

Budget Deliberations – October 18, 2018

SEATTLE DEPARTMENT OF CONSTRUCTION AND INSPECTIONS (SDCI)

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Budget Summary (\$ in 1,000s)

	2018 Adopted	2019 Proposed	% Change 2018 Adopted to 2019 Proposed	2020 Proposed	% Change 2019 Proposed to 2020 Proposed
Appropriations by BSL					
<i>Government Policy, Safety & Support</i>	\$3,378	\$2,613	(23%)	\$2,640	1%
<i>Compliance</i>	\$8,588	\$8,115	(6%)	\$8,220	1%
<i>Inspections</i>	\$24,035	\$23,991	(0%)	\$24,315	1%
<i>Permit Services</i>	\$26,073	\$26,239	1%	\$26,480	1%
<i>Department Leadership</i>	\$0	\$0	-	\$0	-
<i>Land Use Services</i>	\$19,868	\$19,926	0%	\$20,122	1%
<i>Process Improvements & Technology</i>	\$3,119	\$2,252	(28%)	\$2,263	0%
Total Appropriation	\$85,062	\$83,136	(2%)	\$84,041	1%
Total FTEs	405.3	401.5	(1%)	401.5	0%

Resources					
<i>General Fund</i>	\$6,971	\$6,449	(7%)	\$6,538	1%
<i>REET & CRSU</i>	\$493	\$493	0%	\$492	(0%)
<i>Construction and Inspection Fund</i>					
<i>Permit Fees</i>	\$64,130	\$69,065	8%	\$69,376	0%
<i>Installation and Inspection Fees</i>	\$5,096	\$7,161	41%	\$7,342	3%
<i>Grants and Memorandums of Agreement</i>	\$1,200	\$1,200	0%	\$1,200	0%
<i>Interest</i>	\$343	\$1,176	243%	\$1,176	0%
<i>Other (RRIO, Other)</i>	\$2,628	\$2,916	11%	\$2,784	(5%)
<i>Use of (Contribution To) Fund Balance</i>	\$6,729	(\$5,325)	(179%)	(\$4,866)	(9%)
Total Resources	\$87,590	\$83,136	(5%)	\$84,041	1%

Background:

The Seattle Department of Construction and Inspections' (SDCI) work is concentrated on the physical development of private and public properties. SDCI administers City ordinances that regulate rental housing, building construction, and the use of land; enforcing compliance with those regulations; and provide inspections. This includes implementing and enforcing existing codes and developing new policies and regulations related to environmental protection, land use, construction, and rental housing. SDCI reviews and issues land use and construction-related permits, including Master Use Permits, shoreline development permits, mechanical and electrical system permits, site development permits, and permits related to energy standards.

SDCI's operations are primarily supported by fees necessary to support permitting and inspection work, apart from the Code Compliance Division and the Code Development team within the Government Policy, Safety & Support Division, which are funded primarily by the General Fund.¹ SDCI's 2019 Proposed Budget is \$83.1 million, about \$1.9 million or 2.3 percent lower than the Council's 2018 Adopted Budget. Approximately eight percent of the department's budget is supported by the General Fund.

Budget and staffing additions (all of which are supported by fee revenue) in the 2019 Proposed Budget include:

- **Enhanced Quality Management for Permit Review and Inspections - \$459,200 (3 FTEs)**
The quality management team will be tasked with identifying and implementing ongoing improvements to building permit reviews, land use reviews, and inspection services. The team will identify the cause of technical or process problems and facilitate resolution through audits, training, and process improvement. This action makes two positions set to sunset at the end of 2018 ongoing and adds a third position to the team.
- **Budget Authority for Credit Card Fees - \$875,000**
Historically, SDCI has absorbed credit card transaction fees using existing appropriation authority. Credit card fees have increased 63 percent since 2014, making it increasingly difficult for the department to absorb the costs within existing budget authority. The Proposed Budget uses permit fees to provide a direct allocation for the credit card fees.

Issue Identification:

1. Code Development Program Staffing

The Code Development Program develops and updates the Land Use Code and other related codes to help ensure that development conforms to the goals and policies of the Comprehensive Plan, new development trends, Executive and Council priorities, and new state and federal regulations. The Code Development Program in SDCI is funded by the General Fund.

In 2017, the Council adopted [GS 139-1-A-1](#) to make a sunset position ongoing in Code Development to provide adequate staff resources for SDCI to carry out priority projects the Council has identified. In addition, Council adopted [GS 139-2-B-2](#) in 2017 to add a 0.5 FTE term

¹ [Resolution 29502 governs how SDCI sets regulatory fees](#). The resolution resulted from a 1996 program and funding study of the, then, Department of Construction and Land Use.

limited position in the Code Development group to develop an enhanced Vacant Building Monitoring Program; that position sunsets at the end of 2018. Together this resulted in 5.5 FTEs on the Code Development team in 2018. The Mayor's proposed 2019-2020 budget includes 5.0 FTEs in Code Development.

The proposed 2019 Code Development work program contains work that is estimated to require 7.0 FTEs, suggesting that SDCI will not have sufficient staff to carry out all projects, including priority projects that the Council has identified. This includes work to update requirements for: tree regulations, alleys in the West Edge, 2030 Challenge High Performance Existing Building Pilot Program, and requirements for solid waste storage areas.

Options:

- A. Request that Council-identified projects are prioritized in 2019. This could include a request for regular reporting to the Chair of the Planning, Land Use, and Zoning Committee about the status of the work program and discussion about prioritization.
- B. Place a proviso on some portion of the resources proposed to support staff on the Code Development team to restrict that resource for code development work identified by Council as a priority.
- C. Add \$130,000 GF in 2019 and \$131,000 in 2020 (GF-ongoing) to the SDCI Government Policy, Safety & Support Budget Service Level for one FTE Senior Planning and Development Specialist position and require (or place a proviso) to ensure that there are available staff resources to carry out Council-identified priorities and provide support for environmental review of Council-initiated land use legislation.
- D. No action.

2. Permit Review Times

SDCI has established goals for permit review times that are tracked and reported on regularly. The goals focus primarily on the initial plan review time and vary by the type and complexity of the permit.² SDCI has not met most performance goals since the end of 2016 when the volume of permit applications increased significantly. Broadly speaking, SDCI is performing well against some measures (permits for smaller projects) and less well against others (permits for more complex permits).

SDCI is regularly looking at opportunities to improve review times. Below is a description of steps currently being taken to improve permit turnaround times:

Ongoing Monitoring: The department runs weekly reports to understand permit volumes and production output and, when issues are identified, will add staffing capacity through use of overtime, hiring temporary staff, and identifying opportunities to add positions.

² See http://www.seattle.gov/dpd/cs/groups/pan/@pan/documents/web_informational/dpds022047.pdf for the most recent report on SDCI's performance measures. Note that due to implementation of the new permitting software, the numbers for 2018 have not been updated since April 2018.

Hiring & Position Authority:

- *Ongoing hiring:* SDCI is current advertising for a handful of positions within Land Use Services, the Zoning Review team and the Development Site team. Once trained, these additional staff should improve review times for both zoning reviews and addressing reviews.
- *New Positions:* In 2016, two term-limited positions were added to improve consistency and reliability of plan review and inspections services; those positions are scheduled to sunset at the end of 2018. The proposed budget makes these positions ongoing and adds a third position. These positions focus on improving review processes in SDCI. All three positions are supported by permit fees.
- *Extending sunset position:* SDCI has 21 term-limited positions (all supported by fees) that were added in 2015 and 2016 to keep up with demand, and to have adequate resources to devote to quality control and process improvements. Those positions are scheduled to expire at the end of 2018. The proposed budget extends the sunset date for these positions to 2020.

Process Improvements: There are two process improvements forthcoming to Accela: (1) automating some of the steps involved in application intake and permit issuance; and (2) piloting the ability to streamline the corrections process to allow the plan reviewer and applicant to collaborate on the plans remotely, to make all necessary corrections, and to reduce time lost for resubmitting plans.

Evaluation: SDCI is in the process of revising reporting on permit review times to go beyond just looking at the initial plan review turnaround, which has been the primary performance metric for the last 20 years. Total throughput time for applications may be used as a new metric. The new permitting system will allow the department to gather more detailed information about the overall process and develop solutions to address bottlenecks more effectively and proactively.

While there are steps being taken to improve services, there are also positions proposed for elimination in the Proposed Budget that may work against other actions to improve review times. As part of the Mayor's initiative in the proposed budget to improve efficiencies across City agencies, the Mayor would eliminate five positions in SDCI that are fully supported by fees (overall the Mayor's proposed budget would abrogate approximately 156 positions citywide over the 2019-2020 biennium). Three of these positions are Administrative Specialist IIs, one is a Permit Specialist I, and one is a Permit Process Leader. While abrogating those positions does reduce SDCI's proposed expenditures overall, it is unclear that eliminating these positions meets the Mayor's goal to improve budget efficiencies. The positions are supported by permit fee revenue, and the elimination of the positions diminishes the department's ability to fill positions to address increased workloads.

As SDCI continues to address challenges with implementation of the new permitting software, additional administrative staff could be hired to increase capacity and shorten throughput time in Permit Services and Inspections by supporting some of the administrative functions associated with permit processing. Further, from a race and social justice lens, these entry-level administrative jobs within SDCI have historically provided a point of entry to City employment for women and persons of color and a career path for new hires by providing training and/or education to support internal promotions.

Options:

- A. Restore the position authority and the corresponding budget authority for the five positions that would be eliminated in the Mayor’s proposed budget.
- B. Convert positions currently proposed to sunset in 2020 to permanent, ongoing positions.
- C. Request that the SDCI Director reports to the Chair of the PLUZ committee quarterly on permit review times to create greater transparency and accountability.
- D. Some combination of options A, B and C.
- E. No action.

3. Tree Protection Staffing

The Proposed Budget reallocates existing budget authority from the Government Policy, Safety & Support Program to the Land Use Services Program to support tree protection staffing. Currently, one full-time Land Use Planner, trained as an arborist, is working out-of-class to review tree removal applications and applications for new development that include the removal of trees. With the proposed change, SDCI will fill an Environmental Analyst Senior position to perform this work and the Land Use Planner will return to zoning work.

This proposed shift does not increase staff resources dedicated to tree reviews. Recently, SDCI reported that tree reviews have been consistently running eight weeks behind. Further, as Council began discussions on changes to the City’s tree protection ordinance this fall, Councilmembers heard concerns about how existing tree regulations have been implemented. Councilmembers may want to consider adding additional staff to cover the current body of work and to improve service levels.

Options:

- A. Add \$101,000 (2019) and \$136,000 (2020) to the SDCI Land Use Services BSL for 1 FTE Senior Environmental Analyst to increase staffing for tree reviews.
- B. No action.

4. Renting in Seattle & Contracts for Tenant Services

Renting in Seattle:

In the 2017 and 2018 Adopted Budgets, Council provided resources to launch a Tenant Landlord Resource Center (rebranded as Renting in Seattle). Resources provided in 2017 and 2018 have been used to:

- Establish and staff a single point of entry for renters and landlords seeking information through a soon to be launched dedicated phone-line and Renting in Seattle website (the webpage is nearing completion, and is expected to be fully launched in early 2019);
- Develop, translate, and maintain new materials such as a renter’s handbook;

- Work with community liaisons from the Department of Neighborhoods (DON) on outreach, including interpretation services; and
- Hire a regular ongoing Planning & Development Specialist Sr to lead and manage the new work

The proposed budget continues the funding to DON for work on outreach, to develop and translate materials for the program, and for a position that manages the work. Other ongoing resources in SDCI also support this work. This includes five positions in the Property Owner and Tenant Assistance (POTA) group, focused entirely on tenant assistance; three housing/zoning technicians who staff the phone lines and respond to online and email questions and complaints for the full range of code compliance issues such as unpermitted construction, housing and zoning complaints, RRIO, and tenant and landlord issues; and 12 inspectors and two supervisors who follow-up on complaints and ongoing cases. Inspectors respond to a broad range of housing and zoning complaints and are not solely focused on tenant and landlord assistance.

SDCI is seeing increases in the number of calls and complaints from tenants and expects to see this continue, especially after the new website and single phone line for tenant questions goes live (in 2017, for example, the POTA group had 7,521 contacts, about a 58% increase from the year prior). SDCI has identified a likely need for ongoing staffing to support increased calls expected when the Renting in Seattle phone line is activated.

Contracts for Tenant Services

[Note: funding and the contracts for tenant services are managed through the Human Services Department (HSD). However, due to the related nature of these issues, it is discussed here.]

