SEATTLE DEPARTMENT OF CONSTRUCTION AND INSPECTIONS (SDCI)

2027–2028 PROPOSED BUDGET

OVERVIEW & POLICY CONSIDERATIONS PAPER

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Table 1. Department Budget Summary

Budget Summary Level	2026 Adopted	2027 Proposed	% Change	2028 Proposed	% Change
Operating Budget					
Compliance	$16.7M	$18.0M	8.2%	$17.9M	(0.6%)
Customer Success	$12.6M	$11.5M	(9.1%)	$11.5M	0.0%
Govt. Policy, Safety & Support	$3.0M	$3.0M	1.5%	$3.0M	0.0%
Inspections	$34.7M	$34.0M	(2.2%)	$34.0M	0.0%
Land Use & Engineering Services	$45.6M	$41.5M	(8.9%)	$41.2M	(0.7%)
Leadership and Administration	$0.0M	$0.0M	0%	$1.1M	n/a
Process Improvements	$3.7M	$2.8M	(23.5%)	$2.8M	0.0%
Technology Investments	$10.6M	$9.5M	(10.9%)	$8.8M	(6.9%)
Total	**$126.9M**	**$120.3M**	**(5.2%)**	**$120.4M**	**0.0%**
FTE	**452**	**422**	**(7%)**	**422**	**0%**

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
- 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 2027-2028 Proposed Budget would decrease by approximately seven percent, relative to the 2026 Adopted Budget, and then increase by less than one percent in 2028, relative to the 2027 Proposed Budget.

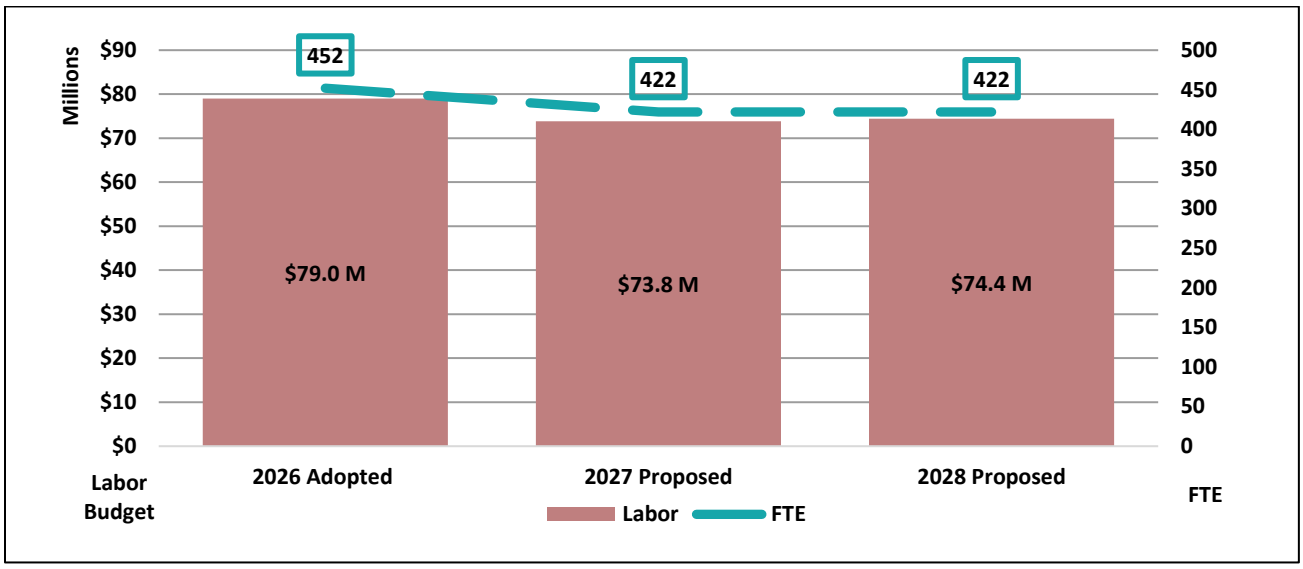
A. Operating Budget

The 2027-2028 Proposed Budget for SDCI includes technical adjustments such as baseline reductions to reflect lower than anticipated labor costs, which are tied to inflation by approved labor contracts; extensions, reclassifications, defundings, and revenue shifts for positions and tenant services contracts; and adjustments to reflect the lower 2027 revenue forecast. Non-technical changes in the 2027 Proposed Budget include:

