

April 17, 2020

MEMORANDUM

To: Select Budget Committee
From: Traci Ratzliff, Analyst and Aly Pennucci, Supervising Analyst
Subject: Payroll Expense Tax Package - Spending Plan and Appropriation

On Wednesday, April 22, 2020 the Select Budget Committee (Select Committee) will begin discussions on the proposed Payroll Expense Tax package (aka Tax on Corporate Payroll). This tax package includes three separate, but interconnected bills:

1. [CB 119772](#) – Tax
2. [CB 119773](#) – Interfund Loan
3. [CB 119774](#) – Spending Plan and Appropriation

This memo describes CB 119774 (Spending Plan). The separate memo posted to the April 22 Select Committee agenda summarizing the tax and interfund loan bills provide the context for the proposed spending plan. [Attachment 1 to CB 119774](#) provides a table summarizing the proposed spending by category for years one through five.

CB 119774: Proposed Spending Plan

Emergency Cash Assistance in 2020 Only

In response to the economic impacts of the COVID-19 crisis, the Spending Plan bill would appropriate \$200 million in 2020 for emergency cash assistance to low-income households, including but not limited to seniors, immigrants and refugees, and people experiencing homelessness. As described in the companion memo on the proposed tax and interfund loan, taxes owed for 2020 would not be collected until February 2022. CB 119773 authorizing an interfund loan is proposed to fund the cash assistance program in 2020.

The \$200 million is intended to support up to 100,000 households with payments of \$500 per month over a four-month period in 2020, for a total of \$2,000 per household.¹

To distribute the emergency cash assistance as quickly as possible, the intent is to build on the [Emergency Grocery Voucher Program](#) by distributing 50 percent of the funds (\$100 million) to low-income households enrolled in existing City assistance programs, or State assistance programs administered by the City, such as Fresh Bucks, the Child Care Assistance Program, and the Early Childhood Education and Assistance Program.

¹ Any costs associated with the Executive's administration and distribution of these funds could reduce the total number of households supported.

The Office of Sustainability and Environment (OSE), in coordination with City departments, identified existing programs serving households most in need and who could also be enrolled quickly in the Emergency Grocery Voucher Program, while respecting privacy agreements subject to each program. OSE prioritized these programs with close ties to communities of color and those programs developed with an extensive race and social justice lens.

Families/households enrolled in the following programs would be eligible to receive the first round of emergency cash assistance (\$100 million) with varying income requirements:

- **Utility Discount Program (UDP)** serves households earning less than 70 percent of the state median income.
- **Fresh Bucks** serves individuals living in households with incomes below 80 percent of the Area Median Income (AMI)².
- **Early Childhood Education and Assistance Program (ECEAP)** serves families at or below 110 percent of the Federal Poverty Level (FPL).
- **Child Care Assistance Program** serves families with income that falls between 200 percent and 350 percent of the FPL.
- **Seattle Preschool Program** and **Pathway to Seattle Preschool Program** serve families with incomes up to 350 percent of the FPL. Families who qualify for tuition assistance could also qualify for the direct emergency cash assistance made available under this bill.

Tables 1 through 3 break out the income thresholds by household size for the UDP, Fresh Bucks, and ECEAP Program.

Table 1: UDP Eligibility

Household Size	Yearly Income (70% State Median Income)
1	\$35,592
2	\$46,548
3	\$57,492
4	\$68,448
5	\$79,404
6	\$90,348
7	\$92,400
8	\$94,464
9	\$95,516
10	\$98,568

Table 2: Fresh Bucks Program Eligibility

Household Size	Yearly Income (80% AMI)
1	\$61,800
2	\$ 70,600
3	\$ 79,450
4	\$ 88,250
5	\$ 95,350
6	\$ 102,400
7	\$ 109,450
8	\$ 116,500
9	\$ 123,550
10	\$ 130,650

² AMI is the household income for the median (“middle”) household in a region. The Department of Housing and Urban Development (HUD) annually calculates and publishes AMI figures for a specific area.

Table 3: ECEAP Eligibility

Family Size	Monthly Family Income (110% FPL)
2	\$0 to \$1,550
3	\$0 to \$1,956
4	\$0 to \$2,361
5	\$0 to \$2,765
6	\$0 to \$3,171

The remaining \$100 million would be distributed to those impacted by the COVID-19 crisis but not enrolled in an existing City assistance programs, or State assistance programs administered by the City. These funds would be prioritized for low-income households including, but not limited to, those who are:

- unemployed or had work hours severely reduced;
- seniors;
- immigrants and refugees;
- at risk of deportation;
- experiencing homelessness or lack a permanent address;
- households with language barriers; and
- experiencing domestic violence.

The proposed Spending Plan legislation requires the Executive develop eligibility criteria for distributing cash assistance to these households and provide a written report or brief the Council prior to distributing these funds. This “second round” of distribution will be informed by the work OSE has done to expand distribution of the Emergency Grocery Vouchers to displaced workers. This will likely rely on community-based organizations who have relationships with the communities they serve.

Spending Plan by Category for 2021 and Beyond

In 2021, approximately \$205 million would go to repay the principal and interest owed on the interfund loan for providing direct cash assistance in 2020. After repayment of the loan in 2021, the annual funding, after accounting for ongoing administrative costs, would be distributed as follows:

- 75 percent to develop and acquire affordable social housing³ for households with incomes between zero and 100 percent of AMI, and to provide services for Permanent Supportive Housing (PSH) units.

³ Under this proposal, “social housing” is defined as affordable housing that is either publicly owned or owned or operated by a public development authority (PDA) or a nonprofit housing provider that enters into a regulatory agreement with the City that includes rent and income restrictions.

- 25 percent to support implementation of select housing-related strategies identified in Seattle’s Green New Deal (GND) [Resolution 31895](#).

Social Housing Investments⁴

Depending on the mix of housing investments, the new revenue could provide approximately \$1.9 billion to fund the development or acquisition of about 5,600 housing units affordable to households with incomes between zero and 100 percent of AMI by the end of 2025. This includes \$70 million in the first five years for operating and service costs for about 1,400 PSH units funded in years 2021 through 2024. These estimates are based on the following assumptions:

- The City’s ability to leverage City investment with other funding sources (e.g., Low-Income Housing Tax Credits). This leverage will likely be limited because those sources may be fully utilized with investments in projects using funds from the Housing Levy and other existing City investments in affordable housing. Additionally, those other sources of funds typically prioritize projects that serve deeper levels of affordability and have lower per unit costs. The estimates therefore assume that the:
 - City pays the full cost to develop and operate PSH units and units serving households between 80 and 100 percent of AMI;
 - City pays the full cost to develop 80 percent of the units serving households with incomes between 30 and 80 percent of AMI; City pays 48 percent of the cost to develop the remaining 20 percent of units serving these households;
 - 20 percent of all units will be developed on land donated by the City or other entity;
 - 70 percent of the estimated units will be newly constructed units; 30 percent will be provided through acquisition of existing buildings;
- Funding for ongoing operating and services costs for PSH units funded in year one will be needed beginning in year two; units funded in years one and two will require funding for O&M costs in year 3; and so on;

The legislation requires that all new construction multi-family housing be built consistent with green building standards and includes the Priority Hire program and other standards, such as payment of commercial prevailing wages which shall be included in a Community Workforce Agreement for such housing. This may increase the per unit cost above what was assumed in the initial unit estimates described previously, thereby reducing the estimated number of units.

⁴ Unit production estimates are based on average per unit costs in projects funded by the City or the Seattle Housing Authority that include primarily one bedroom and studio units. Per unit costs vary depending on the location, size, mix of units, etc.

Tables 4 and 5 provide the income and rent limits that would be required today for households with incomes at 30, 60, 80, and 100 percent of AMI to qualify for the proposed social housing.

Table 4: Income Limits⁵

Family size	30% AMI	60% AMI	80% AMI	100% AMI
1 person	\$23,250	\$46,500	\$61,800	\$76,000
2 persons	\$26,550	\$53,150	\$70,600	\$86,900
3 persons	\$29,900	\$59,800	\$79,450	\$97,750
4 persons	\$33,200	\$66,400	\$88,250	\$108,600
5 persons	\$35,850	\$71,750	\$95,350	\$117,300
6 persons	\$38,500	\$77,050	\$102,400	\$126,000
7 persons	\$41,200	\$82,350	\$109,450	\$134,650
8 persons	\$43,850	\$87,650	\$116,500	\$143,350

