



# SEATTLE CITY COUNCIL

## Parks, Public Utilities, and Technology Committee Agenda

Wednesday, April 23, 2025

2:00 PM

Council Chamber, City Hall  
600 4th Avenue  
Seattle, WA 98104

Joy Hollingsworth, Chair  
Sara Nelson, Vice-Chair  
Robert Kettle, Member  
Maritza Rivera, Member  
Dan Strauss, Member

Chair Info: 206-684-8803; [Joy.Hollingsworth@seattle.gov](mailto:Joy.Hollingsworth@seattle.gov)

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**SEATTLE CITY COUNCIL**  
**Parks, Public Utilities, and Technology**  
**Committee**  
**Agenda**  
**April 23, 2025 - 2:00 PM**

**Meeting Location:**

Council Chamber, City Hall , 600 4th Avenue , Seattle, WA 98104

**Committee Website:**

<https://www.seattle.gov/council/committees/parks-public-utilities-and-technology-x154106>

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This meeting also constitutes a meeting of the City Council, provided that the meeting shall be conducted as a committee meeting under the Council Rules and Procedures, and Council action shall be limited to committee business.

Members of the public may register for remote or in-person Public Comment to address the Council. Details on how to provide Public Comment are listed below:

Remote Public Comment - Register online to speak during the Public Comment period at the meeting at

<https://www.seattle.gov/council/committees/public-comment>

Online registration to speak will begin one hour before the meeting start time, and registration will end at the conclusion of the Public Comment period during the meeting. Speakers must be registered in order to be recognized by the Chair.

In-Person Public Comment - Register to speak on the Public Comment sign-up sheet located inside Council Chambers at least 15 minutes prior to the meeting start time. Registration will end at the conclusion of the Public Comment period during the meeting. Speakers must be registered in order to be recognized by the Chair.

Pursuant to Council Rule VI.C.10, members of the public providing public comment in Chambers will be broadcast via Seattle Channel.

Please submit written comments to all Councilmembers four hours prior to the meeting at [Council@seattle.gov](mailto:Council@seattle.gov) or at Seattle City Hall, Attn: Council Public Comment, 600 4th Ave., Floor 2, Seattle, WA 98104.

*Please Note: Times listed are estimated*

**A. Call To Order**

**B. Approval of the Agenda**

**C. Public Comment**

**D. Items of Business**

1.     [CB 120966](#)     **AN ORDINANCE relating to Seattle Public Utilities; revising, consolidating, and enacting provisions related to system development charges for water, sewer, and drainage infrastructure; adding a new Subtitle VI to Title 21 of the Seattle Municipal Code; adding a new Chapter 21.65 to the subtitle; adding a new Section 21.65.010 to the Seattle Municipal Code; relocating Sections 21.04.105, 21.04.115, and 21.04.125 of the Seattle Municipal Code into the chapter and further amending the sections; and amending Section 21.04.465 of the Seattle Municipal Code.**

Supporting  
Documents:   [Summary and Fiscal Note](#)  
                  [Presentation](#)

**Briefing and Discussion**

**Presenters:** Andrew Lee, General Manager and CEO, Keri Burchard-Juarez, and Leslie Brinson, Seattle Public Utilities

2.     [CB 120967](#)     **AN ORDINANCE relating to Seattle Public Utilities; authorizing the General Manager/CEO of Seattle Public Utilities to develop municipal assessment reimbursement area authority, in accordance with chapter 35.91 of the Revised Code of Washington; adding a new Subtitle VI to Title 21 of the Seattle Municipal Code; renumbering Chapter 21.80 of the Seattle Municipal Code to Chapter 21.63; relocating the chapter into Subtitle VI of Title 21; and further amending the chapter.**

Supporting  
Documents:

[Summary and Fiscal Note  
Presentation](#)

**Briefing and Discussion**

**Presenters:** Andrew Lee, General Manager and CEO, Keri Burchard-Juarez, and Leslie Brinson, Seattle Public Utilities

3.     [CB 120968](#)     **AN ORDINANCE amending Ordinance 127156, which adopted the 2025 Budget, including the 2025-2030 Capital Improvement Program; changing appropriations to Seattle Public Utilities and its budget control levels, and from various funds in the Budget; and creating positions; all by a 3/4 vote of the City Council.**

Supporting  
Documents:

[Summary and Fiscal Note  
Presentation](#)

**Briefing and Discussion**

**Presenters:** Andrew Lee, General Manager and CEO, Keri Burchard-Juarez, and Leslie Brinson, Seattle Public Utilities

## **E. Adjournment**



## Legislation Text

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**File #:** CB 120966, **Version:** 1

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### **CITY OF SEATTLE**

### **ORDINANCE \_\_\_\_\_**

### **COUNCIL BILL \_\_\_\_\_**

AN ORDINANCE relating to Seattle Public Utilities; revising, consolidating, and enacting provisions related to system development charges for water, sewer, and drainage infrastructure; adding a new Subtitle VI to Title 21 of the Seattle Municipal Code; adding a new Chapter 21.65 to the subtitle; adding a new Section 21.65.010 to the Seattle Municipal Code; relocating Sections 21.04.105, 21.04.115, and 21.04.125 of the Seattle Municipal Code into the chapter and further amending the sections; and amending Section 21.04.465 of the Seattle Municipal Code.

WHEREAS, RCW 35.92.025 authorizes a municipal utility to require charges so impacts from development bear their equitable share of the cost of the water, sewer, or drainage system, in addition to fees charged for establishing the installation of pipes, meters, and appurtenances to the system; and

WHEREAS, development may contribute to the distribution or collection system in one of several ways, e.g., by installing a standard water, sewer, or drainage main or paying a cash contribution equal to their equitable share of the cost of the system to Seattle Public Utilities; and

WHEREAS, development is not currently required to pay a drainage or sewer system development charge, and thus development does not bear its equitable share of the cost of the system; and

WHEREAS, Seattle has historically had the lowest development charges in the region, leading to inequities among development projects, with a small portion of property owners paying a large share of system expansion through the construction of mainline extensions; and

WHEREAS, Seattle Public Utilities is revaluing the system to rebalance how much properties are asked to contribute, as part of its effort to expand its water and sewerage system to accommodate the population growth the city has experienced and will continue to experience; and

WHEREAS, this legislation is part of a package of three Council Bills to accomplish the goal of amending the system development charges within Seattle Public Utilities and all three bills are connected and should be considered as one package; and

WHEREAS, Seattle Public Utilities requires financial and personnel resources to support the work associated with system development charges and participation in financing of water and sewer facilities; NOW, THEREFORE,

**BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

Section 1. A new Subtitle VI of the Seattle Municipal Code is added to Title 21 as follows:

**Subtitle VI SEATTLE PUBLIC UTILITIES SYSTEM DEVELOPMENT**

Section 2. A new Chapter 21.65 of the Seattle Municipal Code is added to Subtitle VI of Title 21 as follows:

**Chapter 21.65 SYSTEM DEVELOPMENT CHARGES**

Section 3. A new Section 21.65.010 is added to the Seattle Municipal Code as follows:

**21.65.010 Authority**

In accordance with RCW 35.92.025 and the requirements of this Chapter 21.65, and in conjunction with activity requiring a development permit, the General Manager/CEO of Seattle Public Utilities is authorized to charge property owners a system development charge in order that such owners bear the equitable share of the cost of the water, sewer, and drainage systems. Such charges shall be considered revenue of each respective enterprise fund. Pursuant to Chapter 3.02, the General Manager/CEO is further authorized to adopt rules to implement the requirements of this Chapter 21.65, including rules governing the application, form, and processing of system development charges.

Section 4. Sections 21.04.105, 21.04.115, and 21.04.125 of the Seattle Municipal Code, enacted by Ordinance 121443, are renumbered and further amended as follows:

**~~((21.04.105 Connection))~~ 21.65.020 System development charge**

A. In addition to ~~((water service))~~ installation fees and charges required by ordinance or administrative rule, the owner of a property ~~((seeking either for the first time to connect that property to the water distribution system for any water purposes, or to expand existing water service))~~ shall pay a ~~((connection))~~ system development charge ~~((prior to connection))~~ pursuant to Section 21.65.040.

B. A property may be exempt from paying the ~~((connection))~~ system development charge in circumstances where an equivalent contribution is made at the time the owner of the property is ~~((seeking to connect or reconnect to the water system))~~ otherwise required to pay the system development charge, such as the construction of a water, sewer, or drainage main accepted by Seattle Public Utilities as part of its distribution or collection system. Any such exemptions for equivalent contributions shall be defined in Seattle Public Utilities Director's Rules and Policies~~((, which may be amended from time to time by the Director))~~.

C. The collection of a ~~((connection))~~ system development charge to serve ~~((a single family residence))~~ an individually metered dwelling unit may be deferred with interest until the time of sale or transfer of property at the request of an owner who meets both of the following criteria: (1) is economically disadvantaged, as defined in subsection 20.12.020.B; and (2) also owns and occupies the residence ~~((which will be connected to the water distribution system))~~. Interest on the principal will be calculated at the rate of 150 basis points (1.5 percent) added to the yield for ten-year U.S. Treasury Constant Securities (e.g., if the yield is 5.02 percent, the interest charge would be 6.52 percent). The interest rate shall be fixed for the duration of contract, using the Treasury yield for the most current month listed on the Federal Reserve's internet website, [federalreserve.gov/datadownload/Choose.aspx?rel=H15](http://federalreserve.gov/datadownload/Choose.aspx?rel=H15), or successor website, or other source. The rate will be determined at the time the finance contract is signed by the property owner. Such contract shall provide that any unpaid balance may be paid off in full at any time. All charges, including interest so deferred, shall become a lien against the property and shall be recorded by the ~~((Director))~~ General Manager/CEO of Seattle Public Utilities in the King County Recorder's Office at the expense of the property owner, and such deferred payment shall be due and payable in full at the time of sale or transfer of the property or at the time the property ceases

to be used as a ~~((single family residence))~~ dwelling unit.

**~~((21.04.115))~~ 21.65.030 Payment of ~~((connection))~~ system development charge**

The ~~((connection))~~ system development charge shall be paid either in cash~~((s))~~ or under an installment contract.

An installment contract shall provide for a down payment of a minimum of ~~((1/40))~~ 25 percent of the total ~~((connection))~~ system development charge, payable upon execution of such contract, and for ~~((payment of))~~ the

unpaid balance ~~((in equal installments of the unpaid balance payable at specified intervals throughout the term of the contract, together with interest as provided in this section))~~ , together with interest as provided in this

Section 21.65.030, to be payable 24 months after the date of execution or at the time of sale or transfer of the

property, whichever is earlier. Interest on the principal will be calculated at the rate of 150 basis points (1.5

percent) added to the yield for ten-year U.S. Treasury Constant Securities (e.g., if the yield is 5.02 percent, the interest charge would be 6.52 percent). The interest rate shall be fixed for the duration of contract, using the

Treasury yield for the most current month listed on the Federal Reserve's internet website,

[federalreserve.gov/datadownload/Choose.aspx?rel=H15](http://federalreserve.gov/datadownload/Choose.aspx?rel=H15), or successor website, or other source. The rate will be

determined at the time the finance contract is signed by the property owner. Such installment contract shall be

no more than ~~((ten))~~ two years in duration and shall provide that any unpaid balance may be paid off in full at

any time. Such contract shall include a provision that in the event of failure to pay the required installment~~((s))~~,

the ~~((Director))~~ General Manager/CEO of Seattle Public Utilities may disconnect the City's water service from

and refuse to supply water to the premises until the unpaid installment~~((s are))~~ is paid. ~~((In addition, the))~~ The

installment contract shall become a lien against the property and shall be recorded by the ~~((Director))~~ General

Manager/CEO of Seattle Public Utilities in the King County Recorder's Office at the expense of the property

owner, and ~~((such deferred payment))~~ any unpaid balance together with interest shall be due and payable in full

at the time of sale or transfer of the property and shall be paid by the seller.

**~~((21.04.125))~~ 21.65.040 Calculation of the ~~((connection))~~ system development charge**



A. ~~The ((connection))~~ system development charge shall be calculated as the product of ~~((Connection Charge Units (CCU) and Connection))~~ the System Development Customer Equivalent (SDCE) and the System Development Charge Unit Rate ((CCUR)) (SDCUR).

B. The ~~((CCU))~~ Water or Wastewater SDCE is a measure of the size of the new water service ~~((connection or connections))~~ or the increase in ~~((the))~~ size of an existing ~~((connection or connections))~~ service.  
~~((The CCU is the aggregation of the new retail service connections being requested by the owner (or the requested connections for existing services)))~~ In calculating the Water or Wastewater SDCE, services are weighted by ((their)) hydraulic ((capacities)) capacity and expressed as a multiple of a single 3/4-inch domestic service ((connection)).

C. The Drainage SDCE is a measure of the increase in the amount of hard surface from pre-development to post-development. The SDCE is expressed as a multiple of 1,000 square feet.

D. ~~The ((CCUR represents))~~ Water SDCUR is the ((equity)) original value of the water system, ((as represented by the total asset value of the system)) less the value of service meters, less the value of spent outstanding bonds as detailed in the Water Fund's annual financial statement, plus five years of interest from the date of asset service, attributable to a single customer with ((a)) an equivalent 3/4-inch water service.

E. The Wastewater SDCUR is the original value of the sewer system less the value of spent outstanding bonds as detailed in the Drainage and Wastewater Fund's annual financial statement, plus five years of interest from the date of asset service, attributable to a single customer with an equivalent 3/4-inch water service.

F. The Drainage SDCUR is the original value of the drainage system less the value of spent outstanding bonds as detailed in the Drainage and Wastewater Fund's annual financial statement, plus five years of interest from the date of asset service, attributable to 1,000 square feet of hard surface.

G. Interest for each asset shall be based on the annual average of the Revenue Bond Buyer's Index for the year the asset is placed in service.

H. Measurement of the ((CCU)) SDCE and administration of the ((connection)) system development

charge will conform to adopted Director's Rules and Policies.

I. The General Manager/CEO shall develop and update the SDCUR with the development of retail service rates. Updates to the SDCUR shall make use of the most recent audited financial statements for the system type.

Section 5. Section 21.04.465 of the Seattle Municipal Code, last amended by Ordinance 121443, is amended as follows:

**21.04.465 Standard, ~~((connection))~~ system development, and administrative charges**

A. The ~~((Director))~~ General Manager/CEO shall develop and update annually a schedule of charges for standard, recurring services which are incidental to the sale of water. Such charges shall be based on a review of the prevailing actual costs for providing these services.

~~((B. The Director shall develop and update annually the Connection Charge Unit Rate (CCUR). Updates to the CCUR shall make use of the most recent audited financial statements for the water system.~~

~~C.))~~ B. The ~~((Director))~~ General Manager/CEO may establish reasonable administrative charges for: handling dishonored checks, money orders, or other instruments; fees for turning water on or off; charges for delinquent accounts and for related field visits; charges for meter tests, hydrant flow tests, and hydrant use; fees for customer statements of prior billings; charges for utility crossing permits; and ~~((for))~~ other services not encompassed in the schedule of standard charges.

~~((D.))~~ C. Any standard charges, including administrative charges, shall be developed and adopted pursuant to the provisions of Chapter 3.02.

~~((E.))~~ D. Administrative charges and interest rates developed and adopted pursuant to subsection ~~((21.04.465.D))~~ 21.04.465.C shall apply to all delinquent sewer and solid waste charges that are assessed through the combined utility bill; provided that interest rates shall not exceed the maximum rate allowed by law. See RCW 35.67.200.

Section 6. This ordinance shall take effect on January 1, 2026.

Passed by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2025, and signed by  
me in open session in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_

President \_\_\_\_\_ of the City Council

Approved /      returned unsigned /      vetoed this \_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_

Bruce A. Harrell, Mayor

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_

Scheereen Dedman, City Clerk

(Seal)

## **SUMMARY and FISCAL NOTE**

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
Seattle Public Utilities	Michelle Lange	Akshay Iyengar

### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to Seattle Public Utilities; revising, consolidating, and enacting provisions related to system development charges for water, sewer, and drainage infrastructure; adding a new Subtitle VI to Title 21 of the Seattle Municipal Code; adding a new Chapter 21.65 to the subtitle; adding a new Section 21.65.010 to the Seattle Municipal Code; relocating Sections 21.04.105, 21.04.115, and 21.04.125 of the Seattle Municipal Code into the chapter and further amending the sections; and amending Section 21.04.465 of the Seattle Municipal Code.

**Summary and Background of the Legislation:** Seattle is experiencing a housing affordability crisis. Developers tell Seattle Public Utilities (SPU) that system improvement requirements (e.g. water, drainage, and wastewater mainline extensions) are a financial burden and make some housing, business, and other land development projects unviable. This legislation, along with companion latecomer and budget amendment legislation, aims to make development costs more equitable and predictable for development projects throughout the city.

Currently, SPU requires properties seeking to connect to the water system to contribute to the system by either paying a connection charge or installing a standard watermain. The water connection charge is amongst the lowest in the region, while watermain installation is typically much more expensive.

Seattle's wastewater and drainage systems do not currently have a contribution requirement but do require main installation if no main currently fronts the property. This results in a few projects incurring very large costs to install infrastructure, while most other projects contribute nothing to the system's costs.

This legislation redefines the System Development Charge (SDC) for water and establishes an SDC for wastewater and drainage. The SDC for water replaces the current connection charge. The new and revised charges use a more complete definition of system costs, as allowed by RCW, and include five years of interest expense from asset acquisition. This legislation defines how SDCs are calculated, but the exact SDC amounts for each utility will be published and updated via Director's Rule. The SDC for each utility will be updated along with each fund's rate study, typically every three years. For example:



### **SF House + AADU + DADU**

*SF tear down replacing ¾" meter with 1.5" meter. Adds 1,350 sf new impervious surface.*

- **Water: 2.3 CE**
- **Wastewater: 2.3 CE**
- **Drainage: 0.5 CE**

### **Total SDC across services:**

- **Proposed: \$23,500**
- *Replaces: \$5,520*



### **150-unit Apartment Building**

*Vacant paved parking lot with no existing water service. New 4" meter. No new impervious surface added.*

- **Water: 17 CE**
- **Wastewater: 17 CE**
- **Drainage: 0 CE**

### **Total SDC across services:**

- **Proposed: \$161,500**
- *Replaces: \$40,800*

This legislation also expands payment plans for SDCs in recognition of developers' concerns about payment timing. Currently, payment plans are only available to economically disadvantaged owners, allowing payment of 2.5% of the charge up front and the remainder payable in monthly installments for 10 years, including interest. Moving forward, SDCs can also be paid with a 25% downpayment with the remainder, plus interest, due in two years or upon sale or transfer from the seller. The remaining SDC will be recorded as a lien against the property with King County until paid in full.

The aim of this legislation is to reduce the inequity between different developments based on location and existing infrastructure. Currently, depending on the existing utility systems in front of a property, a development may only pay a relatively small connection charge to the Water Fund. A similar development a few blocks away may be required to install 100 feet of water and sewer main at an expense 50 times the cost of the water connection charge. This legislation will charge all development an SDC for all three utility systems, while providing credit for installed mainline improvements. With companion legislation, SPU plans to use the increased revenue from SDCs to reduce the financial burden of installing mainlines by contributing to the infrastructure costs through a new SPU participatory latecomer program.

## 2. CAPITAL IMPROVEMENT PROGRAM

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

## 3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☒ Yes ☐ No

Expenditure Change (\$); General Fund	2025	2026 est.	2027 est.	2028 est.	2029 est.
Expenditure Change (\$); Other Funds	2025	2026 est.	2027 est.	2028 est.	2029 est.

Revenue Change (\$); General Fund	2025	2026 est.	2027 est.	2028 est.	2029 est.
Revenue Change (\$); Other Funds	2025	2026 est.	2027 est.	2028 est.	2029 est.
	\$3.2M	\$12.7M	\$12.7M	\$12.7M	\$12.7M

Number of Positions	2025	2026 est.	2027 est.	2028 est.	2029 est.
Total FTE Change	2025	2026 est.	2027 est.	2028 est.	2029 est.

### 3.a. Appropriations

☐ This legislation adds, changes, or deletes appropriations.

### 3.b. Revenues/Reimbursements

☒ This legislation adds, changes, or deletes revenues or reimbursements.

#### Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	Dept	Revenue Source	2025 Revenue	2026 Estimated Revenue
Water Fund - 43000	SPU		\$1,800,000	\$7,200,000
Drainage and Wastewater Fund – 44010	SPU		\$1,350,000	\$5,500,000
TOTAL			\$3,150,000	\$12,700,000

**Revenue/Reimbursement Notes:** The revenue will come from new development and increased density development.

### 3.c. Positions

- ☐ This legislation adds, changes, or deletes positions.

### 3.d. Other Impacts

**Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.**

No.

**If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.**

**Please describe any financial costs or other impacts of *not* implementing the legislation.**

This legislation is designed to reduce the inequity between development, supporting more development in areas that require utility infrastructure improvements. Not passing this legislation will keep the status quo and leave some areas of the City less likely to be developed for housing because of infrastructure requirement costs assigned solely to the first-in developer; not implementing this legislation will preclude the City from collecting additional revenue from other development-related sources such as REET, MHA, and construction sales tax that this package may generate.

## 4. OTHER IMPLICATIONS

- a. Please describe how this legislation may affect any departments besides the originating department.**

This legislation may have impacts on the Seattle Department of Transportation (SDOT) as utility construction in the Right of Way is increased, requiring additional SDOT permitting review and inspection. As per the current process, SDOT permit review and inspection will be paid for by the developers.

- b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**

No.



**c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**

- i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

This package of legislation will help to lessen the financial burden of water and sewer mainline extensions, helping more housing, business, and other land development projects throughout the city to be financially feasible in more locations. SPU's commitment to cost share on mainline extensions is also expected to help smaller developers access capital and to help families who own property be able to afford to add additional housing units to their land. The parameters of the cost sharing program are designed to ensure that the costs of the program do not exceed the increased revenue from SDCs, such that homeowners and other utility customers will not see an increase to their utility rates.

- ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.** N/A

- iii. What is the Language Access Plan for any communications to the public?** N/A

**d. Climate Change Implications**

- i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**

Currently, utility main line extension requirements make some projects infeasible. By reducing barriers to new development in Seattle, we make it possible for more people to live in urban growth areas in new, more efficient buildings near transit, reducing their carbon footprints.

Utility main line extension requirements also often trigger SDOT ROW improvements, so making it easier to develop in areas with inadequate water, drainage, and sewer infrastructure could also accelerate the construction of sidewalks, curb ramps, and other multimodal transportation networks in those areas.

- ii. 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.**

In many of the annexed areas of Seattle, formal drainage infrastructure does not exist. These areas in particular will benefit from drainage mainline infrastructure to mitigate local flooding which will be exacerbated due to climate change. Additionally, areas with a combined sewer system will continue to be separated in to separate wastewater and drainage mains, reducing combined sewer overflows.

- e. 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)? What mechanisms will be used to measure progress towards meeting those goals?**

This three-ordinance package is part of an initiative to address the inequity of utility costs for development. The program's success will be measured by several measures. The first is the revenue collected through the System Development Charge (SDC). The second step of the initiative is SPU partially funding privately installed utility mains or constructing mainline extensions within municipal reimbursement areas. Success will be measured by improvement in the rates of projects moving forward that are required to install utility infrastructure. Success will also be measured in miles of mains installed through the program and the number of city blocks that are served by standard utility infrastructure.

## 5. CHECKLIST

- ☐ Is a public hearing required?
- ☐ Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?
- ☒ If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?  
Yes
- ☐ Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?

## 6. ATTACHMENTS

**Summary Attachments:** None.

# System Development Charges & Cost Sharing on System Improvements

Seattle City Council  
Parks, Public Utilities & Technology Committee

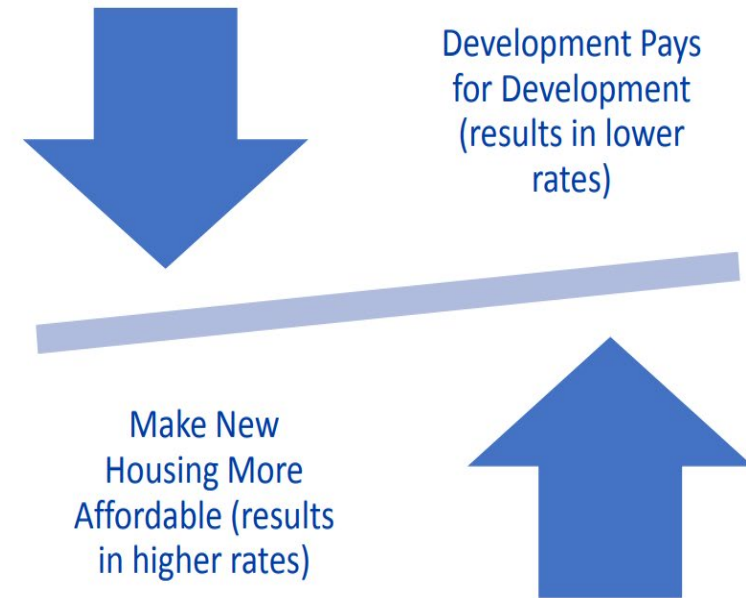
*April 23, 2025*



# What problem are we trying to solve?

- Seattle is experiencing a housing affordability crisis.
- Various factors are driving changes in Seattle's growth and development patterns, which means SPU needs to rethink its approach to funding its infrastructure by distributing costs equitably across the system.

## Balancing Two Objectives



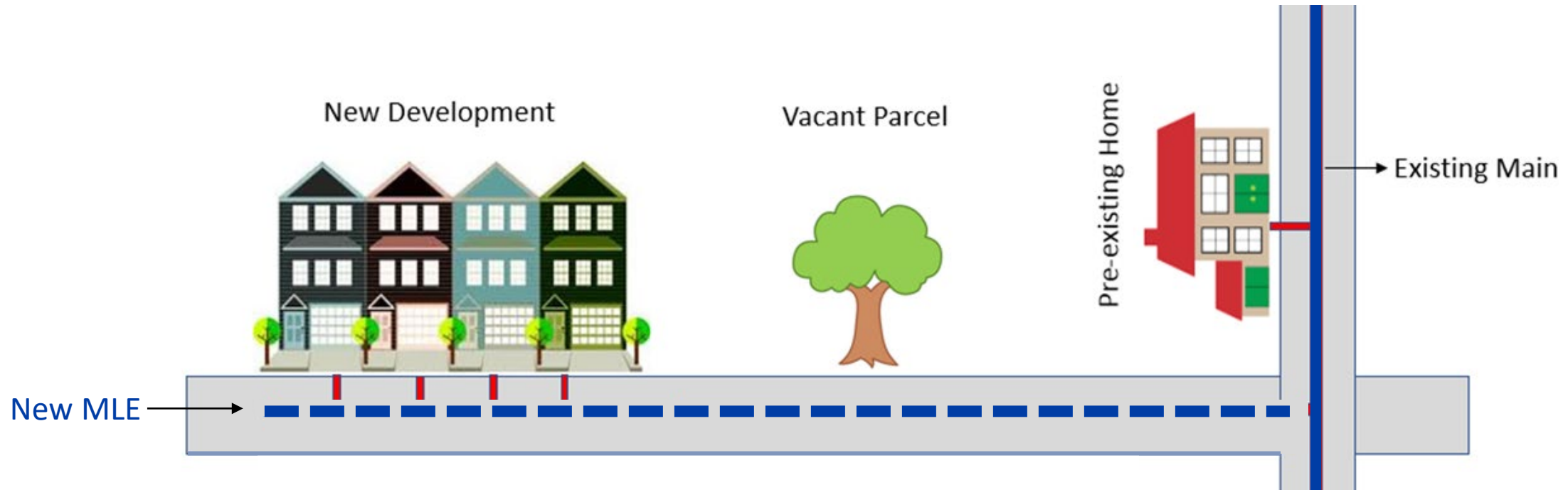
# Purpose of Legislation:

This legislation, combined with accompanying System Development Charges (SDCs) legislation and budget amendment legislation, is part of SPU's effort to reduce inequity in housing development and make housing development more viable in more locations of the City.

Three-Ordinance Package to develop an SPU Mainline Cost Sharing Program with Latecomer Agreements funded by System Development Charges (SDC)

- Authorizing revisions to the water SDC and adding drainage and wastewater SDCs
- Authorizing SPU to participate in Latecomer Agreements
- Authorizing budget and staffing to implement

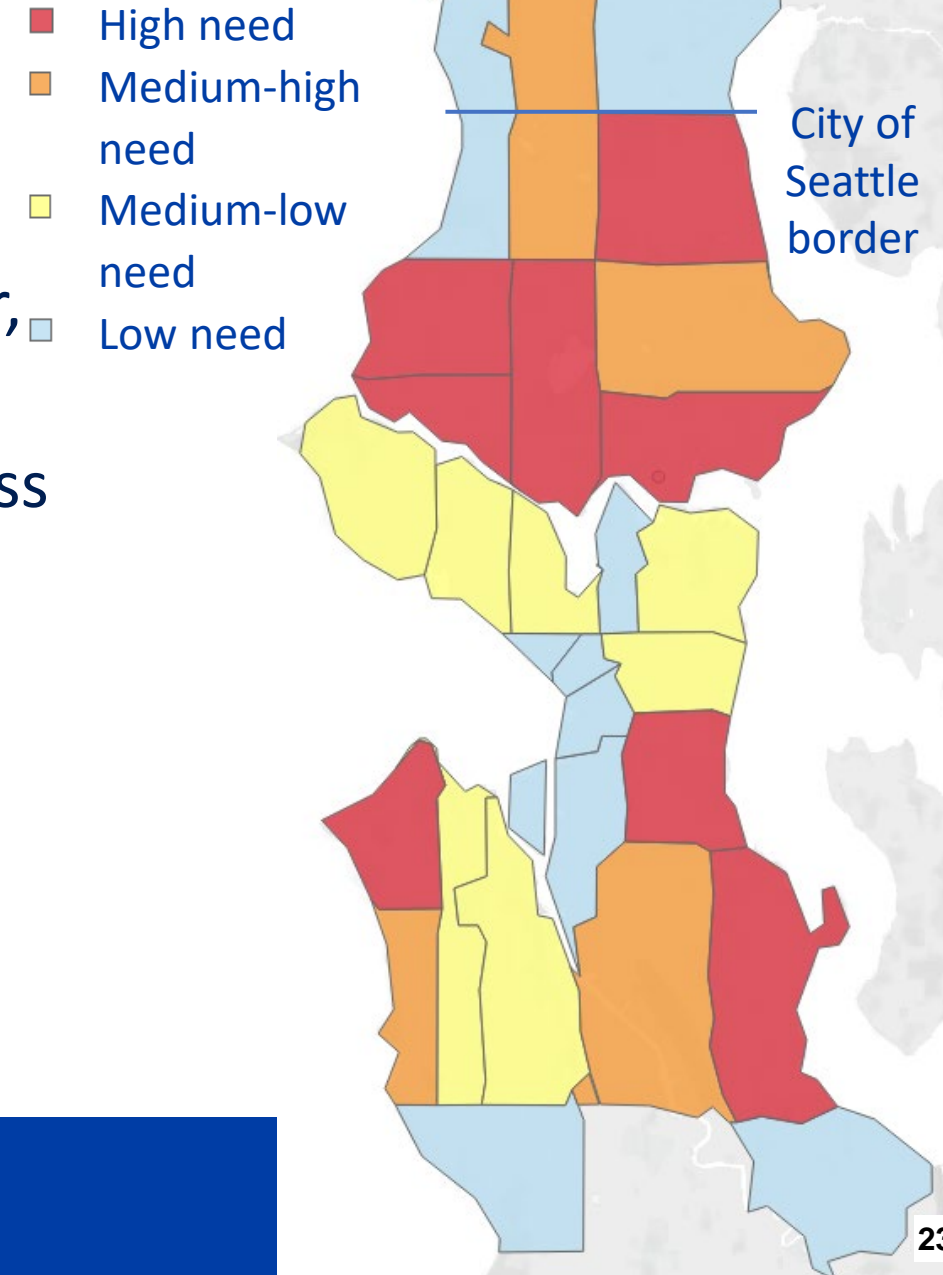
# Current SPU Infrastructure Requirements on Development



- New development constructs and pays for SPU infrastructure when property is not fronted by a water, wastewater or drainage main.
- Can add over \$500K to a development's costs, including SDOT street improvements.

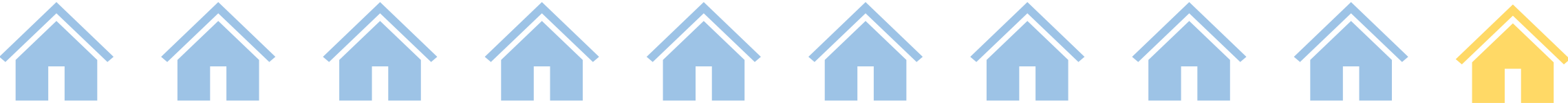
# Need for Mainline Extensions (MLEs)

- Over 13,000 blocks in the city missing a water, wastewater, or drainage mainline segment.
- Developments that require MLEs are ~30% less likely to move forward.
- The cost of MLE can be especially challenging for smaller developments.
- Building out water, wastewater, and drainage infrastructure will unlock parcels of land for development that today are not financially feasible.



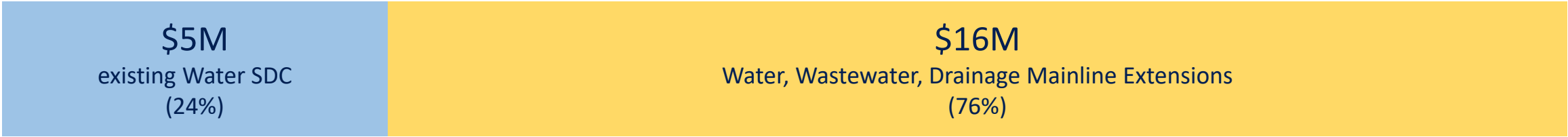


# Current Development Contributions



Currently, 90% of development projects move forward without MLE

10%  
require  
MLE



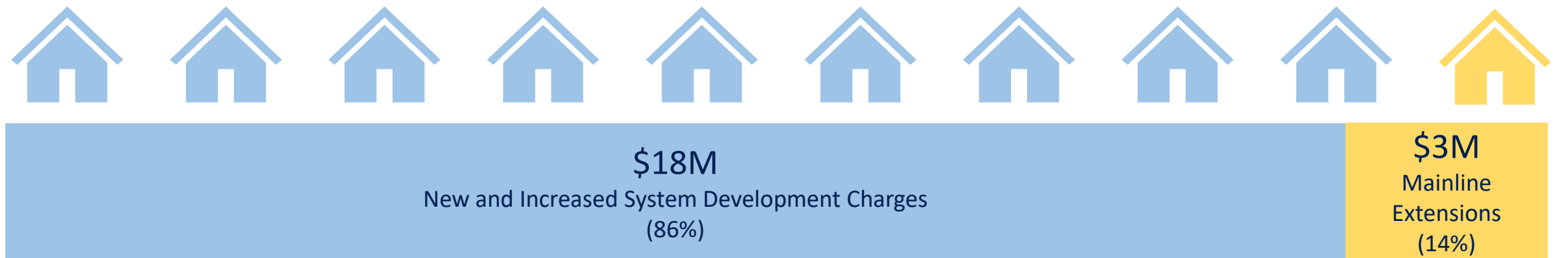


# Goal: More equitable distribution across development

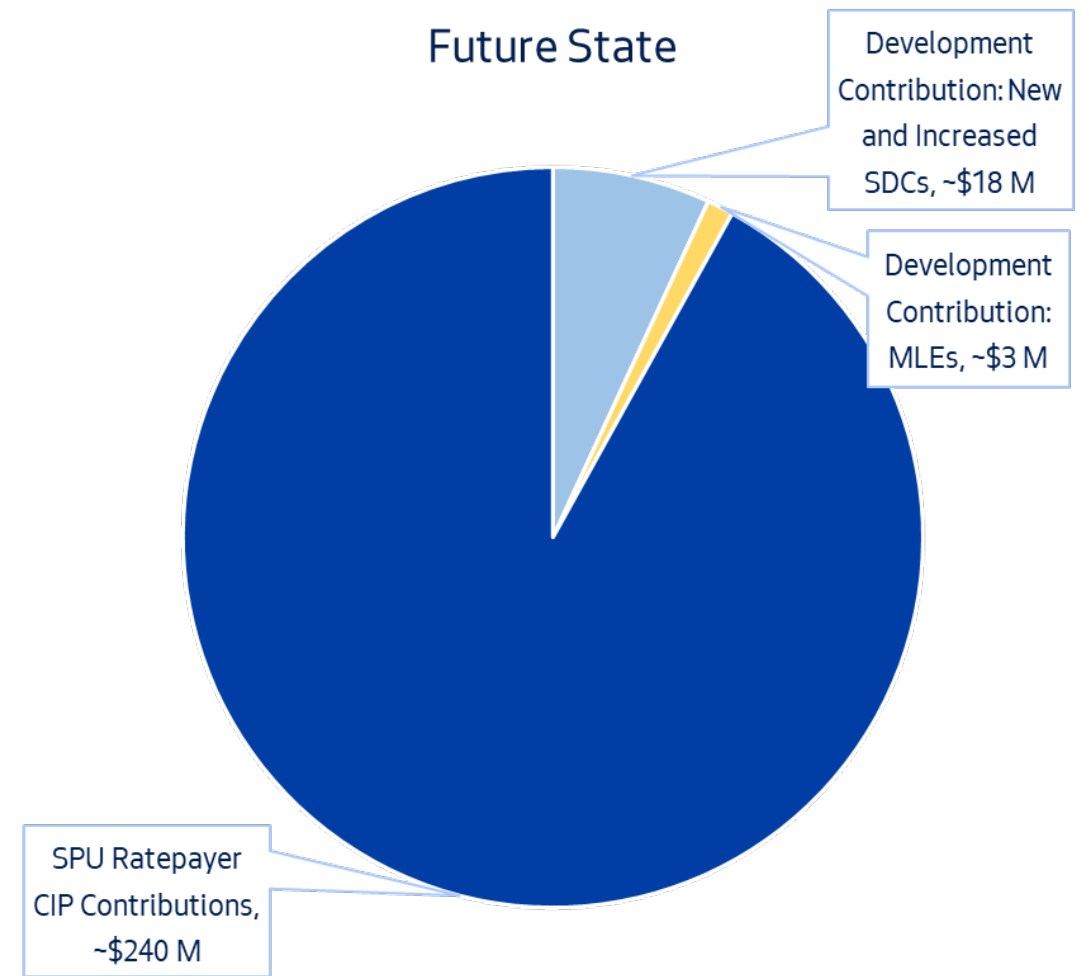
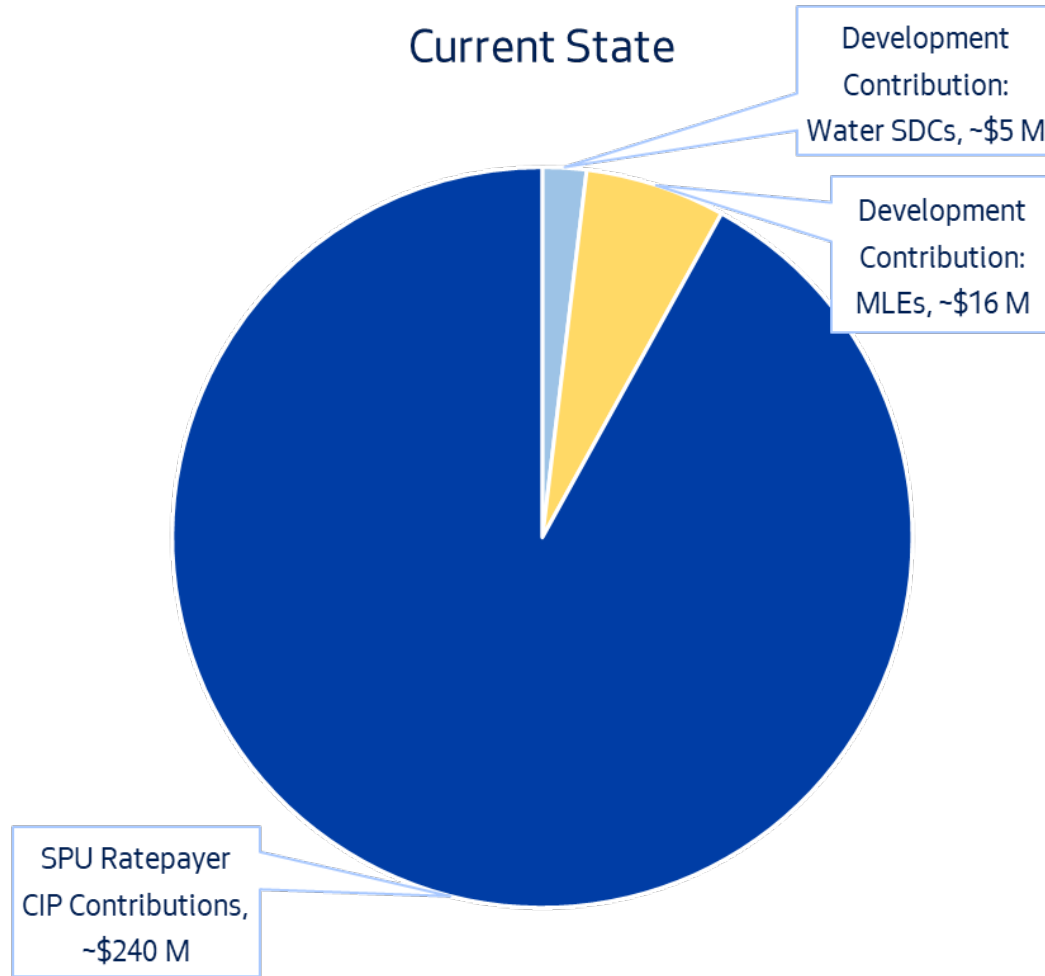
Current State:



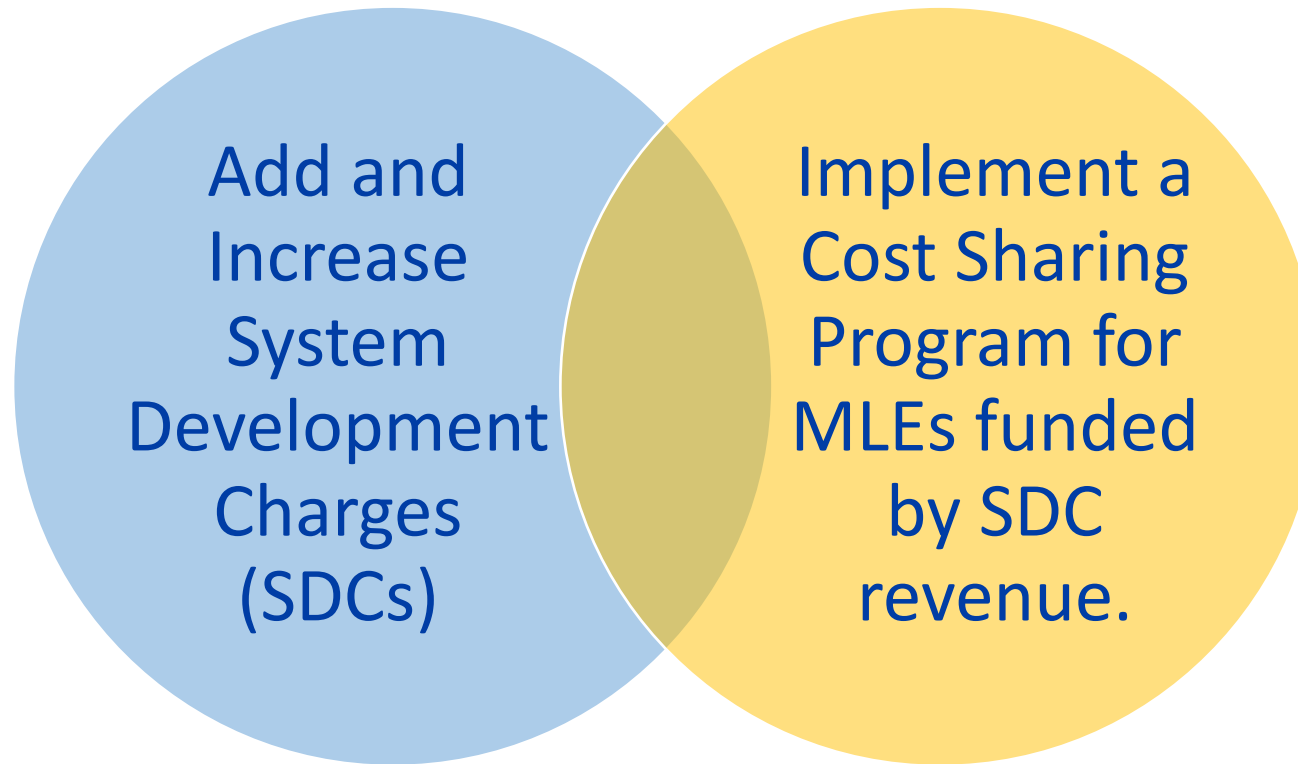
Future State:



# Approximate Annual Contributions by Source



# Proposal



- Everyone pays a little more so more projects become feasible
- Project costs are more predictable up front
- Benefits future homeowners by reducing long service lines that are expensive to maintain

# Proposal:

## Revised System Development Charges



SDCs are charged on all development based on the increased size of the water meter or added hard surface. SDCs are not a “per residential unit” charge.



Update SDC formula to use more complete definition of cost of the system which increases current Water SDC



Add new SDCs for Wastewater and Drainage using same formula



Generate ~\$13M in new water, wastewater and drainage revenue to fund MLE Cost Sharing Proposal



SDCs would be updated according to formula every 3 years with rate studies

# Revised System Development Charges

- Water and Wastewater SDCs are charged to development projects based on their new or increased water meter size.
- Drainage is charged per 1,000 sf of increased hard surface.
- **Rate neutral, i.e. no customer bill increase required.**

System	Current SDCs	Proposed SDC	Estimated Revenue
Methodology	Depreciated cost, no interest	Original cost, 5 years interest	Proposed SDC x average annual development
Water (3/4" meter)	\$2,400	\$6,900	\$7.2M*
Wastewater (3/4" meter)	\$0	\$2,600	\$3.6M
Drainage (1,000 sf hard surface)	\$0	\$1,225	\$2.1M

\*Excludes current Water SDC revenue (~4-5M / year) dedicated to capital projects.

# SDC Examples in Detail



## Single Family (SF) House

Existing SF lot subdivided to create new vacant lot. New  $\frac{3}{4}$ " meter. Adds 2,700 sf new hard surface.

- Water: 1 CE
- Wastewater: 1 CE
- Drainage: 2,700 sf

### Total SDC across services:

- Proposed: \$12,800
- Replaces: \$2,400



## SF House + AADU + DADU

SF tear down replacing  $\frac{3}{4}$ " meter with 1.5" meter. Adds 1,350 sf new hard surface.

- Water: 2.3 CE
- Wastewater: 2.3 CE
- Drainage: 1,350 sf

### Total SDC across services:

- Proposed: \$23,500
- Replaces: \$5,520



## 12 Townhomes

Two adjacent SF tear downs with 2 x  $\frac{3}{4}$ " meters. New 2" master meter. Adds 2,700 sf new hard surface.

- Water: 3.3 CE
- Wastewater: 3.3 CE
- Drainage: 2,700 sf

### Total SDC across services:

- Proposed: \$34,650
- Replaces: \$7,920



## 150-unit Apartment Building

Vacant paved parking lot with no existing water service. New 4" meter. No new hard surface added.

- Water: 17 CE
- Wastewater: 17 CE
- Drainage: 0 sf

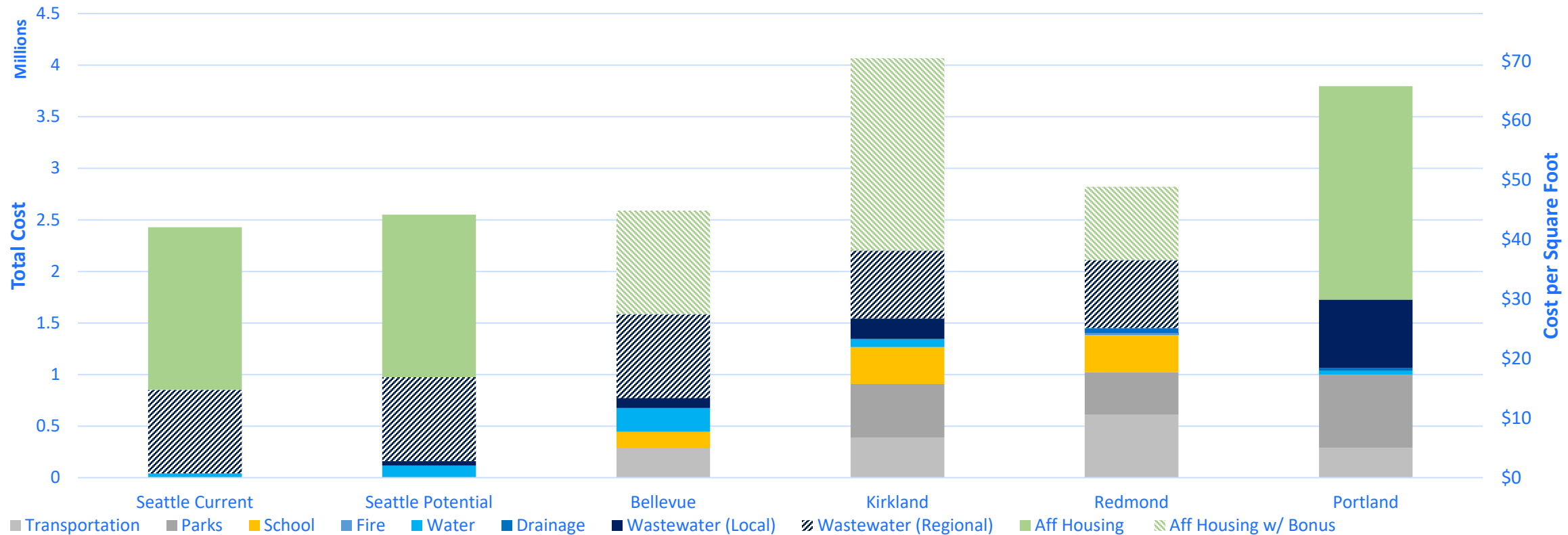
### Total SDC across services:

- Proposed: \$161,500
- Replaces: \$40,800

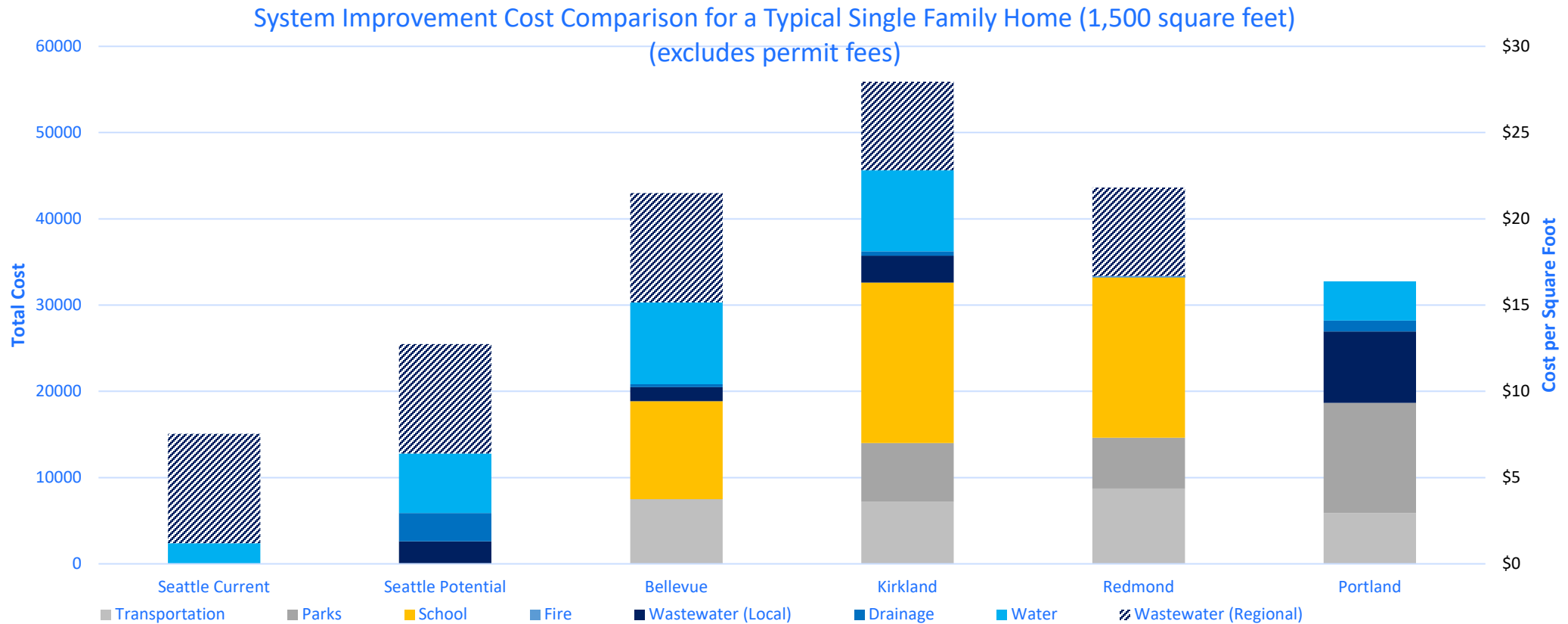
- Credit is given for existing levels of water / wastewater service or hard surface.
- System Development Charges are waived for developments required to do MLE.

# Development Charges Benchmarking - Multifamily

System Improvement Cost Comparison for a Typical Multi-Family Development  
(100 dwelling unit, excludes permit fees)



# Development Charges Benchmarking Single Family





# Proposal: MLE Cost Sharing Program



Developer pays for the portion of MLE associated with their development, SPU pays for remainder



For predictability, SPU pays actual cost up to \$1,500 / lineal foot (LF)



MLE cost sharing limited to first 750LF to ensure financial viability of program



Future beneficiaries of the Mainline Extension repay SPU per latecomer agreement

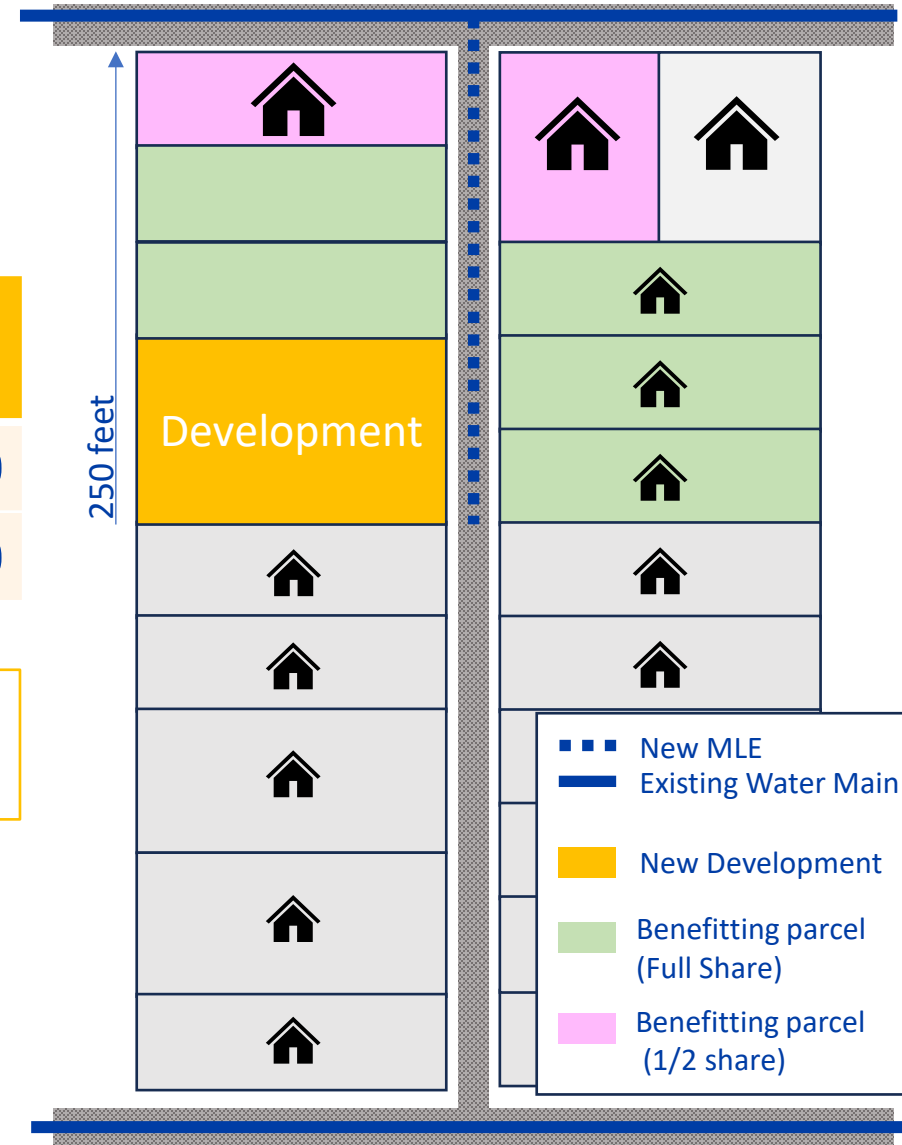


Program will be evaluated annually to ensure program viability within existing resources.

# MLE Cost Sharing Example

Development 250 LF Water MLE and 25% of area	SPU	Developer
Current: No cost sharing	\$0	\$375,000
Future: With cost sharing	\$281,250	\$93,750

Benefitting parcels pay their share through an SPU administered Latecomer Agreement if redevelop within 20 years (E.g. green = \$47k)



# MLE Cost Sharing Program Funding

Cost sharing program tailored to meet expected SDC Revenue with no impacts on rates

MLE Cost Sharing Program	Water	Wastewater	Drainage
Est. SDC Revenue less Program Admin Costs	\$6.6M	\$3.5M	\$1.9M
Est. SPU payments to developers for MLE Cost Sharing	\$7.1M	\$1.4M	\$3.2M
Estimated <b>shortfall</b> / SDC Capital remaining per year	(\$0.5M)*	\$2.1M	(\$1.3M)*

\*SPU has existing capital funds to dedicate so the program remains rate neutral.

Because Latecomer payments are unpredictable, they have not been included in program estimates.

# Public Engagement

- SPU began extensive outreach in April 2023, including three SPU-hosted virtual meetings open to the public
- Other stakeholders included:
  - The Housing Development Consortium's Streamlining Affordable Housing Production Workgroup
  - The Black Home Initiative Network Policy Group
  - The American Institute of Architects Seattle Housing Taskforce
  - The Master Builders Association's Seattle Builders Council
  - The City of Seattle Housing Subcabinet



# Three-Ordinance Package

- **CB 120966: System Development Charge Amendments**
  - Establishes SDCs for sewer and drainage systems
  - Redefines SDC for water, replacing “water connection charge”
  - Expands payment plans for SDCs, allowing 25% up front payments with remainder plus interest due in two years or upon sale
- **CB 120967: Cost Sharing and Latecomer Agreements**
  - Authorizes SPU to participate in the reimbursement of mainline extensions built by private developers and to retain a pro rata share of latecomer payments
  - Authorizes “municipal assessment water and sewer reimbursement areas” which act similarly to latecomer agreements on infrastructure built and paid for by SPU
- **CB 120968: Program Administration**
  - Adds six positions to manage engineering, contracts, and administrative aspects of developer-installed mainlines and latecomer agreements
  - Positions are funded by the increased SDC revenue
- New System Development Charges and Cost Sharing to begin January 1, 2026 to allow for implementation planning and hiring.

# Questions?



# Appendix

# SDC Examples



**Detached House on new lot**

**Total SDCs for Development**

- Proposed: \$12,800
- Replaces: \$2,400



**Detached House + AADU + DADU**

**Total SDCs for Development:**

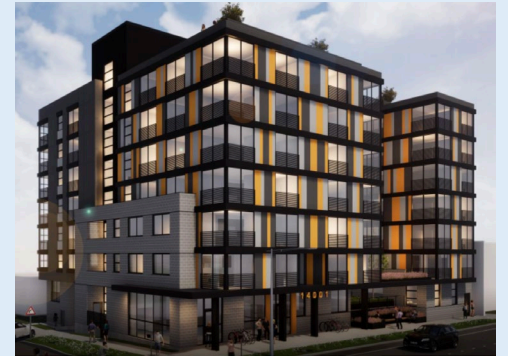
- Proposed: \$23,500
- Replaces: \$5,520



**12 Townhomes**

**Total SDCs for Development:**

- Proposed: \$34,650
- Replaces: \$7,920



**150-unit Apartment Building**

**Total SDCs for Development:**

- Proposed: \$161,500
- Replaces: \$40,800



# Customer Equivalents

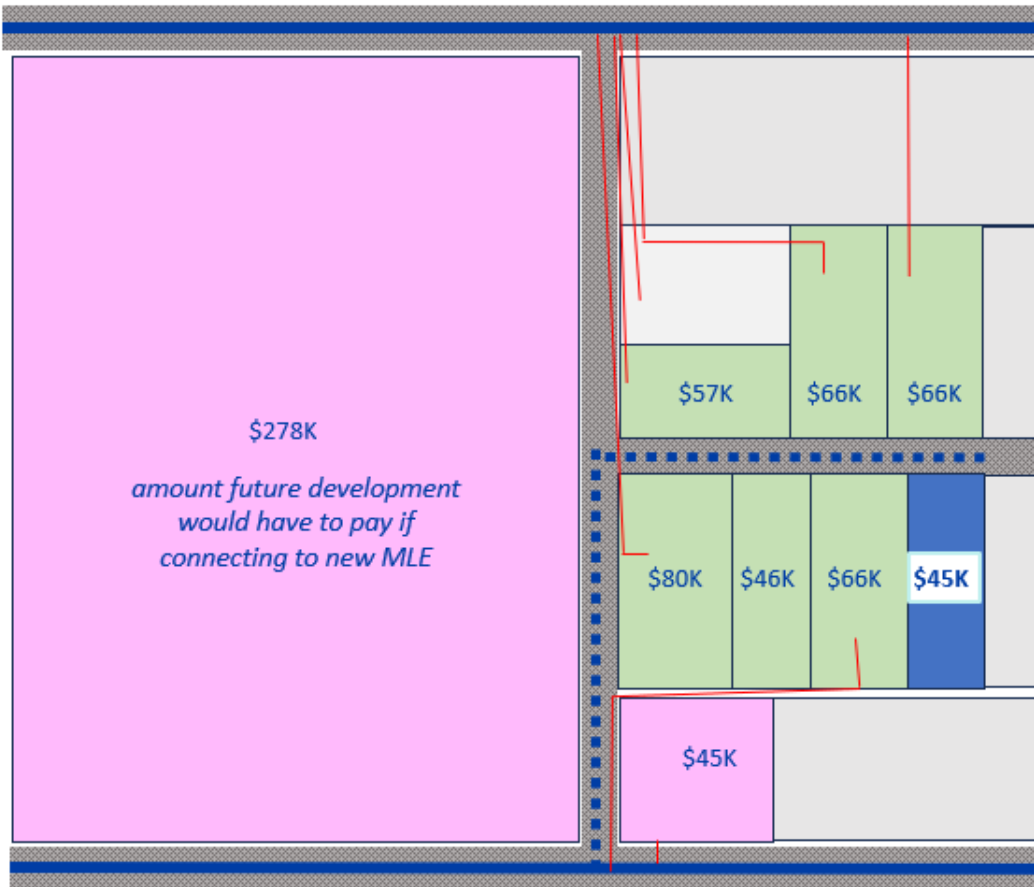
Water and Wastewater SDCs	
Water Service Size (inches)	Customer Equivalents (CE)
3/4	1.0
1	1.7
1 1/2	3.3
2	5.3
2 (high flow)	8.3
3	11.0
4	17.0
6	33.0

## Drainage

Charged on square foot basis of added hard surface

Hard surface = impermeable to runoff, for example buildings, driveways and sidewalks

# MLE Cost Sharing Example



New 4-plex is 6% of parcel area and requires 500 LF 8" Water MLE	SPU Portion	Developer Portion
Status Quo: No cost share	\$0	\$750K
SPU cost sharing proposal	<b>\$705K**</b>	<b>\$45K*</b>

- ■ ■ New Water MLE
- Existing Water Main
- Existing Water Service Lines
- New Development
- Amt new development pays for MLE
- Benefitting parcel w/ latecomer amount (full share)
- Benefitting parcel w/ latecomer amount (1/2 share)

*\*Development's and benefitting parcels' water SDC requirements are waived when MLE or latecomer fees are required.*

*\*\*Repayment from latecomers are unpredictable, therefore not assumed in program financing.*



## Legislation Text

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**File #:** CB 120967, **Version:** 1

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### **CITY OF SEATTLE**

### **ORDINANCE \_\_\_\_\_**

### **COUNCIL BILL \_\_\_\_\_**

AN ORDINANCE relating to Seattle Public Utilities; authorizing the General Manager/CEO of Seattle Public Utilities to develop municipal assessment reimbursement area authority, in accordance with chapter 35.91 of the Revised Code of Washington; adding a new Subtitle VI to Title 21 of the Seattle Municipal Code; renumbering Chapter 21.80 of the Seattle Municipal Code to Chapter 21.63; relocating the chapter into Subtitle VI of Title 21; and further amending the chapter.