1. Adding appropriations of $915,203 in 2027 and $795,697 in 2028 in fee-based revenue and three FTE to support implementation and enforcement of rental regulations including new regulations approved by Ordinance 127497 related to disclosure of fees in rental agreements.
2. Adding appropriations of $293,625 in 2027 and $293,625 in 2028 in JumpStart Fund (JumpStart) and one FTE for a housing ombud to assist applicants developing low-income housing.

B. FTE & Labor Changes

Figure 1. FTE & Labor Budget Summary

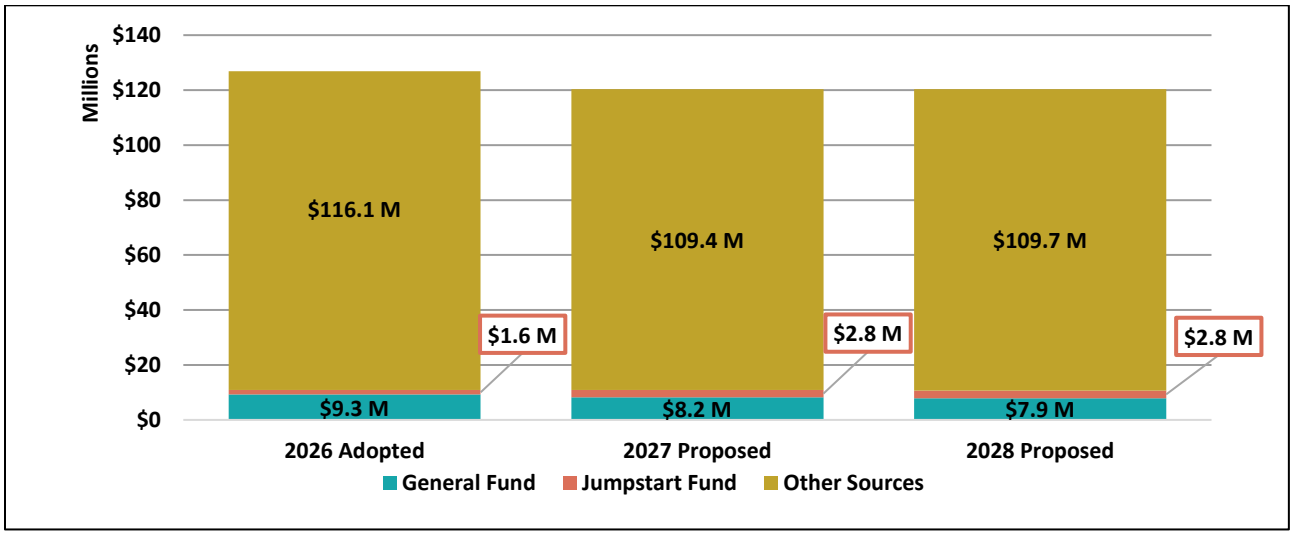


SDCI's labor budget would decrease from the 2026 Adopted Budget to the 2027-2028 Proposed Budget by approximately seven percent in 2027, relative to the 2026 Adopted Budget, then increase by less than one percent in 2028, relative to the 2027 Proposed Budget.

The overall FTE count would be reduced by 30. This includes abrogation of 34 positions, seven of which are filled; the addition of three positions for implementation and enforcement of tenant protection regulations, and the addition of a housing ombud position. Abrogated positions are primarily funded, in whole or in part, by building permit and land use review fees.

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. The 2027-2028 Proposed Budget would shift GF support for tenant services grants and contracts entirely to JumpStart.

II. ISSUES FOR COUNCIL CONSIDERATION DURING BUDGET DELIBERATIONS

1. Health of the Construction and Inspections Fund and SDCI Core Staffing

SDCI's 2027 - 2028 Proposed Budget relies on fee increases and layoffs. The proposed permit fee increases are estimated to generate approximately $6.3 million in additional revenue to the Construction and Inspections Fund in each year of the biennium. In addition, the new Rental Regulation Enforcement Fee is estimated to generate approximately $1.3 million in 2027 and $0.8 million in 2028. The layoffs would result in approximately $6 million in salary savings in each year of the biennium. Fee increases and salary savings are intended to maintain core staffing levels to provide timely permit review and maintenance of regulatory 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: (1) 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 (2) a core staffing reserve to maintain trained staff and institutional knowledge when permit application volumes and values decrease. Last year through SLI SDCI-004S-A the Council requested and received quarterly reporting on the health of the Construction and Inspections Fund.

The financial plan for the Construction and Inspections Fund indicates that SDCI has a core staffing reserve of $12 million in 2026. That reserve, even with the proposed fee increases and layoffs, would be drawn down to $8 million in 2027 and $1 million in 2028. Absent significant changes in permitting volumes and values, after 2028 the core staffing reserve would be depleted.

Options:

A. Continue requiring that SDCI provide quarterly reporting on the health of the Construction and Inspections Fund.

B. Request that SDCI develop legislation establishing fund policies for the Construction and Inspections Fund that address core staffing levels by function, levels for reserves, and thresholds for seeking fund supplementation through fee increases or General Fund support.

C. Both A and B.

D. No change.

2. Code Development Resources and Non-compliance with State Mandates

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. 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. Last year the Council requested, through SLI SDCI-003S-A, reporting on a plan by OPCD and SDCI to address outstanding mandates. That SLI response has not been provided.

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. For example, the City has not met deadlines to update the Critical Areas Ordinance (SMC Chapter 25.09) and Shoreline Master Program (SMC Chapter 23.60A). Compliance with those updates can be a scoring factor in competing for state and federal grants and loans, such as from the Department of Commerce's Public Works Board and the Department of Ecology's Clean Water State Revolving Fund. SDCI has initiated work on the Critical Areas Ordinance update. This includes updates to the best available science, upon which the update must be based, and outreach. Those contracts were executed in early August 2026.

Options:

A. Renew the SLI requesting reporting by SDCI and OPCD on a plan to address outstanding state mandates.

B. Move appropriation and position authority for developing state-mandated regulations, the timely completion of which are factors in competing for state grants and loans, from SDCI to other departments, such as SPU, that are regular applicants for those grants and loans.

C. Both A and B.

D. No change.

III. BUDGET LEGISLATION

1. SDCI Fee Ordinance

SDCI's 2027 - 2028 Proposed Budget relies on fee increases. This includes a 3.7 percent inflationary adjustment for all fees and targeted increases to improve cost recovery for cost centers with shortfalls, including the land use and building cost centers. Fee associated with those cost centers would have a 10.7 percent fee increase.

The proposed permit fee increase is estimated to generate approximately $6.3 million in revenue to the Construction and Inspections Fund in each year of the biennium. The proposed SDCI fee ordinance would also establish a new fee of $11/rental unit, which would be paid every other year, to fund implementation and enforcement of regulations approved by Ordinance 127497 related to disclosure of fees in rental agreements. The new rental regulations fee is estimated to generate approximately $1.3 million in 2027 and $0.8 million in 2028.

Last year, the Council passed Ordinance 127360 as part of the 2026 Adopted Budget. Among other things, that ordinance increased land use and building permit fees by about 18 percent.