Table 5: Rent limits (Including Utilities)⁶

Unit Size	30% AMI	60% AMI	80% AMI	100% AMI
0 bedrooms	\$581	\$1,162	\$1,545	\$1,900
1 bedroom	\$622	\$1,245	\$1,655	\$2,036
2 bedrooms	\$747	\$1,495	\$1,986	\$2,443
3 bedrooms	\$863	\$1,726	\$2,295	\$2,823
4 bedrooms	\$962	\$1,926	\$2,560	\$3,150
5 bedrooms	\$1,063	\$2,125	\$2,824	\$3,475

A new Social Housing Board, to be supported by the Office of Housing, is proposed that would guide and oversee all housing development and preservation investments. The 23-member board would include three representatives from each Council district plus two or more Get Engaged members; members would include renters and homeowners, individuals from historically underrepresented groups, as well as individuals with housing development and finance experience. Initial membership would be established through a Council appointment process through 2023. The intent is that before the expiration of these initial appointments, an amendment to the City Charter would occur to allow for members of the Social Housing Board to be elected by the people. If an election does not occur, the Council would continue to appoint members to the Board.

⁵ Source: <https://www.seattle.gov/Documents/Departments/Housing/PropertyManagers/IncomeRentLimits/2019%20RHP%20Income%20Limits.pdf> and HUD-April 2019.

⁶ Affordable rents are calculated based on a household paying no more than 30% of their income on rent and utilities.

GND Investments

The following housing-related strategies identified in the GND resolution would be prioritized for funding:

- Investments to convert residential housing units from natural gas and heating oil to electric heat;⁷
- Weatherization of existing residences;
- Solar installations; and
- Investing in job training programs to equip workers with skills needed in the green economy and assist workers whose jobs currently depend on the fossil fuel industry to transition to a green economy.

Further, the investments in housing development and preservation are consistent with the following housing-related strategies identified in the GND resolution:

- Create more affordable housing located near transit hubs, green space, and neighborhood amenities to reduce dependence on private vehicles;
- Utilize anti-displacement strategies and alternative housing models, such as: acquisition of existing affordable housing in areas at risk of displacement, community-owned cooperative housing, community land ownership, etc.; and
- Increase housing density to meet current unmet demand for affordable housing and projected future population growth.

The GND Oversight Board established by [Ordinance 125926](#) would guide and oversee the proposed investments in GND housing-related strategies. The Oversight Board would invite workers who are directly employed by the fossil fuel industry, or who are in jobs that may be displaced as a result of implementation of this spending plan, along with their unions, to coordinate on “just” transition recommendations that have the objective of eliminating economic harm to affected workers.

Implementation Plan

The legislation directs the Executive to submit an Implementation Plan to the Council for the new tax to the City Council by a date to be determined (an amendment will be necessary prior to acting on CB 119774 to include a specific date). The Executive is directed to work with the City Council and the Social Housing and Green New Deal Oversight Boards in the development of the Implementation Plan. The plan would include:

⁷ As an example, about 38,000 existing housing units could be converted to electric heating systems if all the revenue proposed for GND investments was used for this purpose. This assumes the cost to convert the heat source to an electric heat pump system is ~\$16,000 per unit, adjusted annually for inflation.

1. A specific spending proposal for the Housing and Services and Green New Deal investments for years 2021 through 2025 consistent with those included in CB 119774;
2. Proposed outcomes for each funded program or service;
3. How the programs or services will be implemented (such as responsible department and funding processes);
4. Proposed policies for implementing funded programs or services, prioritizing investments in communities historically most harmed by economic, racial and environmental injustice, and are at high risk of displacement; and
5. A proposal for working with the Social Housing Board and Green New Deal Oversight Board to provide ongoing program and policy review, oversight and monitoring of expenditures and reviewing performance of programs and services implemented.

Annual reporting requirements will be addressed when the Council considers the implementation plan and any necessary change City's Housing Funding Policies.

Appropriation

Section 7 in the Spending Plan (CB 119774) includes a proposed \$200 million appropriation for the direct cash assistance spending in 2020. The legislation as introduced does not identify a specific City department to direct the appropriation; that would need to be decided and the bill would need to be amended prior to final action.

Emergency Clause

The spending plan proposal is generated to respond to public needs resulting from the COVID-19 and homelessness civil emergencies and to address climate change. The proposal therefore includes an emergency provision and would have an immediate effective date if passed by a three-quarters of Councilmembers and signed by the Mayor.

Next Steps

The Select Budget Committee is expected to continue the discussion on CB 119774 and address outstanding questions at the meeting on Wednesday, April 29, 2020.

cc: Kirstan Arestad, Executive Director