Municipal Financing of Workforce Development:

Considerations for the City of Seattle

AUTHOR

David Kaz

Director of Policy & Communications

Seattle Jobs Initiative

I. INTRODUCTION

Investing in workforce development services, particularly those aimed at low-income and low-skill workers and jobseekers, has historically fallen to the federal government, and to a lesser extent, state governments. The federal investment, made primarily via the Workforce Investment Act (WIA) and other U.S. Department of Labor (DOL) funding streams, has decreased precipitously for several decades. In the twenty-year period from 1986 to 2006, for example, DOL has decreased its per worker investment in employment and training services by 55 percent, adjusted for inflation (a decrease also reflected at the state level).[1] Moreover, in just the past few years, all federal workforce programs have experienced a combined cut of more than $1 billion.[2] Employers, direct beneficiaries of workforce development programs, have also been investing fewer dollars in training for their workers, particularly since the start of the Great Recession.[3]

Workforce development in the U.S., according to a report from Jobs for the Future, has traditionally been supported by "public-good financing mechanisms" such as government programs and private foundations focused on serving lower-income individuals. The report maintains that "there are powerful arguments for treating workforce development as a public good…[because]…part of the rationale for workforce development is based on notions of equity and largely community benefits (improved neighborhoods and communities, lower crime, improved outcomes for children, reducing social safety net costs, and so on)."[4] Yet, workforce development for low-income individuals remains underfunded by the public and philanthropic sectors in part because its benefits can be difficult to measure and to message.[5] Workforce development programs need to have additional funding from the public sector (as well as philanthropy and other sources, including individuals and employers who directly benefit from services provided) in order to meet the growing needs of low-income individuals for employment and skills training.

With a need for additional public funding, one important question is what role cities can play to enhance diminishing federal and state resources for workforce development programs. Increasingly, metropolitan city-regions are transitioning to become the "new unit of global competition."[6] In a recent report, the Boston Consulting Group (BCG) states that "global competition will increasingly occur at the city level and it is critical for developed city regions…to proactively manage their global competitiveness."[7] BCG holds that human capital is the most important driver of a city's competitiveness.[8] With cities facing a growing need to raise the skill and educational attainment levels of their residents in order to stay competitive, it is important to understand the financing tools that cities have available to them to support local workforce development programs at the required levels.

The purpose of this research is to identify municipal financing tools that have been – or might be – creatively employed by cities to fund workforce development. As the primary audience for this research is the City of Seattle, emphasis will be placed on illustrating how Seattle generates revenues to meet program expenditures, as well as tools the city currently employs to fund specific social benefit programs for its residents which might also be utilized to support employment and training services.

II. OVERVIEW OF CITY OF SEATTLE REVENUES

An overview of the revenue sources included in the City of Seattle's budget highlights the tools of which the city now avails itself to finance general city functions as well as designated programs and projects, including those that provide specific social benefits to city residents. The City of Seattle has an adopted 2014 budget totaling $4.3 billion. Nearly half of this amount (47 percent) is budgeted for city utility services, and the remaining portion (53 percent) is tied to expenditures for general government services.[9] Of the non-utility portion of the budget, about $1 billion is associated with the city's General Subfund – part of the city's larger General Fund – which supports typical city government services.[10] The Cumulative Reserve Subfund constitutes the other portion of the city's General Fund, and provides resources for capital expenditures.[11]

Seattle has four primary sources of revenue that go to support different activities of city government. Charges to city utility customers support the portion of the budget dedicated to providing those services.[12] The remainder of the budget is supported by three sources. First are taxes, license fees and fines, which support typical city government services (such as police and fire departments, parks and libraries) and represent the main source of General Subfund revenues. Next, fees for services, regulatory fees and dedicated property tax levies support specific activities, including those that provide social benefits such as low-income housing. And last, federal, state and private philanthropic grants are received by the city to support a variety of services (such as housing and social services).[13]

Looking specifically at Seattle's General Subfund, which supports current expenditures by the city for workforce development services, revenues include the following primary sources: 1) Property taxes (26.6 percent); 2) Business and Occupation, or B&O, taxes (19.9 percent); 3) Utility taxes (19.0 percent); 4) Sales taxes (18.6 percent); 5) Fees and charges (9.0 percent); and 6) Traffic fines (3.4 percent).[14] General Subfund revenues fluctuate fairly significantly, being closely tied to local, national and international economic conditions.[15] Moreover, expenditures from the General Subfund change regularly as they are subject to the decisions of the current Mayor and City Council through the regular budgeting process.

III. MUNICIPAL FINANCING TOOLS FOR WORKFORCE – TAXES

PROPERTY TAX LEVIES

Most cities rely to a significant extent on tax revenues to support general government activities such as police and fire departments, parks and libraries, as well as specific programs. Property taxes are levied on real property owned by individuals and businesses, and are often allotted, as in Seattle, to different levels of government (state, county, city) as well as schools. Many cities utilize increases in property tax levies to fund specific programs and projects. Seattle's property tax revenues, for example, are comprised of the non-voted General Purpose levy (58 percent of the total levy) as well as six voter-approved levies for specific purposes (38 percent).[16] The additional levies are referred to as "lid-lifts" because voters have authorized taxation above the statutory limit, or "lid."[17] The General Purpose property tax levy in Seattle is used to support general city expenditures (General Subfund), with additional levies funding transportation (10.7 percent), the Families and Education levy (8.3 percent), parks and open space (6.7 percent), low-income housing (5.8 percent), libraries (4.3 percent), and the Pike Place Market (3.2 percent).[18]

Cities have utilized property tax lid-lifts to support workforce development services. **San Francisco's Children's Fund** and **Oakland Unite** are two examples of programs that include employment and training services funded by property tax levies (and other municipal tax increases). In 1991, San Francisco residents voted to guarantee regular annual funding for children and youth services by passing a property tax increase (3 cents per $100,000 assessed value) to create and support a new Children's Fund. The Fund, which voters renewed in 2000 (through 2015), is administered by the city's Department of Children, Youth & Their Families (DCYF) and currently amounts to $45 million annually.[19] A Children's Fund Citizen's Advisory Committee appointed by the Mayor advises the DCYF and Mayor regarding use of the Fund.[20] Funds are invested in large number of community-based organizations providing services to children and youth up to age 25, focused primarily on early care and education, out-of-school time and youth leadership development as well as comprehensive support strategies.[21]

Among those programs supported by DCYF utilizing Children's Fund resources are those focused on youth workforce development. According to DCYF, "organizations and initiatives funded under the Youth Workforce Development focus area advance DCYF's objective to support youth work readiness, 21st century skills development, career awareness, and school success."[22] Related investments are being made in teen skill building and development, which "offer experiences that help youth acquire the skills that will promote their success in high school, college, the labor market, and life."[23]

In 2004, Oakland voters approved a ten-year property tax hike along with a surcharge on parking in commercial lots, known as Measure Y. Measure Y was adopted in the form of Oakland's Violence

Prevention and Public Safety Act, which supports violence prevention programs as well as increases in fire and police services. Oakland Unite was created to manage these funds, becoming "one of the nation's first Violence Prevention programs to be started by voters taxing themselves."[24] Oakland Unite has been able to leverage these public tax funds to obtain a significant level of other revenues from state and federal grants. The Violence and Public Safety Act legislation contemplates job training as an essential part of violence prevention efforts, with its preamble denoting as contributors to Oakland's high rate of violence its high unemployment rate and large population of individuals on parole, many of whom were having difficulty finding work.[25] The preamble further recognizes Oakland's previous efforts to prevent violence and crime through programs to assist parolees and youth with obtaining job opportunities via training, continuing on to state that these programs had been limited in scope and underfunded. The legislation supports the nexus between violence prevention, including via job training efforts, and property ownership, because property owners "derive value from the availability of policing and violence and crime prevention and fire protection services."[26] Among acceptable uses by Oakland Unite of the proceeds of the tax are funding offender/parolee employment and skills training and providing employers with wage incentives to hire and train youth offenders or parolees.[27]

RETAIL SALES AND USE TAX, BUSINESS & OCCUPATIONS TAX, AND OTHER TAXES

Sales tax is a tax that is imposed on the sale of goods and certain services. As with property taxes, sales tax revenues are typically distributed among different levels of government. This is the case in the City of Seattle, where the city keeps just 0.85 percent of the 9.5 percent property tax collected and remitted to the state of Washington (the state keeps 6.5 percent).[28] As with property taxes, portions of the sales tax, including any dedicated increases, may be directed to fund specific programs and projects. Locally, for example, the sales tax includes a criminal justice levy which, while accounting for just 0.1 percent of the 9.5 percent sales tax, is anticipated to generate more than $14 million in 2014.[29] Further, prior to 2011, the sales tax included an additional 0.5 percent specifically on the sales of food and beverages in restaurants to pay for the expenses associated with the building of Safeco Field.[30] Seattle does not currently utilize specific, designated sales tax levies to fund workforce development, nor did this research uncover any major city that designates sales tax for this purpose. However, an increase in sales tax is a financing tool that could be so utilized. At the state level, Texas has experimented with diverting sales tax to fund workforce development programs.[31]

The third major non-utility tax revenue source in Seattle (the other two being property tax and sales tax) is the city's Business & Occupation (B&O) Tax, which is levied on gross receipts of most business activity that occurs within the City of Seattle. Nearly all businesses in Washington State – subject to a complex set of exemptions and classifications – pay a B&O tax to the state, which constitutes one of the state's major revenue sources. Dozens of cities in the state, including Seattle, also impose their own versions of the tax on top of the state tax. Each business receives a designated classification which corresponds to a specific tax rate, with nearly all rates below one percent. While the broad-based nature of the state's B&O tax keeps rates very low, the tax remains controversial for two key reasons: 1) businesses must pay it regardless of whether or not they turn a profit; and 2) the multitude of different classifications and exemptions make it difficult for businesses to easily calculate their obligations under the tax regulations. Seattle's B&O tax, as of 2008, also includes a portion of the floor area of certain businesses (square footage tax). Further, the city's tax has a small business threshold: it is not imposed on businesses with gross receipts under $100,000.[32]

