SEATTLE CITY COUNCIL

Select Budget Committee

Agenda

Thursday, October 16, 2025

9:30 AM

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

Dan Strauss, Chair
Maritza Rivera, Vice-Chair
Joy Hollingsworth, Member
Debora Juarez, Member
Robert Kettle, Member
Sara Nelson, Member
Alexis Mercedes Rinck, Member
Rob Saka, Member
Mark Solomon, Member

Chair Info: 206-684-8806; Dan.Strauss@seattle.gov

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SEATTLE CITY COUNCIL

Select Budget Committee

Agenda

October 16, 2025 - 9:30 AM

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

Committee Website:
https://www.seattle.gov/council/committees/2025-select-budget-committee

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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.

Only written public comment will be accepted at this meeting. Please submit written comments no later than four business hours prior to the start of the meeting to ensure that they are distributed to Councilmembers prior to the meeting. Comments may be submitted at Council@seattle.gov or at Seattle City Hall, Attn: Council Public Comment, 600 4th Ave., Floor 2, Seattle, WA 98104. Business hours are considered 8 a.m. - 5 p.m. Comments received after that time will be distributed after the meeting to Councilmembers and included as part of the public record.

Please Note: Times listed are estimated

Policy Considerations

Central Staff will present analyses related to aspects of the 2026 Proposed Budget, including how the proposed budget is balanced, and identify initial department-specific policy options for the Select Budget Committee's consideration.

Session I

If time permits during Session I, the Select Budget Committee may discuss Session II agenda items.

A. Call To Order

B. Approval of the Agenda

C. Items of Business

1. Office of Housing (OH)

Supporting Documents:
Presentation
Central Staff Memo

Briefing and Discussion

Presenters: Jen LaBrecque, Traci Ratzliff, and Ben Noble, Director, Council Central Staff

2. Department of Education and Early Learning (DEEL)

Supporting Documents:
Presentation
Central Staff Memo

Briefing and Discussion

Presenters: Jasmine Marwaha and Ben Noble, Director, Council Central Staff

Session II

If time permits during Session I, the Select Budget Committee may discuss Session II agenda items.

D. Items of Business

3. **Office of Planning and Community Development (OPCD)**

Supporting Documents: Presentation
Central Staff Memo

Briefing and Discussion

Presenters: Lish Whitson and Ben Noble, Director, Council Central Staff

4. **Seattle Department of Construction and Inspections (SDCI)**

Supporting Documents: Presentation
Central Staff Memo

Briefing and Discussion

Presenters: Ketil Freeman and Ben Noble, Director, Council Central Staff

E. Adjournment

SEATTLE CITY COUNCIL

600 Fourth Ave. 2nd Floor
Seattle, WA 98104

Legislation Text

File #: Inf 2757, **Version:** 1

Office of Housing (OH)

OFFICE OF HOUSING

2026 Proposed Budget
Policy Considerations

Select Budget Committee | October 16, 2025

Jennifer LaBrecque & Traci Ratzliff, Analysts

Budget Summary ($ in 000s)

	2025 Adopted	2026 Endorsed	% Change	2026 Proposed	% Change
Operating Appropriations by BSL					
Homeownership & Sustainability	$30.1M	$29.7M	(1.2%)	$29.9M	0.6%
Leadership & Administration	$11.6M	$11.0M	(5.1%)	$11.8M	7.3%
Multifamily Housing	$302.7M	$307.5M	1.6%	$302.8M	(1.5%)
Operating Total	**$344.3M**	**$348.2M**	**1.1%**	**$344.5M**	**(1.1%)**

SEATTLE CITY COUNCIL
CENTRAL STAFF

Budget Summary ($ in 000s)

	2025 Adopted	2026 Endorsed	% Change	2026 Proposed	% Change
Appropriation Totals (Operating)					
Total Appropriations	$344.3M	$348.2M	1.1%	$344.5M	(1.1%)
Total FTE	69	69	0%	69	0%
Revenues					
General Fund	0%	0%	0%	-	-
Jumpstart/PET Fund	$132.8M	$142.5M	7.2%	$137.5M	(-3.5%)
Other Source(s)	$211.5M	$205.7M	(2.7%)	$207.0M	.6%
Total Revenues					

SEATTLE CITY COUNCIL
CENTRAL STAFF

Policy Consideration

1. Oversight of Northgate Commons funding

The 2026 proposed budget would transfer $5 million PET from OH to Finance General (FG) for the Seattle Housing Authority's (SHA) Northgate Commons project, the first tranche of an anticipated $20 million investment. The transfer of the $5 million to FG means that Northgate Commons may not be subject to the same policies or oversight as other OH funded affordable housing projects.

Options:

A. Do not transfer $5 million PET from OH to FG. Amend the Housing Funding Policies or adopt an ordinance in 2026 to allow a direct allocation to SHA for the Northgate Commons Project while maintaining OH oversight

B. No Change

SEATTLE CITY COUNCIL
CENTRAL STAFF

Policy Consideration

2. Potential overcommitment of PET resources

OH may not have sufficient PET revenue to cover all their proposed uses of PET, including meeting overall housing production goals, Housing Levy goals, operating stabilization support, the Community Self-Determination Fund, and the Anti-Displacement and Reparations Fund. Trade-offs may need to be made about how to use limited PET dollars, and those trade-offs could impact the City's ability to housing production targets, including Housing Levy goals.

Options:

A. Proviso funding and specify the amounts that should be spent on PET uses, such as operating stabilization, the CSDF and/or the Anti-Displacement Reparations fund.

B. Adopt a SLI or impose a proviso that requests the Executive to report back on how they will use the remaining PET funding prior to issuing an RFP for any new awards.

C. No change

Policy Consideration

3. Details not known for Anti-Displacement and Reparations Housing Fund

The proposed budget allocates $20 million of the Office of Housing's existing PET funds to the first year of the Mayor's proposed Anti-Displacement and Reparations Housing Fund, with the intent to fund $80 million over four years. The Executive has indicated that while they have a vision for this program, the details are still being determined, based on the analysis and program design conducted by Office of Civil Rights (OCR) and Office of Planning and Community Development (OPCD). The Executive does not yet know if this funding will remain at OH or if they will propose transferring some or all of the funds to OPCD in a future budget.

Policy Consideration

4. Better reporting on progress for OH awarded projects

In the annual Investment Report submitted to Council, OH typically reports only on two milestones for each awarded project – when the project is initially awarded funding and when it opens. Council could request that OH include more detailed information on project status in the annual Investment Report, as a way to monitor that appropriate progress is being made. OH could provide an annual update on progress in achieving expected production relative to the housing goals included in the Housing Investment Report.

Options:

A. Adopt a Statement of Legislation Intent requesting OH to incorporate more information in the annual Investment Report submitted to Council on the status of awarded projects and an update on housing production relative to housing production goals included in the Housing Investment Plan.

B. No Change

Questions?

OFFICE OF HOUSING (OH)

2026 PROPOSED BUDGET

OVERVIEW & POLICY CONSIDERATIONS PAPER

CENTRAL STAFF ANALYSTS: JEN LABRECQUE & TRACI RATZLIFF

Table 1. Department Budget Summary

Budget Summary Level	2025 Adopted	2026 Endorsed	% Change	2026 Proposed	% Change
Operating Budget					
Homeownership & Sustainability	$30.1M	$29.7M	(1.2%)	$29.9M	0.6%
Leadership & Administration	$11.6M	$11.0M	(5.1%)	$11.8M	7.3%
Multifamily Housing	$302.7M	$307.5M	1.6%	$302.8M	(1.5%)
Operating Total:	**$344.3M**	**$348.2M**	**1.1%**	**$344.5M**	**(1.1%)**

I. OVERVIEW AND SUMMARY

Overall, OH's budget decreased by 1.1% from the 2026 Endorsed Budget to the 2026 Proposed Budget. See below for a description of the specific changes made to OH's budget.

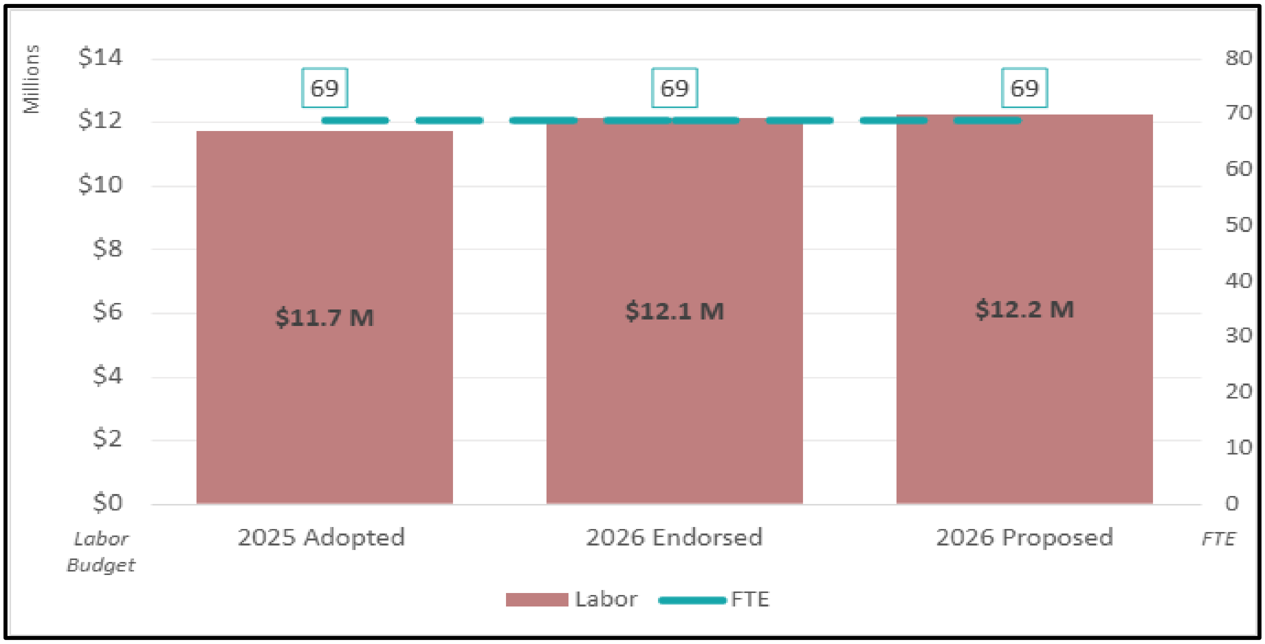
A. Operating Budget

Proposed changes to the 2026 Proposed Budget include the following:

- The Multi-Family Housing Budget Summary Level (BSL) decreased by about $4.7 million (1.5%) between the 2026 Endorsed Budget and the 2026 Proposed Budget. This is not due to a reduction in funds available for affordable housing. Instead, it reflects that in the 2026 Proposed Budget, $5 million of Payroll Expense Tax (PET) is transferred from OH to Finance General (FG) for the Seattle Housing Authority's (SHA) Northgate Commons project. See Section II for further discussion of this topic.
- The Leadership and Administration BSL increased by about $800,000 or 7.3% from the 2026 Endorsed Budget to 2026 Proposed Budget. These increases are due to technical adjustments, increases in citywide indirect costs, and increased costs due to staff reclassifications.
- $20 million of the Office of Housing's PET budget is proposed to be used in 2026 for the Mayor's new Anti-Displacement and Reparations Housing Fund, with the intent to fund a total of $80 million over four years. The 2026 Proposed Budget does not provide new funding for this purpose; it would use base appropriations within the Multifamily Housing BSL. See Section II for further discussion of this topic.

B. FTE & Labor Changes

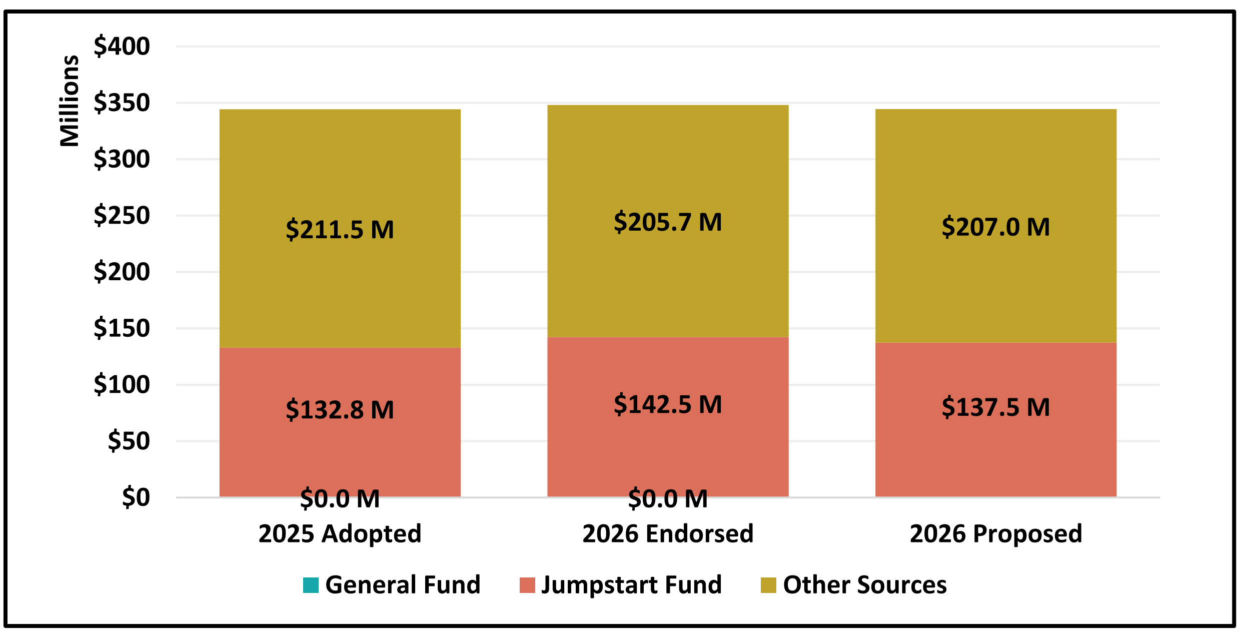
Figure 1. FTE & Labor Budget Summary



- The number of staff at OH has remained consistent, at 69 FTE, between the 2025 Adopted Budget, 2026 Endorsed Budget and 2026 Proposed Budget.
- Labor costs increased by $100,000 from 2026 Endorsed Budget to 2026 Proposed Budget due to completed and anticipated reclassifications for several staff members. The source of funds for this increase is PET.

C. Fund Appropriations Summary

Figure 2. Fund Appropriations Summary



- PET/JumpStart Is reduced by $5 million, due to the transfer of $5 million from OH to FG for SHA's Northgate Common project.
- In the 2026 Proposed Budget, "Other Sources" includes, but is not limited to, the 2023 Housing Levy, Mandatory Housing Affordability (MHA) fees, weatherization funding and federal HOME funding. Anticipated revenue in 2026 for those other sources are: Seattle Housing Levy ($130M), MHA fees ($20 million), weatherization funding ($12 million) and HOME ($2 million).
- OH receives no GF dollars.

II. ISSUES FOR COUNCIL CONSIDERATION DURING BUDGET DELIBERATIONS

1. Oversight of Northgate Commons funding

The 2026 Proposed Budget transfers $5 million of PET from OH to FG for SHA's Northgate Commons project, the first tranche of what will eventually be a $20 million award. SHA purchased this 8-acre site in 2019, which consists of six sub-divided parcels. SHA plans to develop up to two parcels as low-income housing and sell the remaining four parcels for market rate housing. The $5 million in the Mayor's Proposed Budget will support pre-development work that is necessary to meet the estimated construction start date of late 2027 for Site 1.

The transfer of the $5 million to FG means that Northgate Commons may not be subject to the same policies or oversight as other OH funded affordable housing projects. A contract between the City and SHA will be necessary to transfer these funds but it is not clear who will be responsible for negotiating the contract, since Finance General does not operate like a traditional department. It is not known if OH will provide a review of the project for feasibility or alignment with Housing Funding Policies or review invoices before issuing payment. The Executive has stated that while the Site 1 project will count towards OH production goals, OH will not provide any ongoing compliance monitoring. Currently, OH is providing compliance monitoring for 24 OH-funded SHA projects, so this represents a significant departure from past practice.

