget documents, including a summary of changes that impact race and social justice. The

Mayor's Office communication team works in partnership with the budget office to produce clear, simple fact sheets on priority items and the overall budget.

Long Term Planning

8. *Balancing growing service demands with unstable revenue sources is a continual challenge. How would you approach long-term fiscal planning—looking 2 to 3+ years out—to address immediate budget pressures while ensuring sustainability? Would you consider new revenue options or other structural changes? Are there models from other cities or regions that inform your thinking?*

I support exploring new revenues in the mix of strategies to put Seattle on a path to a sustainable budget. The Mayor often says – and I agree – that “all options are on the table.” Ultimately, of course, decisions about new revenues and longer-term sustainability rest with elected policymakers.

The General Fund budget relies on ongoing contributions from the Payroll Expense Tax. Revenue from the Payroll Expense Tax has increased substantially since 2021, but the April forecast revealed some volatility. There is significant work ahead this year to bring the 2026 Endorsed Budget back into balance.

Municipalities in Washington State have limited options for generating revenues. On behalf of the City, I testified at the Senate this year in support of the State creating a new \$100 million program for municipal public safety grants and also authorizing municipalities to implement a public safety sales and use tax. The Legislature passed the bill, and the Governor signed it into law.

About half of Seattle's General Fund supports public safety. In Seattle, the 2025 and 2026 costs of sworn police officers will be significantly higher than reflected in the budget because we are attracting more new officers and seeing fewer separations. This is a clear success story and helps achieve a shared vision of the Mayor and Councilmembers, but the bottom line is that will require additional funding. I support Seattle deploying the new sales and use tax and expect Seattle will compete well for the associated new public safety grant program.



Legislation Text

File #: CB 121012, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to the financing of the Seattle Social Housing Developer; authorizing the Director of Finance to enter into a loan agreement with the Seattle Social Housing Developer; authorizing a loan of funds in an amount up to \$2,000,000 from the General Fund as bridge financing to be repaid from future tax proceeds; and ratifying and confirming certain prior acts.

WHEREAS, on February 14, 2023, Seattle voters approved Initiative 135, a citizen-initiated measure to create an independent public development authority, the Seattle Social Housing Developer, to develop, acquire and maintain public affordable social housing in Seattle; and

WHEREAS, Initiative 135 required The City of Seattle to provide start up support for the first eighteen months of operations; and

WHEREAS, in 2023, the City Council funded \$20,000 in consulting assistance and the State provided \$180,000; and

WHEREAS, the City appropriated \$850,500 for the Seattle Social Housing Developer in its 2024 budget and executed a contract with the Seattle Social Housing Developer effective for 18 months (January 1, 2024 through June 30, 2025); and

WHEREAS, the City released the last tranche of funding owed to the Seattle Social Housing Developer on March 4, 2025 for \$445,500; and

WHEREAS, on February 11, 2025, Seattle voters approved Initiative 137, imposing a five percent tax rate on employers doing business in Seattle for any annual employee compensation above \$1,000,000 (the “Social Housing Tax”), which the City is responsible for collecting and transferring to the Seattle Social

Housing Developer and is intended to support the development and operation of social housing in Seattle; and

WHEREAS, although the Social Housing Tax was imposed effective January 1, 2025, due to the normal due dates and collection procedures, the first proceeds of the Social Housing Tax will not be received in the City's Social Housing Fund until January 2026. Because of this lag, the Seattle Social Housing Developer has requested a bridge loan from the City to cover staffing and other operational costs in 2025; and

WHEREAS, the Director of Finance and the City Budget Director have determined that this loan to a public development authority does not constitute use of the City's debt capacity and is consistent with the Debt Management Policies adopted by Resolution 31553; and

WHEREAS, before the Office of City Finance can enter into an agreement with the Seattle Social Housing Developer for a bridge loan, City Council authorization is needed; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City finds and declares:

A. Initiative 137, as codified at Seattle Municipal Code Section 5.37.070, requires that revenues received from the Social Housing Tax are to be allocated and promptly transferred to the Seattle Social Housing Developer.

B. The Seattle Social Housing Developer has requested a loan from the Social Housing Tax proceeds, to be repaid out of those proceeds immediately upon collection, to allow the Seattle Social Housing Developer to continue its operations as planned until the 2025 Social Housing Tax proceeds are collected in 2026. Any disruption to the Seattle Social Housing Developer's operations could lead to increased costs in the long term.

C. It is in the City's best interests to make a loan to be repaid immediately out of proceeds of the Social Housing Tax as such proceeds are collected on the terms described in this ordinance. This loan is found to be the most efficient and financially responsible way to provide interim funding to the Seattle Social Housing

Developer to enable it to carry out its mission.

Section 2. The Director of Finance is authorized for and on behalf of The City of Seattle to enter into a loan agreement with the Seattle Social Housing Developer, substantially in the form of the attached Exhibit 1, for an amount up to \$2,000,000. The City Finance Director is authorized to negotiate, execute, and deliver the loan agreement consistent with the terms set forth in Section 3 of this ordinance, and any and all contracts or other documents necessary or desirable to effectuate the making of the loan to the Seattle Social Housing Developer for the purpose of providing bridge financing for staffing and other operational costs.

Section 3. The Director of Finance is authorized to make a loan, in one or more non-revolving loan draws, totaling up to \$2,000,000 in principal amount, plus interest, to the Seattle Social Housing Developer from the General Fund. The loan is to be repaid by no later than December 1, 2026, with interest on the loan at the rate of return of the City's Consolidated Cash Pool, which shall accrue from the date of each loan draw. The entire principal of and interest on the amount of the loan drawn is intended to be repaid with future proceeds of the Social Housing Tax, prior to the transfer of proceeds of such tax to the Seattle Social Housing Developer.

Section 4. Any act consistent with the authority of this ordinance taken prior to its effective date is ratified and confirmed.

Section 5. This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2025, and signed by
me in open session in authentication of its passage this _____ day of _____, 2025.

President _____ of the City Council

Approved / returned unsigned / vetoed this ____ day of _____, 2025.

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2025.

Scheereen Dedman, City Clerk

(Seal)

Attachments:

Exhibit 1 - Loan Agreement between City of Seattle and Seattle Social Housing Developer

LOAN AGREEMENT
by and between
THE CITY OF SEATTLE
and
SEATTLE SOCIAL HOUSING DEVELOPER

THIS LOAN AGREEMENT (“Agreement”) is entered into by **The City of Seattle** (the “City”), and the **Seattle Social Housing Developer**, a public corporation chartered by the City of Seattle pursuant to RCW 35.21.660, .670, and .730-.755 and doing business in the State of Washington (the “Developer” and together with the City, the “Parties”).

RECITALS:

WHEREAS, on February 14, 2023, voters in Seattle approved Initiative 135, a citizen-initiated measure to create the Agency to develop, acquire, and maintain public social housing in Seattle; and

WHEREAS, on February 11, 2025, voters approved Initiative 137 regarding the Social Housing Tax (the “Tax”) for the purpose of carrying out the affordable housing purposes for which the Developer was created, as outlined in Seattle Municipal Code Chapter 5.37; and

WHEREAS, SMC 5.37.070 requires that revenues received from the Tax (the “Tax Revenues”) are to be allocated and promptly transferred, less a City administration fee, to the Developer; and

WHEREAS, the new tax was imposed beginning as of January 1, 2025, with first collections due on January 31, 2026. Because no revenues will be realized until after 2025, the Developer has requested that the City temporarily advance funds from other available sources to cover staffing and other operational costs in 2025, which advances are to be repaid to the City from the Tax Revenues immediately upon collection; and

WHEREAS, the parties acknowledge that a future agreement will cover the general terms, conditions, and obligations governing the administration of the Tax and the transfer of proceeds thereof to the Developer to carry out the affordable housing purposes for which it was created; and

WHEREAS, on **DATE**, the Seattle City Council adopted Ordinance **_____**, which authorized the Director of the Office of City Finance (the “OCF Director”) to temporarily advance up to \$2,000,000 of General Fund funds to the Developer to address its staffing and administrative expenses prior to receiving revenue from the Tax; and

WHEREAS, the Parties now desire to enter into this Agreement for the purpose of making a Loan from the City to the Developer, to be repaid by the Developer as set forth herein from future Tax Revenues; and

NOW THEREFORE, in consideration of the mutual covenants, conditions, and performances, hereinafter described, the parties hereto agree as follows:

AGREEMENT:

1. **Purpose.** The Parties are entering this Agreement pursuant to and to effect the purposes of Initiative 137, as codified in SMC Chapter 5.37 by providing the Developer with necessary and temporary operational and other funding in advance of receipt of the Tax Revenue. The Parties further agree that the City is fulfilling obligations under SMC 5.37.070 by providing such funding through this Agreement and then recouping such costs directly from Tax Revenues upon collection. This Agreement is made and entered into for the limited purposes set forth herein and the City shall be under no obligation to provide the Developer any funds for any purpose except as set forth in this Agreement or in a separate future written agreement. The definitions of capitalized terms defined in the Recitals, above, are incorporated by this reference.

The Parties acknowledge that the Loan is conditioned, in part, upon completion of previous contractual requirements related to Start-up funding provided under that certain Agreement for Startup Support, dated April 30, 2024. The Parties further acknowledge that the procedure for the

administration of the Tax Revenues and their periodic transfer from the City to the Developer shall be set forth in a separate agreement that is expected to be negotiated between the parties prior to December 31, 2025.

