

Progressive Revenue Task Force Meeting

January 4, 2018 9:00 – 11:00 a.m.

Seattle City Hall – Bertha Knight Landes Room

Members Present (X denotes attendance):

Task Force Members:		Members, continued:	
X	Councilmember Lorena González, Co-Chair	X	Tom Mathews
X	Councilmember Lisa Herbold, Co-Chair	X	Courtney O’Toole
X	Kirsten Harris-Talley, Community Co-Chair	X	Katie Wilson
X	Tony To, Community Co-Chair	X	Maiko Winkler-Chin
X	Jennifer Adams	Staff:	
X	Andrew Coak	X	Dan Eder, Deputy Director of Central Staff
X	Lisa Daugaard		Erik Sund, Central Staff Budget Coordinator
X	Ian Eisenberg	X	Cody Reiter, Office of CM González
X	Samantha Grad	X	Shannon Perez-Darby, Office of CM Herbold
X	Brianna (Bri) Little	X	Ashley Harrison, notetaker
X	Daniel Malone		

*Fernando Mejia-Ledesma withdrew his membership prior to this meeting.

Introductions, Overview, and Ground Rules

Members introduced themselves and gave brief comments on what led them to serve on the Progressive Revenue Task Force. Councilmember Herbold shared an overview of the Task Force’s scope of work as defined by Resolution 31782.

The members reviewed the Ground Rules for meetings and did not make any changes to the rules as distributed. Councilmember Herbold noted that these can be amended later if the group identifies necessary changes.

Review of Central Staff Memorandum

Central Staff Deputy Director Dan Eder presented a background memorandum dated January 3, 2018. Note: the copy distributed to members via email and in print is the final version, despite the DRAFT watermark. These notes attempt to capture the discussion and questions but do not recapitulate the contents of the memo.

Summary of questions/answers and discussion points:

- The memorandum references an earlier employee head tax (EHT) in effect from 2007 – 2009, at which point it was repealed. Revenues from that tax were dedicated for transportation purposes; the EHT included complex exemptions intended to incentivize employees to commute

by any means other than single-occupant vehicles. The EHT raised approximately \$5 million annually at a rate of \$25 per employee.

- The memorandum noted that the 2007 – 2009 EHT did not yield the full revenue amount that had been projected. Per Eder, employers struggled to track employee commute methods, and this tracking difficulty in turn created challenges for the City in confirming whether employers were paying the correct amount. By contrast, the EHT proposed during the 2017 Budget process would have been based on gross receipts, which are already tracked for the purposes of administering the B&O tax.
- Councilmember González requested a briefing/analysis regarding revenue projections and exemptions. She noted that the final Task Force report should identify any relationship between exemptions and revenue projections, particularly to flag any potential shortfall such as occurred with the 2007 – 2009 EHT.
- Councilmember Herbold noted that versions of an EHT proposed but not passed in 2014, 2015, and 2016 did not include exemptions along the lines of the 2007 – 2009 EHT, in response to concerns that exemptions tend to increase the complexity of administering the tax for the City/FAS and for employers. She also noted that the EHT at that time was proposed to reduce use of sales tax (Transportation Benefit District Package in 2014) and property tax (Move Seattle Levy in 2015), both regressive taxes.
- Councilmember Herbold clarified that the 2017 proposal to implement a \$100/FTE employee hour tax was proposed for only those businesses earning \$10 million or more in gross receipts.
- In response to a question, Dan Eder clarified that the repeal was a policy decision and that he was not aware of any legal challenges to the 2007 – 2009 EHT.
 - Councilmember Herbold noted that there may be reason to anticipate a challenge to a tiered taxation model which charges different rates based on the size of the business.
- Dan Eder will confirm whether there were any other exemptions to the 2007 – 2009 EHT besides the commute incentives. Eder noted that to the best of his recollection there were no other exemption types.

Review of Task Force Overview and Meeting Objectives

Modifications to Overall Timeline:

The original resolution stipulated a report deadline of February 26th; however, we've planned for our final meeting to be held on March 1st to provide Central Staff with sufficient time to prepare a written report to bring back to the Task Force for approval. The final report of the Progressive Revenue Task Force will be presented before the City Council's Finance and Neighborhoods Committee.

The PRTF approved the workplan with the following revisions:

- Future meeting agendas will include an objectives check-in to review the workplan and plan for the following meeting accordingly.
- Each meeting (except for the final meeting on March 1st) will cover topics related to both revenue generation and revenue use, with the goal that discussion of revenue targets is informed by an understanding of the unmet needs and the programs/services that offer demonstrable impact but are not fully resourced. Otherwise there is a risk that with two

separate caucuses, one focused on revenue structure and one focused on programmatic solutions, we may not find common ground for a revenue target; this approach will help us link the two areas.

- **Changes to the January 18, 2018 Meeting:**
 - Central Staff will add a business tax burden comparison to other large cities, in addition to comparisons with other cities in King County.
 - The Councilmembers will draft a letter to the One Table regional task force (see below) and present it to the PRTF for review and input at the January 18th meeting.
 - Central Staff will present a broad overview of current expenditures and service provision related to homelessness and housing.