The Executive has stated that the $5 million is being transferred to FG, because if OH administered the funding a direct allocation to SHA would not be allowed under the Housing Funding Policies. SHA's Yesler Terrace project provides an example of an alternative approach that allows a direct allocation while maintaining OH oversight. The Yesler Terrace Cooperative Agreement, adopted by Council, allowed for a direct allocation of OH funding to SHA while also requiring a specific number of low-income units in return. Council also amended the Housing Funding Policies to allow this direct allocation but required that SHA submit a detailed application and for OH to review the application to ensure it was in accordance with City funding guidelines.

While SHA is an experienced municipal corporation, the City has a responsibility to provide appropriate oversight for its funding. Council could consider an alternative method to allocate money to Northgate Commons that allows OH to maintain oversight of what will eventually be a $20 million award.

Options:

A. Do not transfer $5 million PET from OH to FG. Amend the Housing Funding Policies or adopt an ordinance in 2026 to allow a direct allocation to SHA for the Northgate Commons Project while maintaining OH oversight

B. No change.

2. **Potential Overcommitment of PET Resources**

OH may not have sufficient PET revenue to cover all their proposed or expected uses of PET. OH recently submitted a Housing Investment Plan in response to SLI OH-001S. The plan shows that, in a significant change from modeling completed in 2023 as part of Housing Levy renewal, $327 million of PET will be needed between 2024-2030 simply to meet Housing Levy production goals. This substantially impacts the amount of PET that is available for other uses, as shown in table 1.

Table 1: 2026 Proposed Uses for OH PET

PET Proposed Uses in 2026	Amount	Notes
PET capital needed to meet Housing Levy Rental Production goals	$46.8 million	
Operating, Maintenance, Services, Workforce Stabilization & Resident Services	$44.2 million	
Homeownership	$8.4 million	
Oil to Electric Conversions	$1.6 million	
Administrative Costs	$6.8 million	
Operating Stabilization	$18 million*	OH anticipates combining up to $18 million of 2026 PET with $10 million of 2025 PET for an operating stabilization RFP to be released in early 2026. OH will determine the final RFP amount after assessing the results of the $14 million for operating stabilization provided in 2024 and engaging with stakeholders to understand remaining needs.
Amount remaining	$11.5 million	OH's Housing Investment Plan assumes that this remaining amount will be used to support rental housing production.
Total	**$137.4 million**	

The Executive has two commitments with 2026 PET that do not have a specific line item in Table 1:

- The Community Self Determination Fund (CDSF) provides financing and capacity building support to community-based organizations (CBOs) to develop housing, as a strategy to mitigate displacement. In 2026 OH intends to set aside $24 million for CSDF.
- The Executive is proposing to use $20 million of 2026 OH PET for an Anti-Displacement and Reparation Housing Fund. Exact use of funding is still to be determined, pending further analysis and program design. PET funding may remain with OH and be used to support new rental or homeownership units, or funds may be transferred to OPCD for other types of housing related activities. See Issue #3 for a further discussion of this topic.

The Executive's position is that they don't see the CSDF or the Anti-Displacement and Reparation Housing Fund commitments, which total $44 million, as competing with each other or other PET uses as described in the table. The Executive anticipates the same dollar could be used to satisfy multiple commitments. For example, funding for a homeownership project could help meet overall production goals and be counted as an Anti-Displacement and Reparations Housing Fund project. Or, funding for a rental project could be counted as an Anti-Displacement and Reparations Housing Fund, CSDF, and Housing Levy project.

It may not be a realistic expectation to satisfy all commitments in this manner. For example, as discussed in Issue #3 below, some PET may ultimately be transferred from OH to OPCD. Trade-offs may need to be made about how to use limited PET dollars, and those trade-offs could impact the City's ability to meet Housing Levy goals or other housing production targets in the Housing Investment Plan.

Options:

A. Proviso funding and specify the amounts that should be spent on PET uses, such as operating stabilization, the CSDF and/or the Anti-Displacement Reparations fund.

B. Adopt a SLI or impose a proviso that requests the Executive to report back on how they will use the remaining PET funding prior to issuing an RFP for any new awards.

C. No change

3. Details not known Anti-Displacement and Reparations Housing Fund

The proposed budget allocates $20 million of the Office of Housing's existing PET funds to the first year of the Mayor's proposed Anti-Displacement and Reparations Housing Fund, with the intent to fund $80 million over four years. The Executive's vision for this program is that it will remedy past harms caused to Black, Indigenous, and People of Color households, with a focus on housing. The Executive does not yet know if this funding will remain at OH or if they will propose transferring some or all of the funds to OPCD in a future budget. That decision will depend ultimately on the programmatic activities identified by the analysis and program design conducted by Office of Civil Rights (OCR) and Office of Planning and Community Development (OPCD). See the next paragraph for a further description of the work to be conducted by those two departments. Council authorization would be needed before any transfer of funds to OPCD could occur.

The Executive has indicated that while they have a vision for this program, the details are still being determined. The 2026 Proposed Budget repurposes $50,000 of existing GF in OCR, who would be responsible for compiling a housing reparations report that includes: analysis of historical City laws, policies, and/or practices that were discriminatory towards descendants of Black slaves and resulted in quantifiable harm to this community; programs that could address these harms; and recommendations on the types of programs requested by community based on community outreach. This report would then be used by OPCD to develop a detailed plan for how to allocate the $80 million of OH funds. $200,000 of new PET was added to OPCD's proposed budget for this body of work.

See the options in Issue #2 regarding imposing a proviso or SLI that would address use of OH PET for the Anti-Displacement and Reparations Housing Fund. See the OPCD Policy Considerations memo for a further discussion of OPCD's work and some options for Council to obtain more information about this initiative or provide more specific direction as it is developed. See also OCR's Policy Considerations for further discussion of the OCR scope of work.

4. Better Reporting on Progress for OH-Awarded Projects

In the annual Investment Report submitted to Council, OH typically reports only on two milestones for each awarded project – when the project is initially awarded funding and when it opens. Council could consider requesting that OH include more detailed information on project status in the annual Investment Report, as a way to monitor that appropriate progress is being made. For example, OH could report on when the OH loan closes and construction starts. This information could be provided for each individual project but also in a more easily digestible dashboard format. In addition, the Council requested SLI OH-001S-A that resulted in the development of a five-year Housing Investment Plan. This SLI response lays out the City's housing goals for 2024-2030 and an estimate of the number of units that will be produced with available city funds and programs over that time period. The annual Investment Report could provide the opportunity for OH to provide an annual update on progress in achieving expected production relative to the housing goals included in the Housing Investment Report.

Options:

A. Adopt a Statement of Legislation Intent requesting OH to incorporate more information in the annual Investment Report submitted to Council on the status of awarded projects and an update on housing production relative to housing production goals included in the Housing Investment Plan.

B. No change.

III. BUDGET LEGISLATION

1. 2025 Year-End Supplemental

- This legislation provides an additional $1.4 million in appropriation authority to OH to support the department's Database Upgrade Project, which is anticipated to be completed in spring of 2026.
- It also makes other changes, such as providing increase appropriation authority related to low-income weatherization funding and other technical fixes.

2. 2025 Year-End Acceptance Legislation

This legislation increases appropriation authority at OH by $1.5 million for weatherization grants to support low-income households.

600 Fourth Ave. 2nd Floor
Seattle, WA 98104

File #: Inf 2758, **Version:** 1

Department of Education and Early Learning (DEEL)

DEPARTMENT OF EDUCATION AND EARLY LEARNING
2026 Proposed Budget
Policy Considerations

Select Budget Committee | October 16, 2025

Jasmine Marwaha, Analyst

Budget Summary

	2025 Adopted	2026 Endorsed	2026 Proposed	% Change from 2025 Adopted*
Operating Appropriations by BSL				
Early Learning	$81.1M	$52.3M	$93.8M	16%
K-12 Programs	$54.4M	$36.6M	$59.7M	10%
Leadership and Administration	$9.2M	$6.3M	$11.4M	24%
Post-Secondary Programs	$6.5M	$5.5M	$11.9M	84%
Operating Subtotal	**$151.2M**	**$100.8M**	**$176.9M**	**17%**

**This table compares the Proposed Budget with the 2025 Adopted Budget instead of the 2026 Endorsed Budget, as the Endorsed Budget reflects only 6 months of levy funding from the 2018 FEPP Levy. FEPP Levy appropriations in the 2026 Proposed Budget assumes passage of the 2025 FEPP Levy ballot measure.*