2. **The Loan.**

a. **Loan Amount.** Subject to the terms and conditions set forth in this Agreement, the City agrees to lend to Developer, and the Developer agrees to borrow, an aggregate principal amount not to exceed \$2,000,000. Funds advanced by the City may be made from any source available to the City in its sole discretion. Advances shall be made subject to Disbursement Requests, as set forth in Section 3, below.

b. **Loan Terms.** The principal amount loaned hereunder is to be advanced pursuant to one or more Disbursement Requests submitted in accordance with the conditions set forth in this Agreement. The principal of and interest on the Loan shall be payable in the manner and at the times described in Section 4, below, and shall mature on December 1, 2026 (the “Maturity Date”). This Loan is non-revolving; amounts repaid may not be reborrowed during the Loan term.

c. **Accrual of Interest.** Interest on the outstanding principal balance of each Disbursement shall accrue at a rate equal to the City’s cost of funds as determined by the OCF Director on the date that the Disbursement is made by the City (the “Interest Rate”). Absent manifest error, the OCF Director’s determination of the Interest Rate shall be binding upon the Parties. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months and shall accrue on the principal amount advanced pursuant to each Disbursement Request, commencing on the date that each Disbursement is funded by the City. Interest shall be payable as set forth in Section 4, below.

d. **Application and Use of Loaned Funds.** Proceeds of the Loan may be used solely as outlined in the Disbursement Request, unless approved by the OCF Director in writing obtained in advance of the expenditure. Proceeds from the Loan may not be invested or loaned to other organizations or used for any purpose inconsistent with the intent of the Loan as described herein.

3. **Loan Disbursements.**

a. **Making of Disbursements.** The City agrees to fund disbursements within 30 calendar days following submission of a Disbursement Request submitted in form and substance satisfactory to the OCF Director. The aggregate amount of all Disbursements under this Agreement shall not exceed \$2,000,000 and no Disbursement Requests will be accepted after December 15, 2025.

b. **Disbursement Requests.** The Developer may request disbursements no more frequently than monthly for eligible costs that have been identified and/or incurred. Each Disbursement Request must be limited to the amount reasonably necessary to meet those identified or incurred costs that are expected to be expended within 90 days following receipt.

c. **Form of Disbursement Request.** Each Disbursement Request shall be in the form of a brief cover letter summarizing the nature of the disbursement and shall include:

- i. Supporting financial information to support the request (i.e., general ledger detail);
- ii. A description of the intended use of the funds; and
- iii. The total amount of Loan funds requested.

The Disbursement Request and all supporting documentation shall be provided in PDFs via e-mail to the OCF Director or such Director’s designee, which at the time of this Agreement is Andrew Robinson (andrew.robinson@seattle.gov).

4. **Loan Repayment Obligation.**

a. **Promise to Pay.** The Developer promises to pay to the City the principal of and interest on the Loan, together with any costs due to the City hereunder, as and when due in accordance with this Agreement, but in any event no later than the Maturity Date.

b. **Time and Method of Payment.** It is the intent of the Parties that the City will deduct from the Tax Revenues the amounts necessary to make all payments due with respect to the Loan automatically and will not provide contemporaneous billing to the Developer. The City has the right to continue to intercept Tax Revenues prior to transferring any Tax Revenues to the Developer until the full Loan amount (including principal, interest, and any costs due by the Developer to the City under this Agreement) has been repaid in full.

i. Interest (including interest accrued prior to the first payment date) shall be payable on the first business day of each month (each, an “Interest Payment Date”), beginning with March 1, 2026.

ii. Principal shall be payable on March 1, 2026 (a “Principal Payment Date”) in an amount equal to the Tax Revenues available after (i) payment of the administrative expenses of the City due under SMC 5.37.070(A)(2), (ii) payment of all interest then due and payable in respect of the Loan.

c. **Maturity Date.** All outstanding principal, plus all interest accrued but unpaid and all costs due under this Agreement, shall be due and payable on December 1, 2026 (the “Maturity Date”). The Maturity Date may be extended by up to six months upon written agreement of the Parties.

d. **Repayment and Discharge.** Amounts repaid to the City shall be credited in the following order of priority: (1) to interest then due and payable, (2) to any other amounts due and owing by the Developer to the City under this Agreement, and (3) to the outstanding principal balance of the oldest outstanding Disbursement. On the Maturity Date, the outstanding aggregate principal balance, together with all then-unpaid interest, shall become immediately due and payable.

e. **Obligation Unconditional.** The Loan is payable directly from the Tax Revenues, as collected, and includes the right of the City to deduct such amounts as are due and payable from the amounts of Tax Revenues to be transferred to the Developer pursuant to SMC 5.37.070. Developer agrees and acknowledges that the City is fulfilling obligations under SMC 5.37.070 to promptly transfer Tax Revenue to Developer by providing the Loan under this Agreement and therefore that such deductions by the City from the Tax Revenues to repay the full Loan amount is consistent with City obligations under SMC Chapter 5.37.070.

f. **This obligation constitutes a lien and charge against such the Developer’s right to receive Tax Revenues that is prior and superior to any other claim with respect to such Tax Revenues.** The obligation of the Developer to repay the Loan is absolute and unconditional and shall continue in effect and survive the satisfaction of any other Developer obligations to the City until such time as the principal of and interest on the Loan have been repaid together with any and all costs owed to the City under this Agreement.

5. **Defaults and Remedies.** It shall be an Event of Default hereunder if the Developer should contest or challenge the City’s right to intercept Tax Revenues to repay this Loan; fail to maintain its existence; or fail to cooperate with the City in carrying out its oversight functions under RCW 35.21.745 and other State law or its reporting requirements under this Agreement. Upon the occurrence of any Event of Default, the City may, at its option without notice or demand and without waiving any other remedy at law or in equity, immediately cease payments of any further Disbursements under this Agreement. In addition, upon 30 days written notice, the City may apply any and all Tax Revenues in its possession to the repayment of all amounts due and owing in respect of this Loan. Any waiver, permit, consent or approval of any kind or character on the part of the City of any breach or default under this Agreement or any waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

6. **Developer’s Annual Reports.** On or before January 30 in each of 2026 and 2027 (and in any event, within 60 days following the final Maturity Date, if extended), the Developer

shall submit to the OCF Director a report regarding the uses of the Loan proceeds and the amount corresponding to each Disbursement in the preceding 12-month period, including its current balance of unspent Loan proceeds. The reporting requirements described in this section are in addition to the reporting requirements in connection with a Disbursement Request.

7. **Governing Law; Venue.** This Agreement is governed by and shall be construed under the substantive laws of the State of Washington and shall be liberally construed to carry out the purposes hereof. Except as otherwise required by applicable law, any action under this Agreement shall be brought in the Superior Court of the State of Washington in and for King County.

8. **Book and Records; Audit.** The Developer shall keep full and complete books and records pertaining to the expenditure of all City funds advanced under this Agreement. In addition to and without limiting the City's oversight responsibilities under RCW 35.21.745, the OCF Director (or such official's designee or functional successor), upon reasonable advance notice, may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and records of the Developer.

9. **Amendments.** The parties hereto expressly reserve the right to amend this Agreement from time to time as they deem necessary and appropriate; provided, that no modification hereof shall be valid unless in writing and signed by the authorized representatives of the parties hereto. The Maturity Date of the Loan may be extended in accordance with this Section by written agreement of the Parties.

10. **No Merger With Other City–Developer Agreements.** All other agreements between the Developer and the City or the Office of City Finance remain in full force and effect. The Parties do not intend this Agreement to effect any merger of the interests of the Parties pursuant to those separate agreements.

11. **Limitation of City Liability.** In accordance with applicable State law, all contracts and agreements between the Developer and third parties are required to include a disclaimer substantially as follows:

THE SEATTLE SOCIAL HOUSING DEVELOPER IS A PUBLIC CORPORATION ORGANIZED PURSUANT TO RCW 35.21.660, .670, AND .730-755. RCW 35.21.750 PROVIDES AS FOLLOWS:

ALL LIABILITIES INCURRED BY SUCH PUBLIC CORPORATION, COMMISSION OR AUTHORITY SHALL BE SATISFIED EXCLUSIVELY FROM THE ASSETS AND PROPERTIES OF SUCH PUBLIC CORPORATION, COMMISSION OR AUTHORITY AND NO CREDITOR OR OTHER PERSON SHALL HAVE ANY RIGHT OF ACTION AGAINST THE CITY, TOWN OR COUNTY CREATING SUCH PUBLIC CORPORATION, COMMISSION OR AUTHORITY ON ACCOUNT OF ANY DEBTS, OBLIGATIONS OR LIABILITIES OF SUCH PUBLIC CORPORATION, COMMISSION OR AUTHORITY.

12. **Third Parties.** Nothing in this Agreement, whether express or implied, is intended to: (a) confer any benefits, rights or remedies under or by reason of this Agreement on any persons other than the express parties to it and their respective permitted successors and assigns; (b) relieve or discharge the obligation or liability of any person not an express party to this Agreement; or (c) give any person not an express party to this Agreement any right of subrogation or action against any party to this Agreement.

13. **Time of Essence.** Time is of the essence for the performance of all obligations in this Agreement.

