

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
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.