

## **SUMMARY and FISCAL NOTE\***

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>Executive Contact/Phone:</b>
Construction and Inspections	Kris Castleman / 684-5243	Melissa Lawrie / 684-5805

*\* 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**

**Legislation Title:** AN ORDINANCE related to fees and charges for permits and activities of the Seattle Department of Construction and Inspections (SDCI) and related fees by other departments; amending Seattle Municipal Code Chapter 22.900A, Administration and Enforcement; Chapter 22.900B, General Provisions; Chapter 22.900C, Fees for Land Use Review; Chapter 22.900D, Fees for New and Altered Buildings and Equipment; Chapter 22.900E, Fees for Certificates and Registrations; Chapter 22.900F, Compliance and Other Inspections; Chapter 22.900G, Fees Collected for Other Departments; and Chapter 22.900H, Rental Registration and Inspection Ordinance Program Fees.

**Summary and background of the Legislation:** This legislation revises the majority of SDCI's (formerly DPD's) fees and charges. The majority of fees and charges were last revised in 2015. The land use hourly fee was last revised in January of 2016. Before that, SDCI had not made substantial rate changes to the fee ordinance since 2003. The proposed fee revisions include inflationary adjustments to fees, corrections and adjustments to certain permit fees and other charges, creation of new fees and charges, and the restructuring of certain fees, all to cover the costs to the City of processing applications, inspecting and reviewing plans.

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 and the Rental Registration and Inspection Ordinance (RRIO) program.

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 known Consumer Price Index (CPI) 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 has implemented fee changes once every two years, and CPI 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 adopting CPI 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 to rely on a fund balance to make up the difference. However, this year, SDCI is able to implement CPI adjustments that reflect not only AWI changes now effective for 2015-2016 but also AWI changes that will be effective January 1, 2017. SDCI will prepare a budget legislation

for the 2018 mid-biennium budget cycle to allow the Department to implement fee changes reflective of known AWI increases that will go into effect on 1/1/2018 along with any other cost changes known at that time. The Department plans to update its fees on an annual basis going forward, as warranted and circumstances allow.

Attachment A to this Summary and Fiscal Note, “SDCI Permit Fee and Charges Changes from 2016 Adopted Budget to 2017 Proposed” provides a summary of 2016 SDCI fees affected by this proposed ordinance, and proposed changes for 2017. 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. The majority of fee increases in this proposed ordinance are adjustments based on CPI that are retroactive from 2015, and are calculated on AWI increases in 2015, 2016, and 2017. Attachment A details the reason for each proposed fee change.

The proposed ordinance revises two tables beyond CPI adjustments: “Table D-1 for 22.900D.010 – Calculation of the Development Fee Index” and “Table D-14 for 22.900D.150 – Electrical Permit Fees (when plans are reviewed)”. The fees identified in these tables generate building development and electrical permit revenue, respectively, and represent a significant portion of SDCI’s revenue base. The minimum building permit fee in the development fee index (Table D-1) has not changed since 2003. These tables are proposed to be expanded to include a greater number of discrete bands of project valuation upon which to base fees. In addition, the marginal rates applied to each band are updated. SDCI wishes to modernize these tables to reflect the changed mix of project types and to adjust rates for AWI.

The proposed ordinance also includes a new table: “Table D-16 for 22.900D.160 – Permanent Sign Fees” (see Attachment D). This table sets fees for signs based on a graduating scale of square footage and applies a marginally increasing rate to each band of the scale. Currently the fee for a sign permit is charged at a flat rate for the first 100 square feet of the sign display area with an additional charge as the display area increases in size. SDCI has found that this methodology for generating fees is outdated and inadequate for cost recovery for the permitting/review process and field inspections of signs installed in the city.

Finally, the proposed ordinance raises SDCI’s hourly rate for land use review from \$280 to \$315. On January 1, 2016, the City implemented the current \$280 land use hourly fee, raising the fee from \$250/hour, which was set in 2001. Prior to 2001, the land use hourly fee was \$175/hour. SDCI’s Land Use Services program continues to face unprecedented demands related to increasingly complex land use development projects and the application of intricate code changes and other regulatory requirements that are part of SDCI’s work to process applications and review plans. The current fee of \$280/hour does not generate sufficient revenue for SDCI to respond to new service demands or to participate in building reserves for staffing stability and technology. Raising the land use hourly fee to \$315 in 2017 will better reflect the actual costs of review work and will allow the Department to cover current expenses in the Land Use Services program with revenue from the program, rather than relying on the Department’s fund balance.

