

## SUMMARY and FISCAL NOTE

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
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### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to design review for the Downtown, Uptown, South Lake Union, and First Hill Urban Centers, a subarea adjacent to the Uptown Urban Center, and a portion of the Greater Duwamish Manufacturing and Industrial Center; adopting temporary regulations to exempt single-use and mixed-use development projects with lodging, residential, or research and development laboratory uses from design review, and allowing the Director of the Department of Construction and Inspections to grant waivers and modifications from certain development standards; and amending Sections 23.41.004, 23.41.020, 23.76.004, 23.76.006, 23.76.010, 23.76.012, and 23.76.026 of the Seattle Municipal Code.

#### **Summary and Background of the Legislation:**

The legislation amends the Land Use Code, for an interim three-year period, to exempt new development proposals from the Design Review process if they consist of housing, hotels, or research and development laboratory uses.

The affected area is in the core Urban Centers of Downtown,<sup>1</sup> South Lake Union, Uptown, and First Hill; and in a limited portion of the Greater Duwamish Manufacturing and Industrial Center adjacent to the Downtown Urban Center. Also, the proposal applies to any future City Council adopted expansions of an Urban Center boundary in the affected area. Currently, an area north of the Uptown Urban Center is proposed to be extended as a result of the One Seattle Comprehensive Plan update.

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<sup>1</sup> The proposal would not apply to the Pike Place Market Historical District; and also not in the Chinatown/International District and Pioneer Square neighborhoods, where development projects are already exempt from Design Review and may elect to go through the Special Review District process to seek flexibility in a manner that fits with their historic districts' character.

*Projects Eligible Under the Proposal*

	<b>Mixed-use (If all nonresidential uses)</b>	<b>Mixed-use (If residential and nonresidential uses)</b>	<b>Residential</b>	<b>Research and Development Laboratory</b>
<b>How the floor area in the proposed development must be used to be eligible under the proposal</b>	At least 50% of the floor area must be in hotel use, the remainder may be a mix of any nonresidential use allowed in the zone	At least 50% of the floor area must be in residential use, the remainder may be a mix of any nonresidential use allowed in the zone	Up to 100% of the floor area in residential use	Up to 100% of the floor area in research and development laboratory use
<b>Most likely use mix</b>	Hotel, office, retail and entertainment uses	Housing and hotel	Housing, including buildings with street-level retail and entertainment uses	Laboratory uses may include accessory office use and may include street-level retail and entertainment uses

The legislation also includes the following:

- Requires public notice in the form of on-site signage and mailed notice to surrounding properties, for all projects that were previously subject to Design Review;
- Allows for vesting, similar to that provided for Design Review projects, to apply at the date a letter of eligibility is filed by an applicant, provided a complete MUP application is accepted by SDCI within 90 days;
- Allows the SDCI Director to waive or modify compliance with several development standards, which is comparable to the range of departures granted through Design Review in the subject area; and
- Provides for applicants to opt in or opt out of Design Review, including for development proposals already under review.

The legislation is expected to lead to greater use of Type I administrative review of development proposals, only some of which would have Type II MUP decisions appealable to the Hearing Examiner. The Type I status is due to the proposed exemption from Design Review in combination with an exemption from SEPA review for residential development from State statute applicable through at least September 2025.

Adopting this legislation will allow more efficient permit review of development to address an urgent need for more activity and vitality in Seattle’s center city. Residential and hotel uses are active for long periods of the day and week, and employees at research and development labs are more likely to be present at their workplaces than office workers.

The legislation continues the trend of City efforts to assist in the production of housing by exempting certain housing projects, including affordable housing (see Ordinances 126287, 126854), from Design Review. The legislation should accelerate the permitting of housing, hotel, and research and development laboratory projects throughout center city, thereby reducing costs and decreasing the time needed for important new development to be available for occupancy.

## 2. CAPITAL IMPROVEMENT PROGRAM

**Does this legislation create, fund, or amend a CIP Project?**

No

## 3. SUMMARY OF FINANCIAL IMPLICATIONS

**Does this legislation have financial impacts to the City?**

Yes

This legislation to exempt certain types of new development in Seattle’s core Urban Centers from Chapter 23.41 Design Review for a three-year period will reduce or eliminate review responsibilities of discretionary land use review staff for Master Use Permit projects. Some projects will still have discretionary land use reviews (those that remain Type II MUP projects), and some will not (projects without SEPA reviews or Design Review). For the latter, a code-consistency review step would still occur, but would be covered by building permit review fees calculated according to project valuation.