14. **Electronic Communications and Signatures.** This Agreement and any document, amendment, approval, consent, information, notice, certificate, request, statement, disclosure or authorization related to this Agreement (each a "Communication"), including Communications required to be in writing, may be in the form of an Electronic Record and may be

executed using Electronic Signatures, including, without limitation, facsimile and/or .pdf. Each of Borrower and Commerce agrees that any Electronic Signature (including, without limitation, facsimile or .pdf) on or associated with any Communication shall be valid and binding on the City and Developer to the same extent as a manual, original signature, and that any Communication entered into by Electronic Signature, will constitute the legal, valid and binding obligation of the Developer and the City, respectively enforceable against the Developer and the City, respectively, in accordance with the terms thereof to the same extent as if a manually executed original signature was delivered. All Communications in the form of an Electronic Record, including an Electronic Copy, shall be considered an original for all purposes, and shall have the same legal effect, validity, and enforceability as a paper record. Upon the request of the City any Electronic Signature shall be promptly followed by a manually executed, original counterpart. For purposes hereof, “Electronic Record” and “Electronic Signature” shall have the meanings assigned to them, respectively, by 15 USC §7006, as it may be amended from time to time.

15. **Counterparts.** This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (“pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Loan Agreement.

[Signatures appear on the following page]

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LEND MONEY, EXTEND CREDIT, OR FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the day and year first set forth above.

THE CITY OF SEATTLE

By:
Name:
Title:

SEATTLE SOCIAL HOUSING DEVELOPER

By:
Name:
Title:

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
City Budget Office	Lisa Gaccione	

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the financing of the Seattle Social Housing Developer; authorizing the Director of Finance to enter into a loan agreement with the Seattle Social Housing Developer; authorizing a loan of funds in an amount up to \$2,000,000 from the General Fund as bridge financing to be repaid from future tax proceeds; and ratifying and confirming certain prior acts.

Summary and Background of the Legislation:

On February 14, 2023, Seattle voters approved Initiative 135, a citizen-initiated measure to create a Public Development Authority, the Seattle Social Housing Developer, to develop, acquire and maintain social housing in Seattle. On February 11, 2025, Seattle voters approved Initiative 137 which imposes a 5% tax rate on annual compensation above \$1,000,000 paid in Seattle to any employee for employers doing business in Seattle. Proceeds will support the Seattle Social Housing Developer.

The new tax was imposed January 1, 2025 but the first proceeds of the tax will not be collected until January 2026. As a result, bridge financing is needed to cover staffing and other operational costs of the Social Housing Developer in 2025. This legislation authorizes the Director of the Office of City Finance to enter into a loan agreement with the Social Housing Developer for an amount of up to \$2 million. The legislation also authorizes the Director of the Office of Finance to make a non-revolving loan from the General Fund. The interfund loan will be repaid with tax proceeds from the Social Housing Tax in Q1 2026 immediately upon their receipt. The repayment will include interest at the rate of return of the City's consolidated cash pool.

The City has found that making the loan, to be repaid from the tax immediately as it is collected by the City, is the most efficient way to carry out the terms of Initiative 137. The City has also found that this method is the most financially responsible way to provide interim funding to the Developer.

2. CAPITAL IMPROVEMENT PROGRAM

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

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? No

3.d. Other Impacts

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.

No

If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.

N/A

Please describe any financial costs or other impacts of *not* implementing the legislation. Without access to the tax revenues approved in 2025 until early in 2026, the Social Housing PDA may not be able to fully advance its priorities until 2026.

Please describe how this legislation may affect any City departments other than the originating department.

The legislation does not impact other City departments.

4. OTHER IMPLICATIONS

a. Is a public hearing required for this legislation?

No

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

No

c. Does this legislation affect a piece of property?

No

d. 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.

N/A

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?**
N/A

e. 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.**

N/A

- 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.**

N/A

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?

N/A

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

No

5. ATTACHMENTS

Summary Attachments: None.



Legislation Text

File #: Inf 2704, **Version:** 1

Proposed Business and Occupation (B&O) Tax Rebalancing

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

..title

AN ORDINANCE relating to the business and occupation tax; requesting that a special election be held concurrent with the November 4, 2025 general election for submission to the qualified electors of the City a proposition to lift the limit on business and occupation tax rates under RCW 35.21.711, authorize the City to levy additional taxes for the purposes of providing housing, human services, workforce, and small business support, increase the business and occupation tax threshold, create a business and occupation tax standard deduction, and revise the business license tax consistent with changes to the business and occupation tax; amending Sections 5.45.050, 5.45.100, and 5.55.030, 5.55.040 of the Seattle Municipal Code; proposing a ballot title; and ratifying and confirming certain prior acts.

..body

WHEREAS, the Office of Economic and Revenue Forecasts's April 2025 revenue forecast

projected a \$241 million reduction to revenues in 2025 and 2026, compared to amounts

used to balance the 2025 and 2026 budgets; and

WHEREAS, as presented at the May 7, 2025, Finance, Tribal Governments, and Native

Communities meeting, the combined financial plans of the City's General Fund and

JumpStart Payroll Expense Tax Fund show a \$233 million average deficit in 2027 and

future years; and

WHEREAS, 2026 budget guidance provided by the Mayor's office requested, for all

departments supported by the General Fund and Payroll Expense Tax, a two percent

reduction targeted for homelessness, public safety, and public-safety related departments

and an eight percent target reduction for all other departments; and

WHEREAS, such reductions, if included in the Executive's 2026 Proposed Budget, could impact

the City's ability to provide critical services that support vulnerable workers and small

businesses, and that address food insecurity, gender-based violence, and homelessness;

and

1 WHEREAS, according to a presentation at the April 23, 2025, Housing and Human Services
2 Committee, the federal government has already eliminated \$1.6 billion in funding for
3 food programs, not including any changes to the Supplemental Nutrition Assistance
4 Program (SNAP); and

5 WHEREAS, the Continuing Resolution passed by the House in May 2025 would cut nearly \$300
6 billion from SNAP through 2034; and

7 WHEREAS, the Continuing Resolution passed by the House in May 2025 would reduce
8 Continuum of Care (CoC) funding, a critical source of funding for homelessness services
9 for Seattle, and change eligibility criteria so that Permanent Supportive Housing projects
10 that rely on \$20 million in annual CoC grants may no longer be eligible for them; and

11 WHEREAS, the federal Department of Housing and Urban Development (HUD) provided
12 Emergency Housing Vouchers (EHVs) to households experiencing homelessness during
13 COVID, with a commitment to fund the EHVs through 2030, but HUD has recently
14 announced funding will end early, leaving hundreds of households at risk of
15 homelessness in 2026; and

16 WHEREAS, affordable housing providers are financially stressed by rising operating costs and
17 other factors, placing their long-term ability to provide affordable housing to low-income
18 tenants at risk; and

19 WHEREAS, Seattle benefits tremendously from the large number of diverse immigrants and
20 refugees who contribute to the development of a culturally and economically diverse and
21 enriched community, with immigrant-owned businesses in Washington State generating
22 over \$2.3 billion in annual revenue and creating thousands of jobs; and

1 WHEREAS, The City of Seattle adopted Resolution 32168 reaffirming Seattle as a Welcoming
2 City to immigrants and refugees in May 2025, in which council committed to the
3 consideration of maintaining funding for programs and policies that support immigrants
4 and refugees, low-wage workers, communities at risk of displacement, as well as
5 supporting the City’s diverse business community and balancing the City’s budget in a
6 way that minimizes harm to women-and-minority-owned business enterprises, the
7 LGBTQ business community, and the Office of Economic Development’s community
8 wealth building strategies; and

9 WHEREAS, rising inflation and the potential loss of federal support in critical service areas will
10 leave a gap in the level of services that can be provided to the community by non-City
11 partners; and

12 WHEREAS, Seattle is home to over 100,000 businesses, 75 percent of which have annual
13 revenues under \$100,000; and

14 WHEREAS, according to a comparative analysis¹, starting a business in Seattle is expensive,
15 time-consuming, and complex; and

16 WHEREAS, businesses also face challenges from rising inflation, public safety concerns, and
17 housing, construction and insurance costs, which together put additional pressure on their
18 ability to survive and thrive in the city; and

19 WHEREAS, while downtown Seattle shows promising signs of recovery, retail space vacancies
20 remain high at nine percent as of late 2024, and the Downtown Seattle Association
21 reports that there are over 500 vacant street-level storefronts in downtown
22 neighborhoods, many of which formerly were filled by small businesses; and

¹ <https://ij.org/report/barriers-to-business/city-profile/seattle/>

1 WHEREAS, high vacancy rates in commercial districts can create a vicious cycle, where fewer
2 businesses attract foot traffic, leading to more business closures or relocations, which in
3 turn further reduces the number of visitors to the area; and

4 WHEREAS, many small businesses operate with slim margins and are disproportionately
5 impacted by the financial pressures facing cities, communities, consumers, and workers;
6 and

7 WHEREAS, providing small businesses with relief from the business and occupation tax will
8 provide needed support for these businesses; and

9 WHEREAS, by increasing the business and occupation tax exemption to \$2 million in gross
10 revenues and by implementing a standard deduction for the first \$2 million in gross
11 revenues earned, over 90 percent of businesses in Seattle will either pay no or fewer
12 taxes; and

13 WHEREAS, RCW 35.21.711 requires a majority vote of the people to raise business and
14 occupation tax rates to the rates proposed in this ordinance; NOW, THEREFORE,

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

16 Section 1. Subject to and contingent upon approval of the qualified voters of the City as
17 authorized by RCW 35.21.711, Section 5.45.050 of the Seattle Municipal Code, last amended by
18 Ordinance 125211, is amended as follows:

19 **5.45.050 Imposition of the tax—Tax or fee levied**

20 Except as provided in subsection 5.55.040.D.1, there is hereby levied upon and shall be collected
21 from every person a tax for the act or privilege of engaging in business activities within the City,
22 whether the person's office or place of business be within or without the City. The tax shall be in

1 amounts to be determined by application of rates against gross proceeds of sale, gross income of
2 business, or value of products, including by-products, as the case may be, as follows:

3 A. Upon every person engaging within the City in business as an extractor; as to such
4 persons, the amount of the tax with respect to such business shall be equal to the value of the
5 products, including by-products, extracted within the City for sale or for commercial or industrial
6 use, multiplied by the rate of .00215 through December 31, 2016, and beginning January 1,
7 2017, through December 31, 2017, by the rate of .00219, (~~and~~) beginning January 1, 2018,
8 through December 31, 2025, by the rate of .00222, and beginning January 1, 2026, by the rate of
9 .00342. The measure of the tax is the value of the products, including by-products, so extracted,
10 regardless of the place of sale or the fact that deliveries may be made to points outside the City.

11 B. Upon every person engaging within the City in business as a manufacturer; as to such
12 persons, the amount of the tax with respect to such business shall be equal to the value of the
13 products, including by-products, manufactured or processed within the City, multiplied by the
14 rate of .00215 through December 31, 2016, and beginning January 1, 2017, through December
15 31, 2017, by the rate of .00219, (~~and~~) beginning January 1, 2018, through December 31, 2025,
16 by the rate of .00222, and beginning January 1, 2026, by the rate of .00342. The measure of the
17 tax is the value of the products, including by-products, so manufactured or processed, regardless
18 of the place of sale or the fact that deliveries may be made to points outside the City.

19 C. Upon every person engaging within the City in the business of making sales of retail
20 services, or making sales at wholesale or retail; as to such persons, the amount of tax with
21 respect to such business shall be equal to the gross proceeds of such sales of the business without
22 regard to the place of delivery of articles, commodities, or merchandise sold, multiplied by the
23 rate of .00215 through December 31, 2016, and beginning January 1, 2017, through December

31, 2017, by the rate of .00219, (~~and~~) beginning January 1, 2018, through December 31, 2025,
by the rate of .00222, and beginning January 1, 2026, by the rate of .00342.

D. Upon every person engaging within the City in the business of:

1. Printing;

2. Both printing and publishing newspapers, magazines, periodicals, books,
music, and other printed items;

3. Publishing newspapers, magazines, and periodicals;

4. Extracting for hire;

5. Processing for hire; or

6. Conducting a tour operator business; as to such persons, the amount of tax on
such business shall be equal to the gross income of the business multiplied by the rate of .00215
through December 31, 2016, and beginning January 1, 2017, through December 31, 2017, by the
rate of .00219, (~~and~~) beginning January 1, 2018, through December 31, 2025, by the rate of
.00222, and beginning January 1, 2026, by the rate of .00342.

E. Upon every motor carrier engaging within the City in the business of transporting
freight for hire; as to such persons, the amount of the tax with respect to such business shall be
equal to the gross income from the transport of freight picked up in the City multiplied by the
rate of .00415 through December 31, 2016, and beginning January 1, 2017, through December
31, 2017, by the rate of .00423, (~~and~~) beginning January 1, 2018, through December 31, 2025,
by the rate of .00427, and beginning January 1, 2026, by the rate of .00658. The business of
transporting freight for hire includes the business of leasing or renting motor vehicles operated
by the lessor, or by a person under the control of the lessor, to transport freight for hire.

1 F. Upon every other person engaging within the City in any business activity other than
2 or in addition to those enumerated in the above subsections; as to such persons, the amount of tax
3 on account of such activities shall be equal to the gross income of the business multiplied by the
4 rate of .00415 through December 31, 2016, and beginning January 1, 2017, through December
5 31, 2017, by the rate of .00423, ~~((and))~~ beginning January 1, 2018 through December 31, 2025,
6 by the rate of .00427, and beginning January 1, 2026, by the rate of .00658. This subsection
7 includes, among others, and without limiting the scope hereof (whether or not title to material
8 used in the performance of such business passes to another by accession, merger, or other than
9 by outright sale), persons engaged in the business of developing or producing custom software or
10 of customizing canned software, producing royalties or commissions, persons engaged in the
11 business of freight brokering, and persons engaged in the business of rendering any type of
12 service which does not constitute a sale at retail, a sale at wholesale, or a retail service.

13 Section 2. Subject to and contingent upon approval of the qualified voters of the City,
14 Section 5.55.040 of the Seattle Municipal Code, last amended by Initiative 137, is amended as
15 follows:

16 **5.55.040 When due and payable—Reporting periods—Monthly, quarterly, and**
17 **annual returns—Threshold provisions—Computing time periods—Failure to file returns**

18 * * *

19 D.

20 1. For purposes of the tax imposed by Chapter 5.45, any person whose gross
21 proceeds of sales, gross income of the business, and value of products, including by-products, as
22 the case may be, from all activities conducted within the city subject to tax after all allowable
23 deductions, is less than the tax threshold amount defined in subsection 5.55.040.D.3 in the

current calendar year, shall complete and file a return, declare no tax due on their return, and submit the return to the Director. The gross receipts and deduction amounts shall be entered on the tax return even though no tax may be due.

2. Any person who reasonably estimates that the gross proceeds of sales, gross income of the business, and value of products, including by-products, as the case may be, from all activities conducted within the city subject to tax after all allowable deductions, will be less than the tax threshold amount defined in subsection 5.55.040.D.3 (~~below,~~) in the current calendar year may file a declaration so stating on a form supplied by the Director at the same time (~~he or she~~) the person files (~~his or her~~) an application for a business license tax certificate or a renewal. The Director may assign any person who files such declaration to an annual reporting period.

3. ~~((For calendar years prior to 2008, the Business and Occupation tax threshold amount shall remain at Fifty Thousand Dollars (\$50,000) as established under Ordinance 116945. For calendar years 2008 and 2009, the Business and Occupation tax threshold amount shall be Eighty Thousand Dollars (\$80,000).)) For calendar years 2010 ((and thereafter,)) through 2025, the ~~((Business and Occupation))~~ business and occupation tax threshold amount ~~((shall be One Hundred Thousand Dollars ()))~~ is \$100,000(()). For calendar years starting in 2026, the business and occupation tax threshold amount is \$2,000,000.~~

* * *

Section 3. Subject to and contingent upon approval of the qualified voters of the City, Section 5.45.100 of the Seattle Municipal Code, last amended by Ordinance 124089, is amended as follows:

5.45.100 Deductions.

1 In computing the license fee or tax, the following may be deducted from the measure of tax:

2 * * *

3 W. Standard deduction. In computing tax, there may be deducted from the measure of the
4 tax an amount equal to the tax threshold amount defined in subsection 5.55.040.D.3. Taxpayers
5 reporting multiple business activity types may choose the business activities to which they apply
6 the standard deduction. This deduction is available to taxpayers for tax years beginning January
7 1, 2026.

8 * * *

9 Section 4. Subject to and contingent upon approval of the qualified voters of the City,
10 Section 5.55.030 of the Seattle Municipal Code, last amended by Ordinance 126880, is amended
11 as follows:

12 **5.55.030 License requirements – Minimum license threshold**

13 A.

14 1. No person, unless specifically exempted, shall engage in any business activity,
15 profession, trade, or occupation in the City without having first obtained and being the holder of
16 a valid and subsisting license to do so, to be known as a "business license tax certificate."

17 2. Effective January 1, 2019 to December 31, 2019, the fee for the business
18 license tax certificate shall be:

19 ~~((4-))~~ a. Fifty-five dollars for persons with taxable gross income of the
20 business and value of products of less than \$20,000 in the most recent complete calendar year
21 that engage in any business activity, profession, trade, or occupation in the City prior to July 1
22 and \$27.50 for such persons beginning their activity on or after July 1;

1 ~~((2-))~~ b. One hundred ten dollars for persons with taxable gross income of
2 the business and value of products of \$20,000 or more but less than \$500,000 in the most recent
3 complete calendar year that engage in any business activity, profession, trade, or occupation in
4 the City prior to July 1 and \$55 for such persons beginning their activity on or after July 1;

5 ~~((3-))~~ c. Five hundred dollars for persons with taxable gross income of the
6 business and value of products of \$500,000 or more but less than \$2,000,000 in the most recent
7 complete calendar year that engage in any business activity, profession, trade, or occupation in
8 the City prior to July 1 and \$250 for such persons beginning their activity on or after July 1;

9 ~~((4-))~~ d. One thousand two hundred dollars for persons with taxable gross
10 income of the business and value of products of \$2,000,000 or more but less than \$5,000,000 in
11 the most recent complete calendar year that engage in any business activity, profession, trade, or
12 occupation in the City prior to July 1 and \$600 for such persons beginning their activity on or
13 after July 1.

14 ~~((5-))~~ e. Two thousand four hundred dollars for persons with taxable gross
15 income of the business and value of products of \$5,000,000 or more in the most recent complete
16 calendar year that engage in any business activity, profession, trade, or occupation in the City
17 prior to July 1 and \$1,200 for such persons beginning their activity on or after July 1.

18 3. On January 1, 2020 and on January 1 of every year thereafter, the fees for the
19 business license tax certificate shall be increased for all persons consistent with the rate of
20 growth of the prior year's June-to-June Consumer Price Index (CPI-U) for the Seattle-Tacoma-
21 Bellevue area as published by the United States Department of Labor. To calculate the new
22 annual fees, each prior year's fee will be multiplied by the sum of one and the annual percent
23 change in the CPU-U. If the annual change in the CPI-U is negative, no adjustment shall be

made for the year. The amount of the fees so calculated will be rounded to the nearest whole dollar.

