REPORT of the PROGRESSIVE REVENUE TASK FORCE on HOUSING & HOMELESSNESS

March 9, 2018
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# TABLE OF CONTENTS

**Report:**

I. Overview .......................................................................................................................... 1  
II. Revenue Generation ........................................................................................................ 3  
III. Revenue Dedication ......................................................................................................... 6  

**Appendices:**

A. Closing the Low-Income Housing Gap  
B1. Employer Tax Recommendations  
B2. Employer Tax Variations  
C. Additional Progressive Revenue and Financing Options  
D. Scofflaw Mitigation Tool Kit  
E. Illustrative Example of Potential Fund Allocation (Not an official taskforce recommendation)
I. Overview

The Progressive Revenue Task Force finds a severe need for deeply affordable housing, shelter, and services to address the crisis of homelessness and housing insecurity in Seattle. We have reached a broad consensus on these points:

1. There is an urgent need for fiscal discipline;
2. Tax burdens should not be increased lightly;
3. Despite the economic prosperity driving growth in the City’s revenues, and in part because of it, Seattle is facing a homelessness crisis of unprecedented proportions (emphasis added, citation 2018 Proposed Budget Executive Summary, page 2);
4. Homelessness in Seattle is a crisis that must be resolved, in all of our interests;
5. Resolving homelessness in Seattle cannot be accomplished, even applying fiscal discipline, without substantial new revenue; and
6. When seeking new revenue, it is undesirable to rely any more heavily on property or sales taxes.

Because of the cost of living in our region and the cost of new construction, we find that to resolve homelessness and the low-income housing crisis in Seattle would require new public funding on a grand scale—hundreds of millions of dollars per year for at least the next ten years. (See Appendix A for a very rough calculation of the costs of closing the low-income housing gap.)

There is no question that some of this amount can and should be located by making cuts to public spending outside the homelessness services sector that is no longer needed or is counter-productive, particularly but not exclusively in criminal justice. This will require the political courage to end programs and spending that have constituencies that will mobilize to retain them. While we support an early and aggressive process to identify such cuts in the 2018-2019 biennial budget, however, there is no realistic doubt that the bulk of funding to close the gap will require new revenue.

While it is necessary to push continually for increased state and federal investment in affordable housing and homeless shelter and services, recent history does not support high expectations.

We look forward to seeing what proposals emerge from the county/regional “One Table” discussions now underway. However, the scale of the crisis is such that even in a best-case scenario for what “One Table” produces, much will be left undone. Steps that are squarely within the authority and control of our City leaders are required now, and we cannot rely on regressive sales taxes, whether voter-approved or “councilmanic,” to fill the entire gap. Seattle residents’ property taxes just increased by 16.9%, making new levies undesirable and most likely unpopular. There is no obvious regional revenue solution that is either progressive or certainly available.
The IRS defines a *progressive tax* as one that “takes a larger percentage of income from high-income groups than from low-income groups and is based on the concept of ability to pay.” According to the Institute on Taxation and Economic Policy, Washington State’s tax system is the most regressive in the country, with households in the lowest 20% income bracket paying 16.8% of their income in state and local taxes while households in the top 1% pay only 2.4%. Washington State’s extremely heavy reliance on sales and property taxes is largely responsible for this upside-down tax structure.

Although Washington is an extremely high-tax state for lower-income residents, overall it is a relatively low-tax state; according to the Department of Revenue, in 2013 Washington ranked 41st among the 50 states for state and local taxes as a percentage of Gross Domestic Product. Seattle and Washington State are experiencing rapid economic growth and unprecedented prosperity for some; but state and local governments are not capturing an appropriate share of this wealth to reinvest in the public good and to help lift up the many who are left behind or even, as is often the case, harmed by this growth.

We also note that the Federal Tax Bill passed in December 2017 lowers the corporate tax rate from 35% to 21%, a tax cut of 40%. This will reduce the incentive for corporations to purchase Low Income Housing Tax Credits, which currently provide the largest share of private funding for affordable housing development in the U.S. Steve Walker, Director of Seattle’s Office of Housing, was quoted in Reuters on December 23, 2017: “We think lowering the corporate tax rate from 35 to 21 percent without making other changes to the Housing Credit will mean a 14 percent reduction in the number of affordable homes we are able to create in Seattle. In 2017, this would mean an impact of approximately 125 less affordable homes being built, or at least one building, at a time when we face an affordability crisis.”

We therefore believe that the City of Seattle should pass legislation this year to generate $150 million per year in new progressive revenue, including an Employee Hours Tax. It is clear from Appendix A that this is not nearly enough revenue to decisively “close the housing gap,” let alone to provide the shelter and services that are needed to keep people safe until enough permanent housing is available. Still, we believe that this would be a solid start, and that $150 million per year, wisely invested over at least the next ten years, will result in significant and measurable progress towards ending the crisis of homelessness and housing insecurity in our City. We are united in the belief that the people and businesses of this City are more inclined to support spending that is at a level that can reasonably be expected to yield a discernible impact, and therefore, that a smaller revenue stream is unlikely to garner wider support.

If this and other efforts are successful, Seattle and King County should begin to see a measurable decrease in homelessness and housing insecurity. We believe it is important to assess these results, as well as any other impacts of the EHT and other progressive revenue sources the City may choose to implement. Therefore, we recommend that the City convene a new Task Force after a period of 5, 7, or 10 years, with a mandate to assess: (1) changes in the prevalence of homelessness in Seattle and King County and the need for deeply affordable housing, shelter, and services; (2) results of the investments made with revenue generated by the EHT and other progressive revenue sources; (3) impacts on employers and any other entities or people that are contributing to this revenue. Based on its findings, this Task Force should advise the Council whether there is a need to continue the EHT and other progressive revenue sources, and if so whether to make any adjustments to the revenue mechanisms or revenue dedication.
II. Revenue Generation

1. Employee Hours Tax

Given the scale of the need for deeply affordable housing, shelter, and services, we recognize that an adequate response to the housing and homelessness crisis calls for hundreds of millions of dollars per year in new revenue in Seattle for at least the next ten years.

We also recognize that:

1. The City’s options for generating progressive revenue are limited by Washington State law, so that some potential revenue mechanisms are clearly prohibited; also, current tax structures fail to capture the extreme growth in wealth.

