

INTERLOCAL AGREEMENT

By and between

THE CITY OF SEATTLE

AND

SEATTLE SOCIAL HOUSING DEVELOPER

dated as of xx

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**INTERLOCAL AGREEMENT
THE CITY OF SEATTLE
AND
SEATTLE SOCIAL HOUSING DEVELOPER**

THIS INTERLOCAL AGREEMENT (“Agreement”) is entered into by the City of Seattle (the “City”) and Seattle Social Housing Developer (“Developer”), a public corporation chartered by the City and doing business in the State of Washington (collectively referred to as “Parties”).

RECITALS

WHEREAS, On February 14, 2023, Seattle voters approved City Initiative 135, a citizen-initiated measure to create Seattle Social Housing Developer to develop, acquire, and maintain public social housing; and

WHEREAS, On February 11, 2025, Seattle voters approved City Initiative 137, Proposition 1A (“Initiative 137”), a citizen-initiated measure to levy the Social Housing Tax (“Social Housing Tax” or “Tax”) for the purpose of providing an ongoing revenue stream for Developer; and

WHEREAS, Initiative 137 states that the City is tasked with administrating the Social Housing Tax, and shall be reimbursed for its actual expenses of administrating the tax, up to the lesser of 5 percent of the annual Social Housing Tax revenue collected during each year, or \$2,000,000 per year, with the remaining revenue to be promptly transferred to Developer; and

WHEREAS, cities and public corporations are authorized to enter into interlocal agreements by chapter 39.34; and

WHEREAS, the parties acknowledge that this agreement facilitates implementation of Initiative 135 and Initiative 137, and does not amend, modify or alter any provision of either initiative.

THE PARTIES AGREE:

Section 1. Purpose and Nature of Obligations

(a) **Purpose.** This Agreement establishes procedures for the collection and disbursement of the Social Housing Tax by the Director, Seattle Office of City Finance (“Director”), that are not specifically addressed by Initiative 137.

(b) **Developer’s Role.** Developer agrees to use the Social Housing Tax it receives to reasonably accomplish the goals of Initiatives 135 and 137, in Developer’s sole discretion. Developer covenants that no proceeds of the Social Housing Tax will be applied in any manner that is contrary to applicable federal, state or local law or regulation or any applicable state or federal constitutional provision. Developer is not acting as the agent of the

City in its use of funds obtained under this Agreement. Developer is organized pursuant to Initiative 135, Seattle Municipal Code §3.110 and RCW 35.21.660, .670, .730-.775. RCW 35.21.750 provides as follows: “[A]ll 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 corporation, commission, or authority on account of any debts, obligations, or liabilities of such public corporation, commission, or authority.” Developer shall be solely responsible for the use of the Social Housing Tax once received and for carrying out its duties under Initiatives 135 and 137, and shall indemnify and hold City harmless from any claim arising from or related to discharging these duties

(c) **City's Role.** The City is acting solely in its capacity as the applicable taxing authority in the imposition, administration, collection and distribution of the proceeds of the Social Housing Tax pursuant to Initiatives 135 and 137. The City shall be solely responsible for administration, collection and distribution of the Social Housing Tax, shall indemnify and hold Developer harmless from any claim arising from or related to discharging these duties, and any amounts paid by the City to resolve such a claim shall not be from the Social Housing Tax. The City disclaims any responsibility for any use by Developer of any funds that is inconsistent with any applicable provision of law and reserves all its rights under applicable law.

Section 2. Duration

(a) **Term.** The term of this Agreement shall commence effective January 1, 2025. The initial term of this Agreement shall be five years, after which time the Agreement shall be extended automatically for successive five-year terms.

(b) **Termination-Cessation of Tax.** If at any time the Social Housing Tax ceases to be imposed for any reason, this Agreement shall, once all outstanding taxes have been collected, and any audits appeals or adjustments resolved, terminate.

(c) **Termination by Notice.** Either party may terminate this Agreement by providing the other party with advance written notice no less than one year (365 days) prior to the effective date of such termination. If the notice of termination arises from a dispute between the parties, the termination will not be effective until after the parties engage in the dispute resolution process described in Section 12.

(d) **Effect of Termination.** In the event this Agreement is terminated for any reason other than the cessation of the Social Housing Tax, the Director remains obligated to continue collecting and disbursing the Social Housing tax as required by Initiative 137, as it may be from time to time amended; provided that in the case of the cessation of the tax, the City remains obligated to administer, collect and disburse the tax for all periods in which the tax was in effect. Developer shall be entitled to receive all Social Housing Tax revenues received by the City for periods in which Initiative 137 and the Social Housing Tax was in effect, unless otherwise

provided by any applicable legislation, or other applicable law in effect at the time of termination.

Section 3. Social Housing Tax Fund

The City has created and maintains a special segregated fund designated as the “Social Housing Tax Fund” for the sole purpose of depositing the Social Housing Tax proceeds and making the transfers and payments required by Initiative 137. All proceeds of the Social Housing Tax will be deposited upon receipt by the Director into the Social Housing Tax Fund. All money deposited in the Social Housing Tax Fund will be transferred by the Director to the appropriate City Fund and the Seattle Social Housing Developer in accordance with applicable law and this Agreement. Interest earned on the Social Housing Tax that are within the Social Housing Tax Fund shall be retained within the Social Housing Tax Fund and used only for the purposes required by Initiative 137 and this Agreement. Interest earned on Social Housing Tax Revenues that remain within the Social Housing Tax Fund after the payments described in Sections 5(b) and 5(c) shall be retained within the Social Housing Tax Fund until disbursed under this Agreement.

Section 4. Administrative Reimbursement

The City shall be compensated for its costs and expenses reasonably and actually incurred in the administration of the Seattle Social Housing Tax (“City Administration Costs”). In accordance with Initiative 137, annual compensation may not exceed the lesser of 5 percent of the tax revenue collected (after refunds and credits) from the Social Housing Tax during any year or \$2,000,000. City retains sole discretion to determine how to staff the administration of the Social Housing Tax, including by hiring new employees, utilizing contractors, or allocating a portion of existing employee time and any such staffing costs will be compensable up to the limits set in Initiative 137 as part of the City Administration Costs. Within sixty (60) days following the end of each calendar year, the Director shall prepare and submit to Developer, a detailed summary of the costs and expenses incurred by the City during the preceding calendar year in the administration of the Social Housing Tax. Developer may from time to time, but no more frequently than once per quarter, request the Director to provide an additional detailed summary of City costs and expenses for any calendar quarter, and the Director shall provide Developer such information in reasonable detail on a preliminary, unaudited basis within 60 days of receiving such request. Developer may request at the close any calendar year, at its sole costs and expense, a full financial review of the City’s books and records pertaining to the Social Housing Tax, including the costs and expenses of administering the tax and its allocation of costs and expenses. The City or its designee shall provide access to this information within 90 days of such request.

Section 5. Tax Collection and Transfer Procedures

(a) **General Procedures.** As set forth in Initiative 137, the City is and shall be the tax-collecting entity for all purposes. In each tax period, the City shall collect all Social Housing Taxes due, including interest and penalties. The revenues will be collected by the Director in accordance with general rules that have been established by the City, including the City's existing business excise tax collection procedures. No later than the last business day of February, May, August, and November (i.e., the second month following the end of each calendar quarter), the Director shall transfer to Developer the amounts remaining after first deducting from gross revenues (including interest accrued thereon) the amounts described in this section ("Social Housing Tax Net Revenues").

(b) **Collection and Distribution of 2025 Taxes.** As set forth in Initiative 137, the initial due date for the entirety of a taxpayer's 2025 tax liability is January 31, 2026. The date for transfer of these Social Housing Net Revenues shall be no later than March 2, 2026.

- (1) Prior to any transfer to the Seattle Social Housing Developer, the Director will deduct from the balance in the Social Housing Tax Fund:
 - (i) the full amount necessary to reimburse the City for all amounts then due (including both principal and interest) pursuant to any Loan Agreement or other loan arrangement between the Parties; and
 - (ii) the amount necessary to reimburse the City's Administration Costs incurred during calendar year 2025 pursuant to Section 4.
- (2) On or before March 2, 2026, the Director shall transfer the remaining amounts to Developer. Such transfer shall be accompanied by a copy of a statement describing the gross revenues received as of January 31, 2026, the interest earned thereon (if any), and the total loan repayment amount deducted and paid to the City, if any, pursuant to Section 5(b)(1), above.

(c) **Ongoing Tax Collection and Distribution.** In accordance with Initiative 137, beginning with the first quarter of calendar year 2026, the Social Housing Tax will be collected by the City on a quarterly basis in accordance with the City's generally applicable excise tax collection procedures, as they may be amended from time to time. Under these procedures, the tax filings are currently due on or before the last day of the month following the end of the calendar quarter, or other applicable reporting period (e.g., April 30, July 31, October 31, and January 31).

- (1) On a quarterly basis, the Director will deduct from gross revenues of the Social Housing Tax collected through the quarterly due date:

- (i) the full amount necessary to reimburse the City for all amounts then due (including both principal and interest) pursuant to any Loan Agreement or other loan arrangement between the Parties; and
- (ii) (A) for the first three calendar quarters, one-fourth of the budgeted annual City Administration Costs, and (B) for the fourth calendar quarter, an amount necessary to cover the remaining administrative costs actually incurred during the calendar year, not to exceed the cumulative annual cap set forth in Initiative 137; and
- (iii) those amounts necessary to process and fund credits, adjustments, and refunds pursuant to Section 8.

(2) Quarterly transfers of the net Social Housing Tax revenues after these deductions, including any interest earned on Social Housing Tax Net Revenues, will be initiated by the Director on or before the last business day of February, May, August, and November. Such transfer shall be accompanied by a copy of a statement describing the gross revenues received as of the quarterly due date, the interest earned thereon (if any), and the total loan repayment amount deducted and paid to the City in respect of any Loan Agreement or other loan arrangement between the Parties.