While B&O taxes help support the City of Seattle's General Subfund, which in turn supports the city's current investment in workforce development, no part of the tax is specifically designated for this purpose. Because taxes akin to Seattle's B&O tax are rarely imposed in other states and cities, this research did not uncover examples where general taxes on business receipts have been earmarked for workforce development. This is not to say that the B&O tax might not be utilized creatively to support specific purposes. For example, in 2012, Seattle passed a law allowing a B&O tax deduction for federal life science research grants.[33] And there are other deductions permitted to businesses, such as for day-care activities, certain income derived by arts organizations, and so forth. One possibility for consideration by Seattle

is instituting a B&O tax deduction for business' investments in job training for their incumbent workers and/or training programs designed to create a pipeline of candidates for their anticipated job openings. Another option might be earmarking a small portion of B&O tax proceeds for a general city-administered job training fund.

Finally, it is worth noting that cities may impose other specific taxes on businesses and consumers designated for specific purposes. A local example of this is Seattle's Admissions Tax, a 5 percent tax on admissions charges to most Seattle entertainment events. Seattle utilizes about three-quarters of revenues derived from this tax to fund arts programs through the city's Office of Arts and Cultural Affairs.[34] Seattle also utilizes commercial parking taxes and a business transportation or employer hours tax (along with a property tax lid-lift) to fund the voter-approved *Bridging the Gap* program supporting city maintenance, improvements to bike lands, and road and bridge repair.[35] Workforce development might be an area that could be funded by these types of taxes.

IV. MUNICIPAL FINANCING TOOLS FOR WORKFORCE – REAL ESTATE LINKAGE

One important way that cities finance workforce development (and more broadly, economic development) is through policies and strategies that link economic development goals to real estate development. There are three primary linkage strategies utilized by cities: "1) first source hiring; 2) linkages between development projects and employment and training opportunities; and 3) establishment of goals and standards for job creation and job quality in conjunction with redevelopment projects."[36] Linkage policies tie development projects that are enabled by municipal action – such as direct project funding, reduction of taxes or fees, zoning variances, and/or investment in infrastructure – to the primary goals of ensuring residents are trained for the jobs created by development and that these jobs help residents advance out of poverty.[37] Cities utilizing linkage strategies to fund workforce development justify these policies through the clear nexus of development and economic growth and the economic displacement and increases in housing costs (and other costs of living) engendered by such development and growth without efforts to assist un- and underemployed residents to secure living-wage jobs.[38] As this research is specifically focused on how cities can fund *employment and training*, below are some financing tools that are part of a strategy to link development with job training.

BOND FINANCING

Cities have the ability to pass bonds to support specific public benefits. Seattle, for example, utilized a voter-approved bond to preserve affordable housing in the city.[39] In passing a bond, a local government is issuing debt in exchange for utilizing the savings of individuals and/or corporations for current expenditures. In issuing debt, of course, the government must not only repay the amount being borrowed but make interest payments as well.[40]

While bonding need not be linked to real estate development in order to fund job training, this is typically what cities have done in the limited number of instances where they have utilized this tool to finance workforce development.[41] As stated by Jobs for the Future "the reasons for the infrequent use of general obligation bonds for workforce development are many, not least of which is the difficulty involved in conceptualizing the application of a practice that typically results in something tangible (e.g., a highway) to something as intangible as skill development." Instead, bonds are most frequently employed by cities to support large-scale capital improvements because such projects are anticipated to generate future revenue that can be utilized to repay the debt associated with the issuance of the bond.[42]

Cities that have utilized bond revenues for workforce development have thus typically issued these bonds primarily for the purpose of supporting capital projects and connecting workforce development to the new capital projects that are being financed.[43] Jobs for the Future suggests that legislation authorizing cities and other local economic development authorities to issue bonds designated exclusively to job training would allow for a more direct financing approach, and that such bonds "could be repaid through a diversion of payroll tax associated with the worker who receives the training."[44] A model for this approach using private financing rather than government bonds is **North Dakota's New Jobs Training Program**. Here, commercial bank loans are utilized to fund workforce development programs and are repaid via payroll tax diversion.[45]

Examples where city government bonds have been utilized to support workforce development are found in large cities like Chicago and Philadelphia. Chicago utilizes an approach related to bonding called *tax increment financing*, discussed in greater detail in the following section. Philadelphia issued bonds to finance the city's convention center in the 1990s. It reserved 10 percent of bond revenues to support job training in the tourism and hospitality industries,[46] with workers trained in these industries anticipated to be in greater demand as a consequence of the convention center's development. More often, cities are utilizing bonds to connect job creation and/or preservation, rather than job training, to funding of capital projects. In Boston, for example, the **Boston Redevelopment Authority** issues tax-exempt industrial development bonds to fund land acquisition and construction, as well as the expansion and renovation of new facilities or equipment, in industrial areas. These projects often have a strong job creation/retention component.[47] Through the **Florida First Business Bond Pool**, local bonding authorities in Florida issue

bonds to finance capital projects that create 100 or more new jobs (or increase their employment levels by 10 percent) and pay at least 115 percent of the average area wage.[48]