2. Many commonly-used local tax options, such as sales taxes and property taxes, exacerbate the inequity of the extremely regressive tax structure that Seattle contends with due to the limits of State law by disproportionately impacting lower-income residents.

3. The Employee Hours Tax is one of the very few revenue-generation options for which the City has established and unused authority. Since this tax is levied on employers rather than individuals or households, it would not directly impact the tax rates of lower-income residents.

For these reasons, we recommend that the City Council pass an Employee Hours Tax (EHT) to generate new revenue to address the housing and homelessness crisis. We recommend that EHT legislation be passed “early enough to ensure that such taxes can be imposed as of January 1, 2019,” as stated in Resolution 31782.

We believe it is imperative to raise a substantial amount of revenue – enough to make a measurable and significant impact on the crisis – so that the community sees tangible results from this new investment. People are tired of half-measures and want to see real progress.

Therefore, we recommend that this EHT be designed to generate revenue at the top end of the “between $25 million and $75 million” range specified in Resolution 31782, i.e. $75 million per year. We recognize that this is not enough or even close to enough to adequately address the crisis, but it is a significant and worthwhile start.

While we have not firmly settled on detailed recommendations for all of the variables below, we agree about the limited exemption structure, and we have agreed on several principles or values that we believe should guide the Council in structuring a tax that will generate $75 million per year.

Principles

a. Progressivity or Equity:

According to the IRS, a progressive tax takes a larger percentage of income from high-income groups than from low-income groups and is based on the concept of ability to pay. Washington State’s tax system is notoriously the most regressive in the nation, with tax rates for the lowest-income households up to seven times higher than for the highest-income households.
An EHT is inherently progressive in the specific sense that, because it is levied on employers rather than individuals or households, it is a way to raise revenue for public use without directly and disproportionately impacting lower-income residents in the way that, for example, sales taxes and property taxes tend to do.

However, there is a secondary question of how progressive or equitable an EHT is among the class of employers. Are employers that are able to pay more required to pay more, or does the tax disproportionately impact struggling and low-margin businesses, or even non-profits that are themselves trying to combat homelessness with scarce resources? Collaterally, obviously, it is in the interest of lower-income people to have access to jobs, and maintaining job opportunity is a progressive consideration when assessing tax structure. We note that there are no known data establishing that an EHT-like tax adversely impacts employment opportunities and there are many data to show that business-friendly climates are jurisdictions that adequately address homelessness, fund quality schools, and maintain infrastructure necessary to move people and goods.

Within the bounds of what the City can legally do, we recommend that the EHT be structured as progressively and equitably as possible. Employers that can afford to contribute more should pay more, while employers that cannot afford to contribute as much should pay less.

We recognize that there are difficulties in translating this intuitive concept of “ability to pay” into measurable variables, even if the City had wider latitude than it apparently does. For example, even profit or net income would not be a reliable indicator, since a rapidly growing business may choose to reinvest large amounts of revenue and report a loss, even though the business may be doing very well indeed. The variables listed above that, as far as we understand, the City has the power to adjust are admittedly imperfect.

For these reasons, while we ask that the City Council make a good faith effort to structure the tax as equitably as possible, we also ask that they not let the perfect be the enemy of the good. It may prove impossible to structure the EHT to avoid all disproportionate impacts, but this is not a reason to delay or fail to act. Potential impacts of the tax on some employers must be weighed against the emergency of homelessness and housing insecurity whose devastating consequences impact tens of thousands of Seattle residents every day. It is the job of government to make difficult choices in the public interest, and inaction is itself a choice.

See Appendix B2 for some explorations of how the variables below may be used to make the EHT as progressive and equitable as possible. Appendix B1 provides more specific recommendations for a new City employer tax.

b. Fairness and Consistency of Exemptions:

Exemptions should not be granted because of the political clout or influence of a particular business or sector. There should be sound, defensible reasons for any exemptions that are granted. The intent of the first of our two specific recommended exemptions above is to find an equitable way of exempting or significantly reducing the tax burden on some, but not all, non-profits. We generally agree that a blanket non-profit exemption is too broad; however, we believe it is reasonable and important to exempt many non-profits, especially those that provide housing, shelter, and services to low-income and homeless populations. If the B&O revenue exemption
criterion does not accomplish this intent, we recommend that Council consider other ways of fashioning a non-profit exemption as equitably as possible.

c. Racial Equity and Social Justice:
Care should be taken not to disproportionately impact POC- and other minority-owned businesses and employers, or to speed the processes of gentrification and displacement that are already transforming business districts as well as residential areas in many neighborhoods where communities of color have historically resided.

d. Everyone Should Contribute:
The housing and homelessness crisis is a matter of concern to the whole community, and businesses of all sizes should contribute towards the solution. We are somewhat concerned about creating an arbitrary “cliff” at a revenue threshold such as $5 million, below which nothing is paid and above which the tax suddenly kicks in. We generally agree that there be some kind of “skin in the game fee” as described above, so that businesses below the threshold are also contributing something, as long as this can be done in a way that is not unduly burdensome for small businesses.

We understand that several variables may be adjusted to determine the amount of the tax and which employers are required to pay at which level:

Variables

1. Different ways of calculating the tax:
   - Flat amount per FTE employee, with “employee” applying when a business employs at least one person apart from the owner
   - Percentage of all payroll

2. Option to graduate the tax according to firm size:
   - Employers could be grouped in categories of size according to number of FTE employees, and a per-FTE or percentage-of-payroll tax could be graduated on that basis.

3. Examples of gross revenue thresholds below which businesses could be exempted from the tax:
   - $5M
   - $8M
   - $10M
   - Other

4. Specific exemptions and reductions:
   - Employers to receive a pro rata reduction in EHT burden equivalent to their B&O exemption that is based on nature of the revenue they receive (many non-profit organizations would thus be wholly or nearly held harmless under the EHT, but the exemption would be based on B&O revenue exemption, not categorical based on non-profit status); and
   - Any title 6 business subject to 280e of the internal revenue code (such businesses are uniquely unable to deduct business costs from federal income tax)
5. “Skin in the game” alternative tax rate:
   - Employers under the gross revenue threshold should still be required to pay some relatively small amount: we suggest $395 per year.
   - Very small businesses, e.g. with revenue under $500,000, could be exempt from even this fee.
   - Businesses eligible for the title 6 exemption above should still be required to pay the alternative (suggested. $395 per year) tax rate.
   - Exempting new businesses from the “skin in the game” alternative tax rate was brought up after the final vote and was thus not considered by the task force.