The following analysis uses estimates for permit application volumes exempted for the next three years and gives an estimate of the resulting reduction in fee revenue from discontinuing Design Review. The affected area’s project volume is only a subset of all the Design Review projects expected citywide due to the geographic focus and other criteria to qualify for the exemption. The analysis uses Design Review project data from the last three years, plus interpretation of current market conditions and awareness of possibly interested parties that could proceed with development proposals.

Applicants that are currently undecided about development proposals could be persuaded by the exemption from Design Review. Additionally, a development proposal exempted from Design Review but still requiring a MUP permit (such as a project still requiring SEPA review) would likely proceed to building permit review faster. Given the center city location, the possible development proposals are likely to be larger than an average development citywide and fees based on construction costs would be commensurately large. These factors mean the legislation

could have effects that would partly mitigate potential review fee losses by generating additional projects to review in the near term, if the intended stimulative effect occurs.

***Estimated project volumes***

Development activity levels are sensitive to economic conditions and regulatory requirements. Permit review activities depend on the pace of development proposals seeking permits. Presently, economic uncertainties and unfavorable financing conditions appear to be dampening the volume of permit review activities, including for developments involving Design Review. Unfavorable conditions might persist for another 1-2 years or so, which affects projections of the number of developments that could be affected by the proposed legislation.

**Summary of Design Review (DR) project permit volumes and exempted projects anticipated over a three-year period**

	<b>Number of projects no longer subject to DR based on baseline permit data projections</b>	<b>Number of projects no longer subject to DR based on expressed developer interest</b>	<b>Total number of projects no longer subject to DR</b>
<b>Center city: Estimated Number of Projects to be Exempt From Design Review</b>	9 total (3/year) that might be exempt from a projected baseline of Design Review projects citywide	15 total (5 per year)	24 total* (8 per year)

***\*In contrast, 50 to 75 DR projects are anticipated to occur in the City, outside of the proposal area during the 3-year effective period of the ordinance.***

***Fiscal Effects***

At an overview level, the estimates above suggest that SDCI’s Design Review permit volumes citywide could drop by about one-third due to the effects of the proposed legislation – from 75 developments over three years down to approximately 50 Design Review processes. These estimates reflect a projected slower pace of new developments under review over the next three years.

SDCI’s data for permit reviews and time spent on different review tasks helps to assess how much less time could be spent due to foregone Design Review tasks. This includes certain categories of work that would be foregone as charged hours if a Design Review MUP permit effort would be redirected to a building-permit review process: intake/addressing, discretionary land use, and code-consistency reviews. Of these, the administrative work and code-consistency

review would still occur, but it would be covered by building permit review fees calculated according to project valuation.

SDCI's data shows that for the class of developments that might occur, a total of approximately 87 hours of review could be foregone per exempted project: 68 hours for discretionary land use review, 13 hours for code-consistency review, and 6 hours for intake/addressing tasks. Using the current 2024 rate of \$439/hour rate for land use yields an estimated revenue reduction of \$305,544 per year for 8 projects foregoing Design Review. Summarized in table below.

**Summary of Estimated Annual Lost Revenue due to Design Review Exemption Legislation**

<b>Most affected review tasks</b>	<b>Average hours spent per project, center city Design Review projects 2021- present</b>	<b>Numbers of projects affected by the Design Review exemption legislation</b>	<b>Average revenue lost per task, for typical center city Design Review projects (\$439/hr.) 2021 - present</b>	<b>Total revenue lost due to proposed Design Review exemption legislation</b>
Discretionary land use review	68	8	\$29,852	\$238,816
Code-consistency review (zoning and building code compliance)	13	8	\$5,707	\$45,656
Intake/addressing	6	8	\$2,634	\$21,072
<b>TOTAL</b>	<b>87 hrs.</b>	<b>8</b>	<b>\$38,193</b>	<b>\$305,544</b>

Notes:

- For every additional typical Design Review project foregone in the affected area, an average revenue reduction of approximately \$38,000 would occur. This is an estimate; individual Design Review projects can require large variations in review time depending on project-specific matters.
- These estimates are in 2024 dollars.
- This analysis does not evaluate the possibility that the Design Review exemption could attract more development proposals to proceed more quickly than they otherwise would. To the extent this occurred, it would generate revenues from building permit lines of work that might otherwise not proceed in the near term. These would help offset potential revenue reductions, while at the same time entailing work that is no longer directly covered by hourly fees.

