

Budget Deliberations – October 16, 2019

## Seattle Department of Construction and Inspections

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### Budget Summary (\$ in 1,000s)

	2019 Adopted	2020 Endorsed	2020 Proposed	% Change 2020 Proposed to 2020 Endorsed
<b>Appropriations by BSL</b>				
<i>Land Use Services</i>	\$20,027	\$20,258	\$23,652	16.8%
<i>Permit Services</i>	\$26,444	\$26,685	\$28,423	6.5%
<i>Inspections</i>	\$23,986	\$24,308	\$25,440	4.7%
<i>Compliance</i>	\$9,415	\$9,450	\$10,091	6.8%
<i>Leadership &amp; Administration</i>	\$198	\$198	\$29	(85.4%)
<i>Govt. Policy, Safety &amp; Support</i>	\$2,613	\$2,640	\$2,754	4.3%
<i>Process Improvement &amp; Tech.</i>	\$2,252	\$2,263	\$5,153	127.7%
<b>Total Appropriation</b>	<b>\$84,935</b>	<b>\$85,802</b>	<b>\$95,542</b>	<b>11.4%</b>
<b>Total FTEs</b>	<b>412</b>	<b>412</b>	<b>426</b>	<b>3.4%</b>
<b>Fund Source(s)</b>				
<i>General Fund</i>	\$7,287	\$7,278	\$7,639	5.0%
<i>Other Sources</i>	\$77,648	\$78,525	\$87,903	12.0%
<b>Total Funding</b>	<b>\$84,935</b>	<b>\$85,803</b>	<b>\$95,542</b>	<b>11.4%</b>

### Background

The Seattle Department of Construction and Inspections (SDCI) is the primary City department with regulatory authority over 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-related permits, including Master Use Permits, shoreline development permits, mechanical and electrical system permits, site development permits, and permits related to energy standards.

SDCI's operations are primarily supported by fees charged for regulatory services, such as land use and building permit application review. In 2019, fees and charges constitute approximately 90 percent of revenue appropriated for SDCI's budget. The remainder comes from the General Fund (GF), the Unrestricted Cumulative Reserve Fund, and the Real Estate Excise Tax (REET) 1 Capital Fund. In the 2019 Adopted, 2020 Endorsed, and 2020 Proposed Budget, GF appropriations to SDCI are approximately eight percent of total appropriations.

SDCI's 2019 adopted budget was amended in August through [Ordinance 125895](#). Among other amendments, Ordinance 125895 added 13 term-limited positions funded through SDCI's contingent budget authority to address permitting backlogs.<sup>1</sup>

The proposed budget would extend authority for those positions through 2022 and make other changes to the endorsed budget, such as: (1) providing appropriations for annual wage increases in the tentative agreement between the City and coalition of unions, (2) extending a sunset position and converting another to maintain staffing in the Rental Registration and Inspection Ordinance (RRIO) program, (3) providing an ongoing appropriation of approximately \$1.6 million to Seattle IT for nine positions to support faster implementation of changes to the Accella permitting systems,<sup>2</sup> and (4) creating a fee-funded "accessory dwelling unit navigator" position to facilitate permitting detached and attached accessory dwelling units.

## Issue Identification

### 1. Tenant Protection and Outreach

Implementing and enforcing regulations related to tenant protection has long been in SDCI's portfolio. Regulations enforced by SDCI include the Tenant Relocation Assistance Ordinance,<sup>3</sup> the RRIO program,<sup>4</sup> and the Rental Agreement Regulation Ordinance.<sup>5</sup> In recent years, SDCI's portfolio has expanded to include providing other tenant services, such as developing and maintaining the Renting in Seattle website,<sup>6</sup> administering contracts for tenant outreach services, and administering contracts for civil legal assistance for tenants facing eviction.<sup>7</sup> Not including inspectors, SDCI currently has five staff in the Property Owner and Tenant Assistance (POTA) Group who help administer regulations related to tenant protection.