2. Other Progressive Revenue Options
We recommend that the City aggressively study the progressive revenue ideas summarized in Appendix C, with the goal of assessing their relative viability and passing legislation by the end of 2018 to generate at least an additional $75 million, unless “One Table” generates an equivalent amount of revenue to dedicate to this purpose that is both progressive and certain. Together with a $75 million EHT, this would yield a total of $150 million per year in new progressive revenue. We also urge that the City work together with King County to prioritize lobbying the 2019 state legislature for more progressive revenue options, beginning mid-2018.

III. Revenue Dedication

1. Emphasize Housing
Given the severe shortage of deeply affordable housing and the bottleneck that already impedes the transition from shelter to housing, and ultimately the barriers to reducing the numbers of people living unsheltered, we recommend that a strong emphasis be placed on housing in the dedication of revenue from the EHT. Specifically, we suggest a rough 80%-20% split in revenue between funding for housing, and funding for emergency shelter and services.

The issuance of an annual municipal housing bond would make available financing that could support the development of a much larger number of units of housing in a significantly shorter timeframe. The challenge of issuing an annual municipal housing bond is the need for the identification of a dedicated revenue source to pay the annual costs associated with paying off that bond. An EHT could be a dedicated revenue source for this purpose. From the point of view of increasing housing stock quickly, bonding is desirable. At the same time, the capacity of non-profit housing developers to take on new projects should be assessed and considered in making this decision. The difficulties of acquiring suitable land should also be taken into account; an Acquisition Fund could be created to facilitate the purchase of properties as opportunities arise.

Considering the disproportionate impact of both homelessness and displacement on communities of color, we believe the City should encourage and support community of color organizations that are working to develop affordable housing. These organizations currently face structural barriers (funder requirements of previous project development experience, assets on a balance sheet) when seeking local, state and federal capital funds; they are at a disadvantage relative to mainstream developers, both for- and non-profit. These barriers have left many communities without the development capacity and capital assets other communities have been able to build in...
recent years. Therefore, we recommend that the City prioritize affordable housing projects that will help to anchor communities of color and assist these organizations in developing internal capacity to conceive, design, finance, construct and manage affordable housing projects.

In addition to building new housing, we recommend that a range of approaches be considered to more quickly adapt existing housing stock for long-term use by people exiting homelessness. These could include “Keys to Home”-type programs, Master Leasing, long-term vouchers/deep rental subsidies, and other strategies in King County’s Veterans and Human Services Levy Vulnerable Populations Housing Strategy. However, it must be borne in mind that a housing shortage also exists at the 30%-60% AMI range, so relying too much on such approaches will have harmful ripple effects on lower-income individuals and families. There is simply no substitute for building many thousands of units of new deeply affordable housing.

Resolution 31782 requires that this Task Force attend in particular to those who face highest barriers to housing, due to criminal history, active substance use or other behavioral health issues. This focus dovetails with the findings of the 2016 Poppe Report that Seattle’s homelessness policy should focus on those who have faced the greatest barriers to exiting homelessness. Despite its formal commitment to lowering barriers to housing, the Coordinated Entry For All (CEA) system has not opened a road to housing for most of those with criminal history and/or active substance use now living unsheltered, as they have not been accorded sufficiently high priority in the CEA screening process to qualify for the barrier-removing assistance the CEA system offers. This population is thus stranded outside for a protracted period, generating neighborhood pressure for an expensive, counter-productive justice system and law enforcement response, because no alternative plan appears to be forthcoming.

This entrenched problem leads us to recommend that $10 million annually be used to augment the Veterans, Seniors & Human Services Levy Vulnerable Populations Housing Strategy, which was thoughtfully designed to address the actual needs of this population, but lacks sufficient resources to reach more than a few hundred people without an infusion of greater resources. Rather than turning over City funds to a County-administered program, we suggest that the City borrow the VSHSL Vulnerable Populations housing investment strategy and apply it to different buildings/housing stock identified in consultation with City of Seattle homeless services contractors as meeting the needs of the population they engage.

It is important to note that this strategy is to procure units that are not supportive housing. The VSHSL implementation planning process has determined that many of those who face greatest barriers to housing do not require costly on-site services, particularly when they are already served by programs that provide flexible case management capacity not located on the housing site. This strategy thus can leverage more units for a lower price than building new units. However as noted above, when taken to scale, it will have the impact of squeezing housing stock now available to the 30-60 AMI population, whence our recommendation also to invest heavily in building new dedicated units.

2. A Spectrum of Needs

In considering the dedication of funding from an EHT, we recommend that the City give deep thought to the wide spectrum of needs and situations of people experiencing homelessness, recognizing that what works for one person may not work for another.
For example, it has not been proven that people who do well in transitional housing will succeed in rapid re-housing, especially in a high-cost housing market.

The range of people experiencing homelessness in Seattle is much broader than the 24% found to be chronically homeless. This population is diverse and includes people who are working full- or part-time; people who cannot work due to disability; families with children, many of whom are delivered to schools by taxi cab; couples; people with pets; people who are chronically homeless; people who are newly homeless; undocumented immigrants who may fear to seek help due to their status; trans and other LBGTQ folks who routinely face discrimination and violence; active drug users; people trying to stay sober; people who suffer from mental illness; people with PTSD who can’t sleep in close proximity to others who may behave unpredictably; and so on and on.

People experiencing homelessness in Seattle and King County disproportionately identify as people of color. The City’s decisions about funding shelter and services should be subject to a racial equity assessment, recognizing the need for culturally appropriate services and programs that specifically serve communities of color and people at the various intersections of marginalized identities.

Perhaps the most unifying characteristic of people experiencing homelessness is that the vast majority of them (92% according to the 2017 Count Us In survey) say that they would take safe and affordable housing if it were offered.

Until that housing is available, we believe that a wide range of shelter options is needed to accommodate the wide range of people’s situations and needs in the most cost-effective manner, including: navigation centers, enhanced shelters, tiny house villages, low-cost overnight shelters operated in partnership with faith communities, and a variety of low-barrier shelters.

Crucially, the differing populations served by these various options also tend to have differing barriers to finding housing. Care must be taken to ensure that performance measures such as “exits from homelessness” not incentivize providers to concentrate only on those who have fewest barriers to housing, or rapid cycling into short-term housing arrangements that fall through as soon as a short-term rental subsidy ends. These “false positive” data points create only the illusion of progress. Homeless services performance measures should also acknowledge that in the context of a severe housing and shelter shortage that will not be fully resolved for some time, providing shelter, safety and community is by itself a positive outcome.

