



# SEATTLE CITY COUNCIL

## Select Budget Committee

### Agenda - Revised

Wednesday, June 17, 2020

10:00 AM

Session I at 10 a.m. & Session II at 2 p.m.

Remote Meeting. Call listen line at 206-684-8566 or access Seattle Channel online.

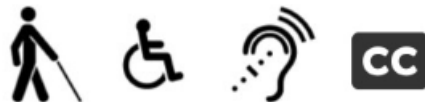
Teresa Mosqueda, Chair  
Lisa Herbold, Vice-Chair  
M. Lorena González, Member  
Debora Juarez, Member  
Andrew J. Lewis, Member  
Tammy J. Morales, Member  
Alex Pedersen, Member  
Kshama Sawant, Member  
Dan Strauss, Member

Chair Info: 206-684-8808; [Teresa.Mosqueda@seattle.gov](mailto:Teresa.Mosqueda@seattle.gov)

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# SEATTLE CITY COUNCIL

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June 17, 2020 - 10:00 AM

Session I at 10 a.m. & Session II at 2 p.m.

#### Meeting Location:

Remote Meeting. Call listen line at 206-684-8566 or access Seattle Channel online.

#### Committee Website:

<http://www.seattle.gov/council/committees/budget>

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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.

*In-person attendance is currently prohibited per the Washington Governor's Proclamation No. 20-28.4 until June 17, 2020. Meeting participation is limited to access by telephone conference line and Seattle Channel online.*

Register online to speak during the Public Comment period at the 10:00 a.m. (Session I) or 2:00 p.m. (Session II) Select Budget Committee meeting at

<http://www.seattle.gov/council/committees/public-comment>.

Sign-up registration will begin two hours before the 10:00 a.m. (Session I) and 2:00 p.m. (Session II) Select Budget Committee meeting start times, and registration will end at the conclusion of each Public Comment period during the meeting. Speakers must be registered in order to be recognized by the Chair.

Submit written comments to all Councilmembers at

[Council@seattle.gov](mailto:Council@seattle.gov)

Sign-up to provide Public Comment at the meeting at

<http://www.seattle.gov/council/committees/public-comment>

Watch live streaming video of the meeting at

<http://www.seattle.gov/council/watch-council-live>

Listen to the meeting by calling the Council Chamber Listen Line at 206-684-8566

*Please Note: Times listed are estimated*

### **Session I - 10:00 a.m.**

#### **A. Call To Order**

#### **B. Approval of the Agenda**

#### **C. Public Comment - Session I**

Register online to speak during the Public Comment period at the 10:00 a.m., Session I of the Select Budget Committee meeting at <http://www.seattle.gov/council/committees/public-comment>.

Sign-up registration will begin two hours before the 10:00 a.m., Session I of the Select Budget Committee meeting start time, and registration will end at the conclusion of the Public Comment period during the meeting. Speakers must be registered in order to be recognized by the Chair.

#### **D. Items of Business**

##### **1. Progressive Revenue Strategies for Discussion**

Supporting  
Documents:

[Central Staff Presentation - Jump Start Seattle  
2020 COVID Relief Ordinance \(Mosqueda\)](#)  
[Jump Start Seattle Spending Plan Ordinance \(Mosqueda\)](#)  
[Payroll Expense Tax Ordinance \(Mosqueda\)](#)  
[CB 119772 - Payroll Expense Tax \(Sawant / Morales\)](#)  
[CB 119773 - Interfund Loan \(Sawant / Morales\)](#)  
[CB 119774 - Spending Plan \(Sawant / Morales\)](#)

##### **Briefing and Discussion**

**Presenters:** Dan Eder, Tom Mikesell, Aly Pennucci, and Traci Ratzliff,  
Council Central Staff

**Session II - 2:00 p.m.****E. Public Comment - Session II**

Register online to speak during the Public Comment period at the 2:00 p.m., Session II of the Select Budget Committee meeting at <http://www.seattle.gov/council/committees/public-comment>.

Sign-up registration will begin two hours before the 2:00 p.m., Session II of the Select Budget Committee meeting start time, and registration will end at the conclusion of the Public Comment period during the meeting. Speakers must be registered in order to be recognized by the Chair.

**F. Items of Business****2. Understanding Other Cities' Responses to Defunding Existing Police Budgets****Briefing and Discussion**

**Panel 1 - City Council Actions Around the Country:** Jeremiah Ellison, Minneapolis City Councilmember; Brad Lander, New York City Councilmember; Gregorio Casar, Austin City Councilmember; Tracy Gallardo, Legislative Aide for San Francisco City Supervisor Shamann Walton

**Panel 2 - Research on Budget to Fuel Alternative Models of Public Safety:** Andrea Ritchie, Barnard Center for Research on Women

**G. Adjournment**



## Legislation Text

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**File #:** Inf 1654, **Version:** 1

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Progressive Revenue Strategies for Discussion



SEATTLE CITY COUNCIL  
**CENTRAL STAFF**

# Payroll Expense Tax & Spending Plan

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DAN EDER | TOM MIKESELL | ALY PENNUCCI | TRACI RATZLIFF

SELECT BUDGET COMMITTEE | JUNE 17, 2020

# AGENDA

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## Briefing and Discussion:

- **Spending Plan:** Aly Pennucci & Traci Ratzliff
  - 2020: COVID Relief bill
  - 2021, 2022+: Jump Start Seattle Spending Plan
- **Payroll Expense Tax:** Tom Mikesell

# Spending Plan Overview

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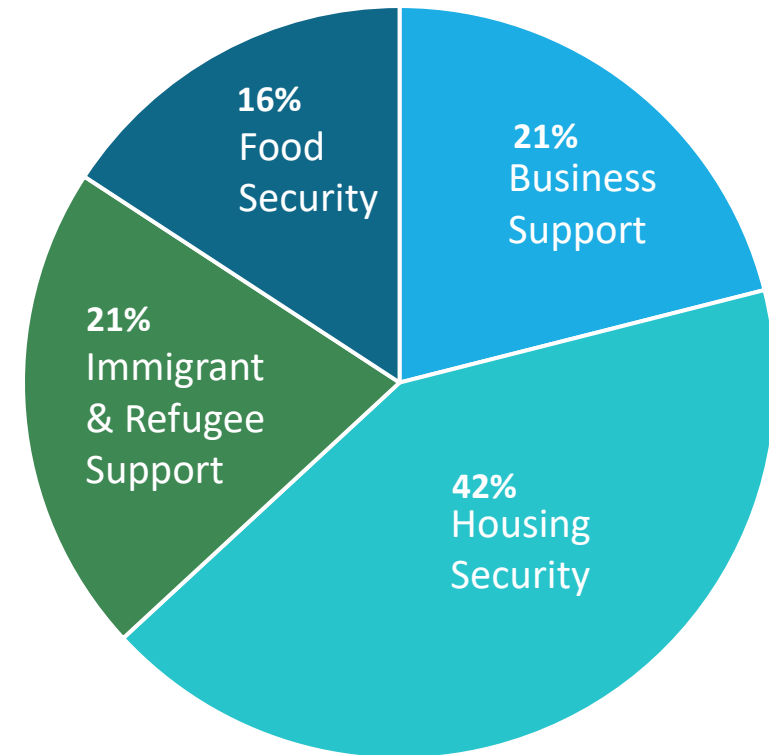
- **COVID Relief (2020)**
- **Jump Start Seattle Spending**
  - 2021, 2022 and beyond
  - Oversight Committee & Implementation Plan



# Spending Plan: 2020 COVID Relief

\$86 million in 2020 from emergency and revenue stabilization funds

- \$18 million: support small businesses and family childcare providers
- \$36 million: housing security and services
- \$18 million: support immigrant and refugee communities
- \$16 million: emergency grocery voucher program



# Spending Plan – 2020 COVID Relief cont'd

Program/Activity	Program Description	% of total	2020 Spending
Small Business Support	Child Care	4.2%	\$3.6 million
	All other small businesses	16.4%	\$14.1 million
	Technical assistance	0.4%	\$0.3 million
	<b>Small Business Support - subtotal</b>	<b>21%</b>	<b>\$18 million</b>
Immediate Housing	Homelessness prevention programs & Rental assistance	22%	\$19 million
	Shelter de-intensification and housing or shelter options for unsheltered homeless individuals	13%	\$11 million
	Mortgage counseling and foreclosure prevention	1%	\$1 million
	Service and operation costs to support nonprofit affordable housing & shelter providers	6%	\$5 million
	<b>Immediate Housing - subtotal</b>	<b>42%</b>	<b>\$36 million</b>

# Spending Plan: 2020 COVID Relief, cont'd

Program/Activity	Program Description	% of total	2020 Spending
Immigrant and Refugee Support	Direct financial assistance for immigrant and refugee households	20%	\$17 million
	Language access support for people who need help accessing and understanding assistance programs	1%	\$1 million
	Immigrant and Refugee Support- subtotal	<b>21%</b>	<b>\$18 million</b>
Food Security Programs	Continuation or expansion of the Emergency Grocery Voucher program	16%	\$14 million
<b>Total Annual Spending:</b>		<b>100%</b>	<b>\$86 million</b>

# Spending Plan: 2021 Jump Start Seattle

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- \$86 million to replenish emergency and revenue stabilization funds
- 75% of remaining (~\$65 million) for continuity of services
- 20% of remaining (~\$17 million) for COVID relief programs and services funded in 2020
- 5% of remaining (~\$4 million )for start-up and administration costs

# Spending Plan: 2022 & Beyond Jump Start Seattle

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- 65% of revenue for affordable housing investments
  - Serving households with incomes between 0 to 50% of Area Median Income (AMI)
  - Supports ongoing operating and services costs
  - Associated infrastructure improvements such as energy efficiency upgrades and appliances
  - Prioritizes investments in housing serving 0 to 30% of AMI
- 10% to support Equitable Development Initiative projects
- 20% to support local businesses and workforce stability
- 5% of remaining for start-up and administration costs

# Spending Plan: Jump Start Seattle Implementation

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- **Nine Member Payroll Tax Oversight Committee**
  - 2 City staff
  - 2 representing labor
  - 2 representing business
  - 2 representing community organizations
  - 1 representing communities that will benefit from the proposed spending
- **Implementation Plan**
  - Due by June 2021
  - Racial Equity Analysis to be completed on plan before submittal to Council

# Spending Plan – Questions?

# Payroll Expense Tax - Overview

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- Annual Revenue Amount
- Tax Threshold
- Assigned Payroll
- Rate Structure
- Exemptions
- Imposition Date and Due Dates
- Sunset Provision



# Payroll Expense Tax, Cont'd

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- **Annual Revenue Amount:**

- \$174 million annually
- Does not include an estimate for higher rates on business payrolls above \$1 billion

- **Tax Threshold:**

- Businesses with \$7 million or higher Seattle payroll in previous year
- Indexed to inflation beginning in 2022

# Payroll Expense Tax, Cont'd

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- **Assigned Payroll**

- Employee is primarily assigned within Seattle;
- Employee is not primarily assigned 50% or more of the employee's service for the tax period in Seattle; or
- Employee is not primarily assigned to any place of business for the tax period, the employee does not perform 50% or more of the employee's service in any one city, and the employee resides in Seattle.

