

# Closing the Housing Gap

## 1. How many new homes are needed to fill the need?

[Housing gap data from HDC](#) (cited on page 2 of Resolution 31782):

Seattle	0-30% AMI		30%-50% AMI		50%-80% AMI	
	2016	2030	2016	2030	2016	2030
Total	17,161	27,481	2,341	12,661	Met	7,125

From [Resolution 31782](#):

WHEREAS, the City’s Housing Affordability and Livability Agenda is projected to create approximately 6,000 new housing units affordable to households with between zero to 30 percent AMI over the next ten years, which will still leave a severe shortage of housing for low-income residents who are either currently unhoused or at risk of becoming unhoused.

The 6,000 figure comes from the top of Page 14 in the [HALA recommendations](#). Some of these projected units will be funded by the Housing Levy, some from other sources. Unfortunately, some of these units may be in danger due to anticipated federal and state funding that isn’t all materializing.

Even if all 6,000 units are created, Seattle needs 21K+ additional units in the next 10-12 years to close the gap for the 0-30% income range. To keep it simple, let’s say 20K units in 10 years.

## 2. How much will this cost?

The City can leverage state and federal funding, but still Seattle must pitch in ~\$160K/unit. That means we need a total of **\$3.2 Billion**, or **\$320 Million per year for 10 years**. That’s just for capital costs, not counting ongoing costs including the costs of operating Permanent Supportive Housing, which some portion of this housing will need to be. This investment could be achieved by bonding against a revenue stream somewhat smaller than \$320M/year.

Some portion of the 0-30% AMI population may be best-served by permanent rental subsidies or vouchers that can be used in the private market, which involve fewer up-front costs than the construction of new publicly-funded housing. However, it should be kept in mind that there is also a housing gap of over 5,000 units over the next ten years for households in the 30%-80% AMI range, so that subsidizing rents for the poorest households is likely to exacerbate the housing shortage for those only slightly better off.

Attachment 4 - Council Central Staff Materials

**Progressive Revenue Task Force - Business-Specific City Taxes in Seattle and Select Other Jurisdictions**

Seattle City Council Central Staff (E. Sund)

General Business Type <sup>1</sup>	Gross Receipts, Annual	Employees (# of FTE)	(a)	(b)	(c) = (a) + (b)	2018 Taxes in Bellevue <sup>4</sup>	2018 Taxes in Renton <sup>5</sup>	2018 Taxes in Redmond <sup>6</sup>	2018 Taxes in Kirkland <sup>7</sup>	2018 Taxes in Bothell <sup>8</sup>	2018 Taxes in Atlanta, GA <sup>9</sup>	2018 Taxes in San Diego, CA <sup>10</sup>
			2018 Taxes in Seattle <sup>2</sup> (No EHT)	Additional Tax from \$100 EHT <sup>3</sup>	2018 Taxes in Seattle w/ \$100 EHT							
Retail Service	\$2,000,000	10	\$4,940	\$1,000	\$5,940	\$3,077	\$1,850	\$1,120	\$1,150	\$2,060	\$2,475	\$38
Retail Sales	\$5,000,000	10	\$13,100	\$1,000	\$14,100	\$7,565	\$2,650	\$1,120	\$1,150	\$2,060	\$5,775	\$38
Services (Business)	\$5,000,000	30	\$23,350	\$3,000	\$26,350	\$7,565	\$4,400	\$3,360	\$3,250	\$2,329	\$9,025	\$279
Retail Service	\$15,000,000	30	\$35,300	\$3,000	\$38,300	\$22,525	\$12,900	\$3,360	\$3,250	\$2,329	\$17,275	\$279
Retail Sales	\$100,000,000	100	\$224,000	\$10,000	\$234,000	\$149,685	\$50,150	\$11,200	\$10,600	\$4,958	\$110,775	\$629
Services (Business)	\$100,000,000	200	\$429,000	\$20,000	\$449,000	\$149,685	\$85,150	\$22,400	\$21,100	\$6,158	\$165,775	\$1,129
Manufacturing	\$100,000,000	200	\$224,000	\$20,000	\$244,000	\$149,685	\$85,150	\$22,400	\$21,100	\$6,211	\$165,775	\$1,129
Services (Business)	\$500,000,000	1,000	\$2,137,000	\$100,000	\$2,237,000	\$748,085	\$425,150	\$112,000	\$105,100	\$14,166	\$850,025	\$5,129

**Assumptions and Notes**

\*This table does not capture state taxes, county or special purpose district taxes, local business income taxes, or other taxes not specific to businesses (e.g., property taxes).

