

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
LEG	Jennifer LaBrecque	

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to funding the Seattle Social Housing Developer; requesting that a special election be held on February 11, 2025 for submission to the qualified electors of the City of a proposition to fund the Seattle Social Housing Developer through the City's existing Payroll Expense Tax; amending Section 5.38.055 of the Seattle Municipal Code; proposing a ballot title; and ratifying and confirming certain prior acts.

Summary and Background of the Legislation:

This legislation creates an alternative option to Initiative 137 (I-137), as allowed under Seattle City Charter Article IV. If City Council were to approve this legislation, both the original I-137 and the alternative would go to voters for their consideration on the February 11, 2025 special election ballot.

I-137 was filed with the Office of the City Clerk on February 13, 2024 (Clerk File 322950). On July 26, 2024 King County elections provided a Certificate of Sufficiency verifying that there were sufficient signatures to place the petition on the ballot. I-137 would impose a tax on payroll expenses for employers doing business in Seattle. The new tax would apply a five percent rate on compensation above \$1,000,000 a year paid to Seattle-based employees. Under I-137, at least 95% of the tax revenue shall be allocated to Seattle's Social Housing Developer Public Development Authority (Social Housing Developer) for development and acquisition of social housing, operation costs, maintenance costs, rehabilitation of acquisitions, making control investments in housing developments, and other functions that advance its mission. Up to 5% of the tax revenue may be allocated to administer the tax, but the amount to administer the tax cannot exceed \$2,000,000 per year. If approved, proponents of I-137 estimate that the tax would generate about \$50 million each year.

This legislation offers an alternative by amending the Payroll Expense Tax (PET) so that the Seattle Social Housing Developer receives \$10 million annually in dedicated PET funding for five years. Funding could be used to acquire, develop, or rehabilitate social housing and provide administrative support to the Social Housing Developer; funding for administrative support would be limited to 5% annually or \$500,000. The Office of Housing (OH) will administer the dedicated funding.

The legislation provides some special accommodations to the Seattle Social Housing Developer, as compared to other affordable housing developers accessing capital funding from OH. The Seattle Social Housing Developer:

- Does not have to compete with other projects in OH's annual Notice of Funding Availability Process
- Can use PET for units up to 80% AMI (all other developers are restricted to 60% AMI)
- Is considered an Eligible Borrower (otherwise, it normally does not meet criteria)
- Can receive funding in the form of a grant or loan; for other developers funding is always a loan
- Can receive an award greater than 40% total development cost for a project, the normal standard in the Housing Funding Policies

The legislation also provides accountability measures for use of public funds.

- The Seattle Social Housing Developer must have a chief executive officer, chief financial officer and adequate financial controls prior to receiving capital funds
- The Seattle Social Housing Developer must submit a complete application, with award conditional upon underwriting standards found in OH's existing Housing Funding Policies
- The Seattle Social Housing Developer, and any awarded project, are subject to OH's Housing Funding Policies, unless exempted in the ordinance
- If dedicated funding is not awarded within 3 years of original allocation, then it will be made available through OH's regular NOFA process
- OH shall, through its Annual Report, provide information on social housing projects awarded, total amount of award, number of units and affordability levels and date of loan or grant closing and date of project completion

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City?

☒ Yes ☐ No

If there are no projected changes to expenditures, revenues, or positions, please delete the table below.

This legislation will not change total City revenues or total expenditures but does impose new restrictions on the use of PET revenues. Under existing City code, PET revenues must be allocated, on a percentage basis, across five categories:

- 5% for administration, collection, and evaluation of the tax;
- 62% for housing and housing services;
- 9% for the City's Equitable Development Initiative;
- 15% to support economic recovery and provide economic stability; and
- 9% to advance the Seattle Green New Deal.

If approved by voters, this legislation would further require \$10 million of annual PET revenues to be allocated to the Seattle Social Housing Developer for a period of five years.

The Council can anticipate being asked to review the policies governing the allocation of PET proceeds as part of the upcoming 2025-2026 biennial budget process. PET revenues are likely to play a significant role in the Mayor's proposal to address the City's General Fund

projected deficit. Council modifications to the PET expenditure policies will need to accommodate the potential for voters to approve a \$10 million allocation to the Social Housing Developer.

4. OTHER IMPLICATIONS

Please describe any perceived implication for the principles of the Race and Social Justice Initiative. In Seattle low-income households are disproportionately black, indigenous, or people of color (BIPOC) households and black households are most likely to be low-income¹. BIPOC renter households are also disproportionately rent-burdened. Over half (57%) of all Black renter households in Seattle are cost-burdened, and over a quarter (27%) are severely cost burdened, meaning they spend over half of their incomes on housing costs.² Provision of income and rent restricted housing for low-income households can provide housing stability and reduce rent burden.

a. Climate Change Implications

- i. **Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way?** No effect
- ii. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.** No effect

- b. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)? What mechanisms will be used to measure progress towards meeting those goals?** OH will report on the dedicated \$10 million for social housing as part of it's annual investment report, including any funds awards, the number of units being funded and affordability level, and when projects are completed.

5. CHECKLIST

Please click the appropriate box if any of these questions apply to this legislation.

- ☐ **Is a public hearing required?**
- ☐ **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?**

¹ Seattle Market Rate Housing Needs and Supply Analysis, BERK, April 2021, page 19/
<https://www.seattle.gov/Documents/Departments/OPCD/OngoingInitiatives/HousingChoices/SeattleMarketRateHousingNeedsAndSupplyAnalysis2021.pdf>

² Ibid, page 23

☐ **If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**

☐ **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

If yes, please review requirements in Resolution 31203 for applicability and complete and attach "Additional risk analysis and fiscal analysis for non-utility partner projects" form.

6. ATTACHMENTS

List Summary Attachments (if any):