Legislation Details (With Text)

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Type:	Ordinance (Ord)	**Status:**	Passed
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On agenda:	7/6/2020		
Final Action:	7/17/2020	**Ord. No.**	Ord 126109
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 119810 establishing an oversight committee; and adding a new Section 3.35.100 to the Seattle Municipal Code.		
Sponsors:	Teresa Mosqueda, M. Lorena González, Lisa Herbold, Dan Strauss, Andrew Lewis		
Indexes:			
Attachments:	1. Att 1 - Proposed Spending Plan, 2. Summary and Fiscal Note, 3. Central Staff Memo, 4. Proposed Substitute for CB 119811, 5. Amendment 1 to Proposed Substitute (Pedersen), 6. Amendment 2 to Proposed Substitute (Pedersen), 7. Mayor's Letter on Returning Unsigned, 8. Signed Ordinance 126109, 9. Affidavit of Publication		

Date	Ver.	Action By	Action	Result
7/17/2020	2	City Clerk	attested by City Clerk	
7/17/2020	2	Mayor	returned	
7/17/2020	2	Mayor	returned unsigned	
7/8/2020	2	City Clerk	submitted for Mayor's signature	
7/6/2020	2	City Council	passed	Pass
7/1/2020	1	Select Budget Committee	pass as amended	Pass
6/22/2020	1	City Council	referred	
6/19/2020	1	Council President's Office	sent for review	
6/18/2020	1	City Clerk	sent for review	

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

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 119810 establishing an oversight committee; and adding a new Section 3.35.100 to the Seattle Municipal Code.

WHEREAS, the City Council ("Council") adopted the ordinance introduced as Council Bill 119810, authorizing the collection of a new payroll expense tax ("payroll tax") to be imposed beginning January

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2021; 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

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 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

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 LGBTQ community, indigenous peoples' communities, disabled community members, and women,

who already struggle against entrenched inequality; and

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

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

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

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

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

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

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

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

WHEREAS, in addition to increasing investments to support programs that provide housing security and that

increase the supply of affordable housing, the Council is committed to pursuing additional strategies, such as changes to development regulations and permit review processes, to reduce the time and costs of building affordable housing; and

WHEREAS, in October 2016, the Council adopted, with the Mayor concurring, Resolution 31712, endorsing community principles for green jobs, defining a green job as one that preserves or enhances environmental health as well as the economic and social well-being of people and communities, centers on communities most negatively impacted by climate change, and pays a living wage while providing career pathways; and

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

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

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

WHEREAS, the new tax will generate significant funds that will increase the construction and preservation of new permanently affordable housing units for low-income households to address the housing affordability and homelessness crisis, will contribute to reducing Seattle's climate pollution, and will in the process support living-wage jobs, and in doing so will help the City make the necessary changes to shift Seattle's economy to be more equitable and ecologically sustainable; and

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

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

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

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

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

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

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

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

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

G. The COVID-19 crisis has had a significant impact on the local economy impacting the retail, restaurant, construction, gig economy, and other industries resulting in layoffs and reduced work hours for a

significant percentage of this workforce and loss of income for small businesses. These impacts are being felt most strongly by low income workers, people of color, immigrants, and members of the LGBTQIA community, who have become unemployed or had their work hours severely reduced and will have both immediate and long-term impacts.

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

I. Providing financial assistance to small business owners and operators is necessary to prevent small businesses from having to close permanently due to the hardship associated with government-mandated full or partial closure of their businesses, or requirements to implement new businesses practices and physical modifications to the business to meet public health guidance, during and after the COVID-19 crisis. Such assistance shall 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.

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

necessary to help meet their basic needs and to help minimize impacts to public health as well as the local economy.

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

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

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

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

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

P. Investments in the programs and services described in this ordinance will help counteract the economic and health impacts caused by the COVID-19 crisis by investing in low-income communities, small

businesses, and other services that will continue to be needed in 2021 and beyond by people who saw significant reductions in income due to employment changes and business closures or reductions stemming from the crisis.

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

R. 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.

S. The City will impose a new payroll tax through Council Bill 119810 that is expected to provide new and sufficient revenues to allow the City, in 2021, to replenish emergency funds used in 2020 to make public assistance available to households most impacted by the COVID-19 civil emergency and to provide resources to maintain services and provide longer terms solutions to address the inequities exacerbated by the COVID-19 crisis.

Section 2. Proceeds from the new payroll tax imposed by the ordinance introduced as Council Bill 119810 may only be used as described in subsections 2.A and 2.B of this ordinance. The programs funded in this spending plan may be used to provide assistance to low income people who live or work in Seattle. The Council intends to adopt by resolution or through adoption of the annual budget, spending details by year and program area to provide: (1) specific allocations of funds for each program area based on the anticipated annual revenue from the payroll tax authorized by the ordinance introduced as Council Bill 119810; and (2) programmatic details such as incomes levels served by proposed housing investments. The spending plan may be amended from time to time by the City Council by ordinance.