\*All rows assume proration based on 1920 hrs/yr = 1 FTE

\*All amounts calculated using 2018 rates (except conceptual Seattle Employee Hours Tax)

<sup>1</sup>Assumes a single category of business activity.

<sup>2</sup>Business License Tax Certificate Fee and Business License Tax (B&O/gross receipts tax) at 2018 rates (at current rates of 0.222% or 0.427%, the maximum permitted without voter approval).

<sup>3</sup>\$100/FTE/year Employee Hours Tax for businesses with no exemptions.

<sup>4</sup>B&O (gross receipts) tax at 0.1496% for all businesses with gross receipts above \$150,000/year +\$85 license fee.

<sup>5</sup>Gross receipts tax of .05% for retail activities and .085% for all others plus \$150 annual license fee. Per-employee tax for smaller businesses (in place of gross receipts tax) was repealed.

<sup>6,7</sup>Employee hours-based business license fee (+\$100 registration fee in Kirkland).

<sup>8</sup>Multi-component business license fee; assumes 16,000 sf of business space in the city (50,000 sf+ for cases with 100 FTE+).

<sup>9</sup>Includes a \$50 registration fee, a tax of \$25/FTE/year for each employee after the first, and a gross receipts tax (like Seattle's B&O, but with rates from 0.060% to 0.215%).

<sup>10</sup>Includes a \$34 fee for businesses with 12 or fewer FTEs or a fee of \$125 + \$5/employee for businesses with 13 or more employees. Also includes a \$4 disability law compliance fee.

**Progressive Revenue Task Force**  
**City Employee Hours Tax - Examples of Potential Revenues Raised**

Erik Sund, Seattle City Council - Central Staff

**I. EHT Base: Estimated Eligible Employment in Full-Time Equivalent (FTE) Positions**

448,622
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- 2015 estimate by the Puget Sound Regional Council
- Excludes public sector positions and those not covered by unemployment insurance
- Uses historic average of approx. 0.8 FTEs per employment position (Department of Labor & Industries)

**II. Examples of Exemptions - Impact of Potential Exemptions Based on Gross Receipts**

1.	% of 2009 EHT \$ paid by businesses with gross receipts of \$5 million+ per year	56%
2.	% of 2009 EHT \$ paid by businesses with gross receipts of \$8 million+ per year	49%
3.	% of 2009 EHT \$ paid by businesses with gross receipts of \$10 million+ per year	45%

- Based on the City's prior EHT, which included exemptions based on employee commute modes.
- This may introduce errors if commute mode (or application of exemptions) varied by business size.

**III. Estimated Annual EHT Revenues by Rate**

	Exemptions	\$50/FTE/Yr Tax Rate	\$100/FTE/Yr Tax Rate	\$150/FTE/Yr Tax Rate
1.	None	\$ 22,431,100	\$ 44,862,200	\$ 67,293,300

- All estimates assume 100% compliance

**IV. Estimated Annual EHT Revenues by Rate and Gross Receipts Exemption Levels**

	Exemptions	\$50/FTE/Yr Tax Rate	\$100/FTE/Yr Tax Rate	\$150/FTE/Yr Tax Rate
1.	Businesses with gross receipts <\$5M	\$ 12,471,692	\$ 24,943,383	\$ 37,415,075
2.	Businesses with gross receipts <\$8M	\$ 10,946,377	\$ 21,892,754	\$ 32,839,130
3.	Businesses with gross receipts <\$10M	\$ 10,138,857	\$ 20,277,714	\$ 30,416,572

