



Legislation Text

File #: CB 120118, Version: 3

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

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

WHEREAS, on July 6, 2020 the City Council passed Ordinance 126108, imposing a progressive tax on

businesses with payrolls of \$7 million and higher annually (“Payroll Expense Tax”); and

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

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

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

WHEREAS, the post pandemic housing market provides opportunities to accelerate the acquisition and development of affordable housing. In response, the Council intends to consider providing direction and

increased resources, if needed, to the Office of Housing to use funds appropriated for affordable housing acquisition and development in the 2022 City Budget for projects that apply for funding through the Office of Housing’s 2021 Fall Notice of Funding Availability for the Rental Production Program; and

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

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

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

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

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

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. A new JumpStart Payroll Expense Tax Fund (“JumpStart Fund”) is created in the City Treasury effective January 1, 2022, to which proceeds remitted to The City of Seattle (“City”) from revenues collected from the Payroll Expense Tax imposed under Chapter 5.38 of the Seattle Municipal Code, except for

the revenues to support the expenditures in subsection 5.38.055.B.1, must be deposited, and from which expenditures may be paid for purposes described in Section 5.38.055 of the Seattle Municipal Code as added by this ordinance. The purpose of creating the JumpStart Fund is to separately account for revenues received from the tax and expended by City departments. The Fund shall receive earnings on its positive balances and pay interest on its negative balances. Revenues from the Payroll Expense Tax needed to support the expenditures in subsection 5.38.055.B.1 may be deposited into the General Fund.

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

5.38.055 Payroll expense tax - Allocation of proceeds

A. In any year where General Fund revenues from all sources approved as of January 1, 2020 are projected to be lower than \$1,510,029,000, an amount equal \$1,510,029,000 minus the projected General Fund collections from non-payroll expense tax sources may be transferred into the General Fund to support programs and services funded by the General Fund. Projected payroll expense tax revenues remaining after any transfer allowed by this subsection 5.38.055.A shall only be used to either expand existing programs or create new programs, including associated program cost increases, that are consistent with subsection 5.38.055.B, and the amounts may not be used to supplant appropriations from other funding sources.

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

1. Up to five percent of the annual JumpStart Fund revenue total is to administer and evaluate the effectiveness of the payroll expense tax authorized this Chapter 5.38, to administer the investments described in subsections 5.38.055.B.2 through 5.38.055.B.5, and to evaluate the effectiveness of at least those investments described in subsection 5.38.055.B.4. 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 5.38.055.B.2 through 5.38.055.B.5.

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

a. Eighty-two percent of the housing and services portion is allocated for: (i) 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; (ii) operating and services costs of rental housing serving households with incomes at or below 30 percent of AMI; and (iii) associated infrastructure to support the ongoing operations costs for the housing, such as maintenance, retrofitting, and energy efficient upgrades to support the housing.

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

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

3. Nine percent of the annual JumpStart Fund revenue total is to support the Equitable Development Initiative (EDI) that supports 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. Fifteen percent of the annual JumpStart Fund revenue total is to support local businesses and tourism to spur the local economic recovery, and to provide economic stability for the city's workforce.

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

C. Except as provided in subsection 5.38.055.A, all uses of Payroll Expense Tax revenues as proscribed

in subsection 5.38.055.B shall be in addition to funding levels for similar or the same programs as included in the City's 2020 Adopted Budget and shall not supplant existing funding from any City fund or revenue source.

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

Section 4. 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 the City Council the _____ day of _____, 2021, and signed by me in open session in authentication of its passage this _____ day of _____, 2021.

President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2021.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2021.

Monica Martinez Simmons, City Clerk

(Seal)