

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	Executive Contact/Phone:
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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

a. Legislation Title:

AN ORDINANCE relating to imposing a tax on engaging in the business of being a short-term rental operator; adding a new Chapter 5.54, Short-Term Rental Tax, to the Seattle Municipal Code; and amending Sections 5.30.010, 5.30.060, 5.55.010, 5.55.040, 5.55.060, 5.55.150, 5.55.165, 5.55.220, and 5.55.230 of the Seattle Municipal Code.

b. Summary and background of the Legislation:

This legislation, as granted by the Washington State Constitution and as authorized by the Washington State Legislature, creates a new tax to raise general revenue for the City and to use that revenue to provide broad based public benefits for residents by funding programs that invest in affordable housing and support community-initiated equitable development projects. The tax would be imposed on a \$10 per night basis on each short-term rental operator in the City of Seattle.

2. CAPITAL IMPROVEMENT PROGRAM

a. Does this legislation create, fund, or amend a CIP Project? ___ Yes ___x___ No

If yes, please fill out the table below and attach a new (if creating a project) or marked-up (if amending) CIP Page to the Council Bill. Please include the spending plan as part of the attached CIP Page. If no, please delete the table.

3. SUMMARY OF FINANCIAL IMPLICATIONS

a. Does this legislation amend the Adopted Budget? ___ Yes ___x___ No

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

b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

If so, describe the nature of the impacts. This could include increased operating and maintenance costs, for example.

The legislation will require appropriation authority in 2018 to acquire and modify administrative systems, and develop rules, procedures and processes in advance of implementing this proposed regulations. Council Bill (CB) 119129, that is being considered as part of the 2018 budget deliberations, would authorize an interfund loan of \$4,692,000 from the Seattle Information Technology Operating Fund (50410) to the General Subfund Fund (00100) to provide the resources necessary in 2018 to implement

the Short-term rental tax and the short-term rental regulations included in CB 119081. Of the \$4,692,000, \$2,807,000 is needed to implement the short-term rental tax enacted by this CB (CB 119083). The \$2,807,000 is needed for the following:

Develop software Systems	\$1,955,000
Staffing (3 FTEs)	\$552,000
Other (outreach and planning)	\$300,000
TOTAL EXPENSES TAX	\$2,807,000

The loan is intended to be repaid from the revenue generated by the tax and regulatory license fees beginning in 2019. The estimated revenue that could be generated in 2019 is \$6,000,000. This estimate assumes that there will be 600,000 short-term rental nights booked in 2019, based on data obtained from Airdna in March 2017. A more conservative estimate would be \$3.6 million in revenue in 2019 (this assumes that the City would achieve 60 percent compliance in the first year of the tax).

In addition to the 2018 resources necessary to prepare for implementation, ongoing resources necessary to administer the tax are estimated to be \$560,000 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.

c. Is there financial cost or other impacts of *not* implementing the legislation?

no

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

If so, please list the affected department(s) and the nature of the impact (financial, operational, etc.).

Yes, the Department of Finance and Administration will have primary responsibility for administering and enforcing the provisions. In addition to the tax administration responsibilities created by this tax for the Department of Finance and Administrative Services, the revenues generated will support programs managed by the Office of Housing and the Office of Planning and Community Development.

b. Is a public hearing required for this legislation?

If yes, what public hearing(s) have been held to date, and/or what public hearing(s) are planned/required in the future?

No

c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?

If yes, please describe the measures taken to comply with RCW 64.06.080.

No

d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No

e. Does this legislation affect a piece of property?

No

f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?

If yes, please explain how this legislation may impact vulnerable or historically disadvantaged communities. Using the racial equity toolkit is one way to help determine the legislation's impact on certain communities.

The proposed tax will likely increase the cost of renting a short-term rental in the City, which will primarily impact people who do not live in the City and is, on average, equivalent to tax applied to hotels with 60 or more rooms.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).

This legislation does not itself have long-term and measurable goals. However, the programs funded by the revenues created by this legislation do have goals to increase the supply of affordable housing and making investments in neighborhoods that support those most in need and that considers past history and current conditions so that future outcomes are equitably distributed, both for those currently living and working in Seattle, as well as new arrivals.

h. Other Issues:

List attachments/exhibits below: