

SUMMARY and FISCAL NOTE*

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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

Legislation Title: AN ORDINANCE relating to land use and zoning; amending Section 23.76.029 of the Seattle Municipal Code to allow applicants for or holders of certain Master Use Permits approved for issuance between March 1, 2020 and December 31, 2026 to have their Master Use Permits expire in six years; and making other minor amendments to the procedure for expiration and renewal of Master Use Permits.

Summary and Background of the Legislation:

This legislation takes the following actions:

- Extends the term of Master Use Permits (MUPs) approved for issuance between March 1, 2020 and December 31, 2026 to six years. (All future MUPs issued or approved after 2026 will revert to the MUP expiration provisions in SMC Sections 23.76.029 – 032.)
- Allows projects to be developed under land use regulations that were in effect at the time the MUP vests, such as when approved for issuance.
- Allows an extended six-year term without the existing renewal process that would otherwise be used to extend the three-year term of MUPs by two additional years. These two-year extensions require projects to be revised to meet any updated codes.
- Includes the first phases of Major Phased Development and Planned Community Development MUPs.
- Leaves in place existing provisions for shoreline permits, full- and short-subdivisions, and Land Use Code variances, which are governed by state law.

This legislation provides more flexibility to proposals with MUP decisions that have been issued since March 1, 2020 and MUPs that will have a MUP decision issued before December 31, 2026. This could aid projects that need more time to complete building permitting and initiate construction. Potential challenges that may delay building permitting include securing financing or project design matters. Reaching the MUP decision issuance phase in the permit process involves a considerable investment in time and money. Helping these projects with more time to come to fruition could be a major contribution to activating Downtown Seattle and the city as a whole. This legislation could aid approximately 205 pending development proposals citywide, of which approximately 40 are in the core Downtown, South Lake Union, and Uptown Urban Centers.

2. CAPITAL IMPROVEMENT PROGRAM

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

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? Yes No

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?

The legislation may lead to additional permit staffing activities due to the longer timeframe allowed for MUP reviews. However, as SDCI charges an hourly rate for permit review activities, including any new hours of review work generated by individual projects, permit fees are expected to cover increased staffing costs, if any. Also, minor IT updates are anticipated for this change to the MUP lifespan, which can be covered by existing resources. Therefore, no financial impacts to SDCI are anticipated.

Pre-MHA vested projects: Of the pool of eligible MUPs under the proposal, approximately 11 projects vested prior to the enactment of the Mandatory Housing Affordability (MHA) requirements. If these projects were helped by the proposed legislation and did not expire according to existing code provisions, it could result in lost MHA revenue estimated at \$3.0 to \$5.5 million, but would result in new housing units and taxes generated from construction activity. The impact of reduced MHA revenues depends on the share of projects for which MUPs would be renewed at the existing year three point rather than allowed to expire due to financial or other considerations.

This analysis does not make assumptions about whether these 11 projects will ultimately be developed, although one is in extended litigation and under existing rules will likely have an extended MUP lifespan. For projects that would not move forward (i.e., 2-year MUP renewal) upon reaching the 3-year deadline, this legislation has no impact on MHA revenue as those affordable housing contributions would not occur.

Inflation effects on value of MHA contributions: Other eligible projects that benefit from the legislation would be subject to MHA. However, the MHA fees would not be adjusted for inflation, which occurs when a MUP is renewed under the existing provisions. In coming years, annual inflation adjustments are estimated to be between 3% and 5%. Therefore, projects with 6-year MUPs would have MHA contributions for affordable housing that are 3 to 5% less than under the existing code.

To provide some scale, the overall amount of MHA revenue collected to date totals \$246 million; the average annual MHA contributions is \$60 million; and \$38 million has been collected in 2023 year-to-date.

Are there financial costs or other impacts of *not* implementing the legislation?

Helping these projects complete the construction process and get into active use would generate tax revenue and other benefits in terms of helping promote activity downtown and throughout the city that would otherwise be foregone if the legislation is not implemented.

4. OTHER IMPLICATIONS

- a. Does this legislation affect any departments besides the originating department?**
The Office of Housing awards MHA funds for development of low-income housing in Seattle. Potential impact on MHA revenue is described above. The proposal is not anticipated to impact staffing costs of other departments, such as the Office of Housing, that also have permit review responsibilities.
- b. Is a public hearing required for this legislation?**
Yes.
- c. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
Yes.
- d. Does this legislation affect a piece of property?**
The legislation affects a wide range of properties in the city.
- e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**
No impacts identified.
- f. Climate Change Implications**
- 1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?**
No. The MUP does not vest a construction permit. Projects are held to building codes and energy codes that apply, based on the dates SDCI accepts a complete building permit application. Therefore, the legislation does not change the application of building and energy codes.
- 2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**
No impacts identified.
- 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 is not a new initiative or major programmatic expansion.