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Total Budget Balance Effect	\$0	(\$2,915,000)
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Budget Action description:

This green sheet:

1. Appropriates \$685,000 GSF to FAS to implement the short-term rental regulations and tax;
2. Adds two positions (one ongoing, one to sunset in 2019) to FAS;
3. Adds a new Applications Development-FAS project to the Information Technology Department's (Seattle IT) 2018-2023 CIP as shown in Attachments A and appropriates \$2.28 million to FAS to pay Seattle IT to develop the software systems needed to support implementation of the short-term rental regulations and tax; and
4. Recommends passage of Council Bill (C.B.) XXXXXX, an ordinance authorizing a \$2,915,000 interfund loan from the General Subfund Fund (GSF) to the Department of Finance and Administrative Services (FAS) Fund. *(This C.B. will be introduced and attached to this green sheet later in the budget process).*

In addition to these one-time expenditures, ongoing resources necessary to administer the regulatory license requirements and the tax are estimated to be \$1.3 million annually; ongoing costs will be supported by short-term rental license fees and short-term rental tax revenues

The interfund loan authorized by CB XXXXXX will result in an increase in beginning fund balance for the Finance and Administrative Services Fund (50300) of \$2,915,000.

Background

The Affordable Housing, Neighborhoods, and Finance Committee recommended Council action passing three council bills that would establish a regulatory framework for short-term rental activity and introduce a per night tax on short-term rental operators in Seattle. Council is currently considering:

- [C.B. 119081](#) - establishes a regulatory licensing framework for short-term rental platforms and operators, and bed and breakfast operators who utilize short-term rental platforms;
- [C.B. 119082](#) - defines short term rentals as a type of land use; and
- [C.B. 119083](#) - establishes a per night tax on each short-term rental operator in the City.

C.B. 119081 and C.B. 119083 will require additional staff and appropriation authority in 2018 (a) for FAS and ITD to acquire and modify administrative systems; and (b) for FAS to develop rules, procedures and processes in advance of the effective date of the new regulatory license and tax. If adopted, the regulatory license and tax would go into effect in 2019; however, resources are

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needed in 2018 to prepare for implementation. The resources necessary for implementation in 2018 will be supported by an interfund loan that will be repaid over time with license fees and tax revenue. The budget actions described in this green sheet assume passage of C.B. 119081, C.B. 119082, and C.B. 119083. If the council bills are not all passed, the new Applications Development-FAS CIP project would not move forward, and the staff resources and other funding appropriated for FAS to implement the tax and regulatory license would not be needed. There is a risk that GSF resources will be needed to pay back the costs expended to develop the systems in the event that anticipated short-term rental revenue proceeds do not match current projections.

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Budget Action Transactions

Budget Action Title: Pass C.B. XXXXXX, add \$685,000 GSF and two positions to FAS, and add \$2.28M GSF to ITD to implement the short-term rental tax and regulatory license

#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BCL or Revenue Source	Summit Code	Fund	Year	Revenue Amount	Expenditure Amount
1	Use FAS fund balance to pay ITD for the systems to regulate and tax the STR Industry				FAS	Use of (Contribution to) Fund Balance - FAS Operating Fund	379100	50300	2018	\$2,280,000	
2	Increase appropriation in FAS to pay for the systems to regulate and tax the STR industry				FAS	City Finance Division	A4510	50300	2018		\$2,280,000
3	Increase ITD revenue for systems to regulate and tax the STR industry				ITD	Rates - Citywide Department Specific Initiatives	541810	50410	2018	\$2,280,000	
4	Increase appropriation in ITD to develop systems for FAS to regulate and tax the STR industry				ITD	Capital Improvement Projects	C7000	50410	2018		\$2,280,000
5	Use FAS fund balance for staffing and other support for the administration of the tax and regulations of the STR industry				FAS	Use of (Contribution to) Fund Balance - FAS Operating Fund	379100	50300	2018	\$635,000	
6	Increase appropriation in FAS for 2 FTEs (1 ongoing, one to sunset in 2019), and other costs needed to implement the STR regulatory license	Cust Svc Rep,Sr - FT	2	2	FAS	Regulatory Compliance and Consumer Protection	A4530	50300	2018		\$385,000

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#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BCL or Revenue Source	Summit Code	Fund	Year	Revenue Amount	Expenditure Amount
7	Add appropriation authority to FAS-CFD for other costs needed to implement the STR tax				FAS	City Finance Division	A4510	50300	2018		\$250,000