Since 2018 customer service calls by landlords and tenants to SDCI's complaint center have increased by 29 percent. Similarly, the length of time to resolve enforcement action related to violations of tenant protection regulations have doubled from approximately 29 days to 58 days. In September the Council passed five bills that modify or create new tenant protections. These include [Council Bill \(CB\) 119606](#), which limits the ability of a landlord to restrict the number of tenants who reside in a unit, and [CB 119658](#), which establishes that a tenant who is subject to domestic violence is not liable for damage caused by an abuser. CB 119658 also creates a landlord mitigation program to reimburse landlords for damage to a unit caused by an abuser. Reimbursements are limited to \$1,000 per tenancy.<sup>8</sup>

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<sup>1</sup> SDCI has contingent appropriation authority to allow it to staff-up or procure consultant services to address rapid increases in permit applications.

<sup>2</sup> This ongoing appropriation is in addition to the \$1.6 million appropriation authorized through Ord. 125895 to implement the Mandatory Housing Affordability Program and make other operational changes in Accella.

<sup>3</sup> The Tenant Relocation Assistance Ordinance ([Seattle Municipal Code Ch. 22.210](#)) requires that property owners and developers demolishing or substantially rehabilitating existing rental units to provide relocation assistance to lower-income tenants.

<sup>4</sup> RRIO ([SMC Ch. 22.214](#)) requires that owners of rental housing register and maintain housing in a habitable condition.

<sup>5</sup> The Rental Agreement Regulation Ordinance ([SMC Ch. 7.24](#)) establishes limits on what can be contained in a rental agreement.

<sup>6</sup> <http://www.seattle.gov/rentinginseattle>.

<sup>7</sup> In the 2019 adopted Budget the Council provided a one-time \$96,920 appropriation for an eviction defense contract with the Housing Justice Project. An ongoing appropriation for eviction is not proposed by the Mayor.

<sup>8</sup> See CB 119658, Section 3.

SDCI estimates that two ongoing positions are needed to address the existing workload and implement new regulations: (1) 1.0 FTE Housing and Zoning Technician (\$124,900) to staff complaint and assistance phone-lines and (2) 1.0 FTE Code Compliance Analyst (\$164,000) to provide outreach on City laws to landlords and tenants. Additionally, SDCI estimates that one-time funding of \$7,000 and ongoing funding of \$8,000 is needed to develop and maintain outreach materials. Finally, while the cost of capitalizing a mitigation program for damage caused by a domestic abuser is uncertain, SDCI estimates that \$50,000 should be sufficient to cover claims in 2020.

**Options:**

- A. Add position authority and ongoing funding for 1.0 FTE Housing and Zoning Technician and 1.0 FTE Code Compliance Analyst and provide one-time and ongoing funding to support landlord / tenant outreach - \$303,900 GF (\$296,900 GF ongoing). See Budget Action 3, below proposed by Councilmember Herbold.
- B. Add \$50,000 GF ongoing to capitalize a landlord mitigation fund.
- C. Both A and B.
- D. No action.

**Budget Legislation**

The Mayor transmitted two pieces of legislation related to SDCI's budget: (1) annual amendments to SDCI's fee ordinance and (2) a bill amending the Seattle Municipal Code to conform the code to proposed amendments to financial policies proposed in an omnibus resolution. Council will take up the proposed changes to financial policies in early 2020. Consequently, the Council will also defer consideration of the proposed bill that would make conforming code changes.

SDCI Fee Bill

The Mayor transmitted a bill that would adjust most fees and charges for regulatory services provided by SDCI by four percent. Most fees are proposed to be increased to implement inflationary adjustments and to reflect anticipated annual wage increases that will be effective January 1, 2020, when the fee legislation would go into effect.

Additionally, an increase to the land use hourly rate is proposed, from \$386 to \$394. The land use hourly rate was not increased from years 2000 to 2015. In 2016 the City began increases to the land use hourly rate to catch up to what the rate would have been if it had been subject to regular Consumer Price Index adjustments.

The fee adjustments proposed by this legislation will result in an estimated net increase in SDCI's 2019 fee-based revenue of \$1.2 million. Fee revenues are calculated to cover the costs of SDCI's permitting, inspection and enforcement functions and are used for those activities.