4. For the 2026 business license tax certificate fee computation and every year thereafter, the fees in subsections 5.55.030.A.2 and 5.55.030.A.3 shall be based on the taxable gross income of the business prior to the taking of the standard deduction under subsection 5.45.100.W.

5. The fee shall accompany the application for the license. Persons who did not engage in business in the City in the most recent complete calendar year shall pay the minimum full or partial year fee amount at the time of application and the Director shall bill the person after the conclusion of the calendar year of the application for any remaining amount based on the fee schedule in this subsection 5.55.030.A and the person's taxable gross income of the business and value of products during the calendar year of the application.

6. The business license tax certificate shall expire at the end of the calendar year for which it is issued. The business license tax certificate shall be personal and nontransferable except as provided in subsection 5.55.030.F. Applications for the business license tax certificate shall be made to the Director of Finance and Administrative Services on forms provided by the Director. Each business license tax certificate shall be numbered, shall show the name, place, and character of the business of the licensee, and such other information as the Director deems necessary, and shall at all times be conspicuously posted in the place of business for which it is issued.

7. If the licensee changes the place of business, the licensee shall return the business license tax certificate to the Director and a new business license tax certificate shall be issued for the new place of business free of charge.

Section 5. Subject to and contingent upon approval of the qualified voters of the City:

A. Proceeds of the business and occupation tax will continue to be deposited into the City's General Fund. The increases in business and occupation tax rates authorized in Section 1 of this ordinance shall be dedicated for the uses described in subsections 2.B and 2.C of this ordinance. At least three months prior to the Mayor submitting the annual budget, the executive shall consult with the City Council on the impact of actual and anticipated revenue reductions and federal funding cuts on the programs identified in subsections 2.B and 2.C of this ordinance to inform how the new revenue generated by this ordinance is to be utilized. The Mayor shall submit to the City Council at the same time the budget is transmitted a written proposed plan outlining how the new revenue generated by this ordinance is to be utilized in these areas.

B. The proceeds shall be used for the business and occupation tax threshold lift and deduction for small businesses, and for implementation costs and ongoing administration of the tax. Proceeds shall be used to fund City General Fund investments in the following program areas

1. Food access;
2. Gender-based violence;
3. Small business supports;
4. Emergency shelter;
5. Homelessness prevention; and
6. Support for workers' rights and protections.

C. Up to \$30 million in proceeds may be used to mitigate the impact of federal funding reductions in the following program areas:

1. Housing stability for low-income tenants;

2. Food insecurity

3. Financial stability for affordable housing providers and properties; and

4. Emergency shelters and homelessness.

Section 6. Expiration and renewal. This ordinance shall be automatically repealed without subsequent City Council action on January 1, 2030, unless the City by July 31, 2029 passes an ordinance extending its effectiveness. The duration of the extension may be no more than four years. This section does not limit the City's ability to pass other ordinances that amend the business and occupation tax threshold in Seattle Municipal Code Section 5.55.040, or the standard deduction in Seattle Municipal Code subsection 5.45.100.W.

Section 7. Election – Ballot title. The City Council directs the City Clerk to file relevant portions of this ordinance with the Director of Elections of King County, Washington, as ex officio supervisor of elections, requesting the Director of Elections to call and conduct a special election in the City in conjunction with the state general election to be held on November 4, 2025, for the purpose of submitting to the qualified electors of the City the proposition set forth in Sections 1 through 5 of this ordinance. 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 their responsibilities under RCW 29A.36.071. The following ballot title is submitted to the City Attorney for consideration:

THE CITY OF SEATTLE

PROPOSITION NO. 2

Changes to the Business and Occupation Tax

The Seattle City Council adopted Ordinance No. XXXXXX concerning changes to the business and occupation tax.

1 The City of Seattle's Proposition 2, would: increase business and occupation tax rates
2 currently at .00222 and .00427 to .00342 and .00658, respectively, as listed in Seattle Municipal
3 Code 5.45.050; increase the threshold in Seattle Municipal Code 5.55.040.D.3 below which a
4 business does not pay the tax from \$100,000 to \$2,000,000; and create a \$2,000,000 standard
5 deduction. Proceeds from the rate increase have their uses limited to the items in Section 5 of
6 Ordinance _____.

7 Should this Proposition be approved?

8 Yes

9 No

10 Section 8. Any act consistent with the authority of this ordinance taken after its passage
11 and prior to its effective date is ratified and confirmed.

Section 9. Sections 1 through 5 of this ordinance shall take effect subject to and contingent upon approval of the qualified voters of the City as authorized by RCW 35.21.711 and in accordance with applicable law. All other sections of this ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if this ordinance is not approved and returned by the Mayor within ten days after presentation, then those sections shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2025,
and signed by me in open session in authentication of its passage this _____ day of _____, 2025.

President _____ of the City Council

Approved / returned unsigned / vetoed this ____ day of _____, 2025.

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2025.

Scheereen Dedman, City Clerk

(Seal)

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
Legislative	Tom Mikesell	n/a

1. BILL SUMMARY

Legislation Title: relating to the business and occupation tax; requesting that a special election be held concurrent with the November 4, 2025 general election for submission to the qualified electors of the City a proposition to lift the limit on business and occupation tax rates under RCW 35.21.711, authorize the City to levy additional taxes for the purposes of providing housing, human services, workforce, and small business support, increase the business and occupation tax threshold, create a business and occupation tax standard deduction, and revise the business license tax consistent with changes to the business and occupation tax; amending Sections 5.45.050, 5.45.100, and 5.55.030, 5.55.040 of the Seattle Municipal Code; proposing a ballot title; and ratifying and confirming certain prior acts.

Summary and Background of the Legislation:

This council bill would submit a business and occupation tax restructure proposal to the voters of Seattle for their approval at the November 4, 2025, general election. Contingent on voter approval, it would, as of January 1, 2026:

- Increase B&O tax rates,
- Increase the standard exemption from \$100,000 to \$2 million,
- Add a \$2 million standard deduction,
- Make conforming changes to the City's business license fee, which currently uses B&O tax taxable income for its fee schedule
- Generate \$90 million of new General Fund (GF) revenue, which will be used to:
 - Pay for implementation and ongoing operating costs related to the tax
 - Support city investments in the areas of food access, gender-based violence, small business supports, emergency shelters, homelessness prevention and support for worker rights and protections
 - Mitigate federal funding cuts in the areas of housing stability, food insecurity, financial stability for the affordable housing sector and emergency shelter and homelessness.

These changes sunset on January 1, 2030 unless the City Council passes, by July 31, 2029, an ordinance to extend them an additional four years.

RCW 35.21.710 establishes maximum rates for business and occupation (B&O) taxes imposed by cities in Washington state. Subject to a majority vote by the qualified electors of a city, RCW 35.21.711 authorizes increases above the statutory maximum. Seattle currently imposes a 0.222 percent tax rate per dollar of gross business receipts received from retail and wholesale trade; manufacturing; extracting; printing and publishing activities in the city. Gross business receipts from services (broadly defined) and transport for hire are taxed at a 0.427 percent tax rate per dollar of gross receipts. To avoid any confusion or misinterpretation, the rates are fractions of a percent, so less than one percent. That said, they apply to a business's gross (total) revenues, not its net income or profit.

Businesses with total gross receipts of \$100,000 or below are exempt from paying the tax. Revenues from the tax are deposited in the City's General Fund and are available to support any City program. Based on the April 2025 revenue forecast from the Office of Economic and Revenue Forecasts, the B&O tax is projected to generate \$368.6 million in 2025 and \$385 million in 2026.

The business and occupation tax restructure proposed to the qualified voters of Seattle by this council bill would increase the rate per dollar of gross receipt from retail and wholesale trade; manufacturing; extracting; printing and publishing activities to 0.342 percent and would increase the rate per dollar of gross receipts from services, other and transport for hire to 0.658 percent. According to the Office of Economic and Revenue Forecasts (Forecast Office), these rate changes would generate \$151million of new business and occupation tax revenue in 2026. However, as detailed below, there are several factors that create uncertainty about this forecast of the potential incremental revenues.

Of the new revenue \$28 million would offset the projected loss of business and occupation tax revenue resulting from increasing the exemption threshold to \$2 million, and an additional \$31 million would be offset by the new \$2 million standard deduction for all taxpayers. In applying the standard deduction, taxpayers would be able to choose which line of business income is deducted first.

Subject to allocation through the fall budget process, the bill would dedicate the remaining revenues from the higher rates, estimated at \$90 million. A portion of that revenue must be used for implementation costs and ongoing administration of the tax (see Section 4 below for further details on these costs). The remaining proceeds, after paying for implementation and administration costs, shall be used to support City investments in food access, gender-based violence services, small business supports, emergency shelter, homelessness prevention and support for worker's rights and protections. Up to \$30 million in proceeds may also be used to mitigate the impact of federal funding reductions related to housing stability for low-income tenants, food insecurity, financial stability for affordable housing providers and properties and emergency shelters and homelessness.

The Executive is required to consult with the City Council, at least three months prior to the Executive transmitting the budget, on the impact of actual and anticipated revenue reductions and federal funding cuts on the program areas described in the above paragraph and how the revenues generated by the ordinance will be utilized. Additionally, the Executive must submit to

the City Council, at the same time the budget is transmitted, a written proposed plan outlining how the new revenue generated by this ordinance is to be utilized in these program areas.

The Forecast Office memorandum that describes the analysis and methods used to derive the rates to generate these revenue amounts identified several risks and considerations, including:

- Unpredictability of federal fiscal and trade policy, including heightened inflationary pressures from tariffs;
- Heightened chance of a national recession in the next 12 months;
- Limited data to inform the local tax base implications of Engrossed Substitute Senate Bill (ESSB) 5814, which shifts some service business types to retail for purposes of B&O tax;
- Concentration of the B&O tax base to a smaller number of taxpayers, by way of increasing the exemption threshold, which would make the tax more volatile and increase the tax burden for remaining taxpayers;
- Recent history of tax increases affecting current B&O taxpayers, including the imposition of the City's payroll expense tax and a subsequent rate increase; a new payroll tax to support social housing; and an increase to State B&O tax rates in ESSB 5814.
- Lower current B&O tax rates at neighboring cities imposing a B&O tax; and,
- Large overall rate increases in percentage terms.

While the Forecast Office did not explicitly estimate the impacts of most of these considerations (the estimated implications of ESSB 5814 on the tax base was included in calculating the proposed rates, though as cited above the data was limited), each of these can be seen as potential downside risks, in the form of the possibility of changing economic assumptions and/or the reaction of taxpayers to tax rate changes. The full Forecast Office memorandum is attached.

It is worth noting that there are also upside considerations, including:

- Tax relief supported by the new revenues from the tax increase could allow some small business to remain in business in the face of economic pressures;

As with the listed potential downsides, the impact of these is inestimable.

2. CAPITAL IMPROVEMENT PROGRAM

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

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☐ Yes ☒ No

This legislation provides for a business and occupation tax restructure proposal to be placed on the ballot, which, if approved, would restructure the tax, providing an estimated \$90 million of new General Fund revenue for small business tax relief, housing, human services, and workforce support beginning in 2026. This amount would grow annually by the rate assumed in the overall revenue forecast for the B&O tax. These revenues are not added to the City's budget through this legislation but will be accounted for in separate legislation if the rate increase is approved.

3.d. Other Impacts

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.

As noted above, this legislation does not directly impact the adopted budget. Appropriations of new revenue will be approved in separate legislation if voters approve the tax increase.

If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.

N/A

Please describe any financial costs or other impacts of *not* implementing the legislation.

N/A

4. OTHER IMPLICATIONS

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

The Office of City Finance in the Department of Finance and Administrative Services (FAS) administers the taxpayer education, compliance, and audit functions for all City taxes, including the business & occupation tax. To meet the tight implementation timeline, City Finance staff would likely need to begin implementation prior to the November vote.

City Finance staff initial estimates of implementation costs include \$2.3 million for system changes in 2025, and approximately \$1.5 million in ongoing costs, including personnel. In the event these changes result in stability issues to the legacy system, City Finance Staff estimate an additional \$2.7 million would allow for accelerated system replacement costs in 2027.

FAS revenue administration staff would implement tax structure changes in collaboration with system vendors and Seattle Information Technology staff, including submitting any budget requests to support these costs as needed.

- 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.**

This council bill submits a question for the public ballot and would not directly nor indirectly impact historically disadvantaged communities. However, the revenue raised by the tax increase would be dedicated to small business tax relief, housing, human services, and workforce support, which may benefit these communities. Further, tax relief would be provided to businesses with less than \$5.7 million in revenue, which may also benefit disadvantaged communities.

- 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?**

Information about the proposed ballot measure will be provided to the public as part of the standard voter's pamphlet. A translated version of this document is generally available in a number of languages.

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.**

N/A

- 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.**

N/A

- 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?**

5. CHECKLIST

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

☐ **Is a public hearing required? No**

- ☐ **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required? No**
- ☐ **If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies? Not applicable**
- ☐ **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization? No**

6. ATTACHMENTS

Summary Attachments:

- 1. Office of Economic and Revenue Forecasts June 26, 2025 memo**



SEATTLE CITY COUNCIL
CENTRAL STAFF

Revenue Options: Potential to Increase Revenues for General Government Purposes

TOM MIKESELL AND BEN NOBLE, CITY COUNCIL CENTRAL STAFF
FINANCE, NATIVE COMMUNITIES & TRIBAL GOVERNMENTS COMMITTEE
JULY 2, 2025

Overview

- Background Regarding Available Revenue Options
- Overview of Potential Sources
 - Sales Tax
 - Property Tax
 - Capital Gains Tax
 - Business & Occupations Tax
 - Payroll Expense Tax?
- Questions?

Financial Context and Background

- For the current analysis and setting the financial context, General Fund (GF) and Payroll Expense Tax (PET) are treated as a joint resource and projected financial deficits reflect the sum of GF and PET.
- Before the April revenue forecast “downgrade,” the City was already facing a ~\$89M structural deficit in 2027 and beyond.
- The revised revenue projections created a ~\$150M one-time shortfall in 2025 and 2026, AND increased the long-term structural deficit to ~\$233M. (Per year on an ongoing basis!).
- While increased revenues of any magnitude will help narrow the deficit, a larger-scale proposal would be needed to offset the April revenue forecast update.
- Presentation is thus focused on sources that could generate ~\$10M+.

Sales Tax(es)

Background

- The Current sales tax rate in the City of Seattle is 10.35% (6.5% is state-imposed, the remaining 3.85% is local).
- The City currently collects ~\$350M of sales tax revenue, so a 01% increase can generate revenue of ~\$35M.
- Sales taxes are regressive.

Potential Increments

1. Councilmanic authority for 0.1% for public safety. This would be additive to a county-wide 0.1% that the County can also impose councilmanically.
2. Voter approval for an additional 0.1% for public safety. This could be additive to the City's Councilmanic 0.1%.
3. Up to an additional 0.15% for transportation, via the Seattle Transportation Benefit District.

Property Tax

Background

- The City can impose a maximum tax rate of \$3.60 per assessed value.
- Property taxes can be imposed directly by the City Council or via voter approval.
- Councilmanic imposed property tax revenues can grow at 1% per year, plus the value of new construction.
- Changes in assessed value do NOT change tax revenues. Assessed value changes influence the rates charged per \$1,000, and the maximum amount of property tax revenues.

Potential Increment

1. The City's projected 2026 tax rate is \$2.97 per \$1,000. This leaves ~\$0.60 per \$1,000 of available capacity. This translates to approximately \$180M per year in potential revenue capacity remaining. A voter-approved measure, which could include a permanent levy lid-lift, would be required to access this revenue.
2. However, assessed value can also decline; thus, it would not be prudent to impose the maximum \$3.60 rate.

Capital Gains Tax

Background

- Washington State imposes a 7% tax on long-term capital gains above an annual exemption of \$270,000.
- In 2025, the legislature added a 2.9% surcharge for gains over \$1M; creating a maximum rate of 9.9%.

Potential increment

- The City appears to have the authority to impose such a tax, but this has not been tested.
- There are no direct constraints imposed on the rate the City could charge.
- As part of a legislative proposal Central Staff developed last fall, the Forecast Office estimated that a 2% City tax, modeled on the state's, would raise \$16M to \$51M per year.

Business & Occupations (B&O) Tax

Background

- B&O tax is levied on gross income, not on net income or profits.
- Current rates are fractions of a percent, equal to 0.222% or 0.427% of gross income, depending on business type (e.g., retail trade, services, etc.).
- Businesses with \$100,000 gross income or lower are exempt.
- Rates are constrained by state statute and can only be increased via voter-approval.
- Current tax raises ~\$350M per year.

Potential increment

- No limit to voter-approved rate increases.
- Changes must align with the state's Model Tax Ordinance framework, to facilitate compliance across WA cities with a similar tax

Questions?

B&O Tax Changes

Council's Finance, Native Communities & Tribal Government's Committee
July 2, 2025

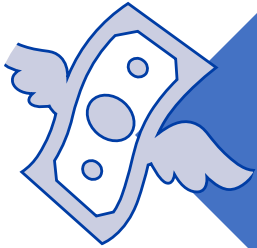


Seattle Faces Increasing Economic Challenges



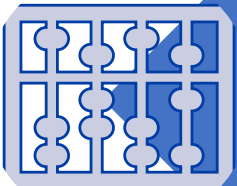
Increasing overall cost of living:

Among all cities and urban areas, Seattle ranked as the **11th most expensive place to live**. Seattle's average rent rose to \$2,110 per month in June.