- **Changes to the February 1, 2018 Meeting:**
 - Central Staff are asked to include in their analysis an explanation of what are considered progressive taxes, along with an assessment of comparative projected impacts of different types of taxes on low-income people.
 - Central Staff are requested to present a list of progressive revenue options identified in the [Cities at Work](#) report as available to municipalities, including a brief analysis of which options are most viable and least likely to face legal barriers to implementation.
 - Central Staff will present information regarding known resource gaps in terms of services that address critical needs but are not funded or which could be scaled up for greater impact with additional funding.

- **Changes to the February 15, 2018 meeting:**
 - Task Force will determine the format of the report to provide direction to Central Staff, including a general outline of what should be covered.

- **Additional topics – meeting dates TBD:**
 - The Task Force will request a presentation by the City Demographer, including data on changes in the incomes of Seattle residents, migration into and out of the city, and the growth in business revenue. Member questions: What are the current revenue growth trends, particularly in certain sectors, as compared to past growth? Can this help us better understand the specific causes of the affordability crisis?
 - Central Staff (Eder and Sund) will present an analysis of a) the implications of Federal tax reform (where known) for the tax burden of Seattle businesses/employers, and b) tracking loss of Federal funds which directly supported low-income residents and funded local/regional agencies serving low-income residents of our area.
 - The Task Force will request a presentation or discussion with representatives from the City's Finance and Administrative Services Department to hear their thoughts and considerations for an implementation structure (i.e. avoiding a burdensome structure)

Decision-Making Process and Format of Final Report/Recommendations:

The Task Force agreed to the following decision-making process: a simple majority vote, with an option for a minority report if approval is not unanimous.

Councilmember González noted that the language of the resolution does leave room for multiple reports if needed. The desire is for a single, unified report, but if that is not possible we can also submit a minority report in order to surface additional viable options for Council's consideration.

The discussion clarified that the co-chairs are all voting members of the Task Force.

Bi-Weekly Reports to Council and Coordination with County-Led Regional Task Force

Resolution 31782 stipulates that the PRTF will report to the City Council's Finance and Neighborhoods Committee every two weeks, but does not specify the format. These biweekly reports will help to surface any potential concerns or gaps and keep other Councilmembers informed as to the direction of this group. The Task Force discussed several options, including: sending representatives from the Task Force to provide a brief oral presentation; provide updates in writing; or ask Councilmember González to take on the reporting responsibility given her concurrent role as vice-chair of the Finance and Neighborhoods Committee. The decision was deferred for the time being.

The PRTF discussed the recently-announced county-led multi-jurisdictional effort, the One Table Task Force. Members noted that their timeline is not clearly as defined but the stated intent is a coordinated effort to find ongoing revenue to dedicate to homelessness. The PRTF discussed the potential for confusion among the public as well as risks of not being in dialog with One Table as our work proceeds. The PRTF agreed to send a formal communication to One Table, laying out our understanding of our unique and specific scope and requesting two-way dialog about our respective intents and possible areas of overlap. The Councilmembers will draft a letter for the PRTF's review at the next meeting.

Caucus Formation

To meet our deadlines, the group agreed to split into two caucuses that will meet/communicate informally between meetings. Some members volunteered for two caucuses.

One caucus will focus on the taxation method and revenue. Members: Andrew Coak, Samantha Grad, Ian Eisenberg, Councilmember González, Tony To, Katie Wilson, and Maiko Winkler-Chin.

The other caucus will focus on the potential use of revenue, as defined by needs, derived from the PRTF recommendations for new progressive revenue sources. Members: Jennifer Adams, Andrew Coak, Lisa Daugaard, Samantha Grad, Councilmember Herbold, Bri Little, Dan Malone, Courtney O'Toole, and Katie Wilson.

Caucuses met briefly to plan offline collaboration. Members of the public observing the meeting had opportunity to provide comment for ten minutes, after which the meeting adjourned.

Progressive Revenue Task Force Meeting

January 18, 2018 9:00 – 11:00 a.m.

Seattle Municipal Tower – Conference Room 4901

Members Present (X denotes attendance):

Task Force Members:		Members, continued:	
	Councilmember Lorena González, Co-Chair	X	Courtney O’Toole
X	Councilmember Lisa Herbold, Co-Chair	X	Katie Wilson
X	Kirsten Harris-Talley, Community Co-Chair	X	Maiko Winkler-Chin
X	Tony To, Community Co-Chair	X	Jesiah Wurtz
X	Jennifer Adams	Staff:	
X	Andrew Coak	X	Dan Eder, Deputy Director of Central Staff
X	Lisa Daugaard	X	Erik Sund, Central Staff Budget Coordinator
X	Ian Eisenberg	X	Alan Lee, Legislative Analyst
X	Samantha Grad	X	Traci Ratzliff, Legislative Analyst
X	Brianna (Bri) Little	X	Cody Reiter, Office of CM González
X	Daniel Malone	X	Shannon Perez-Darby, Office of CM Herbold
X	Tom Mathews	X	Ashley Harrison, notetaker
X	Chris Maykut		

*Members Chris Maykut and Jesiah Wurtz joined the Task Force after the previous meeting.

Opening and Logistics

Councilmember Herbold noted that the Seattle Channel is livestreaming and taping this meeting and will do so for our remaining meetings. She also reminded the members that Task Force emails/communications are subject to public disclosure.