Finally, the states of Iowa and Missouri have granted community colleges the authority to issue their own tax-exempt bonds to fund job training. Colleges in these states may enter into agreements with local employers to fund and provide training to new hires or incumbent workers in need of up-skilling in order to advance in their jobs.[49] Colleges may charge a portion of the funds secured through bonding to cover their costs to administer the bonds. These bonds are retired via a diversion of payroll taxes collected by the states.[50] Seattle has not utilized bonding to support workforce development, nor do its community colleges have the independent authority to issue bonds.

A PROSPECTIVE NEW FINANCING TOOL: SOCIAL IMPACT BONDS

While not a likely example of city financing that would fall under the aegis of workforce – real estate development linkage policies, social impact bonds are a new innovative financing tool for social programs that bear mention. Nationally, these bonds are just now beginning to be utilized in areas like New York City and Massachusetts. Social impact bonds can be employed to support a broad range of social programs, including those aimed at providing workforce development services.[51] With this type of financing, government agencies, including cities, contract external organizations (such as nonprofit agencies) to achieve measurable outcomes on specific social issues, with payment made only after results have been achieved by the organizations. The government does not have to pay anything if results are not delivered.[52] According to the Center for American Progress, a social impact bond agreement has three primary elements: 1) the outcome must be clearly defined and measurable while remaining ambitious but achievable within the time-frame specified; 2) government funds should not be released until and unless the outcome is achieved; and 3) external organizations should have considerable freedom to define the strategy that seeks to achieve outcomes.[53]

Because the government does not pay until outcomes are achieved, organizations providing services likely will need to tap into other resources to cover their costs up front, such as a private loan to be paid back when services have been delivered either by the organization using the government funds that will be paid out, or by the government directly. In the case of New York City, a private loan made by Goldman Sachs is being utilized by the community agency that has been contracted by the city to deliver services. The loan is being guaranteed by a private foundation grant to the provider agency for this purpose.

TAX INCREMENT FINANCING

Tax increment financing (TIF) is a government financing tool that utilizes future gains in taxes for the purpose of subsidizing current community improvement projects, typically neighborhood redevelopment and revitalization. TIF is often utilized by cities, which create "TIF districts" in areas targeted for urban renewal. Projects are funded within these districts essentially by committing all regular annual future property tax increases from all properties within the district for many years – often two decades or more – as well as anticipated new tax revenue to be derived from the project itself, if it is a redevelopment/revitalization project. These tax increases are the "tax increment," and it is this amount that is used to finance the debt that the city issues to fund the project. TIF is used to finance improvements in distressed areas within cities in which development might not occur without incentives.

TIF need not be restricted exclusively to fund redevelopment projects, and may be targeted to fund job training. This is the case in the City of Chicago. Chicago's TIF program has a broader goal to "help local companies expand and create employment opportunities for Chicago residents."[54] It has provided $1.5 billion in funding to developers since its inception in 1984, and in return the private sector has invested more than $8.4 billion in their neighborhood development TIF projects.[55] In addition to utilizing TIF to support redevelopment and small business improvement, Chicago operates the **TIFWorks** program, which "stimulates business success by funding workforce training costs – for incumbent and new workers – for companies located in TIF districts."[56]

Chicago businesses are eligible for TIFWorks funding if they meet four criteria: 1) located in an eligible TIF district; 2) training will make them more competitive; 3) training fulfills a specific workforce need; 4) willing to set measurable goals and report on impact and performance after training.[57] Since 2003, TIFWorks has provided more than $11 million in grants to train more than 10,000 workers and hire 840 new employees.[58] Applicants for funds may include a single employer or groups of employers; business or industry associations; labor organizations; educational institutions; and nonprofit training organizations."[59]

LINKAGE FEES / INCENTIVE ZONING

Cities that provide public funding for capital development projects have the ability to connect specific funding for social programs to those projects. An example of this has been discussed, where cities issuing bonds to fund capital projects may connect workforce development financing to these projects. Seattle currently utilizes this type of linkage financing to support the **1 Percent for the Arts Fund**, in which all requests for appropriations from the city for construction projects must include an amount equal to one percent of the estimated cost of such project for works of arts.[60] The city's Office of Arts and Cultural Affairs is charged with administering these funds. Another example is first-source hire (or "local hire") legislation, currently being contemplated by the City of Seattle,[61] through which city-funded capital projects must hire local residents (or a certain percentage thereof). Local-hire arrangements may include requirements to hire individuals residing within certain neighborhoods – typically as a mitigation measure for those impacted by the project – and/or hiring targets for certain demographics, such as women and people of color. The challenge with local hire is that there is often a limited pool of workers with the skills that developers need for the project (typically skills in the construction trades) residing in the designated area. As stated by Seattle City Councilmember Sally Clark: "If the city is going to mandate companies hire local workers, then it's up to the city to make sure there are enough skilled workers for the job."[62] This points to the possibility of Seattle exploring linking funding for workforce development to city-funded development projects, either in conjunction with or independently of local-hire legislation.