Increasing business and property costs:

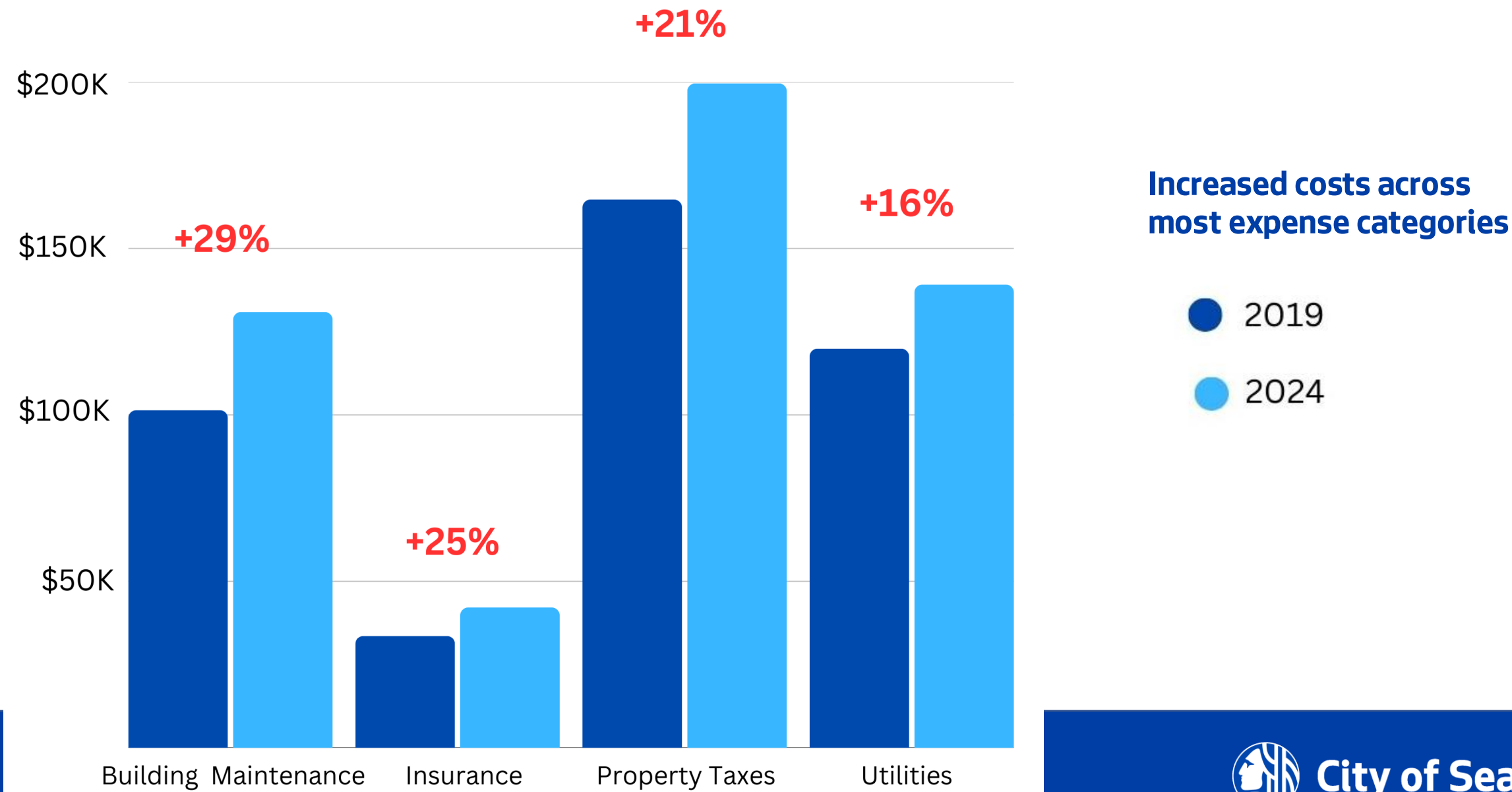
Nationally, 37% of small businesses couldn't pay rent in November. In Washington, net margins for restaurants decreased from 4% to 1.5%.



State and Federal Uncertainties:

We have hundreds of millions of dollars in federal grants that are imperiled by the current administration. Currently, the congressional “One Big Beautiful Bill” legislation will have direct impacts on Medicaid, SNAP benefits, and more that will directly affect our community.

Small Business Workgroup Snapshot:
2019 vs 2024 expenses from local property and business owner



The City's Budget Snapshot

- The City is experiencing an ever-increasing demand on services every year, and costs and inflation continue to increase
- In April 2025, the **Forecast Council dramatically lowered its overall forecast by \$251 million for 2025/26 based on the advice of the Office of Economic and Revenue Forecasts (OERF)**. We face a deficit in 2026 and an even larger projected deficit starting in 2027
- Use of one-time funds have masked this shortfall in recent years but are no longer a viable option without new revenues or a reduction in services



Seattle's Response

Mayor Harrell has proposed a balanced budget for the last three years. He's:

- Reduced programmatic investments, identified business efficiencies, and unfortunately had to lay off employees,
- Streamlined functions across departments including the Unified Care Team (UCT), the Downtown Activation Team (DAT), and the Permitting & Customer Trust Team (PACT), and
- Added flexibility to spending regulations.

All without proposing NEW taxes.

No single solution will solve the gap.

Proposal

SEATTLE
CITY HALL



B & O Ordinance Changes

To address these challenges, Mayor Harrell and Councilmember Rinck propose changing the City's Business and Occupation tax:



RAISES B&O TAX EXEMPTION THRESHOLD FROM \$100,000 TO \$2,000,000, EXEMPTING 76% OF CURRENT B&O TAXPAYERS.



CREATES \$2,000,000 B&O DEDUCTION, LOWERING TAXES FOR 90% OF CURRENT B&O TAXPAYERS.



RAISES B&O TAX RATES FOR GROSS REVENUE OVER \$2M TO RAISE \$90M FOR CRITICAL HUMAN SERVICES AND PROGRAMS.

Business Impact Snapshot

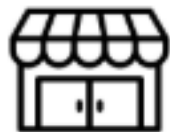
What's Changing for Seattle Businesses in 2026?

Business A - \$100,000 gross revenue



No change: currently exempt from Seattle B&O tax

Business B - \$2,000,000 gross revenue



\$6,500



Current

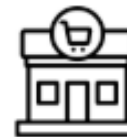


\$0

Future

Savings of \$6,500 annually due to increased exemption threshold

Business C - \$5,000,000 gross revenue



\$16,200



Current

\$14,900



Future

Savings of \$1,300 annually due to new deduction for first \$2M in gross revenue

Business D - \$12,000,000 gross revenue



\$38,900



Current

\$49,700



Future

Increase of \$10,800 annually due to increase in B&O tax rates for revenue over \$2M

Spending Plan

Proposed revenue will:

- 1) **Support the threshold lift and deduction for small businesses**
- 2) **Support the City's General Fund investments in:**
 - Food access
 - Gender-based violence
 - Small business supports
 - Emergency Shelter, homelessness prevention,
 - Support for workers' rights and protections
- 3) **Up to \$30 million in proceeds may be used to mitigate the impact of federal funding reductions in:**
 - Housing stability for low-income tenants
 - Food insecurity
 - Financial stability for affordable housing providers and properties
 - Emergency Shelter and Homelessness

Timing

This bill will provide relief to our community during a challenging time for Seattle and our nation.

It will sunset after four years, with one councilmanic option to renew for four additional years if necessary.



Questions?



SEATTLE CITY COUNCIL
CENTRAL STAFF

Business and Occupation Tax Rebalancing

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FINANCE, TRIBAL GOVERNMENTS, AND NATIVE COMMUNITIES COMMITTEE
JULY 2, 2025

Outline

- Background
- Overview
- Analysis of Restructure
- Use of Proceeds
- Considerations

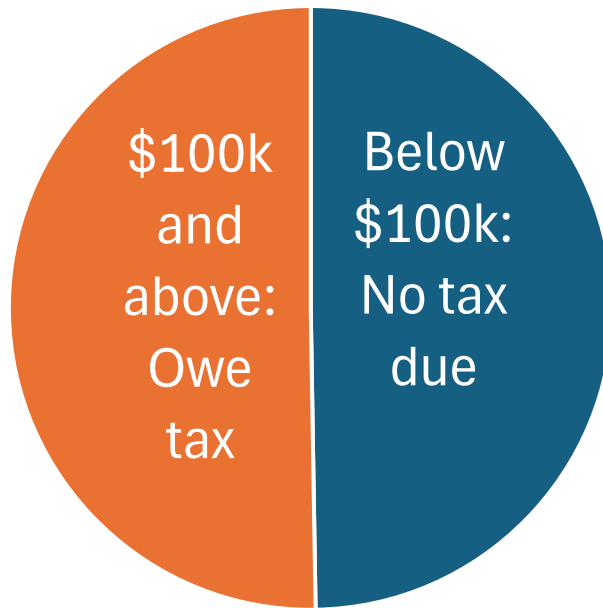
Background (1/2)

Business and Occupation (B&O) Tax Structure

- Tax on gross revenue of businesses revenue earned in Seattle
- Since based on gross revenue, no deductions for operating expenses
- Current rates represent a fraction of a percent of gross business revenue:
 - 0.222% for retail sales and services, wholesaling, and manufacturing/extracting (22 cents per \$100 of revenue)
 - 0.427% for services, transporting freight for hire, and other (43 cents per \$100 of revenue)
- Businesses with gross revenue below \$100,000 are exempt
- Rates are at statutory maximum; voted increase authorized by RCW 35.21.711

Background (2/2)

2024 total filers: 42,000



- In 2024, about half of tax filers had zero B&O tax obligation (that is, revenue was below the \$100,000 exemption threshold).
- B&O tax generated \$353M in 2024.
- Currently projected to raise \$369M in 2025 and \$385M in 2026 ^{1/}.
- Represents ~20% of General Fund (GF) revenue.

^{1/}Does not include Forecast Office's estimated impacts of ESSB 2015, which classifies some technology services as retail and would reduce B&O tax revenues.

Overview

1. Increase the exemption threshold to \$2M, create a new \$2M standard deduction, align business license fee accordingly, and designate use of proceeds, contingent on voter approval of a B&O tax rate increase.
2. Submit question to the November 5, 2025, General Election. The proposal before the voters would:
 - a) Increase rates to offset the threshold increase and standard deduction; and
 - b) generate an estimated \$90M in net new revenue.
3. All changes would be effective January 1, 2026.
4. Includes a January 1, 2030, sunset date, which can be extended an additional four years by an ordinance approved by July 31, 2029.