Budget Summary

	2025 Adopted	2026 Endorsed	2026 Proposed	% Change from 2025 Adopted
Appropriation Totals (Operating)				
Total Appropriations	$151.2M	$100.8M	$176.9M	17%
Total FTE	125	125	125	0%
Revenues				
FEPP Levy*	$112.8M	$63.0 M	$169.8M	51%
General Fund	$15.9M	$15.9M	$7.0M	(56%)
Jumpstart Fund	$13.9M	$14.4M	--	(100%)
Sweetened Beverage Tax	$8.0 M	$7.5M	--	(100%)
Families and Education Levy (2011)	$0.6M	--	--	(100%)
Total Revenues	$151.2M	$100.8M	$176.8M	17%

**FEPP Levy revenues in the 2026 Proposed Budget represent the current FEPP Levy combined with the 2025 FEPP Levy, and assumes passage of the ballot measure.*

SEATTLE CITY COUNCIL
CENTRAL STAFF

Policy Consideration

1. Council Guidance for FEPP Levy Funds

The FEPP Levy Ordinance requires that all Levy funds be spent in accordance with the terms of an Implementation and Evaluation (I&E) Plan, anticipated to be transmitted to Council in March 2026. The 2026 Proposed Budget proposes expenditures using certain assumptions and cost estimates (see Attachment 1 to the DEEL Overview and Policy Considerations Paper). While it is possible that proposed expenditures might change during the I&E Plan development, according to DEEL these line items will serve as the basis for the I&E Plan and are unlikely to change substantively.

Options:

A. Approve the budget as proposed; or

B. Provide further direction regarding the proposed FEPP Levy expenditures at this stage, in order to establish expectations or express Council priorities for the I&E Plan.

Seattle City Council
Central Staff

Questions?

DEPARTMENT OF EDUCATION AND EARLY LEARNING (DEEL)

2026 PROPOSED BUDGET

OVERVIEW & POLICY CONSIDERATIONS PAPER

CENTRAL STAFF ANALYST: JASMINE MARWAHA

Table 1. Department Budget Summary

Budget Summary Level	2025 Adopted	2026 Endorsed	% Change	2026 Proposed	% Change
Operating Budget					
Early Learning	$81.1M	$52.3M	(35.5%)	$93.8M	79.3%
K-12 Programs	$54.4M	$36.6M	(32.7%)	$59.7M	62.9%
Leadership and Administration	$9.2M	$6.3M	(31.5%)	$11.4M	81.0%
Post-Secondary Programs	$6.5M	$5.5M	(14.5%)	$11.9M	115.2%
Total:	**$151.2M**	**$100.8M**	**(33.3%)**	**$176.9M**	**75.4%**

I. OVERVIEW AND SUMMARY

The 2026 Proposed Budget for the Department of Education and Early Learning (DEEL) is 75.4 percent more than its 2026 Endorsed Budget, because the Endorsed Budget does not reflect the proposed renewal of the Families, Education, Preschool and Promise (FEPP) Levy, and instead reflects only 6 months of levy funding from the 2018 FEPP Levy.[1] Earlier this year, Council passed Ordinance 127238 (FEPP Levy Ordinance), which submitted a proposition to voters to renew and expand FEPP Levy investments, with a property tax levy generating approximately $1.3 billion over six years.

The 2026 Proposed Budget assumes passage of the 2025 FEPP Levy ballot measure, and reflects an increase of $25.7 million compared to the 2025 Adopted Budget, a 17 percent increase. This increase is consistent with the breakdown of projected expenditures contained in the FEPP Levy Ordinance's Summary and Fiscal Note, and is driven primarily by significant proposed new investments in early learning, K-12 health and safety, and post-secondary programs, broken down in Attachment A and described below.

If the ballot measure is approved by voters, DEEL would be required to submit an Implementation and Evaluation (I&E) Plan to Council for approval, establishing the criteria, outcomes, and methodology by which FEPP Levy-funded strategies would be selected and evaluated. The I&E Plan is anticipated to be transmitted to Council in March 2026.

If the levy does not pass in November, a revised version may be submitted for voter approval in February 2026.

A. Operating Budget

DEEL's 2026 Proposed Budget includes the following ongoing increases:

Early Learning: The 2026 Proposed Budget for early learning would increase by $12.7 million relative to 2025, or roughly 15.7 percent. The primary drivers of this net increase are:

- $4.5 million to expand the Child Care Assistance Program (CCAP) to serve 800 additional children in 2026.
- $6.7 million increase to the Seattle Preschool Program (SPP), so that current slots offered extend throughout summer and expand from a 6-hour day to an 8-10-hour day.[2]

[1] DEEL investments from the FEPP Levy are allocated based on the school year, such that expenditures from the last year of the 2018 FEPP Levy would extend into the 2025-2026 school year, and therefore the 2026 Endorsed Budget. The 2026 Proposed Budget incorporates expenditures anticipated for the first half of the 2026-2027 school year.

[2] Ultimately, the six-year levy will expand to 3,100 slots offering extended day and summer learning

- $2.8 million additional in childcare worker supports.
- $1 million for a cost and risk reserve.

The 2026 Proposed Budget also includes a $1.5 million reduction that eliminates the Prenatal to 3 community grant program,[3] as well as a $1 million reduction in SPP quality teaching supports, stemming from cost savings identified in a recent cost analysis, with no reduction in services anticipated.

K-12 Programs: The Proposed Budget for the K-12 Programs BSL would increase by $5.3 million relative to 2025, representing a 9.7 percent increase. This is primarily driven by:

- $2.8 million for expanded learning opportunities[4]
- $1.2 million for school safety in and around schools[5]
- $500,000 for student mental health supports[6]
- $300,000 for health centers[7]
- $1.2 million for a cost and risk reserve.

These increases are offset by a proposed decrease of $700,000 in the Academy for Rising Educators program, which will continue through the 2025-2026 school year, and may be renewed pending the I&E Plan and the proposal for expanded learning opportunities.

Post-Secondary Programs: The Proposed Budget for the Post-Secondary Programs BSL would increase by $5.45 million, representing an 84 percent increase relative to 2025. This increase includes:

- $4 million to expand the Seattle Promise Program to serve 1,475 students and sustain the Path to University of Washington program.
- $900,000 to expand the Path to Trades Program.[8]
- $400,000 to the Seattle Youth Employment Program.
- $100,000 for a cost and risk reserve.

Leadership and Administration: The 2026 Proposed Budget would increase the Leadership and Administration BSL by $2.2 million, a 24 percent increase relative to the 2025 Adopted Budget. This increase comprises approximately $1.2 million in increased program labor costs, $300,000 in other administrative costs, $100,000 for a cost and risk reserve, and $600,000 in program evaluation expenditures shifting from the Early Learning BSL.

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[3] 2025 funding for these grants will be awarded this year and provide funding for the 2026-2027 school year

[4] The proposed budget would consolidate previous funding for school-based investments and "continuum supports" that serve students and families outside of school hours, for a total of $31.9 million. The I&E plan is expected to propose a more detailed allocation of these funds.

[5] This is anticipated to total $2.4 million over the 2026-2027 school year, and average $2.7 million per school year over the course of the Levy.