WHEREAS, chapter 35.91 of the Revised Code of Washington (RCW) directs local governments to offer

latecomer agreements when requested by owners of real property who are required to construct water or sewer facilities as a prerequisite to development; and

WHEREAS, due to the administrative burden of latecomer agreements, few owners of real property enter into such contracts; and

WHEREAS, in lieu of private development building mainlines and developing latecomer agreements, Seattle Public Utilities recognizes the potential benefits of participating in the construction of mainlines to further develop its system; and

WHEREAS, RCW 35.91.060 allows municipalities to create reimbursement areas on their own initiative as an alternative to private developer latecomer agreements; and

WHEREAS, Chapter 21.80 of the Seattle Municipal Code provides authority for Seattle Public Utilities to do so, but the requirements are unclear; and

WHEREAS, this legislation is part of a package of three Council Bills to accomplish the goal of amending the system development charges within Seattle Public Utilities; all three bills are connected and should be considered one package; and

WHEREAS, Seattle Public Utilities requires financial and personnel resources to support the work associated with system development charges and participation in financing water and sewer facilities; NOW, THEREFORE,

**BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

Section 1. A new Subtitle VI of the Seattle Municipal Code is added to Title 21 as follows:

**Subtitle VI SEATTLE PUBLIC UTILITIES SYSTEM DEVELOPMENT**

Section 2. Chapter 21.80 of the Seattle Municipal Code, enacted by Ordinance 124518, is renumbered to Chapter 21.63, added to Subtitle VI of Title 21, and further amended as follows:

**Chapter ~~((21.80))~~ 21.63 LATECOMER AGREEMENTS AND MUNICIPAL ASSESSMENT REIMBURSEMENT AREAS**

**~~((21.80.010))~~ 21.63.010 Authority**

In accordance with chapter 35.91 RCW and the requirements of this Chapter ~~((21.80))~~ 21.63, the ~~((Director))~~ General Manager/CEO of Seattle Public Utilities is authorized to enter into latecomer agreements and create municipal assessment reimbursement areas, on forms approved by the Law Department, for the construction or improvement of water or sewer facilities. Pursuant to Chapter 3.02, the ~~((Director))~~ General Manager/CEO is further authorized to adopt rules to implement the requirements of this Chapter ~~((21.80))~~ 21.63, including rules governing the application, form, and processing of latecomer agreements or municipal assessment reimbursement areas.

**~~((21.80.020))~~ 21.63.020 Definitions**

For purposes of this Chapter ~~((21.80))~~ 21.63, the following definitions apply.

"Benefitting parcels" means either: those parcels that benefit from, but whose owners did not contribute to, the construction or improvement of the water or sewer facilities subject to a latecomer agreement; or a municipal assessment reimbursement area.

"Latecomer agreement" means a contract between the City and an owner of real property for the

construction or improvement of water or sewer facilities that the City requires be constructed or improved as a prerequisite to further property development. Such latecomer agreements provide for the transfer of the water or sewer facilities to the City and for the later pro rata share reimbursement of costs to the owner as benefiting parcels subsequently connect to or use the facilities. ~~((The City may elect to participate in the financing of the water and sewer facilities, and in such cases the latecomer agreement will provide for the City to retain its pro rata share of the reimbursement.))~~

"Latecomer fee" means the charge collected by the City from real property owners who connect to or use the water or sewer facilities that were constructed or improved under the terms of a latecomer agreement or municipally funded capital project and who did not contribute to the costs of the facilities.

"Municipal assessment reimbursement area" means those parcels that benefit from, but whose owners did not contribute to, the municipally funded construction or improvement of the water or sewer facilities that the City otherwise requires be constructed or improved as a prerequisite to further property development.

"Water or sewer facilities" means storm, sanitary, or combined sewers, pumping stations, and disposal plants, water mains, hydrants, reservoirs, or appurtenances.

~~((21.80.030))~~ **21.63.030 Application**

A. An owner of real property for which the City requires, as a prerequisite of further property development, the construction or improvement of water or sewer facilities may apply to the ~~((Director))~~ General Manager/CEO of Seattle Public Utilities to enter into a latecomer agreement. At a minimum, the application must require the applicant to provide the following information:

1. Proposed plans. Detailed construction drawings, prepared in accordance with applicable City standards and guidelines, of the entire project prepared and stamped by a licensed engineer.
2. Preliminary ~~((engineers))~~ engineer's estimate. Itemization of all costs related to the construction of the improvement, including the water or sewer facility and the restoration of pavement, curbs, gutters, and sidewalks, plus the costs of engineering, construction, and contract administration.

3. Such other information as the ~~((Director))~~ General Manager/CEO determines is necessary to properly review the application.

B. The City may elect to participate in the financing of the water and sewer facilities, and in such cases the latecomer agreement will provide for the City to retain its pro rata share of the reimbursement.

~~((B-))~~ C. Application fee. All applications for latecomer agreements must be accompanied by a nonrefundable application fee. The ~~((Director))~~ General Manager/CEO shall establish and collect the application fee to recover the costs of processing the application.

D. The City may elect to solely finance the water and sewer facilities within a municipal assessment reimbursement area, and in such cases the City will become the sole beneficiary of reimbursements.

~~((21.80.040))~~ **21.63.040 Required provisions**

At a minimum the latecomer agreement must provide for each of the following:

A. The construction or improvement of the water or sewer facilities in accordance with the City's plans and specifications.

B. The inspection and approval of the water or sewer facilities by the City.

C. The transfer to the City of the water and sewer facilities, without cost to the City, upon the City's acceptance of the facilities.

D. The provision of sufficient security to the City to ensure the completion of the facilities and other performance of the agreement.

E. The payment by the owner to the City of all the City's costs associated with the water or sewer facilities, including engineering, legal, and administrative costs, except for the City's pro rata share when applicable.

F. The verification and approval of all contracts and costs related to the construction or improvement of the water or sewer facilities.

G. The recording of the latecomer agreement with the King County Recorder's Office.

H. The City's collection of latecomer fees and the reimbursement of the owner.

I. The owner's responsibility to provide the City with notice of any change in contact information. At a minimum, this contact information shall be provided every two years from the date of the latecomer agreement. If the owner fails to notify the City of current contact information within 60 days of the due date for notification, then the owner will no longer be entitled to reimbursement and the City will collect such fees and deposit them in the appropriate utility capital fund.

**((21.80.050)) 21.63.050 ((Reimbursement)) Collection and reimbursement**

A. The ~~((Director))~~ General Manager/CEO shall collect the applicable latecomer fee from the owners of benefitting parcels who connect to or use water or sewer facilities that were constructed or improved under the terms of a latecomer agreement or a municipal assessment reimbursement area.

B. The ~~((Director))~~ General Manager/CEO shall reimburse the owner of real property who has entered into a latecomer agreement, or the owner's assigns, the owner's pro rata share of the latecomer fees the City collects, less its costs, within 60 days of receipt; provided that if the owner or the owner's assigns fail to comply with the notification requirements of the latecomer agreement, then the City will deposit the latecomer fees in the appropriate utility capital fund.

C. As provided by RCW 35.91.040, no person or entity may be permitted to connect to or use water or sewer facilities that were constructed or improved under the terms of a latecomer agreement or a municipal assessment reimbursement area without first paying the applicable latecomer fee.

Section 3. This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2025, and signed by  
me in open session in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_  
President \_\_\_\_\_ of the City Council

Approved /    returned unsigned /    vetoed this \_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_  
Bruce A. Harrell, Mayor

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_  
Scheereen Dedman, City Clerk

(Seal)



## **SUMMARY and FISCAL NOTE**

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
Seattle Public Utilities	Michelle Lange	Akshay Iyengar

### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to Seattle Public Utilities; authorizing the General Manager/CEO of Seattle Public Utilities to develop municipal assessment reimbursement area authority, in accordance with chapter 35.91 of the Revised Code of Washington; adding a new Subtitle VI to Title 21 of the Seattle Municipal Code; renumbering Chapter 21.80 of the Seattle Municipal Code to Chapter 21.63; relocating the chapter into Subtitle VI of Title 21; and further amending the chapter.

**Summary and Background of the Legislation:** Seattle is experiencing a housing affordability crisis. Developers tell Seattle Public Utilities (SPU) that system improvement requirements (e.g. water, drainage, and wastewater mainline extensions) are a financial burden and make some housing, business, and other land development projects unviable. This legislation, combined with accompanying System Development Charges (SDCs) legislation and budget amendment legislation, is part of SPU's effort to make development costs more equitable and predictable for development projects throughout the city. This legislation clarifies and refines SPU requirements for creating participatory latecomer agreements with developers and authorizes municipal assessment reimbursement areas.

When infrastructure in an area does not meet standards or does not exist, SPU requires developers to design and construct, at their cost, the utility infrastructure required for the developing property. The cost of installing mainline infrastructure can be very high and can be a financial deterrent to development in locations lacking adequate infrastructure. Currently, depending on the existing utility systems in front of a property, a development may only pay a relatively small connection charge to the SPU's Water Fund, while a similar development a few blocks away may be required to install 100 feet of water and sewer main at an expense 50 times the cost of the water connection charge. With companion legislation, SPU plans to increase revenue from SDCs to contribute to the infrastructure costs through a new SPU participatory latecomer program.

The new SPU participatory latecomer program established by this legislation would help reduce the financial burden on developers required to construct utility infrastructure by authorizing SPU to participate in the financing of water and sewer mainlines constructed by private developers through a cost sharing program. Participatory latecomer agreements will allow first-in developers to recover a portion of the utility infrastructure improvement costs from other properties that later connect to and benefit from the improvement (for up to 20 years). In those cases, SPU will retain a pro rata share of the reimbursement from later development. Further rules and eligibility determinants will be defined in a Director's Rule published before the latecomer agreement legislation is effective.

This legislation also authorizes municipal assessment water and sewer reimbursement areas which act similarly to latecomer's agreements, though infrastructure is built and paid for by SPU and the recovery from later development is collected and kept by SPU.

Projected revenues resulting from this legislation are appropriated to support the program in companion legislation.

## 2. CAPITAL IMPROVEMENT PROGRAM

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

## 3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☒ Yes ☐ No

Expenditure Change (\$); General Fund	2025	2026 est.	2027 est.	2028 est.	2029 est.
Expenditure Change (\$); Other Funds	2025	2026 est.	2027 est.	2028 est.	2029 est.

Revenue Change (\$); General Fund	2025	2026 est.	2027 est.	2028 est.	2029 est.
Revenue Change (\$); Other Funds	2025	2026 est.	2027 est.	2028 est.	2029 est.
	\$30,000	\$120,000	\$120,000	\$120,000	\$120,000

Number of Positions	2025	2026 est.	2027 est.	2028 est.	2029 est.
Total FTE Change	2025	2026 est.	2027 est.	2028 est.	2029 est.

### 3.a. Appropriations

☐ This legislation adds, changes, or deletes appropriations.

### 3.b. Revenues/Reimbursements

☒ This legislation adds, changes, or deletes revenues or reimbursements.

### Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	Dept	Revenue Source	2025 Revenue	2026 Estimated Revenue
Water Fund - 43000	SPU		\$15,000	\$60,000
Drainage and Wastewater Fund – 44010	SPU		\$15,000	\$60,000
TOTAL			\$30,000	\$120,000

**Revenue/Reimbursement Notes:** The revenue projections are largely based on customers paying for services related to utility infrastructure improvements and associated latecomer agreements. Fees will primarily be for contract initiation, engineering plan review, and permitting.

#### 3.c. Positions

☐ This legislation adds, changes, or deletes positions.

#### 3.d. Other Impacts

**Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.**

This legislation is proposed to help alleviate some development costs and, in the long term, improve housing development and availability, allowing the City to collect additional revenue from development-related sources.

**If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.**

**Please describe any financial costs or other impacts of *not* implementing the legislation.**

There are no financial costs to SPU if this legislation is not implemented. This legislation is proposed to help alleviate some development costs and, in the long term, improve housing development and availability; not implementing this legislation will preclude the City from collecting additional revenue from other development-related sources such as REET, MHA, and construction sales tax that this package may generate.

#### 4. OTHER IMPLICATIONS

- a. Please describe how this legislation may affect any departments besides the originating department.**

This legislation may have impacts on the Seattle Department of Transportation (SDOT) as utility construction in the Right of Way is increased, requiring additional SDOT permitting review and inspection. As per the current process, SDOT permit review and inspection will be paid for by the developers.

- b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**

No.

- c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**

- i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

This package of legislation will help to lessen the financial burden of water and sewer mainline extensions, helping more housing, business, and other land development projects throughout the city to be financially feasible in more locations. SPU's commitment to cost share on mainline extensions is also expected to help smaller developers access capital and to help families who own property be able to afford to add additional housing units to their land. The parameters of the cost sharing program are designed to ensure that the costs of the program do not exceed the increased revenue from SDCs, such that homeowners and other utility customers will not see an increase to their utility rates.

- ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.** N/A

- iii. What is the Language Access Plan for any communications to the public?** N/A

- d. Climate Change Implications**

- i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**

Currently, utility main line extension requirements make some projects infeasible. By reducing barriers to new development in Seattle, we make it possible for more people to live in urban growth areas in new, more efficient buildings near transit, reducing their carbon footprints.

Utility main line extension requirements also often trigger SDOT ROW improvements, so making it easier to develop in areas with inadequate water, drainage, and sewer infrastructure could also accelerate the construction of sidewalks, curb ramps, and other multimodal transportation networks in those areas.

- ii. **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.**

In many of the annexed areas of Seattle, drainage infrastructure does not exist. These areas in particular will benefit from drainage mainline infrastructure to mitigate local flooding which will be exacerbated due to climate change. Additionally, areas with a combined sewer system will continue to be separated in to separate wastewater and drainage mains reducing combined sewer overflows.

- e. **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)? What mechanisms will be used to measure progress towards meeting those goals?**

This three-ordinance package is part of an initiative to address the inequity of utility costs for development. The program’s success will be measured by several measures. The first is the revenue collected through the System Development Charge (SDC). The second step of the initiative is SPU partially funding privately installed utility mains or constructing mainline extensions within municipal reimbursement areas. Success will be measured by improvement in the rates of projects moving forward that are required to install utility infrastructure. Success will also be measured in miles of mains installed through the program and the number of city blocks that are served by standard utility infrastructure.

## 5. CHECKLIST

- ☐ Is a public hearing required?
- ☐ Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?
- ☒ If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?  
Yes
- ☐ Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?

## 6. ATTACHMENTS

**Summary Attachments:** None.



# System Development Charges & Cost Sharing on System Improvements

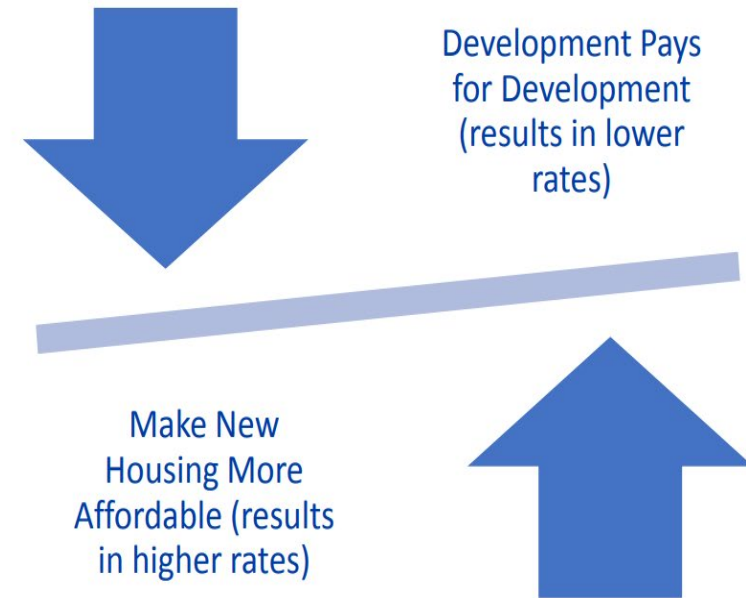
Seattle City Council  
Parks, Public Utilities & Technology Committee

*April 23, 2025*

# What problem are we trying to solve?

- Seattle is experiencing a housing affordability crisis.
- Various factors are driving changes in Seattle's growth and development patterns, which means SPU needs to rethink its approach to funding its infrastructure by distributing costs equitably across the system.

## Balancing Two Objectives





# Purpose of Legislation:

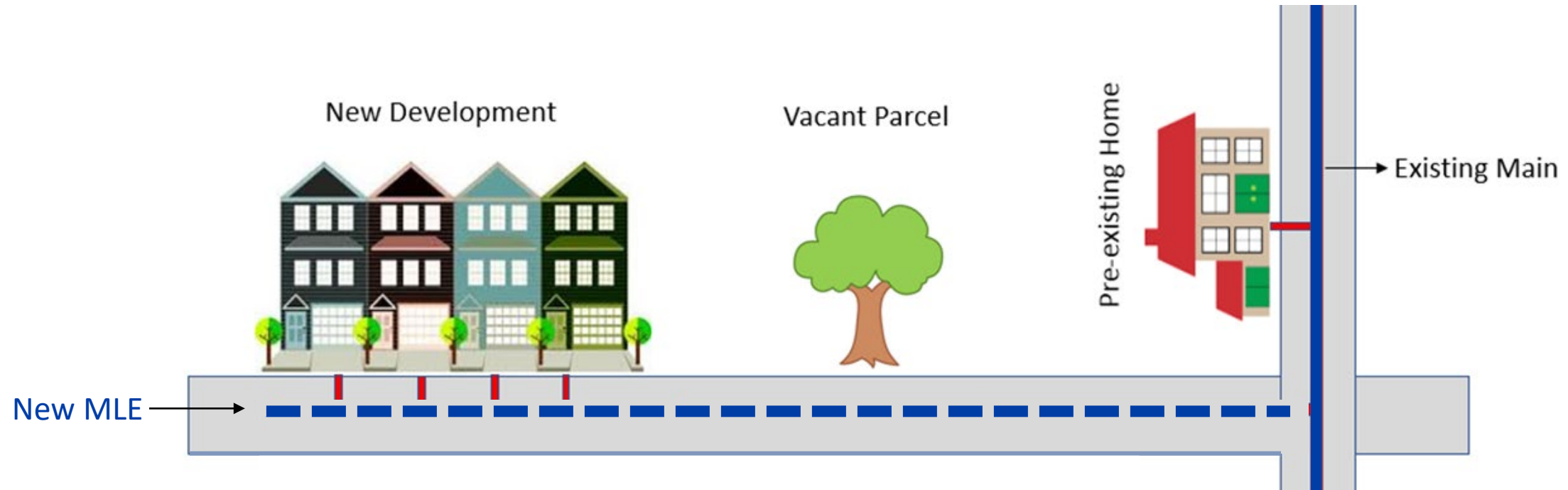
This legislation, combined with accompanying System Development Charges (SDCs) legislation and budget amendment legislation, is part of SPU's effort to reduce inequity in housing development and make housing development more viable in more locations of the City.

