

SUMMARY and FISCAL NOTE*

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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

- 1. Legislation Title:** AN ORDINANCE related to fees and charges for permits and activities of the Seattle Department of Construction and Inspections, related fees by other departments, and technical corrections; amending Sections 22.900B.010, 22.900B.020, 22.900C.010, 22.900D.010, 22.900D.090, 22.900D.100, 22.900D.110, 22.900D.140, 22.900D.160, 22.900E.020, 22.900E.030, 22.900E.040, 22.900E.050, 22.900E.060, 22.900F.010, 22.900G.010, and 22.900G.015 of the Seattle Municipal Code.
- 2. Summary and background of the Legislation:** This legislation revises most of SDCI's fees and charges by the anticipated Consumer Price Index (CPI) adjustments for 2019, or 3% plus rounding adjustments, beginning on January 1, 2019. The majority of SDCI's fees and charges were last revised effective January 1, 2018 on the same basis but using the known City of Seattle's Annual Wage Increase (AWI) for 2018, which was 2.75%. The proposed 2019 fee revisions include inflationary adjustments to fees, with the exception of electrical fees, which are held constant. SDCI has determined that the electrical cost center has a sufficient revenue stream with the existing fee structure. The proposed ordinance revises one table beyond CPI adjustments: Table D-1 for 22.900D.010 – Calculation of the Development Fee Index. The fees in this table generate building development revenue, which represents the majority of SDCI's revenue base and supports services in Permitting and in Inspections, and a subset of services in Land Use. The minimum fee for this table is adjusted by CPI from \$210 to \$216, and marginal rates for projects with valuations of \$1,000,000 and greater are adjusted to reflect the financial outlay of increased staffing levels to address higher permit volumes as well as the full funding of a core staffing reserve. In addition, SDCI proposes to adjust the Land Use Hourly rate from the current \$324 to \$365, which will cascade through other Land Use fees that are based on the hourly rate. Finally, corrections to fees in Table D-16 – Permanent Signs are also included.

SDCI is primarily fee-supported and its fees and charges are necessary to support SDCI's permitting operations. All fees collected by SDCI for processing SDCI's permits are used for that purpose, and the fee structure is reflective of the Seattle Municipal Code requirements to recoup the cost of providing the permitting service. Similarly, other fees are set to recover the costs of certain code enforcement activities.

SDCI's practice over the last many budget cycles has been to present a fee ordinance at the start of every biennial budget to reflect inflationary adjustments and to address any other revisions or structural changes needed to keep up with changes in permit services,

industry standards, City rules and regulations, and other factors. Historically, the Department had implemented fee changes once every two years, and inflationary adjustments have only been applied retroactively and have been tied to authorized Annual Wage Increase (AWI) changes. Rarely have AWI changes for a coming budget year been known at the time the Department submits its budget legislation. As a result, SDCI is usually in the position of having to adopt inflationary changes retroactively, and not able to implement fee adjustments that reflect “real time” operating cost increases. This presents a budget challenge for the Department on a regular basis because SDCI has had to rely on a fund balance to make up the difference. However, starting in 2017, SDCI implemented inflationary adjustments that reflect current AWI and known future changes. The Department plans to continue to update its fees on an annual basis going forward, as warranted and as circumstances allow.

The 2019 inflationary adjustment of 3% is based on the anticipated CPI-U for the Seattle Metropolitan Area for 2019. This is likely a conservative estimate as the CPI-U averaged year-over-year growth of 3% for 2017 and has exceeded 3% for the past four consecutive bi-monthly reports (October 2017-April 2018). Once an agreement is in place for the AWI for 2019-2020, any variance between the inflationary adjustment of 3% and the AWI for 2019 can be incorporated in SDCI’s inflationary adjustment for 2020.

As an Enterprise Fund, SDCI must recover all costs associated with administering development permits through permit fees and charges and we usually adjust permit fees and charges for inflation on an annual basis. However, the Land Use Hourly billable rate was held constant from 2000-2016. In 2016, we began to make corrections to the land use hourly rate, although it has still not caught up to inflation. Specifically, the adjustments to the Land Use hourly were: from \$250 to \$280 in 2016, then raised to \$315 in 2017, and to \$324 in 2018. This legislation proposes raising the Land Use Hourly to \$365 in 2019 (a full adjustment for inflation from the 2000 hourly would put it at \$386). SDCI believes that increasing the Land Use Hourly to \$365 is sufficient to keep a positive fund balance in the Land Use cost enter through the end of the current 6-Year Financial Plan.