3. Partnerships with Faith Communities

Many faith communities throughout Seattle devote significant labor, space, money, and other resources to help their homeless neighbors and to address the homelessness crisis. The City should recognize and leverage these contributions, and in general be more deliberate in its relationships with faith communities. The City could provide small grants to assist their work and/or establish ways of better communicating and coordinating with faith communities that are doing this work.
4. Vehicle Residents

Over 40% of Seattle’s homeless population lives in vehicles. We believe the City must recognize that until there is housing, it is a safer and all-around better option for many people to live in their vehicle than to stay in a shelter. Therefore, the City’s immediate goal should be to make it safer for people to live in vehicles while providing a road to housing. Currently people living in vehicles are highly vulnerable to ticketing and towing, and the Seattle Police Department and its Parking Enforcement Officers are under community pressure to take that kind of enforcement action. People living in vehicles need safe places to park on or off-street, help with trash management, black water disposal, services such as hygiene centers, and assistance in finding permanent housing. We recommend that the City consider strategies suggested by the Scofflaw Mitigation Team, summarized in Appendix D.

5. Maintain current programs meeting survival and other basic needs

Some currently operating programs providing for emergency shelter, safety, and other critical needs have pending closures in 2018 due to lack of ongoing funding from the City and other sources. (For example, Queen Anne shelter is currently operating under a 5-month contract.) Maintaining such programs would be an efficient way to avoid the loss of shelter beds and other essential services during a time when more crisis responses are needed, not fewer. In light of announced plans to create new shelters using tents and wooden structures, it would be counterproductive to simultaneously lose indoor shelter beds. We urge the City to commit to no net loss of shelter capacity, and no shelter and service closures without transition plans for the individuals currently served by those shelters and services.

6. Other Services

Other services that have a significant overlap with the homelessness crisis, but address needs other than housing and shelter, were also underfunded in the 2018 City budget. We recognize that some of these strategies – particularly strategies that allow alternative responses to incarceration and punishment for law violations that flow from extreme poverty and/or behavioral health issues – are a high priority in order to ensure successful outcomes for those dealing with homelessness. Any period of incarceration interrupts Medicaid eligibility, and incarceration of over 90 days eliminates homeless housing priority for an individual; there are many other adverse impacts of stigmatizing, punitive responses to behavior that stems from unmet basic human needs.

Several community-based alternatives to prosecution and incarceration were proposed for funding with widespread support in 2018. These include:

- Felony youth and young adult diversion capacity through a community consortium headed up by Community Passageways, with the cooperation of the King County Prosecutor. This program would provide services for a population of young people many of whom are experiencing episodic homelessness; and

- Citywide expansion of the Law Enforcement Assisted Diversion (LEAD) program, which allows law enforcement to connect individuals who could otherwise be jailed and prosecuted for offenses related to poverty and behavioral health needs, to community-based case management. LEAD, an evidence-based intervention that reduces recidivism and system costs, and improves individual well-being, presently is offered only to a fraction of those who could benefit from this approach.
Further, while the 2018 budget provided single-year funding for a demonstration safe consumption site, sustaining that project and responding to multi-site need will require an expanded investment. Once proof of concept is established, it will be important to plan how safe consumption features can be built into human services facilities citywide in a way that distributes the benefits of this approach and reduces the cost compared to a stand-alone facility.

These are necessary features of a service landscape for the population that is presently homeless and/or at high risk of becoming homeless.

By investing in such strategies, and making an intentional commitment to only use incarceration and prosecution when there is an evidence-based case that those are more effective responses to problematic behavior than community-based alternatives, we can reduce the cost of the City’s criminal justice infrastructure, and thus add to the funding available for support services and housing. Because diversion has to occur to bring such cost savings about, however, new progressive revenue should support these approaches, and they are needed to reduce homelessness, even if political leaders choose not to make justice system reductions.

7. Properly Pricing the Actual Costs of Providing Services

A plan to invest new progressive revenue must make provision for adequate wages in the homelessness services and related contract human services sector, to recruit and retain the skilled workforce to do this crucial work. This sector is presently gravely under-funded, with the result that committed workers themselves can’t afford to live in Seattle, cannot afford to work long in the industry, have many opportunities to move to better compensated positions in other fields, and often are paid half or less than those who oversee their contracts in city and county government.

Underpaying workers in this sector, and counting on their sense of mission to keep them in the field, is no longer viable. Underpayment has long resulted in gross understatement of the real cost of work in this sector.

We propose a wage analysis in this sector that takes into consideration the difficulty and challenge of the work, wages paid in the Seattle Human Services Department and the King County Department of Community and Human Services, and recruitment and retention challenges in the main City contractors. As a placeholder, we suggest estimating 15-20% wage increases for clinical, case management and outreach workers in City contract agencies in homeless services and related services. We estimate this to amount to be $2.5 million of the 20% for shelter and services to be allocated from an EHT, and $5 million of the $150 million total we recommend be obtained through new progressive revenue strategies.

Further, it makes little sense to embark on a progressive revenue stream to support human services, and then extract those revenues from already underfunded human services programs. Programs in this area should be exempt from the tax strategy adopted, or such programs should be “held harmless” by grossing up contracts to compensate for any increased tax burden they face under this revenue strategy.
Appendix A: Closing the Low-Income Housing Gap

1. How many new homes are needed to fill the need?

Housing gap estimates from HDC (cited on page 2 of Resolution 31782):

From Resolution 31782:

WHEREAS, the City's Housing Affordability and Livability Agenda is projected to create approximately 6,000 new housing units affordable to households with between zero to 30 percent AMI over the next ten years, which will still leave a severe shortage of housing for low-income residents who are either currently unhoused or at risk of becoming unhoused.

The 6,000 figure comes from the top of Page 14 in the HALA recommendations. Some of these projected units will be funded by the Housing Levy, some from other sources. Unfortunately, some of these units may be in danger due to anticipated federal and state funding that isn't all materializing.

Even if all 6,000 units are created, Seattle needs 21K+ additional units in the next 10-12 years to close the gap for the 0-30% income range. To keep it simple, let's say 20K units in 10 years.

