

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 the regulation of short-term rental businesses; adding a new Chapter 6.600, Short-Term Rentals, to the Seattle Municipal Code.

b. Summary and background of the Legislation:

This legislation amends the Licensing Code (Title 6 SMC) in order to define and add licensing standards for short-term rental uses. The legislation would establish a new definition for “short-term rental” as a type of lodging use and establish standards for short-term rentals, including a limit on the number of dwelling units that an individual may operate as a short-term rental. The legislation adds a requirement that all short-term rental uses have a short-term rental operator’s license from the City and that all short-term rental platforms have a short-term rental platform’s license from the City, and establishes a process for the enforcement of licensing requirements.

The proposal is intended to update the Codes to address short-term rentals in a way that helps preserve the availability of long-term rentals while allowing the economic opportunity that short-term rentals offers residents of Seattle.

The proposed amendments would:

- Add a new Chapter 6.600, Short-Term Rentals, establishing standards related to the licensing and operation of short term rentals as a type of business activity;
- Establish a new definition for “short-term rental” as a type of lodging use
- Establish new definitions for “short-term rental operator”, “short-term rental platform”, “primary residence”, and other related terms;
- Generally, allow short-term rentals in any dwelling unit and establish related standards for the use, including a limit on the number of dwelling units that an individual may operate as a short-term rental;
- Allow exceptions to otherwise applicable numeric limits on short term rental units per operator, for the continued operation of existing short-term rental units in specific areas within the Downtown, South Lake Union, and Uptown Urban Centers and certain building types in the downtown urban center;
- Require that all short-term rental operators and platform companies uses have a regulatory license from the City;
- Establish a process for the enforcement of licensing requirements;

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 (C.B.) 119129, under consideration 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, \$1,885,000 is needed to implement the short-term rental regulations enacted by CB 119081. The \$1,885,000 is needed for the following:

Develop software Systems	\$1,420,000
Staffing (2 FTEs)	\$225,000
Other (outreach and planning, consultant contract)	\$240,000
TOTAL EXPENSES Reg License	\$1,885,000

The loan is intended to be repaid from the revenue generated by the regulatory license fees and short-term rental tax that will be enacted by CB 119083, beginning in 2019. In addition to the 2018 resources necessary to prepare for implementation, in 2019 an addition one-time cost of \$600,000 is needed for systems and staffing and ongoing resources necessary to administer the regulations are estimated to be \$490,000 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?

Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs or consequences.

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. The resources needed to implement this legislation, described above, are directed at FAS to aide in enforcement. The fees for the license we established to cover some of the costs of administering the regulations. A short-term rental tax, proposed through separate legislation (CB 119083), would offset any remaining costs to administer the program.

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, however, there is a bill associated with this legislation that will amend the land use code and will require a public hearing.

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?

For example, legislation related to sale of surplus property, condemnation, or certain capital projects with private partners may require publication of notice. If you aren't sure, please check with your lawyer. If publication of notice is required, describe any steps taken to comply with that requirement.

No

e. Does this legislation affect a piece of property?

If yes, and if a map or other visual representation of the property is not already included as an exhibit or attachment to the legislation itself, then you must include a map and/or other visual representation of the property and its location as an attachment to the fiscal note. Place a note on the map attached to the fiscal note that indicates the map is intended for illustrative or informational purposes only and is not intended to modify anything in the legislation.

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 primary goal of this legislation is to balance the economic opportunity created by short-term rentals with the need to maintain supply of long-term rental housing stock. Dwelling units developed as a residential use are expected to contribute to the City's

housing stock rather than contribute to the supply of short-term lodgings for tourists or other temporary stays (i.e. hotels). When those units are converted to short-term rentals, this decreases the supply of residential units available for the City's permanent residents and contributes to the upward pressure on rent. Vulnerable or historically disadvantaged communities are arguably most impacted by lack of housing supply and housing affordability in Seattle. This legislation is focused on addressing that issue

- 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 answer should highlight measurable outputs and outcomes.

- h. Other Issues:**

List attachments/exhibits below: