



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5993
December 7, 2021
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 5993: Updating the 2022 Development and Construction Fee Schedule and the 2022 Building Valuation Data - Resolution No. 1614	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed:
RECOMMENDED ACTION:	Approve Resolution No. 1614	<input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Interim Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1 Resolution No. 1614 including: Attachment A: 2022 Development and Construction Fee Schedule Attachment B: 2022 Building Valuation Data Table
CITY COUNCIL PRIORITY:	2. Articulate, confirm, and communicate a vision for effective and efficient city services. Stabilize the organization, optimize resources, and develop a long-term plan for fiscal sustainability.

AMOUNT OF EXPENDITURE \$ n/a

AMOUNT BUDGETED \$ n/a

APPROPRIATION REQUIRED \$ n/a

SUMMARY

The purpose of this agenda bill is to update the Development and Construction Fee Schedule including the Building Permit Calculation Table as well as Building Valuation Data Table for 2022, which are included in Resolution No. 1614 (Exhibit 1) and will take effect January 1, 2022. Cost recovery targets will remain consistent with those adopted in 2019. All fees and valuations are proposed to increase by 3.3% in 2022 to reflect an annual cost of services increase. Additionally, some modest changes from 2021 are proposed for 2022 to the basis for determining fees for planning services as further explained in the narrative below.

COST RECOVERY TARGETS

Since 2016, the City has studied and attempted to align cost recovery targets for development permits and services with desired policy and budgetary objectives. The following cost recovery targets were established in 2020:

- Building permits and services 95%;
- Planning permits and services 90%; and
- Engineering permits and services 90%.

The City has continued to study and adjust the fees for development and construction permits to align with these cost recovery targets, particularly for planning permits and services, for which there have been a series of incremental fee increases over a number of years. The last fee adjustment went into effect in January 2021 with approval of [Resolution No. 1593](#).

ANNUAL COST OF SERVICES INCREASE

The Development and Construction Fee Schedule including the Building Permit Calculation Table as well as Building Valuation Data Table set forth in Resolution No. 1614 shall be adjusted annually where appropriate, beginning January 1 of the upcoming year, based on the first half Seattle-Tacoma-Bellevue CPI-W for the current fiscal year. For 2022, the CPI-W has been determined to be 3.3% for which all fees and valuations in Exhibit 1, attachments A and C are proposed to be adjusted by.

OTHER CHANGES FOR 2022

Time Tracking and Hourly Billing

The COVID-19 Pandemic (“Pandemic”) and resulting 2020 budget reductions, highlighted that the total amount of permit revenue being collected was insufficient to support the cost of providing the services at the established and subsequently adjusted levels of service. In the past, General Fund contributions to the Community Planning and Development Department (“CPD”) budget have covered costs for non-permit related activities such as updating plans and regulations, as well as for permit-related costs that are not covered by fees.

While non-permit related activities must remain General Fund supported, the Pandemic has emphasized the need to make development and construction permitting and inspection services self-supporting to reduce CPD’s reliance on the General Fund.

An updated permit fee study will need to be conducted, tentatively planned for 2024, to measure cost recovery performance but is not recommended at this time to allow the City to continue to build a strong data set of project and permit-specific time tracking data. City Council will recall after “beta testing” time tracking using CPD’s permit tracking database (TRAKiT) in late 2020, the City officially commenced this effort to correlate with the implementation of the 2021 Development and Construction Fee Schedule.

Overall, this change in methodology to time tracking was successful in 2021. However, in analyzing compiled time tracking data, it was found the processing cost of some permit types for planning services were significantly variable (higher or lower) than the deposit amounts established in the 2021 Development and Construction Fee Schedule. To some degree this finding was expected, given the City’s lack of any recent effort to accurately track time related to development permit processing. One resulting impact identified from this variance where processing cost was significantly lower than the deposit amount is the issuance of a significant number of refunds.

To reduce the amount of variability occurring and to curb this impact in 2022, two notable changes are proposed in the Development and Construction Fee Schedule followed by an example to demonstrate these changes for 2022:

1. Where data supported, adjust the fee amounts being collected at permit submittal to align more closely with the real cost of processing; and

2. Move away from the time-based fee amounts being a deposit to instead being a minimum fee. Refunds will not be issued for such fee amounts, but the hourly staff rate would apply if the time tracked for a permit exceeds the minimum fee.

Example – Shoreline Exemptions

One of the most common permit types for planning services, the 2021 deposit amount for shoreline exemptions was set at \$2,905, equivalent to 20 hours of staff time. Like most other fees for planning services in 2021, the deposit amounts were derived from the generally flat fee schedule in 2020. Through time tracking in 2021, it was demonstrated shoreline exemptions actually took approximately 6 hours of staff time. Therefore, a corresponding adjustment is proposed for 2022 to reduce the 2021 deposit amount from \$2,905 (20 hours) to a minimum fee amount of \$900 (6 hours). Any staff time spent above 6 hours will be compiled and billed to the customer at the 2022 hourly rate of \$150.02 and paid to the City prior to permit issuance.

New Fee Categories

In addition to the aforementioned changes to respond to the finding of the processing cost of some permit types for planning services being significantly variable (higher or lower) than the deposit amounts established in the 2021 Development and Construction Fee Schedule, a few of new 2022 fee categories are proposed:

1. Pre-Application Meetings: In 2021, there was only one category of pre-application meeting requiring a 5-hour deposit amount. To better meet a wide variety of customer needs, three categories are proposed for 2022 as follows:
 - Planner Meeting – billed to actual time in 0.5-hour increments
 - Type I Pre-Application Meeting – 6 hours minimum
 - Type II Pre-Application Meeting – 12 hours minimum
2. Design Review – Signage (Code Official): In the absence of this category in 2021, the design review of signage by the Code Official required a 25-hour deposit amount under a generic Design Review category. Through time tracking, it was demonstrated these reviews took approximately 2 hours of staff time. Therefore, a new category is warranted and proposed for 2022.
3. Deviation to Antenna Standards (Code Official): Similar to the previous item, the review of a deviation to antenna standards by the Code Official required a 25-hour deposit under a more robust Design Commission category. Through time tracking, it was demonstrated these reviews took approximately 10 hours of staff time. Therefore, a new category is warranted and proposed for 2022.
4. Impact Fees: These are not new fee categories; however, impact fees are proposed to be incorporated into the Development and Construction Fee Schedule for the first time since their inception. While the methodologies for updating parks and transportation impact fees are codified in the Mercer Island Municipal Code, the means for conveyance has been done informally on the City's website. By incorporating these into the annual Development and Construction Fee Schedule, the updates to the impact fee rates can be formally recognized by City Council and officially conveyed to the public.

NEXT STEPS

The City Council will be asked to approve Resolution No. 1614 to update the 2022 Development and Construction Fee Schedule and the 2022 Building Valuation Data Table effective January 1, 2022.

RECOMMENDATION

Approve Resolution No. 1614 to update the 2022 Development and Construction Fee Schedule and the 2022 Building Valuation Data Table effective January 1, 2022.