Attachment A to this Summary and Fiscal Note, “SDCI Permit Fee and Charges proposed for 2019” provides a summary of all 2018 SDCI fees affected by this proposed ordinance, and proposed changes for 2019. Prior to proposing this legislation, these fees were reviewed to determine whether the cost of providing the service warrants a fee change, if improvements to the fee structure are necessary, or if new fees are required. As indicated above, most fee increases in this proposed ordinance are adjustments based on the anticipated CPI for 2019 (3%).

Additionally, there is a revision to the Department of Neighborhoods’ (DON) historic review fees, increasing the maximum Certificate of Approval fee to \$20,000 for new construction projects. Rehabilitation projects and affordable housing financed at least, in part, by public funds will be exempt from this increase to encourage rehabilitation of existing buildings and to encourage construction of affordable housing. These fees are intended to partially recover the costs of operating the Historic Preservation program in

DON. New construction projects typically require more staff time due to their complexity.

2. CAPITAL IMPROVEMENT PROGRAM

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

3. SUMMARY OF FINANCIAL IMPLICATIONS

a. Does this legislation amend the Adopted Budget? Yes No

Budget program(s) affected:				
	General Fund \$		Other \$	
Appropriation change (\$):	2019	2020	2019	2020
	\$0	\$0	\$0	\$0
	Revenue to General Fund		Revenue to Other Funds	
Estimated revenue change (\$):	2019	2020	2019	2020
	\$114,970	\$117,970	\$4,844,846	\$4,826,744
	No. of Positions		Total FTE Change	
Positions affected:	2019	2020	2019	2020
	0	0	0	0

All of the General Fund revenue increase is due to the Department of Neighborhoods' change to historic review fees. All of the Other Funds revenue increase will be directed to SDCI's Construction and Inspections Fund.

b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
 No.

c. Is there financial cost or other impacts of *not* implementing the legislation?
 Not implementing this legislation as proposed would create a situation where the revenues SDCI collects through fees would not fully align with the cost of providing permitting services and maintaining sufficient reserves for sound financial management. Without the proposed fee increases SDCI would be required to reduce services or programs within the 2019 Proposed Budget and/or not be able to fulfill our financial policies. Such reductions would impact the Department's ability to perform its permitting and enforcement responsibilities and delay service to customers.

3.d. Appropriations

Appropriations Notes:

Appropriations related to this legislation are included in the 2019-2020 Proposed Budget.

3.e. Revenues/Reimbursements

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

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2019 Estimated Revenue	2020 Estimated Revenue
Construction and Inspections Fund (48100)	SDCI	Boiler	\$41,216	\$28,302
Construction and Inspections Fund (48100)	SDCI	Building Development	\$3,540,706	\$3,509,876
Construction and Inspections Fund (48100)	SDCI	Elevator	\$88,241	\$90,888
Construction and Inspections Fund (48100)	SDCI	Land Use	\$1,015,322	\$1,048,962
Construction and Inspections Fund (48100)	SDCI	Noise*	\$5,923	\$6,248
Construction and Inspections Fund (48100)	SDCI	Other Miscellaneous	\$15,724	\$10,561
Construction and Inspections Fund (48100)	SDCI	Refrigeration & Furnace *	\$35,881	\$24,765
Construction and Inspections Fund (48100)	SDCI	Signs *	\$11,123	\$11,457
Construction and Inspections Fund (48100)	SDCI	Site Review & Development	\$90,710	\$95,685
General Fund (00100)	DON	Historic Review Fees	\$114,970	\$117,970
TOTAL			\$4,959,816	\$4,944,714

Revenue/Reimbursement Notes:

* Noise, Refrigeration and Signs were previously included with Other Miscellaneous Revenues prior to 2018; Furnace was previously included with Building Development revenues prior to 2018.

Is this change one-time or ongoing?

Ongoing

4. OTHER IMPLICATIONS

- a. Does this legislation affect any departments besides the originating department?**
Yes, it affects DON as indicated above.
- b. Is a public hearing required for this legislation?**
No.
- c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**
No.
- d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.

e. Does this legislation affect a piece of property?

No.

f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?

This legislation would result in fee and service charge increases for most SDCI customers but does not result in a disproportionate or disparate impact for any customer, including customers from vulnerable or historically disadvantaged communities. While SDCI is making a CPI-based adjustment to the minimum fee in the D-1 table which will impact all projects with fees calculated under the D-1 table, we are not proposing marginal rate fee increases for projects with cost valuations of under \$1,000,000.

g. 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).

This legislation does not include a new initiative or major programmatic expansion.

List attachments/exhibits below:

Summary Attachment A - SDCI Permit Fees and Charges Proposed for 2019