2. How much will this cost?

The City can leverage state and federal funding, but still Seattle must pitch in ~$170,000 per unit. That means we need a total of $3.4 billion, or $340 million per year for 10 years. That's just for capital costs, not counting ongoing costs including the costs of operating Permanent Supportive Housing, which some portion of this housing will need to be. This investment could be achieved by bonding against a revenue stream somewhat smaller than $320 million per year.

It should be emphasized that this estimate is extremely conservative. HDC’s numbers are based on a technical appendix in King County’s Comprehensive Plan, which assumes that 12% of a city's housing stock should be affordable to households earning 0-30% AMI. In fact, in Seattle an estimated 22,800 low-income renter households are Severely Cost Burdened (paying over 50% of their income in rent and utilities) and 8,522 homeless people were counted in 2017. This suggests that Seattle is currently short over 30,000 low-income units; at $170K/unit, building these units would cost $5.1 billion.

The capital costs per unit may also be a low estimate; for Permanent Supportive Housing units additional to those already in the works, Seattle may have to cover the entire cost of $312,000 per unit without relying on other state and federal sources.
Appendix B1 – PRTF Employer Tax Recommendations

Below are three ways of structuring an Employer Tax that seem likely to land in the ballpark of $75 million per year, given the information at our disposal. See Appendix B for more detail on the assumptions involved in these calculations.

Option 1:

$10 million per year gross revenue exemption threshold
- Firms with 1-100 FTE employees pay 0.25% of all payroll (avg. $0.078/hr)
- Firms with 101-500 FTE employees pay 0.50% of all payroll (avg. $0.156/hr)
- Firms with 501+ FTE employees pay 0.75% of all payroll (avg. $0.234/hr)
- Firms with gross revenue between $500,000 and $10 million pay $200/year

Option 2:

$8 million per year gross revenue exemption threshold
- Firms with 1-500 FTE employees pay $200/FTE/year ($0.104/hr)
- Firms with 501+ FTE employees pay $450/FTE/year ($0.234/hr)
- Firms with gross revenue between $500,000 and $8 million pay $200/year

Option 3:

$8 million per year gross revenue exemption threshold
- Firms with 1-500 FTE employees pay $140/FTE/year + 0.1% of all payroll
- Firms with 501+ FTE employees pay $300/FTE/year + 0.25% of all payroll
- Firms with gross revenue between $500,000 and $8 million pay $200/year

These are our preferences in order of what we suspect to be most progressive and equitable, given the allowed variables.

As long as the revenue generated stays at $75 million, we support adjustments to the specific exemption thresholds and tax rates, if such adjustments are warranted by a more detailed analysis of the impacts on different types and sizes of businesses. Adjustments should follow the principles outlined in our recommendations.

We understand that Council must weigh other factors including legal authority in deciding how to structure the tax. We support a tax that can be imposed as of January 1, 2019, as specified in Resolution 31782.

Council could also consider a hybrid “employer’s choice” model as described in Appendix B2, if for any reason this seems preferable to the options above.
Appendix B2 – Employer Tax Variations

1. Hours v. Payroll Tax Comparison

Calculating the amount of an Employer Tax as a percentage of all payroll, rather than a flat amount per FTE employee, could make this tax more progressive. The chart below is intended as a conceptual example, not reflecting actual average pay in various sectors.

<table>
<thead>
<tr>
<th>Size of business</th>
<th>“Restaurant Chain” $40,000 average annual pay, 100 FTE</th>
<th>“Construction Firm” $60,000 average annual pay, 100 FTE</th>
<th>“Law Firm” $80,000 average annual pay, 100 FTE</th>
<th>“Tech Company” $100,000 average annual pay, 100 FTE</th>
<th>Total Annual Revenue1</th>
</tr>
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<td>$300 per FTE employee</td>
<td>$30,000 annual tax = $0.156/hour</td>
<td>$30,000 annual tax = $0.156/hour</td>
<td>$30,000 annual tax = $0.156/hour</td>
<td>$30,000 annual tax = $0.156/hour</td>
<td>~$75 million</td>
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<tr>
<td>0.5% of total payroll</td>
<td>$20,000 annual tax = $0.104/hour</td>
<td>$30,000 annual tax = $0.156/hour</td>
<td>$40,000 annual tax = $0.208/hour</td>
<td>$50,000 annual tax = $0.260/hour</td>
<td>~$75 million</td>
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</tbody>
</table>

1. Assuming $60K average annual pay in Seattle; $5 million gross receipts exemption cut-off; and correctness of EHT revenue estimates given to the Progressive Revenue Task Force by Central Staff.

2. Graduation by Number of Employees

It may be possible to add another layer of progressivity by graduating a payroll-based tax by number of employees. For example:

<table>
<thead>
<tr>
<th>Size of business</th>
<th>1-50 FTE employees</th>
<th>50-100 FTE employees</th>
<th>100-500 FTE employees</th>
<th>Over 500 FTE employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax paid</td>
<td>0.2% of all payroll</td>
<td>0.4% of all payroll</td>
<td>0.6% of all payroll</td>
<td>0.8% of all payroll</td>
</tr>
</tbody>
</table>

In this way, very large businesses with high-paid employees would pay the most per head; smaller businesses with lower-paid employees would pay the least per head; and large businesses with lower-paid employees and smaller businesses with high-paid employees would land somewhere in the middle. There could still be a gross receipts exemption cutoff, but perhaps it wouldn’t have to be as high with these additional means of tapering the tax for smaller and lower-margin businesses. (The assumption being made here, which is worth checking, is that lower-margin sectors tend to be those that employ lower-wage workers.)
Below are extremely rough revenue estimates for two possible graduations of a payroll-based tax.

