



**King County**

**Metropolitan King County Council  
Budget and Fiscal Management Committee**

**STAFF REPORT**

<b>Agenda Item:</b>	6	<b>Name:</b>	Christine Jensen
<b>Proposed No.:</b>	2016-0478	<b>Date:</b>	October 25-27, 2016

**SUBJECT**

A proposed ordinance related to development permit review fees charged by County agencies.

**SUMMARY**

Proposed Ordinance 2016-0478 would make a number of revisions to Title 27 of the King County Code (K.C.C.), which governs fees charged by the Department of Permitting and Environmental Review (DPER), the Department of Transportation (DOT) and the Department of Natural Resources and Parks (DNRP).

**BACKGROUND**

The Executive is proposing a 20 percent fee increase in the 2017-2018 Budget for DPER's Planning and Permitting appropriation unit. Staff reports on the components of this fee increase were provided to the General Government Panel on October 12 and 19, 2016.

**ANALYSIS**

The proposed ordinance proposes changes to the rates for development permit fees, as well as several restructures to the fees within Title 27. The following is a summary of the proposed changes.<sup>1</sup> If the proposed fees in this ordinance are amended or not approved, then DPER's proposed expenditures as part of the 2017-2018 Budget would need to be adjusted.

The largest global change in the Proposed Ordinance would increase almost all of DPER's permit fees by approximately 20 percent. This increase is proposed to be achieved through a combination of a 12.6 percent Pro Forma fee increase and a 7.4 percent administrative service changes fee increase, as summarized in Table 1.

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<sup>1</sup> A more detailed matrix of the proposed changes is included as Attachment 2 of the staff report.

**Table 1. 2017-2018 Proposed DPER Fee Increase**

<b>Purpose</b>	<b>Percent Increase</b>	<b>Estimated Revenues</b>
Pro Forma		
- Labor	7.87%	\$1,803,000
- Supplies and Services	1.66%	\$380,000
- Central rates	3.08%	\$705,000
<b>Pro Forma Total</b>	<b>12.61%</b>	<b>\$2,888,000</b>
Administrative Service Changes		
- Bank credit card fees	1.66%	\$380,000
- MyBuildingPermit.com	1.86%	\$426,000
- 2017-2018 retirement costs	1.66%	\$380,000
- Fund Balance	2.18%	\$500,000
<b>Administrative Service Changes Total</b>	<b>7.36%</b>	<b>\$1,686,000</b>
<b>2017-2018 Proposed Fee Increase Total</b>	<b>19.97%<sup>2</sup></b>	<b>\$4,574,000</b>

Additionally, the Proposed Ordinance includes elimination of obsolete fees and consolidations of multiple fees into a single fee amount by permit type, such as related to fire system reviews.

Other notable changes include:

- Restructures to discounted fees for applications and permits for agricultural buildings and activities (multiple sections)
- New \$50 fee for missed pre-application conferences (Section 2)
- Pre-application conference fees can now only be credited towards permit fees if the permit application is filed within 180 days (Section 2)
- New \$200 fee for additional inspections or reinspections for single family residential (Sections 2 and 3)
- Restructures of inspection fees (multiple sections)
- New \$1,883 fee for agricultural building expansions in the Agricultural Production District (APD) (Section 19)
- Increases Temporary Use Permit fees from \$196 to \$706 to reflect actual staff time needed to process and review permits, and 20 percent DPER fee increase (Section 19)
- Codifies operational permit inspection fees from the International Fire Code (Section 27)
- Adds a specific list of fees for investigation of work done without a permit, which replaces general language that calls for fees that are equal to the regular permit review and inspection fees for the applicable type of construction fee (Section 31)

<sup>2</sup> Proposed Ordinance 2016-0478 uses 20% as the escalation rate for the proposed 2017-2018 fee increase.

There is currently a 4.63 percent temporary fee surcharge that is set to expire at the end of 2016. This surcharge is not proposed to be extended.

The following is a more detailed analysis of the key policy considerations within the Proposed Ordinance.

*I. 12.6 percent DPER “Pro Forma” fee increase*

A 12.6 percent “Pro Forma” fee increase is proposed as part of the overall 20 percent DPER increase. This portion would fund labor, supplies and services, and central rates. A portion of the Pro Forma fee increase is due to general inflation costs for the 2017-2018 biennium. DPER also indicates that the Pro Forma increase is intended to address an existing deficit in operating revenues needed to match current expenditures. Staff have identified no issues with this portion of the fee increase.

*II. 1.7 percent DPER fee increase for bank credit card fees*

A 1.7 percent fee increase is proposed in order to allow DPER to accept credit card payments and to absorb the associated bank fees into the underlying fixed fees for all permits. DPER’s estimate<sup>3</sup> is that 50 percent of permit fees will be paid for via credit card.