The **Los Angeles Alliance for a New Economy** has done just this in securing community benefit agreements connected to large economic development projects receiving public funding in Los Angeles. These agreements mandate first-source hiring procedures, but they also require developers to "provide funding for job fairs, job training, on-site hiring offices, and an employment and training liaison to coordinate hiring and training with community and city agencies."[63] In recent years, the Alliance secured a community benefits agreement tied to the expansion of the LAX airport that included roughly $15 million for targeted job training efforts.[64] In Seattle, something similar was done with the **Rainier Valley Community Development Fund (RVCDF)**, which was created in 1999 to assist businesses in the Rainier Valley impacted by the construction of the light rail line along Martin Luther King, Jr. Way. In addition to providing mitigation funding, loans and technical assistance to local businesses, RVCDF for a time supported pre-apprenticeship construction training tied to jobs associated with the light rail project.

In the case of privately-funded capital development projects, city governments still may derive revenues for social benefits by securing investments from developers in exchange for providing zoning variances or other benefits that reduce the cost or increase the value of the projects. The most notable utilization of this financing tool to support workforce development is the **Boston Neighborhood Jobs Trust (NJT)**, a model that is unique among major U.S. cities. In 1983, Boston amended its zoning laws to require linkage fees for affordable housing to be paid by developers of large-scale commercial construction projects (above 100,000 square feet) – including expansion and rehabilitation projects – requiring zoning relief from the city.[65] In 1987, job training was added to the linkage program, and the NJT was created to manage these linkage funds.[66]

The creation of the NJT and the previous adoption of linkage fees for low-income housing grew out of pressure from community groups that, in the case of job training, wanted to ensure that Boston residents benefited from employment generated by new development.[67] Boston's rationale for exacting linkage fees from developers arises from:

> *the nexus between new commercial and institutional development and its impact on the housing and job markets in the city. Non-residential development creates new job opportunities, thereby attracting new workers. Some of these workers look for housing within the city, increasing the demand for housing and driving up housing prices. The existence of these workers increases job competition and limits the job opportunities of local residents. Linkage subsequently mitigates the impact of this increased housing demand by contributing to an increase in the housing supply. It also increases the employment potential of Boston residents by providing skills and job training.*[68]

The linkage fee for job training is currently assessed at $1.67 per square foot, and the fee is paid by developers either through cash payment (Job Contribution Grant) or through the direct creation of a

jobs-training program for workers who will be employed on a permanent basis at the development project (Job Creation Contribution).[69] Developers that opt to create a jobs-training program have to submit for city approval a program plan that includes a fair and open process for selecting job training provider partners.[70] In practice, nearly all developers opt to make cash payments rather than create job-training programs. This is because developers are rarely the entity that will be occupying the new building as an employer (they are building to bring in tenants), so they do not have the ability to make hiring commitments. In the one successful instance where a developer opted to utilize a portion of its linkage fee to create a job-training program, the developer was a hospital that partnered with local community development corporations to train people for hospital jobs.[71]

Linkage payments are made in two installments. The first is due when the building permit is issued by the city; the second is due within one year of that date.[72] The linkage fee generates roughly $2 million per year for the NJT, with the amount fluctuating significantly due to the impacts of economic cycles on real estate development. One key factor that keeps funding levels for the NJT up is that in Boston, nearly all large commercial projects require zoning variations and thus are subject to linkage fees.

The NJT is administered by the Mayor's Office of Jobs & Community Service (OJCS). When sufficient funds are secured via linkage fees, OJCS grants funds to a broad array of job training programs via an RFP process. Funds must be used to provide direct services to low- and moderate-income Boston residents that prepare them for and connect them to employment.[73] Funds are presently targeted to low-skill residents with multiple barriers to employment that are not well-served by other workforce initiatives such as the WIA one-stop system.[74] Services supported include "job training and retraining, employment counseling and job placement services, adult literacy and alternative education programs, and related supportive services."[75] While NJT funding may be awarded to serve residents throughout Boston, OJCS must also ensure that sufficient funds go to support workforce development within the neighborhoods impacted by development.[76] The main goal of NJT funding is to connect adults to full-time, permanent jobs that pay a living wage. That said, applicants for NJT funding may propose other compelling outcomes, such placement in postsecondary programs and temporary/part-time jobs that will *lead* to full-time living-wage jobs.[77]

The City of Seattle has not utilized real estate development linkage fees to fund workforce development. However, it has, like many cities, utilized this financing tool in conjunction with the preservation and construction of affordable housing. **Seattle's Incentive Zoning (IZ) program** is described as "a strategy to both encourage the density Seattle is working to achieve while ensuring this growth contributes to livability and sustainability," with a goal "to link code flexibility, increasing density and development potential with public benefits in the form of affordable housing and other amenities valued by communities."[78] In place since 2006, IZ includes a "residential bonus program" through which residential developers in certain areas of the city are permitted to build above set maximum height limits in exchange

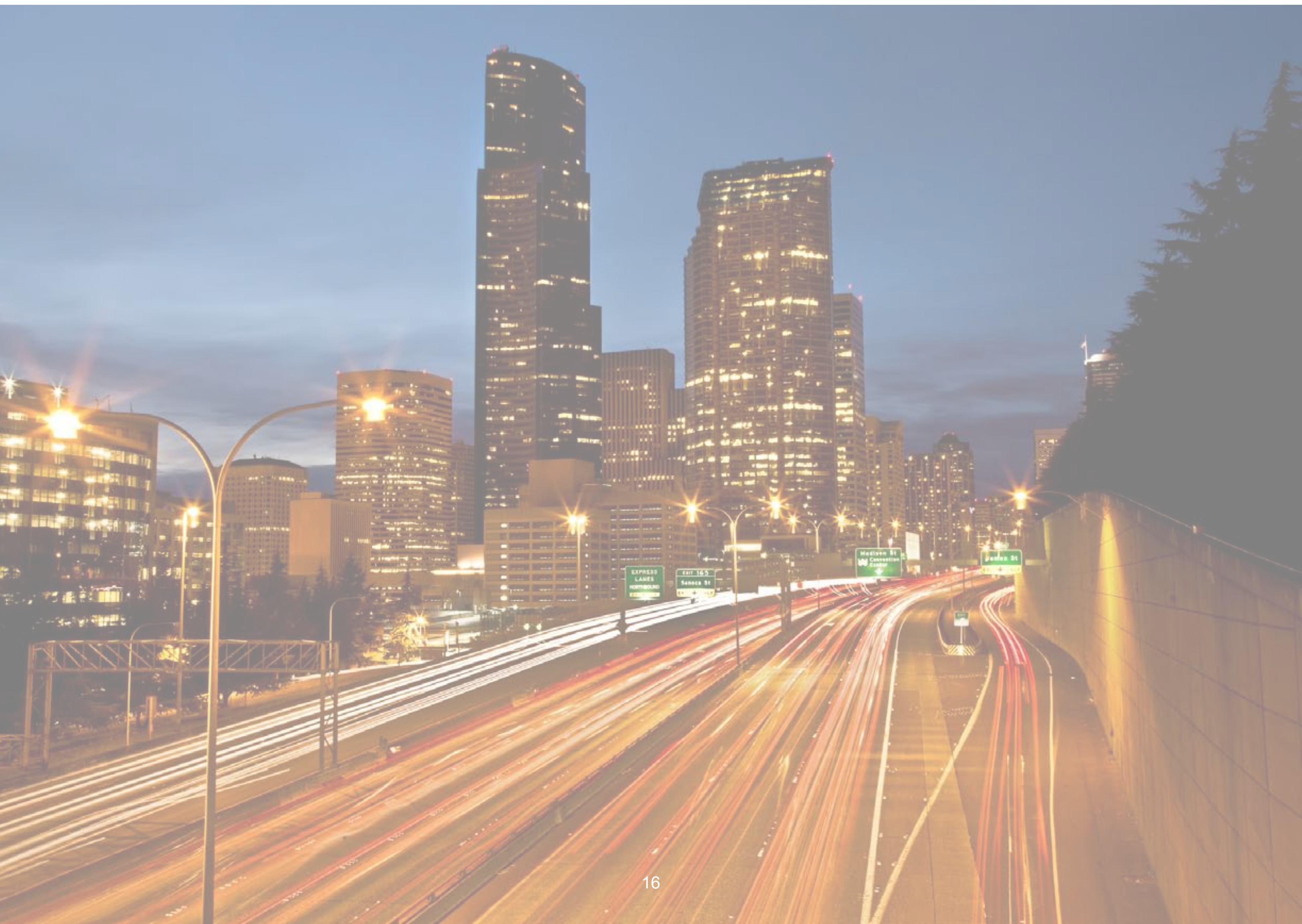
for setting aside a percentage (15-17.5 percent) of units to be affordable to lower-income residents for a minimum of 50 years.[79] In addition, high-rise residential developers can alternatively choose to make a cash contribution ranging from about $15 - $22 per gross square foot to the city in lieu of unit set asides.[80] IZ further includes a "non-residential bonus program" in which non-residential developers in certain areas of the city can build above set maximum height limits in exchange for either providing housing and/or childcare for lower-wage workers or making a cash contribution of about $25 per gross square foot to the city. Funds from the bonus programs are utilized by the city to create and preserve low-income housing.[81] Fewer than 40 percent of development projects in Seattle that are eligible for the bonus programs use them, such that just over 10 percent of the city's investment in affordable housing is paid for through IZ (most funding comes from the Housing Levy and federal housing dollars).[82] In some instances, developers simply do not wish to build above set heights; in others, developers view set asides as negatively impacting the current and future value of their investments. One possibility to increase linkage funds available for lower-income housing – or other social purposes – is to replace the IZ program with a linkage fee that would be charged per square foot on all new residential and commercial development in targeted areas of Seattle, not just (as in IZ) for projects taking advantage of building height zoning variances.[83]

