

**CITY OF SEATTLE**  
**ORDINANCE** 126393  
**COUNCIL BILL** 120118

AN ORDINANCE related to creating a fund for Payroll Expense Tax revenues; adding a new Section 5.38.055 to the Seattle Municipal Code; and providing additional guidelines for expending proceeds.

WHEREAS, on July 6, 2020 the City Council passed Ordinance 126108, imposing a progressive tax on businesses with payrolls of \$7 million and higher annually (“Payroll Expense Tax”); and

WHEREAS, on July 6, 2020 the City Council passed Ordinance 126109, establishing a spending plan for the proceeds from the Payroll Expense Tax and a Payroll Tax Oversight Committee to provide oversight on the services and programs supported by this tax; and

WHEREAS, pursuant to the spending plan in Ordinance 126109, proceeds from the Payroll Expense Tax received in 2021 are intended to provide one-time support for continuity of services of programs that would have otherwise been reduced due to the revenue impacts from the economic recession, and to replenish uses of the City’s fiscal reserves for COVID-19 emergency response purposes in 2020; and

WHEREAS, on July 20, 2020 the City Council adopted Resolution 31957 to establish a clear spending plan on proceeds from the Payroll Expense Tax received in 2022 and future years to support new investments in affordable housing and homelessness services, new investments in equitable development and economic resilience, support for small businesses in Seattle, and investments that advance Seattle’s Green New Deal along with administration of the tax; and

1 WHEREAS, the post pandemic housing market provides opportunities to accelerate the  
2 acquisition and development of affordable housing. In response, the Council intends to  
3 consider providing direction and increased resources, if needed, to the Office of Housing  
4 to use funds appropriated for affordable housing acquisition and development in the 2022  
5 City Budget for projects that apply for funding through the Office of Housing’s 2021 Fall  
6 Notice of Funding Availability for the Rental Production Program; and

7 WHEREAS, Resolution 31957 was based on months of engagement with a broad set of  
8 stakeholders from business, labor, housing, homelessness services, environmental justice  
9 organizations and more who agreed and supported the spending priorities in the  
10 resolution; and

11 WHEREAS, as the economy recovers from the COVID-19 induced recession, General Fund  
12 revenues continue to return to their pre-pandemic trends, allowing for the Emergency and  
13 Rainy Day funds to be replenished and requiring a significantly lower level of payroll  
14 expense tax support for basic services in 2021 and beyond; and

15 WHEREAS, prior to the economic recession caused by the COVID-19 emergency, the six-year  
16 Financial Plan for the General Fund, developed by the City Budget Office and published  
17 with the 2020 Adopted Budget book, included \$1,510,029,000 from all approved revenue  
18 sources to support General Fund expenditures in 2022, with increasing amounts in future  
19 years; and

20 WHEREAS, on July 20, 2020 the City Council adopted Ordinance 126109, detailing a request  
21 for an implementation plan to be submitted to Council for approval in 2021 and Council  
22 has been informed that the requested implementation plan will not be submitted; and

1 WHEREAS, creating a separate fund in the City treasury to account for Payroll Expense Tax  
2 proceeds and their uses will enhance financial transparency and accountability of using  
3 the proceeds for their intended purpose as established in Resolution 31957; NOW,  
4 THEREFORE,

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

6 Section 1. A new JumpStart Payroll Expense Tax Fund (“JumpStart Fund”) is created in  
7 the City Treasury effective January 1, 2022, to which proceeds remitted to The City of Seattle  
8 (“City”) from revenues collected from the Payroll Expense Tax imposed under Chapter 5.38 of  
9 the Seattle Municipal Code, except for the revenues to support the expenditures in subsection  
10 5.38.055.B.1, must be deposited, and from which expenditures may be paid for purposes  
11 described in Section 5.38.055 of the Seattle Municipal Code as added by this ordinance. The  
12 purpose of creating the JumpStart Fund is to separately account for revenues received from the  
13 tax and expended by City departments. The Fund shall receive earnings on its positive balances  
14 and pay interest on its negative balances. Revenues from the Payroll Expense Tax needed to  
15 support the expenditures in subsection 5.38.055.B.1 may be deposited into the General Fund.

16 Section 2. A new Section 5.38.055 is added to the Seattle Municipal Code as follows:

17 **5.38.055 Payroll expense tax – Allocation of proceeds**

18 A. In any year where General Fund revenues from all sources approved as of  
19 January 1, 2020 are projected to be lower than \$1,510,029,000, an amount equal \$1,510,029,000  
20 minus the projected General Fund collections from non-payroll expense tax sources may be  
21 transferred into the General Fund to support programs and services funded by the General Fund.  
22 Projected payroll expense tax revenues remaining after any transfer allowed by this subsection  
23 5.38.055.A shall only be used to either expand existing programs or create new programs,

1 including associated program cost increases, that are consistent with subsection 5.38.055.B, and  
2 the amounts may not be used to supplant appropriations from other funding sources.

3 B. Amounts remaining after accounting for the allowed uses in subsection 5.38.055.A  
4 shall be allocated in accordance with the spending plan adopted in Resolution 31957, and  
5 outlined in Ordinance 126109 as follows:

6 1. Up to five percent of the annual JumpStart Fund revenue total is to administer  
7 and evaluate the effectiveness of the payroll expense tax authorized this Chapter 5.38, to  
8 administer the investments described in subsections 5.38.055.B.2 through 5.38.055.B.5, and to  
9 evaluate the effectiveness of at least those investments described in subsection 5.38.055.B.4. If  
10 less than five percent of remaining funds are needed for administration and evaluation, any  
11 remaining funds may be used for other programs and services described in  
12 subsections 5.38.055.B.2 through 5.38.055.B.5.

13 2. Sixty-two percent of the annual JumpStart Fund revenue total is for housing  
14 and services, which is further allocated as follows:

15 a. Eighty-two percent of the housing and services portion is allocated for:  
16 (i) capital costs associated with the construction or acquisition of rental housing serving  
17 households with incomes at or below 30 percent of area median income (AMI), but may be used  
18 to support housing serving households with incomes at or below 60 percent of AMI, when  
19 required to support the operational costs of a proposed housing project; (ii) operating and  
20 services costs of rental housing serving households with incomes at or below 30 percent of AMI;  
21 and (iii) associated infrastructure to support the ongoing operations costs for the housing, such as  
22 maintenance, retrofitting, and energy efficient upgrades to support the housing.

1                           b. Thirteen percent of the housing and services portion is allocated for  
2 community focused acquisition and development of affordable housing, and to support  
3 affirmative marketing efforts and development and implementation of community preference  
4 plans.

5                           c. Five percent of the housing and services portion is allocated for  
6 permanently affordable homeownership opportunities serving households with incomes at or  
7 below 80 percent of AMI.

8                           3. Nine percent of the annual JumpStart Fund revenue total is to support the  
9 Equitable Development Initiative (EDI) that supports community-initiated equitable  
10 development projects that advance economic mobility and opportunity, prevent residential,  
11 commercial, and cultural displacement, build on local cultural assets, promote transportation  
12 mobility and connectivity, develop healthy and safe neighborhoods, and enable equitable access  
13 to all neighborhoods.

14                           4. Fifteen percent of the annual JumpStart Fund revenue total is to support local  
15 businesses and tourism to spur the local economic recovery, and to provide economic stability  
16 for the city's workforce.

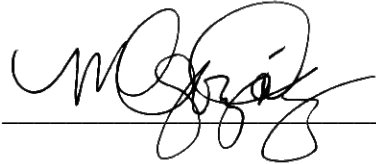
17                           5. Nine percent of the annual JumpStart Fund revenue total is for investments that  
18 advance Seattle's Green New Deal as described in Resolution 31895.

19                           C. Except as provided in subsection 5.38.055.A, all uses of Payroll Expense Tax revenues  
20 as proscribed in subsection 5.38.055.B shall be in addition to funding levels for similar or the  
21 same programs as included in the City's 2020 Adopted Budget and shall not supplant existing  
22 funding from any City fund or revenue source.

1           Section 3. Notwithstanding the provisions of Sections 1 and 2 of this ordinance, all  
2 2021 Payroll Expense Tax proceeds due to the City by January 31, 2022, pursuant to Seattle  
3 Municipal Code Section 5.38.060, shall be deposited into the General Fund to support adopted,  
4 revised, and continuing appropriations in the 2021 Budget.

1 Section 4. This ordinance shall take effect and be in force 30 days after its approval by  
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it  
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

4 Passed by the City Council the 19th day of \_\_\_\_\_ July, 2021,  
5 and signed by me in open session in authentication of its passage this 19th day of  
6 \_\_\_\_\_ July, 2021.


7   
8 \_\_\_\_\_  
President \_\_\_\_\_ of the City Council

9  Approved  returned unsigned  vetoed this 30th day of July, 2021.

10 **Returned Unsigned by Mayor**

11 Jenny A. Durkan, Mayor

12 Filed by me this 30th day of July, 2021.

13   
14 \_\_\_\_\_  
Monica Martinez Simmons, City Clerk

15 (Seal)