CM Herbold acknowledged that we have received member questions submitted for Central Staff analysis, and noted that while we are working to provide answers to the best of our capacity, there are some limitations in Central Staff’s ability to respond to all the questions coming out of the caucuses. In addition, Central Staff are limited in their ability to assess the legality of some of the suggested options.

The Task Force welcomed two new members since the last meeting: Chris Maykut of Chaco Canyon Organic Cafes and Jesiah Wurtz, owner of Café Red and Board Chair of the Martin Luther King Business Association.

Community co-chair Kirsten Harris-Talley briefly summarized discussions among the Revenue Use Caucus. She noted that part of their work has been to understand the scale of investment needed: Working with an estimate that 20,000 units are needed, at a City investment level of roughly \$160,000 per unit in capital costs, those figures suggest a cost of \$3.2 billion dollars over ten years that would need to be invested to produce that amount of affordable housing stock. This gave the group a preliminary sense of the scope, and a rough target for sustainable revenue generation of \$32 million

invested per year to address the gap. Discussion has also centered around what types of investments to pursue, e.g. rapid rehousing, microhousing, transitional housing, etc., and how to balance investments in housing stock and wraparound/supportive services.

The Revenue Caucus has not yet met but has conducted some discussion via email. The group did not have a report to share at this time.

Presentations and Discussion

The video and resources from this meeting are available [here](#). Notes capture only discussion context and highlights.

Erik Sund of Central Staff presented and provided context on two documents: 1. [Presentation of Employee Hour Tax Revenue Assumptions](#) and 2. [Summary of Taxes Paid by Businesses Operating in Seattle and other Jurisdictions](#)

Per Sund, the first document reflects estimates of the revenues that might be raised by an employee hour tax; he also noted some of the limitations on the available data. At a basic level, the calculation is based on how many employees/FTE there are in Seattle and the tax rate per employee or FTE. The most recent data are estimated position counts from Puget Sound Regional Council; these figures have been adjusted in three ways:

1. Reduced by the number of public sector positions not subject to the tax;
2. Reduced by the number of people who are not covered by unemployment insurance (contractors, self-employed workers, corporate officers, etc.);
3. Factored by the percentage of full time averaged by positions in Seattle to convert from position count to FTE.

The adjustments result in a 2015 estimate of just under 450,000 FTE as a rough tax base for an employee head tax. Most discussion around head taxes have focused on gross receipts of the business as an estimate of business size. The City does not currently apply a tax that factors both headcount and business size, and has not done so since the prior employee head tax that was in effect between 2007 and 2009.

- In response to a question about whether the task force should consider B&O Tax exemption list as a built-in starting point, Sund agreed that it would be significantly easier from an administrative standpoint to do so. Councilmember Herbold noted that the City is essentially at the state-mandated cap for B&O tax, and whatever tax or revenue source is adopted should not be classified as a B&O tax.
- Dan Eder clarified that the exemptions spell out certain income types that are not subject to the tax, and that the organizations themselves are not wholly exempt from the tax.
- Sund stated that the rough calculation based on the FTE estimates could generate about \$45million/year at a midpoint figure; the next table in the same [handout](#), Table IV, illustrates the impact of gross receipt exemption thresholds of \$5m, \$8m, and \$10 million dollars.
 - Per member request, Sund agreed to seek data to extend the table to include higher thresholds such as \$12 and \$15 million in gross receipts. He also noted that a business' number of FTE tends to track with business size as indicated by gross receipts.

- Member Dan Malone asked if it is possible to look at alternative models based on graduated rates based on number of employees, with a lower rate for the first number of employees, and a higher rate for additional FTE beyond that threshold. Sund replied that it is possible to look at models based on something other than gross receipts, but additional complexity significantly reduces confidence in the estimates.
- Excluding businesses with fewer than 100 FTE would cut out about 55% of the estimate citywide FTE base, using 2014 numbers.
- Part of the challenge is that the City doesn't directly collect the data needed for these calculations, and the last time we collected information on both gross receipts and FTE together for a given business was for the purpose of administering the 2007 – 2009 EHT. We've pulled in other data sources for these estimates but are limited by the datasets constructed by other groups for different purposes. These numbers blend data from the 2015 estimates in combination with 2009 figured because that was the last point in time that both the B&O and EHT tax were collected in the same year.
- Councilmember Herbold asked for clarification of whether a tiered structure based on number of employees mimics a B&O tax. Sund stated that the FTE tier structure is less like a B&O tax than a tiered structure based on gross receipts.
- Co-chair Harris-Talley spoke to the need for a sustainable revenue source that isn't vulnerable to significant reduction if there's a downturn in the economy. How can we account for the fact that a downturn would both increase the need, and reduce the resources available to help address the need?
 - Sund replied that by their nature, most business taxes are going to fluctuate significantly with the economy and property tax tends to be more stable and fluctuate less, but noted that this doesn't speak to the question of what constitutes a progressive tax.

