

Implementing Short-Term Rental Regulations in Ordinance 125490
A Status Report to the Seattle City Council's Planning, Land Use and Zoning Committee
Department of Finance and Administrative Services
July 27, 2018

Introduction

The Department of Finance and Administrative Services (FAS) presents this report to the City Council Planning, Land Use and Zoning Committee in response to section 2 of Ordinance 125490 (the Ordinance), which requests FAS to present “any progress made implementing the short-term rental regulatory license requirements, and the short-term rental tax enacted by the ordinance introduced as Council Bill 119083.”

Ordinance Purpose and Goals

In recent years, online platforms such as Airbnb have increased the number of housing units, or portions of units, that are rented on a nightly or weekly basis within the city. Because no specific provisions in the land use or zoning codes previously addressed such activities, these rental activities have been treated the same as any residential use. The conversion of housing units from long-term rentals to nightly and weekly rentals for visitors has exacerbated the housing availability and affordability problem in the City.

Introduced in September 2017, and passed in December 2017, “the purpose of the Ordinance is to preserve the City’s permanent housing stock, balance the economic opportunity created by short-term rentals with the need to maintain supply of long-term rental housing stock available at a range of prices, reduce any indirect negative effects on the availability of affordable housing, create a level playing field for all parties engaged in the business of providing lodging, and protect the livability of residential neighborhoods.”

The Ordinance also seeks to:

- Provide some flexibility for people in certain areas of the City who had been operating STRs legally for a long time before the Council adopted the Ordinance.¹
- Maintain consistency with the goals and policies in the Seattle Comprehensive Plan related to housing, land use, and economic development
- Cover administrative expenses
- Collect data to better-understand the industry and to enforce the regulations

House Bill 2015

The passage of House Bill 2015 during the last legislative session and the subsequent repeal of Ordinance 125442, which would have imposed a local tax on short-term rentals (to help pay for FAS’ administrative costs in addition to investing in affordable housing), has left FAS in a materially different position than when the City Council adopted the Ordinance last December. For this reason, the Mayor’s Office has asked the report to address the City Council’s interests in a status update and to present other regulatory options for consideration. The latter request furthers Mayor Durkan’s statement accompanying the signed Ordinance (attached to this report), which spoke of a desire to simplify the legislation and streamline administrative requirements. The report includes the following sections:

- Resources needed and costs already incurred to implement the Ordinance
- Status of developing rules, procedures and processes and implementing technology

¹ The City has been served a lawsuit regarding this provision. This is discussed later in the report.

- New data obtained
- Proposed revenue structure
- Options to move forward
- Active litigation
- Conclusion

Resources Needed and Costs Already Incurred to Implement the Ordinance

The table below presents current cost estimates from FAS and the Seattle Information Technology Department (ITD) to implement the Ordinance as written over the next five years:

| Table 1: 5 Year Spending Plan for Short Term Rental Regulation | | | | | | |
|--|------------------|--------------------|------------------|------------------|------------------|---------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 5-Year Total |
| Accela implementation (costs from ITD) | \$586,000 | \$586,000 | \$0 | \$0 | \$0 | \$1,172,000 |
| Accela O&M (costs from ITD)* | \$0 | \$0 | \$120,000 | \$124,000 | \$128,000 | \$372,000 |
| Staffing (1 inspector and 2 customer service representatives (one sunsets at the end of 2019); costs from FAS)** | \$55,000 | \$323,000 | \$233,000 | \$240,000 | \$247,000 | \$1,097,000 |
| Outreach to potential licensees (costs from FAS) | \$0 | \$40,000 | \$0 | \$0 | \$0 | \$40,000 |
| Contract with data-mining service (costs from FAS)*** | \$0 | \$244,000 | \$252,000 | \$259,000 | \$267,000 | \$1,022,000 |
| TOTAL | \$641,000 | \$1,193,000 | \$605,000 | \$623,000 | \$642,000 | \$3,704,000 |

*Annual inflation factor for Accela O&M costs is 3%. Dollar amounts presented reflect ITD’s best estimate at this time and are subject to change.

**One quarter’s worth of staffing is assumed in 2018 (no new FAS staff hired for STR implementation as of July 1, 2018).

***Annual inflation factor for data-mining service contract costs is 3%. Cost is based on number of listings within the city limits.

Costs moderate following the first two years of implementation and completion of the Accela project, the technology system used by FAS and multiple departments across City government to issue licenses, permits and other types of authorizations.

ITD has spent approximately \$71,000 (through July 3) on the Accela implementation. FAS has not yet incurred costs for new staff dedicated to the STR regulatory program but plans to hire the permanent Senior Customer Service Representative (CSR) and the temporary (through 2019) CSR in 4Q 2018.

The 2019-2020 proposed budget will include adjustments to reflect updated cost estimates for regulation as outlined in Table 1. A Strategic Advisor 2 position to write regulations and implement the City’s STR tax will be cut from the budget. This action results from the requirement that the City repeal its STR tax (Ordinance 125442) in response to the State imposing its lodging tax on STR operators.

Status of Developing Rules, Procedures and Processes and Implementing Technology

Rules

FAS will organize administrative rules around the two topics explicitly requiring rules – definition of a primary residence and removal of listings – and the individual sections in the Seattle Municipal Code’s Title 6 pertaining to short-term rentals. FAS recommends releasing all rules for public comment in a single package in Q3-Q4.

- Director’s Rule STR-1 (Primary Residence)
 - Applicable code: SMC 6.600.030
 - Example content:
 - Define acceptable documentation to prove a dwelling is an operator’s primary residence

- Director’s Rule STR-2 (Removal of Listings)
 - Applicable code: SMC 6.600.060.C
 - Example content:
 - Outline steps City will take to have a listing removed by a platform
 - Specify criteria for removal (complaint, violation, absence of a license, etc.)

- Director’s Rule STR-3 (Licenses and License Applications)
 - Applicable code: SMC 6.600.040, .050 and .150
 - Example content:
 - Specify documentation required if an applicant cannot self-certify through the online application process
 - Outline requirements for units with exceptions due to geographic location or operating tenure
 - Describe renewal process, including grace period for renewing a license
 - Outline specific requirements for bed and breakfasts

- Director’s Rule STR-4 (Platform Provisions)
 - Applicable code: SMC 6.600.060 (except .C, which is addressed by STR-2)
 - Example content:
 - Outline requirements for data reports from platforms
 - Outline process for platforms to provide licensed operator data for verification in City system
 - Specify electronic format for platforms to provide quarterly data
 - Outline requirements for total number of short-term rental and bed and breakfast listings during reporting period
 - Outline requirements for total number of booked nights for short-term rentals and bed and breakfasts rented during reporting period
 - Specify platform method to notify City of communication sent to operators regarding tax reporting responsibility
 - Specify method to confirm platform provided City summaries to operators
 - Specify platform requirements and method to allow City access to review records

- Director’s Rule STR-5 (Operator Provisions)
 - Applicable code: SMC 6.600.070
 - Example content:

- Outline operator provisions, including compliance with RRIO, attestation of compliance with regulations and similar
- Director’s Rule STR-6 (Enforcement Powers of the Director)
 - Applicable code: SMC 6.600.110, .120 and .150
 - Example content:
 - Clarify the Director’s enforcement powers as they pertain to platforms and operators
- Director’s Rule STR-7 (Licensing Fees)
 - Applicable code: SMC 6.600.090

Rulemaking would follow the City’s typical process but FAS plans to extend additional time to receive public comment on the proposed rules. FAS has set a goal to have all rules finalized by the end of October, though each would take effect on January 1, 2019.

