



Legislation Text

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CITY OF SEATTLE

RESOLUTION _____

A RESOLUTION establishing spending details by year and program area for the spending plan adopted by the ordinance introduced as Council Bill 119811 that established the authorized uses of the proceeds generated from the payroll expense tax authorized by the ordinance introduced as Council Bill 119810.

WHEREAS, on July 6, 2020, the City Council (“Council”) adopted the ordinance introduced as Council Bill (CB) 119810, 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 \$214.3 million in proceeds in 2021, as shown in the spending plan included as Attachment 1 to this ordinance; and

WHEREAS, on July 6, 2020, the Council adopted the ordinance introduced as CB 119811, establishing the categories of spending authorized for use of the proceeds generated from the payroll tax; 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, the City is committed to advocating and working with public and private funders of housing to modify housing policies to support development of housing with enhanced green building and labor standards; 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 new payroll tax 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 and businesses 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; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THAT:

Section 1. Proceeds from the new payroll tax imposed by the ordinance introduced as CB 119810 may only be used for investments in the spending categories established in the ordinance introduced as CB 119811 and as further described in this resolution and summarized in Attachment 1 to this resolution. The Council intends that the investments described in this resolution are equitably distributed throughout the City, including funding programs serving low-wage working people, families, and individuals, homeless individuals and families, Black, Indigenous, People of Color (BIPOC) and other historically marginalized communities who have faced barriers to equitable access to housing, employment, and other opportunities, and small businesses owners, who live or work in neighborhoods across the City.

A. In 2021, the first \$86 million may be used 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. Up to five percent to administer the payroll tax and to administer the investments described in subsections 1.A.2 and 1.A.3 of this resolution. If less than five percent of remaining funds are needed for implementation and administration, any remaining funds may be used for other programs and services

described in subsections 1.A.2 through 1.A.3 of this resolution.

2. Seventy-five percent may be used 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. Twenty percent may be used 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 an implementation plan required by the ordinance introduced as CB 119811, with the first plan adopted in 2021 for spending in years 2022 and 2023. The intent is to allocate funding as follows:

1. Administration. Up to five percent of the proceeds may be used to administer the payroll tax and to administer the investments described in subsections 1.B.2 through 1.B.5 of this resolution, and to evaluate the effectiveness of at least those investments described in subsection 1.B.4 of this resolution. If less than five percent of remaining funds are needed for administration and evaluation, any remaining funds may be used for other programs and services described in subsections 1.B.2 through 1.B.5 of this resolution.

2. Housing and services. Sixty-two percent of the proceeds may be used as follows:

a. Eight-two percent of the funds for housing and services may be used for (1) capital costs associated with the construction or acquisition of rental housing serving households with incomes at or below 30 percent of area median income (AMI), but may be used to support housing serving households with incomes at or below 60 percent of AMI, when required to support the operational costs of a proposed housing

project. Such housing shall include, but is not limited to, housing serving 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 with incomes at or below 30 percent of 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. In addition, the Council requests that the Executive works with organizations representing renters and those representing landlords to determine the need for a new rental assistance program. This should include considering programs designed to: help those most in need, that reduce the application burden on tenants, that preserves the tenancy for the long-term and prevents evictions, that preserves naturally occurring, quality, affordable housing, and examines the role that smaller landlords may play in providing safe, affordable housing. A recommendation for such a program, including a cost/benefit analysis of investing in rental assistance and appropriate cap on the amount of rental assistance allowed from the underlying fund source, should be included in the implementation plan submitted to the Council in 2021, as required by the ordinance introduced as CB 119811; and

b. Thirteen percent of the funds for housing and services may be used for a community focused acquisition, development, and program support fund to affirmatively further fair housing and to address past discriminatory policies and practices, such as redlining, restrictive racial covenants, and other discriminatory practices that have resulted in certain populations and neighborhoods prospering at the expense of others. The goal is to create additional affordable units in the Central Area and other impacted communities within the first ten years. Such housing should include a mix of unit types (studios, and one-, two-, and three-bedroom units). Consistent with the City's Housing Funding Policies as adopted by Ordinance 125308 and amended by Ordinance 125852 in 2019, owners are required to affirmatively market affordable rental and homeownership housing, taking proactive steps to promote fair access and equal opportunity, so that individuals of similar economic levels in the same housing market area have a range of housing choices regardless of their race, familial status, disability or other protected class status. Owners shall require

community preference for a portion of the housing units to address displacement, provided it can be done consistent with fair housing legal principles. Housing owners with units subject to required tenant referral arrangements, including, for example King County's Coordinated Entry for All system, will continue to receive referrals through the system approved by service funders. The Office of Housing is expected to administer this fund in consultation with the Office of Planning and Community Development's Equitable Development Initiative (EDI) team, including seeking input from the permanent EDI advisory committee.

c. Five percent of the funds for housing and services may be used for permanently affordable homeownership opportunities serving households with incomes at or below 80 percent of AMI. Funds will assist households who are at risk of displacement from their communities or who have faced barriers to equitably accessing homeownership in all parts of the due to past discriminatory policies and practices, such as redlining, mortgage lending discrimination, or restrictive racial covenants. Funds may be used for homeowner loans, program support costs, or other costs related to the development of permanently affordable homes.

d. It is the Council's intent that new construction of housing projects funded with the payroll tax will be built consistent with the City's Housing Funding Policies as adopted by Ordinance 125852, and are consistent with the following:

i. 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.

ii. 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.

iii. 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.

iv. Housing projects funded entirely with this tax will be constructed with building systems that do not rely on the use of fossil fuels. Eliminating use of fossil fuels in building operations has strong climate benefits, such as reducing greenhouse gas emissions, but may result in higher construction costs. Because other funding sources that can leverage the City's investments in affordable housing often prioritize funding projects with lower construction costs, this requirement may impact the ability to compete for those funds. The City will work with other public and private entities that fund affordable housing development to align funding policies that support development of housing designed to reduce building emissions and reduce reliance on fossil fuels.

3. Equitable Development Initiative. Nine percent of the proceeds may be used 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. Funds would be appropriated to the Office of Planning and Community Development and allocated through the EDI's existing established funding process for awarding EDI grants. This funding may be used to support both the non-housing and affordable housing components of EDI projects; this shall include funding to support community

capacity development, real estate development, and other EDI grant categories. Investments in EDI projects that include an affordable housing component will be prioritized. In addition, criteria for distribution of this funding (or EDI funds) should include prioritizing projects sponsored by organizations with diverse representation on their boards, i.e. includes board members who reflect the communities these projects will serve.

4. Economic revitalization. Fifteen percent of the proceeds may be used to support local businesses and 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. This should include 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 and provide workforce training, and aligns with the Green New Deal (GND) spending category described in this resolution. This funding is intended to address the economic hardship small business owners and their employees, and nonprofit organizations and their employees, have experienced due to loss of business income, grant funding reductions, increased operational costs, etc., as a result of the COVID-19 emergency. 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 healthy family sustaining jobs, and advance the goals of the GND. 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, small businesses, and advocates for Seattle's GND, to develop the scope of work and to select a firm to carry out this work in 2022.

b. Funding to support worker training and retraining programs for workers (1) in industries disproportionately harmed by the economic impacts from the COVID-19 emergency; (2) entering new jobs industries that are growing or are expected in the future; and (3) who are in jobs that may be displaced

to due to implementation of new policies or regulations, such as workers whose jobs currently depend on the fossil fuel industry and whose jobs may be displaced as the City implements GND strategies. This should include programs that assist workers who are transitioning between professions to ensure that such a transition offers comparable or improved pay and benefits.

c. Funding to invest in nonprofits, micro businesses, small businesses, and mid-sized businesses disproportionately impacted by the COVID-19 crisis. Funding may also be used to support business organizations, and nonprofit organizations, for activities that enable those businesses or nonprofit organizations to stay in or, if already displaced, to return to their communities and promote and support business districts and tourism. Spending will focus on prioritizing an equitable distribution of these supports, with preference to fund businesses, business organizations, and nonprofit organizations:

i. That provide a safe, healthy, and economically beneficial working environment for their employees by providing a safe working environment that includes, but is not limited to: codes of conduct, health care benefits, educational benefits, retirement benefits, and living wage standards;

ii. From marginalized Seattle communities such as those led by Black, Indigenous, and People of Color (BIPOC), immigrant and refugee communities and those with limited English proficiency, LGBTQIA+ communities, and low-income communities;

iii. That have experienced economic hardships as a result of the COVID-19 emergency; and

iv. That have business models that support the City of Seattle's goals to eliminate climate pollution by 2030.

The Council intends that businesses, business organizations, and nonprofit organizations throughout the City will be eligible to apply and that the preference categories described in this resolution are not intended to dissuade any eligible business from applying for funds.

d. Funding to support outreach, education, and technical assistance programs to ensure

that businesses, business organizations, and nonprofit organizations are well positioned to compete for funding and to ensure that programs and services support the needs of these organizations.

5. Green New Deal. Nine percent of the proceeds may be used for investments that advance Seattle's Green New Deal (GND) as described in Resolution 31895. Specific investment proposals are expected to be informed by recommendations from the GND Oversight Board and stakeholders representing (1) communities historically most harmed by economic, racial, and environmental injustice; and (2) workers who are in jobs that may be displaced as a result of implementation of this resolution, along with their unions, to work with them on just transition recommendations that have the objective of eliminating economic harm to affected workers. Investments will focus on contracting with entities that provide a safe, healthy, and economically beneficial working environment and who adhere to labor laws and have a commitment to labor harmony for their employees and provide a path to living wage jobs. Investments will be prioritized in communities disproportionately burdened by pollution and environmental hazards identified through analysis of socioeconomic and population health risk factors. The specific program areas prioritized for use of these funds includes:

a. Transitioning housing units in single-family and multifamily residential buildings from the use of natural gas and heating oil to electricity, and other strategies to improve the overall energy efficiency of these buildings;

b. Investing in job training programs to equip workers with the necessary skills to thrive in a green economy and ensure a just transition for workers whose jobs currently depend on the fossil fuel industry or who have been impacted by the COVID-19 economic and unemployment crisis, and prepare new workers to support the transition to renewable energy jobs; and

c. Funding to support outreach, education, and technical assistance programs. The Executive is expected to partner with community based organizations to design and implement outreach, education, and technical assistance programs that have a history of trust and success in reaching low-income

and low-wage communities, Black, Indigenous (American Indian / Alaskan Native), and People of Color, and immigrant, refugee, and limited English proficiency communities.

d. Funding to support the GND Oversight Board, including staffing costs and providing compensation to board members if participation on the board presents a financial hardship, as described in Seattle Municipal Code subsection 3.14.979.E.

Section 2. 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 shall be provided by the Payroll Tax Oversight Committee pursuant to Section 3.35.100 of the Seattle Municipal Code.

Adopted by the City Council the _____ day of _____, 2020, and signed by me in open session in authentication of its adoption this _____ day of _____, 2020.

President _____ of the City Council

Filed by me this _____ day of _____, 2020.

Monica Martinez Simmons, City Clerk

(Seal)

Attachments:

Attachment 1: Proposed Spending Plan