Presentation 2: [Summary of Taxes Paid by Businesses Operating in Seattle and other Jurisdictions](#)

Understanding the landscape of business taxes and how a hypothetical business might be affected by the addition of an EHT (Sund)

- King County businesses are used for a comparison because they are within the same county and state structure so the comparison is more apples to apples even if the cities referenced aren't comparable in size. Beyond King County, it's difficult to track services provided or taxes collected at the city level vs. county level, and comparisons start to lose applicability.
- Other variances noted are that differences in property tax levies and LIDs are not reflected here. None of the other King County cities listed apply a municipal minimum wage.
- Atlanta and San Diego are also included, with the caveat that businesses in those locations are subject to state-level income taxes.
- Taxes which are not business-specific such as a property tax are not listed here, but businesses are subject to those taxes as well.
- Community co-chair Harris-Talley noted that some of these cities do have an employee head tax at present, and commented that helps to dispel the notion that businesses abandon cities that link business taxes and services.

Presentation 3. [Homelessness & Housing: Needs & Spending](#)

Central Staff policy analysts Alan Lee and Traci Ratzliff presented data related to the City's current spending related to homelessness and housing, along with information about unmet needs.

- Alan Lee discussed the regional One Night Count, noting that 73% of all those counted as homeless/unsheltered in the One Night Count were within Seattle.
- The number of homeless people counted has continued to increase in the last few years, particularly among those sleeping unsheltered.
- Lee noted significant disproportion impacts of homelessness, particularly upon African American and Native American people who comprise much higher percentages of the homeless population in King County than they do the general population of the area per Census data. The City's new *Pathways Home* strategy focuses resources towards addressing these significant disparities. Lee recommended the members review All Home's [Count Us In](#) report and survey results of the 2017 One Night Count.
- Traci Ratzliff presented data on rent-burdened and severely rent-burdened households as one method to assess the number of households vulnerable to displacement and homelessness. Responding to a member question, Ratzliff stated that roughly 50% of Seattle residents are renters, and that approximately 6,000 households in the city are earning between 30-50% of AMI (area median income).
- Lee clarified that the table doesn't reflect investments that are not explicitly oriented around homelessness interventions, such as LEAD, Safe Consumption Sites, and investments in domestic violence prevention and support.
- Member Katie Wilson clarified some of the numbers than the spending caucus had worked with, as noted in their report-back above. Their starting point was based on the Housing Development Consortium's estimate that 17,000 units would be needed to provide housing stock for households making under 30% of AMI, and projected an increase in that number to arrive at the 20,000-unit estimate.
- Ratzliff noted that the \$160k/unit cost cited in the presentation reflects the city's current portion of capital costs; these investments are supplemented by other funding streams that aren't necessarily available as we scale up, with the result that the City's portion would necessarily increase as the match percentage declines.
- Councilmember Herbold briefly discussed the \$29 million housing bond in 2017, noting that this was a one-time investment as things stand currently, as compared to other categories that tend to gradually or incrementally increase year over year. Herbold highlighted the need for an ongoing, dependable revenue source to pay back the bond over the 30 years, explaining that sustained funding would allow the City Council to authorize several years' worth of housing bonds to support OH in building more stock. We have a current commitment of \$2 million/year to repay the existing bond.
- Ratzliff noted that new affordable housing stock typically is not realized in the same year that the funding commitment is made; at the time the commitment is made, the projects are in various stages of readiness to move to the construction phase, and unit production is typically complete by between one and three years after when the funds were committed.
- Some of the current funding, including from the \$29 million housing bond, are going towards rehabilitation/refurbishment of existing units, so those funds sustain affordable housing stock rather than expanding it.

- Member Lisa Dugaard requested that the Task Force to focus its analysis and proposed solutions specifically serving those facing the greatest barriers to housing access, including criminal history and active substance use, noting that this is an explicit charge of the Task Force per the resolution and that to her understanding, County-led discussions are centering on this question. She asked the group to consider the impact of policies over the course of decades leading to the current scenario where the people with the highest barriers have the fewest options around housing. Dugaard stated that creating units that are in theory equally available to folks with greatest barriers is not the same as prioritizing support for those populations and examining the policies which might create to or sustain those barriers.
- Ratzliff responded that this request is in fact currently represented in the City's investments, through improvements to Coordinated Entry; changes in Housing Levy funding guidelines spelling out expectations used by agencies for screening; and Fair Chance Housing legislation which also applies to non-profit housing. When we create Permanent Supportive Housing units, we are serving those with the greatest barriers and that is reflected in the data.
- Member Dan Malone raised the point that the annual homelessness counts listed in the presentation begin in 2013; he stated that if the data table were extended back to 2009 we'd see that the total number of unhoused people stayed relatively flat through the recession, and the dramatic uptick began when rent prices in the community started to skyrocket. Per Malone, despite the economic difficulties of the recession, the overall scale of the housing and homelessness problem was not increasing at the rate we've seen in the time since.
- Per request, Central Staff will estimate the cost of administering an employee head tax, extrapolating from data gathered under the 2007-2009 Employee Head Tax.

Review of Letter to Regional OneTable Task Force

The letter was distributed for general feedback; Harris-Talley requested that we invite a 'bridge member' from OneTable to join our work for the purpose of remaining mutually informed and collaborative. Councilmember Herbold agreed that we add this invitation to the letter.

No additional suggestions or concerns were brought forward. Members were invited to provide wordsmithing feedback via email if needed, by sending their proposed edits to Ashley by Friday, 1/19 at 2pm, with a final draft to be distributed by 4pm on the same date.