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

1. To administer the payroll tax authorized by the ordinance introduced as Council Bill 119810 and to administer the investments described in subsections 2.A.2 and 2.A.3 of this ordinance.

2. To (1) 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 (2) funding to support increased costs and the expansion of services and programs administered or funded by the City that support low-income communities, immigrant and refugee communities, people experiencing homelessness or housing insecurity, people experiencing food insecurity, and to fund other City programs and services that address the needs of low-income households and small businesses. It is the Council's intent that funding is prioritized for investments in services and programs that service lower-income neighborhoods.

3. To extend funding for programs and services that received funding in 2020 as described in the ordinance introduced as Council Bill 119812.

B. In all subsequent years, the proceeds from the payroll tax will be allocated as described in the resolution intended by this section or through adoption of the annual budget and further described in an implementation plan adopted by the City Council biennially, with the first plan adopted in 2021 for spending in years 2022 and 2023. The intent is to use the proceeds from the payroll tax authorized by the ordinance introduced as Council Bill 119810 as follows:

1. To administer and evaluate the effectiveness of the payroll tax authorized by the ordinance introduced as Council Bill 119810, to administer the investments described in subsections 2.B.2 through 2.B.5 of this ordinance, and to evaluate the effectiveness of at least those investments described in subsection 2.B.4 of this ordinance.

2. Housing and services. To support (1) capital costs associated with the construction or acquisition of 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); (3) associated infrastructure to support the ongoing operations costs for the housing, such as maintenance, retrofitting, and energy efficient upgrades to support the housing; and (4) rental assistance programs.

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

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

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

and disposition processes.

3. To support the Equitable Development Initiative (EDI). Funding may be used to support community-initiated equitable development projects that advance economic mobility and opportunity, prevent residential, commercial, and cultural displacement, build on local cultural assets, promote transportation mobility and connectivity, develop healthy and safe neighborhoods, and enable equitable access to all neighborhoods.

4. To support local businesses and tourism to spur the local economic recovery, and to provide economic stability for the city's workforce.

5. For investments that advance Seattle's Green New Deal as described in Resolution 31895. Investments should be prioritized in communities historically most harmed by economic, racial, and environmental injustice.

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;

B. Proposed outcomes for each funded program or service and the tracking and evaluation framework to measure actual results as compared to the proposed outcomes and to implement improvements as needed;

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

D. Proposed policies for implementing and evaluating the effectiveness of funded programs or services;

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

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

The Executive, with the support of the Seattle Office for Civil Rights, will conduct racial equity analysis

on the proposed implementation plan prior to submittal to the City Council. The completion of this analysis should not delay submittal of the Implementation Plan by June 30, 2021. The Executive is expected to work cooperatively with the City Council in the development of this implementation plan to ensure it is consistent with the proposed spending plan.

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

3.35.100 Payroll Tax Oversight Committee

A. There is established an Oversight Committee for the purpose of providing oversight on the services and programs supported by the payroll tax and the impacts of this tax on the number of jobs and businesses in the City, and other data that directly relates to measuring the impact of this tax on the City's economy. The Oversight Committee shall provide an annual report that provides this information to the Mayor and the City Council. The Oversight Committee shall consult with the Coalition of City Unions, Small Business Advisory Council, Housing Levy Oversight Committee, the Green New Deal Oversight Board and other oversight bodies that monitor programs and services similar to those supported by the payroll tax. The Committee may elect officers and establish rules of procedure, including what shall constitute a quorum. The Director of Neighborhoods or such other department head as may be designated by the Mayor shall provide the Committee such information as is necessary for the Committee to determine the status of individual programs and projects.

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

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

2. Positions 3 and 4 shall represent labor.

3. Positions 5 and 6 shall represent business.

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4. Positions 7 and 8 shall represent community organizations that reflect the diversity of the City.

5. Position 9 shall represent communities that will benefit from the proposed spending.

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

C. No more than one committee members appointed by the Mayor and no more than one committee members appointed by the City Council shall be an officer, director, board member, trustee, partner, or employee of an entity that receives or competes for funding under this ordinance; or be a member of the immediate family of, or an individual residing with, an 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 3.35.100, 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 Neighborhood's budget for this purpose. No money may be expended for services rendered prior to a request being filed with and approved by the Director.

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

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Filed by me this _____ day of _____, 2020.

_____

Monica Martinez Simmons, City Clerk

(Seal)