

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
SDCI	Micah Chappell	Nick Tucker/Jennifer Breeze

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to Seattle's construction codes; limiting the areas for which substantial alterations are required to spaces or buildings greater than 7,000 square feet in gross area; amending existing substantial alteration requirements; and amending Section 311 of the Seattle Existing Building Code, adopted by Ordinance 127108.

Summary and Background of the Legislation:

Substantial alteration is a Seattle code amendment that requires certain upgrades when significant work is being performed on a building, when a change of occupancy results in a more hazardous occupancy, and when the building has been vacant for more than 2 years. A project designated as a substantial alteration is required to upgrade the building fire and life safety systems to current code and may require upgrades to the existing structural system, heating and ventilation systems, and building envelope.

The legislation adopts amendments to the 2021 Seattle Existing Building Code (SEBC) that have been identified as opportunities to reduce costs for small business, accelerate retail occupancy, and support economic recovery in reactivating vacant commercial storefronts. SDCI, OED, business stakeholders, and community organizations support this legislation that limits the areas that substantial alteration requirements are applied. This legislation will apply to projects vested to the 2021 SEBC and later and is not retroactive.

First, this legislation will exempt buildings and spaces 7,000 square feet or less in gross area from the requirements of substantial alterations.

Second, the legislation includes clarification to the change of occupancy, item #3 of the definition of substantial alteration. This clarifies that SDCI will not apply this definition where the change of occupancy is 20 percent or less of the overall building area.

The final change included in this legislation is removing a vacancy of greater than 24 months, item #4, from the definition of substantial alteration. Over the past eight years, SDCI has very rarely triggered substantial alterations solely based on vacancy. In addition, SDCI has offered flexibility on the 24-month duration during economic downturns. Vacancy has typically been evaluated together with one of the other triggers in deciding whether a project is a substantial alteration. Striking item #4 makes it clear to business owners that vacancy will not trigger substantial alteration provisions.

SDCI evaluated all substantial alteration permits issued under the SEBC for the past two code cycles. While past permitting volumes are not an exact predictor of the impact of this legislation, permit records indicate approximately 180 commercial, institutional, industrial and multi-family substantial alteration permits were issued over the past eight years. Applying the 7,000 square foot exemption to those projects, approximately 44 percent of projects vested to the 2015 SEBC and 53 percent of projects vested to the 2018 SEBC code would not be required to get a substantial alteration permit.

If the permitting volume remains stable, by 2030, this legislation could support the reactivation of more than 50 small commercial tenant spaces by reducing time-consuming regulatory barriers, therefore reducing costs for small business reactivation in Seattle.

This legislation will impact Seattle's policies for resiliency and net-zero building emissions that are supported by substantial alteration requirements. Businesses in small spaces exempted from substantial alteration requirements by this legislation will be permitted to make improvements or reactivate small spaces without updating those buildings to current fire or life safety standards, or improving seismic deficiencies, unless updates are required by other code provisions.

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

3.a. Appropriations

This legislation adds, changes, or deletes appropriations.

3.b. Revenues/Reimbursements

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

Revenue/Reimbursement Notes:

Permit fee revenue is not expected to be significantly impacted by the changes in this legislation. City enforcement and staff time may be reduced, as fewer permits will require intensive review of full-building system upgrades.

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. Unknown

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. N/A

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

Not adopting this ordinance would continue to subject small, long-vacant commercial spaces to disproportionate upgrade requirements, resulting in:

- Continued vacancies, particularly in BIPOC-owned or small-footprint businesses.
- Deferred building investment and potential deterioration.
- Reduced economic activity in neighborhood business districts.

Please describe how this legislation may affect any City departments other than the originating department.

N/A

4. OTHER IMPLICATIONS

- Is a public hearing required for this legislation? No**
- Is publication of notice with The Daily Journal of Commerce and/or The Seattle Times required for this legislation? No**
- Does this legislation affect a piece of property? No**
- Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**
 - 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.**

Vulnerable and historically disadvantaged communities have fewer resources to activate vacant small business spaces. This legislation will ensure that vulnerable

communities are not left behind as our business districts transition back to an active and vibrant, small business-driven economy.

- 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?**
OED is working to establish culturally appropriate messaging for this small business legislation. SDCI is working to update Tips and other guidance for equitable application of the code changes.

e. 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.** This legislation could increase carbon emissions by allowing improvements or reactivation of small spaces without updating building systems to current Seattle Energy Code standards.
- 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.** This legislation targets smaller spaces but could reduce resiliency to climate change by allowing improvements or reactivation of small spaces without requiring an update to heating, ventilation, or the building envelope.
- f. **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?** N/A
- g. **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?** N/A

5. ATTACHMENTS

Summary Attachments: None.