

## **SUMMARY and FISCAL NOTE**

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
Seattle Public Utilities	Michelle Lange	Akshay Iyengar

### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to Seattle Public Utilities; revising, consolidating, and enacting provisions related to system development charges for water, sewer, and drainage infrastructure; adding a new Subtitle VI to Title 21 of the Seattle Municipal Code; adding a new Chapter 21.65 to the subtitle; adding a new Section 21.65.010 to the Seattle Municipal Code; relocating Sections 21.04.105, 21.04.115, and 21.04.125 of the Seattle Municipal Code into the chapter and further amending the sections; and amending Section 21.04.465 of the Seattle Municipal Code.

**Summary and Background of the Legislation:** Seattle is experiencing a housing affordability crisis. Developers tell Seattle Public Utilities (SPU) that system improvement requirements (e.g. water, drainage, and wastewater mainline extensions) are a financial burden and make some housing, business, and other land development projects unviable. This legislation, along with companion latecomer and budget amendment legislation, aims to make development costs more equitable and predictable for development projects throughout the city.

Currently, SPU requires properties seeking to connect to the water system to contribute to the system by either paying a connection charge or installing a standard watermain. The water connection charge is amongst the lowest in the region, while watermain installation is typically much more expensive.

Seattle's wastewater and drainage systems do not currently have a contribution requirement but do require main installation if no main currently fronts the property. This results in a few projects incurring very large costs to install infrastructure, while most other projects contribute nothing to the system's costs.

This legislation redefines the System Development Charge (SDC) for water and establishes an SDC for wastewater and drainage. The SDC for water replaces the current connection charge. The new and revised charges use a more complete definition of system costs, as allowed by RCW, and include five years of interest expense from asset acquisition. This legislation defines how SDCs are calculated, but the exact SDC amounts for each utility will be published and updated via Director's Rule. The SDC for each utility will be updated along with each fund's rate study, typically every three years. For example:



**SF House + AADU + DADU**

*SF tear down replacing ¾" meter with 1.5" meter. Adds 1,350 sf new impervious surface.*

- **Water: 2.3 CE**
- **Wastewater: 2.3 CE**
- **Drainage: 0.5 CE**

**Total SDC across services:**

- **Proposed: \$23,500**
- *Replaces: \$5,520*



**150-unit Apartment Building**

*Vacant paved parking lot with no existing water service. New 4" meter. No new impervious surface added.*

- **Water: 17 CE**
- **Wastewater: 17 CE**
- **Drainage: 0 CE**

**Total SDC across services:**

- **Proposed: \$161,500**
- *Replaces: \$40,800*

This legislation also changes payment plans for SDCs in recognition of developers' concerns about payment timing. Currently, payment plans allow payment of 2.5% of the charge up front and the remainder payable in monthly installments for 10 years, including interest. This provision has never been used. Based on feedback from developers who wanted to delay SDC payment until the time of sale, the legislation amends this provision so SDCs can be paid with a 25% downpayment with the remainder, plus interest, due in two years or upon sale or transfer, paid by the seller. The remaining SDC will be recorded as a lien against the property with King County until paid in full.

The aim of this legislation is to reduce the inequity between different developments based on location and existing infrastructure. Currently, depending on the existing utility systems in front of a property, a development may only pay a relatively small connection charge to the Water Fund. A similar development a few blocks away may be required to install 100 feet of water and sewer main at an expense 50 times the cost of the water connection charge. This legislation will charge all development an SDC for all three utility systems, while providing credit for installed mainline improvements. With companion legislation, SPU plans to use the increased revenue from SDCs to reduce the financial burden of installing mainlines by contributing to the infrastructure costs through a new SPU participatory latecomer program.

## 2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ☐ Yes ☒ No

## 3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☒ Yes ☐ No

Expenditure Change (\$); General Fund	2025	2026 est.	2027 est.	2028 est.	2029 est.
Expenditure Change (\$); Other Funds	2025	2026 est.	2027 est.	2028 est.	2029 est.