Review of Next Steps for the February 1 Meeting; Public Comment and Adjournment

Councilmember Herbold shared the updated workplan, and informed the group that the [PRTF website](#) will be kept current with meeting resources. The upcoming meeting dates for the two caucuses were confirmed. Members of the audience came forward to address the Task Force with Public Comment, after which the meeting adjourned.

Progressive Revenue Task Force Meeting #3

February 1, 2018 9:00 – 11:00 a.m.

Seattle Municipal Tower – Conference Room 4901

Members Present (X denotes attendance):

Task Force Members:		Members, continued:	
X	Councilmember Lorena González, Co-Chair	X	Courtney O’Toole
X	Councilmember Lisa Herbold, Co-Chair	X	Katie Wilson
X	Kirsten Harris-Talley, Community Co-Chair	X	Maiko Winkler-Chin
X	Tony To, Community Co-Chair	X	Jesiah Wurtz
X	Jennifer Adams	Staff:	
X	Andrew Coak	X	Dan Eder, Deputy Director of Central Staff
X	Lisa Daugaard	X	Erik Sund, Central Staff Budget Coordinator
X	Ian Eisenberg	X	Alan Lee, Legislative Analyst
X	Samantha Grad	X	Traci Ratzliff, Legislative Analyst
X	Brianna (Bri) Little	X	Cody Reiter, Office of CM González
X	Daniel Malone	X	Shannon Perez-Darby, Office of CM Herbold
X	Tom Mathews	X	Ashley Harrison, notetaker
	Chris Maykut		

Opening and Report-Backs

Community co-chair and facilitator of today’s meeting, Kirsten Harris-Talley, opened the meeting and welcomed the members. Harris-Talley reviewed the agenda for today’s meeting and invited caucus report-backs:

- Revenue caucus: Discussed several variations on an employee head tax, and reviewed other ideas for progressive taxes.
- Spending caucus: Discussion focused on how to prioritize between multiple needs and types of support, including shelter, transition into permanent housing, wraparound services, and stabilization services for people who may be on the verge of homelessness.

Central Staff Policy Briefs and Discussion

The video and resources from this meeting are available [here](#). Notes capture discussion and highlights.

Presentation 1. [Select Progressive Revenue Policies](#)

Erik Sund briefed the task force members on possible progressive revenue sources. This review included options identified in the Center for American Progress Action Fund: Cities at Work report ([link to excerpt](#)) as progressive revenue-generation mechanisms typically available to municipalities. Sund cannot act as legal counsel, but can present a high-level summary of options and the challenges that each of those funding mechanisms might face, including administrative complexity, potential legal barriers, etc.

Councilmember González noted that once this body finalizes its recommendations and submits its report to Council for evaluation, the Council will be able to engage with City Attorney’s Office in Executive Session to start to assess the legality of any revenue generation method under consideration.

- Regarding homestead exemptions, Councilmember Herbold stated that she believes the King County Assessor’s Office is working with State Legislature on a proposed bill enabling local jurisdictions to enact homestead exemptions. Cities and counties in Washington do not currently have that authority.
- Community co-chair Tony To noted that if the City were to approach this through a property tax deferral, then that income can be recaptured once the property is sold. By contrast, the exemption of property value up to a certain threshold would permanently reduce the property tax base across the city.
- The next set of options grouped under ‘Reforming Sales & Use Taxes’ met the CAP report’s definition of progressivity by lowering/eliminating use taxes and/or exempting sales taxes on necessities. Sund commented that this would also impact the City’s ability to provide services supported by those tax dollars (unless an alternative funding source were identified) which could negatively impact on low-income people despite the reduced tax burden.
- Member Katie Wilson mentioned an idea discussed in the revenue caucus: a tax on “excessive compensation” (using specific thresholds, calculations based on percent of AMI, or linkage with the compensation of the lowest-paid workers at that business) as a payroll tax on the employer. Wilson believes this has been imposed in a few places in the US.

Presentation 2: [Homelessness & Housing: Revenues & Costs](#)

Alan Lee and Traci Ratzliff presented information on the funding sources and amounts, and intervention types funded by the City.

Emergency Services

2017 Human Services Department Homeless Investments RFP criteria for selection included an enhanced shelter model; exits to permanent housing; budget; and racial equity outcomes. The twenty-seven projects receiving funding are projected to serve 20,500 households, with the prediction that 2,000 of those households will exit to permanent housing.

- The shift towards funding enhanced shelter beds aligns with the Pathways Home report and is based on data showing a better utilization rate of enhanced shelters vs. basic shelters. Features of “enhanced” shelters include extended hours (up to 24/7), case management services, and low-barrier criteria such as allowing couples, providing storage, allowing pets, or not requiring sobriety as a condition of receiving shelter.
 - Several task force members noted that 2,000 exits to permanent housing out of over 20,000 served is less than 10%, and asked why this figure does not more closely resemble the 40% goal targeted by the RFP process. Lee responded that the estimates reflect a combination of existing HMIS historical data with the data-informed estimates in the RFP applications from the agencies, and committed to obtaining more granular details about how this estimate was reached.
- Responding to a member question, Lee affirmed that we know we are not keeping ahead of the problem, in the sense that even as some people successfully exit to permanent housing, others become newly homeless.

- Councilmember González stated that we don't have enough affordable housing to truly resolve this problem and keep up with the need. Exits are critical and when we don't have capacity for those exits, that is the first problem to solve.
- Councilmember González also stated a hope that HSD is watching outcomes closely to confirm whether their assumptions are correct, namely that a) as basic shelters are phased out, that same number of beds will be replaced by new enhanced shelter beds, alongside exits to permanent housing which free up capacity in the system and b) watching to see if what studies showed about success rates in other localities are bearing out here as we reorient around rapid rehousing.
- Post-RFP, the executive branch provided \$1million in bridge funding for organizations with current city contracts for six months' operating costs; \$850,000 went to shelter services. After the six months' bridge funding, there is no intention to sustain these services or replace the basic shelter beds that will be lost. This model posits that the number of enhanced service shelter beds will increase substantially and absorb a significant percentage of the current basic shelter beds.
 - Community co-chair Harris-Talley questioned how many rounds of bridge funding might be needed, given that the amount of time this transition will take isn't fully known.
- Member Lisa Daugaard added context to Lee's earlier statement that enhanced shelters have lower rates of exiting people to permanent housing, clarifying that this is often related to the barriers faced by those clients and not the result of the enhanced shelter service model. She also voiced a concern that performance targets can incentivize providers to focus on people who are most likely to be successful and deprioritize or exclude people who are harder to serve. Daugaard stated that the City should be aware of this and work to counteract it.

Transitional Housing

- Lee presented data reflecting that the City's annual cost per-unit for transitional housing is \$6,120. This figure reflects services only (rent and intensive case management) and does not include capital dollars. Assistance provided is preparatory to going into permanent housing. These are not City-owned properties; most are operated by YWCA, LIHI, or other non-profit providers.
- Asked to discuss why the City is moving away from transitional housing, Lee replied that the [Poppe report](#) and other studies recommend this because the cost per exit to permanent housing is inordinately high because the length of stay in transitional housing is often much longer than other models. Pathways Home reflects recommends a transition away from transitional housing. The City's investments in transitional housing are remaining flat, not ending, while additional investments are being made in other areas.
- Councilmember Herbold noted that for youth and for immigrant families, transitional housing remains the best intervention at a broad demographic level, but this still is not an individualized approach of ensuring that the proffered solution is the right match for the person being served.
- Member Lisa Daugaard reiterated her concern that elements of this approach serve to further deprioritize people who have been receiving services for a long time and have not successfully exited due to the barriers they face.

Permanent Supportive Housing and Mixed Income Buildings

- Traci Ratzliff presented data on existing and projected PSH unit stock; one-time capital costs; and ongoing service costs. These are multi-unit locations which provide extensive services. She noted that capital funding for additional PSH units beyond what the levy will create would have to be covered entirely by the City at \$312,000/unit because other sources have already been maximized

through the Housing Levy. Capital costs for an 80-100-unit building might run (on average) \$25-31 million including land acquisition. The service cost is \$17,000 annually per unit, and the City makes a 20-year commitment to support this housing and realistically is unlikely to cease support at the 20-year mark.

- For mixed-income buildings the capital costs are roughly the same as PSH, but the City can tap in to the 4% tax credits and reduce City costs to \$170,000/unit, or \$17 million for a 100-unit building. These buildings reserve a portion of the units for households under/at 30% of AMI and at 60% AMI, and includes market-rate units. This type of project does not require ongoing services/operating support from the City; rents paid in the building should cover operating costs.

Small Group Discussions

Facilitator Harris-Talley asked the members break into small groups to discuss two questions, to prepare the task force to make decisions together over the coming meetings:

- What is your current stance on the question of generating \$25M - \$75M a year in EHT progressive revenue and the proposed options for spending?
- What other information do you need to make key decisions on raising revenue and use of funds?

Groups were asked to capture highlights of their discussion on paper and give it to Harris-Talley to summarize for the next meeting.

Public Comment and Adjournment

Members of the audience came forward to address the Task Force with Public Comment, after which the meeting adjourned.

Progressive Revenue Task Force Meeting #4

February 15, 2018 9:00 – 11:00 a.m.

Seattle City Hall – Conference Room 370

Members Present (X denotes attendance):

Task Force Members:		Members, continued:	
X	Councilmember Lorena González, Co-Chair	X	Courtney O’Toole
X	Councilmember Lisa Herbold, Co-Chair	X	Katie Wilson
X	Kirsten Harris-Talley, Community Co-Chair	X	Maiko Winkler-Chin
X	Tony To, Community Co-Chair	X	Jesiah Wurtz
X	Jennifer Adams	Staff:	
X	Andrew Coak	X	Dan Eder, Deputy Director of Central Staff
X	Lisa Daugaard	X	Erik Sund, Central Staff Budget Coordinator
X	Ian Eisenberg (<i>via conference call</i>)		Alan Lee, Legislative Analyst
X	Samantha Grad		Traci Ratzliff, Legislative Analyst
X	Brianna (Bri) Little	X	Cody Reiter, Office of CM González
X	Daniel Malone	X	Shannon Perez-Darby, Office of CM Herbold
	Tom Mathews	X	Ashley Harrison, notetaker
	Chris Maykut		

Opening and Report-Backs

Community co-chair and facilitator of today’s meeting, Tony To, opened the meeting and welcomed the members. To reviewed the agenda for today’s meeting and asked member Katie Wilson to present documents she prepared for today’s session.

Discussion of Draft Proposals

The video and resources from this meeting are available [here](#). Please refer to the document [Draft Proposals for Discussion | Feb. 15, 2018](#) for the content which was discussed. The task force spent the majority of this meeting reviewing this document and its appendices. Notes capture discussion and highlights.

Proposal Overview: Katie Wilson presented a draft proposal developed in collaboration and conversation with members from both caucuses. The proposal outlines specific progressive revenue funding sources for recommendation and exploration, frames priorities informed by the work of the task force to-date, and includes four appendices and a separate document capturing feedback which had not yet been incorporated.

Wilson emphasized that the document sets a total target of \$150 million in additional revenue, including \$75 million generated by an employee hour tax, and recommends a viability review of several progressive taxation methods followed by additional legislation to generate the further \$75 million in revenue.

Community co-chair Harris-Talley stated that the City must accelerate creation of new affordable housing stock to stabilize housing costs, and simultaneously create additional shelter options to support people who are waiting to access affordable housing. She stated that even doubling the target revenue from \$75 million to \$150 million represents only a portion of the total costs of meeting this challenge.

Responding to a question, Wilson clarified that the proposal as written calls for implementation an employee hour tax, and recommends items for exploration would be separate from and in addition to the employee hour tax.

The group consensed upon including Appendix D's revenue generation suggestions in the final report.

Scope of Report: The task force discussed whether to include all taxation methods suggested for exploration in the report, or focus only on those methods the group recommends most strongly and sees as the most viable. Councilmember Lorena González reminded the members that recommendations can be referred to Council for exploration in Executive Session under attorney-client privilege, which would allow the Council to do additional work with the City Attorney's Office to examine potential legal barriers and assess viability. CM González cautioned against creating the expectation that all options indicated in the draft proposal are within the Council's legal authority to impose. Similarly, passing a recommendation forward does not guarantee that Council will adopt it.

Councilmember González asked that the final report articulates the equity principles that the Revenue Caucus discussed in terms of protecting small and low-margin businesses. She asked the group to consider whether we are we talking about protecting small businesses, applying a Race and Social Justice Initiative lens, a combination of the two, or requesting other considerations. The group can approach this through providing direction to Central Staff, as opposed to doing that problem-solving within the task force.

Services: Wilson outlined the draft proposal's recommendation that revenue generated through progressive taxation methods emphasize creation of housing stock and be split '80/20' between housing and emergency services, including shelter.

One of the items discussed was a gap in services to people living in their vehicles. Councilmember Herbold asked why the existing recommendations of the Scofflaw Mitigation Report were not included in this section; Wilson and Adams noted that they would incorporate those.

Restoration of Cut Services: Member Daniel Malone agreed in principle with this item, but felt it was formulated narrowly around the City's funding discontinuation decisions, and noted that in the context of federal funding shifts and reductions, the need includes other programs which are losing funding from sources other than the City of Seattle. He suggested the recommendation speak to the need to sustain programs which address the survival needs of people experiencing homelessness. He further noted that defunding of these programs is also affecting people who work in this sector, and possibly pushing some of them to the margins of homelessness.

Intersections: Councilmember González responded to discussion of the intersections of incarceration and homelessness, noting that her committee includes Public Safety and New Americans and through this work she observes the intersections and interactions between our criminal justice system and our immigration system, where documentation challenges can either prevent people from receiving services or funnel them into homelessness or the criminal justice system. Last year, she sponsored and passed

legal defense fund legislation which set aside \$1 million for this purpose, but she noted that fund did not have an ongoing source.

Next Steps

The Revenue Caucus will meet on Thursday, February 22 from 9-10 a.m., followed by a joint caucus session for any members who are able to attend and wish to participate in additional discussion. Meeting invitations and location details to follow.

The final meeting of the Task Force is planned for Thursday, March 1, from 9-11am in the Bertha Knight Landes Room at City Hall. Central Staff will draft a report based on the work of the Task Force and present this at the final meeting.

Public Comment and Adjournment

Members of the audience came forward to address the Task Force with Public Comment, after which the meeting adjourned.

Progressive Revenue Task Force Meeting #5

March 15, 2018 9:00 – 11:00 a.m.

Seattle City Hall – Bertha Knight Landes Room

Members Present (X denotes attendance):

Task Force Members:		Members, continued:	
X	Councilmember Lorena González, Co-Chair	X	Courtney O’Toole
X	Councilmember Lisa Herbold, Co-Chair	X	Katie Wilson
X	Kirsten Harris-Talley, Community Co-Chair	X	Maiko Winkler-Chin
X	Tony To, Community Co-Chair	X	Jesiah Wurtz
X	Jennifer Adams	Staff:	
X	Andrew Coak	X	Dan Eder, Deputy Director of Central Staff
X	Lisa Daugaard	X	Erik Sund, Central Staff Budget Coordinator
X	Ian Eisenberg	X	Alan Lee, Legislative Analyst
X	Samantha Grad	X	Traci Ratzliff, Legislative Analyst
X	Brianna (Bri) Little	X	Cody Reiter, Office of CM González
X	Daniel Malone	X	Shannon Perez-Darby, Office of CM Herbold
	Tom Mathews (<i>commented via email</i>)	X	Ashley Harrison, notetaker
X	Chris Maykut		

Opening; Consideration and Resolution of Outstanding Issues

Note: The video and resources from this meeting are available [here](#). Notes capture discussion and highlights.