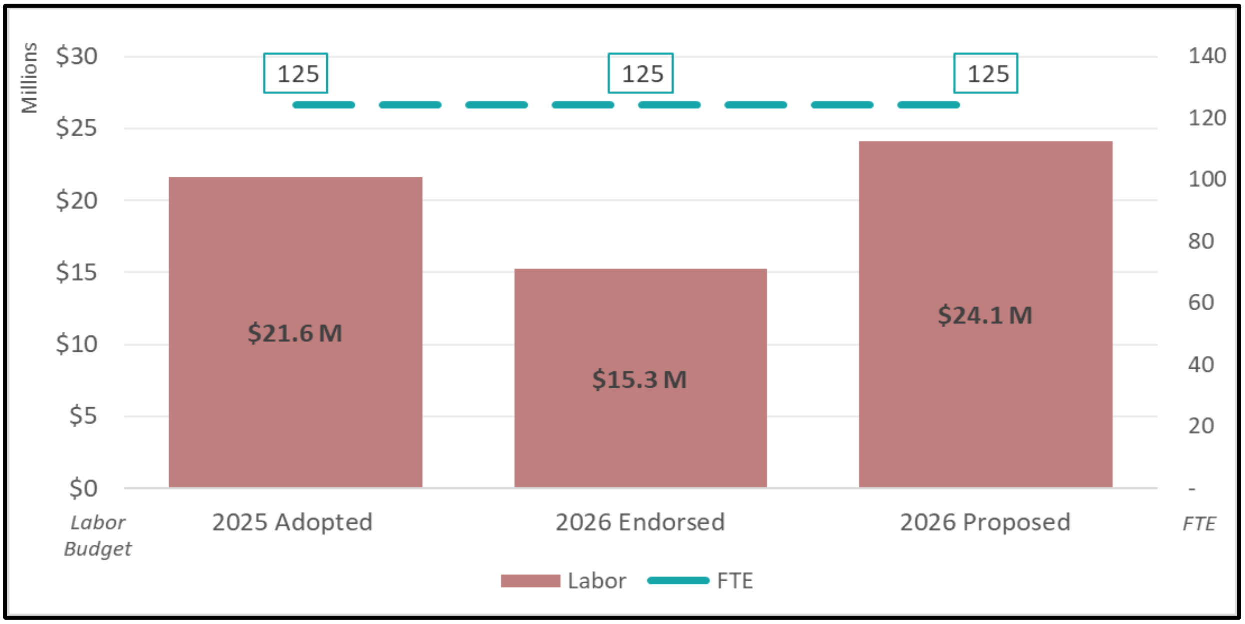
[6] This reflects the expiration of $500,000 in one-time funding that had gone to Parks in 2025 to develop the Youth Connector website, and is now being absorbed in DEEL's mental health programming.

[7] In future years, the FEPP renewal would result in an average increase of $4.3 million each school year for health centers, above what is currently funded in the 2018 FEPP Levy.

[8] This will eventually ramp up to an average of $2.3 million each school year.

B. FTE & Labor Changes

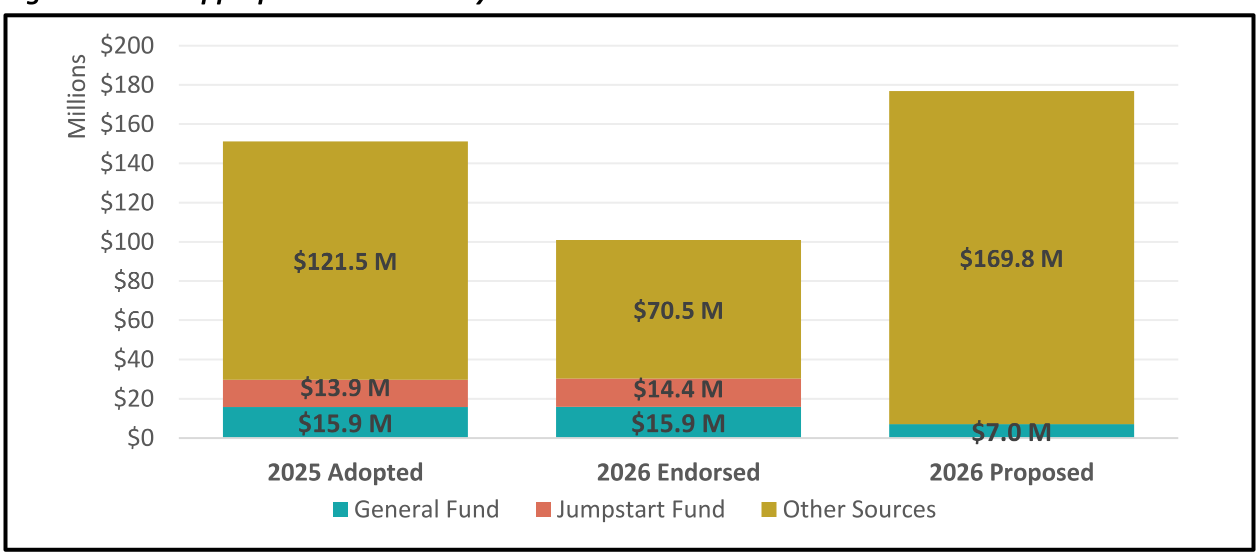
Figure 1. FTE & Labor Budget Summary



The 2026 Proposed Budget would increase labor appropriations by $2.5 million relative to the 2025 Adopted Budget, an 11.6 percent increase. This increase is primarily driven by labor cost inflation, step increases, technical adjustments for miscoded labor, and city-wide central cost adjustments. The number of FTEs is not proposed to increase.

C. Fund Appropriations Summary

Figure 2. Fund Appropriations Summary



The 2026 Proposed Budget would shift almost all of DEEL's funding to the FEPP Levy. The remaining General Fund represents grant funding from the State's Early Childhood Education and Assistance Program (ECEAP) and a federal Upward Bound grant to support college readiness for low-income or first generation students.

II. ISSUES FOR COUNCIL CONSIDERATION DURING BUDGET DELIBERATIONS

1. Council Guidance for FEPP Levy Funds

The FEPP Levy Ordinance requires that all Levy funds be spent in accordance with the terms of an Implementation and Evaluation (I&E) Plan, anticipated to be transmitted to Council in March 2026.

The 2026 Proposed Budget proposes expenditures using the assumptions and cost estimates contained in Attachment A to this paper, which largely tracks the information provided to Council earlier this year during deliberation of the FEPP Levy Ordinance. And while it is possible that proposed expenditures might change during the I&E Plan development, according to DEEL these line items will serve as the basis for the I&E Plan and are unlikely to change substantively. During the I&E Plan development, community and partner stakeholders will be asked to speak to strategies, programs and activities within the cost assumptions in Attachment A.

Options:

A. Approve the budget as proposed

B. Provide further direction regarding the proposed FEPP Levy expenditures at this stage, in order to establish expectations or express Council priorities for the I&E Plan.

III. BUDGET LEGISLATION

1. CBO Year-End Supplemental

The proposed legislation would add $1.7 million to reflect a continuation of DEEL's grant from the Washington Student Achievement Council to provide coordinated wraparound support for Black, Latinx, and Indigenous students from high school through their second year of postsecondary education.

The proposed legislation would also reduce DEEL's 2025 budget by $400,000 to reflect the decrease in the Washington State ECEAP grant award for the 2025 portion of the 2025-2026 school year.

2. CBO 2026 Annual Grants Acceptance Ordinance

The 2026 Annual Grant Acceptance bill would authorize DEEL to accept two grants:

- One grant from the Washington State Department of Children, Youth, and Families for the ECEAP Program: $3.2 million for the 2026 portion of the 2025-2026 school year, and $3.1 million for the first half of the 2026-2027 school year.
- One grant from the federal Department of Education's Upward Bound program to support college readiness for low-income and/or first generation students: $280,000 for the 2026 portion of the 2025-2026 school year, and $260,000 for the first half of the 2026-2027 school year.

IV. ATTACHMENTS

A. DEEL 2026 Proposed Budget and FEPP Summary

File #: Inf 2759, **Version:** 1

Office of Planning and Community Development (OPCD)

Office of Planning and Community Development (OPCD)

2026 Proposed Budget
Policy Considerations

Select Budget Committee | October 16, 2025

Lish Whitson, Analyst

SEATTLE CITY COUNCIL
CENTRAL STAFF

Budget Summary

	2025 Adopted	2026 Endorsed	% Change	2026 Proposed	% Change
Operating Appropriations by BSL					
Design Commission	$0.8 M	$0.8 M	4.7%	$1.0 M	20.3%
Equitable Development Initiative	$26.6 M	$27.6 M	3.8%	$27.4 M	(0.8%)
Planning and Community Development	$11.4 M	$10.9 M	(4.0%)	$11.2 M	2.3%
Operating Subtotal	$38.7M	$39.3M	1.5%	$39.5M	0.5%

Budget Summary

	2025 Adopted	2026 Endorsed	% Change	2026 Proposed	% Change
Appropriation Totals (Operating + Capital)					
Total Appropriations	$38.7 M	$39.3 M	1.5%	$39.5 M	0.5%
Total FTE	50.5	50.5	0.0%	50.5	0.0%
Revenues					
General Fund	$8.1 M	$8.5 M	5.4%	$8.8 M	2.6%
JumpStart Fund	$22.4 M	$22.9 M	2.3%	$23.2 M	1.2%
Short Term Rental Tax Fund	$7.5 M	$7.1 M	(5.4%)	$6.8 M	(4.0%)
Other Sources	$0.8 M	$0.8 M	4.9%	$0.8 M	0.2%
Total Revenues	$38.7 M	$39.3 M	1.5%	$39.5 M	0.5%

Policy Consideration

1. Long Range Planning Staffing

The 2026 Proposed Budget defunds 1.0 FTE in the Long Range Planning division that is currently vacant. OPCD will not have sufficient resources to fully implement the Comprehensive Plan docketing Resolution 32183 in 2026.