<table>
<thead>
<tr>
<th>Firm Size by # of Employees¹</th>
<th>% of Total Employees¹ (2014)¹</th>
<th>Est. # FTEs (2015)</th>
<th>Est. Salary Base @ Uniform $29.41/hour²,³</th>
<th>Proposed Tax Rate - % payroll</th>
<th>Avg. Tax Rate per FTE / hour⁴</th>
<th>Est. Annual Tax Revenue</th>
<th>Exemption at &lt; $5 million⁵</th>
<th>Exemption at &lt; $10 million⁶</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-50</td>
<td>34.1%</td>
<td>152,838</td>
<td>9,349,537,379</td>
<td>0.20%</td>
<td>$120/$0.062</td>
<td>18,699,075</td>
<td>[small]</td>
<td>[very small]</td>
</tr>
<tr>
<td>51-100</td>
<td>11.4%</td>
<td>50,933</td>
<td>3,115,727,572</td>
<td>0.40%</td>
<td>$240/$0.125</td>
<td>12,462,910</td>
<td>[small]</td>
<td>[very small]</td>
</tr>
<tr>
<td>101-500</td>
<td>26.1%</td>
<td>117,011</td>
<td>7,157,919,370</td>
<td>0.60%</td>
<td>$360/$0.188</td>
<td>42,947,516</td>
<td>42,947,516</td>
<td>27,150,729</td>
</tr>
<tr>
<td>501+</td>
<td>28.5%</td>
<td>127,839</td>
<td>7,820,279,560</td>
<td>0.80%</td>
<td>$480/$0.250</td>
<td>62,562,236</td>
<td>62,562,236</td>
<td>62,562,236</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>448,622</td>
<td>27,443,463,882</td>
<td></td>
<td>136,671,738</td>
<td>105,509,752</td>
<td>89,712,965</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Firm Size by # of Employees¹</th>
<th>% of Total Employees¹ (2014)¹</th>
<th>Est. # FTEs (2015)</th>
<th>Est. Salary Base @ Uniform $29.41/ hour²,³</th>
<th>Proposed Tax Rate - % payroll</th>
<th>Avg. Tax Rate per FTE / hour⁴</th>
<th>Est. Annual Tax Revenue</th>
<th>Exemption at &lt; $5 million⁵</th>
<th>Exemption at &lt; $10 million⁶</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-50</td>
<td>34.1%</td>
<td>152,838</td>
<td>9,349,537,379</td>
<td>0.25%</td>
<td>$150/$0.078</td>
<td>23,373,843</td>
<td>[small]</td>
<td>[very small]</td>
</tr>
<tr>
<td>51-100</td>
<td>11.4%</td>
<td>50,933</td>
<td>3,115,727,572</td>
<td>0.25%</td>
<td>$150/$0.078</td>
<td>7,789,319</td>
<td>[small]</td>
<td>[very small]</td>
</tr>
<tr>
<td>101-500</td>
<td>26.1%</td>
<td>117,011</td>
<td>7,157,919,370</td>
<td>0.50%</td>
<td>$300/$0.156</td>
<td>35,789,597</td>
<td>35,789,597</td>
<td>22,625,607</td>
</tr>
<tr>
<td>501+</td>
<td>28.5%</td>
<td>127,839</td>
<td>7,820,279,560</td>
<td>0.75%</td>
<td>$450/$0.234</td>
<td>58,652,097</td>
<td>58,652,097</td>
<td>58,652,097</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>448,622</td>
<td>27,443,463,882</td>
<td></td>
<td>125,604,856</td>
<td>94,441,694</td>
<td>81,277,704</td>
<td></td>
</tr>
</tbody>
</table>

**Assumptions:**
1. Position counts, not adjusted for full-time equivalency (FTE) status.
2. Mean Seattle-Tacoma-Bellevue wage (all occupations) per BLS May 2016 Area Occupational Employment and Wage Estimates
3. Assumes uniform distribution of mean wage across all firm sizes
4. Assumes $60K average annual pay in Seattle and uniform distribution of mean wage across all firm sizes. Averaged across all firms in each size category; the actual rate for a given firm will depend on that firm’s average FTE pay
5. Assumes 55% of employees work for firms with gross receipts above $5 million. Assumes the firms thereby exempted include the vast majority of 1-100 employee firms, and no 101+ employee firms.
6. Assumes 45% of employees work for firms with gross receipts above $10 million. Assumes the firms thereby exempted include nearly all 1-100 employee firms, ~36.8% of 101-500 employee firms, and no 501+ employee firms.
### 3. Hybrid FTE/Payroll Employer Tax Model

There are some tradeoffs between basing a tax on number of FTEs (or employee hours), or on total payroll. A hybrid model may be a good compromise. For example:

- Employers can choose to pay either $400 per FTE or 0.5% of total payroll.
- A law firm with 100 employees that pays $400 per FTE owes $40,000. Suppose this law firm's average salary is $80K. Their total payroll is $8M, and 0.5% of $8M is also $40,000.
- So, for businesses with average pay $80K and above, it would make sense to choose the first option.
- A grocery store with 100 employees also owes $40,000 if they choose the first option. But suppose their average annual employee pay is only $40K. Their total payroll is $4M, and 0.5% of $4M is only $20,000.
- For businesses that employ lower-wage workers, it would generally make sense to choose the second option.

How much revenue would this raise? With a $5M exemption threshold, if everyone chose the first option, it would generate around $100M/year. If every worker in Seattle was paid minimum wage (~30K/year) and every employer chose the second option, it would generate around the same amount as a $150/FTE flat rate, i.e. $37.5M/year. The actual figure would be somewhere between those two boundaries, likely toward the middle. So, this hybrid approach could bring in around $75M/year.

<table>
<thead>
<tr>
<th><strong>Fairness / Progressivity</strong></th>
<th>$X per FTE</th>
<th>0.Y percent of total payroll</th>
<th>Hybrid: Employer's choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-margin, high-revenue sectors are hit hardest, particularly when they are labor-intensive (high ratio of employees to revenue).</td>
<td>To the extent that low-margin sectors, such as food and retail, tend to employ lower-wage workers, this approach is more equitable. Businesses with high-paid employees, such as law firms and tech companies, would pay relatively more.</td>
<td>In terms of targeting those businesses most able to contribute, this approach falls somewhere in the middle of the other two, again assuming that low-margin sectors tend to be those with lower-wage workers.</td>
<td></td>
</tr>
</tbody>
</table>

| **Employer Administration** | Relatively simple. | Employers may not want to disclose their total payroll, and for businesses with operations extending beyond Seattle it may be difficult to calculate. | Employers can choose whether it's worth it to them to calculate and disclose their payroll in order to pay a lower amount. |
Appendix C: Additional Progressive Revenue and Financing Options

Local Estate Tax: Washington State levies a progressive estate tax. Seattle should consider a local progressive estate tax, which could simply increase the existing state tax by some percentage such as 50%.