(3) No later than these quarterly dates, the Director will provide written notice to Developer of all monies deducted from or added to the Social Housing Tax proceeds for any previous period including but not limited to gross receipts, actual administrative reimbursements to the City, aggregate credits and refunds, interest, and any other related inflows or outflows.

Section 6. Refunds and Appeals

The City will be responsible for processing refunds and handling appeals of refund denials in accordance with its generally applicable excise tax collection procedures. To the extent permitted by applicable law, the Director will provide Developer with an annual summary of the total dollar amount of taxpayer appeals and settlements for amounts subject to this Agreement. The Director shall within 7 days notify Developer of any civil, criminal, judicial, or administrative proceeding, of which it has received notice, relating to or arising out of the Social Housing Tax.

Section 7. Legal Challenge

The Director shall within 7 days notify Developer of any legal challenge to the Social Housing Tax and reasonably cooperate with Developer on potential responses or defenses. The City shall be responsible to pay its own legal fees and expenses incurred in any such litigation from funds other than the Social Housing Tax. The City recognizes the Developer retains the

right to independently intervene or otherwise join the lawsuit and defend against such legal challenge.

Section 8. Refund and Credit Adjustments

If the actual amount of tax receipts attributable to the Social Housing Tax for any reporting period differs from the amount previously reported or transferred to Developer, whether due to reconciliation, error, audit, or other correction, the Director shall adjust the next scheduled transfer of Social Housing Tax proceeds to account for such difference. Any overpayment shall be deducted, and any underpayment shall be added to the subsequent transfer(s), unless otherwise mutually agreed upon in writing.

All amounts necessary to process and pay refunds of and process credits against the Social Housing Tax shall be charged to Developer and shall be deducted prior to any subsequent transfer of Social Housing Tax revenues to Developer. All refunds and credits will be deducted from the Social Housing Tax proceeds prior to the transfer to Developer. The Director will provide to Developer a summary of the aggregate refund and credit amounts, and the administrative costs of processing such refund and credit amounts, for each filing period to the extent permitted by law.

Section 9. Amendments

This Agreement may be amended only by the mutual written agreement of the Parties. Developer and/or the City shall submit in writing to the other party any proposed amendments. Within 60 days of a Party submitting proposed amendments, the Parties shall agree to a process and timeline for resolving any disagreement about proposed amendments. The Parties commit to working in good faith to come to agreement on any amendments.

Section 10. Administrator

The City shall administer this Agreement through the Director of its Office of City Finance consistent with its terms and the terms of Initiatives 135 and 137 for the mutual benefit for the City and Developer.

Section 11. Nondiscrimination and Compliance with Applicable Law

Developer shall comply with all applicable City, State and federal laws, regulations and constitutional provisions, including without limitation, provisions regarding the use of public funds, public records, public meetings, and nondiscrimination laws and regulations.

Section 12. Dispute Resolution

(a) **Informal Negotiation.** The Parties shall first attempt to resolve any dispute informally through good faith negotiations between designated representatives. These

representatives shall meet within fifteen (15) business days of written notice of the dispute and shall endeavor to resolve the issue within thirty (30) business days.

(b) **Mediation.** If the dispute is not resolved through negotiation, either Party may initiate mediation by providing written notice to the other Party. Mediation shall be conducted by a mutually agreed-upon neutral third party, preferably with experience in public sector or intergovernmental disputes. Mediation shall be held in Washington State and administered under the procedures of the Washington Arbitration & Mediation Service (WAMS), unless otherwise agreed. The Parties shall cooperate fully to schedule a mediation session within 30 days of a mediation request by either party. The costs of mediation shall be shared equally by the Parties.

(c) **Litigation.** If mediation fails to resolve the dispute, any party may give notice to the other party of its intent to initiate a lawsuit, which shall not be filed until 5 court days after the notice is received.

(d) **Continuity of Services.** During the dispute resolution process, both Parties shall continue to perform their respective obligations under this Agreement to the extent reasonably possible.

(e) **Equitable Relief.** Either Party, without complying with any of Sections 12(a), (b) or (c), may seek specific performance or injunctive relief in a court of competent jurisdiction for breaches or threatened breaches where monetary damages would be inadequate and such relief is necessary to enforce the terms of this Agreement.

(f) **Governing Law and Venue.** This Agreement and any dispute arising under it shall be governed by the laws of the State of Washington. Any legal action or proceeding arising from or related to this Agreement shall be brought in a court of competent jurisdiction located in King County, Washington.

Section 13. Information Sharing and Taxpayer Confidentiality

The Parties shall, in carrying out their respective obligations under this Agreement, comply with all applicable laws.

Date:

CITY OF SEATTLE

By: _____
_____, for the City

SEATTLE SOCIAL HOUSING DEVELOPER

Date:

By: _____
Roberto Jimenez, CEO