## **Budget Actions Proposed by Councilmembers as of October 10, 2019**

- 1. Proviso for revisions to Green Building Standards (Councilmember Pacheco)** – This action would impose a proviso on a portion of SDCI’s proposed appropriations equal to 0.5 FTE in SDCI’s Government Policy, Safety & Support BCL to study and recommend policy and regulatory change to improve outcomes in the suite of green building requirements and incentives administered by SDCI, including new incentives for the use of cross-laminated timber in new development.
- 2. Add Funding for State Environmental Policy Act (SEPA) Rulemaking (Councilmember Pacheco)** – This action would add funding (amount to be determined) and one term-limited FTE to SDCI’s Government Policy, Safety & Support BCL to develop the Director’s Rules authorized in [Council Bill 119600](#) to inform SEPA analysis. A work product would be similar to New York City’s City Environmental Quality Review Technical Manual.<sup>9</sup> The position would also conduct associated community engagement work.
- 3. Add Position and Appropriation Authority for Outreach and Tenant Protection (Councilmember Herbold)** – This action would add position authority for 1.0 FTE Housing and Zoning Technician and 1.0 FTE Code Compliance Analyst and \$303,900 GF in appropriation authority to SDCI’s Compliance BCL to improve outreach and education and facilitate implementation of new tenant protection regulations.
- 4. Add Funding for Small Business Permitting Navigator (Councilmember Mosqueda)** – This action would add \$25,000 to SDCI and \$25,000 to the Office of Economic Development to explore permitting strategies and efficiencies for small businesses, particularly person-of-color-owned or immigrant-owned small businesses at risk of displacement.
- 5. Add Funding for Electrical Licensing Inspector (Councilmember Mosqueda)** – This action would add funding (amount to be determined) and an additional electrical inspector to SDCI’s Inspections BCL to assist with monitoring and enforcing state laws governing requirements for electrical contractors. The work would be additive to work performed by the Washington State Department of Labor and Industries’ Electrical Compliance, Outreach, Regulation and Education Team.<sup>10</sup>
- 6. Add Funding for Renter Organizing (Councilmember Sawant)** – This action would add \$607,000 GF to SDCI’s Compliance BCL to contract with community-based organizations for renter outreach, education, and organizing. Of the proposed appropriation, \$100,000 would be contracted to a non-profit organization with experience organizing LGBTQ renters to aid LGBTQ seniors who live in rental housing to advocate for their rights as renters; \$106,000 would be contracted to a non-profit organization with experience organizing renter “know your rights” forums such as the “Renter Rights Boot Camps” organized by Be:Seattle; \$200,000 would be contracted to a non-profit, such as the Tenants Union of Washington, which provides renter advocacy services, to fund the establishment of building-based tenant associations; and

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<sup>9</sup> <https://www1.nyc.gov/site/oc/environmental-quality-review/technical-manual.page>.

<sup>10</sup> <https://lni.wa.gov/TradesLicensing/Electrical/Violators/ECORE/default.asp>.

\$200,000 would be contracted to a non-profit, such as WACAN, with experience doing direct outreach to renters, such as door-knocking to help renters build capacity and advocacy.

- 7. Add Funding for Landlord History Resource (Councilmember Sawant)** – This action would add \$84,000 GF to SDCI's Compliance BCL to contract for the creation of an online search tool that will allow renters and prospective renters to check the history of landlords and rental housing units. The search tool should provide information about Housing Code violations associated with a rental unit and a landlord's history evicting or attempting to evict tenants. In 2018, Councilmember Sawant's office contracted with Be:Seattle for this tool to be developed for rental housing within District 3. The estimated cost for expanding that to include the rental housing in other council districts is \$14,000 for each council district.
- 8. Add Funding for Eviction Legal Defense (Councilmember Sawant)** – This action would add \$534,522 GF to SDCI's Compliance BCL to contract with the Housing Justice Project of the King County Bar Association or similar organization to provide legal representation for Seattle renters in eviction court. The proposed appropriation would fund six tenant rights attorneys to provide eviction defense legal support. The Housing Justice Project estimates that six attorneys would be sufficient to assist every Seattle renter facing residential eviction in 2020.