## **2. CAPITAL IMPROVEMENT PROGRAM**

☐ This legislation creates, funds, or amends a CIP Project.

### 3. SUMMARY OF FINANCIAL IMPLICATIONS

☒ This legislation has direct financial implications

<b>Budget program(s) affected:</b>				
<b>Estimated \$ Appropriation change:</b>	<b>General Fund \$</b>		<b>Other \$</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
<b>Estimated \$ Revenue change:</b>	<b>Revenue to General Fund</b>		<b>Revenue to Other Funds</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
			<b>\$7,331,000</b>	<b>\$7,621,000</b>
<b>Positions affected:</b>	<b>No. of Positions</b>		<b>Total FTE Change</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
<b>Other departments affected:</b>	DON, OPCD			

Revised forecasts show SDCI bringing in record high revenue of approximately \$70.4 million in 2016, not including General Fund or contingent revenues. SDCI and City Budget Office economists project the pace of development will start to decrease in 2017 and 2018. With projected volume and valuation decreases, SDCI is anticipating a base level revenue of approximately \$57.5 million in 2017. The proposed fee increases of approximately \$7.3 million (shown in the table above) lessen the impact of this change. This results in the total revenue projections of \$64.9 million in 2017 and \$61.6 million in 2018 (shown in the table below).

#### 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:

<b>Fund Name and Number</b>	<b>Dept</b>	<b>Revenue Source</b>	<b>2016 Revenue *</b>	<b>2017 Estimated Revenue **</b>	<b>2018 Estimated Revenue ***</b>
Planning and Development Fund (15700)	SDCI	Building Development Fees	\$40,000,000	\$36,092,000	\$33,814,000
Planning and Development Fund (15700)	SDCI	Electrical Fees	\$8,000,000	\$7,822,000	\$7,400,000
Planning and Development Fund (15700)	SDCI	Land Use Fees	\$8,500,000	\$8,213,000	\$7,896,000
Planning and Development Fund (15700)	SDCI	Site Review & Development Fees	\$3,542,000	\$3,896,000	\$3,994,000
Planning and Development Fund (15700)	SDCI	Boiler Fees	\$1,108,000	\$1,219,000	\$1,249,000
Planning and Development Fund (15700)	SDCI	Elevator Fees	\$3,580,000	\$3,741,000	\$3,682,000
Planning and Development Fund (15700)	SDCI	Rental Housing Registration and Inspection (RRIO) Fees	\$2,927,000	\$889,000	\$668,000
Planning and Development Fund (15700)	SDCI	Other Fees and Charges	\$2,793,000	\$2,994,000	\$2,921,000
<b>TOTAL</b>			<b>\$70,450,000</b>	<b>\$64,866,000</b>	<b>\$61,624,000</b>

#### Revenue/Reimbursement Notes:

\* 2016 Revenue is estimated as of 6/1/2016 based on current and projected volumes.

\*\* The total 2017 Estimated Revenue assumes lower projected volumes and value than 2016.

\*\*\* The total 2018 Estimated Revenue assumes lower projected volumes and value than 2017.

### 3.c. Positions

       This legislation adds, changes, or deletes positions.

#### 4. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**

No.

- b) **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 align with the cost of providing permitting services. Without the proposed fee increases SDCI would be required to reduce services or programs within the 2017-2018 Proposed Budget. Such reductions would impact the Department's ability to perform its permitting and enforcement responsibilities and delay service to customers.

- c) **Does this legislation affect any departments besides the originating department?**

No significant impacts to other departments are anticipated.

- d) **Is a public hearing required for this legislation?**

No.

- e) **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**

No.

- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No.

- g) **Does this legislation affect a piece of property?**

No.

- h) **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.

- i) **If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.**

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

- j) **Other Issues:**

None.

**List attachments/exhibits below:**

Summary Attachment A – SDCI Permit Fee and Charges Changes from 2016 Adopted Budget to 2017 Proposed

Summary Attachment B – Comparison of Current and Proposed Table D-1 for 22.900D.010—  
Calculation of Development Fee Index

Summary Attachment C – Comparison of Current and Proposed Table D-14 for 22.900D.150—  
Electrical Permit Fees (when plans are reviewed)

Summary Attachment D – Proposed NEW Table D-16 for 22.900D.160—Permanent Sign Fees