# Payroll Expense Tax, Cont'd

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- **Rate Structure:**
  - **Total Business Payrolls \$7 million to \$1 billion**
    - 0.7% tax on total employee compensation from \$150,000 to \$499,999
    - 1.4% tax on total employee compensation of \$500,000 and above
  - **Total Business Payrolls \$1 billion and higher**
    - 1.4% tax on total employee compensation from \$150,000 to \$499,999
    - 2.1% tax on total employee compensation of \$500,000 and above

# Payroll Expense Tax, Cont'd

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- **Example Company with \$10 million payroll**
  - Paycheck A: \$149,000
    - Tax: \$0
  - Paycheck B: \$151,000
    - Tax:  $0.7\% \times \$151,000 = \$1,057$
  - Paycheck C: \$499,000
    - Tax:  $0.7\% \times \$499,000 = \$3,493$
  - Paycheck D: \$501,000
    - Tax:  $1.4\% \times \$501,000 = \$7,014$

# Payroll Expense Tax, Cont'd

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## •Tax Exemptions:

- Grocery stores
- Entities for which the City does not have authority to tax:
  - Federal, state and local governments and subsidiaries
  - Insurance businesses and their agents
  - Businesses that only sell, manufacture, or distribute motor vehicle fuel
  - Businesses that only sell or distribute liquor

# Payroll Expense Tax, Cont'd

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- **Tax Effective and Due Dates:**

- Effective January 1, 2021
- Payments due with final quarterly payment of 2021 (Feb 2022)
- Accruals to meet 2021 spending obligations

- **Sunset provision**

# Payroll Tax – Questions?

**CITY OF SEATTLE**

**ORDINANCE \_\_\_\_\_**

**COUNCIL BILL \_\_\_\_\_**

..title

AN ORDINANCE amending Ordinance 126000, which adopted the 2020 Budget; making appropriations from the Emergency Fund for public assistance due to the COVID-19 civil emergency; making an appropriation from the General Fund for public assistance in the civil emergency; and making appropriations from the Revenue Stabilization Fund for public assistance in the civil emergency; all by a 3/4 vote of the City Council.

..body

WHEREAS, on March 11, 2020, the World Health Organization announced that the novel coronavirus (COVID-19) is officially a global pandemic; and

WHEREAS, on February 29, 2020 the Washington Governor issued Proclamation 20-05, proclaiming a state of emergency for all counties throughout the state of Washington in response to new cases of COVID-19, and

WHEREAS, on March 13, 2020 the President of the United States declared a national state of emergency in response to the COVID-19 pandemic; and

WHEREAS, on March 25, 2020 the Washington Governor issued Proclamation 20-25, prohibiting all people in Washington State from leaving their homes and all non-essential businesses in Washington State from conducting business (“Stay Home – Stay Healthy Proclamation”); and

WHEREAS, these actions are appropriate for public health reasons but result in severe economic impacts on businesses, families and individuals in Seattle; and



1 WHEREAS, these impacts are felt most strongly by people with low incomes who have become  
2 unemployed or had their work hours severely reduced; and

3 WHEREAS, federal and state assistance to people with low incomes will not be sufficient to  
4 meet their basic needs during this public health and financial crisis; and

5 WHEREAS, without additional support, many people with low incomes will face severe  
6 financial hardship which will have significant negative impacts, including but not limited  
7 to public health impacts, greater housing insecurity, as well as impacts to small  
8 businesses and the local economy; and

9 WHEREAS, the City will use general fund balance and emergency funds in 2020 to support  
10 programs and services that support immigrant communities, small businesses, and the  
11 housing needs of low-income households, and people experiencing homelessness or  
12 housing insecurity in 2020, to be repaid with proceeds from the new tax collected in  
13 2021; and

14 WHEREAS, regarding use of the proceeds of these appropriations for emergency financial  
15 assistance in response to the COVID-19 civil emergency, the City Council has  
16 determined that there is no viable alternative available for advancing a core City  
17 objective during a time of civil emergency; and

18 WHEREAS, after accounting for 2020 deposits the currently available Emergency Fund balance  
19 is \$66.9 million and the currently available Revenue Stabilization Account balance is  
20 \$60.8 million; and

21 WHEREAS, the City Budget Director reported on April 22, 2020 that the General Fund had an  
22 unanticipated year-end balance of \$18.6 million; and

WHEREAS, the affordable housing crisis, homelessness emergency, and now the COVID-19 pandemic and related economic and unemployment emergencies, in Seattle are deeply impacting the lives of people throughout Seattle and the region and disproportionately harms people of color, immigrants, the LGBTQIA community, indigenous peoples' communities, disabled community members, and women, who already struggle against entrenched inequality; NOW, THEREFORE,

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

Section 1. Findings. The City Council finds that:

A. On March 3, 2020, the Mayor proclaimed that a civil emergency exists in the City of Seattle related to the COVID-19 virus.

B. On March 11, 2020, the Governor of Washington State and the Local Health Officer for Public Health – Seattle & King County issued parallel orders prohibiting gatherings of 250 people or more for social, spiritual and recreational activities in King County.

C. On March 13, 2020, the Governor of Washington state issued an emergency order announcing all K-12 schools in Washington to be closed from March 17, 2020 through June 19, 2020 to combat the spread of the disease.

D. On March 13, 2020, the President of the United States declared a national emergency to allow the government to marshal additional resources to combat the virus.

E. On March 23, 2020, the Governor of Washington State issued an emergency order ("the Stay Home, Stay Safe" order) announcing that "[a]ll people in Washington State shall immediately cease leaving their home or place of residence except: (1) to conduct or participate in essential activities, and/or (2) for employment in essential business services."

1 F. As of June 11, 2020, the Washington State Department of Health confirmed 25,171  
2 cases of COVID-19 and 1,204 deaths caused by the virus in Washington State, with 8,611  
3 confirmed cases and 586 deaths caused by the virus in King County.

4 G. The COVID-19 crisis has had a significant impact on the local economy impacting the  
5 retail, restaurant, construction, gig economy, and other industries resulting in layoffs and reduced  
6 work hours for a significant percentage of this workforce and loss of income for small  
7 businesses. These impacts are being felt most strongly by low income workers, people of color,  
8 immigrants, and members of the LGBTQIA community, who have become unemployed or had  
9 their work hours severely reduced and will have both immediate and long-term impacts.

10 H. There are at least 38,000 businesses in the City of Seattle employing a minimum of  
11 655,000 individuals. Since the Governor of Washington closed or limited operations of many  
12 businesses in the state beginning in March, the statewide unemployment rate went from 5.1  
13 percent in March to 15.4 percent in April. This equates to 199,000 individuals in March, and  
14 610,000 individuals in April who are unemployed. In the Seattle/Bellevue/Everett area, the  
15 unemployment rate went from 5.6 percent in March to 14.5 percent in April. This equates to  
16 96,000 individuals in March and 248,000 individuals in April who are unemployed. Rising  
17 unemployment will put more and more Seattle households, particularly low-income households,  
18 in financial peril.

19 I. The impacts of the COVID-19 crisis on the economy, employment, job retention, child  
20 care, and businesses has resulted in: restaurants, bars, and other businesses being forced to close;  
21 workers being unable to go to work because of illness; the need to care for children home from  
22 day care or school or for other family members without paid sick or safe time; and reduced  
23 business income due to reduced demand as businesses struggle during the state of emergency

1 proclaimed by Mayor Durkan on March 3, 2020. These impacts have led to a temporary closure  
2 of many businesses, which will struggle to reopen.

3 J. The impacts of the forced closure of businesses will be felt most by small businesses  
4 and nonprofits, which typically have smaller profit margins, smaller cash reserves, and less  
5 access to capital than larger for-profit businesses.

6 K. Providing financial assistance to small business owners and operators, including  
7 owners of family child care businesses, is necessary to prevent small businesses from having to  
8 close permanently due to the hardship associated with government-mandated full or partial  
9 closure of their businesses, or requirements to implement new businesses practices and physical  
10 modifications to the business to meet public health guidance, during and after the COVID-19  
11 crisis. Such assistance shall provide economic benefits to the public by saving or creating jobs,  
12 maintaining access to child care so workers who have children at home can return to work,  
13 moderating impacts to local tax revenue by supporting continued operations of small businesses,  
14 and ensuring that businesses can modify operations as necessary to comply with public health  
15 guidance.

16 L. Federal and state assistance is inaccessible to many people with low-incomes, to many  
17 small businesses, and is being delayed for many others, and will not be sufficient to meet their  
18 basic needs during the COVID-19 public health and financial crisis. In addition, federal  
19 assistance provided to small businesses, including child care providers, may not allow flexibility  
20 in terms of non-payroll costs that can be covered, timeline for expending funds, etc. Therefore,  
21 additional and immediate financial support to small businesses and people with low-incomes is  
22 necessary to help meet their basic needs and to help minimize impacts to public health as well as  
23 the local economy.

1 K. On March 12, 2020, the Governor issued Proclamation 20-08 closing schools in King,  
2 Snohomish, and Pierce Counties. The next day, he issued Proclamation 20-09 expanding the  
3 closing of schools to require the statewide closure of K-12 public and private schools until April  
4 24, 2020 and then extended such orders again until June 19, 2020.

5 L. On June 11, 2020, the Governor issued Proclamation 20.09.2 allowing a phased re-  
6 opening of schools subject to the requirements of the Washington State Department of Health's  
7 K-12 Schools – Summer 2020 Guidance and the Re-opening K-12 Fall 2020-2021 Guidance.

8 M. The science of COVID-19 will evolve over the summer and into the school year, and  
9 the trajectory of disease in Washington State and Seattle specifically may require changes to the  
10 public health response and adds uncertainty to when the re-opening of schools full-time will  
11 occur.

12 N. The closure of schools increased the need for childcare for first responders, healthcare  
13 workers, and other essential front-line employees as they combat the COVID-19 emergency, and  
14 as other non-essential businesses are beginning to re-open workers who are required to return to  
15 work before schools re-open full time will add to increased need for childcare for all workers.

16 O. The economic impacts from the COVID-19 emergency are drastic and immediate but  
17 are also expected to last much longer than the civil shut-down emergency itself.

18 P. Data from the 2012-2016 American Community Survey (ACS) shows that: over  
19 60,000 households in Seattle with incomes at or below 80 percent of AMI are cost burdened,  
20 paying more than 30 percent of their income for rent and utilities; and 29,000 households with  
21 incomes at or below 50 percent of area AMI are severely cost burdened, paying over 50 percent  
22 of their income for rent and utilities, and, as a result, are at potential risk of homelessness.

1           Q. The 2019 point-in-time count of people experiencing homelessness in King County  
2 found in Seattle at least 3,558 individuals who are living unsheltered in addition to at least 4,239  
3 more individuals who are experiencing homelessness but are sheltered, for a total of at least  
4 7,797 individuals who are experiencing homelessness in Seattle.

5           R. The Centers for Disease Control and Prevention recommend against removing  
6 encampments while there is community spread of COVID-19 unless there is adequate housing  
7 available, defined as individual housing and non-congregate shelter options.

8           S. There may be circumstances in which moving people is necessary, even in a pandemic,  
9 but in those limited cases such activity should be planned and implemented with great care and  
10 appropriate individual housing or temporary alternative workable living arrangements made  
11 available.

12           T. The COVID-19 emergency poses a serious threat to the housing stability of  
13 households who are unable to pay rent due to this crisis. The United Way of King County, with  
14 funding provided by the City and other partners, expanded their Home Base program to provide  
15 emergency rental assistance to households in King County during the COVID-19 emergency.  
16 Over 2,500 applications have been submitted by low-income households in Seattle in need of  
17 rental assistance.

18           U. Investments in the programs and services described in this ordinance will help  
19 counteract the economic and health impacts caused by the COVID-19 crisis by investing in low-  
20 income communities, small businesses, and other services that will be needed by people who saw  
21 significant reductions in income due to employment changes and business closures or reductions  
22 stemming from the crisis.

V. The City's Adopted 2020 Budget fully appropriates all available municipal revenues to address the many and varied needs of the community.

W. At an April 22 presentation to the Select Budget Committee, the City Budget Director stated that a "Rapid Recovery" in City General Fund finances from the COVID 19 civil emergency would result in a \$100 million or 7 percent reduction in General Fund revenues available for City spending priorities in 2020, and further stated that a "Slow Recovery" scenario would result in a \$186 million or 13 percent reduction in General Fund revenues and about \$113 million reduction in other general government revenues in 2020, for a total reduction of about \$300 million in 2020. Additional information provided by the City Budget office anticipates the budget gap expected in 2020 due to increased spending addressing COVID-19 related needs and reduced General Fund resources.

X. A new payroll tax authorized through Council Bill \_\_\_\_\_ is anticipated to provide new and sufficient revenues to replenish the Emergency Fund and Revenue Stabilization Fund in 2021.