Three-Ordinance Package to develop an SPU Mainline Cost Sharing Program with Latecomer Agreements funded by System Development Charges (SDC)

- Authorizing revisions to the water SDC and adding drainage and wastewater SDCs
- Authorizing SPU to participate in Latecomer Agreements
- Authorizing budget and staffing to implement



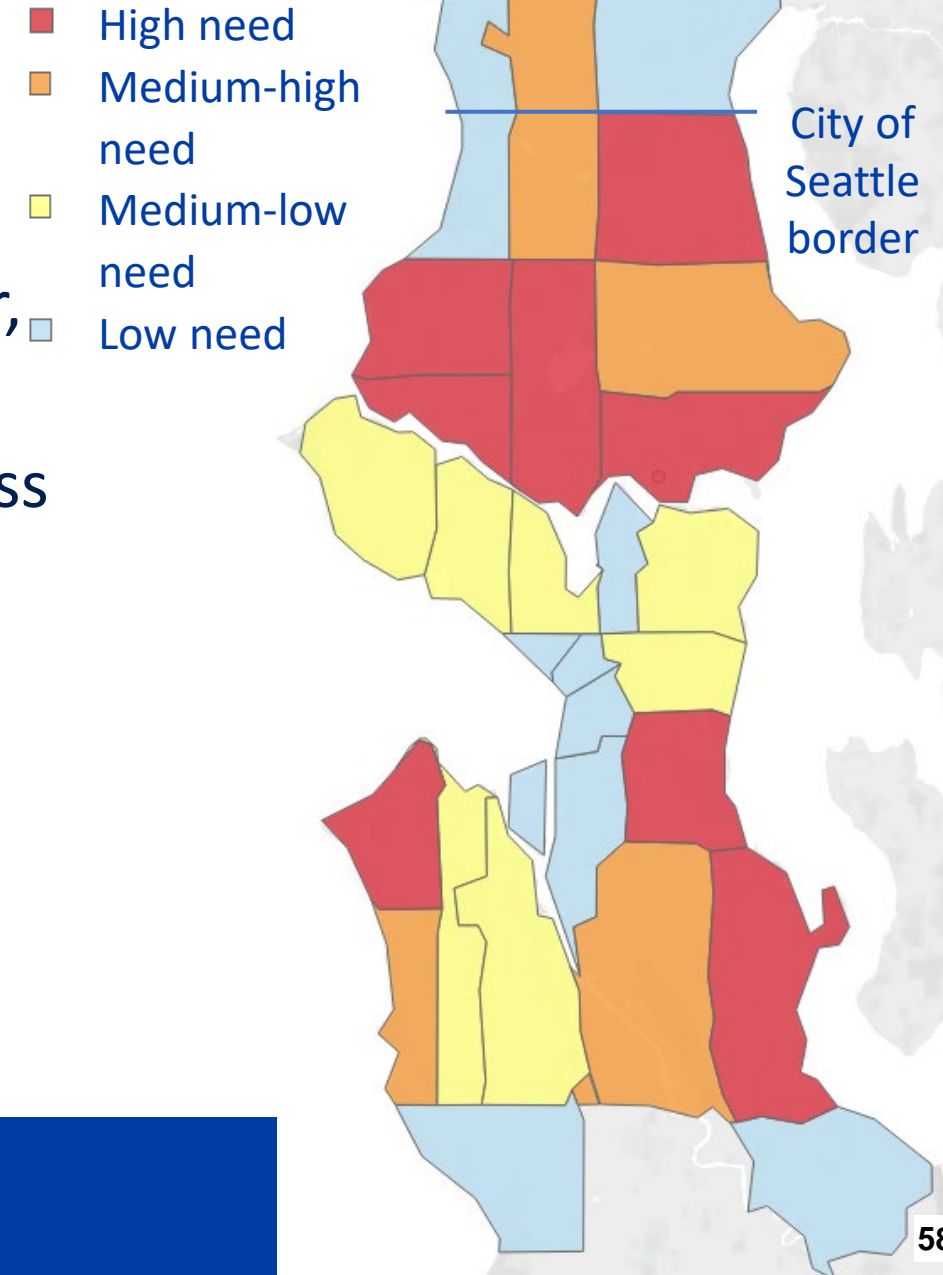
# Current SPU Infrastructure Requirements on Development



- New development constructs and pays for SPU infrastructure when property is not fronted by a water, wastewater or drainage main.
- Can add over \$500K to a development's costs, including SDOT street improvements.

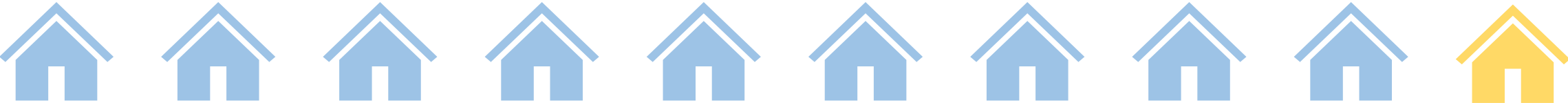
# Need for Mainline Extensions (MLEs)

- Over 13,000 blocks in the city missing a water, wastewater, or drainage mainline segment.
- Developments that require MLEs are ~30% less likely to move forward.
- The cost of MLE can be especially challenging for smaller developments.
- Building out water, wastewater, and drainage infrastructure will unlock parcels of land for development that today are not financially feasible.



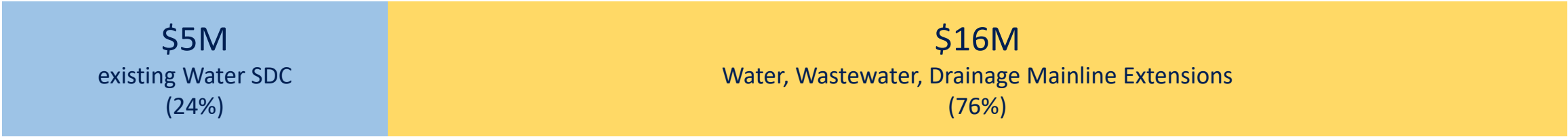


# Current Development Contributions



Currently, 90% of development projects move forward without MLE

10%  
require  
MLE

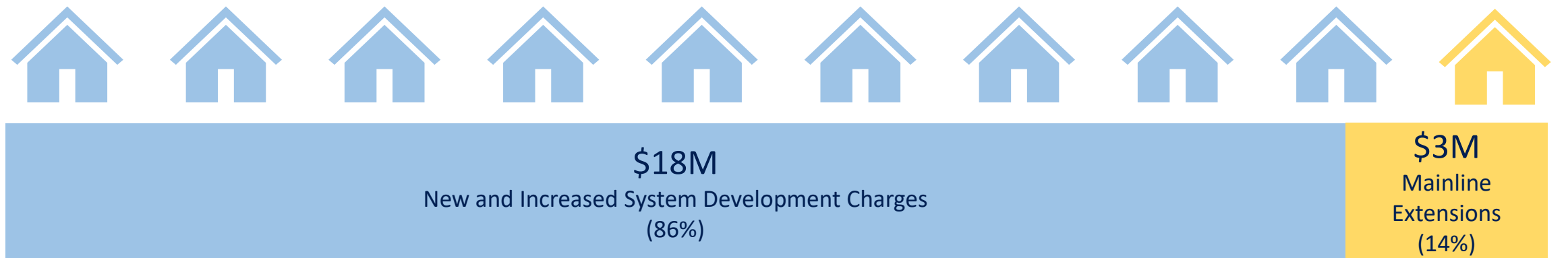


# Goal: More equitable distribution across development

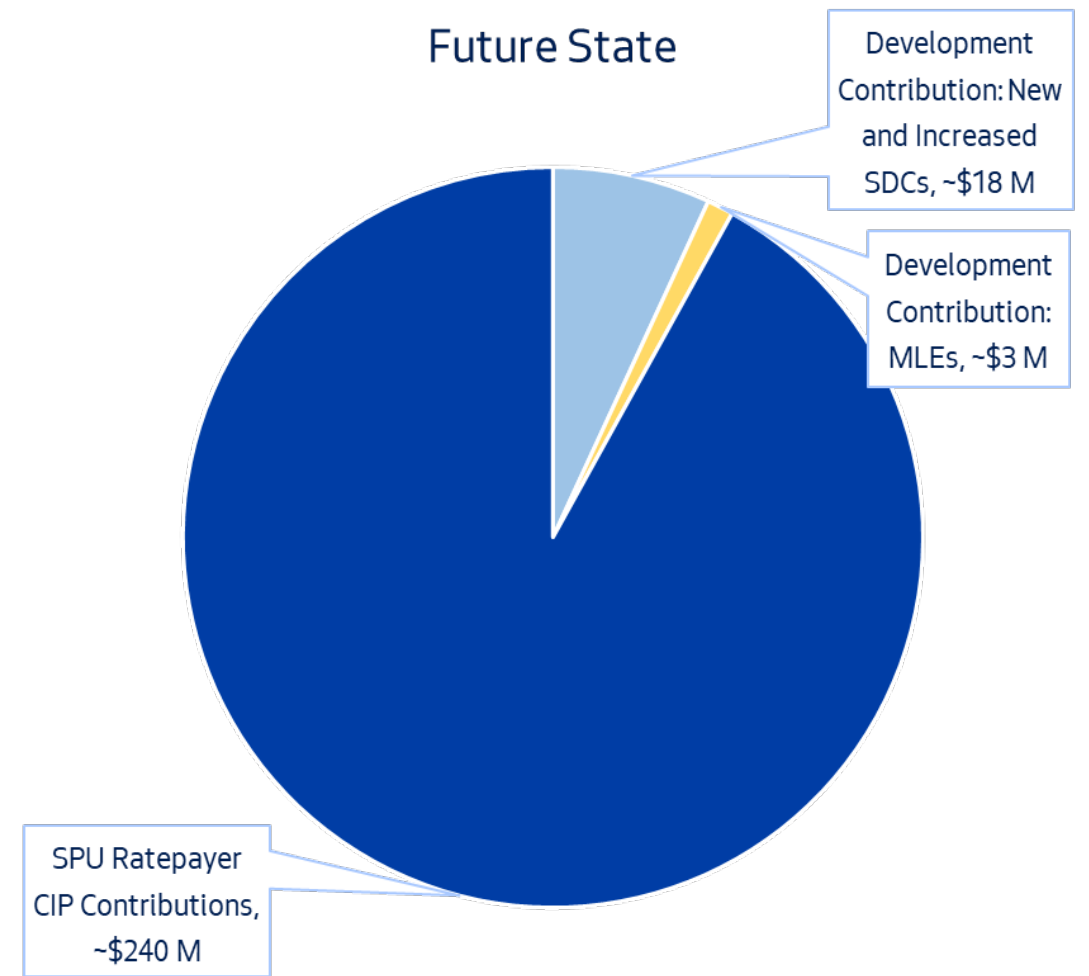
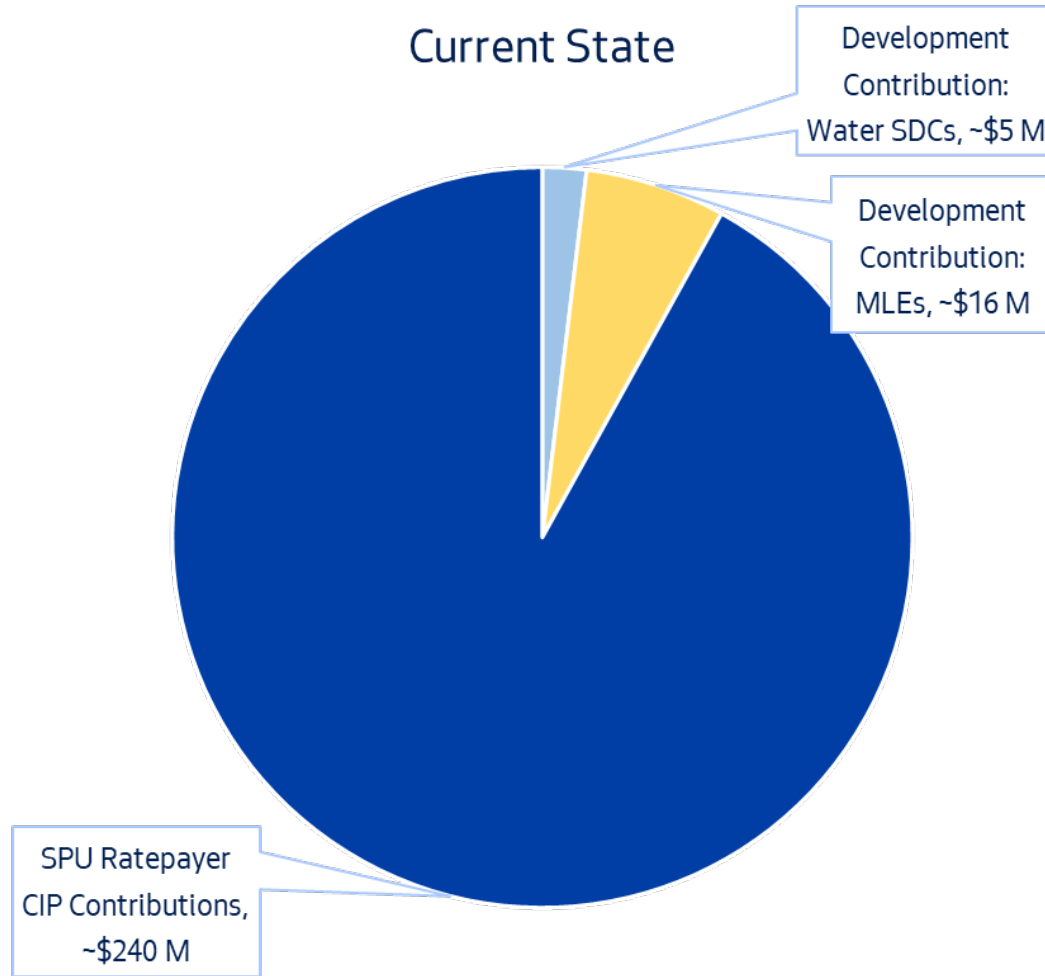
Current State:



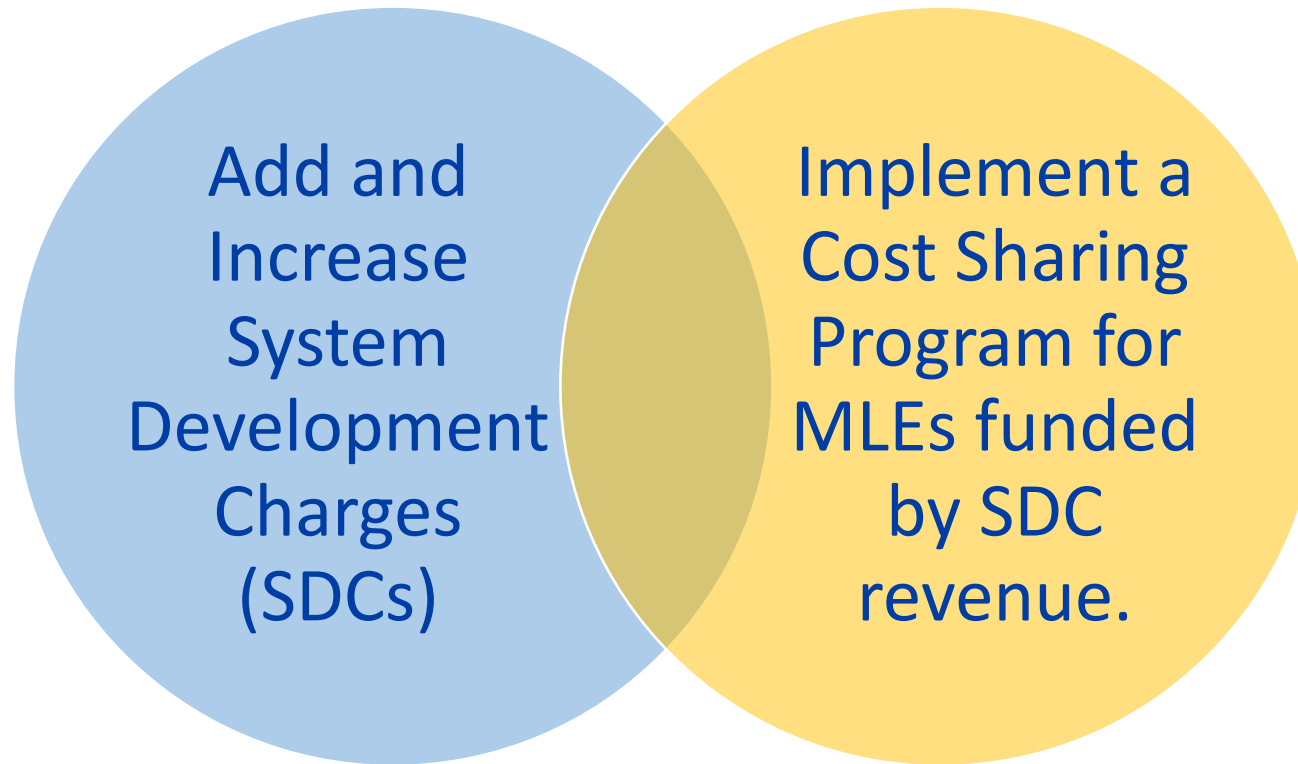
Future State:



# Approximate Annual Contributions by Source



# Proposal



- Everyone pays a little more so more projects become feasible
- Project costs are more predictable up front
- Benefits future homeowners by reducing long service lines that are expensive to maintain

# Proposal:

## Revised System Development Charges



SDCs are charged on all development based on the increased size of the water meter or added hard surface. SDCs are not a “per residential unit” charge.



Update SDC formula to use more complete definition of cost of the system which increases current Water SDC



Add new SDCs for Wastewater and Drainage using same formula



Generate ~\$13M in new water, wastewater and drainage revenue to fund MLE Cost Sharing Proposal



SDCs would be updated according to formula every 3 years with rate studies

# Revised System Development Charges

- Water and Wastewater SDCs are charged to development projects based on their new or increased water meter size.
- Drainage is charged per 1,000 sf of increased hard surface.
- **Rate neutral, i.e. no customer bill increase required.**

System	Current SDCs	Proposed SDC	Estimated Revenue
Methodology	Depreciated cost, no interest	Original cost, 5 years interest	Proposed SDC x average annual development
Water (3/4" meter)	\$2,400	\$6,900	\$7.2M*
Wastewater (3/4" meter)	\$0	\$2,600	\$3.6M
Drainage (1,000 sf hard surface)	\$0	\$1,225	\$2.1M

\*Excludes current Water SDC revenue (~4-5M / year) dedicated to capital projects.



# SDC Examples in Detail



## Single Family (SF) House

Existing SF lot subdivided to create new vacant lot. New  $\frac{3}{4}$ " meter. Adds 2,700 sf new hard surface.

- Water: 1 CE
- Wastewater: 1 CE
- Drainage: 2,700 sf

### Total SDC across services:

- Proposed: \$12,800
- Replaces: \$2,400



## SF House + AADU + DADU

SF tear down replacing  $\frac{3}{4}$ " meter with 1.5" meter. Adds 1,350 sf new hard surface.

- Water: 2.3 CE
- Wastewater: 2.3 CE
- Drainage: 1,350 sf

### Total SDC across services:

- Proposed: \$23,500
- Replaces: \$5,520



## 12 Townhomes

Two adjacent SF tear downs with 2 x  $\frac{3}{4}$ " meters. New 2" master meter. Adds 2,700 sf new hard surface.

- Water: 3.3 CE
- Wastewater: 3.3 CE
- Drainage: 2,700 sf

### Total SDC across services:

- Proposed: \$34,650
- Replaces: \$7,920



## 150-unit Apartment Building

Vacant paved parking lot with no existing water service. New 4" meter. No new hard surface added.

- Water: 17 CE
- Wastewater: 17 CE
- Drainage: 0 sf

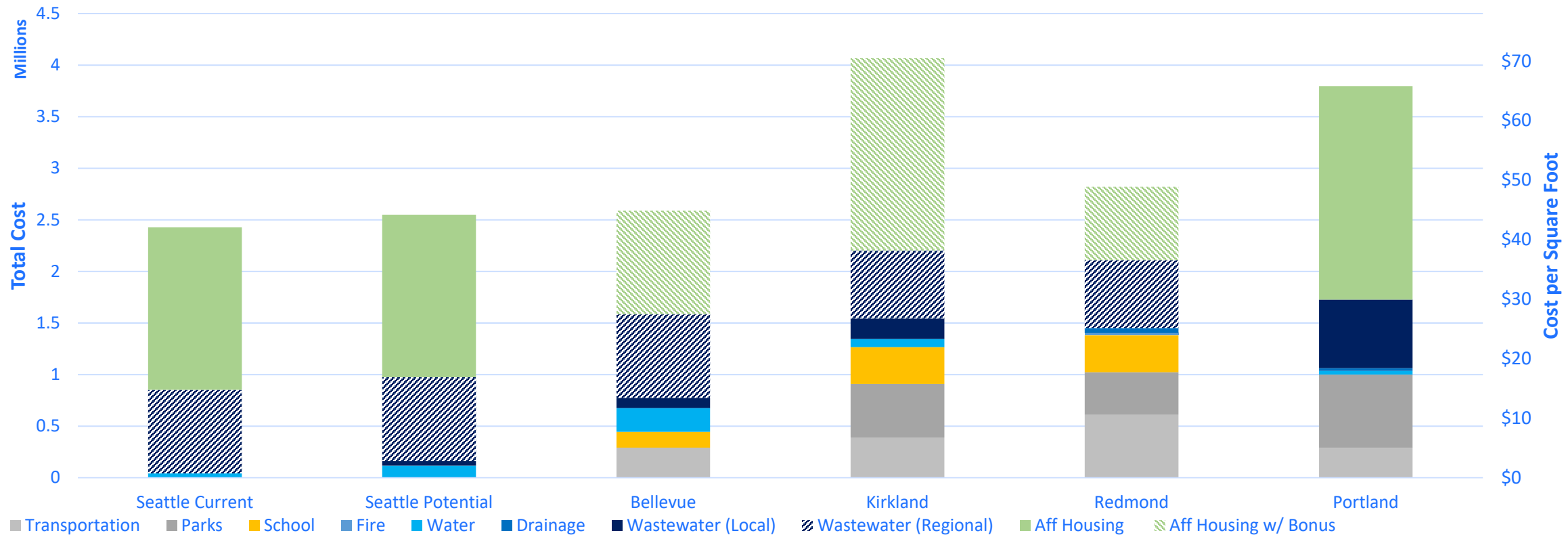
### Total SDC across services:

- Proposed: \$161,500
- Replaces: \$40,800

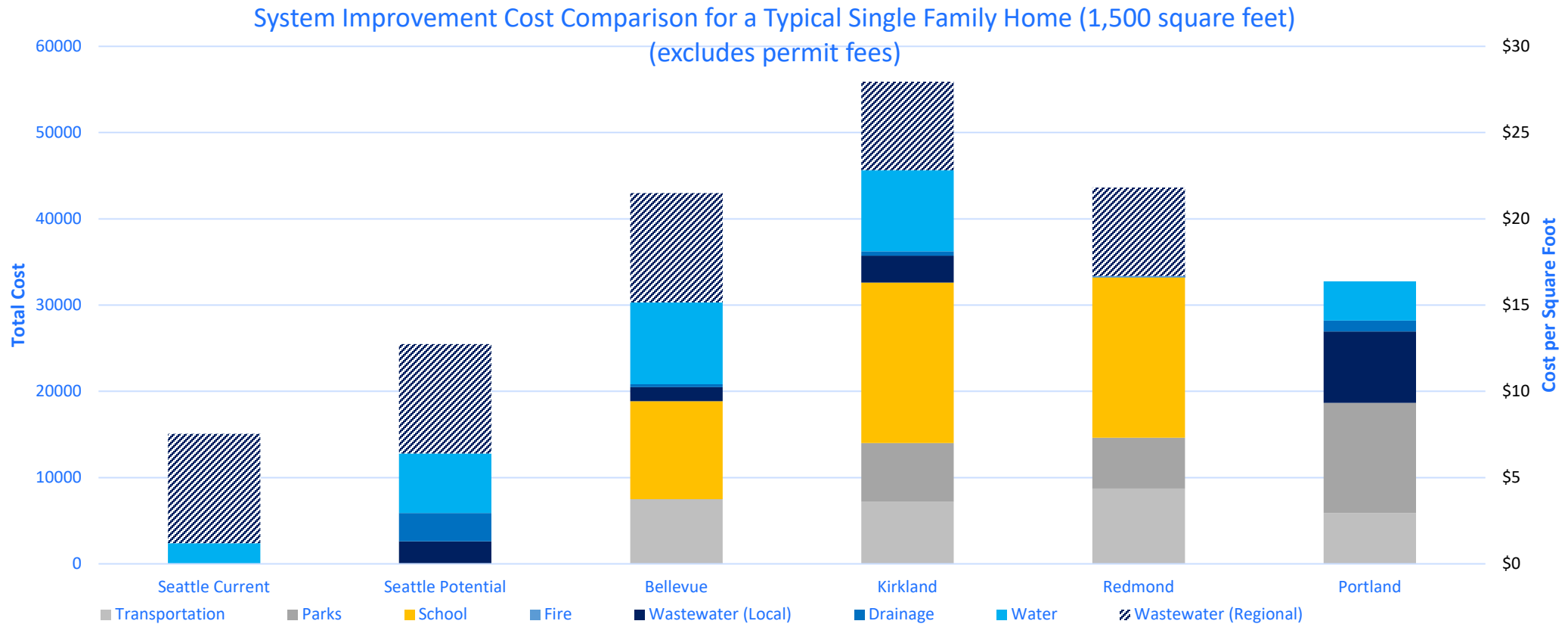
- Credit is given for existing levels of water / wastewater service or hard surface.
- System Development Charges are waived for developments required to do MLE.