Taxes on exceptionally high compensation: In 2016 Portland introduced a “Pay Ratio Surtax” on public companies whose CEO-to-worker pay ratio exceeds 100-to-1. Seattle should consider a similar tax or fee. Seattle should also consider an excise tax on institutions (private, public, non-profit) for compensation in excess of a certain threshold to any individual employees. For example, how about the salary of the POTUS: $400,000. The tax could be calculated as a percentage of any compensation in excess of that threshold, or it could be a flat fee per employee so compensated.

Raise the REET: On top of their Real Estate Transfer Tax, New York City levies an additional “Mansion Tax” of 1% on sales of residential property of $1 million or more. Seattle should lobby the state legislature for new Real Estate Excise Tax authority, for example an additional 0.25% to 1.00%, with the option to apply this selectively to “luxury” (e.g. over $1 million) or second home purchases. Seattle should also consider whether it is possible without new authority to apply a fee, rather than a tax, to property transfers over an amount such as $1 million.

Other Progressive Property-Related Taxes: Seattle should consider ways to tax the following, lobbying the state legislature for new authority as needed:

- Speculative real estate investment activity
- Vacant or unoccupied properties
- Second homes

Housing Growth Fund: Seattle should consider creating a fund to be filled with an increment of property taxes associated with new construction. The intent would be to not impact programs and city services that the City currently funds with property tax revenue, but only earmark future revenue growth for this purpose. The fund would be used to pay back new bonds issued for the purpose of creating or preserving affordable housing. This is one of the HALA recommendations:

R.7 Reestablish the City Growth Fund

In 1985, City Council established a growth-related program to address the large amount of low-income housing being lost in Seattle’s downtown area due to redevelopment. The Growth Fund used a set formula to calculate the amount of funding generated from property tax revenues tied to new construction downtown and used that revenue to acquire and rehabilitate existing low-income housing that was at risk of being redeveloped and to develop new low-income housing. The program was eliminated in 2002. The City should reestablish a citywide Growth Fund that dedicates a portion of the property tax revenue tied to new construction to the production of affordable housing. The City should consider the impacts the scale of a growth fund could have on other critical general fund investments that relate to housing stability, including human services allocations.

It should be noted that property taxes are not progressive, so this is not strictly speaking a progressive revenue option; however, it would be a way of generating some new revenue for affordable housing without further raising property taxes.
Appendix D: Scofflaw Mitigation Tool Kit

The Scofflaw Mitigation Project (SMP) engages and assists (indigent) VRs to avoid the unintended consequences of losing their vehicle homes as result of their inability to comply with city parking laws, e.g. Seattle Scofflaw Ordinance. The SMP works to mitigate these harms. Following are tools which have been or could be used if available for that purpose.

Tools requiring further discussion and possible legislative action to implement:
1. Modify Scofflaw Ordinance to allow for indigency/inability to pay.
2. Visible Tags enabling VRs to park on designated streets in designated areas without fear of being ticketed.
3. Safety Lots providing off-street parking, access to a bathroom/portable toilet and trash pickup. These will enable VRs the safety and stability to be able to focus on future plans.

Tools requiring public or private funding:
1. Payment of tickets beyond what the VR is able to do for themselves (will require private funding or amnesty as fines cannot be paid with City $$)
2. Vehicle repair so vehicle can be moved (includes battery replacement or jump start)
3. Vehicle repair necessary to be eligible to apply for Road to Housing or its replacement
4. Vehicle repair necessary for safety (fix broken windows, locks, lights)
5. License tab renewal
6. Auto insurance
7. Driver’s license renewal
8. Fuel (necessary to avoid ticketing, to get to appointments/work where bus is not practical, and/or to heat the vehicle during cold weather)
9. Bus tickets/reduced fare ORCA card
10. Phone and/or phone minutes (necessary to communicate with service providers, etc.)
11. Food cards where food bank not accessible
12. Trash pickup/dumpster

Trained outreach worker:
1. Able to do intake for Coordinated Entry and/or Road to Housing or similar program
2. Able to screen and refer to a Safety Lot (assumes lots are available)
3. Able to refer to social services
4. Able to refer to a volunteer advocate for assistance in accessing services if requested (e.g. accompany to Court for tickets, magistrate hearing, financial counseling; or to social service agencies, healthcare appointments, job interviews)
Volunteer advocate pool:
1. Retired social worker or someone who has taken companioning/advocate training
2. Have vehicle and can transport VR if needed to access services, healthcare appointments, etc.
3. Have a cell phone (maintain contact with VR, make social service appointments if needed)
4. Able to accompany VR if requested where advocacy may be needed

Prepared by Jean Darsie, member Scofflaw Mitigation Team
(206-782-0788, 425-442-5418)
2/26/2018
## Appendix E: Illustrative Example of Potential Fund Allocation*

<table>
<thead>
<tr>
<th>Section</th>
<th>TOTAL EHT + Other Progressive Taxes</th>
<th>Number Served (per yr)</th>
<th>EHT (per yr)</th>
<th>Number Served (per yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affordable Housing Inventory &amp; Access (80%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) New housing construction</td>
<td>$120,000,000</td>
<td>$60,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0%-15% AMI) Permanent &amp; Supportive Housing, Capital Costs ($312k/unit in one-time costs)</td>
<td>$62,400,000</td>
<td>200 units/yr</td>
<td>$31,200,000</td>
<td>100 units/yr</td>
</tr>
<tr>
<td>(0%-15% AMI) Permanent Supportive Housing Operations &amp; Services Costs ($17k/yr/unit inflated by 4%/yr in on-going costs 20 yr annual funding commitment)</td>
<td>$10,200,000</td>
<td>600 units</td>
<td>$5,100,000</td>
<td>300 units/yr</td>
</tr>
<tr>
<td>(30%-60% AMI) Mixed income housing, Capital Costs ($170k/unit in one-time costs, assumes no operations &amp; services or rental subsidy)</td>
<td>$20,400,000</td>
<td>120 units/yr</td>
<td>$10,200,000</td>
<td>60 units/yr</td>
</tr>
<tr>
<td>2) a) Rental subsidy (buy down market rate unit to 15% AMI affordability) on-going annual subsidy</td>
<td>$15,000,000</td>
<td>758 hh</td>
<td>$7,500,000</td>
<td>379 hh</td>
</tr>
<tr>
<td>2) b) Rental subsidy (buy down market rate unit to 30% AMI affordability) on-going annual subsidy</td>
<td>$12,000,000</td>
<td>724 hh</td>
<td>$6,000,000</td>
<td>362 hh</td>
</tr>
<tr>
<td><strong>Shelter and Services (20%)</strong></td>
<td>$30,000,000</td>
<td>$15,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Shelter, Temporary &amp; Emergency</td>
<td>$13,000,000</td>
<td>$6,500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) Safety in Place</td>
<td>$7,000,000</td>
<td>$3,500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) Intersecting Needs</td>
<td>$5,000,000</td>
<td>$2,500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4) Providers &amp; Pay Equity</td>
<td>$5,000,000</td>
<td>TBD</td>
<td></td>
<td>TBD</td>
</tr>
</tbody>
</table>