Options:

A. Add funding ($194,375 GF or JumpStart Fund) to enable OPCD to fill a vacant 1.0 FTE for Long Range Planning

B. Add additional positions and funding

C. No change.

Policy Consideration

2. Outreach and Engagement Staffing and Resources

OPCD currently has 1.0 FTE outreach and engagement position for long-range planning, which is set to sunset at the end of 2026. They do not have funding to do mass mailings. Councilmembers have indicated that they would like to see broader and deeper engagement around major planning efforts.

Options:

A. Add funding for outreach and engagement tools, such as mailings.
B. Make the outreach and engagement position permanent.
C. Add outreach and engagement staff.
D. No change.

SEATTLE CITY COUNCIL
CENTRAL STAFF

Policy Consideration

3. Transfer of Major Institution and Schools Program from DON to OPCD

The 2026 Proposed Budget would transfer the Major Institutions and Schools program from DON to OPCD. The Major Institutions and Schools program provides staff support to community related to Major Institution Master Plans and Public School development standard departures.

Options:

A. Do not pass MO Major Institutions and Schools Program ORD, and restore 1.0 FTE and funding related to that work to DON.
B. No change to the Budget, pass MO Major Institutions and Schools Program ORD.

Policy Consideration

4. Housing Reparations Program

OPCD's Proposed 2026 Budget includes $200,000 to develop a process for the administration of an Equity Housing Fund at the Office of Housing focusing on remedying historical injustices for descendants of Black slaves. Work will begin after the Office of Civil Rights completes a Housing Reparations Study.

Options:

A. Add a proviso on OPCD's housing reparations funds to require a report to Council prior to expenditure of funds
B. Add a Statement of Legislative Intent regarding the Council's interest in this work
C. No change

Policy Consideration

5. Short Term Rental Tax Fund Policies

Short Term Rental Tax proceeds are dedicated to 1) the Equitable Development Initiative (EDI) grants and operations, 2) affordable housing bond repayment, and 3) supportive housing operations. The 2026 Proposed Budget is not entirely consistent with the STRT Fund policies, providing slightly more funding for supportive housing and EDI operations, and slightly less funding for EDI grants than is required under Ordinance 125872.

Options:

A. Amend the OPCD and HSD budgets consistent with Ordinance 125872
B. Amend Ordinance 125872 to reflect updated priorities for the STRT Fund
C. No change

Questions?

OFFICE OF PLANNING AND COMMUNITY DEVELOPMENT (OPCD)

2026 PROPOSED BUDGET

OVERVIEW & POLICY CONSIDERATIONS PAPER

CENTRAL STAFF ANALYST: LISH WHITSON

Table 1. Department Budget Summary

Budget Summary Level	2025 Adopted	2026 Endorsed	% Change	2026 Proposed	% Change
Operating Budget					
Design Commission	$0.8M	$0.8M	4.7%	$1.0M	20.3%
Equitable Development Initiative	$26.6M	$27.6M	3.8%	$27.4M	(0.8%)
Planning & Community Development	$11.4M	$10.9M	(4.0%)	$11.2M	2.3%
Total:	**$38.7M**	**$39.3M**	**1.5%**	**$39.5M**	**0.5%**

I. OVERVIEW AND SUMMARY

The Office of Planning and Community Development (OPCD) supports citywide and community planning efforts and manages the equitable development initiative grant program. Two commissions, the Seattle Design Commission and the Seattle Planning Commission, are staffed by OPCD. The 2026 Proposed Budget for OPCD remains relatively stable, increasing by $200,000 over the 2026 Endorsed Budget. Most changes are technical or baseline adjustments, with a couple of additions to OPCD's work program in 2026. Staff have identified five issues for the Council's consideration that are discussed in more detail in the next sections.

A. Operating Budget

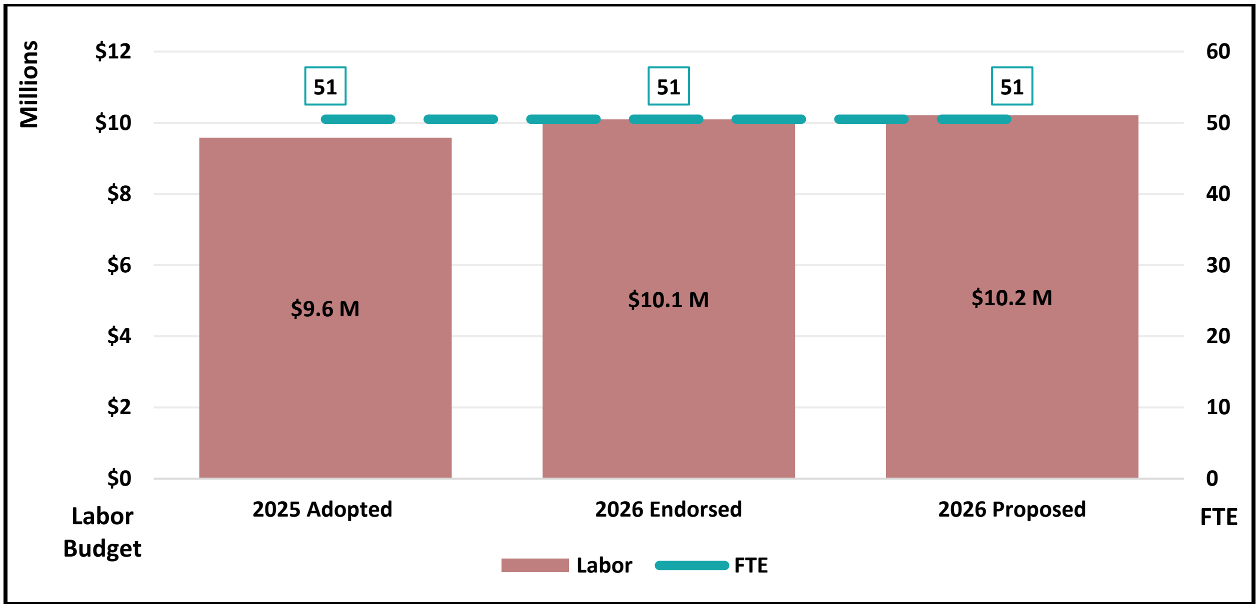
The 2026 Proposed Budget includes four additions to the Department's work:

1. $250,000 GF for a new Northern Lights project, related to planning for SR 99/Aurora Avenue N;
2. $200,000 (JumpStart Fund) to develop a process for the administration of an Equity Housing Fund, see also the Office of Housing and Office of Civil Rights' Overview and Policy Considerations papers;
3. $167,000 GF and 1.0 FTE to support the Seattle Design Commission's review of Sound Transit 3 projects; and
4. Transfer of the Major Institutions and Schools program from the Department of Neighborhoods (DON), including $184,000 GF of expenditures and approximately $64,000 GF of revenues and 1.0 FTE, see Section II.3.

The 2026 Proposed Budget cuts $194,000 GF, which would otherwise fund 1.0 vacant FTE in the Long-Range Planning Division, resulting in a reduction of resources for long-range planning, see Section II.1. In addition, 1.0 FTE and $194,000 GF would be transferred to DON, and 1.0 FTE and $194,000 JumpStart Fund would be transferred to the Office of Sustainability and Environment.