- All estimates assume 100% compliance

**Progressive Revenue Task Force - 2/15/2018**  
**City Business Tax - Examples of Potential Revenues Raised**  
 Erik Sund, Seattle City Council - Central Staff

**I. EHT Base: Estimated Eligible Employment in Full-Time Equivalent (FTE) Positions**

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- 2015 estimate by the Puget Sound Regional Council
- Excludes public sector positions and those not covered by unemployment insurance
- Uses historic average of approx. 0.8 FTEs per employment position (Department of Labor & Industries)

**II. Examples of Exemptions - Impact of Potential Exemptions Based on Gross Receipts**

1.	% of 2009 EHT \$ paid by businesses with gross receipts of \$5 million+ per year	55%
2.	% of 2009 EHT \$ paid by businesses with gross receipts of \$8 million+ per year	48%
3.	% of 2009 EHT \$ paid by businesses with gross receipts of \$10 million+ per year	45%
4.	% of 2009 EHT \$ paid by businesses with gross receipts of \$15 million+ per year	39%

- Based on the City's prior EHT, which included exemptions for employee commute modes.

**III. Estimated Annual EHT Rates Per FTE to Meet Revenue Targets**

	Exemptions	\$25M Revenue Target	\$50M Revenue Target	\$75M Revenue Target
1.	No exemptions	\$ 55.73	\$ 111.45	\$ 167.18
2.	Exempt businesses with gross receipts <\$5M	\$ 102.06	\$ 204.13	\$ 306.19
3.	Exempt businesses with gross receipts <\$8M	\$ 115.14	\$ 230.27	\$ 345.41
4.	Exempt businesses with gross receipts <\$10M	\$ 123.29	\$ 246.58	\$ 369.86
5.	Exempt businesses with gross receipts <\$15M	\$ 141.44	\$ 282.87	\$ 424.31

**IV. Estimated Annual EHT Revenues by Rate**

	Exemptions	\$100/FTE/Yr Tax Rate	\$150/FTE/Yr Tax Rate	\$200/FTE/Yr Tax Rate	\$250/FTE/Yr Tax Rate	\$300/FTE/Yr Tax Rate
1.	No exemptions	\$ 44,862,200	\$ 67,293,300	\$ 89,724,400	\$ 112,155,500	\$ 134,586,600
2.	Exempt businesses with gross receipts <\$5M	\$ 24,494,761	\$ 36,742,142	\$ 48,989,522	\$ 61,236,903	\$ 73,484,284
3.	Exempt businesses with gross receipts <\$8M	\$ 21,713,305	\$ 32,569,957	\$ 43,426,610	\$ 54,283,262	\$ 65,139,914
4.	Exempt businesses with gross receipts <\$10M	\$ 20,277,714	\$ 30,416,572	\$ 40,555,429	\$ 50,694,286	\$ 60,833,143
5.	Exempt businesses with gross receipts <\$15M	\$ 17,675,707	\$ 17,675,707	\$ 35,351,414	\$ 35,351,414	\$ 53,027,120

**V. Est. Additional Revenue from a Flat Rate for Businesses With Gross Receipts Below Exemption Level (But Above \$500,000)**

	Exemptions (for EHT component)	\$100/Year 1.0 FTE Rate	\$200/Year 1.0 FTE Rate	\$300/Year 1.0 FTE Rate	\$400/Year 1.0 FTE Rate	\$500/Year 1.0 FTE Rate
1.	EHT Exemption for gross receipts <\$5M	\$ 908,200	\$ 1,816,400	\$ 2,724,600	\$ 3,632,800	\$ 4,541,000
2.	EHT Exemption for gross receipts <\$10M	\$ 1,008,900	\$ 2,017,800	\$ 3,026,700	\$ 4,035,600	\$ 5,044,500
3.	EHT Exemption for gross receipts <\$15M	\$ 1,047,600	\$ 2,095,200	\$ 3,142,800	\$ 4,190,400	\$ 5,238,000

**VI. Estimated Revenues from Payroll Tax Based on Select Assumed Wage Level**

	Exemptions	0.1% of All Payroll	0.2% of All Payroll	0.25% of All Payroll	0.3% of All Payroll
1.	No exemptions; assume all employees @\$29.41/hr*	\$ 27,443,464	\$ 54,886,928	\$ 68,608,660	\$ 82,330,392

\* Mean Seattle wage per BLS May 2016 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates.