In addition to the demand for tenant and landlord support services likely to stem from the full launch of the Renting in Seattle website and phone line, contracts with nonprofit organizations to provide education and advocacy services to tenants also generate demand. In 2018, HSD contracted with three organizations to provide tenant services for a total amount of \$614,875 (GF); HSD anticipates funding the same organizations at the same level in 2019. Of the \$614,000 provided in 2018, \$200,000 was added by the Council to expand the contracts to include working with community organizations with extensive experience in direct door-to-door outreach and engagement in neighborhoods with low-income renters and communities of color. However, the contracts were not modified to include these services and no new organizations were included.

In addition to adding resources in 2018, Council requested that HSD and SDCI report on the services contracted for in 2018, the performance measures included in those contracts, and provide recommendations for the management and allocation of funding for these services in 2019.

The report indicates that there continues to be high demand for tenant services and that contracts for services were not rebid or modified to include direct outreach to tenants in 2018. The Executive has not decided if the contracts will be rebid in 2019. Finally, the question of how these contracts should be managed remains unanswered (i.e., whether resources to contract with nonprofits for these services should remain in HSD or be managed by SDCI). If the responsibility for

managing these contracts is shifted to SDCI, additional staffing may be needed within SDCI to manage that work.

Options:

- A. Add phone line staffing (1.0 FTE Senior Housing/Zoning Technician, \$72,550 GF (2019), \$96,200 GF (2020)).
- B. Redirect a portion of the funding proposed in HSD’s budget for contracts for tenant’s services to SDCI to support additional phone line staffing for Renting in Seattle.
- C. Place a proviso on funding for tenant services in HSD’s budget. The proviso would be lifted when HSD either: (1) issues an RFP to rebid the contracts to include direct tenant outreach and files a copy of that RFP with the City Clerk; or (2) if issuing an RFP in 2019 is not feasible, modifies existing contracts to include direct tenant outreach and files a copy of the modified contracts with the City Clerk.
- D. Redirect some or all the funds for tenant services from HSD to SDCI.
- E. Some combination of A, B, C, and D.
- F. No action.

Budget Legislation

1. SDCI Fee Legislation

Accompanying the budget, the Mayor transmitted a bill that would adjust most fees and charges for regulatory services provided by SDCI. Most fees are proposed to be increased to implement inflationary adjustments (three percent) and reflect anticipated annual wage increases that will be effective January 1, 2019, when the fee legislation would go into effect. Additionally, an increase to the land use hourly rate is proposed, from \$324 to \$365. The land use hourly rate was not increased from 2000 to 2015; beginning in 2016 it has been undergoing a series of increases to catch up to what the rate would be if it had undergone regular Consumer Price Index (CPI) adjustments. The 2019 proposed amount remains under what the fully CPI-adjusted level from 2000 would be (a full adjustment for inflation from the 2000 hourly would put it at \$386). Finally, the proposed fee ordinance includes calculation corrections.

The fee adjustments proposed by this legislation will result in an estimated net increase in SDCI’s 2019 fee-based revenue of \$4.8 million, equivalent to approximately six percent of projected fee revenue. Fee revenues are designed to cover the costs of SDCI’s permitting, inspection and enforcement functions and are used for those activities.

2. Rental Registration and Inspection Ordinance Fee Legislation

The Mayor also transmitted a bill that would restructure the Rental Registration and Inspection Ordinance (RRIO) program, including changes to the RRIO fee structure. The City established the RRIO program in late 2012 to help ensure rental housing in Seattle is safe and meets basic maintenance standards. RRIO requires rental properties to register with the City, pay a registration fee, and submit to periodic inspections as a condition of their registration.

In 2017, the City Council adopted [Ordinance 118974](#) that made changes to the RRIO and the Housing Building Maintenance Code. In that legislation, Council asked SDCI to prepare recommendations to adjust the RRIO registration and inspection fees before the first RRIO registration renewals set to begin in 2019 to ensure that the fees cover the cost of administering the RRIO program. In addition, Council requested that SDCI evaluate if there are any imbalances in the current or proposed fee structure for small landlords and adjust any identified inequalities. The proposed bill to restructure the RRIO program and update registration and inspection fees responds to that request.