All of the 14 jurisdictions that participate in MyBuildingPermit.com (MBP) - which DPER is proposing that the County joins as part of the 2017-2018 budget - do not pass through the bank fees to the individual customer. DPER has shared that MBP policies “precludes member jurisdictions from adding on card-specific merchant bank fees to individual permit payments, and the MBP storefront is not configured to do so.”

The Council may wish to consider this in the context of the e-payments ordinance,<sup>4</sup> which currently proposes to authorize DPER to absorb electronic payment fees.

*III. 1.9 percent DPER fee increase for MyBuildingPermit.com*

A 1.9 percent fee increase is proposed to enable DPER to join and utilize the online permitting capability of MBP. The proposed fee increase would fund the costs to bridge the County’s current online permitting system with MBP, work with MBP staff to set up the service, a late-comer investment fee into MBP, and an annual subscription fee, as shown in Table 2.

**Table 2. MBP 2017-2018 Expenses**

<b>Purpose</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
Interface between Accela and MBP	\$48,000	-	\$48,000
On-boarding services by MBP	\$60,000	-	\$60,000
Late-comer investment fee	\$108,000	-	\$108,000
Annual subscription fee	-	\$210,000	\$210,000
<b>MBP total</b>	<b>\$216,000</b>	<b>\$210,000</b>	<b>\$426,000</b>

<sup>3</sup> Based on 2015 actuals for the Snohomish County Planning and Development Services Department, by dollar value.

<sup>4</sup> Proposed Ordinance 2016-0399

If the funding for membership in MBP is approved in the 2017-2018 budget, DPER indicates that some permits<sup>5</sup> would be available via MBP by January, 2018 and estimates that full implementation could occur in three years.

Adoption of an interlocal agreement (ILA) would be required for the County to join MBP and to utilize their services. If budgetary authorization is approved, DPER's goal would be for the Council to adopt the ILA in the first quarter of 2017. If adoption of the ILA is delayed, then the aforementioned timeline for online permit offerings would be impacted.

#### IV. 1.7 percent DPER fee increase for 2017-2018 retirement costs

A 1.7 percent fee increase is proposed to fund anticipated retirement payouts in 2017 and 2018. DPER notes that there are 12 retirees expected in the coming biennium, and expects that there will be fewer retirees in future years. Beyond 2018, the unused revenues from this portion of the ongoing fee increase could potentially be used to address future fluctuations in inflationary increases in expenses; however, that is yet to be determined.

#### V. 2.2 percent DPER fee increase to replenish reserves

A 2.2 percent fee increase is proposed to replenish DPER's fund balance and associated reserves. It is estimated that the 2015-2016 biennium will end with a \$2.5 million reserve shortfall. If the proposed fee increase is approved, the reserve deficit is expected to improve slightly to a \$2.2 million shortfall by the end of 2018 and then return a positive balance equivalent to 45 days of expenditures by the end 2020. Beyond 2020, the undesignated fund balance revenues from this portion of the ongoing fee increase could potentially be used to address future fluctuations in inflationary increases in expenses; however, that is yet to be determined.

#### VI. Six percent DOT and DNRP fee increase

Separate from the 20 percent DPER fee increase, a six percent fee increase is also proposed for DOT and DNRP permit fees. These underlying permit fees are for reviews performed by DOT and DNRP staff as required for certain permits, and these fees are not impacted by the DPER fee increase. The proposed six percent increase would fund current inflationary increases in salaries, benefits, supplies, and County overhead charges. This would be a three percent increase annually, which appears to be reasonable. Staff have identified no issues with this proposed fee increase.

#### VII. New CUP fee for agricultural building expansion in APD

Section 19 of the Proposed Ordinance includes a new \$1,883 Conditional Use Permit (CUP) permit fee in K.C.C. 27.10.170 for agricultural building expansions in the Agricultural Production District (APD). This fee was proposed in order to be consistent with related proposed code changes that were included in the Executive's transmitted 2016 update to the King County Comprehensive Plan (KCCP).<sup>6</sup>

The transmitted 2016 KCCP included substantive amendments to the zoning code related to allowed agricultural uses in unincorporated King County. These changes

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<sup>5</sup> Registered plans for basic homes, basic home permits, residential HVAC permits, residential sprinkler permits, and residential tank permits.

<sup>6</sup> Proposed Ordinance 2016-0155

included new standards, and a new permitting evaluation process, for expansion of agricultural buildings in the APD. When reviewing the KCCP transmittal, the Council identified several policy issues with the proposed agricultural zoning code changes. As a result the Transportation, Economy, and Environment (TrEE) Committee Chair's Striking Amendment to the 2016 KCCP<sup>7</sup> removed these zoning code changes and reinstated to the current code provisions. Instead, the Striking Amendment added a new Workplan item<sup>8</sup> that directed an interbranch team to review the agricultural code provisions, address the identified policy issues, perform outreach, draft new proposed code changes, and transmit a new ordinance to the Council by September 30, 2017. The 2016 KCCP, as amended, is scheduled for final action at the full Council on December 5, 2016.

