



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 5636
December 3, 2019
Consent Calendar**

AGENDA BILL INFORMATION

TITLE:	AB 5636: CPD Development and Construction Permit Fees Update (Resolution No. 1567)	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Approve Resolution No. 1567 to update Development and Construction Permit Fees.	<input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution

DEPARTMENT:	Community Planning and Development	
STAFF:	Alison Van Gorp, Deputy Director	
COUNCIL LIAISON:	n/a	
EXHIBITS:	1. FCS Group Fee Study 2. Resolution No. 1567 including: Attachment A: Updated Fee Schedule Attachment B: Building Valuation Table Attachment C: Building Permit Calculation Table	
CITY COUNCIL PRIORITY:	1. Implement a Fiscal Sustainability Plan	

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

The City typically raises permit fees annually to adjust for increases in the cost of providing services due to increased personnel costs. This year, while there is a cost of living increase of 1.9% to staff salaries/wages, other expenditure reductions (i.e. elimination of the pay for performance program) are resulting in a net neutral impact on cost of services. Thus, no across-the-board increase is recommended for the development and construction permit fees. However, staff are recommending an increase to the cost recovery targets for some services, as well as the resultant increases in the fees for those services. In addition, there are a few fees that are changing/being added in response to code amendments adopted over the last year. Resolution No. 1567 adopts these new fees, effective January 1, 2020 (Exhibit 2).

COST RECOVERY TARGETS

In May 2016, the City Council increased the target cost recovery levels for Planning and Engineering Services to 80% and directed staff to hire a consultant to conduct a development fee study in 2018, looking at cost recovery levels in 2017 and focusing particularly on the City’s planning fees (see AB 5173). No change was made to the target cost recovery level for Building Services, which remains 95%.

In 2018, the City contracted with FCS Group to perform an analysis of cost recovery for Community Planning and Development (Exhibit 1). The analysis included an in-depth look at the cost of service for Planning Services. At the time of the analysis, both Building and Engineering were recovering costs above the targeted level. Planning Services was recovering costs well below the target, and in November 2018 City Council approved a fee adjustment to increase Planning fees to achieve the targeted recovery level of 80% (see AB 5500). Fees for Appeals, Accessory Dwelling Units, and Code Interpretation Requests were not increased as these services all have significant public benefits.

In April 2019, Management Partners, the City’s fiscal sustainability consultant, recommended further increases to development and construction fees to get closer to full cost recovery for fee-based services. Based on this recommendation, staff now recommend further raising the targeted fee recovery levels as follows:

Building Services	95%
Engineering Services	80% 90%
Planning Services	80% 90%

To achieve the new 90% target level, staff are also recommending another increase to the Planning Services fees (see Exhibit 2, Attachment A). When the FCS Group conducted the fee study last year, Engineering Services was already recovering costs above the 90% level, so an increase in Engineering fees is not recommended at this time.

OTHER UPDATES

In addition to the increases to Planning Services fees to reflect the new cost recovery target, a few fees have been changed or added in response to code amendments over the last year. Included in these fee updates are the following changes (see Exhibit 2a for details):

- SEPA – consolidating Major and minor categories into a single fee for SEPA reviews
- Critical areas determination removed, replaced with critical area review type 1 and critical area review type 2
- Wireless – Small cells – new fee added

Right of way permit fees have also been adjusted to more closely align with the hourly rate and to allow for additional charges for large projects that exceed the base rate. Finally, the fee schedule is being updated to include fire and over the counter review fees. These existing fees have not been consistently included in the adopted fee schedule; adding them will provide more transparency. The fee schedule also includes the Building Valuation Table and Building Permit Calculation Table, which are used to determine most building permit fees (Exhibit 2, Attachments B and C).

NEXT STEPS

Staff recommend conducting another fee study in 2021 (based on data collected in 2020) to check whether costs recovery levels are on target and fees are accurately representing the cost of providing services.

RECOMMENDATION

Approve Resolution No. 1567 adopting new development and construction permit fees effective January 1, 2020.