Councilmember González, facilitator of today’s meeting, started the meeting and welcomed the members. She noted that draft documents had been distributed earlier in the week and members were asked to identify any concerns and issues prior to the meeting. Councilmember González led the group through the three items of discussion noted in the agenda: Title 6 businesses subject to IRS code 280e and possible application of an alternative minimum tax; potential collaboration with the Small Business Advisory Council; and the issue of the “high end” of the proposed Employee Hour Tax structure.

Item 1: Title 6 businesses subject to IRS code 280e / alternative minimum tax:

- Member Lisa Daugaard spoke in favor of both the exemption as written, and an alternative minimum that would apply to any exempted businesses. She noted that these companies are unable to deduct business expenses on their federal tax returns, and stated that a combination of an exemption and an alternative minimum would recognize their unique structure while still ensuring that they have ‘skin in the game’.
- The group voiced agreement on the Title 6 business exemption, as well as consensus that no sector should be entirely exempt; all should contribute via an alternative minimum tax.
- The task force members shifted to a discussion of a potential alternative minimum tax applied to businesses with no employees (i.e. sole-proprietor) and/or generating less than \$500,000 per

year. Central Staff Analyst Eric Sund stated that in his estimation, taxing the owners of businesses would be a separate tax distinct from an employee hour tax. If the goal is to include owner-operated businesses which gross over \$500,000 even if they don't have employees, that might need to be a separate suggestion to Council.

- Members suggested wordsmithing edits noted by staff for incorporation into the final document.
- Discussion moved to the question of the threshold below which businesses would be exempt from even an alternative minimum tax. Member Chris Maykut noted that gross revenue doesn't provide any information about a business' profitability.
- The group agreed upon \$395 as the minimum alternative tax for employers under the gross revenue amount of \$500,000 annually. Member Ian Eisenberg spoke in favor of the \$395 as a feasible amount for businesses to pay that simultaneously helps ensure their awareness of the issue the City is trying to solve with these taxes.
- Councilmember González noted that a racial equity impact analysis has not yet been applied to the recommendations. She suggested leaving out additional language under discussion about a potential \$100,000 floor, recognizing that this issue will be reviewed by City Council for social justice and equity impacts. The group agreed to defer on the question of whether businesses at some other threshold below \$500,000 in gross revenue would not be subject to either an employee hour tax or an alternative minimum tax.

Item 2: Collaboration with Small Business Advisory Task Force convened by Mayor Durkan.

- Member Eisenberg had raised this suggestion. Councilmember González noted that Councilmembers Lisa Herbold and Teresa Mosqueda are both members of that body, and affirmed that Council will remain in communication with other groups doing similar work as well as others who will be affected by any decisions made by City Council in this area.

Item 3: Discussion of the high rate of proposed Employee Hour Tax structure:

- Member Maiko Winkler-Chin noted that the group would have preferred a graduated tax but could not reconcile it with current taxing structures, and she advocated for noting this in the report. Sund agreed that Central Staff would indicate in the report the options which the Task Force found favorable but deemed Council faced constraints/obstacles to pursuit of those preferred options.
- Daugaard stated that the employee hour tax is something of known legal viability which we are employing in response to the urgency of the problem. Councilmember González further noted that the Task Force would not benefit from shifting focus from an approach with assessed high-viability.

Member Feedback via Email:

- Member Tom Mathews sent an email message which Councilmember González relayed to the group. Mathews briefly noted a concern that the targeted amount of \$75 million could lead to a high business tax.
- Councilmember Lisa Herbold reiterated her interest in getting to \$75 million through bonding capacity if the employee hour tax is implement as recommended, which may not generate the full targeted amount. Daugaard noted that this target was selected working backwards from an

analysis of the need. Councilmember Herbold clarified that bonding is more a manner of generating revenue than of using revenue. She suggested retitling Appendix C to “Additional Progressive Revenue and Financing Options”, and recommended that the Task Force be clear about their interest in the use of bonding to go towards the broader \$150 million goal, not the employee hour tax revenue target.

Councilmember González reiterated that this is the final opportunity for consideration of today’s report, with the understanding that it will undergo one final round of revisions to capture today’s discussion and be sent to the group for final review. No additional items were raised, and the discussion moved to clarifying the status of the appendices in regard to the final report.

Review of Appendices:

Councilmember González requested clarification on the document “Employee Hour Tax Recommendations”; member Katie Wilson suggested converting this to the first page of Appendix B to present it in context.

Councilmember González asked the group to affirm that these documents reflect the work and discussion done in their caucuses and should be included in the final report. No objections raised.

Councilmember González called for a vote to finalize the report and appendices, with revisions as decided upon at today’s meeting. The Task Force members present voted unanimously to approve the report and recommendations.

Public Comment

Members of the audience addressed the Task Force with Public Comment.

Closing and Adjournment

Councilmember González thanked the members for their service and their time. For next steps, she noted that Central Staff will be asked to reconcile the report with changes made in today’s meeting. Once revisions are made, the report will be distributed for final review and approval, and presented to City Council’s Finance and Neighborhoods Committee at the March 14th meeting.