Section 2. In order to pay for the expenses and obligations to address the economic impacts caused by the COVID-19 epidemic that could not have been anticipated at the time of making the 2020 Budget, contingent appropriations for the following items in the 2020 Budget are increased from the funds shown, as follows:

Item	Department	Fund	Budget Summary Level/BCL Code	Amount
2.1.a	Office of Economic Development	Emergency Fund (10102)	TBD	\$14,448,000

2.1.b	Department of Education and Early Learning	Revenue Stabilization Fund (00166)	TBD	\$3,612,000
2.1.c	Human Services Department	Emergency Fund (10102)	TBD	\$32,643,800
2.1.d	Office of Housing	Emergency Fund (10102)	TBD	\$3,429,800
2.1.e	Office of Immigrant and Refugee Affairs	Emergency Fund (10102)	TBD	\$17,050,000
2.1.f	Office of Immigrant and Refugee Affairs	Revenue Stabilization Fund (00166)	TBD	\$1,050,000
2.1.g	Office of Sustainability & Environment	Revenue Stabilization Fund (00166)	TBD	\$13,545,000
<b>Grand Total</b>				<b>\$85,778,600</b>

Section 3. The City Council (“Council”) intends to replenish the Emergency Fund and Revenue Stabilization Fund as described in the ordinance introduced as Council Bill \_\_\_\_ in 2021 using proceeds received from the tax authorized in Council Bill \_\_\_\_.

Section 4. The appropriations in Section 2 of this ordinance, amending the 2020 Adopted Budget, shall be subject to the following provisos:

A. Of the funding appropriated to the Office of Economic Development’s \_\_\_\_\_ Budget Summary Level in the 2020 Adopted Budget, \$14.45 million of the funds shall be used to address the economic hardship small business owners and their employees experience due to loss of business income, layoffs and reduced work hours for a significant percentage of this workforce as a result of the COVID-19 crisis and may be used for no other purpose. Up to five percent of these funds may be used for expenditures incurred by the department or the community based nonprofit organizations (CBOs) to administer the investments. The Council intends that this funding will be allocated as follows:

1. \$14.1 million to provide financial assistance to small business owners or operators that would be used to reduce the economic hardship caused by COVID-19 crisis and assist small businesses to comply with public health guidelines, thereby protecting the local economy by reducing the number of businesses that are permanently closed and jobs permanently lost due to the short- and long-term economic impacts caused by COVID-19.



2. \$315,000 to provide training, referral services, and technical assistance to support businesses, including assistance in preparing applications for federal or state loans or grants that provide direct financial assistance to small businesses to prepare such businesses for the road to recovery.
3. The Council further intends that:
  - a. Up to \$10,000 in financial assistance may be provided to any single eligible small business owner under this proviso.
  - b. Assistance should be prioritized for businesses who commit to not reducing wages and benefits provided prior to the COVID-19 emergency, and for business who have historically, or recently, been unable to access other forms of assistance through state or federal programs available to support businesses, including businesses owned by communities of color and businesses in the creative industry. Any awards to those in the creative industry should be made in partnership with advocates in the creative industry sphere.
  - c. For purposes of this proviso, “small business” is defined as a business with five or fewer employees.
  - d. The Executive should develop eligibility criteria for small businesses who have been economically impacted by the COVID-19 crisis and for whom such assistance will provide economic benefits to the public by saving or creating jobs, moderating impacts to local tax revenue by supporting continue operations of small businesses and ensuring that businesses can modify operations as necessary to comply with public health guidance.

B. Of the funding appropriated to the Department of Education and Early Learning’s \_\_\_\_\_ Budget Summary Level in the 2020 Adopted Budget, \$3.61 million of the funds shall be used to address the economic hardship family child care providers and their employees experience due to loss of income, layoffs and reduced work hours for a significant percentage of this workforce as a result of the COVID-19 crisis and may be used for no other purpose. Up to five percent of these funds may be used for expenditures incurred by the department or the community based nonprofit organizations (CBOs) to administer the investments. The Council intends that

1. Up to \$10,000 in financial assistance may be provided to any single eligible family child care provider under this section.
2. Assistance should be prioritized for child care providers who commit to not reducing wages and benefits provided prior to the COVID-19 emergency, and for providers who have historically, or recently, been unable to access other forms of assistance through state or federal programs available to support businesses.

3. For purposes of this ordinance, family child care is generally defined as licensed child care for mixed-age children and youth (0-12) provided by individuals operating in residential homes.
4. The Executive should develop eligibility criteria for family child care providers who have been economically impacted by the COVID-19 crisis and for whom such assistance will provide economic benefits to the public by saving or creating jobs, providing essential child care services as people return to work, and ensuring that family child care providers can modify operations as necessary to comply with public health guidance.

C. Of the funding appropriated to the Human Services Department's \_\_\_\_\_ Budget Summary Level in the 2020 Adopted Budget, \$32.64 million of the funds shall be used to address housing insecurity by funding housing programs and services that support low-income households and people experiencing homelessness and may be used for no other purpose. Up to five percent of these funds may be used for expenditures incurred by the department or the CBOs to administer the investments. The Council intends that the City will partner with CBOs that have a history of trust and success in reaching low-income communities and people experiencing homelessness, including experience reaching those who are traditionally marginalized or typically face barriers to enrolling in assistance programs, such as, but not limited to, language barriers, and other historically marginalized communities, to distribute the funds as follows:

1. \$19.5 million for existing homelessness prevention programs and rental assistance programs such as the United Way of King County's Home Base program; and
2. \$10.8 million for shelter de-intensification activities and housing or shelter options for unsheltered homeless individuals in non-congregate settings, including costs for new tiny homes, acquiring or leasing hotels or motels or other buildings, or extending leases on such facilities; and
3. \$2.35 million to support the ongoing service and operation costs of shelter providers. Eligible service and operating costs can include, but are not limited to: personal protective equipment, overtime or premium pay for staff, food service, or cleaning supplies.

D. Of the funding appropriated to the Office of Housing's \_\_\_\_\_ Budget Summary Level in the 2020 Adopted Budget, \$3.43 million of the funds shall be used to address housing insecurity by funding housing programs and services that support low-income households and may be used for no other purpose. Up to five percent of these funds may be used for expenditures incurred by the department or the CBOs to administer the investments. The Council intends that the City will partner with CBOs that have a history of trust and success in reaching low-income communities, including experience reaching those who are traditionally marginalized or typically face barriers to enrolling in assistance programs, such as, but not limited to, language barriers, and other historically marginalized communities, to distribute the funds as follows:

1. \$1.1 million for mortgage counseling and foreclosure prevention programs, including costs for housing counselors, legal aid, service coordination, and direct financial assistance; and
2. \$2.35 million for programs that support the ongoing service and operation costs of nonprofit affordable housing providers. Eligible service and operating costs can include, but are not limited to: personal protective equipment, overtime or premium pay for staff, food service, or cleaning supplies.

E. Of the funding appropriated to the Office of Immigrant and Refugee Affairs'

\_\_\_\_\_ Budget Summary Level in the 2020 Adopted Budget, \$17.05 million shall be for direct financial assistance to Seattle's low-income immigrant and refugee communities who have experienced the economic impacts caused by the COVID-19 crisis and may be used for no other purpose. Up to five percent of these funds may be used for expenditures incurred by the department or the community based nonprofit organizations (CBOs) to administer the investments. The Council intends the following:

1. Prior to the expenditure of any funds for direct financial assistance, the Executive will partner with CBOs who have a history of trust and success in reaching immigrant and refugee communities to provide such assistance, such as the organizations who worked with the City to distribute emergency grocery vouchers.
2. Assistance should include direct cash assistance, including pre-paid debit or credit cards, or other services to assist with basic living expenses. The maximum amount of financial assistance provided per household will not exceed \$1,000.
3. CBOs will determine the eligibility, including criteria to confirm income eligibility, prioritizing those who are ineligible for other federal or state emergency assistance, or are receiving such assistance in a limited or delayed manner that does not meet their needs, or those who have had or whose families have had adverse health impacts from COVID. Requests for documentation of eligibility should not impose an unnecessary burden on those applying for assistance and should not unnecessarily delay the approval and distribution process.

F. Of the funding appropriated to the Office of Immigrant and Refugee Affairs'

\_\_\_\_\_ Budget Summary Level in the 2020 Adopted Budget, \$1.05 million shall be for programs and services that provide language access support for low-income people who need help accessing and understanding federal, state and local assistance programs and may be spent for no other purpose. Up to five percent of these funds may be used for expenditures incurred by the department or the CBOs to administer the investments. The Council expects that the Executive will partner with CBOs who have a history of trust and success in reaching immigrant and refugee communities to provide such assistance.

1  
2 G. Of the funding appropriated to the Office of Sustainability and Environment's  
3 \_\_\_\_\_ Budget Summary Level in the 2020 Adopted Budget, \$13.6 million shall  
4 be used to continue and expand the Emergency Grocery Voucher program to allow  
5 more people participating in existing City programs to be served by this program and  
6 may be used for no other purpose. Existing City programs include, but are not limited  
7 to: Fresh Bucks, Utility Discount Program, Early Childhood Education and Assistance  
8 Program, Child Care Assistance Program, and the portion of the Seattle Preschool  
9 Program and the Pathway to Seattle Preschool Program that provide services to  
10 households that qualify for free tuition. Up to five percent of these funds may be used  
11 for expenditures incurred by the department or the CBOs to administer the  
12 investments.

13 The Council intends that vouchers will be made available for use at grocery stores  
14 participating in the existing Emergency Grocery Voucher program and expanded to  
15 include other community grocers and farmers markets. The Council intends that the  
16 Executive will work with CBOs that currently enroll people in the Fresh Bucks  
17 program to expand the use of vouchers by identifying culturally appropriate  
18 neighborhood grocers to participate in the voucher program.  
19

20 Section 5. Severability. The provisions of this ordinance are declared to be separate and  
21 severable. The invalidity of any clause, sentence, paragraph, subdivision, section, or portion of  
22 this ordinance, or the invalidity of its application to any person or circumstance, does not affect  
23 the validity of the remainder of this ordinance or the validity of its application to other persons or  
24 circumstances.  
25

Section 6. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by a 3/4 vote of all the members of the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2020, and signed by me in open session in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
President \_\_\_\_\_ of the City Council

Approved by me this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
Jenny A. Durkan, Mayor

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

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

(Seal)

**DRAFT 2020 Spending – Direct COVID Relief**

Program/Activity	Program Description	% of total	2020 Spending <sup>1</sup>	Potential Impacts
<b>Small Business Support</b>	Small Business Stabilization Fund - Child Care	4.2%	\$3.6 million	\$10k grants to about 340 child care providers
	Small Business Stabilization Fund - All other small businesses	16.4%	\$14.1 million	\$10k grants to about 1,300 small businesses
	Training, referral services, and technical assistance to support businesses	0.4%	\$0.3 million	
	<b>Small Business Support - subtotal</b>	<b>21%</b>	<b>\$18 million</b>	
<b>Immediate Housing</b>	Homelessness prevention programs & Rental assistance programs such as the United Way of King County's Home Base program	22%	\$19 million	1-month of rental assistance to 9,700 households or 3-months of rental assistance to about 3,300 households
	Shelter de-intensification and housing or shelter options for unsheltered homeless individuals in non-congregate settings (e.g. tiny homes, hotels or motels)	13%	\$11 million	If all used for tiny homes, create about 5-7 new villages
	Mortgage counseling and foreclosure prevention programs	1%	\$1 million	Mortgage assistance to about 35 households
	Programs that support the ongoing service and operation costs of nonprofit affordable housing & shelter providers	6%	\$5 million	
	<b>Immediate Housing - subtotal</b>	<b>42%</b>	<b>\$36 million</b>	
<b>Immigrant and Refugee Support</b>	Direct financial assistance for immigrant and refugee households	20%	\$17 million	Provide \$1,000 in financial assistance to about 16,200 households
	Language access support for people who need help accessing and understanding assistance programs	1%	\$1 million	
	<b>Immigrant and Refugee Support- subtotal</b>	<b>21%</b>	<b>\$18 million</b>	
<b>Food Security Programs</b>	Continuation or expansion of the Emergency Grocery Voucher program	16%	\$14 million	2-months of grocery vouchers (\$400/month) to about 16,000 households
	<b>Food Security - subtotal</b>	<b>16%</b>	<b>\$14 million</b>	
<b>TOTAL ANNUAL SPENDING:</b>		<b>100%</b>	<b>\$86 million</b>	

<sup>1</sup> The investments assume about five percent of funds will be needed to implement and administer these investments; if the full 5% is not needed to administer the funds, anything funds may be used for the direct programs and services described.