# Development Charges Benchmarking - Multifamily

System Improvement Cost Comparison for a Typical Multi-Family Development  
(100 dwelling unit, excludes permit fees)



# Development Charges Benchmarking Single Family



# Proposal: MLE Cost Sharing Program



Developer pays for the portion of MLE associated with their development, SPU pays for remainder



For predictability, SPU pays actual cost up to \$1,500 / lineal foot (LF)



MLE cost sharing limited to first 750LF to ensure financial viability of program



Future beneficiaries of the Mainline Extension repay SPU per latecomer agreement

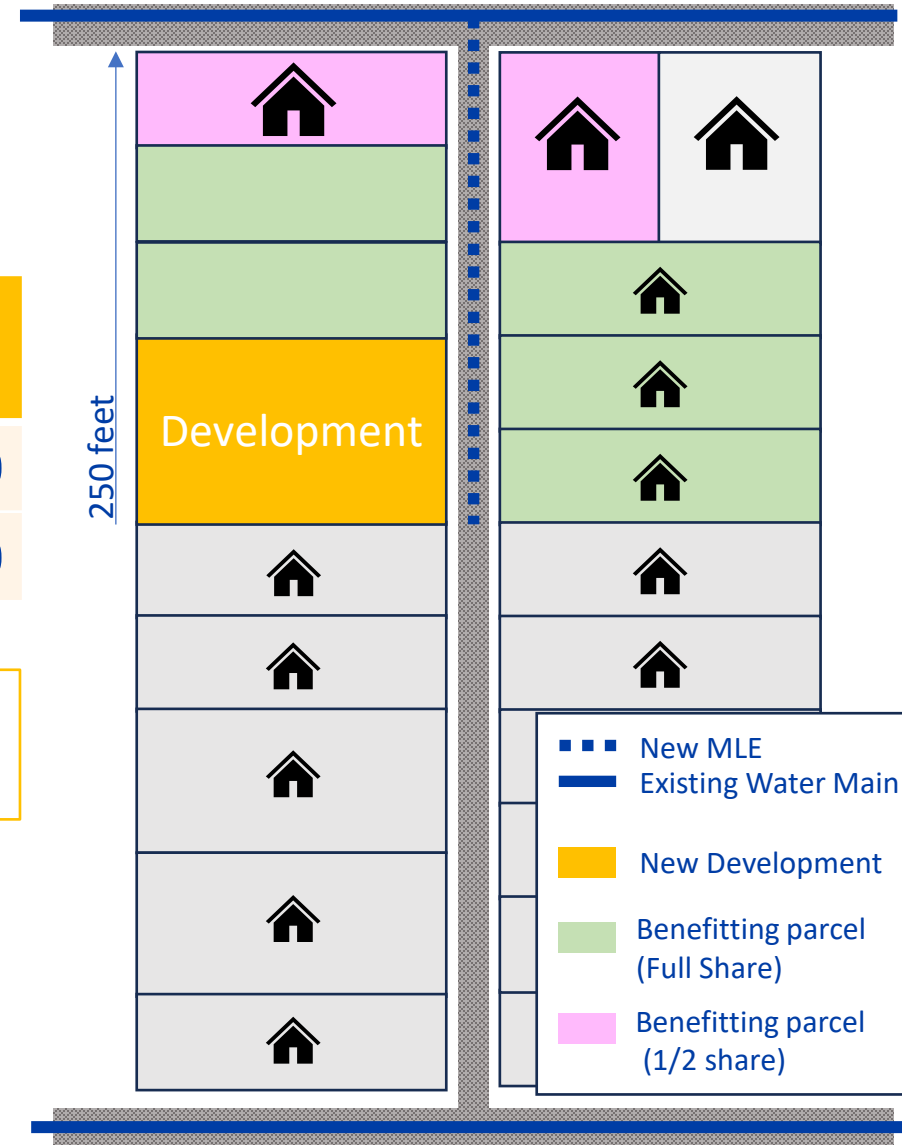


Program will be evaluated annually to ensure program viability within existing resources.

# MLE Cost Sharing Example

Development 250 LF Water MLE and 25% of area	SPU	Developer
Current: No cost sharing	\$0	\$375,000
Future: With cost sharing	\$281,250	\$93,750

Benefitting parcels pay their share through an SPU administered Latecomer Agreement if redevelop within 20 years (E.g. green = \$47k)



# MLE Cost Sharing Program Funding

Cost sharing program tailored to meet expected SDC Revenue with no impacts on rates

MLE Cost Sharing Program	Water	Wastewater	Drainage
Est. SDC Revenue less Program Admin Costs	\$6.6M	\$3.5M	\$1.9M
Est. SPU payments to developers for MLE Cost Sharing	\$7.1M	\$1.4M	\$3.2M
Estimated <b>shortfall</b> / SDC Capital remaining per year	(\$0.5M)*	\$2.1M	(\$1.3M)*

\*SPU has existing capital funds to dedicate so the program remains rate neutral.

Because Latecomer payments are unpredictable, they have not been included in program estimates.

# Public Engagement

- SPU began extensive outreach in April 2023, including three SPU-hosted virtual meetings open to the public
- Other stakeholders included:
  - The Housing Development Consortium's Streamlining Affordable Housing Production Workgroup
  - The Black Home Initiative Network Policy Group
  - The American Institute of Architects Seattle Housing Taskforce
  - The Master Builders Association's Seattle Builders Council
  - The City of Seattle Housing Subcabinet



# Three-Ordinance Package

- **CB 120966: System Development Charge Amendments**
  - Establishes SDCs for sewer and drainage systems
  - Redefines SDC for water, replacing “water connection charge”
  - Expands payment plans for SDCs, allowing 25% up front payments with remainder plus interest due in two years or upon sale
- **CB 120967: Cost Sharing and Latecomer Agreements**
  - Authorizes SPU to participate in the reimbursement of mainline extensions built by private developers and to retain a pro rata share of latecomer payments
  - Authorizes “municipal assessment water and sewer reimbursement areas” which act similarly to latecomer agreements on infrastructure built and paid for by SPU
- **CB 120968: Program Administration**
  - Adds six positions to manage engineering, contracts, and administrative aspects of developer-installed mainlines and latecomer agreements
  - Positions are funded by the increased SDC revenue
- New System Development Charges and Cost Sharing to begin January 1, 2026 to allow for implementation planning and hiring.



# Questions?



# Appendix



# SDC Examples



**Detached House on new lot**

**Total SDCs for Development**

- Proposed: \$12,800
- Replaces: \$2,400



**Detached House + AADU + DADU**

**Total SDCs for Development:**

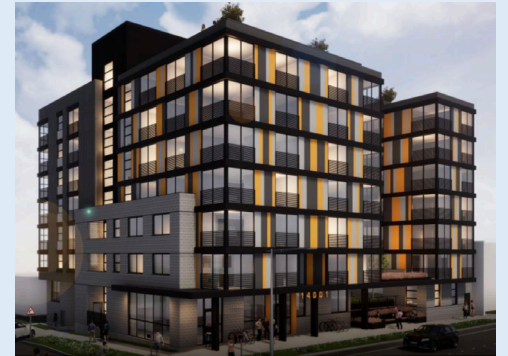
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**12 Townhomes**

**Total SDCs for Development:**

- Proposed: \$34,650
- Replaces: \$7,920



**150-unit Apartment Building**

**Total SDCs for Development:**

- Proposed: \$161,500
- Replaces: \$40,800

# Customer Equivalents

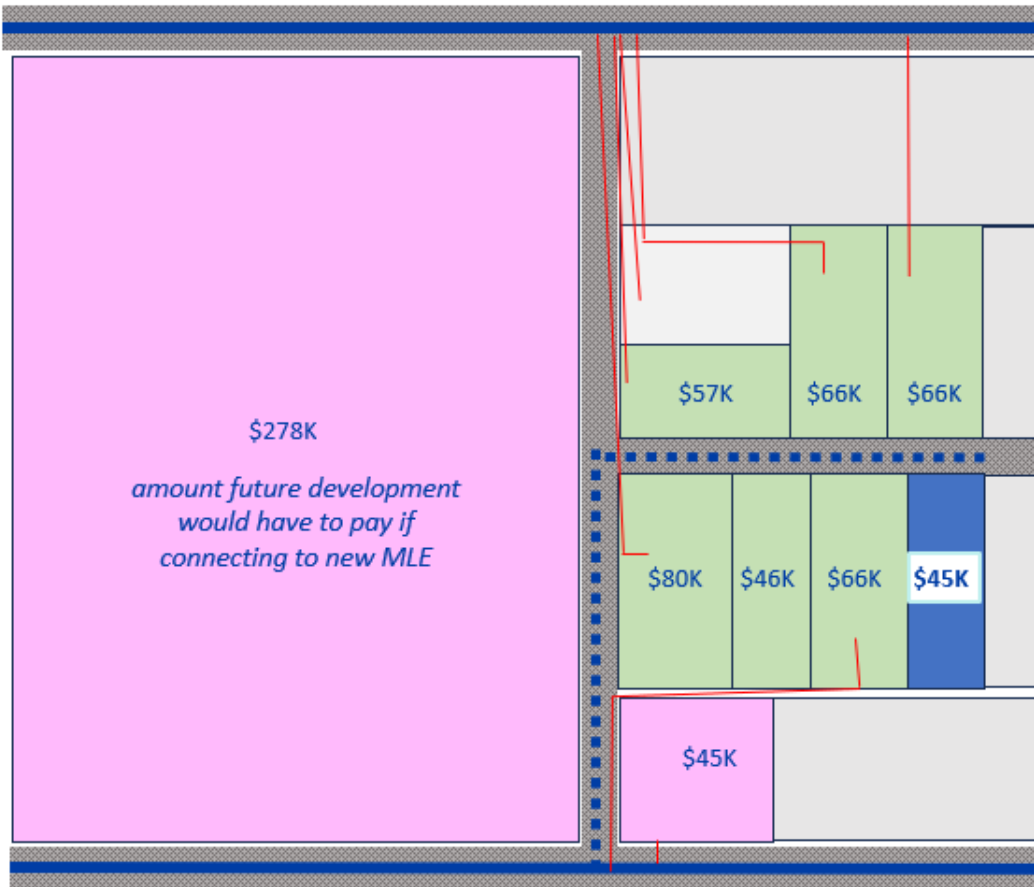
Water and Wastewater SDCs	
Water Service Size (inches)	Customer Equivalents (CE)
3/4	1.0
1	1.7
1 1/2	3.3
2	5.3
2 (high flow)	8.3
3	11.0
4	17.0
6	33.0

## Drainage

Charged on square foot basis of added hard surface

Hard surface = impermeable to runoff, for example buildings, driveways and sidewalks

# MLE Cost Sharing Example



New 4-plex is 6% of parcel area and requires 500 LF 8" Water MLE	SPU Portion	Developer Portion
Status Quo: No cost share	\$0	\$750K
SPU cost sharing proposal	<b>\$705K**</b>	<b>\$45K*</b>

- ■ ■ New Water MLE
- Existing Water Main
- Existing Water Service Lines
- New Development
- Amt new development pays for MLE
- Benefitting parcel w/ latecomer amount (full share)
- Benefitting parcel w/ latecomer amount (1/2 share)

*\*Development's and benefitting parcels' water SDC requirements are waived when MLE or latecomer fees are required.*

*\*\*Repayment from latecomers are unpredictable, therefore not assumed in program financing.*



## Legislation Text

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**File #:** CB 120968, **Version:** 1

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### CITY OF SEATTLE

#### **ORDINANCE** \_\_\_\_\_

#### COUNCIL BILL \_\_\_\_\_

AN ORDINANCE amending Ordinance 127156, which adopted the 2025 Budget, including the 2025-2030 Capital Improvement Program; changing appropriations to Seattle Public Utilities and its budget control levels, and from various funds in the Budget; and creating positions; all by a 3/4 vote of the City Council.

WHEREAS, the Seattle City Council approved the ordinance introduced as Council Bill 120966, authorizing the addition of system development charges for sewer and drainage infrastructure; and

WHEREAS, the Seattle City Council approved the ordinance introduced as Council Bill 120967, authorizing the City to participate in financing water and sewer facilities and creation of municipal reimbursement areas; and

WHEREAS, this legislation is one part of a legislative package of three Council Bills to accomplish the goal of amending the system development charges within Seattle Public Utilities; all three bills are connected and should be considered as one package; and

WHEREAS, Seattle Public Utilities requires financial and personnel resources to support the work associated with system development charges and participation in financing of water and sewer facilities; NOW, THEREFORE,

#### **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

Section 1. To pay for necessary costs and expenses incurred or to be incurred in 2025, but for which insufficient appropriations were made due to causes that could not reasonably have been foreseen at the time of making the 2025 Budget, appropriations for the following items in the 2025 Budget are increased from the

funds shown, as follows:

Item	Department	Fund	Budget Summary Level / BCL Code	Amount
1.1	Seattle Public Utilities	Water Fund (43000)	Utility Service and Operations (BO-SU-N200B)	\$320,000
1.2	Seattle Public Utilities	Water Fund (43000)	Leadership and Administration (BO-SU-N100B)	\$85,000
1.3	Seattle Public Utilities	Drainage and Wastewater Fund (44010)	Utility Service and Operations (BO-SU-N200B)	\$460,000
1.4	Seattle Public Utilities	Drainage and Wastewater Fund (44010)	Leadership and Administration (BO-SU-N100B)	\$85,000
<b>Total</b>				<b>\$950,000</b>

Section 2. The following positions are created in Seattle Public Utilities:

Item	Department	Position Title	Position Status	Number
2.1	Seattle Public Utilities	Capital Projects Coordinator (98746)	Full-time	4.0
2.2	Seattle Public Utilities	Real Property Agent, Senior (16171)	Full-time	1.0
2.3	Seattle Public Utilities	Civil Engineering Specialist, Associate (53310)	Full-time	1.0
<b>Total</b>				<b>6.0</b>

The General Manager/CEO of Seattle Public Utilities is authorized to fill these positions subject to Seattle Municipal Code Title 4, the City's Personnel Rules, Civil Service rules, and applicable employment laws.

Section 3. This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by a 3/4 vote of all the members of the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2025, and signed by me in open session in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_  
  
President \_\_\_\_\_ of the City Council

Approved /    returned unsigned /    vetoed this \_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_  
  
Bruce A. Harrell, Mayor

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_  
  
Scheereen Dedman, City Clerk

(Seal)



## **SUMMARY and FISCAL NOTE**

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
Seattle Public Utilities	Michelle Lange	Akshay Iyengar

### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE amending Ordinance 127156, which adopted the 2025 Budget, including the 2025-2030 Capital Improvement Program; changing appropriations to Seattle Public Utilities and its budget control levels, and from various funds in the Budget; and creating positions; all by a 3/4 vote of the City Council.

**Summary and Background of the Legislation:** This legislation is part of a three-ordinance package and directly supports the other two proposed ordinances. One ordinance in this legislative package updates System Development Charges (SDCs) for water, wastewater, and drainage. The second ordinance clarifies SPU’s municipal “latecomer” requirements and establishes municipal assessment water and sewer reimbursement areas. This companion legislation supports these two proposed ordinances by authorizing the budget and positions to carry out the work proposed. Without this authorization of resources, the work necessary to support development cannot be implemented.

Seattle is experiencing a housing affordability crisis. Developers tell Seattle Public Utilities (SPU) that system improvement requirements (e.g. water, drainage, and wastewater mainline extensions) are a financial burden and make some housing, business, and other land development projects unviable. Currently, development in areas with inadequate utility infrastructure face large costs to meet SPU installation requirements. Development in areas with standard infrastructure faces only a small connection charge for water services. This legislative package aims to address this inequity by increasing the water SDC, adding wastewater and drainage SDCs, and using the revenue to help SPU partially fund developer-initiated infrastructure improvements. This combination of charges and reimbursements will make utility-related development costs less variable and will allow developments in areas with subpar infrastructure to be financially feasible.

For projects that SPU cost participates, a municipal latecomer agreement or an assessment reimbursement area will be created. For a period of 20 years, new and increased development that connects to the infrastructure will reimburse SPU a pro-rata share of SPU’s contribution to the system improvements.

SPU expects that by reducing the financial burden of installing infrastructure and making these costs more predictable, more housing will be constructed, more utility infrastructure, and associated SDOT infrastructure improvements will be installed by developers. To manage the increased workload associated with these infrastructure improvements, SPU will add six positions. The positions will manage the engineering, contractual, and administrative aspects of developer-installed mains and latecomer agreements.

## 2. CAPITAL IMPROVEMENT PROGRAM

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

## 3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☒ Yes ☐ No

Expenditure Change (\$); General Fund	2025	2026 est.	2027 est.	2028 est.	2029 est.
Expenditure Change (\$); Other Funds	2025	2026 est.	2027 est.	2028 est.	2029 est.
	\$950,000	\$997,500	\$1,047,375	\$1,099,743	\$1,154,731

Revenue Change (\$); General Fund	2025	2026 est.	2027 est.	2028 est.	2029 est.
Revenue Change (\$); Other Funds	2025	2026 est.	2027 est.	2028 est.	2029 est.

Number of Positions	2025	2026 est.	2027 est.	2028 est.	2029 est.
	6.0	0	0	0	0
Total FTE Change	2025	2026 est.	2027 est.	2028 est.	2029 est.
	6.0	0	0	0	0

### 3.a. Appropriations

☒ This legislation adds, changes, or deletes appropriations.

Fund Name and Number	Dept	Budget Control Level Name/Number*	2025 Appropriation Change	2026 Estimated Appropriation Change
Water Fund - 43000	SPU	BO-SU-N200B-Utility Service and Operations BO-SU-N100B - Leadership and Administration	\$405,000	\$425,250
Drainage and Wastewater Fund – 44010	SPU	BO-SU-N200B-Utility Service and Operations BO-SU-N100B - Leadership and Administration	\$545,000	\$572,250
<b>TOTAL</b>			<b>\$950,000</b>	<b>\$997,500</b>

\*See budget book to obtain the appropriate Budget Control Level for your department.

**Appropriations Notes:** The estimated appropriation charge assumes the full year costs, but actual costs will likely be less in 2025 as SPU hires the positions and implements the changes for 2025. For 2026, expenditures assume the full year of costs, plus inflation.

### 3.b. Revenues/Reimbursements

☐ This legislation adds, changes, or deletes revenues or reimbursements.

**Revenue Notes:** See companion legislation for projected revenue increases resulting from the enactment of those bills.

### 3.c. Positions

☒ This legislation adds, changes, or deletes positions.

**Total Regular Positions Created, Modified, or Abrogated through This Legislation, Including FTE Impact:**

Position # for Existing Positions	Position Title & Department*	Fund Name & Number	Program & BCL	PT/FT	2025 Positions	2025 FTE	Does it sunset? (If yes, explain below in Position Notes)
98746	Capital Projects Coordinator	Water Fund – 43000 Drainage and Wastewater Fund – 44010	BO-SU-N200B-Utility Service and Operations PO-SU-N206B-Engineering	FT	4	4.0	No
53310	Civil Engineering Spec, Assoc	Drainage and Wastewater Fund – 44010	BO-SU-N200B-Utility Service and Operations PO-SU-N206B-Engineering	FT	1	1.0	

Position # for Existing Positions	Position Title & Department*	Fund Name & Number	Program & BCL	PT/FT	2025 Positions	2025 FTE	Does it sunset? (If yes, explain below in Position Notes)
16171	Real Proper Agent, Sr	Water Fund – 43000 Drainage and Wastewater Fund – 44010	BO-SU-N100B - Leadership and Administration PO-SU-N104B - Pooled Benefits Indirect Costs	FT	1	1.0	
<b>TOTAL</b>						<b>6.0</b>	

\* List each position separately.

