

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

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3
4 ..title

5 AN ORDINANCE related to the Payroll Expense Tax; amending Section 5.38.055 of the Seattle
6 Municipal Code.

7 ..body

8 WHEREAS, in 2020, the City Council passed the JumpStart Payroll Expense Tax on certain
9 salaries paid by businesses in Seattle with over \$7 million in annual revenue; and

10 WHEREAS, in 2021, the City Council passed Ordinance 126393, which created a new section of
11 the Seattle Municipal Code proscribing the uses of Payroll Expense Tax revenues,
12 including an allowance that those revenues could be used to backfill core City services
13 should General Fund revenues fall below 2020 General Fund revenues; and

14 WHEREAS, since the passage of that legislation, inflation has gone up drastically in the United
15 States and in the Seattle metro area, which raises the cost of providing core City services;
16 and

17 WHEREAS, Ordinance 126393 did not allow the 2020 General Fund “floor” to be adjusted for
18 inflation; and

19 WHEREAS, the City faces a long-term structural budget deficit as existing reliable revenue
20 streams have not grown as fast as inflation, or in some cases have even declined; and

21 WHEREAS, it is the intent of the Mayor and City Council to explore new progressive revenue
22 options via the Seattle Revenue Stabilization Workgroup, which began its work in
23 September 2022, to address that long-term structural budget deficit, with a goal of
24 proposing progressive revenue options for consideration with the 2025 Proposed Budget;
25 and
26

1 WHEREAS, indexing the 2020 General Fund revenue floor for inflation and removing a
2 prohibition on using JumpStart Payroll Expense Tax for existing City service levels will
3 make it possible for JumpStart Payroll Expense Tax revenues to support continuing core
4 General Fund City services when General Fund revenues fall below the 2020 revenues,
5 indexed for inflation; NOW, THEREFORE,

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

7 Section 1. Section 5.38.055 of the Seattle Municipal Code, enacted by Ordinance 126393,
8 is amended as follows:

9 **5.38.055 Payroll expense tax—Allocation of proceeds**

10 A. In any year where General Fund revenues from all sources approved as of January 1,
11 2020 are projected to be lower than \$1,510,029,000 an amount equal to \$1,510,029,000 minus
12 the projected General Fund collections from non-payroll expense tax sources may be transferred
13 into the General Fund to support programs and services funded by the General Fund. Both
14 instances of \$1,510,029,000 are in 2021 dollars, as indexed for inflation by CPI-W, by applying
15 100 percent of the annual average growth rate of the bi-monthly Seattle-Tacoma-Bellevue Area
16 Consumer Price Index for Urban Wage Earners and Clerical Workers, termed CPI-W, during the
17 prior 12-month period ending in June of each year. ((Projected payroll expense tax revenues
18 remaining after any transfer allowed by this subsection 5.38.055.A shall only be used to either
19 expand existing programs or create new programs, including associated program cost increases,
20 that are consistent with subsection 5.38.055.B, and the amounts may not be used to supplant
21 appropriations from other funding sources.))

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

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

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

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

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

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

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

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

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

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

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

4 Passed by the City Council the _____ day of _____, 2022,
5 and signed by me in open session in authentication of its passage this _____ day of
6 _____, 2022.

7 _____
8 President _____ of the City Council

9 Approved / returned unsigned / vetoed this _____ day of _____, 2022.

10 _____
11 Bruce A. Harrell, Mayor

12 Filed by me this _____ day of _____, 2022.

13 _____
14 _____, City Clerk

15 (Seal)

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Attachments: