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Total Budget Balance Effect	\$0	(\$4,692,000)
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Budget Action description:

This green sheet:

1. Appropriates \$1,317,000 GSF to the Finance and Administration Services Department (FAS) and adds five FTEs needed to prepare for implementation of the short-term rental tax and regulatory license;
2. Appropriates \$3,375,000 GSF to FAS to pay the Seattle Information Technology Department (Seattle IT) to develop the software systems needed to support implementation of the tax and regulatory license;
3. Creates a new CIP project (Project ID D601TCFAS) in Seattle IT for related computer systems, Attachment A; and
4. Amends and recommends passage of Council Bill (C.B.) 119129, authorizing an interfund loan of \$4,692,000 from the Seattle Information Technology Operating Fund (50410) to the General Subfund Fund (00100). The loan is intended to be repaid from the revenue generated by the tax and regulatory license fees beginning in 2019. The effect of the loan is to increase the 2018 General Subfund beginning balance by \$4,692,000. The amendment would add the following language shown with a double underline, to Section 1 of C.B. 119129:

Section 1. The City Council finds that there is no viable alternative to meet a core City objective and that consideration by the Debt Management Policy Advisory Committee is not required for this loan, and therefore the Director of Finance is authorized to make a loan of not more than \$4,692,000 of principal and interest outstanding at any one time from the Seattle Information Technology Operating Fund (50410) to the General Subfund Fund (00100) from which funds may be drawn to pay for tax administration and regulatory license system improvements. The loan shall be repaid no later than December 31, 2020, with interest on the loan at the rate of return of the City's Consolidated (Residual) Cash Pool.

In addition to the 2018 resources necessary to prepare for implementation, ongoing resources necessary to administer the regulatory license requirements and the tax are estimated to be \$1.6 million annually; ongoing costs will also be supported by revenue generated by the tax and regulatory license fees. The costs for implementation and ongoing administration of the tax and regulatory license reflect preliminary estimates from FAS and Seattle IT. The Applications Development-FAS CIP project is a new project that is still in Seattle IT's "Concept" phase. The total budget and staff resources needed to develop, implement, and support implementation of the short-term rental tax and regulatory license may change as the project moves from "Concept" to "Initiation" and the scope of work is further refined.

Background

The Affordable Housing, Neighborhoods, and Finance Committee recommended Council action passing two Council Bills (C.B.) that would establish a regulatory framework for short-term rental activity and introduce a per night tax on short-term rental operators in Seattle. Council is currently considering:

- [C.B. 119081](#) - establishes a regulatory licensing framework for short-term rental platforms and operators, and bed and breakfast operators who utilize short-term rental platforms;
- [C.B. 119083](#) - establishes a per night tax on each short-term rental operator in the City.

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- A third bill, [C.B. 119082](#), also affects short-term rental uses; CB 119082 amends the land use code and requires a public hearing with a 30-day public notice. The public hearing will be held on November 27, 2017, at a special meeting of the Planning, Land Use and Zoning Committee.

C.B. 119081 and C.B. 119083 will require additional staff and appropriation authority in 2018 (a) for FAS and ITD to acquire and modify administrative systems; and (b) for FAS to develop rules, procedures and processes in advance of the effective date of the new regulatory license and tax. If adopted, the regulatory license and tax would go into effect in 2019; however, resources are needed in 2018 to prepare for implementation. The resources necessary for implementation in 2018 will be supported by an interfund loan that will be repaid over time with license fees and tax revenue.

The budget actions described in this green sheet assume passage of C.B. 119081 and C.B. 119083. If the Council Bills are not all passed, the new Applications Development-FAS CIP project would not move forward, and the staff resources and other funding appropriated for FAS to implement the tax and regulatory license would not be needed. There is a risk that GSF resources will be needed to pay back the costs expended to develop the systems in the event that anticipated short-term rental revenue proceeds do not match current projections.

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Budget Action Transactions

Budget Action Title: Amend and pass C.B. 119129, add \$1.3M GSF and five positions to FAS, and add \$3.4M GSF to ITD to implement the short-term rental tax and regulatory license

#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BCL or Revenue Source	Summit Code	Fund	Year	Revenue Amount	Expenditure Amount
1	Increase GSF support to FAS to implement the STR tax and regulatory license, and to pay ITD to develop software systems				FG	Finance and Administrative Services Fund	QA005001	00100	2018		\$4,692,000
2	Increase revenue to FAS-CFD to implement the STR tax and to pay ITD to develop the software system				FAS	Tax Administration	587001	50300	2018	\$2,807,000	
3	Increase appropriation in FAS-CFD to implement the STR tax and to pay ITD to develop the software system	StratAdvsr2,General Govt - FT	3	3	FAS	City Finance Division	A4510	50300	2018		\$2,807,000
4	Increase revenue to FAS-RCCP to implement the STR regulatory license and to pay ITD to develop the software system				FAS	Business Licensing	587001	50300	2018	\$1,885,000	

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#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BCL or Revenue Source	Summit Code	Fund	Year	Revenue Amount	Expenditure Amount
5	Increase appropriation in FAS-RCCP to implement the STR regulatory license and to pay ITD to develop the software system	Cust Svc Rep,Sr - FT	2	2	FAS	Regulatory Compliance and Consumer Protection	A4530	50300	2018		\$1,885,000
6	Increase ITD revenue from FAS for systems to regulate and tax the STR industry				ITD	Rates - Citywide Department Specific Initiatives	541810	50410	2018	\$3,375,000	
7	Increase appropriation in ITD to develop systems for FAS to regulate and tax the STR industry				ITD	Capital Improvement Projects	C7000	50410	2018		\$3,375,000