**CITY OF SEATTLE**

**ORDINANCE \_\_\_\_\_**

**COUNCIL BILL \_\_\_\_\_**

..title

AN ORDINANCE establishing a spending plan for proposed use of the proceeds generated from the payroll expense tax authorized by the ordinance introduced as Council Bill \_\_\_\_\_; and establishing an oversight committee; and adding a new Section 3.35.100 to the Seattle Municipal Code.

..body

WHEREAS, the City Council (“Council”) adopted the ordinance introduced as Council Bill \_\_\_\_\_, authorizing the collection of a new payroll expense tax (“payroll tax”) to be imposed beginning January 2021; and

WHEREAS, the new payroll tax is anticipated to generate about \$173 million in proceeds in 2021 with a goal of generating about \$200 million on an annual basis, as shown in the spending plan included as Attachment 1 to this ordinance; and

WHEREAS, on November 2, 2015, the Mayor issued a Proclamation of Civil Emergency to address the homelessness crisis in the City of Seattle; and

WHEREAS, on November 3, 2015, the City Council adopted Resolution 31630, ratifying and confirming the Mayoral Proclamation of Civil Emergency; and

WHEREAS, the Civil Emergency to address the homelessness crisis is still in effect today; and

WHEREAS, on March 11, 2020, the World Health Organization announced that the novel coronavirus (COVID-19) is officially a global pandemic; and

1 WHEREAS, on February 29, 2020 the Washington Governor issued Proclamation 20-05,  
2 proclaiming a state of emergency for all counties throughout the state of Washington in  
3 response to new cases of COVID-19; and

4 WHEREAS, on March 13, 2020 the President of the United States declared a national state of  
5 emergency in response to the COVID-19 pandemic; and

6 WHEREAS, on March 25, 2020 the Washington Governor issued Proclamation 20-25,  
7 prohibiting all people in Washington State from leaving their homes and all non-essential  
8 businesses in Washington State from conducting business (“Stay Home – Stay Healthy  
9 Proclamation”); and

10 WHEREAS, these actions are appropriate for public health reasons but result in severe economic  
11 impacts on families and individuals in Seattle; and

12 WHEREAS, these impacts are felt most strongly by people with low incomes who have become  
13 unemployed or had their work hours severely reduced; and

14 WHEREAS, the affordable housing crisis, homelessness emergency, and now the COVID-19  
15 pandemic and related economic and unemployment emergencies, in Seattle are deeply  
16 impacting the lives of people throughout Seattle and the region and disproportionately  
17 harms people of color, immigrants, the LGBTQ community, indigenous peoples’  
18 communities, disabled community members, and women, who already struggle against  
19 entrenched inequality; and

20 WHEREAS, average rents in Seattle rose 69 percent between 2010 and 2018, far beyond the rate  
21 of inflation and more than double the national average; and

22 WHEREAS, more than 4,280 students in Seattle Public Schools are homeless or have unstable  
23 housing; and



1 WHEREAS, even before the COVID-19 emergency, thousands of Seattle renters faced eviction  
2 threats every year, and in September 2018, the Seattle Women’s Commission and the  
3 King County Bar Association jointly published *Losing Home: The Human Cost of*  
4 *Eviction in Seattle*, finding that more than half of Seattle renters receiving eviction  
5 notices in 2017 owed one month’s rent or less, and most tenants who are evicted become  
6 homeless; and

7 WHEREAS, the *Losing Home* report found that evictions in Seattle fall disproportionately on  
8 women and people of color, with people of color constituting about 35 percent of renters,  
9 and nearly 52 percent of evictions involved people of color; and

10 WHEREAS, the October 2019 Report and Recommendations of the King County Regional  
11 Affordable Housing Task Force found that 156,000 affordable homes were needed  
12 immediately and another 88,000 affordable homes by 2040 to ensure that no low-income  
13 or working households were cost burdened; and

14 WHEREAS, the 2019 point-in-time count of people experiencing homelessness in King County  
15 estimates there are 11,199 individuals experiencing homelessness in the region; and

16 WHEREAS, the Third Door Coalition proposal advocates for the creation of 6,500 permanent  
17 supportive housing units as a proven solution for meeting the housing and services needs  
18 of those who are chronically homelessness; and

19 WHEREAS, the City recognizes the importance of using a “Housing First” approach in the  
20 development of permanent housing for those experiencing homelessness that prioritizes  
21 providing access to low or no barrier housing for such persons; and

22 WHEREAS, in addition to increasing investments to support programs that provide housing  
23 security and that increase the supply of affordable housing, the Council is committed to

1 pursuing additional strategies, such as changes to development regulations and permit  
2 review processes, to reduce the time and costs of building affordable housing; and

3 WHEREAS, in October 2016, the Council adopted, with the Mayor concurring, Resolution

4 31712, endorsing community principles for green jobs, defining a green job as one that  
5 preserves or enhances environmental health as well as the economic and social well-  
6 being of people and communities, centers on communities most negatively impacted by  
7 climate change, and pays a living wage while providing career pathways; and

8 WHEREAS, the City Council adopted Resolution 31895 establishing a Green New Deal for  
9 Seattle; and

10 WHEREAS, Resolution 31895 envisioned the need to establish a dedicated revenue source in  
11 order to implement Green New Deal strategies, including creating more permanently  
12 affordable housing, located near transit hubs, green space, and neighborhood amenities to  
13 reduce dependence on private vehicles and strengthening green building standards for  
14 new construction to minimize emissions while maximizing energy efficiency; and

15 WHEREAS, the Council is committed to advancing strategies to improve job quality for the  
16 local work force, including investing in labor-management trainings and partnering with  
17 other entities committed to implementing and adopting innovative workforce strategies;  
18 and

19 WHEREAS, the new tax will generate significant funds that will increase the construction and  
20 preservation of new permanently affordable housing units for low-income households to  
21 address the housing affordability and homelessness crisis, will contribute to reducing  
22 Seattle's climate pollution, and will in the process support living-wage jobs, and in doing

1 so will help the City make the necessary changes to shift Seattle’s economy to be more  
2 equitable and ecologically sustainable; and

3 WHEREAS, the City is committed to eliminating racial inequities through implementation of the  
4 Race and Social Justice Initiative; and

5 WHEREAS, Resolution 31577, adopted in May 2015, affirmed that The City of Seattle’s core  
6 value of racial and social equity is one of the foundations on which the Comprehensive  
7 Plan is built, and defined “equitable development” as public and private investments,  
8 programs, and policies in neighborhoods to meet the needs of marginalized people and  
9 reduce disparities; and

10 WHEREAS, Ordinance 125173, passed in October 2016, amended the Seattle Comprehensive  
11 Plan to increase its emphasis on race and social equity, and affirm the conclusions of the  
12 Seattle 2035 Equity Analysis that was part of the City’s overall analysis of the Plan; and

13 WHEREAS, Resolution 31711, adopted in September 2016, identified the Equitable  
14 Development Initiative as a key component of implementing Ordinance 125173 and  
15 approved the Equitable Development Implementation Plan and the Equitable  
16 Development Financial Investment Strategy to advance the public purposes of  
17 community stability, cohesion, and affordability; and

18 WHEREAS, the City’s Equitable Development Initiative supports community driven projects  
19 that promote economic opportunities for marginalized populations and enhance  
20 community cultural anchors, affordable housing development, health services, child care  
21 services, and other community services that support the needs of diverse populations in  
22 areas at risk of displacement; and

1 WHEREAS, the Equitable Development Initiative receives annual funding of \$5 million from  
2 the short-term rental tax, but this funding is insufficient to support the number of current  
3 projects in development and additional future projects; and

4 WHEREAS, on March 18, 2019, the City Council adopted Resolution 31870, committing to  
5 taking future actions to mitigate displacement impacts on marginalized communities,  
6 including communities of color and low-income communities, particularly in  
7 neighborhoods identified as at high risk of displacement by the Growth and Equity  
8 Analysis. One action called for was to identify a permanent and consistent source of  
9 funding for the Equitable Development Initiative, beyond the \$5 million per year  
10 expected to be generated through the short-term rental tax, with a long-term goal of \$20  
11 million annually; and

12 WHEREAS, the new payroll tax will generate significant funds to address identified inequities  
13 and to respond to the economic and public health impacts caused by the COVID-19  
14 pandemic that are anticipated to persist beyond 2020; NOW, THEREFORE,

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

16 Section 1. Findings. The City Council finds that:

17 A. On March 3, 2020, the Mayor proclaimed that a civil emergency exists in the City of  
18 Seattle related to the COVID-19 virus.

19 B. On March 11, 2020, the Governor of Washington State and the Local Health Officer  
20 for Public Health – Seattle & King County issued parallel orders prohibiting gatherings of 250  
21 people or more for social, spiritual and recreational activities in King County.

1 C. On March 13, 2020, the Governor of Washington state issued an emergency order  
2 announcing all K-12 schools in Washington to be closed from March 17, 2020 through June 19,  
3 2020 to combat the spread of the disease.

4 D. On March 13, 2020, the President of the United States declared a national emergency  
5 to allow the government to marshal additional resources to combat the virus.

6 E. On March 23, 2020, the Governor of Washington State issued an emergency order  
7 (“the Stay Home, Stay Safe” order) announcing that “[a]ll people in Washington State shall  
8 immediately cease leaving their home or place of residence except: (1) to conduct or participate  
9 in essential activities, and/or (2) for employment in essential business services.”

10 F. As of June 11, 2020, the Washington State Department of Health confirmed 25,171  
11 cases of COVID-19 and 1,204 deaths caused by the virus in Washington State, with 8,611  
12 confirmed cases and 586 deaths caused by the virus in King County.

13 G. The COVID-19 crisis has had a significant impact on the local economy impacting the  
14 retail, restaurant, construction, gig economy, and other industries resulting in layoffs and reduced  
15 work hours for a significant percentage of this workforce and loss of income for small  
16 businesses. These impacts are being felt most strongly by low income workers, people of color,  
17 immigrants, and members of the LGBTQIA community, who have become unemployed or had  
18 their work hours severely reduced and will have both immediate and long-term impacts.

19 H. There are at least 38,000 businesses in the City of Seattle employing a minimum of  
20 655,000 individuals. Since the Governor of Washington closed or limited operations of many  
21 businesses in the state beginning in March, the statewide unemployment rate went from 5.1  
22 percent in March to 15.4 percent in April. This equates to 199,000 individuals in March, and  
23 610,000 individuals in April who are unemployed. In the Seattle/ Bellevue/Everett area, the

1 unemployment rate went from 5.6 percent in March to 14.5 percent in April. This equates to  
2 96,000 individuals in March and 248,000 individuals in April who are unemployed. Rising  
3 unemployment will put more and more Seattle households, particularly low-income households,  
4 in financial peril.

5 I. Providing financial assistance to small business owners and operators is necessary to  
6 prevent small businesses from having to close permanently due to the hardship associated with  
7 government-mandated full or partial closure of their businesses, or requirements to implement  
8 new businesses practices and physical modifications to the business to meet public health  
9 guidance, during and after the COVID-19 crisis. Such assistance shall provide economic benefits  
10 to the public by saving or creating jobs, moderating impacts to local tax revenue by supporting  
11 continue operations of small businesses and ensuring that businesses can modify operations as  
12 necessary to comply with public health guidance.