Seattle also has a **Multifamily Property Tax Exemption (MFTE)** program that provides a tax exemption on residential improvements on multifamily projects in exchange for setting aside 20 percent of units for moderate-wage workers. Projects must be located in one of Seattle's thirty-nine targeted areas where the city is encouraging density. According to the city, the MFTE is used relatively infrequently because landowners are concerned about the impact of restricting the use of their property in this way on its current and future market value.[84]

Whether Seattle might create a program like Boston's Neighborhood Jobs Trust or otherwise utilize real estate development linkage fees to fund workforce development is contingent on application of state law, which currently contemplates development incentives or bonuses provide specifically for the funding or creation of low-income housing units, as opposed to other social purposes.[85] That said, there is a clear nexus between employment and training for low-income/low-skill residents and real estate development and economic growth that might support the adoption of workforce linkage policies in the city. From a broader policy perspective, as it is unlikely that Seattle will ever be able to develop nearly enough low-income housing to meet demand, it makes sense to contemplate strategies to utilize development to help support residents' ability to advance to jobs that allow them to afford market rate housing.

V. CONCLUSION

Multiple financing tools are available to municipalities to fund workforce development – tools that are in use in many cities around the country. From a broad perspective, federal and state resources remain far and away the primary sources of funding for workforce programs within U.S. cities. Local workforce development systems are thus fortunate if, as in Seattle, these diminishing resources are complemented by municipal funding. In addition to committing general fund revenues to support workforce development, several cities have sought to create dedicated revenue streams for this purpose, primarily through tax levies and linkages to real estate development (issuing bonds or employing tax increment financing and linkage fees/incentive zoning). While the City of Seattle has utilized these types of financing tools to create dedicated revenue streams for things such as low-income housing and the arts, it has not done so for workforce development. This is an area for exploration for Seattle as it seeks to not only effect a strategy for human capital development that will augment its global competitiveness, but to ensure that all segments of its population have the opportunity to attain the skills and jobs they need to share in the city's prosperity.



END NOTES

1. Heath Prince, editor. *Strategies for Financing Workforce Intermediaries: Working Papers* (National Fund for Workforce Solutions, July 2007), 4. (citing Thomas Kochlan & Beth Shulman, *A New Social Contract: Restoring Dignity and Balance to the Economy* (Washington DC: Economic Policy Institute, 2007)
2. National Skills Coalition. "Chart: Fiscal Year (FY) 2014 Appropriations for Job Training and Education." Accessed October 9, 2014. http://www.nationalskillscoalition.org/federal-policy/federal-funding-tool
3. John W. Schoen, "Are Employers to Blame for 'Skills Gap'?" *CNBC*, December 6, 2012, accessed September 23, 2014, www.cnbc.com/id/100284738
4. Prince, *Strategies*, 22.
5. Ibid.
6. John Wenstrup, Joel Janda, and Shawn Collins, *Perspectives on Seattle as a Globally Competitive Region,* (Boston Consulting Group, November 2013)
7. Ibid.
8. Ibid.
9. City of Seattle. "2014 Adopted Budget," 54. Accessed September 25, 2014. http://www.seattle.gov/financedepartment/14adoptedbudget/documents/2014AdoptedBudgetBook.pdf
10. Ibid.
11. Id. p. 45
12. Ibid.
13. Ibid.
14. *Id.* p. 55
15. Ibid.
16. *Id.* p. 58
17. Ibid.
18. *Id.* p. 60
19. "Our Children, Our City Stakeholder Engagement Wiki – Info on PEET & Children's Fund." Accessed September 11, 2014. http://ourchildren-ourcity.wikispaces.com/Info+on+PEEF+%26+Children's+Fund
20. Ibid.
21. Ibid.
22. City of San Francisco Department of Children, Youth and Their Families. "Youth Leadership, Empowerment & Development." Accessed September 11, 2014. http://www.dcyf.org/index.aspx?page=28#YWD
23. Ibid.
24. Oakland Unite. "Funding: Oakland Unite." Accessed September 11, 2014. http://oaklandunite.org/about/funding
25. Oakland City Council Resolution No. 78734. Accessed September 11, 2014. https://oakland.legistar.com/LegislationDetail.aspx?ID=741178&GUID=57A3BDCC-A151-48C8-8A22-7743496654B0&Options=&Search=
26. Ibid.
27. Ibid.
28. City of Seattle, *Budget*, 61.
29. *Id.* p. 57
30. Ibid.