**Position Notes:** The positions will manage the engineering, contractual, and administrative aspects of developer-installed mains.

### 3.d. Other Impacts

**Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.**

No.

**If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.**

**Please describe any financial costs or other impacts of *not* implementing the legislation.**

There are no direct financial costs of not implementing this or the accompanying legislation in this package of council bills. This legislation is proposed to help alleviate some development costs and, in the long term, improve housing development and availability; not implementing this legislation will preclude the City from collecting additional revenue from other development-related sources such as REET, MHA, and construction sales tax that this package may generate.

#### 4. OTHER IMPLICATIONS

- a. **Please describe how this legislation may affect any departments besides the originating department.**

None.

- b. **Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**

No.

- c. **Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**

- i. **How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

This package of legislation will help to lessen the financial burden of water and sewer mainline extensions, helping more housing, business, and other land development projects throughout the city to be financially feasible in more locations. SPU's commitment to cost share on mainline extensions is also expected to help smaller developers access capital and to help families who own property be able to afford to add additional housing units to their land. The parameters of the cost sharing program are designed to ensure that the costs of the program do not exceed the increased revenue from SDCs, such that homeowners and other utility customers will not see an increase to their utility rates.

- ii. **Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.** N/A

- iii. **What is the Language Access Plan for any communications to the public?** N/A

- d. **Climate Change Implications**

- i. **Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**

Currently, utility main line extension requirements make some projects infeasible. By reducing barriers to new development in Seattle, we make it possible for more people to live in urban growth areas in new, more efficient buildings near transit, reducing their carbon footprints.

Utility main line extension requirements also often trigger SDOT ROW improvements, so making it easier to develop in areas with inadequate water, drainage, and sewer infrastructure could also accelerate the construction of sidewalks, curb ramps, and other multimodal transportation networks in those areas.

- ii. **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.**

In many of the annexed areas of Seattle, formal drainage infrastructure does not exist. These areas, in particular, will benefit from drainage mainline infrastructure to mitigate local flooding which will be exacerbated due to climate change.

Additionally, areas with a combined sewer system will continue to be separated in to separate wastewater and drainage mains, reducing combined sewer overflows.

- e. **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)? What mechanisms will be used to measure progress towards meeting those goals?**

This three-ordinance package is part of an initiative to address the inequity of utility costs for development. The program's success will be measured by several measures. The first is the revenue collected through the System Development Charge (SDC). The second step of the initiative is SPU partially funding privately installed utility mains or constructing mainline extensions within municipal reimbursement areas. Success will be measured by improvement in the rates of projects moving forward that are required to install utility infrastructure. Success will also be measured in miles of mains installed through the program and the number of city blocks that are served by standard utility infrastructure.

## 5. CHECKLIST

- ☐ Is a public hearing required?
- ☐ Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?
- ☒ If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?  
Yes
- ☐ Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?

## 6. ATTACHMENTS

Summary Attachments: None.



# System Development Charges & Cost Sharing on System Improvements

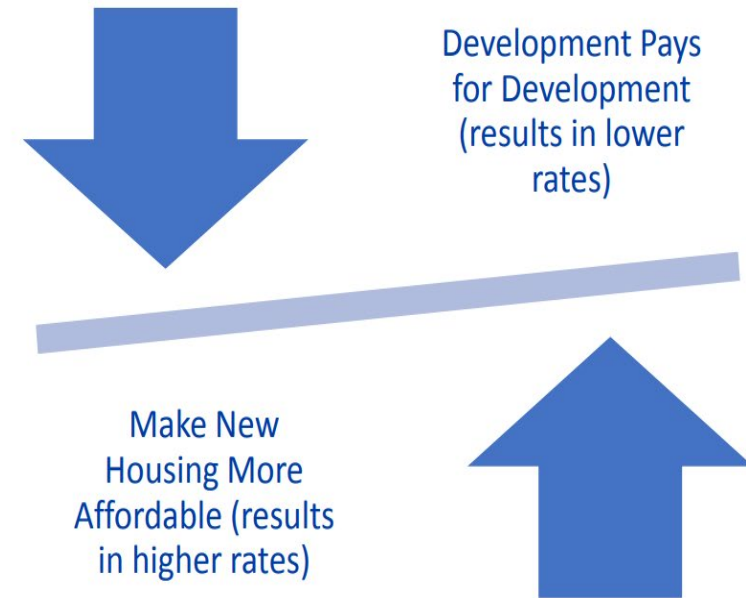
Seattle City Council  
Parks, Public Utilities & Technology Committee

*April 23, 2025*

# What problem are we trying to solve?

- Seattle is experiencing a housing affordability crisis.
- Various factors are driving changes in Seattle's growth and development patterns, which means SPU needs to rethink its approach to funding its infrastructure by distributing costs equitably across the system.

## Balancing Two Objectives





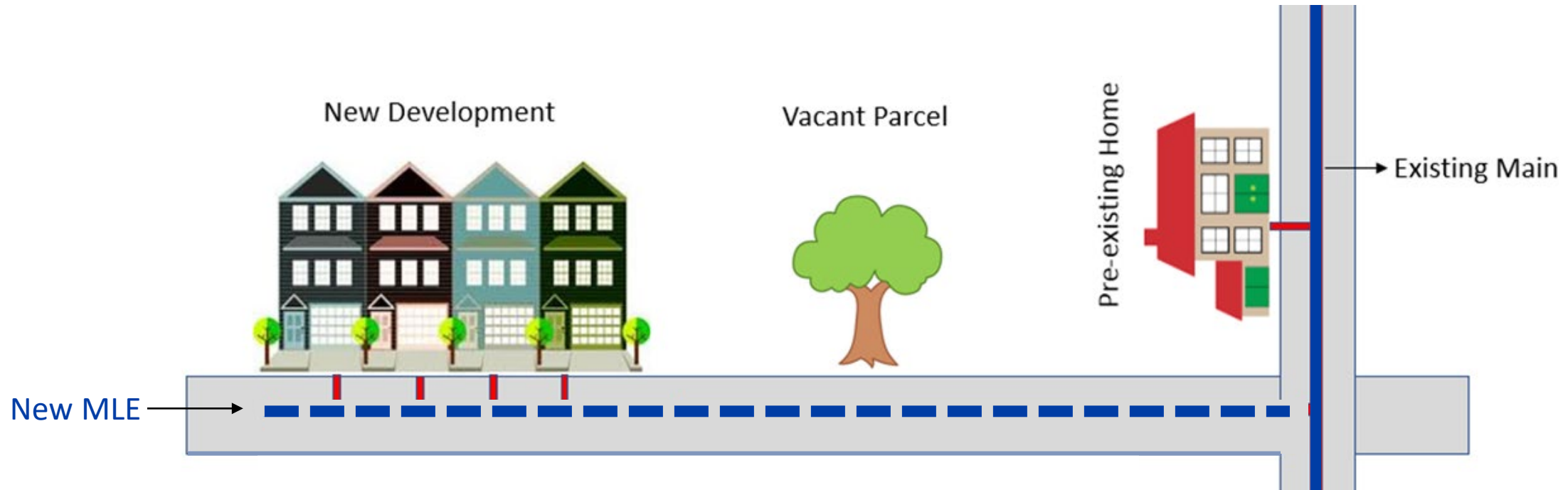
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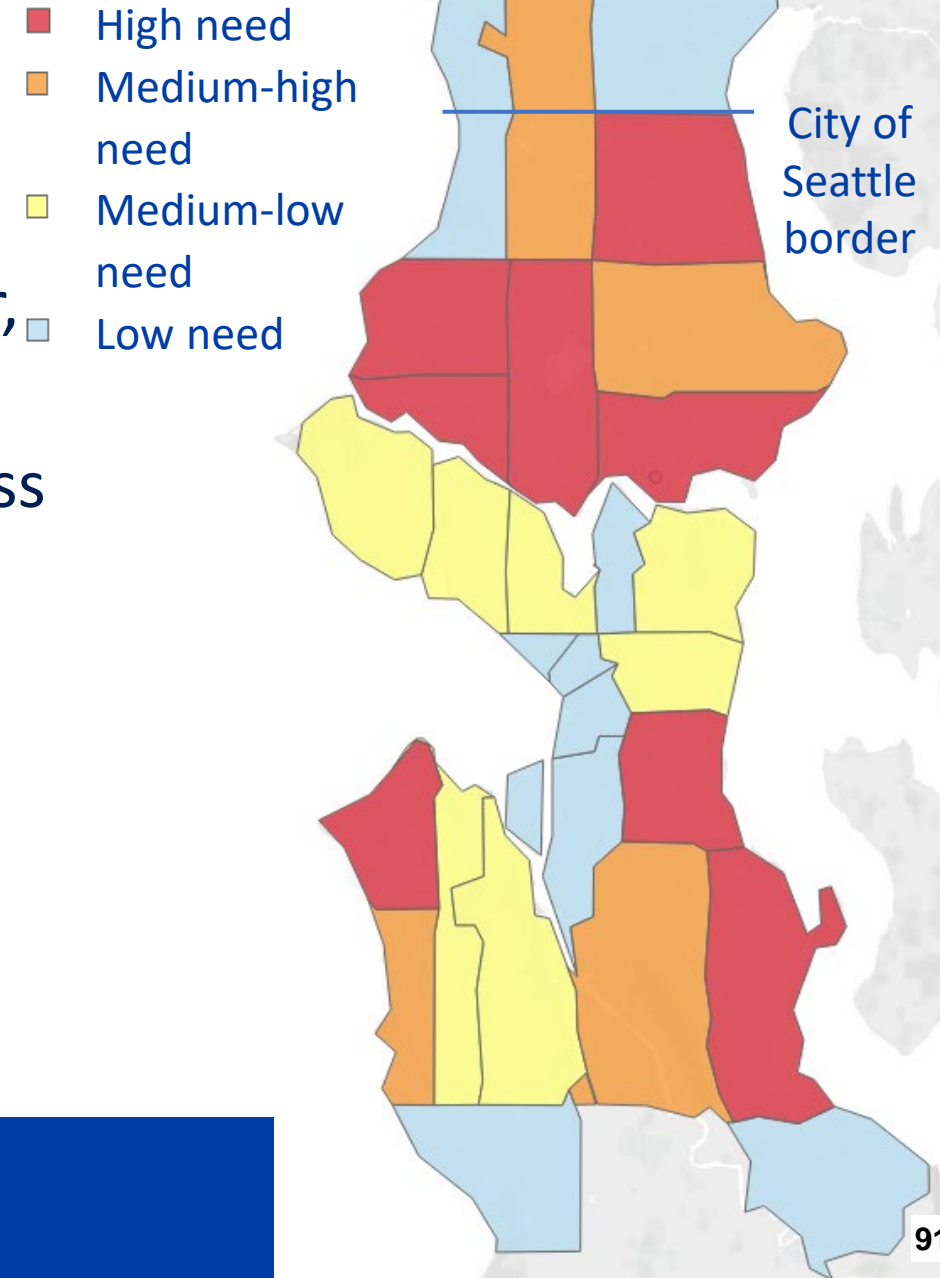
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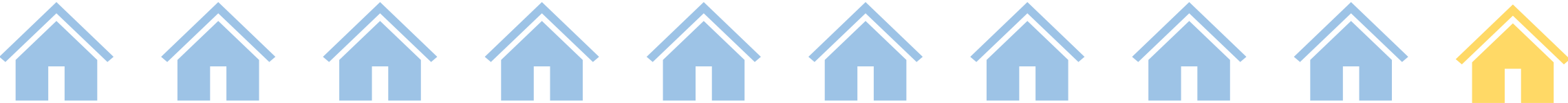
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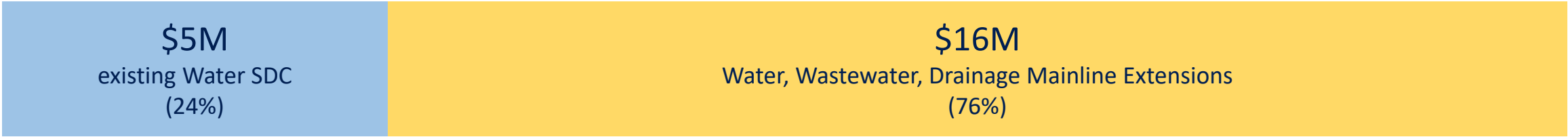


# Current Development Contributions



Currently, 90% of development projects move forward without MLE

10%  
require  
MLE

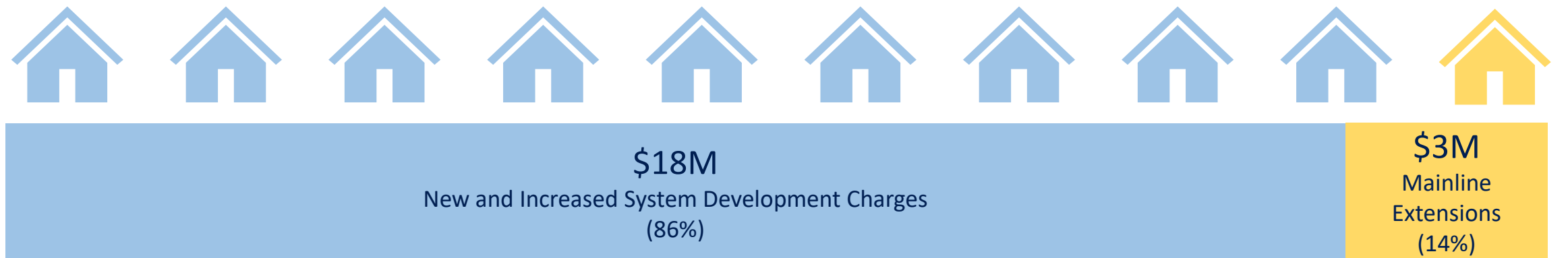


# Goal: More equitable distribution across development

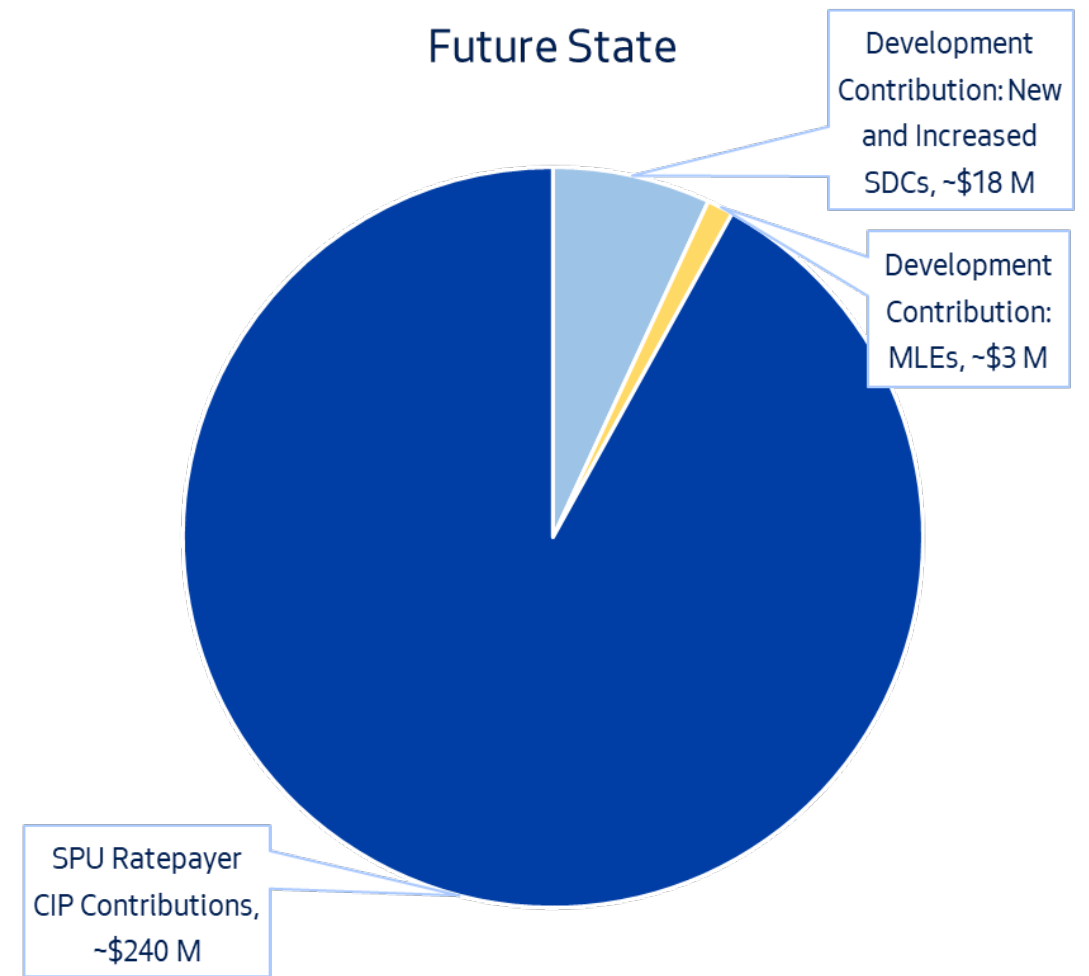
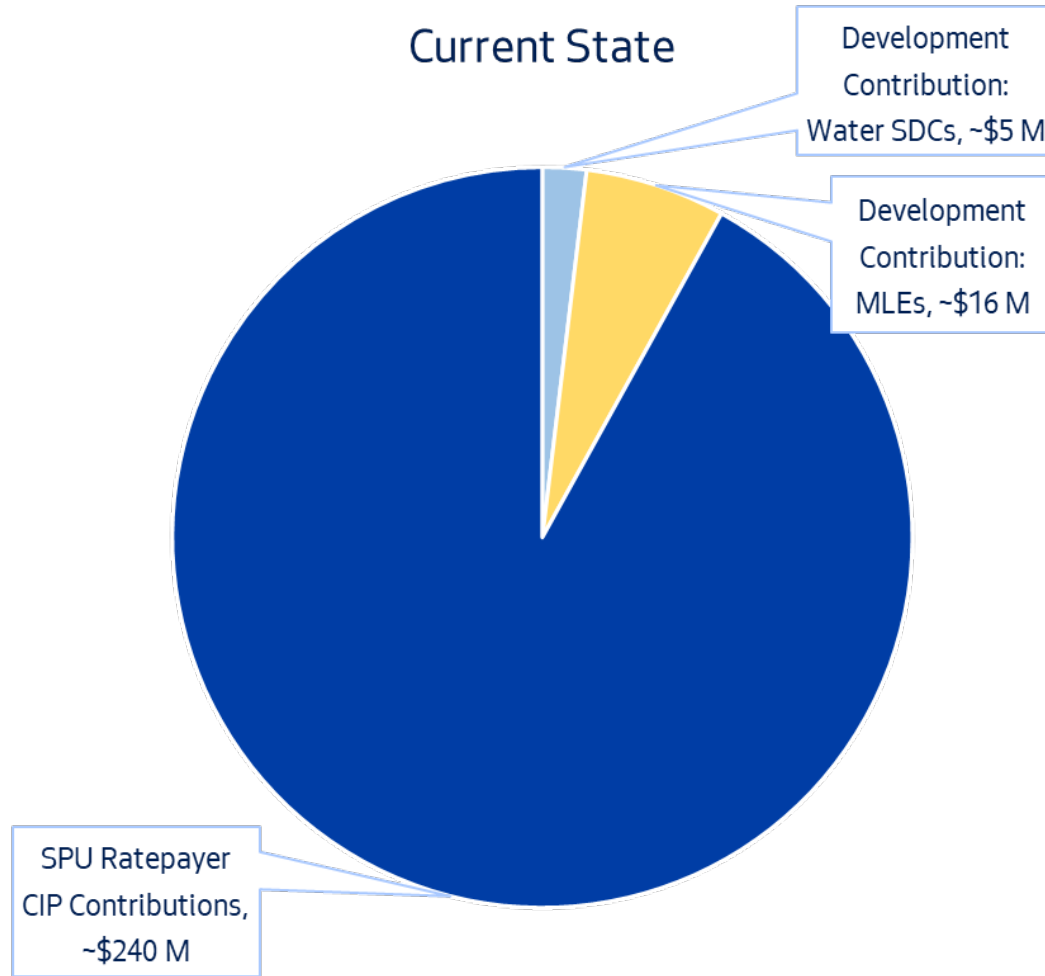
Current State:



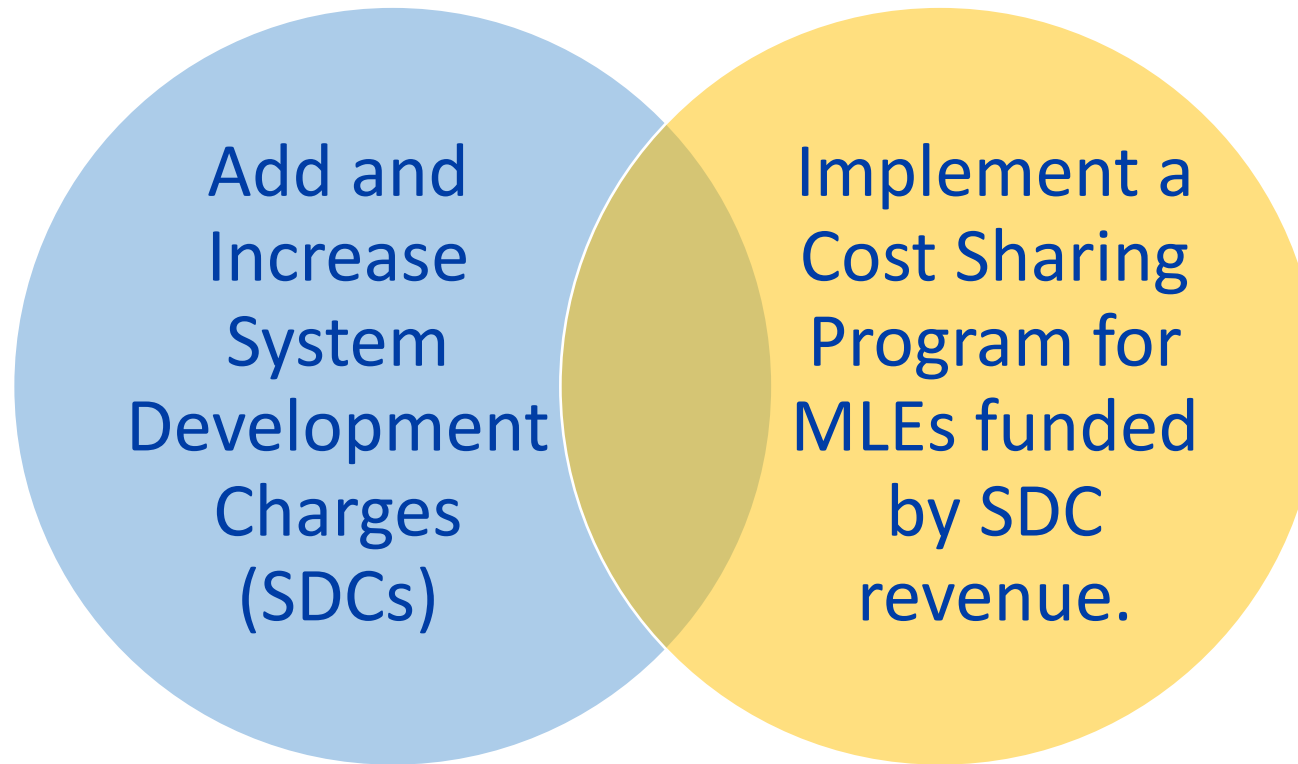
Future State:



# Approximate Annual Contributions by Source



# Proposal



- Everyone pays a little more so more projects become feasible
- Project costs are more predictable up front
- Benefits future homeowners by reducing long service lines that are expensive to maintain

# Proposal:

## Revised System Development Charges



SDCs are charged on all development based on the increased size of the water meter or added hard surface. SDCs are not a “per residential unit” charge.