13 J. Federal and state assistance is inaccessible to many people with low-incomes, to many  
14 small businesses, and is being delayed for many others, and will not be sufficient to meet their  
15 basic needs during the COVID-19 public health and financial crisis. In addition, federal  
16 assistance provided to small businesses may not allow flexibility in terms of non-payroll costs  
17 that can be covered, timeline for expending funds, etc. Therefore, additional and immediate  
18 financial support to small businesses and people with low-incomes is necessary to help meet  
19 their basic needs and to help minimize impacts to public health as well as the local economy.

20 K. The economic impacts from the COVID-19 emergency are drastic and immediate but  
21 are also expected to last much longer than the civil shut-down emergency itself.

22 L. Data from the 2012-2016 American Community Survey (ACS) shows that: over  
23 60,000 households in Seattle with incomes at or below 80 percent of AMI are cost burdened,

1 paying more than 30 percent of their income for rent and utilities; and 29,000 households with  
2 incomes at or below 50 percent of area AMI are severely cost burdened, paying over 50 percent  
3 of their income for rent and utilities, and, as a result, are at potential risk of homelessness.

4 M. The COVID-19 emergency poses a serious threat to the housing stability of  
5 households who are unable to pay rent due during the crisis and is expected to impact the ability  
6 for people to be securely housed beyond 2020.

7 N. Spending on equitable development investments, including the community-identified  
8 and City-approved projects included in the Equitable Development Financial Investment  
9 Strategy, achieves a clear public purpose in advancing the City's core value of racial and social  
10 equity through fostering the development and improvement of physical and social assets serving  
11 communities, economic development, education, and workforce training programs, and other  
12 public benefits.

13 O. The spending plan is being tailored to address both the shorter (2021) and longer-term  
14 (2022 and beyond) basic human health and public health needs created by the multiple and  
15 overlapping crises, which include the long-running affordable housing and homelessness crisis,  
16 food insecurity, and loss of childcare and small businesses through the community, which has  
17 now been greatly exacerbated and complicated by the COVID-19 pandemic and related  
18 economic and unemployment crises.

19 P. Investments in the programs and services described in this ordinance will help  
20 counteract the economic and health impacts caused by the COVID-19 crisis by investing in low-  
21 income communities, small businesses, and other services that will continue to be needed in  
22 2021 and beyond by people who saw significant reductions in income due to employment  
23 changes and business closures or reductions stemming from the crisis.

1 Q. The City's Adopted 2020 Budget fully appropriates all available municipal revenues  
2 to address the many and varied needs of the community.

3 R. At an April 22 presentation to the Select Budget Committee, the City Budget Director  
4 stated that a "Rapid Recovery" in City General Fund finances from the COVID 19 civil  
5 emergency would result in a \$100 million or 7 percent reduction in General Fund revenues  
6 available for City spending priorities in 2020, and further stated that a "Slow Recovery" scenario  
7 would result in a \$186 million or 13 percent reduction in General Fund revenues and about \$113  
8 million reduction in other general government revenues in 2020, for a total reduction of about  
9 \$300 million in 2020.

10 S. The City will impose a new payroll tax through Council Bill \_\_\_\_\_ that is expected  
11 to provide new and sufficient revenues to allow the City, in 2021, to replenish emergency funds  
12 used in 2020 to make public assistance available to households most impacted by the COVID-19  
13 civil emergency and to provide resources to maintain services and provide longer terms solutions  
14 to address the inequities exacerbated by the COVID-19 crisis.

15 Section 2. Proceeds from the new payroll tax imposed by the ordinance introduced as  
16 Council Bill \_\_\_\_\_ may only be used as described in subsections 2.A and 2.B of this ordinance  
17 and summarized in Attachment 1 to this ordinance. The programs funded in this spending plan  
18 may be used to provide assistance to low income people who live or work in Seattle. The  
19 spending plan may be amended from time to time by the City Council by ordinance.

20 A. In 2021, the first \$86 million may be used to replenish the City's Emergency Fund and  
21 Revenue Stabilization Fund balance that was reduced in 2020 to fund programs that address the  
22 economic impacts caused by COVID-19. Any remaining proceeds from the payroll tax are  
23 intended to be used as follows:



1           1. Up to five percent may be used to administer the payroll tax authorized by the  
2 ordinance introduced as Council Bill \_\_\_\_\_ and to administer the investments described in  
3 subsections 2.A.2 and 2.A.3 of this ordinance. If less than five percent of remaining funds is  
4 needed for implementation and administration, any remaining funds may be used for other  
5 programs and services described in subsections 2.A.2 through 2.A.4 of this ordinance.

6           2. Seventy-five percent may be used to (1) provide continuity of services and  
7 programs administered or supported by the City prior to the COVID-19 crises that, absent the  
8 support from the payroll tax revenue, would see a reduction in funding; and (2) funding to  
9 support increased costs and the expansion of services and programs administered or funded by  
10 the City that support low-income communities, immigrant and refugee communities, people  
11 experiencing homelessness or housing insecurity, people experiencing food insecurity, and to  
12 fund other City programs and services that address the needs of low-income households and  
13 small businesses. It is the Council's intent that funding is prioritized for investments in services  
14 and programs that service lower-income neighborhoods.

15           3. Twenty percent may be used to continue some funding for the programs and  
16 services that received funding in 2020 as described in the ordinance introduced as Council Bill  
17 \_\_\_\_\_.

18           B. In all subsequent years, the proceeds from the payroll tax will be allocated as  
19 described in an implementation plan adopted by the City Council biennially, with the first plan  
20 adopted in 2021 for spending in years 2022 and 2023. The intent is to allocate funding as  
21 follows:

22           1. Up to five percent of the proceeds may be used to administer the payroll tax  
23 authorized by the ordinance introduced as Council Bill \_\_\_\_\_ and to administer the investments

described in subsections 2.B.2 through 2.B.4 of this ordinance. If less than five percent of remaining funds are needed for administration, any remaining funds may be used for other programs and services described in subsections 2.B.2 through 2.B.4 of this ordinance.

2. Housing and services. Sixty-five percent of the proceeds may be used to support (1) capital costs associated with the construction or acquisition of rental housing for low-income households, including but not limited to people with disabilities, the elderly, low-wage working people, homeless individuals and families, and families with children; (2) operating and services costs of rental housing serving households at or below 30 percent of area median income (AMI); and (3) associated infrastructure to support the ongoing operations costs for the housing, such as maintenance, retrofitting, and energy efficient upgrades to support the housing. Of the proceeds proposed for housing and services, the Council intends that 70 percent will support housing serving households with incomes at or below 30 percent of AMI and 30 percent will support housing serving households with incomes at or below 50 percent of AMI, provided that such projects include units serving some households at or below 30 percent of AMI

It is the Council's intent that new construction of housing projects funded with this tax will be built consistent with the City's Housing Funding Policies as adopted by Ordinance 119531, or as may be amended. These include, but are not limited to:

a. Requirements and goals that advance labor equity outcomes, such as: the payment of prevailing wages, apprenticeship utilization, and employment of Women and Minority Owned Businesses. Imposing additional requirements including, but not limited to: preferred entry to apprenticeship programs, requirements for pre-apprenticeship, mentoring or other training programs, and utilization of workers from economically distressed areas, will be considered for new construction housing projects based on the results of the evaluation of the 2<sup>nd</sup>

1 and Mercer housing pilot project, expected in mid-2021. The implementation plan that will be  
2 adopted by the City Council in 2021 will guide spending for 2022 and 2023, and may impose  
3 further labor equity-related requirements for new construction projects and recommend any  
4 needed amendments to the City's Housing Funding Policies to impose such requirements.

5 b. Prioritize projects that advance equitable development goals and  
6 address displacement, including those proposed or supported by local, community-based, non-  
7 profit organizations that are culturally relevant and historically rooted, particularly when the  
8 project site is in an area that is at high risk for displacement.

9 c. Utilize well-located publicly owned properties to achieve cost savings  
10 for affordable housing development through reduced or no-cost land transfers, favorable  
11 purchase terms, and efficient funding and disposition processes.

12 3. Ten percent of the proceeds may be used to support the Equitable Development  
13 Initiative (EDI). Funding may be used to support community-initiated equitable development  
14 projects that advance economic mobility and opportunity, prevent residential, commercial, and  
15 cultural displacement, build on local cultural assets, promote transportation mobility and  
16 connectivity, develop healthy and safe neighborhoods, and enable equitable access to all  
17 neighborhoods. Funds would be appropriated to the Office of Planning and Community  
18 Development and allocated through the EDI's existing established funding process for awarding  
19 EDI grants. This funding may be used to support both the non-housing and affordable housing  
20 components of EDI projects. Investments in EDI projects that include an affordable housing  
21 component will be prioritized.

22 4. Twenty percent of the proceeds may be used to support local businesses and  
23 tourism to spur the local economic recovery, and to provide economic stability for the city's

workforce. Investments will prioritize programs and services that diversify the local economy and improve job quality, including investing in labor-management training programs and partnerships with organizations whose work focuses on innovative workforce strategies that support and create jobs with strong pay and benefits. This will include:

a. At least \$650,000 in 2022 to contract with an organization with expertise and experience in developing a plan and can act as a catalyst to launch programs and services that will help transition a just local economy that provides stable, safe, and health family sustaining jobs. The Council expects that, in 2021, the Executive will convene a group that includes, but is not limited to, representatives from City departments, labor organizations, and small businesses, to develop the scope of work and to select a firm to carry out this work in 2022.

b. Any remaining funds will be used to invest in individuals' businesses, activities that promote and support business districts and tourism, and to support business organizations focused on retaining and growing the workforce, including job training programs that provide a path to careers that provide family-sustaining wages and benefits. Preference will be given to businesses and business organizations who provide a safe, healthy, and economically beneficial working environment for its employees by providing the following, including but not limited to: codes of conduct, health care benefits, educational benefits, retirement benefits, living wage standards, and entering into a labor peace agreement with employees.

Section 3. On or before June 30, 2021, the Executive is requested to submit an Implementation Plan for the payroll tax spending for years 2022 and beyond to the City Council that includes:

A. Specific spending proposal for years 2022 and beyond;

1 B. Proposed outcomes for each funded program or service;

2 C. How the programs or services will be implemented (i.e., responsible department,  
3 funding processes, etc.);

4 D. Proposed policies for implementing funded programs or services,

5 E. Recommended modifications to the City's Housing Funding policies imposing new  
6 labor equity outcomes for new construction housing projects, if appropriate; and

7 F. Proposal for the detailed roles and responsibilities for the Oversight Committee  
8 described in Section 5 of this ordinance.

9 The Executive, with the support of the Seattle Office for Civil Rights, will conduct racial  
10 equity analysis on the proposed implementation plan prior to submittal to the City Council. The  
11 completion of this analysis should not delay submittal of the Implementation Plan by June 30,  
12 2021. The Executive is expected to work cooperatively with the City Council in the development  
13 of this implementation plan to ensure it is consistent with the proposed spending plan.

14 Section 4. A new Section 3.35.100 is added to the Seattle Municipal Code as follows:

15 **3.35.100 Payroll Tax Oversight Committee**

16 A. There is established an Oversight Committee for the purpose of providing oversight on  
17 the services and programs supported by the payroll tax and the impacts of this tax on the number  
18 of jobs and businesses in the City, and other data that directly relates to measuring the impact of  
19 this tax on the City's economy. The Oversight Committee shall provide an annual report that  
20 provides this information to the Mayor and the City Council. The Oversight Committee shall  
21 consult with the Coalition of City Unions, Small Business Advisory Council, Housing Levy  
22 Oversight Committee, the Green New Deal Oversight Board and other oversight bodies that  
23 monitor programs and services similar to those supported by the payroll tax. The Committee may

1 elect officers and establish rules of procedure, including what shall constitute a quorum. The  
2 Director of Neighborhoods or such other department head as may be designated by the Mayor  
3 shall provide the Committee such information as is necessary for the Committee to determine the  
4 status of individual programs and projects.