**SELECT PROGRESSIVE REVENUE POLICIES**

Including Options Identified by the Center for American Progress and the Progressive Revenue Task Force  
Seattle City Council Central Staff - 2/1/2018

**Tax Policy Examples by Tax Area****Current Status and Outlook**

<b>Reform Property Taxes</b>	
1	Provide homestead exemptions sheltering a limited amount of home value.
2	Provide tax credits based on income level or tax burden as a share of income ("circuit breakers").
3	Offer tax deferrals.
<p>- State law provides for property tax deferrals for seniors. -The City's authority to enact the other provisions is unclear.</p>	
<b>Reform Sales &amp; Use Taxes</b>	
4	Eliminate or reduce reliance on sales & uses taxes (use other revenue sources instead).
5	Exempt necessities such as food, medicine, lower cost clothing items, etc.
6	Provide a sales tax credit to lower income households.
<p>- State law exempts food and medicine from sales and use taxes. - The City could reduce its share of the sales &amp; use tax rate, although (a) the revenue may then be collected by other jurisdictions and (b) the City would need either to decrease spending supported by such revenues or to identify an alternative revenue source. - The City could reduce the Seattle Transportation Benefit District's share of the sales &amp; use tax rate, although the City would the City would need either to decrease spending supported by such revenues (principally bus service hours purchased from King County Metro) or to identify an alternative revenue source. - The City's authority to enact the other provisions is unclear.</p>	
<b>Reduce Reliance on "Sin" Taxes</b>	
7	Reduce additional taxes (effectively sales taxes) on "disfavored" products except other policy benefits outweigh the financial regressiveness.
<p>-Specific taxes collected in the city on alcohol, tobacco, and marijuana are state taxes. -The City collects a Sweetened Beverage Tax, which is intended to produce positive health outcomes.</p>	
<b>Income Taxes</b>	
8	Institute a progressive income tax with higher rates for higher income levels.
<p>- The City has established an income tax on high earners; however, it is currently subject to legal challenges.</p>	
<b>Sell "Air Rights" over City Properties</b>	
9	Sell "Air Rights" over City properties, allowing higher density development in other locations and raising funds for capital investments.
<p>- This policy area overlaps with land use and development policies</p>	

**Use Targeted Tax Increment Financing**

<p>10 Use Tax Increment Financing, in which debt is issued to be repaid from future tax collection increases tied to development and infrastructure, judiciously to support development that would not otherwise have occurred and to tie project costs closely to beneficiaries.</p>	<p>- This is a capital financing tool rather than a revenue source. The City effectively employed this tool in the 2012 SODO Arena agreement. More research would be needed to evaluate whether this approach could be used to develop affordable housing.</p>
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**Land Value Tax**

<p>11 Impose a tax on the value of land only rather than the value of land and improvements (i.e., buildings)</p>	<p>- This would appear to be in conflict with current property tax structure.</p>
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**Pricing/Fees for Services**

<p>12 Implement conservation pricing for water and sewer service.</p>	<p>- The City's water and stormwater fees reflect CAPAF recommendations.</p>
<p>13 Tie stormwater drainage fees to use factors (e.g., impermeable surface area of a property).</p>	<p>- The City's authority to impose VMTs or related fees is unclear.</p>
<p>14 Use Transportation Utility Fees (e.g., vehicle miles traveled or VMT fee).</p>	
<p>15 Use tolls where appropriate.</p>	

**Estate Taxes**

<p>16 Impose a tax on the transfer of estates in excess of a certain value.</p>	<p>- The City's authority to collect such a tax is unclear.</p>
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**Cruise Ships**

<p>17 Impose a tax on cruise ships based on the number of passengers embarking.</p>	<p>- This would most likely conflict with the federal Rivers and Harbors Appropriations Act, which limits such taxes to specific circumstances and purposes.</p>
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