B. FTE & Labor Changes

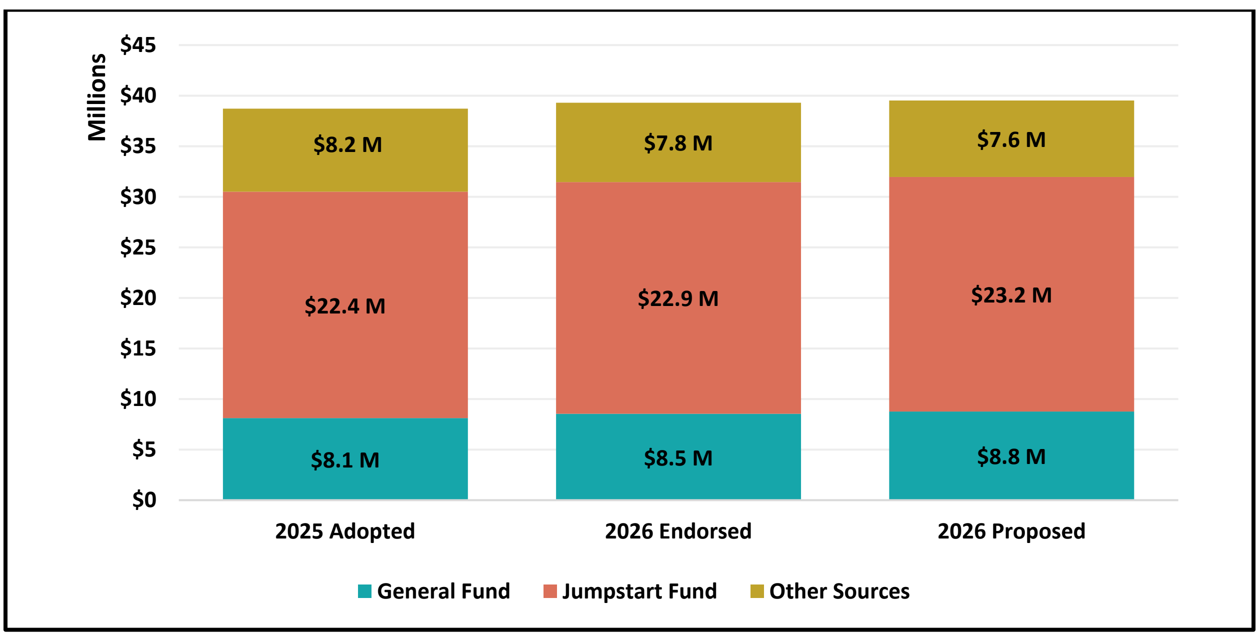
Figure 1. FTE & Labor Budget Summary



OPCD's budget includes the addition of 2.0 FTE, and the transfer of 2.0 FTE to other departments as described above. In total, the department's FTE count and personnel budget remain stable.

C. Fund Appropriations Summary

Figure 2. Fund Appropriations Summary



OPCD would see small changes in its fund allocation between the 2026 Endorsed and 2026 Proposed budgets. General Fund increases in OPCD include the Northern Lights project ($250,000) and a new 1.0 FTE Planning and Development Specialist II position ($167,000) to support the Seattle Design Commission's review of Sound Transit 3.

Short-term rental tax (STRT) proceeds to the Equitable Development Initiative (EDI) are decreased by $285,000 as costs for permanent supportive housing, another permissible use of the fund, are proposed to increase due to increased contracting costs. Overall, OPCD would receive $7.6 million in STRT funds. Of those funds, $4.8 million would be allocated to EDI grants, less than the $5 million required under Ordinance 125872. The remaining $2 million would be allocated to EDI staff salaries, more than the $1.1 million authorized for that use under Ordinance 125872. See the discussion of Council options, below.

JumpStart Funds to the EDI would increase by $922,000 in the 2026 Proposed Budget. With work underway or completed on the Comprehensive Plan and planning for Regional Centers, the allocation of JumpStart Funds for planning projects is reduced from $1.2 million in the Endorsed Budget to $600,000 in the Proposed Budget.

Other funds OPCD receives include Real Estate Excise Tax (REET) funding that supports the Seattle Design Commission's review of public projects.

II. ISSUES FOR COUNCIL CONSIDERATION DURING BUDGET DELIBERATIONS

1. Long Range Planning Staffing

The Comprehensive Plan Docketing Resolution, Resolution 32183, currently under consideration by the Council, requests that OPCD undertake a significant body of work in 2026 related to long-range planning, including analyzing and making recommendations regarding nine additional neighborhood centers, analyzing and making recommendations regarding removing parking requirements citywide, amending Accessory Dwelling Unit regulations, and adjusting height limits in Neighborhood Residential zones and Neighborhood Centers. This is on top of an existing work program that includes rezoning all neighborhood centers, urban and regional center expansion areas, and frequent transit corridors, and developing proposals to major transit areas and other areas inside existing regional and urban centers.

The 2026 Proposed Budget eliminates funding for one of two long-range planning positions in the Long Range Planning section of the Office, which is currently vacant.

Options:

A. Add funding ($194,375 GF or JumpStart Fund) to enable OPCD to hire an additional 1.0 FTE for Long Range Planning

B. Add additional positions and funding to further support Long Range Planning given the Council's interest in this work

C. No change.

2. Outreach and Engagement Staffing and Resources

Councilmembers have indicated that they would like OPCD to undertake more expansive engagement processes, either through direct mailing or through more intensive work with local communities. OPCD currently has 1.0 FTE ($191,176 JumpStart Fund in 2026) dedicated to supporting outreach and engagement regarding the Comprehensive Plan and Regional Center Planning. That position is due to sunset at the end of 2026. With the exception of special projects that include dedicated funding for outreach and engagement, OPCD has limited funding for outreach such as mailings.

Options:

A. Add funding for outreach and engagement tools, such as mailings.

B. Make the outreach and engagement position permanent.

C. Add outreach and engagement staff beyond the sunsetting position.

D. No change.

3. Transfer of Major Institution and Schools Program from DON to OPCD

The 2026 Proposed Budget would transfer the Major Institutions and Schools program and 1.0 FTE from DON to OPCD. The Major Institutions and Schools Program supports community input into the planning and development decisions of Major Institutions (colleges, universities, and hospitals) and the Seattle Public Schools (SPS). Major Institutions and Schools are generally larger than the surrounding development. The Land Use Code provides flexibility for their development, but requires a public process, which is staffed by DON. Historically, DON has convened and staffed community-based advisory committees, which advise Major Institutions, SPS, and the Seattle Department of Construction and Inspections (SDCI) on waivers of development standards and zoning changes.

The stated intent of this change is to better integrate planning for Major Institutions and Schools into the broader long-range planning work that OPCD does. This has the opportunity to deepen the City's relationship with Major Institutions and the SPS but may over time change the program's current focus on supporting community input into these planning and development decisions.

Options:

A. Do not pass MO Major Institutions and Schools Program ORD and restore 1.0 FTE and funding related to that work to DON.

B. No change to the Budget, pass MO Major Institutions and Schools Program ORD.

4. Housing Reparations Program

The 2026 Proposed Budget would add $200,000 to develop a process for the administration of an Equity Housing Fund focusing on remedying historical injustices for descendants of Black slaves. Work on this item would begin after the Office of Civil Rights completes a Housing Reparations Study. Because work on this project has not begun, the Council has the opportunity to shape or provide direction to this work. See also the OCR and OH memoranda.

Options:

A. Add a proviso on the Housing Reparations Funds in OPCD's budget to require a report to Council prior to expenditure of funding.

B. Add a Statement of Legislative Intent regarding the Council's interests in this work.

C. No change.

5. Short Term Rental Tax Fund Policies

Ordinance 125872 states that the first $5 million of annual proceeds from the STRT should be allocated to OPCD "for grants made to organizations for investments in community-initiated equitable development projects." Other permitted uses of the STRT in Ordinance 125872 include $2.2 million for debt service payments for affordable housing projects, $3.3 million for permanent supportive housing, and $1.1 million for EDI overhead including staffing and consulting. Washington State law, RCW 36.100.040 (14)(d), states Short Term Rental Tax proceeds "must be used by the city to support community-initiated equitable development and affordable housing programs, as determined by the city in its sole discretion."

The 2026 Proposed Budget provides $4.8 million of STRT for EDI grants, $2 million for affordable housing debt service, $4 million for permanent supportive housing, and allocates $2 million from the STRT to EDI staffing.

Options:

A. Amend the OPCD and HSD budgets consistent with Ordinance 125872.

B. Amend Ordinance 125872 to reflect updated priorities for the STRT Fund. Central Staff anticipates that the Executive will be transmitting legislation to amend Ordinance 125872 consistent with the 2026 Proposed Budget.

C. No change.

III. BUDGET LEGISLATION

1. MO Major Institutions and Schools Program ORD

This bill would amend the Land Use Code to transfer responsibility over the Major Institutions and Schools programs from DON to OPCD. The Major Institutions and Schools program provides staff support for community advisory committees convened to discuss new or updated Major Institution Master Plans (MIMPs), implementation of MIMPs, and waivers of zoning standards for SPS projects. SDCI reviews plans and development projects concurrent with the committees' review. Pursuant to appearance of fairness requirements in Washington State law, new MIMPs and Major Updates to MIMPs require Council approval as Quasi-Judicial actions.

There are currently two active Development Advisory Committees reviewing updates to MIMPs, 11 standing MIMP Implementation Advisory Committees, and one active School Departure Advisory Committee. There are no current School Use Advisory Committee meetings, but if SPS decides to close schools, it is likely that school use advisory committees would be convened.

The intent of the bill is to better position the City to "consider the needs of major institutions and schools to grow and change over time in the context of the City's Comprehensive Plan and its overarching policies for growth and development."

600 Fourth Ave. 2nd Floor
Seattle, WA 98104

Legislation Text

File #: Inf 2760, **Version:** 1

Seattle Department of Construction and Inspections (SDCI)

SEATTLE DEPARTMENT OF CONSTRUCTION AND INSPECTIONS

2026 Proposed Budget
Policy Considerations

Select Budget Committee | October 16, 2025

Ketil Freeman, Analyst

SEATTLE CITY COUNCIL
CENTRAL STAFF

Budget Summary ($ in 000s)

	2025 Adopted	2026 Endorsed	% Change	2026 Proposed	% Change
Operating Appropriations by BSL					
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 Appropriations	**$122.5M**	**$126.8M**	**3.5%**	**$126.0M**	**(0.6%)**

SEATTLE CITY COUNCIL
CENTRAL STAFF

Budget Summary ($ in 000s)

	2025 Adopted	2026 Endorsed	% Change	2026 Proposed	% Change
Appropriation Totals					
Total Appropriations	**$122.5M**	**$126.8M**	**3.5%**	**$126.0M**	**(0.6%)**
Total FTE	462	462	0.0%	452	(0.1%)
Revenues					
General Fund	$8.3 M	$8.7 M	4.8%	$ 9.1 M	4.6%
Payroll Expense Tax	$1.6 M	$1.6 M	0.0%	$ 1.6 M	0.0%
Construction and Inspections Fund	$112.0 M	$115.9 M	3.5%	$114.8 M	(1.0%)
Other Source(s)	$0.5 M	$ 0.5 M	0.0%	$ 0.5 M	0.0%
Total Revenues	**$122.5 M**	**$126.8 M**	**3.5%**	**$126.0 M**	**(0.6%)**

SEATTLE CITY COUNCIL
CENTRAL STAFF

Policy Consideration

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. 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.

SEATTLE CITY COUNCIL CENTRAL STAFF

Policy Consideration

2. AI Permitting Tool

The 2026 Proposed Budget includes appropriations of $750,000 GF for the purchase and on-going subscription for an AI permitting tool. 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.

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.

SEATTLE CITY COUNCIL
CENTRAL STAFF

Policy Consideration

3. Code Development Resources

In recent years, SDCI and OPCD have failed to meet statutorily imposed deadlines for state and federal mandates. 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.

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.

Seattle City Council
Central Staff

Questions?

SEATTLE DEPARTMENT OF CONSTRUCTION AND INSPECTIONS (SDCI)

2026 PROPOSED BUDGET

OVERVIEW & POLICY CONSIDERATIONS PAPER

CENTRAL STAFF ANALYST: KETIL FREEMAN

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.

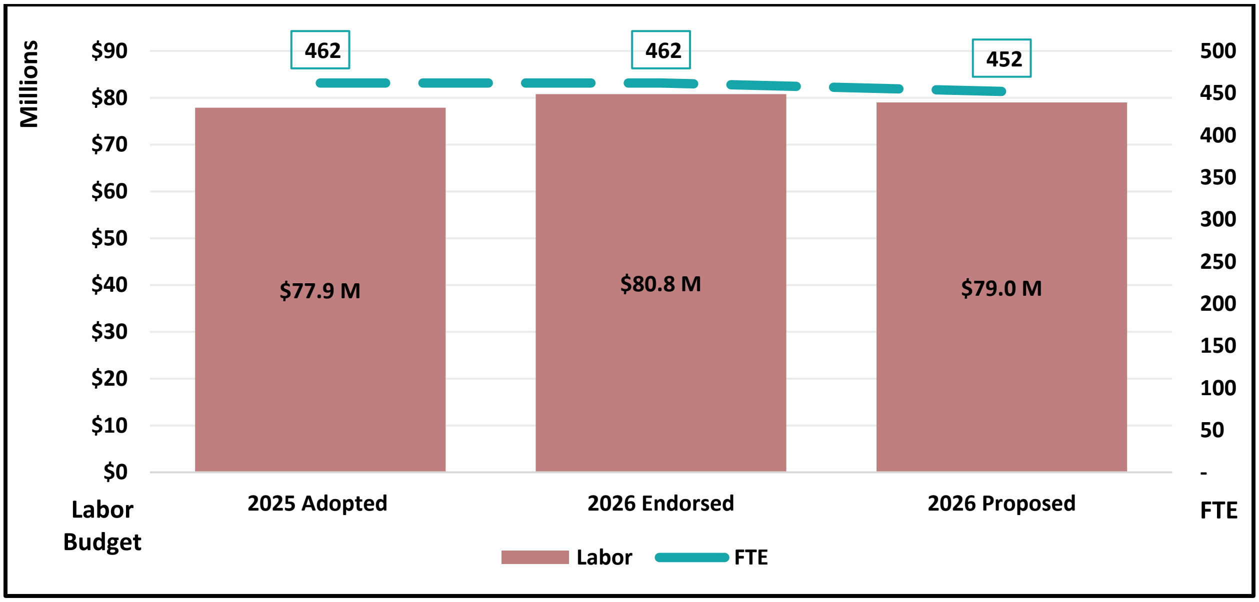
A. Operating Budget

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

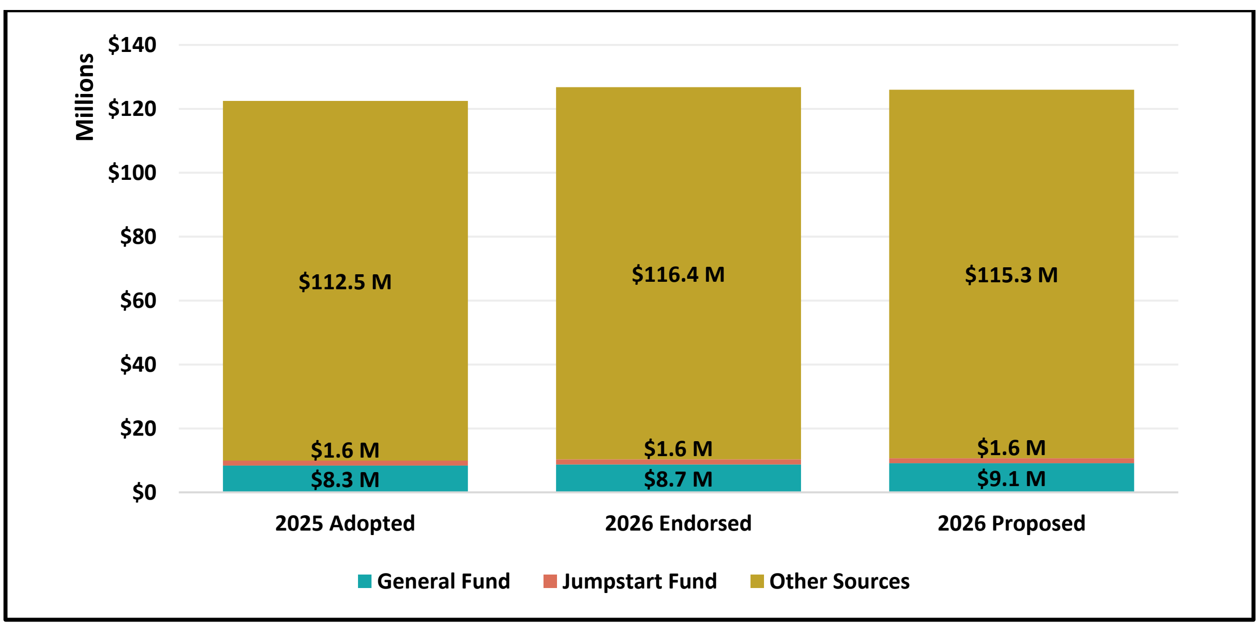
Figure 1. FTE & Labor Budget Summary



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.