5 B. The Oversight Committee shall consist of nine voting members, appointed to positions  
6 number 1 through 9.

7 a. Position 1 shall be a City employee appointed by the Mayor or designee;  
8 position 2 shall be a City employee appointed by the City Council; positions 3 through 9 shall be  
9 persons outside City government. Positions 3, 5, and 7 shall be appointed by the Mayor.  
10 Positions 4, 6, 8 and 9 shall be appointed by the City Council.

11 b. Positions 3 and 4 shall represent labor.

12 c. Positions 5 and 6 shall represent business.

13 d. Positions 7 and 8 shall represent community organizations that reflect the  
14 diversity of the City.

15 e. Position 9 shall represent communities that will benefit from the proposed  
16 spending.

17 f. The appointing authority may remove any member who is absent from two or  
18 more consecutive meetings without cause.

19 C. No more than three committee members appointed by the Mayor and no more than  
20 two committee members appointed by the City Council shall be an officer, director, board  
21 member, trustee, partner, or employee of an entity that receives or competes for funding under  
22 this ordinance; or be a member of the immediate family of, or an individual residing with, an  
23 officer, director, board member, trustee, partner, or employee of an entity that receives or

competes for funding under this ordinance; or be a person seeking or having an arrangement concerning future employment with an entity that receives or competes for funding under this ordinance. For the purposes of this Section 3.36.100, an individual's "immediate family" means the individual's spouse, domestic partner, child, child of a spouse or domestic partner, sibling-in-law, parent, parent of a spouse or domestic partner, a person for whom the individual acts as a guardian, or a person claimed as a dependent on the individual's most recent federal income tax return. Subject to the preceding sentence and applicable law, an individual serving as an officer, director, board member, trustee, partner, or employee of an entity that receives or competes for funding under this ordinance, or who has an interest in such an entity, shall not thereby be disqualified from serving on the Committee, but shall fully disclose any such relationships and shall not vote on any matter in which the interest of such entity is directly involved.

D. Upon the resignation, retirement, death, incapacity, or removal of a member, the authority appointing such member may appoint a replacement for the balance of the term.

E. The initial terms of positions 1, 3, 5, 7, and 9 shall be two years; the initial terms of positions 2, 4, 6, and 8 shall be three years; all subsequent terms shall be three years. Any vacancy in an unexpired term shall be filled in the same manner as the original appointment. A member whose term is ending may continue on an interim basis as a member with voting rights until such time as a replacement for that position has been appointed by the City Council or confirmed by the City Council.

F. Members shall serve without pay, except that members may request compensation of \$50 per hour served if participating on the committee presents a financial hardship. Upon such request, the Director of Neighborhoods is authorized to expend funds in the Department of

1 Neighborhood's budget for this purpose. No money may be expended for services rendered prior  
2 to a request being filed with the Director.

3       Section 5. Severability. The provisions of this ordinance are declared to be separate and  
4 severable. The invalidity of any clause, sentence, paragraph, subdivision, section, or portion of  
5 this ordinance, or the invalidity of its application to any person or circumstance, does not affect  
6 the validity of the remainder of this ordinance or the validity of its application to other persons or  
7 circumstances.



Section 6. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by a 3/4 vote of all the members of the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2020, and signed by me in open session in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
President \_\_\_\_\_ of the City Council

Approved by me this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
Jenny A. Durkan, Mayor

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

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

(Seal)

Attachments:  
Attachment 1 – Proposed Spending Plan

### Jump Start Seattle – PRE-INTRODUCTION DRAFT Proposed Spending Plan

2021 Proposed Spending			
Program/Activity	Program Description	%	\$
<b>Replenish Emergency Fund</b>	Replenish the City’s Emergency Fund balance that was reduced in 2020 to fund programs that address the economic impacts caused by COVID-19.		\$86 million
<b>Continuity of Services</b>	Provide continuity of services and programs administered or supported by the City prior to the COVID-19 crises that, absent the support from the payroll tax revenue, would see a reduction in funding; and funding to support increased costs and the expansion of services and programs administered or funded by the City that support low-income communities.	75% <sup>1</sup>	\$65 million
<b>COVID Relief - continued</b>	Continue funding for some of the programs and services that received funding in 2020 to provide public assistance to low-income households and small businesses impacted by the COVID-19 emergency.	20% <sup>1</sup>	\$17 million
Start-up costs and ongoing administration <sup>2</sup>		5% <sup>1</sup>	\$4 million
<b>TOTAL ANNUAL SPENDING:</b>		<b>100%<sup>1</sup></b>	<b>\$172 million</b>
2022 + Beyond Proposed Spending			
<b>Housing and Services</b>	<ul style="list-style-type: none"> <li>- Construction or acquisition of rental housing serving households with incomes between 0%-50% of Area Median Income (AMI) with at least 70% of funds used to serve households with incomes between 0-30% of AMI; and</li> <li>- Operating and services costs to support housing serving households between 0-30% of AMI.</li> </ul>	65%	\$132 million
<b>Equitable Development Initiative</b>	Funding for the Equitable Development Initiative (EDI) to support the non-housing and affordable housing components of EDI projects with a goal of at least \$20 million annually.	10%	\$20 million
<b>Business Support</b>	Funding to support local businesses and tourism to spur the local economic recovery, and to provide economic stability for the city’s workforce.	20%	\$41 million
Start-up costs and ongoing administration		5%	\$10 million
<b>TOTAL ANNUAL SPENDING:</b>		<b>100%</b>	<b>\$203 million<sup>3</sup></b>

<sup>1</sup> After replenishing the emergency fund

<sup>2</sup> In 2021, the admin costs are not applied to the \$86 million to replenish the emergency funds

<sup>3</sup> The *revenue goal* is about \$200 million annually; in 2022 a small inflationary adjustment is assumed

**CITY OF SEATTLE**

**ORDINANCE \_\_\_\_\_**

**COUNCIL BILL \_\_\_\_\_**

..title

AN ORDINANCE relating to taxation; imposing a payroll expense tax on persons engaging in business in Seattle; adding a new Chapter 5.38 to the Seattle Municipal Code; and amending Sections 5.30.010, 5.30.060, 5.55.010, 5.55.040, 5.55.060, 5.55.150, 5.55.165, 5.55.220, 5.55.230, and 6.208.020 of the Seattle Municipal Code.

..body

WHEREAS, the City Council intends to revisit the tax imposed by this new Chapter 5.38 in the event that an organization with overlapping jurisdiction implements a progressive revenue source that provides City funding at levels equivalent to those generated through this payroll expense tax; and

WHEREAS, on March 11, 2020, the World Health Organization announced that the novel coronavirus (COVID-19) is officially a global pandemic; and

WHEREAS, on February 29, 2020 the Washington Governor issued Proclamation 20-05, proclaiming a state of emergency for all counties throughout the state of Washington in response to new cases of COVID-19, and

WHEREAS, on March 25, 2020 the Washington Governor issued Proclamation 20-25, prohibiting all people in Washington State from leaving their homes and all non-essential businesses in Washington State from conducting business (“Stay Home – Stay Healthy Proclamation”); and

WHEREAS, these actions are appropriate for public health reasons but result in severe economic impacts on families and individuals in Seattle; and

WHEREAS, these impacts are felt most strongly by people with low incomes who have become unemployed or had their work hours severely reduced; and

1 WHEREAS, federal and state assistance to people with low incomes will not be sufficient to  
2 meet their basic needs during this public health and financial crisis; and

3 WHEREAS, without additional support, many people with low incomes will face severe  
4 financial hardship which will have significant negative impacts, including but not limited  
5 to public health impacts, greater housing insecurity, as well as impacts to small  
6 businesses and the local economy; and

7 WHEREAS, on November 2, 2015, the Mayor of Seattle issued a Proclamation of Civil  
8 Emergency related to homelessness; on November 3, 2015, the City Council adopted  
9 Resolution 31630 ratifying and confirming the Mayoral Proclamation of Civil  
10 Emergency; and the civil emergency remains in effect. As of 2019 there were roughly 11  
11 percent more people experiencing homelessness in the region than in 2015; and

12 WHEREAS, a national study published in the Journal of Urban Affairs established the  
13 correlation between increasing rent and homelessness, finding that an increase of \$100 in  
14 median rent for an area results in a 15 percent (metro areas) and a 39 percent (nearby  
15 suburbs and rural areas) increase in homelessness; and

16 WHEREAS, average rents in Seattle rose 69 percent between 2010 and 2018, far beyond the rate  
17 of inflation and more than double the national average; and

18 WHEREAS, the 2019 Seattle-King County Point in Time Count of persons experiencing  
19 homelessness estimates there are 11,199 individuals experiencing homelessness in the  
20 region; and

21 WHEREAS, the October 2019 Report and Recommendations of the King County Regional  
22 Affordable Housing Task Force found that 156,000 affordable homes were needed

1 immediately and another 88,000 affordable homes by 2040 to ensure that no low-income  
2 or working households were cost burdened; and

3 WHEREAS, the Third Door Coalition proposal advocates for the creation of 6,500 permanent  
4 supportive housing units as a proven solution for meeting the housing and services needs  
5 of those who are chronically homelessness; and

6 WHEREAS, the City recognizes the importance of using a “Housing First” approach in the  
7 development of permanent housing for those experiencing homelessness that prioritizes  
8 providing access to low or no barrier housing for such persons; and

9 WHEREAS, the affordable housing crisis, homelessness emergency, and now the COVID-19  
10 pandemic and related economic and unemployment emergencies, in Seattle are deeply  
11 impacting the lives of people throughout Seattle and the region and disproportionately  
12 harms people of color, immigrants, the LGBTQ community, indigenous peoples’  
13 communities, disabled community members, and women, who already struggle against  
14 entrenched inequality; and

15 WHEREAS, the International Monetary Fund’s recent World Economic Outlook forecasts the  
16 worst global recession since the Great Depression; and

17 WHEREAS, the City Budget Office’s recent economic forecast for the Seattle metropolitan area  
18 predicts significant job loss, high unemployment, and declining per capita income; and

19 WHEREAS, the City Budget Office projects the City’s revenue will be impacted by between  
20 \$210 million to \$300 million in 2020; and

21 WHEREAS, a significant decline in revenue will impact the City’s ability to provide necessary  
22 support to communities facing hardship due to the COVID-19 public health crisis and  
23 recession and to adequately address the ongoing homelessness crisis; and

1 WHEREAS, the period of economic recovery from the Great Recession resulted in worsening  
2 economic disparities in Washington, and households in experiencing deep poverty  
3 increased by 15,000 in the state; and

4 WHEREAS, the economic hardships and loss of wealth resulting from the Great Recession  
5 disproportionately impacted households of color, in particular Black households and  
6 Hispanic and Latinx households; and

7 WHEREAS, the gains in income growth associated with the period of economic recovery and  
8 growth in Washington leading up to the COVID-19 recession have been concentrated  
9 among the wealthiest households; and

10 WHEREAS, public investments have not kept pace with the growing economy, and in fact have  
11 declined from pre-Great Recession levels; and

12 WHEREAS, austerity measures and spending cuts made in response to the Great Recession  
13 resulted in uneven and slow economic recovery, and prolonged hardship for vulnerable  
14 and marginalized communities; and

15 WHEREAS, Washington ranks as worst in the nation for regressive state and local tax systems;  
16 and

17 WHEREAS, the U.S. Internal Revenue Service states that “a progressive tax takes a larger  
18 percentage of income from high-income groups than from low-income groups and is  
19 based on the concept of ability to pay”; and

20 WHEREAS, on November 20, 2017, the City Council unanimously adopted Resolution 31782,  
21 establishing a process by which The City of Seattle will determine new progressive  
22 revenues including an Employee Hours Tax, expressing the City Council’s intent to  
23 impose such potential revenues, and expressing the City Council’s intent to make

investments with these revenues that would assist people who are homeless or at a high risk of becoming homeless in obtaining and retaining stable housing; and

WHEREAS, Resolution 31782 established a Progressive Revenue Task Force (“Task Force”)

and requested that the Task Force evaluate and determine “appropriate tax rates and possible exemption levels that are expected to yield between \$25 million and \$75 million in revenue per year”; and

WHEREAS, the Progressive Revenue Task Force’s March 9, 2018, final report recommended that the City seek to collect \$75 million from a new Employee Hours Tax, a new Payroll Tax, or both to address homelessness and affordable housing; and

WHEREAS, the City imposed an Employee Hours Tax through Ordinance 125578 that would have raised \$47 million annually plus a measure of inflation; and

WHEREAS, the City repealed the Employee Hours Tax through Ordinance 125592; and

WHEREAS, The City of Seattle intends to exercise its taxing authority, as granted by the Washington State Constitution and as authorized by the Washington State Legislature;

NOW, THEREFORE,

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

Section 1. A new Chapter 5.38 is added to the Seattle Municipal Code as follows:

**Chapter 5.38 PAYROLL EXPENSE TAX**

**5.38.010 Administrative provisions**

All of the provisions contained in Chapter 5.55 shall have full force and application with respect to taxes imposed under the provisions of this Chapter 5.38 except as may be expressly stated to the contrary herein.