Update SDC formula to use more complete definition of cost of the system which increases current Water SDC



Add new SDCs for Wastewater and Drainage using same formula



Generate ~\$13M in new water, wastewater and drainage revenue to fund MLE Cost Sharing Proposal



SDCs would be updated according to formula every 3 years with rate studies



# Revised System Development Charges

- Water and Wastewater SDCs are charged to development projects based on their new or increased water meter size.
- Drainage is charged per 1,000 sf of increased hard surface.
- **Rate neutral, i.e. no customer bill increase required.**

System	Current SDCs	Proposed SDC	Estimated Revenue
Methodology	Depreciated cost, no interest	Original cost, 5 years interest	Proposed SDC x average annual development
Water (3/4" meter)	\$2,400	\$6,900	\$7.2M*
Wastewater (3/4" meter)	\$0	\$2,600	\$3.6M
Drainage (1,000 sf hard surface)	\$0	\$1,225	\$2.1M

\*Excludes current Water SDC revenue (~4-5M / year) dedicated to capital projects.

# SDC Examples in Detail



## Single Family (SF) House

Existing SF lot subdivided to create new vacant lot. New  $\frac{3}{4}$ " meter. Adds 2,700 sf new hard surface.

- Water: 1 CE
- Wastewater: 1 CE
- Drainage: 2,700 sf

### Total SDC across services:

- Proposed: \$12,800
- Replaces: \$2,400



## SF House + AADU + DADU

SF tear down replacing  $\frac{3}{4}$ " meter with 1.5" meter. Adds 1,350 sf new hard surface.

- Water: 2.3 CE
- Wastewater: 2.3 CE
- Drainage: 1,350 sf

### Total SDC across services:

- Proposed: \$23,500
- Replaces: \$5,520



## 12 Townhomes

Two adjacent SF tear downs with 2 x  $\frac{3}{4}$ " meters. New 2" master meter. Adds 2,700 sf new hard surface.

- Water: 3.3 CE
- Wastewater: 3.3 CE
- Drainage: 2,700 sf

### Total SDC across services:

- Proposed: \$34,650
- Replaces: \$7,920



## 150-unit Apartment Building

Vacant paved parking lot with no existing water service. New 4" meter. No new hard surface added.

- Water: 17 CE
- Wastewater: 17 CE
- Drainage: 0 sf

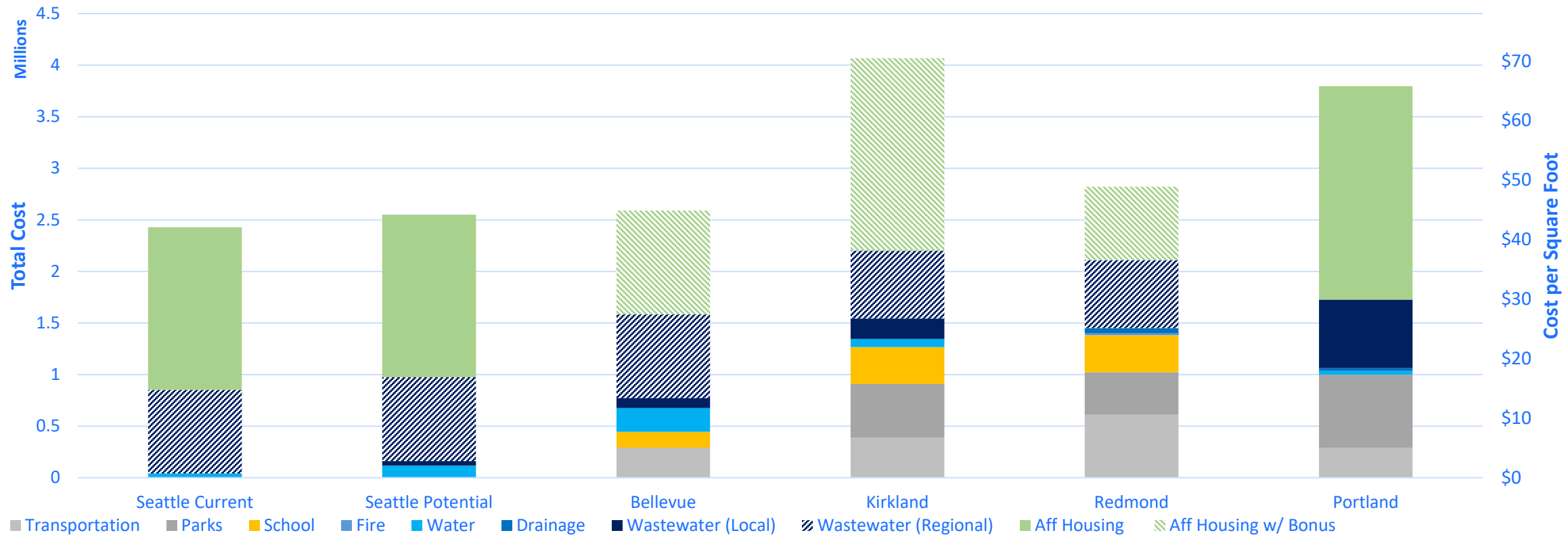
### Total SDC across services:

- Proposed: \$161,500
- Replaces: \$40,800

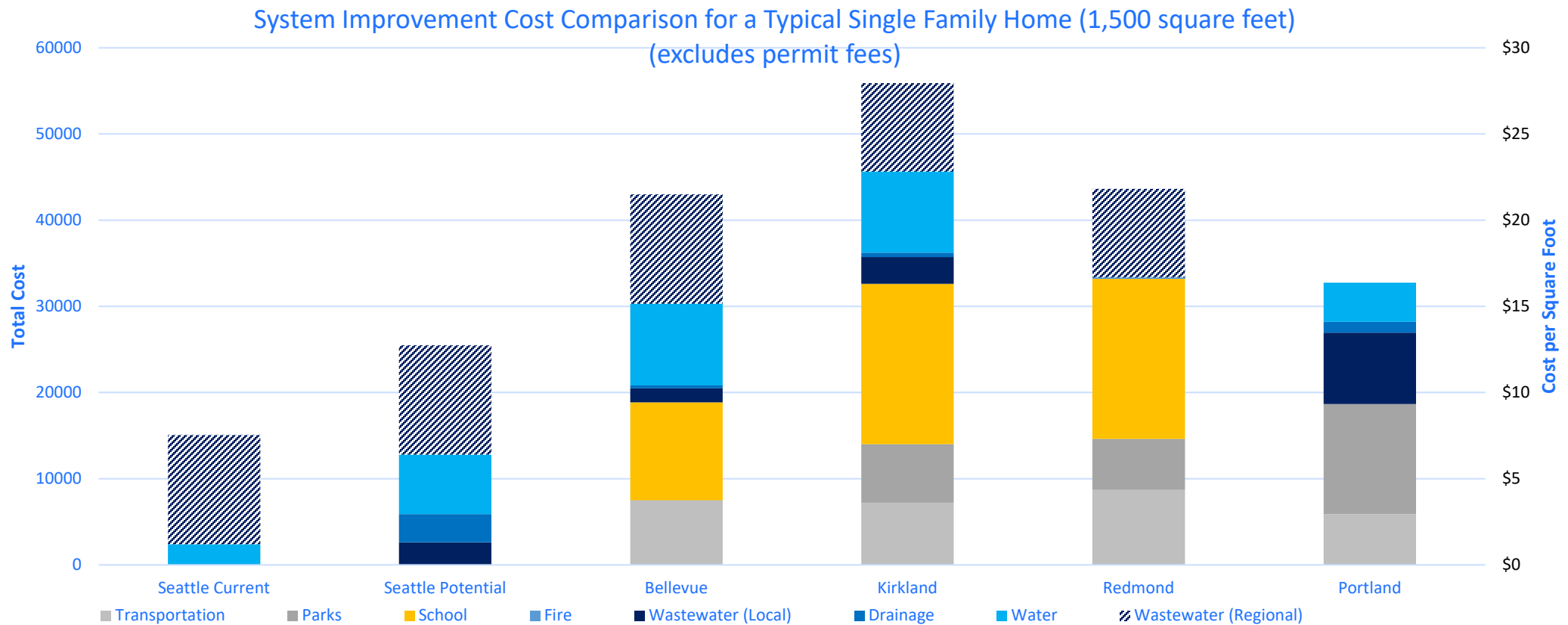
- Credit is given for existing levels of water / wastewater service or hard surface.
- System Development Charges are waived for developments required to do MLE.

# Development Charges Benchmarking - Multifamily

System Improvement Cost Comparison for a Typical Multi-Family Development  
(100 dwelling unit, excludes permit fees)



# Development Charges Benchmarking Single Family



# Proposal: MLE Cost Sharing Program



Developer pays for the portion of MLE associated with their development, SPU pays for remainder



For predictability, SPU pays actual cost up to \$1,500 / lineal foot (LF)



MLE cost sharing limited to first 750LF to ensure financial viability of program



Future beneficiaries of the Mainline Extension repay SPU per latecomer agreement

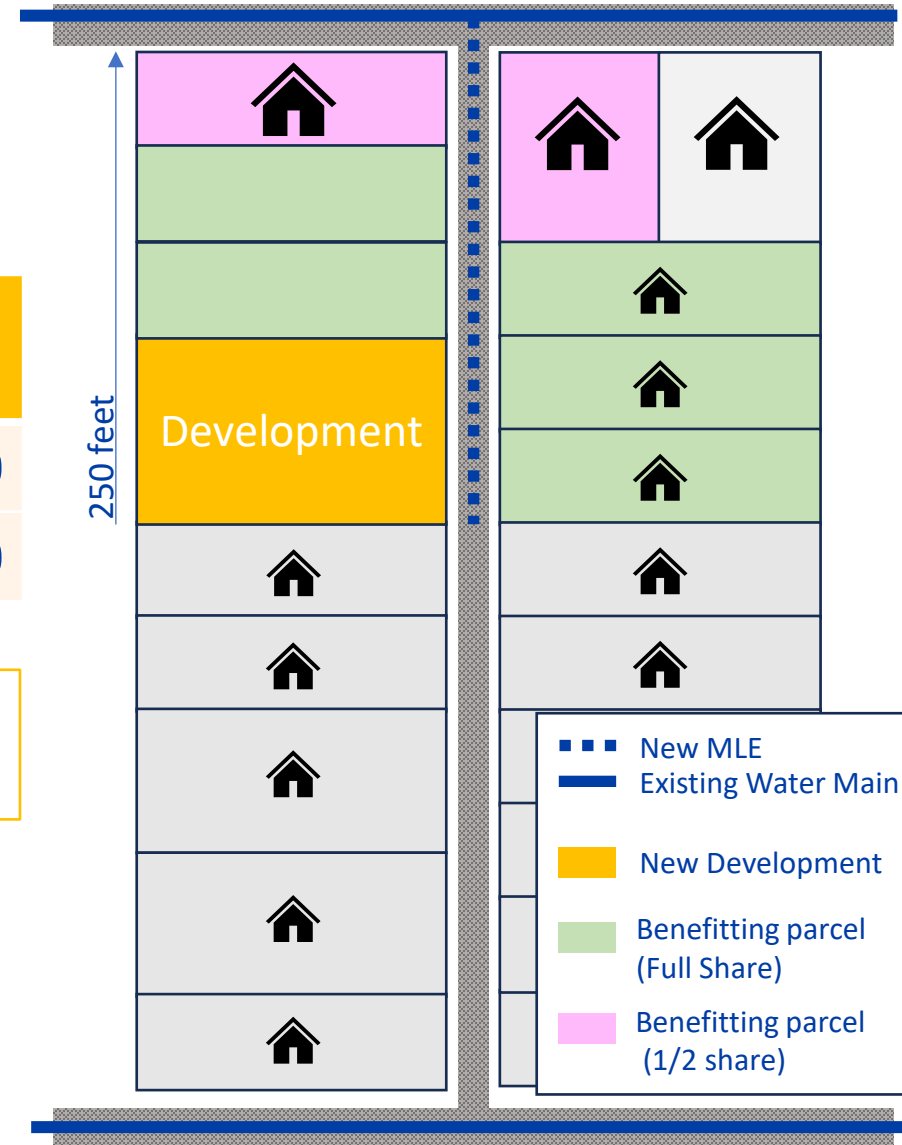


Program will be evaluated annually to ensure program viability within existing resources.

# MLE Cost Sharing Example

Development 250 LF Water MLE and 25% of area	SPU	Developer
Current: No cost sharing	\$0	\$375,000
Future: With cost sharing	\$281,250	\$93,750

Benefitting parcels pay their share through an SPU administered Latecomer Agreement if redevelop within 20 years (E.g. green = \$47k)





# MLE Cost Sharing Program Funding

Cost sharing program tailored to meet expected SDC Revenue with no impacts on rates

MLE Cost Sharing Program	Water	Wastewater	Drainage
Est. SDC Revenue less Program Admin Costs	\$6.6M	\$3.5M	\$1.9M
Est. SPU payments to developers for MLE Cost Sharing	\$7.1M	\$1.4M	\$3.2M
Estimated <b>shortfall</b> / SDC Capital remaining per year	(\$0.5M)*	\$2.1M	(\$1.3M)*

\*SPU has existing capital funds to dedicate so the program remains rate neutral.

Because Latecomer payments are unpredictable, they have not been included in program estimates.



# Public Engagement

- SPU began extensive outreach in April 2023, including three SPU-hosted virtual meetings open to the public
- Other stakeholders included:
  - The Housing Development Consortium's Streamlining Affordable Housing Production Workgroup
  - The Black Home Initiative Network Policy Group
  - The American Institute of Architects Seattle Housing Taskforce
  - The Master Builders Association's Seattle Builders Council
  - The City of Seattle Housing Subcabinet





# Three-Ordinance Package

- **CB 120966: System Development Charge Amendments**
  - Establishes SDCs for sewer and drainage systems
  - Redefines SDC for water, replacing “water connection charge”
  - Expands payment plans for SDCs, allowing 25% up front payments with remainder plus interest due in two years or upon sale
- **CB 120967: Cost Sharing and Latecomer Agreements**
  - Authorizes SPU to participate in the reimbursement of mainline extensions built by private developers and to retain a pro rata share of latecomer payments
  - Authorizes “municipal assessment water and sewer reimbursement areas” which act similarly to latecomer agreements on infrastructure built and paid for by SPU
- **CB 120968: Program Administration**
  - Adds six positions to manage engineering, contracts, and administrative aspects of developer-installed mainlines and latecomer agreements
  - Positions are funded by the increased SDC revenue
- New System Development Charges and Cost Sharing to begin January 1, 2026 to allow for implementation planning and hiring.

# Questions?



# Appendix

# SDC Examples



**Detached House on new lot**

**Total SDCs for Development**

- Proposed: \$12,800
- Replaces: \$2,400



**Detached House + AADU + DADU**

**Total SDCs for Development:**

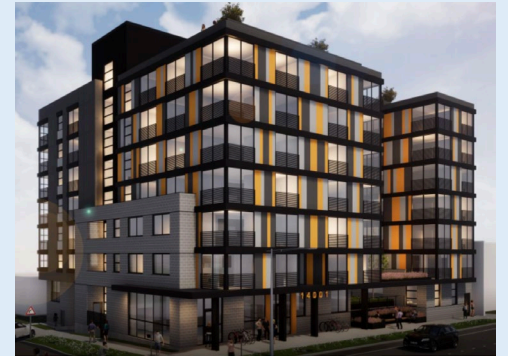
- Proposed: \$23,500
- Replaces: \$5,520



**12 Townhomes**

**Total SDCs for Development:**

- Proposed: \$34,650
- Replaces: \$7,920



**150-unit Apartment Building**

**Total SDCs for Development:**

- Proposed: \$161,500
- Replaces: \$40,800

# Customer Equivalents

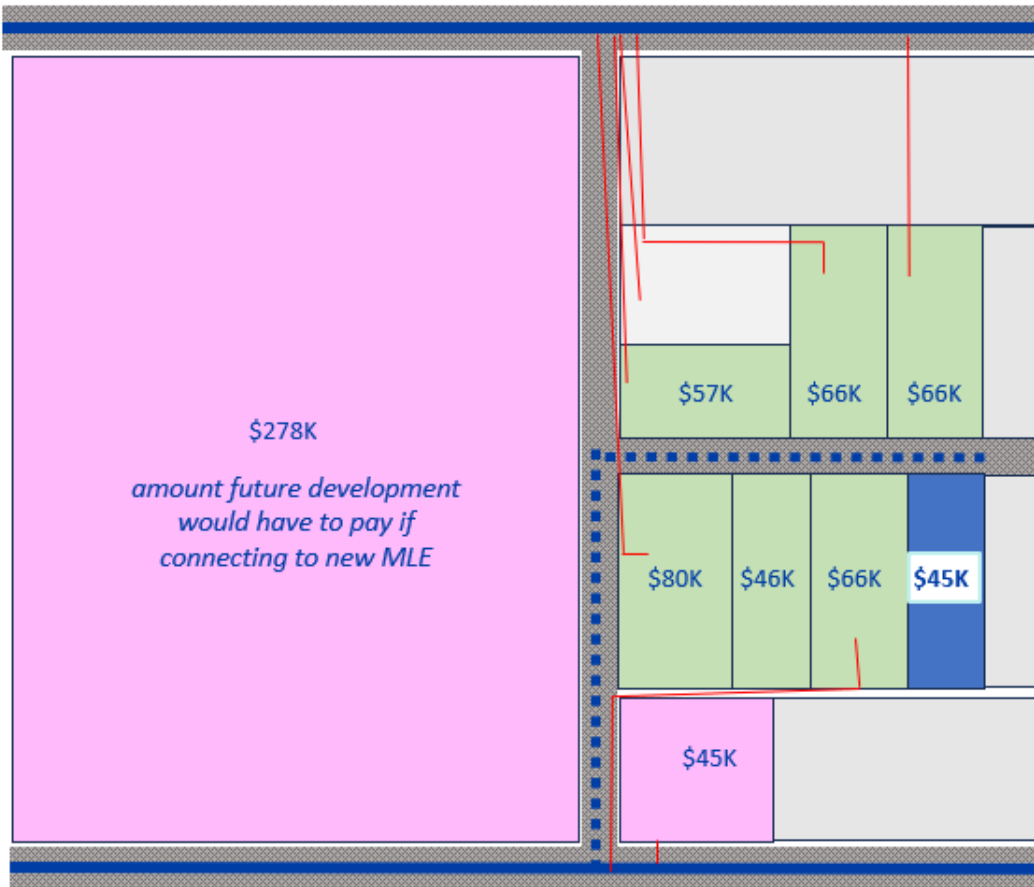
Water and Wastewater SDCs	
Water Service Size (inches)	Customer Equivalents (CE)
3/4	1.0
1	1.7
1 1/2	3.3
2	5.3
2 (high flow)	8.3
3	11.0
4	17.0
6	33.0

## Drainage

Charged on square foot basis of added hard surface

Hard surface = impermeable to runoff, for example buildings, driveways and sidewalks

# MLE Cost Sharing Example



New 4-plex is 6% of parcel area and requires 500 LF 8" Water MLE	SPU Portion	Developer Portion
Status Quo: No cost share	\$0	\$750K
SPU cost sharing proposal	<b>\$705K**</b>	<b>\$45K*</b>

- ■ ■ New Water MLE
- Existing Water Main
- Existing Water Service Lines
- New Development
- Amt new development pays for MLE
- Benefitting parcel w/ latecomer amount (full share)
- Benefitting parcel w/ latecomer amount (1/2 share)

*\*Development's and benefitting parcels' water SDC requirements are waived when MLE or latecomer fees are required.*

*\*\*Repayment from latecomers are unpredictable, therefore not assumed in program financing.*