Given the anticipated Workplan item in the KCCP, the Executive has requested that this new permit fee be removed from Proposed Ordinance 2016-0478.

#### VIII. Consolidation of fees

Since moving away from hourly permit fees to final implementation of a new fix fee rate model in 2014, DPER has identified some areas of further refinement of its fixed fees. These refinements include several consolidations of separate, multiple fees for one permit or activity into one single permit fee, such as for fire system fees, inspection fees, building plan review fees, and grading plan review fees. Elimination of obsolete fees is also proposed.

Additionally, the ordinance proposes to more fully implement the restructure and consolidation of residential permit fees for single family residential dwellings that was initially adopted as part of the 2015-2016 Budget in Ordinance 17923. That ordinance created two new sections to consolidate residential permit fees based on the dwelling type, both for new construction and for additions and remodels (K.C.C. 27.10.035 and 27.10.037, respectively). Proposed Ordinance 2016-0478 proposes further refinements to incorporate some additional consolidations, particularly for additions and remodels. The proposed consolidated fee rates are consistent with the aggregates of the current individual fee rates, escalated due to the proposed overall 20 percent rate increase.

Staff analysis of the proposed restructures and consolidations is ongoing.

#### IX. 50 percent fee discount for agricultural buildings and activities

In the current code, there are areas where permit fees are reduced for agricultural buildings and activities, as defined by K.C.C. 27.04.001 and 27.04.002. These current fee reductions include:

- A flat \$294 fee per department staff for pre-application conferences;
- A flat \$98 fee for agricultural building permit applications;
- A flat \$305 fee for code compliance review;
- A flat \$1,569 fee for critical area alteration exceptions with a stewardship plan;
- A flat \$147 fee for flood elevation certificate inspections;
- A flat \$176 base fee plus \$0.20 per square foot of building area added or modified for inspections of agricultural buildings; and

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<sup>7</sup> adopted by the TrEE Committee with a "do pas" recommendation on September 20

<sup>8</sup> Workplan Action 7 in Chapter 12 of the proposed KCCP

- 50 percent discount for site engineering applications, grading or clearing, critical area review, and site development inspections.

The Executive proposes to remove all of the individual agricultural discount fee references and replace them with a new section of Title 27 that states that processing, review, or inspection of applications or permits for agricultural buildings and activities will be given a 50 percent discount of regular fees.<sup>9</sup> It appears that the impact of this change may be minimal for some permit fees, especially for the code sections that currently reference a similar 50 percent discount. However, some of the other sections of the code that currently identify a flat, discounted fee for agricultural permits may result in increased permit fees for agricultural customers. Under current staff analysis, Table 3 outlines anticipated impacts of the proposed changes

**Table 3. Agriculture Permit Discounts**

Fee Name	Code Section	Current Flat Ag Fee	Proposed 50% Ag Fee at Current Rates	Proposed 50% Ag Fee With 20% Increase
Pre-application conferences	27.06.010	\$294, per any department staff	\$294, per DPER staff, \$343 per DOT or DNRP staff	\$353, per DPER staff, \$365.50 per DOT or DNRP staff
Agricultural building permit applications	27.10.020	\$98	Based on building valuation, with base fees ranging from \$10 to \$2,209, plus fee per additional valuation	Based on building valuation, with base fees ranging from \$25 to \$2,700, plus fee per additional valuation
Code compliance review	27.10.060	\$305	\$607.50	\$729
Critical area alteration exceptions with a stewardship plan	27.10.130	\$1,569	\$784.50 base fee, plus \$2,157 per discipline = \$2,941.50	\$941.50 base fee, plus \$2,588.50 per discipline = \$3,530
Flood elevation certificate inspections	27.10.130	\$147	\$147	\$176.50

<sup>9</sup> Section 37 of the Proposed Ordinance

<b>Fee Name</b>	<b>Code Section</b>	<b>Current Flat Ag Fee</b>	<b>Proposed 50% Ag Fee at Current Rates</b>	<b>Proposed 50% Ag Fee With 20% Increase</b>
Inspections of agricultural buildings	27.10.320	\$176 base fee, plus \$0.20 per square foot of building area added or modified	Based on building valuation, with base fees ranging from \$55 to \$3,439, plus fee per additional valuation	Based on building valuation, with base fees ranging from \$75 to \$4,100, plus fee per additional valuation

The Council may wish to consider the fiscal impact of these fee changes on agricultural customers, while also considering DPER's full reliance on permit fees for cost recovery of permit processing.

It is currently unclear if the proposed across-the-board 50 percent agricultural fee discount would now apply to more fees than those presently discounted under the current code. Staff analysis of these proposed changes to the agricultural discounts is ongoing.

### **ATTACHMENTS**

1. Proposed Ordinance 2016-0478
2. Summary of proposed fee changes
3. Fiscal Note

### **INVITED**

1. Dwight Dively, Director, Office of Performance, Strategy and Budget
2. John Starbard, Director, Department of Permitting and Environmental Review