**5.38.020 Definitions**

1 The definitions contained in Chapter 5.30 shall be fully applicable to this Chapter 5.38 except as  
2 may be expressly stated to the contrary herein. The following additional definitions shall apply  
3 throughout this Chapter 5.38:

4 “Business” has the same meaning as that term is defined in SMC 5.30.020. Depending on  
5 the context, “business” may also mean a person engaging in business in Seattle.

6 “Compensation” means remuneration as that term is defined in RCW 50A.05.010, net  
7 distributions, or incentive payments, including guaranteed payments, whether based on profit or  
8 otherwise, earned for services rendered or work performed, whether paid directly or through an  
9 agent, and whether in cash or in property or the right to receive property. “Compensation” does  
10 not include payments to an owner of a pass-through entity that are not earned for services  
11 rendered or work performed, such as return of capital, investment income, or other income from  
12 passive activities.

13 “Employee” means any individual who performs work, labor, or personal services of any  
14 nature for compensation paid by a business. For purposes of this Chapter 5.38, the term  
15 “employee”:

16 1. Includes individuals who are members of limited liability companies, members of  
17 professional limited liability companies, partners, other owners of pass-through entities, and sole  
18 proprietors; and

19 2. Includes individuals who would be considered to be independent contractors for  
20 purposes of the business license tax under subsection 5.45.090.S.

21 “Grocery business” means:

22 1. A business whose primary business is making retail sales of food and food  
23 ingredients to consumers that are exempt from the retail sales tax under RCW 82.08.0293; and



2. A business whose primary business is making wholesale sales of food and food ingredients that will be exempt from the retail sales tax under RCW 82.08.0293 when resold by the purchaser.

For subsections (1) and (2) of this definition, “primary business” means that 70 percent of the gross income of the business for purposes of calculating the business license tax under Chapter 5.45 is attributable to that business activity.

“Local government entity” has the same meaning as that term is defined in RCW 4.96.010.

“Net distribution” means the draws from net income by any owner of a pass-through entity. Taxable distributions are limited by the amount of draws or net income for that owner, whichever is less. If the owner’s draw exceeds that individual’s net profit, the excess draw is a return of capital. A return of capital is not taxable because it is a liquidation of an owner’s assets.

“Pass-through entity” includes a trust, partnership, corporation described in Subchapter S of the Internal Revenue Code of 1986, as amended, limited liability company, limited liability partnership, professional corporation, and any other person or entity which is not subject to the income tax imposed by Subtitle A, Chapter 1 of the Internal Revenue Code of 1986, as amended, or which is allowed a deduction in computing such tax for distributions to the owners or beneficiaries of such person or entity.

“Payroll expense” means the compensation paid in Seattle to employees. Compensation is paid in Seattle to an employee if:

- a. The employee is primarily assigned within Seattle;

b. The employee is not primarily assigned to any place of business for the tax period and the employee performs fifty percent or more of his or her service for the tax period in Seattle; or

c. The employee is not primarily assigned to any place of business for the tax period, the employee does not perform fifty percent or more of his or her service in any city, and the employee resides in Seattle.

“Primarily assigned” means the business location of the taxpayer where the employee performs his or her duties.

“Remuneration” has the same meaning as that term is defined in RCW 50A.05.010.

“Taxpayer” means any person who engages in any business in Seattle or who performs any act for which a tax is imposed under this Chapter 5.38.

#### **5.38.030 Tax imposed—Rate**

A. A payroll expense tax is hereby levied upon and shall be collected from every person engaging in business within Seattle.

B. The amount of the payroll expense tax due shall be the payroll expense of the business, subject to any deductions authorized under this Chapter 5.38, multiplied by the following rates:

1. For businesses with payroll expense between \$7,000,000 and \$1 billion, the rate shall be:

a. .007 of the payroll expense of employees with annual compensation of \$150,000 to \$499,999; and

b. .014 of the payroll expense of employees with annual compensation of \$500,000 or more.

2. For businesses with payroll expense greater than \$1 billion, the rate shall be:

a. .014 of the payroll expense of employees with annual compensation of \$150,000 to \$499,999; and

b. .021 of the payroll expense of employees with annual compensation of \$500,000 or more.

C. The tax imposed by this Chapter 5.38 is levied on businesses. A business may not make any deductions from employees' compensation to pay for this tax.

#### **5.38.040 Exemptions from the payroll expense tax**

A. The following are exempt from the payroll expense tax:

1. Any business having payroll expense, as defined under subsection 5.38.020, of less than \$7 million in the most recent complete calendar year.

2. Any business engaged in business in Seattle as a grocery business.

3. Any individual who is an independent contractor for purposes of the business license tax under Section 5.45.090.S and whose compensation is included in the payroll expense of another business subject to the tax imposed by Section 5.38.030.

4. Businesses that are preempted from taxation by cities pursuant to federal or state statutes or regulations, including, but not limited to, the following:

a. Insurance businesses and their agents as defined by RCW 48.01.050 and 48.17.010, respectively, and whose total revenue is exempt from the business license tax per Chapter 5.45.

b. Businesses that only sell, manufacture, or distribute motor vehicle fuel as defined in RCW 82.38.020 and exempted under RCW 82.38.080.

1 c. Businesses that only distribute or sell liquor as defined in RCW  
2 66.04.010 and exempted in RCW 66.08.120.

3 d. Federal and state government agencies and any local governmental  
4 entity.

5 **5.38.050 Allocation and apportionment**

6 A. The Director may adopt procedures to allow taxpayers who have payroll expenses  
7 consisting of work done and services provided within and outside Seattle to use a representative  
8 test period or conduct a survey based on factual data to arrive at a formula with which to  
9 calculate the percentage of payroll expense attributable to Seattle. Any formula so established  
10 will be subject to review and correction by the Director.

11 B. If payroll expense as defined in 5.38.020 does not fairly represent the extent of the  
12 compensation paid by the taxpayer to its employees that is attributable to work performed or  
13 services rendered in Seattle, the taxpayer may petition the Director for, or the Director may  
14 require, the employment of another method to effectuate an equitable allocation and  
15 apportionment.

16 C. Nothing in this Chapter 5.38 shall be construed as requiring the payment of any tax for  
17 engaging in business when such payment would be in violation of the Constitution or a statute of  
18 the United States or of the Constitution or a statute of the State of Washington. Notwithstanding  
19 anything to the contrary herein, if imposition of the City's tax would place an undue burden upon  
20 interstate commerce or violate other constitutional requirements, a taxpayer shall be allowed a  
21 credit to the extent necessary to preserve the validity of the City's tax, and still apply the City's  
22 tax to as much of the taxpayer's activities as may be subject to the City's taxing authority.

D. Businesses engaging temporary or contracted employees shall report and pay the tax on the payroll expense of such temporary or contracted employees, whether or not they are from an employment agency.

#### **5.38.060 Payroll Expense Tax —When due**

The payroll expense tax imposed by this Chapter 5.38 shall be due and payable on a quarterly basis in accordance with Section 5.55.040. Notwithstanding Section 5.55.040, the tax due for 2021 shall be payable on the same date that the tax payment for the fourth quarter of 2021 is due.

The Director may use discretion to assign businesses to an annual reporting period. Forms for such filings shall be prescribed by the Director. Persons discontinuing their business activities in Seattle shall report and pay the payroll expense tax at the same time as they file their final business license tax return under Chapter 5.45.

#### **5.38.070 Adjustments for inflation**

A. Beginning on January 1, 2022, and on January 1 of every year thereafter, the Director shall adjust in the manner described in subsection 5.38.070.B the following dollar amounts:

1. The amount of the dollar thresholds in section 5.38.030; and
2. The amount of the exemption in subsection 5.38.040.A.1.

B. The amounts listed in subsection 5.38.070.A shall increase commensurate with the rate of growth of the prior year's June-to-June consumer price index (CPI-U) for the Seattle-Tacoma-Bellevue area as published by the United States Department of Labor. The amounts calculated shall be rounded to the nearest whole dollar.

#### **5.38.080 Tax in addition to other license fees or taxes**

The tax imposed herein shall be in addition to any license fee or tax imposed or levied under any other law, statute, or ordinance whether imposed or levied by the City, the State, or other governmental entity or political subdivision.

#### **5.38.090 Tax part of operating overhead**

It is not the intention of this Chapter 5.38 that the taxes herein levied upon persons engaging in business be construed as taxes upon the customers of such businesses, but that taxes shall be levied upon, and collectible from, the person engaging in the business activities herein designated and that such taxes or fees shall constitute a part of the operating overhead or cost of doing business of such persons.

#### **5.38.100 Maintaining a Level Playing Field**

To maintain a level playing field for the payroll excise tax imposed in this Chapter 5.38, the Council intends to monitor proposals for any taxes imposed by King County or the State of Washington on progressive revenue, including payroll excise taxes. The City intends to work with King County and the State of Washington to consider amendments to the tax imposed by this Chapter 5.38 in the event that businesses become subject to a future significant progressive taxes at the county or state level.

#### **5.38.110 Rules and regulations**

The Director shall adopt, publish, and enforce rules and regulations not inconsistent with this Chapter 5.38 for the purpose of carrying out the provisions of this Chapter 5.38, including but not limited to rules to determine the payroll expense attributable to work performed and services rendered by employees in Seattle.

#### **5.38.120 Sunset**

For all periods from January 1, 2021 through December 31, 2030 a payroll expense tax as imposed by this chapter is hereby levied. No business shall owe a payroll expense tax for payroll

expenses after December 31, 2030 and this Chapter 5.38 shall be limited to determining and collecting the payroll expense tax due for all business activities prior to December 31, 2030.

Section 2. Section 5.30.010 of the Seattle Municipal Code, last amended by Ordinance 125934, is amended as follows:

**5.30.010 Definition provisions**

The definitions contained in this Chapter 5.30 shall apply to the following chapters of the Seattle Municipal Code: Chapters 5.32 (Amusement Devices), 5.35 (Commercial Parking Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.47 (Heating Oil Tax), 5.48 (Business Tax—Utilities), 5.50 (Firearms and Ammunition Tax), 5.52 (Gambling Tax), 5.53 (Sweetened Beverage Tax), and 5.55 (General Administrative Provisions) unless expressly provided for otherwise therein, and shall also apply to other chapters and sections of the Seattle Municipal Code in the manner and to the extent expressly indicated in each chapter or section. Words in the singular number shall include the plural and the plural shall include the singular. Words in one gender shall include all other genders.

Section 3. Subsections 5.30.060.B and 5.30.060.C of the Seattle Municipal Code, which section was last amended by Ordinance 125934, is amended as follows:

**5.30.060 Definitions, T—Z**

\* \* \*

B. “Taxable gross income of the business and the value of products,” as used in Section 5.55.030 to determine the business license tax certificate fee, and “taxable gross income” ~~((means))~~ mean the taxpayer’s total amount of gross proceeds of sale, gross income of the

business, and the value of products, less any deductions available to the taxpayer under Chapter 5.45.

C. “Taxpayer” means any “person,” as herein defined, required by Chapter 5.55 to have a business license tax certificate, or liable for any license, tax, or fee, or for the collection of any tax or fee, under Chapters 5.32 (Revenue Code), 5.35 (Commercial Parking Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.47 (Heating Oil Tax), 5.48 (Business Tax—Utilities), 5.50 (Firearms and Ammunition Tax), 5.52 (Gambling Tax), and 5.53 (Sweetened Beverage Tax), or who engages in any business or who performs any act for which a tax or fee is imposed under those chapters.

\* \* \*

Section 4. Section 5.55.010 of the Seattle Municipal Code, which was last amended by Ordinance 125934, is amended as follows:

**5.55.010 Application of chapter stated**

Unless expressly stated to the contrary in each chapter, the provisions of this Chapter 5.55 shall apply with respect to the licenses and taxes imposed under this Chapter 5.55 and Chapters 5.32 (Amusement Devices), 5.35 (Commercial Parking Tax), 5.38 (Payroll Expense Tax ), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.47 (Heating Oil Tax), 5.48 (Business Tax—Utilities), 5.50 (Firearms and Ammunition Tax), 5.52 (Gambling Tax), 5.53 (Sweetened Beverage Tax), and under other titles, chapters, and sections in such manner and to such extent as indicated in each such title, chapter, or section.



Section 5. Subsection 5.55.040.A of the Seattle Municipal Code, which section was last amended by Ordinance 125934, is amended as follows:

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

A. Other than any annual license fee or registration fee assessed under this Chapter 5.55, the taxes imposed by Chapters 5.32 (Amusement Devices), 5.35 (Commercial Parking Tax), 5.38 (Payroll Expense Tax), 5.39 (Transportation Network Company Tax), 5.40 (Admission Tax), 5.45 (Business License Tax), 5.46 (Square Footage Tax), 5.47 (Heating Oil Tax), 5.48 (Business Tax—Utilities), 5.50 (Firearms and Ammunition Tax), 5.52 (Gambling Tax), and 5.53 (Sweetened Beverage Tax) shall be due and payable in quarterly installments. The Director may use discretion to assign businesses to a monthly or annual reporting period depending on the tax amount owing or type of tax. Taxes imposed by subsections 5.52.030.A.2 and 5.52.030.B.2 for punch boards and pull-tabs shall be due and payable in monthly installments. Tax returns and payments are due on or before the last day of the next month following the end of the assigned reporting period covered by the return.

\* \* \*

Section 6. Subsection 5.55.060.A of the Seattle Municipal Code, which section was last amended by Ordinance 125934, is amended as follows:

**5.55.060 Records to be preserved—Examination—Inspection—Search warrants—Estoppel to question assessment**

A. Every person liable for any fee or tax imposed by this Chapter 5.55 and Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, and 5.53 shall keep and preserve, for a period of five years after filing a tax return, such records as may be necessary to determine the

1 amount of any fee or tax for which the person may be liable; which records shall include copies  
2 of all federal income tax and state tax returns and reports made by the person. All books, records,  
3 papers, invoices, ticket stubs, vendor lists, gambling games, and payout information, inventories,  
4 stocks of merchandise, and other data, including federal income tax and state tax returns, and  
5 reports needed to determine the accuracy of any taxes due, shall be open for inspection or  
6 examination at any time by the Director or a duly authorized agent. Every person's business  
7 premises shall be open for inspection or examination by the Director or a duly authorized agent.  
8 For the purposes of this Section 5.55.060, for the tax imposed by Chapter 5.53, "business  
9 premises" means wherever the person's business records and tax documents are maintained and  
10 does not mean every site owned or operated by the person.

11 \* \* \*

12 Section 7. Subsection 5.55.150.E of the Seattle Municipal Code, which section was last  
13 amended by Ordinance 125934, is amended as follows:

14 **5.55.150 Appeal to the Hearing Examiner**

15 \* \* \*

16 E. The Hearing Examiner shall ascertain the correct amount of the tax, fee, interest, or  
17 penalty due either by affirming, reversing, or modifying an action of the Director. Reversal or  
18 modification is proper if the Director's assessment or refund denial violates the terms of this  
19 Chapter 5.55, or Chapters 5.30, 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, or  
20 5.53.

21 \* \* \*

22 Section 8. Section 5.55.165 of the Seattle Municipal Code, which section was last  
23 amended by Ordinance 125934, are amended as follows:

**5.55.165 Director of Finance and Administrative Services to make rules**

The Director of Finance and Administrative Services shall have the power and it shall be the Director's duty, from time to time, to adopt, publish, and enforce rules and regulations not inconsistent with this Chapter 5.55, with Chapters 5.30, 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.47, 5.46, 5.48, 5.50, 5.52, or 5.53, or with law for the purpose of carrying out the provisions of such chapters, and it shall be unlawful to violate or fail to comply with any such rule or regulation.

Section 9. Subsections 5.55.220.A and 5.55.220.B of the Seattle Municipal Code, which section was last amended by Ordinance 125934, are amended as follows:

**5.55.220 Unlawful actions—Violation—Penalties**

A. It shall be unlawful for any person subject to the provisions of this Chapter 5.55 or Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, and 5.53:

1. To violate or fail to comply with any of the provisions of this Chapter 5.55, or Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, and 5.53, or any lawful rule or regulation adopted by the Director;

2. To make or manufacture any license required by this Chapter 5.55 except upon authority of the Director;

3. To make any false statement on any license, application, or tax return;

4. To aid or abet any person in any attempt to evade payment of a license fee or tax;

5. To refuse admission to the Director to inspect the premises and/or records as required by this Chapter 5.55, or to otherwise interfere with the Director in the performance of duties imposed by Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, and 5.53;

6. To fail to appear or testify in response to a subpoena issued pursuant to Section 3.02.120 in any proceeding to determine compliance with this Chapter 5.55 and Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, and 5.53;

7. To testify falsely in any investigation, audit, or proceeding conducted pursuant to this Chapter 5.55;

8. To continue to engage in any business activity, profession, trade, or occupation after the revocation of or during a period of suspension of a business license tax certificate issued under Section 5.55.030; or

9. In any manner, to hinder or delay the City or any of its officers in carrying out the provisions of this Chapter 5.55 or Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, and 5.53.

B. Each violation of or failure to comply with the provisions of this Chapter 5.55, or Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, or 5.53 shall constitute a separate offense. Except as provided in subsection 5.55.220.C, any person who commits an act defined in subsection 5.55.220.A is guilty of a gross misdemeanor, punishable in accordance with Section 12A.02.070. The provisions of Chapters 12A.02 and 12A.04 apply to the offenses defined in subsection 5.55.220.A, except that liability is absolute and none of the mental states described in Section 12A.04.030 need be proved.

\* \* \*

Section 10. Subsection 5.55.230.A of the Seattle Municipal Code, which section was last amended by Ordinance 125934, is amended as follows:

**5.55.230 Denial, revocation of, or refusal to renew business license tax certificate**

A. The Director, or the Director's designee, has the power and authority to deny, revoke, or refuse to renew any business license tax certificate or amusement device license issued under the provisions of this Chapter 5.55. The Director, or the Director's designee, shall notify such applicant or licensee in writing by mail in accordance with Section 5.55.180 of the denial of, revocation of, or refusal to renew the license and on what grounds such a decision was based. The Director may deny, revoke, or refuse to renew any business license tax certificate or other license issued under this Chapter 5.55 on one or more of the following grounds:

1. The license was procured by fraud or false representation of fact.
2. The licensee has failed to comply with any provisions of this Chapter 5.55.
3. The licensee has failed to comply with any provisions of Chapters 5.32, 5.35, 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, 5.52, or 5.53.
4. The licensee is in default in any payment of any license fee or tax under Title 5 or Title 6.

\* \* \*

Section 11. Subsection 6.208.020.A of the Seattle Municipal Code, which section was last amended by Ordinance 125934, is amended as follows:

**6.208.020 Denial, revocation of, or refusal to renew business license**

A. In addition to any other powers and authority provided under this Title 6, the Director, or the Director's designee, has the power and authority to deny, revoke, or refuse to renew any business license issued under the provisions of this Chapter 6.208. The Director, or the Director's designee, shall notify such applicant or licensee in writing by mail of the denial, revocation of, or refusal to renew the license and on what grounds such a decision was based.

1 The Director may deny, revoke, or refuse to renew any license issued under this Chapter 6.208  
2 on one or more of the following grounds:

- 3 1. The license was procured by fraud or false representation of fact.
- 4 2. The licensee has failed to comply with any provisions of this Chapter 6.208.
- 5 3. The licensee has failed to comply with any provisions of Chapters 5.32, 5.35,  
6 5.38, 5.39, 5.40, 5.45, 5.46, 5.47, 5.48, 5.50, or 5.52.
- 7 4. The licensee is in default in any payment of any license fee or tax under Title 5  
8 or Title 6.
- 9 5. The property at which the business is located has been determined by a court to  
10 be a chronic nuisance property as provided in Chapter 10.09.
- 11 6. The applicant or licensee has been convicted of theft under subsection  
12 12A.08.060.A.4 within the last ten years.
- 13 7. The applicant or licensee is a person subject within the last ten years to a court  
14 order entering final judgment for violations of chapters 49.46, 49.48, or 49.52 RCW, or 29  
15 U.S.C. 206 or 29 U.S.C. 207, and the judgment was not satisfied within 30 days of the later of  
16 either: a. The expiration of the time for filing an appeal from the final judgment order under the  
17 court rules in effect at the time of the final judgment order; or b. If a timely appeal is made, the  
18 date of the final resolution of that appeal and any subsequent appeals resulting in final judicial  
19 affirmation of the findings of violations of chapters 49.46, 49.48, or 49.52 RCW, or 29 U.S.C.  
20 206 or 29 U.S.C. 207.
- 21 8. The applicant or licensee is a person subject within the last ten years to a final  
22 and binding citation and notice of assessment from the Washington Department of Labor and  
23 Industries for violations of chapters 49.46, 49.48, or 49.52 RCW, and the citation amount and

1 penalties assessed therewith were not satisfied within 30 days of the date the citation became  
2 final and binding.

3 9. Pursuant to subsections 14.16.100.A.4, 14.17.075.A, 14.19.100.A.4,  
4 14.20.080.A.4, 14.22.115.A.4, and 14.23.115.A.4, the applicant or licensee has failed to comply,  
5 within 30 days of service of any settlement agreement, with any final order issued by the  
6 Director of the Office of Labor Standards, or any final order issued by the Hearing Examiner  
7 under Chapters 14.16, 14.17, 14.19, 14.20, 14.22, and 14.23 for which all appeal rights have  
8 been exhausted, and the Director of the Office of Labor Standards has requested that the Director  
9 deny, refuse to renew, or revoke any business license held or requested by the applicant or  
10 licensee. The denial, refusal to renew, or revocation shall remain in effect until such time as the  
11 violation(s) under Chapters 14.16, 14.17, 14.19, 14.20, 14.22, and 14.23 are remedied.

12 10. The business is one that requires an additional license under this Title 6 and  
13 the business does not hold that license.

14 11. The business has been determined under a separate enforcement process to be  
15 operating in violation of law

16 \* \* \*

17 Section 12. Severability. If any part, provision, or section of this ordinance is held to be  
18 void or unconstitutional, all other parts, provisions, and sections of this ordinance not expressly  
19 so held to be void or unconstitutional shall continue in full force and effect.

20 Section 13. Sections 1 through 11 of this ordinance shall take effect on January 1, 2021.

21 Section 14. This ordinance shall take effect and be in force 30 days after its approval by  
22 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it  
23 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

1 Passed by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2020,  
2 and signed by me in open session in authentication of its passage this \_\_\_\_\_ day of  
3 \_\_\_\_\_, 2020.

4 President \_\_\_\_\_ of the City Council

5 Approved by me this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

6 \_\_\_\_\_  
7 Jenny A. Durkan, Mayor

8 Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

9 \_\_\_\_\_  
10 Monica Martinez Simmons, City Clerk

11 (Seal)





## Legislation Text

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**File #:** Inf 1653, **Version:** 1

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Understanding Other Cities' Responses to Defunding Existing Police Budgets