Revenue Change (\$); General Fund	2025	2026 est.	2027 est.	2028 est.	2029 est.
Revenue Change (\$); Other Funds	2025	2026 est.	2027 est.	2028 est.	2029 est.
		\$12.7M	\$12.7M	\$12.7M	\$12.7M

Number of Positions	2025	2026 est.	2027 est.	2028 est.	2029 est.
Total FTE Change	2025	2026 est.	2027 est.	2028 est.	2029 est.

### 3.a. Appropriations

☐ This legislation adds, changes, or deletes appropriations.

### 3.b. Revenues/Reimbursements

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

**Anticipated Revenue/Reimbursement Resulting from This Legislation:**

Fund Name and Number	Dept	Revenue Source	2025 Revenue	2026 Estimated Revenue
Water Fund - 43000	SPU		\$1,800,000	\$7,200,000
Drainage and Wastewater Fund – 44010	SPU		\$1,350,000	\$5,500,000
<b>TOTAL</b>			<b>\$3,150,000</b>	<b>\$12,700,000</b>

**Revenue/Reimbursement Notes:** The revenue will come from new development and increased density development.

### 3.c. Positions

☐ This legislation adds, changes, or deletes positions.

### 3.d. Other Impacts

**Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.**  
No.

**If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.**

**Please describe any financial costs or other impacts of *not* implementing the legislation.**  
This legislation is designed to reduce the inequity between development, supporting more development in areas that require utility infrastructure improvements. Not passing this legislation will keep the status quo and leave some areas of the City less likely to be developed for housing because of infrastructure requirement costs assigned solely to the first-in developer; not implementing this legislation will preclude the City from collecting additional revenue from other development-related sources such as REET, MHA, and construction sales tax that this package may generate.

## 4. OTHER IMPLICATIONS

**a. Please describe how this legislation may affect any departments besides the originating department.**

This legislation may have impacts on the Seattle Department of Transportation (SDOT) as utility construction in the Right of Way is increased, requiring additional SDOT permitting review and inspection. As per the current process, SDOT permit review and inspection will be paid for by the developers.

**b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**

No.

**c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**

- i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

This package of legislation will help to lessen the financial burden of water and sewer mainline extensions, helping more housing, business, and other land development projects throughout the city to be financially feasible in more locations. SPU's commitment to cost share on mainline extensions is also expected to help smaller developers access capital and to help families who own property be able to afford to add additional housing units to their land. The parameters of the cost sharing program are designed to ensure that the costs of the program do not exceed the increased revenue from SDCs, such that homeowners and other utility customers will not see an increase to their utility rates.

- ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.** N/A

- iii. What is the Language Access Plan for any communications to the public?** N/A

**d. Climate Change Implications**

- i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**

Currently, utility main line extension requirements make some projects infeasible. By reducing barriers to new development in Seattle, we make it possible for more people to live in urban growth areas in new, more efficient buildings near transit, reducing their carbon footprints.

Utility main line extension requirements also often trigger SDOT ROW improvements, so making it easier to develop in areas with inadequate water, drainage, and sewer infrastructure could also accelerate the construction of sidewalks, curb ramps, and other multimodal transportation networks in those areas.

- ii. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

In many of the annexed areas of Seattle, formal drainage infrastructure does not exist. These areas in particular will benefit from drainage mainline infrastructure to mitigate local flooding which will be exacerbated due to climate change. Additionally, areas with a combined sewer system will continue to be separated in to separate wastewater and drainage mains, reducing combined sewer overflows.

- e. **If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)? What mechanisms will be used to measure progress towards meeting those goals?**

This three-ordinance package is part of an initiative to address the inequity of utility costs for development. The program's success will be measured by several measures. The first is the revenue collected through the System Development Charge (SDC). The second step of the initiative is SPU partially funding privately installed utility mains or constructing mainline extensions within municipal reimbursement areas. Success will be measured by improvement in the rates of projects moving forward that are required to install utility infrastructure. Success will also be measured in miles of mains installed through the program and the number of city blocks that are served by standard utility infrastructure.

## 5. CHECKLIST

- ☐ Is a public hearing required?
- ☐ Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?
- ☒ If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?  
Yes
- ☐ Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?

## 6. ATTACHMENTS

**Summary Attachments:** None.