31. Prince, *Strategies*, 42.
32. City of Seattle, *Budget*, 63.
33. City of Seattle. "Guide to Records for the City Clerk – Business Tax Rules." Accessed September 25, 2014. http://clerk.seattle.gov/~scripts/nph-brs.exe?s1=5-069.NUM.&l=20&Sect6=HITOFF&Sect5=BTXN1&d=BTXN&p=1&u=/~finance/btxn1.htm&r=1&f=G
34. City of Seattle, *Budget*, 66-67.
35. *Id.* p. 73
36. Laura Wolf-Powers, Jeremey Reiss, and Margaret Stix, *Building in Good Jobs: Linking Economic and Workforce Development with Real Estate-Led Economic Development*, (Pratt Center for Community Development and the New York City Employment and Training Coalition, December 2006), 5.
37. *Id.* p. 9
38. Ibid.
39. City of Seattle Office of Housing. "2009 Housing Levy Fact Sheet." Accessed September 25, 2014. http://www.seattle.gov/housing/levy/docs/2009_Levy_Fact_Sheet.pdf
40. Prince, *Strategies*, 38.
41. Prince, *Strategies*, 37.
42. *Id.* p. 38
43. *Id.* p. 50
44. Ibid.
45. *Id.* pp. 50-51
46. *Id.* p. 31
47. *Id.* p. 39
48. Ibid.
49. *Id.* p. 40
50. Ibid.
51. Kristina Costa and Jitinder Kohli. "Social Impact Bonds: New York and Massachusetts Launch the First Social Impact Bond Programs in the United States." Center for American Progress, November 5, 2012. Accessed September 25, 2014. http://www.americanprogress.org/issues/economy/news/2012/11/05/43834/new-york-city-and-massachusetts-to-launch-the-first-social-impact-bond-programs-in-the-united-states
52. Ibid.
53. Ibid.
54. City of Chicago. "Tax Increment Financing Program." Accessed September 11, 2014. http://www.cityofchicago.org/city/en/depts/dcd/supp_info/tax_increment_financingprogram.html
55. City of Chicago. "FAQs related to the tax increment financing program." Accessed September 11, 2014. http://www.cityofchicago.org/city/en/depts/dcd/supp_info/frequently_askedquestions.html
56. Ibid.
57. Ibid.
58. Ibid.
59. "Tax Increment Financing Program."
60. Seattle Municipal Code 20.32.030, et seq. Accessed September 25, 2014. http://clerk.seattle.gov/public/code1.htm
61. City of Seattle Office of Mayor Murray. "Mayor seeks to prioritize area hires for city construction projects." Accessed September 19, 2014. http://murray.seattle.gov/mayor-seeks-to-prioritize-area-hires-for-city-construction-projects/#sthash.LtBxPBpl.VQwZFbym.dpbs

62. Josh Kerns, “Seattle considers making construction companies hire local workers,” *My Northwest*, August 12, 2014, accessed September 25, 2014, http://mynorthwest.com/992/2585507/Seattle-considers-making-construction-companies-hire-local-workers

63. Prince, *Strategies*, 31.

64. Ibid.

65. The Linkage Commission of the City of Boston. “A Summary of the Discussions of the Linkage Commission,” May 14, 2001, 3-4.

66. *Id*. p. 3

67. City of Boston, Office of Jobs and Community Services. “Request for Proposals: Job Training Services, Funded by the City of Boston Neighborhood Jobs Trust,” June 19, 2014, 4.

68. “A Summary of the Discussions of the Linkage Commission,” 4.

69. City of Boston, Office of Jobs and Community Services. “Guide to the Neighborhood Jobs Trust,” 1. Accessed September 25, 2014. https://www.cityofboston.gov/images_documents/NJTGUIDE_tcm3-40280.pdf

70. Ibid.

71. Interview with Ken Barnes, City of Boston, Office of Jobs and Community Services. Conducted on September 12, 2014.

72. “Guide to the Neighborhood Jobs Trust,” 2.

73. “Request for Proposals: Job Training Services, Funded by the City of Boston Neighborhood Jobs Trust,” 4.

74. Ibid.

75. “Guide to the Neighborhood Jobs Trust,” 1.

76. Ibid.

77. Ibid.

78. Seattle Planning Commission. “Incentive Zoning in Seattle: Enhancing Livability and Housing Affordability,” February 2007, 2.

79. City of Seattle, Office of Housing. “Land Use Code Incentives.” Accessed July 28, 2014. https://www.seattle.gov/housing/incentives/LandUseCode.htm

80. City of Seattle, Seattle City Council. “City Council Passes Affordable Housing Incentive Bill.” December 15, 2008. Accessed July 28, 2014. http://www.seattle.gov/council/newsdetail.asp?ID=9145&Dept=28

81. “Land Use Code Incentives.”

82. Rick Jacobus. Powerpoint: “Incentive Zoning in Seattle: Key Questions for Refining the Program.” Cornerstone Partnership, 2014.

83. *Id*.

84. Seattle Municipal Code 5.73 (Revised Code of Washington 84.14). Accessed September 25, 2014. http://clerk.seattle.gov/public/code1.htm

85. Revised Code of Washington 36.70A.540