Analysis of Restructure (1/6)

Increase exemption threshold from \$100,000 to \$2M:

- Based on 2024 data, would exempt an additional 16,000 taxpayers (75% of total)
- Number of businesses owing tax would drop to ~5,000
- Forecast Office estimates impact is \$28.4M (prior to rate increase)

Number and Percentage of Firms No Longer Subject to B&O Tax

Business Type	Number	% of All Taxpayers
Agriculture, Forestry, Fishing, and Hunting, Mining, Manufacturing	654	71%
Construction	2,457	74%
Trade	2,128	65%
Transportation, Warehousing, and Utilities	200	67%
Information	318	66%
Finance and Insurance	315	60%
Real Estate and Rental and Leasing	578	73%
Professional and Business Services	3,848	76%
Educational Services	254	90%
Health Care and Social Assistance	1,633	86%
Arts, Entertainment, and Recreation	347	83%
Accommodation and Food Services	320	73%
Restaurants	1,343	82%
Other Services	1,511	83%
Total	15,906	75%

1/ 2024 data - Office of Economic and Revenue Forecasts

Analysis of Restructure (2/6)

New \$2M Standard Deduction:

- Based on Forecast Office analysis, would exempt \$10.8B of revenue from tax for remaining taxpayers
- Forecast Office Estimates impact is \$33M (prior to rate increase)

Conforming changes to business license fee:

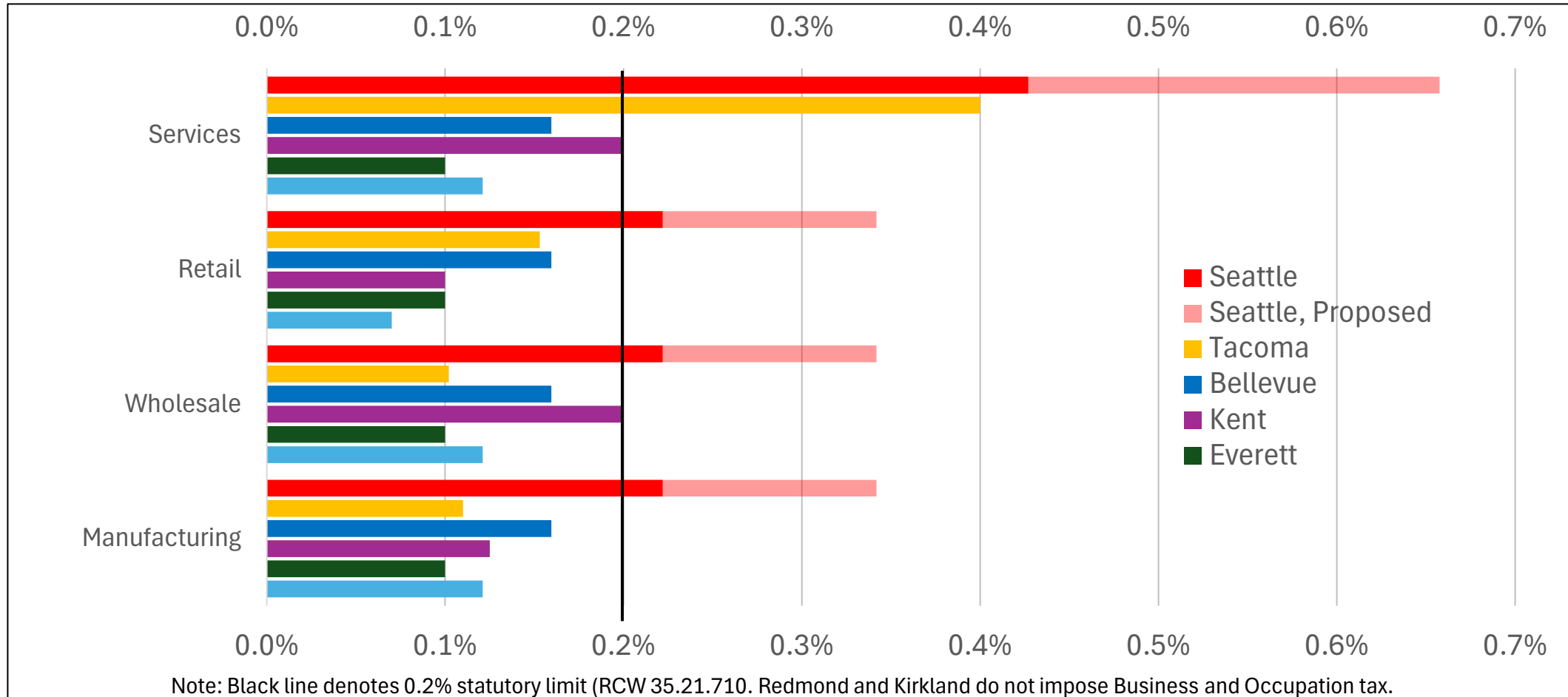
- Business license fee is based on taxable revenue, would clarify that is prior to standard deduction

Business Type	Current	Proposed	Change	Per \$1M of Revenue
Retail/Wholesale Trade, and Manufacturing	0.222%	0.342%	0.120%	\$1,200
Services, Other	0.427%	0.658%	0.231%	\$2,310

- Forecast Office estimates rate increase would generate \$151M in 2026 (with stated caveats and risks).

Analysis of Restructure (3/6)

Regional rate comparisons (Forecast Office):



Analysis of Restructure (4/6)

Examples of Taxpayer Impacts (retail, wholesaling, and manufacturing):

Business	Revenue	Tax Due:		Difference
		Current Structure	After Restructure	
A	\$250,000	\$555	\$0	(\$555)
B	\$500,000	\$1,110	\$0	(\$1,110)
C	\$2,000,000	\$4,440	\$0	(\$4,440)
D	\$5,700,000	\$12,654	\$12,654	\$0
E	\$10,000,000	\$22,200	\$27,360	\$5,160
F	\$20,000,000	\$44,400	\$61,560	\$17,160
G	\$100,000,000	\$222,000	\$335,160	\$113,160
H	\$500,000,000	\$1,110,000	\$1,703,160	\$593,160

➤ Taxpayers below ~\$5.7M revenue would owe lower tax.

Analysis of Restructure (5/6)

Examples of Taxpayer Impacts (services, transporting freight for hire, and other):

Business	Income	Tax Due:		Difference
		Current Structure	After Restructure	
A	\$250,000	\$1,068	\$0	(\$1,068)
B	\$500,000	\$2,135	\$0	(\$2,135)
C	\$2,000,000	\$8,540	\$0	(\$8,540)
D	\$5,700,000	\$24,339	\$24,346	\$7
E	\$10,000,000	\$42,700	\$52,640	\$9,940
F	\$20,000,000	\$85,400	\$118,440	\$33,040
G	\$100,000,000	\$427,000	\$644,840	\$217,840
H	\$500,000,000	\$2,135,000	\$3,276,840	\$1,141,840

➤ Taxpayers below ~\$5.7M revenue would owe lower tax.

Analysis of Restructure (6/6)

Fiscal Recap:

- Cost of increasing exemption threshold: \$28M
- Cost of new \$2M standard deduction: \$33M
- Impact of higher tax rates: \$151M
- Net: \$90M GF revenue

Use of Net \$90M GF revenue (1/3)

- Implementation costs and ongoing administration of the tax
- Fund City General Fund investments in the following program areas
 - Food access
 - Gender-based violence
 - Small business supports
 - Homelessness prevention
 - Emergency shelter
 - Support for workers' rights and protections

Use of Net \$90M GF revenue (2/3)

- Up to \$30 million in proceeds may be used to mitigate the impact of federal funding reductions in the following program areas:
 - Housing stability for low-income tenants
 - Food insecurity
 - Financial stability for the affordable housing providers and properties
 - Emergency Shelter and Homelessness

Use of Net \$90M GF revenue (3/3)

- At least three months prior to the Mayor submitting the annual budget, the executive shall:
 - Consult with Council on impact of actual and anticipated revenue reductions and federal funding cuts on the identified program areas
 - Inform Council how the new revenue generated by this ordinance is to be utilized.
- The Mayor shall submit to Council, at the same time the budget is transmitted, a written proposed plan outlining how the new revenue generated by this ordinance is to be utilized in the identified program areas

Considerations (1/2)

Tax base risk (Forecast Office):

- A narrower tax base would add some volatility (5,000 vs. 21,000 taxpayers)
- Potential adverse business response to successive City tax changes
 - Payroll expense tax (2020)
 - Payroll expense tax increase for student mental health (2023)
 - Social Housing tax (2024)
 - About a third of the tax increase would be imposed on 65 taxpayers that paid ~87% (\$306M) of payroll expense tax in 2024

Revenue Forecast risk (Forecast Office)

- 40-50% chance of national recession in next 12 months
- Estimated impacts for recent state law changes (ESSB 5814) is based on imperfect sourcing information

Considerations (2/2)

System implementation risk :

- SLIM Legacy system
 - To meet January 1 timeframe, staff would need to begin work, and incur costs, prior to vote
 - Risks that are commonplace in all system changes, such as dependencies on key personnel and facilitation across interdependent systems
 - Executive intends to position measures to monitor and mitigate risks
 - Changes to the current scope would require a reassessment of risks

Budget implementation risk:

- The Executive will submit a 2026 budget assuming the \$90M revenue
- If the measure fails, Council would need to quickly rebalance and do so in a year where significant cuts will already be incorporated into the proposed budget.
- An adverse October revenue forecast update would intensify the pressure

Questions?