### 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.**

None are identified to date. To our knowledge, existing systems and business practices do not need substantive updating to proceed with the proposed Design Review exemption.

**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.**

Most time spent on tasks foregone due to the Design Review exemption would no longer be needed because the process steps would not be undertaken. A code-consistency review would still be undertaken; however, this will occur within the building-permit process, for which permit fees are used to recover review costs.

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

The proposed Design Review exemption affecting Seattle's core Urban Center areas could help induce developers to proceed with permitting for development proposals sooner than they would without this legislation. This relates to the potentially significant savings in duration of review and total permitting costs. While not quantified further, not proceeding with the legislation could result in the stalling or cancellation of development proposals coming in for permit review.

## 4. OTHER IMPLICATIONS

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

The legislation exempts SDCI discretionary land use review tasks that would directly affect SDCI revenues generated. Other departments' review responsibilities for development proposals would not be affected by the legislation.

**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.**

The legislation affects property within the Downtown Urban Center (except in the Pioneer Square and Chinatown/I.D. neighborhoods as well as Pike Place Market), South Lake Union Urban Center, Uptown Urban Center, the First Hill portion of the First Hill/Capitol Hill Urban Center, and a limited portion of the Greater Duwamish Manufacturing and Industrial Center, east of 4<sup>th</sup> Avenue S, west of Interstate 5, north of S. Royal Brougham Way, and south of S Charles Street adjacent to the Chinatown/I.D. neighborhood.

**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.**

The legislation is not likely to generate significant or disproportionate burdens on communities of color or households with lower incomes. The affected area is identified as having up to a moderate risk of displacement, while locationally having very good access to opportunity. While certain areas such as Yesler Terrace, First Hill, and downtown Seattle have existing low-income housing resources, those resources are not particularly likely to be affected by the legislation because most are secured by agreements for their long-term presence. So, the risk of displacement for those resources is low in the affected area. Chinatown/International District faces a high risk of displacement or similar effects and is not included in this proposal.

The legislation is not likely to directly or indirectly affect matters of racial equity or add to current disparities or biases.

The legislation seeks to reduce barriers that delay new development, to help bring economic benefits over the long term, and more new housing as soon as possible. In the short and mid-term, new development of all kinds would maintain or bring new construction-sector jobs; and development of new hotels would generate additional jobs for households at a wide range of income levels.

This legislation foregoes one kind of public venue at which members of the public can attend and provide their comments about a development proposal. This is a reduction in the number of opportunities to express personal opinions about a development proposal. However, the proposed permitting processes would retain opportunities for interested parties to provide their written comments about a proposal to the City staff engaged in the permit reviews. The legislation includes amendments that would provide public notice and the opportunity to comment, comparable to today's practices.

- ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.** None.
- iii. What is the Language Access Plan for any communications to the public?** SDCI provides language access by making translation services available upon request.

**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.**

The legislation could encourage an estimated 24 development proposals to proceed with permitting for future development within the next three years. While this might lead to slight, incremental increases in near-term carbon emissions related to future construction, the combination of low project volumes, increased efficiencies in minimum code requirements, and construction practices would ensure that potential carbon emissions are negligible in magnitude.

- 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.**

The legislation’s focus on the core urban centers of Seattle intends to support increased density of residential and employment growth in centers, as advised by the City’s Comprehensive Plan. This fosters efficiencies of growth patterns, which along with progressively stronger minimum requirements for energy efficiency in new buildings, contributes to an overall community with greater resilience against natural environmental challenges including those related to climate change over time.

- 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?**

The legislation is for a short-term (interim) adjustment in code requirements, applicable for three years in a subarea of the city. As a pilot effort, it could yield information about additional long-term reforms. SDCI expects to monitor total permitting times for participants in the Design Review exemption program to assess how much efficiency is gained in permitting, and other similar gauges of efficiency that could help the City make further process improvements in the future.

**5. CHECKLIST**

**Is a public hearing required? Yes**

**Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required? Yes**

**If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**



**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:** Summary Attachment 1 – Map of Applicable Area