FAS and SDCI Procedures and Processes

Initial work has begun to coordinate the FAS and SDCI roles in implementation and, eventually, enforcement of the regulations. This work has included developing various scenarios identifying where FAS and SDCI would have a role in enforcing the business regulations and in enforcing the land use and housing regulations. Staff will further discuss how to link and share information through FAS’ and SDCI’s respective technology systems; both will operate on the Accela platform. FAS and SDCI have existing staff undertaking this work, and FAS will fill new positions later this year and early next.

Contract with Data-Mining Service

FAS is drafting an RFP for a third-party data-mining service to scan multiple short-term rental platforms to compile data on active listings. This service will provide FAS with address, legal owner, partial or full house rented, original listing date, the platform(s) used and other detail for individual listings.

Since the short-term rental industry is in its regulatory infancy, FAS views this service as critical to the regulatory program. FAS will use the listing data to conduct outreach to potential licensees, verify operator compliance with licensing requirements, better understand the dynamics of the city’s short-term rental market, and help respond to complaints received (e.g., to help prove an operator was actually advertising and/or operating an STR).

Staffing and Outreach Plans

The staffing plan is for FAS to hire two permanent positions and one temporary position through 2019. One permanent and one temporary Senior Customer Service Representative (CSR) will be hired in 4Q 2018. One Licenses and Standards Inspector will be hired in 2019. The responsibilities of each are as follows:

- The permanent Sr. CSR will participate in the following activities in regulating the industry: developing rules that interpret the Ordinance, writing standard operating procedures for CSRs and inspectors, onboarding newly licensed operators by communicating general information about the program to the public, and targeting community outreach to prospective licensees and responding to questions from operators, and assist operators with yearly license renewals.

- The temporary Sr. CSR will report to the permanent position and will support all administrative functions described above for the first year of the new program.
- The Licenses and Standards Inspector will work with the Customer Service Bureau and SDCI to address the public's complaints, issue infractions for noncompliant operators and platforms, and testify in hearings involving alleged violations of the Ordinance. They will respond to STR-related inquiries assigned from the Customer Service Bureau's complaints system and track the type of STR complaints. The position will research and verify any issues with applications from operators with units covered by SMC 6.600.040.B.2 or B.3, manage complaints sent from other FAS inspectors for handling by SDCI inspectors, develop and maintain current information on STR FAQs and FAS' STR website and respond to inquiries from the public.

In estimating the need for the inspection workforce, FAS analyzed data related to complaints from the public about short-term rentals during a one-year period prior to implementing the regulatory program. The data suggest that the proposed staffing can perform the necessary regulatory activity. The City received approximately 12 complaints and these involved noise, disturbances and trash/debris. In response to complaints, some condominium associations and apartments have modified their leases to prohibit STRs.

FAS expects complaints to increase when the public is aware of STR operators being regulated. Should enforcement requirements exceed STR staff capacity, FAS has a team of inspectors who can assume this work until a stable level of staffing for short-term rentals is determined. If FAS needs more staff, adjustments will be made in subsequent years to require those costs to be paid by the industry.

Finally, FAS plans to begin its outreach by 1Q 2019. Using contact information from the data-mining service, staff will communicate information about the regulatory program and obligations of operators to potential licensees via letters or email. FAS is also exploring the possibility of coordinating this communication with SDCI's Rental Registration and Inspection Ordinance (RRIO) program to capture more program registrants.

Accela Implementation

As part of the City's enterprise technology strategy on issuing licenses, permits and other types of authorizations, FAS will use Accela to issue operator and platform licenses, verify compliance with exclusion-zone requirements, manage complaints and enforcement actions, house data and perform related functions. FAS, Seattle IT and consultants have begun to work in earnest on system design. Implementation will occur over two phases, with the first broadly covering licensing and quarterly data reporting (completed by January 1, 2019) and the second broadly covering renewal licensing and enforcement (completed by June 30, 2019). The two charts below provide more detail on the schedule to put Accela in place.

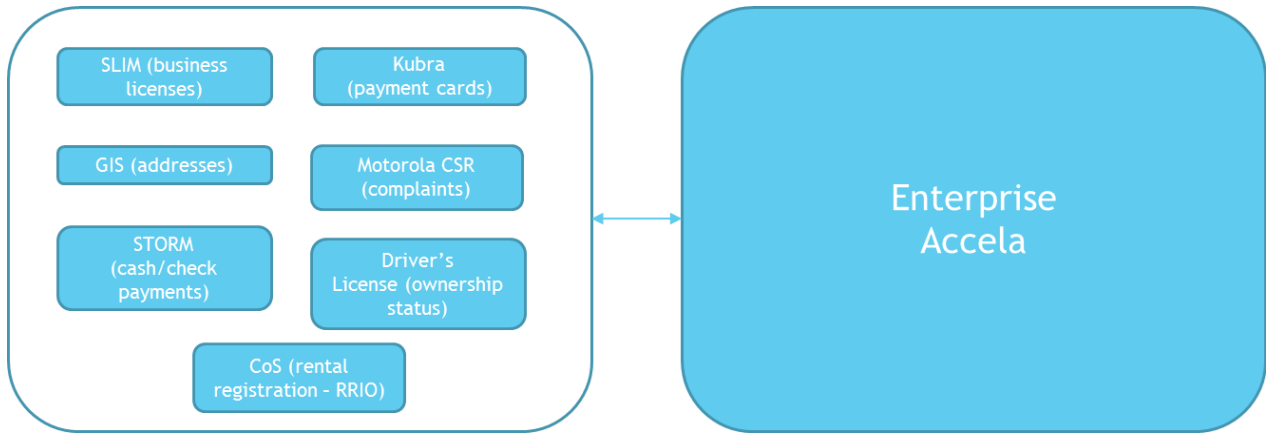
Phase 1 of Accela Implementation – Operator and Platform Licensing and Platform Quarterly Reporting

| | 2018 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|------|----|----|----|------|----|----|----|--------|----|----|----|-----------|----|----|----|---------|----|----|----|----------|----|----|----|----------|----|----|----|--|--|--|--|
| | June | | | | July | | | | August | | | | September | | | | October | | | | November | | | | December | | | | | | | |
| Phased Go-Live Timeline | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | | | | |
| Implementation Vendor Onboarding | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| System Design (Both phases) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 1 System Development | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 1 Testing | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 1 Training | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 1 GO LIVE (January 1, 2019; 3-week stabilization) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 2 Development | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 2 Testing | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 2 Training | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 2 GO LIVE (June 30, 2019; 3-week stabilization) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Project Close Out | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Phase 2 of Accela Implementation – Operator and Platform Enforcement

| | 2019 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---------|----|----|----|----------|----|----|----|-------|----|----|----|-------|----|----|----|-----|----|----|----|------|----|----|----|------|----|----|----|
| | January | | | | February | | | | March | | | | April | | | | May | | | | June | | | | July | | | |
| Phased Go-Live Timeline | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 |
| Implementation Vendor Onboarding | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| System Design (Both phases) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 1 System Development | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 1 Testing | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 1 Training | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 1 GO LIVE (January 1, 2019; 3-week stabilization) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 2 Development | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 2 Testing | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 2 Training | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Phase 2 GO LIVE (June 30, 2019; 3-week stabilization) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Project Close Out | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Configuring Accela to meet the short-term rental regulations requires extensive design and configuration, which drives both the cost and the amount of time needed to complete the necessary tasks. Successfully implementing a technology system for short-term rentals will require integrating Accela with seven other systems as this graphic illustrates:



New Data Obtained

A data-mining service provided FAS with the information below, illustrating the growth in unique short-term rental properties and listings within the city limits between October 2017 and May 2018:

| Date | Unique Properties | Listings |
|------------|-------------------|----------|
| 5/24/2018 | 8,035 | 10,355 |
| 4/26/2018 | 7,999 | 10,778 |
| 1/10/2018 | 7,173 | 9,368 |
| 10/12/2017 | 5,827 | 8,447 |
| 9/20/2017 | 5,765 | 8,469 |

Operators of some properties use multiple platforms to list their rentals, so one would expect to see more listings than properties in the data provided (as shown on the right column under “listings”). One data-mining service reported 8,150 unique properties across several platforms operating in the City of Seattle. Further, one platform operating in the city reported 700,000 booked nights in 2017.

Changes in Revenue Structure

The first table below outlines the budget when the ordinance was passed. At that time when the City tax was still in place, adequate funding put the ongoing, running balance at \$4M. The second table (Updated Estimates) shows the current budget, which falls significantly short without the financial support from the tax covering administrative costs.

| Green Sheet Implementing Ordinances 125442 and 125490 (11/2017) | | | | |
|---|--------------------|------------------|------------------|--|
| | 2018 | 2019 | 2020 (ongoing) | Comments |
| STR Costs | (4,692,000) | (1,600,000) | (1,600,000) | Per GS 351-1-B-2. Assumes 1/1/2019 implementation of tax and regulatory system and FAS staffing. Does not include loan interest. |
| Tax and \$75/License Revenues | | 6,000,000 | 6,000,000 | Per Ord 125442. Assumed 100% compliance in year 1. |
| Running Balance | (4,692,000) | (292,000) | 4,108,000 | |

| Updated Estimates (7/2018) | | | | |
|-----------------------------|------------------|--------------------|--------------------|--|
| | 2018 | 2019 | 2020 (ongoing) | |
| STR Costs | (641,000) | (1,193,000) | (605,000) | Phased implementation of regulatory system; FAS staffing. Does not include loan interest. |
| Tax Revenue | | - | - | City Council repealed Ordinance 125442 (City tax). Revenue from the state lodging tax cannot be used for administrative costs. |
| \$75/License Revenue | | 325,000 | 361,000 | Beginning 2019. Assumes 50% compliance in year 1. Estimated to increase as compliance and # units increase over time, but not enough to cover ongoing costs/loan payments (even with 100% compliance in year 1). |
| Running Balance | (641,000) | (1,509,000) | (1,753,000) | |

Options to Move Forward

Considering FAS' projected costs for implementing the Ordinance, the Mayor's Office has asked FAS to present and evaluate other options of implementing the current, or amended, regulations at less administrative burden and financial cost to the City, pursuant to the letter from Mayor Durkan, attached to this report.

- **Option 1:** impose a per booked night fee of \$2. The table below illustrates current assumptions about both costs and revenues as well as the gap created by repeal of the City's STR tax. To recover its regulatory costs, FAS would keep the annual per unit license fee for operators at \$75 and impose the per booked night fee on platforms. This fee would be established via administrative rule as allowed for in SMC 6.600.090.D and SMC 6.600.100.

At the \$2.00 amount, estimated fee revenues and FAS' expenditures would break even by mid-2021. Platforms would pay the fee on a quarterly basis, which is in line with the Ordinance as it requires platforms to report their total number of booked nights per quarter.

| Estimates Including \$75/License and \$2.00/Booked Night Fees | | | | | |
|---|-----------|-------------|-----------|-------------------|---|
| | 2018 | 2019 | 2020 | 2021 (Ongoing) | |
| STR Costs | (641,000) | (1,193,000) | (605,000) | (623,000) | Phased implementation of regulatory system; FAS staffing. Does not include loan interest. |
| \$75/License Revenue | | 325,000 | 361,000 | 397,000 | |

| | | | | | |
|------------------------------------|------------------|------------------|------------------|----------------|--|
| \$2.00/Booked Night Revenue | | 743,000 | 826,000 | 910,000 | |
| Running Balance | (641,000) | (766,000) | (184,000) | 501,000 | Apply to loan interest + contingency; Director also has discretion to modify fee after the City recovers regulatory costs. |

Assumptions

- 8,479 STR units in 2018 (2% annual growth (compounded))
 - 8,649 units in 2019
 - 8,822 units in 2020
 - 8,998 units in 2021
 - 9,178 units in 2022
 - 9,362 units in 2023
- 728,280 booked nights in 2018 (2% annual growth (compounded))
 - 742,846 booked nights in 2019
 - 757,703 booked nights in 2020
 - 772,857 booked nights in 2021
 - 788,314 booked nights in 2022
 - 804,080 booked nights in 2023
- Regulations take effect January 1, 2019
- Operator and platform compliance rate:
 - 50% in 2019
 - 55% in 2020
 - 59% in 2021
 - 62% in 2022
 - 65% in 2023

Fee Analysis

The following table provides the estimated fee per booked night that would be required to recover STR costs within the first five years of implementation. The cost-recovery model also assumes a \$75 per unit license fee for operators.

| Per Booked Night Fee Analysis | |
|--------------------------------------|------------------------|
| Fee Amount | Break Even Year |
| \$4.20 | 2019 |
| \$2.30 | 2020 |
| \$2.00 | mid-2021 |
| \$1.70 | 2021 |
| \$1.40 | 2022 |
| \$1.20 | 2023 |
| \$1.00 | 2024 |

As illustrated in the table above, the recommended per booked night fee of \$2.00 is estimated to allow the City to recover regulatory costs by mid-2021, at which time the Director would have discretion to modify this fee structure as necessary via administrative rule. The primary consideration driving this recommendation is that the system costs, including one-time implementation costs, will be recovered during the next biennium. It is a priority for the Executive that this program operate at a deficit for as short a period as is reasonable.

- **Option 2:** engage the State legislature to amend House Bill 2015 to allow for those tax dollars received by the City to be spent on FAS' administrative costs (in addition to investments in affordable housing). This option would likely require a delay in the effective date of the ordinance.
- **Option 3:** amend the Ordinance to more efficiently use the City's administrative and financial resources by narrowing the scope of regulations. Assuming policy concurrence between the Executive and City Council, the principal focus would be on monitoring and enforcing a cap on the number of short-term rental units an operator could operate. As stated by Mayor Durkan's letter, this option would further the goal of shifting more of the regulatory burden to the short term rental platforms. This option would also likely require a delay in the effective date of the ordinance.

Active Litigation

In June, the Goldwater Institute and a Seattle-based lawyer filed, on behalf of a local short-term rental operator, a lawsuit contending the Ordinance violates state and federal due process guarantees and the state constitution's privileges and immunities clause by limiting the number of short-term rental properties for some, but not all, operators. The plaintiff owns and operates on behalf of others at multiple short-term rental locations. While the City does not know how the litigation will impact implementation of the Ordinance, the Executive recognizes its potential significance.

Conclusion

The recommendations of this report were determined following research of other jurisdictions' experiences in regulating this emerging industry. The analyses performed by private data-mining services, which were consulted in developing the findings of this report, are adding to what is known about the size and growth of this industry.

Following extensive discussion among staff at FAS, Seattle IT, and SDCI, the Mayor has asked that this report respond to what the Council has requested through the Ordinance and, based on revenue and expenditure analyses and implementation work completed to date, present other ideas for how to regulate the short-term rental industry in Seattle.

In conclusion, the costs to implement the legislation as written are greater than the revenue currently allocated. Given that, we look forward to working together with members of Council and additional stakeholders to determine the best path forward.

Attachment 1: Detailed Fee Analysis (to implement the Ordinance as it currently stands)

Note the expenses below include an estimate of annual loan interest payments.

| Year | Fee | \$4.20 Per Booked Night Fee Projection | \$75 Operator License Fee Projection | Expenses | Annual Variance | Running Balance |
|-------------|---------|--|--------------------------------------|---------------|-----------------|-----------------|
| 2018 | \$ - | \$ - | \$ - | \$ (640,000) | \$ (640,000) | \$ (640,000) |
| 2019 | \$ 4.20 | \$ 1,559,976 | \$ 324,332 | \$(1,215,400) | \$ 668,907 | \$ 28,907 |

| Year | Fee | \$2.30 Per Booked Night Fee Projection | \$75 Operator License Fee Projection | Expenses | Annual Variance | Running Balance |
|-------------|---------|--|--------------------------------------|---------------|-----------------|-----------------|
| 2018 | \$ - | \$ - | \$ - | \$ (640,000) | \$ (640,000) | \$ (640,000) |
| 2019 | \$ 2.30 | \$ 854,272 | \$ 324,332 | \$(1,215,400) | \$ (36,796) | \$ (676,796) |
| 2020 | \$ 2.30 | \$ 949,780 | \$ 360,592 | \$ (628,688) | \$ 681,684 | \$ 4,888 |

| Year | Fee | \$2.00 Per Booked Night Fee Projection | \$75 Operator License Fee Projection | Expenses | Annual Variance | Running Balance |
|-------------|---------|--|--------------------------------------|---------------|-----------------|-----------------|
| 2018 | \$ - | \$ - | \$ - | \$ (640,000) | \$ (640,000) | \$ (640,000) |
| 2019 | \$ 2.00 | \$ 742,846 | \$ 324,332 | \$(1,215,400) | \$ (148,223) | \$ (788,223) |
| 2020 | \$ 2.00 | \$ 825,896 | \$ 360,592 | \$ (632,588) | \$ 553,900 | \$ (234,323) |
| 2021 | \$ 2.00 | \$ 909,807 | \$ 397,228 | \$ (631,201) | \$ 675,834 | \$ 441,511 |

| Year | Fee | \$1.70 Per Booked Night Fee Projection | \$75 Operator License Fee Projection | Expenses | Annual Variance | Running Balance |
|-------------|---------|--|--------------------------------------|---------------|-----------------|-----------------|
| 2018 | \$ - | \$ - | \$ - | \$ (640,000) | \$ (640,000) | \$ (640,000) |
| 2019 | \$ 1.70 | \$ 631,419 | \$ 324,332 | \$(1,215,400) | \$ (259,650) | \$ (899,650) |
| 2020 | \$ 1.70 | \$ 702,011 | \$ 360,592 | \$ (636,488) | \$ 426,116 | \$ (473,534) |
| 2021 | \$ 1.70 | \$ 773,336 | \$ 397,228 | \$ (639,574) | \$ 530,990 | \$ 57,456 |

| Year | Fee | \$1.40 Per Booked Night Fee Projection | \$75 Operator License Fee Projection | Expenses | Annual Variance | Running Balance |
|-------------|---------|--|--------------------------------------|---------------|-----------------|-----------------|
| 2018 | \$ - | \$ - | \$ - | \$ (640,000) | \$ (640,000) | \$ (640,000) |
| 2019 | \$ 1.40 | \$ 519,992 | \$ 324,332 | \$(1,215,400) | \$ (371,076) | \$ (1,011,076) |
| 2020 | \$ 1.40 | \$ 578,127 | \$ 360,592 | \$ (640,388) | \$ 298,331 | \$ (712,745) |
| 2021 | \$ 1.40 | \$ 636,865 | \$ 397,228 | \$ (647,946) | \$ 386,147 | \$ (326,598) |
| 2022 | \$ 1.40 | \$ 682,082 | \$ 425,431 | \$ (653,431) | \$ 454,082 | \$ 127,484 |

| Year | Fee | \$1.20 Per Booked Night Fee Projection | \$75 Operator License Fee Projection | Expenses | Annual Variance | Running Balance |
|-------------|---------|--|--------------------------------------|---------------|-----------------|-------------------|
| 2018 | \$ - | \$ - | \$ - | \$ (640,000) | \$ (640,000) | \$ (640,000) |
| 2019 | \$ 1.20 | \$ 445,707 | \$ 324,332 | \$(1,215,400) | \$ (445,361) | \$ (1,085,361) |
| 2020 | \$ 1.20 | \$ 495,537 | \$ 360,592 | \$ (642,988) | \$ 213,142 | \$ (872,219) |
| 2021 | \$ 1.20 | \$ 545,884 | \$ 397,228 | \$ (653,528) | \$ 289,585 | \$ (582,635) |
| 2022 | \$ 1.20 | \$ 584,642 | \$ 425,431 | \$ (662,392) | \$ 347,681 | \$ (234,954) |
| 2023 | \$ 1.20 | \$ 626,151 | \$ 455,637 | \$ (669,483) | \$ 412,305 | \$ 177,351 |

| Year | Fee | \$1.00 Per Booked Night Fee Projection | \$75 Operator License Fee Projection | Expenses | Annual Variance | Running Balance |
|-------------|---------|--|--------------------------------------|---------------|-----------------|------------------|
| 2018 | \$ - | \$ - | \$ - | \$ (640,000) | \$ (640,000) | \$ (640,000) |
| 2019 | \$ 1.00 | \$ 371,423 | \$ 324,332 | \$(1,215,400) | \$ (519,646) | \$ (1,159,646) |
| 2020 | \$ 1.00 | \$ 412,948 | \$ 360,592 | \$ (645,588) | \$ 127,952 | \$ (1,031,693) |
| 2021 | \$ 1.00 | \$ 454,903 | \$ 397,228 | \$ (659,109) | \$ 193,022 | \$ (838,671) |
| 2022 | \$ 1.00 | \$ 487,202 | \$ 425,431 | \$ (671,353) | \$ 241,279 | \$ (597,392) |
| 2023 | \$ 1.00 | \$ 521,793 | \$ 455,637 | \$ (682,169) | \$ 295,261 | \$ (302,131) |
| 2024 | \$ 1.00 | \$ 558,840 | \$ 487,987 | \$ (691,672) | \$ 355,155 | \$ 53,024 |



City of Seattle

December 15, 2017

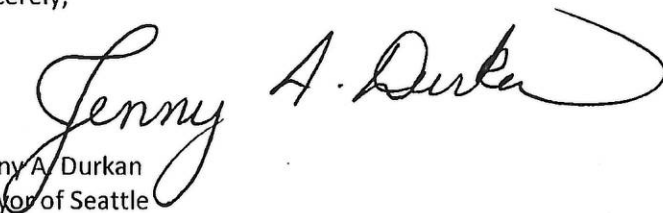
Monica Martinez Simmons
Seattle City Clerk
600 4th Avenue, 3rd Floor
Seattle, WA 98124

Dear Ms. Martinez Simmons,

I have signed and am returning Council Bill 119081. This legislation sets up a new regulatory framework for short-term rental properties in the City of Seattle. While I agree that new regulations are necessary to preserve affordable housing and protect neighbors, I am concerned that the complexity of the regulations and tax structure may inhibit compliance. The Department of Finance and Administrative Services (FAS) will also take on an administrative burden that requires significant new resources on an ongoing basis. It would have been my preference to shift more of this burden to the short-term rental platform operators, or to simplify the legislation, with the goal of alleviating or streamlining administrative requirements for both the City and the platforms.

By returning this signed legislation, I understand that it will become law, but I hope to revisit these concerns in 2018. FAS's report to the Council's Planning, Land Use, and Zoning Committee, due on June 1, provides an opportunity for me to potentially recommend a revised approach to implementation and fee structure.

Sincerely,


Jenny A. Durkan
Mayor of Seattle