The first RRIO program registrations are due for renewal beginning in 2019. The proposed legislation is the first time that core RRIO fees will be revisited since fees were first collected in 2014. The proposal would shorten the renewal cycle from five to two years. Moving from the current five-year property registration and renewal cycle to a two-year cycle would make it easier for SDCI to administer and save on long-term costs. In addition, property registration fees will be reduced while unit fees for renewals are increased to account for the extra work required for multi-unit properties, such as the multi-unit auditing requirements added in 2017. The legislation does not increase the annual registration cost to a single unit property owner because the property base fee covers the work related to single-unit properties. Table 1 below illustrates the existing and proposed RRIO registration fees. Table 2 compares the annual and monthly fees between the existing and proposed RRIO fee structure for three property types.

Table 1: Existing and Proposed RRIO Registration Fees

	Existing 5-year Registration Fee		Proposed 2-year Registration Fee	
	Full Cost	Annual Cost	Full Cost	Annual Cost
Property	\$175	\$35	\$70	\$35
Additional Cost Per Unit	\$2	\$0.40	\$15	\$7.50

Table 2: Comparison of Registration Fees

# of Units	Existing 5-year Registration Fee		Proposed 2-year Registration Fee	
	Annual	Monthly	Annual	Monthly
1 (Single-family)	\$35.00	\$2.92	\$35.00	\$2.92
10-unit building	\$36.60	\$3.22	\$102.50	\$8.54
100-unit building	\$74.60	\$6.22	\$777.50	\$64.79

In addition to updating registration and inspection fees, the proposed legislation would:

- Establish a new private inspection submittal fee to capture the cost of processing inspections performed by private inspectors;
- Add a late inspection fee and increases the late registration/renewal fee to recoup extra costs associated with late submittals and to provide a disincentive for late submittals; and

- Adjust other fees to better reflect the cost of performing the work.

If the RRIO fees are not adjusted the RRIO program will not achieve cost recovery.

Budget Actions Proposed by Councilmembers as of October 10, 2018:

- 1. Statement of Legislative Intent (SLI) to develop new tools to support tenants facing eviction (Councilmember Herbold & Councilmember O'Brien)** – This proposal is for a SLI requesting that SDCI research and recommend ways, both within SDCI and external to SDCI (either internal to the City or in a court proceeding), that renters can have habitability issues addressed on a faster timeline. The response should include strategies or new mechanisms on how to speed up this process generally, and for an emergency-type system or proceeding to have issues resolved when a notice of eviction is filed. In addition, the response should address staffing and other resources that would be necessary to stand up each of these strategies.
- 2. Proviso resources for tenant services (Councilmember O'Brien)** – This proposal would place a proviso on resources proposed in HSD's budget for contracts with nonprofit organizations to ensure that contracts are rebid or modified to include proactive tenant outreach including door-to-door outreach and engagement in focused on reaching low-income renters, LGBTQ renters, and communities of color. In addition, this request could redirect those resources to SDCI to better align with existing tenant resources. (See discussion of item 4 in the issue identification section for more details.)
- 3. Add \$700,000 (GF) to SDCI's budget for tenant outreach and legal services (Councilmember Sawant)** – This proposal would add \$700,000 of GF to SDCI's budget to contract with organizations, like the Housing Justice Project, that provide outreach and legal services to tenants. \$500,000 is proposed to support six tenant rights attorneys for eviction defense legal support to renters facing eviction. \$200,000 is proposed for contracts with community organizations with extensive experience in direct door-to-door outreach and engagement in neighborhoods with low-income renters and communities of color, such as the Washington Community Action Network. The outreach work would focus on educating tenants of their rights and informing them of available legal services.
- 4. Amend vacant building fines and fees to fund an enhanced Vacant Building Monitoring Program (Councilmember Herbold)** – Since 2013 complaints related to vacant buildings have increased by 64 percent. The proposal would provide resources in SDCI for the Code Compliance division to enhance the existing Vacant Building Monitoring Program. The Vacant Building Monitoring Program is a program authorized under the Housing and Building Maintenance Code whereby hazardous and nuisance vacant properties are regularly inspected and abated. Changes to the program would include amending the Seattle Municipal Code and implementing regulations to establish triggering events for enrollment or registration in the

program, strengthening minimum standards for vacant buildings, establishing a fee to cover the cost of the program, and penalties for ongoing failure to correct violations, while minimizing costs to owners when buildings are well maintained. Staff will identify the resources needed to implement an enhanced program in 2019; moving forward the program would be supported by program fees.