SEATTLE DEPARTMENT OF CONSTRUCTION AND INSPECTIONS (SDCI)

2026 PROPOSED BUDGET

OVERVIEW & POLICY CONSIDERATIONS PAPER

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Table 1. Department Budget Summary ($s in 000s)

Budget Summary Level	2025 Adopted	2026 Endorsed	% Change	2026 Proposed	% Change
Operating Budget					
Compliance	$15.5M	$16.1M	4.2%	$15.8M	(2.3%)
Customer Success	$12.2M	$12.5M	2.2%	$12.6M	1.1%
Government Policy, Safety & Support	$2.9M	$3.0M	4.8%	$3.0M	(1.9%)
Inspections	$34.0M	$35.7M	4.8%	$34.7M	(2.6%)
Land Use & Engineering Services	$45.0M	$45.1M	0.1%	$45.6M	1.2%
Leadership and Administration	$0.0M	$0.6M	NA	$0.0M	(100%)
Process Improvements	$4.2M	$4.3M	3.0%	$3.7M	(14.8%)
Technology Investments	$8.7M	$9.6M	9.8%	$10.6M	11.3%
Total:	**$122.5M**	**$126.8M**	**3.5%**	**$126.0M**	**(0.6%)**

I. OVERVIEW AND SUMMARY

The Seattle Department of Construction and Inspections (SDCI) is the primary City department with regulatory authority over the use and physical development of private property. SDCI:

- Administers City ordinances that regulate rental housing, building construction, and the use of land;
- Enforces compliance with those regulations; and
- Reviews and issues land use and construction permits, including Master Use Permits, shoreline development permits, mechanical and electrical system permits, site development permits, and permits related to energy standards.

SDCI's budget would decrease by less than one percent from the 2026 Endorsed Budget to the 2026 Proposed Budget.

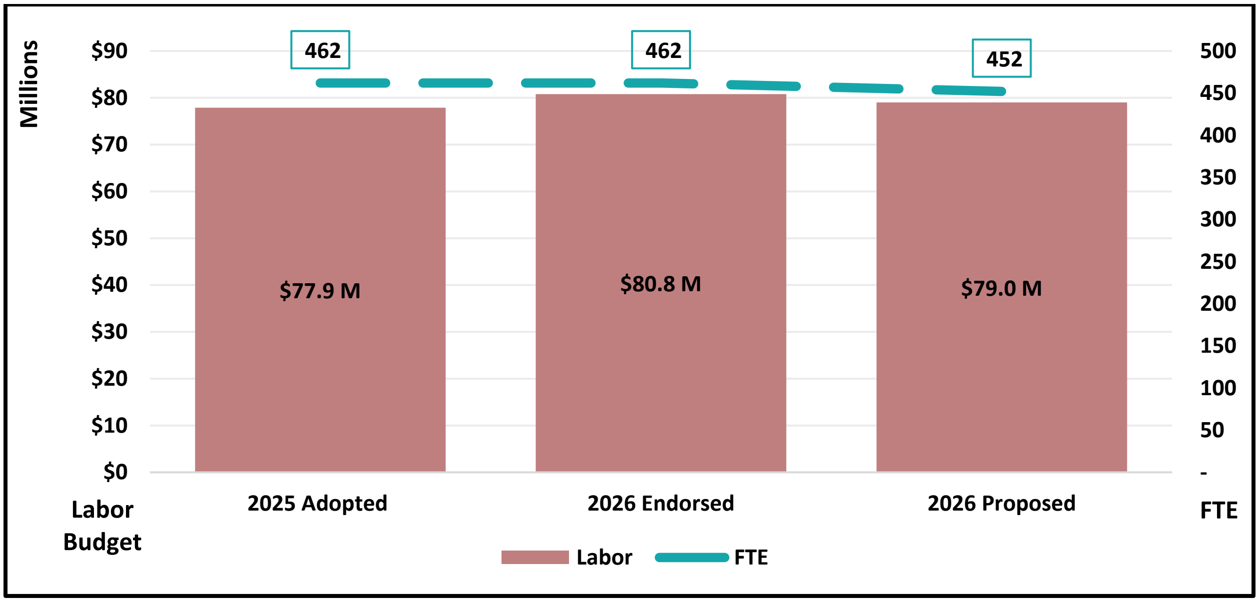
A. Operating Budget

The 2026 Proposed Budget for SDCI includes technical adjustments such as baseline reductions to reflect lower than anticipated labor cost, which are tied to inflation by approved labor contracts; extensions, reclassifications, defundings, and revenue shifts for positions; and adjustments to reflect the lower 2026 revenue forecast. Non-technical changes in the 2026 Proposed Budget include:

1. Adding $283,787 General Fund (GF) to support a multi-year effort to establish standards for sustainable development of "Green Hotels;"
2. Adding $100,000 GF on an ongoing basis to establish a conservation easement program for tree preservation;
3. Adding $750,000 GF for an AI-based permit application screening software. The proposed add includes $500,000 for an initial purchase and $250,000 ongoing for system integration and software subscriptions.

B. FTE & Labor Changes

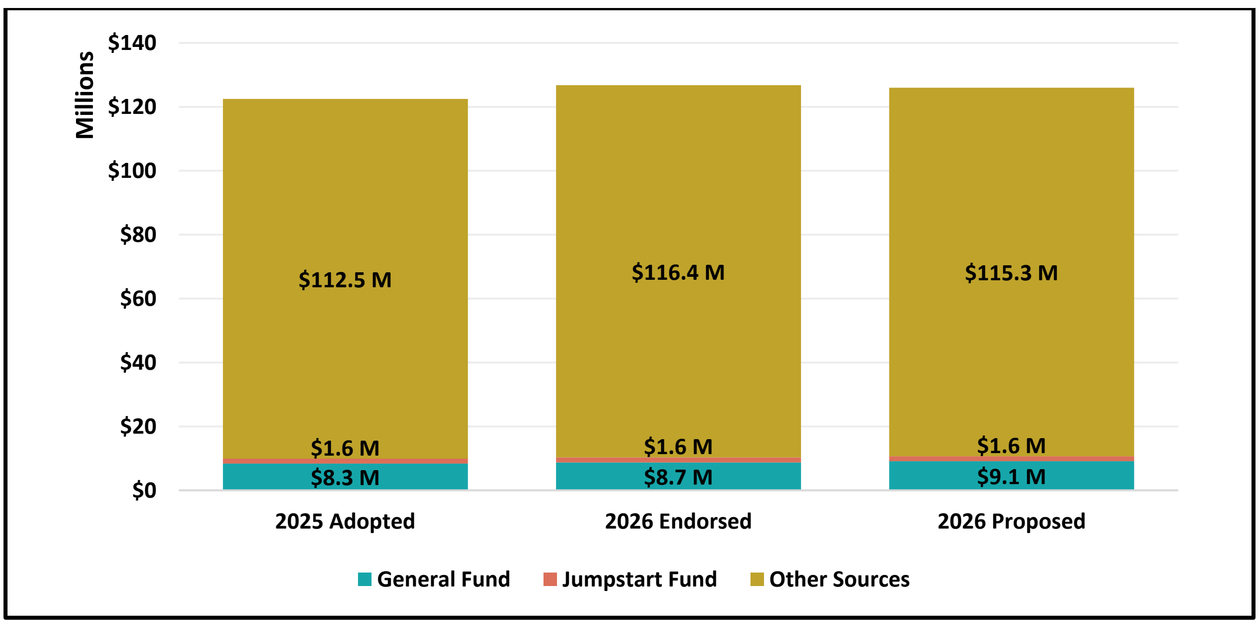
Figure 1. FTE & Labor Budget Summary



SDCI's labor budget would decrease from the 2026 Endorsed Budget to the 2026 Proposed Budget by approximately two percent. The overall FTE count would be reduced by 10. That change primarily reflects staff reductions approved in the 2025 Adopted Budget. The 2025 Adopted Budget extended position authority and appropriations for personnel costs for six months. The 2026 Proposed Budget would abrogate those, now vacant, positions.

C. Fund Appropriations Summary

Figure 2. Fund Appropriations Summary



SDCI is an operating fund department. Most department activities are funded through fees for regulatory services, which are deposited into the Construction and Inspections Fund. A small portion of SDCI's activities, less than 10 percent, are supported by the GF and other funds, such as the Jumpstart Fund. GF support primarily funds activities that cannot be supported by fee revenue, such as initial investigations related to complaints of code violations and development of some new regulations. In the last several years GF support has also funded tenant services grants and contracts, which similarly cannot be funded through fee revenue.

II. ISSUES FOR COUNCIL CONSIDERATION DURING BUDGET DELIBERATIONS

1. Fee increases

SDCI's 2026 Proposed Budget relies on an approximately 18 percent fee increase, which would be applicable to construction and land use permits. The proposed increase is estimated to generate approximately $8.2 million in revenue to the Construction and Inspections Fund in 2026. That revenue would help maintain staffing levels to ensure timely permit review and maintenance of regulatory services. Generally, past fee increases have reflected inflationary adjustments and increased labor costs associated with approved labor contracts, not adjustments to maintain core services.

SDCI's budget for permitting services relies almost exclusively on revenue from fees charged for those services. To address construction volatility, SDCI relies on two structural budgetary mechanisms:

- Contingent Budget Authority, which allows the department to increase staffing without first getting Council authorization, up to an approved limit, when permit application volumes increase; and
- A core staffing reserve to maintain trained staff and institutional knowledge when permit application volumes and value decrease.

The financial plan for the Construction and Inspections Fund indicates that SDCI has a core staffing reserve of $22 million in 2025. That reserve, even with the proposed fee increase, would be drawn down to $12 million in 2026 and $7 million in 2027. Without the fee, the core staffing reserve would be nearly completely drawn down in 2026, which, depending on economic conditions, could force SDCI to lay-off core staff during the year.

SDCI estimates that fee increases could increase per-unit costs for residential development by between $219 and $560, depending on the type of development. On the margin, these increases could make some projects infeasible or result in one-time costs being passed on to future owners or renters. Degraded permit services could similarly increase project costs due to financing charges or opportunity costs associated with longer review times because of inadequate staffing. In September, the Council passed Ordinance 127300, instituting new timelines for the issuance of permits, which will require SDCI to be fully staffed to meet. If Council is concerned that the fee increases would establish a new base for future inflationary adjustments, the Council could consider the following.

Options:

A. Reduce the rate of increase in 2026 and signal the Council's intent to increase fees when the core staffing reserve drops below an established threshold.

B. Through a statement of legislative intent, request quarterly reporting on permit volumes, workload, and fund balance and establish the Council's intent to make future fee adjustments based on workload and the health of the Construction and Inspections Fund.

C. No change.

2. Artificial Intelligence Permitting Tool

The 2026 Proposed Budget includes appropriations of $750,000 GF for the purchase and on-going subscription for an AI permitting tool. The one-time cost of the tool is $500,000. The remainder would be an ongoing $250,000 cost for subscriptions and integration with the City's Accella permitting software. The AI tool would be used to screen applications for completeness, allowing staff to focus on permit review for already complete applications.

Software purchases, ongoing license costs, and other technology costs for process improvements are eligible Construction and Inspections Fund expenditures and, if revenue is available, do not have to be borne by the General Fund. As proposed, the purchase of the AI tool would increase the GF deficit on an ongoing basis by $250,000 a year.

Options:

A. Use Construction and Inspections Fund revenue for the AI permitting tool purchase and ongoing cost.

B. Defer purchase of the AI permitting tool to a time when Construction and Inspections Fund permit fee revenue has recovered.

C. No change.

3. Code Development Resources

The Office of Planning and Community Development (OPCD) and SDCI share responsibility for developing changes to land use regulations to respond to state and federal mandates.

Generally, SDCI develops regulations related to regulatory programs administered by the department, such as Design Review; technical code changes that facilitate administration, such as changes contained in the biannual land use code omnibus bill; and changes to environmental regulations, such as the Shoreline Code and Environmentally Critical Areas Ordinance. OPCD, generally, develops regulations related to area-wide planning efforts and broad Growth Management Act-based mandates, such as implementation of the middle housing requirements.

In recent years, both departments have failed to meet statutorily imposed deadlines for state and federal mandates. For example, the Mayor and OPCD did not transmit legislation to amend the Comprehensive Plan and implement the requirements of HB 1110, related to middle housing, until three months after the December 31, 2024, deadline for action on the Comprehensive Plan by the City. Similarly, SDCI has yet to transmit permanent legislation implementing the requirement of HB 1293, which requires that local design review programs meet state requirements. The state deadline for implementation of that mandate was June 30, 2025. Some delays have been caused by factors outside of either department's control, such as SEPA appeals to the City Hearing Examiner. Others appear to reflect prioritization decisions by the Executive that ignore state-mandated deadlines.

Failure to meet deadlines for mandatory changes to regulations can create confusion for applicants and the public, who may detrimentally rely on the current requirements in the City's Land Use Code without knowing that some may have been statutorily preempted. Additionally, the State Legislature has increasingly included provisions in its legislation that include penalties for jurisdictions that do not meet the legislated timeline. Not meeting these deadlines may carry legal or financial risks to the City.

Options:

A. Request that SDCI and OPCD jointly prepare a response to a statement of legislative intent identifying how current and future legislation for mandated changes to regulations will be prioritized, developed, and transmitted to the Council for action prior to statutory deadlines.

B. Impose a proviso on OPCD's and SDCI's budgets to limit expenditures on elective legislative endeavors until mandated regulatory updates and planning processes are complete.

C. No change.

III. BUDGET LEGISLATION

1. SDCI 2026 Fee ORD

SDCI's 2026 Proposed Budget relies on an approximately 18 percent fee increase, which would be applicable to construction and land use permits. The proposed increase is estimated to generate approximately $8.2 million in revenue to the Construction and Inspections Fund in 2026. Last year, the Council passed Ordinance 127133 as part of the 2025 Adopted Budget. That ordinance increased SDCI fees by about 6.5 percent based on an approved labor contract.