This budget is built with consideration of potential allocations for a set of taskforce recommendations; this is illustrative of potential investments and presented as an example. This budget takes into consideration the scale of need and how this housing first plan will begin to bridge gaps in housing inventory and affordability. As of 2017: 8,522 homeless were counted and 22,800 were considered severely cost burdened/low income; spending over 50% of their income on housing and utilities. With currently 30,000+ residents of Seattle needing access to affordable housing, this budget is a one-year example of a reoccurring annual revenue source /expenditure that builds inventory and service provisions over time.

**Affordable Housing Inventory & Access** includes considerations for building new housing inventory and rental subsidies to bridge access to current housing. Rental subsidy buys down market rate unit at 100% AMI ($1,920 a month) to 30% AMI (at cost of $1,380 a month/unit) and 15% AMI (at cost of $1,650 a month/unit) for 1 bedroom, 2 person household (hh).

**Shelter and Services** includes the recommendations addressing a diversity of needs; including emergency and temporary shelters, safety in place investments and intersecting needs that exacerbate homelessness.
Shelter, Temporary & Emergency | This includes a number of shelter needs, including but not limited to: navigation centers & enhanced shelters, low/no cost shelters hosted by faith community partners, tiny houses (and other authorized encampments) & reinstatement of 300+ shelter beds lost in the last competitive RFP review. The Council added one time funding to backfill shelter beds, & will need an ongoing funding source to maintain services at current levels.

Safety in Place | This includes a number of safety in place services, but not limited to: tent sites (and other unauthorized encampments), brick & mortar hygiene centers and day centers, expansion of services including trash removal, portable bathrooms/washstations, and storage lockers. This also includes services for those currently living in RVs and cars, including black water removal, portable bathrooms/washstations, trash removal and fees recovery for parking violations. (example: Clean City Project Pilot)

Intersecting Needs | This includes a number of intersecting needs that exacerbate conditions of homelessness, including, but not limited to: health, arrest and legal support needs (example: Law Enforcement Assisted Diversion (LEAD), Safe Consumption Sites, etc.).

Providers and Pay Equity | This includes the taskforce recommendation of addressing the disparity in pay equity for service providers, which currently contributes to high employee turnover, burn-out and other conditions that create gaps and inconsistencies in service delivery.

* Not an official taskforce recommendation
1) Combined cost of unfunded 2018 shelter, including women’s shelter.

2) Navigation Center with $2.2M in operating costs and $2.6M in historical capital costs. Capital costs highly variable & dependent on site. $75M column shows partial cost ($3.8M) of full $4.8M cost.

3) Enhanced services including extended hours, lockers, case management, and other amenities, at $14,873/bed.
4) Basic shelter at $5,597/bed.

5) Based on cost for 50 tiny house encampment on rent-free property with case management services @ $10,500/tiny house
<table>
<thead>
<tr>
<th>Shelter and Services (20%)</th>
<th>TOTAL EHT + Other Progressive Taxes (per yr)</th>
<th>Need Met/Number Served ($150M/yr)</th>
<th>Need Met/Number Served EHT (per yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAFETY IN PLACE</td>
<td>$150,000,000</td>
<td>$75,000,000</td>
<td></td>
</tr>
<tr>
<td>1) Hygiene centers</td>
<td>$2,200,000</td>
<td>6 hygiene centers/yr</td>
<td>$2,200,000</td>
</tr>
<tr>
<td>2) Trash removal</td>
<td>$300,000</td>
<td>Less than 20 sites/wk</td>
<td>$150,000</td>
</tr>
<tr>
<td>3) Vehicular living</td>
<td>$4,500,000</td>
<td>380 cars/yr</td>
<td>$1,150,000</td>
</tr>
</tbody>
</table>

1) Represents total number of hygiene services that were funded in 2017 but not selected in RFP; also includes new services in Ballard and U District. Hygiene services are measured in proposed monthly hygiene use. Enhanced shelter provides hygiene services, though majority do not offer drop in services.

2) Clean City Pilot includes Encampment Trash Pilot providing weekly bag, bulky item, and litter pick-up for unsanctioned encampments in select areas (5-10 sites). 2018 funding at $298,444.

3) Vehicular living program with small lots of 4-6 vehicles each, at $11,857/vehicle, providing the following amenities: electricity; gray water; fresh water; trash removal; security; case management. Assumes no rent.
<table>
<thead>
<tr>
<th>Shelter and Services (20%)</th>
<th>TOTAL EHT + Other Progressive Taxes (per yr)</th>
<th>Need Met/ Number Served ($150M/yr)</th>
<th>EHT (per yr) (Need Met/ Number Served ($75M/yr))</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$150,000,000</td>
<td>$75,000,000</td>
<td></td>
</tr>
</tbody>
</table>

**INTERSECTING NEEDS**

<table>
<thead>
<tr>
<th></th>
<th>Need Met/ Number Served ($150M/yr)</th>
<th>Need Met/ Number Served ($75M/yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shelter and Services</strong></td>
<td>$5,000,000</td>
<td>$2,500,000</td>
</tr>
<tr>
<td><strong>1) LEAD</strong></td>
<td>$1,000,000  1,000 referrals</td>
<td>$500,000  500 referrals</td>
</tr>
<tr>
<td><strong>2) Safe Consumption Site</strong></td>
<td>$3,730,000  10,950 visits</td>
<td>$2,000,000  10,950 visits</td>
</tr>
</tbody>
</table>

1) LEAD currently receives $1.725M in City funds for its $3.1M budget and serves approximately 500 clients.
2) Safe Consumption Site @ $3,730,000/site with 109,500 visits; assumes project is unscalable. Cost based on estimate for portable building on gov. property and includes one time costs. $75M cost entry of $2M is partial.