

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Ordinance regarding development services under the Bellevue City Code; fees for applications requiring construction, land use, fire, survey, sign, transportation, utility, and clearing & grading review and inspection services; and repealing Ordinance No. 6263.

FISCAL IMPACT

Changes are proposed to the consolidated fee ordinance for all development services functions including Building, Land Use, Fire, Transportation, and Utilities plan review and inspection with an effective date of January 1, 2017. The fee changes reflect the results of the annual Cost of Service Study and maintain an appropriate alignment between workload, permit revenues, staffing costs and service levels. The consolidated fee ordinance is included with this memorandum as Attachment A. The proposed adjustments to hourly and building permit fees are provided below.

| Function | Proposed Hourly Rate Adjustments | | | |
|------------------------------------|---|--------------------------|-----------------------------|-----------------------------|
| | 2016 Rate | 2017 Proposed | Revenue Increase | % Change in Rate |
| Land Use review | \$162 | \$167 | \$66,000 | 3.1% |
| Transportation review & inspection | 169 | 175 | 101,000 | 3.6% |
| Fire review & inspection | 148 | 153 | 46,000 | 3.4% |
| Utilities review and inspection | 141 | 147 | 102,000 | 4.3% |
| | | Revenue Increase | \$315,000 | |

The following adjustments are proposed to **building permit fees** that are based on the value of construction:

- Adopt the updated the building valuation data (BVD) table published by the International Code Council (ICC) to reflect the change in construction valuation from August 2015 to August 2016. *Values derived from the BVD tables are used to determine building permit fees for new buildings.*
- Adjust the BVD table using the Washington State modifier of 1.14, which remained constant from July, 2015 to July, 2016 as published by Marshall & Swift.
- Adjust building review and inspection fees, including permits for electrical, mechanical, and plumbing systems, by CPI-W (2.0%).

In addition to the adjustments in fees, as part of the annual fee analysis process, staff review the consolidated fee ordinance and make adjustments to ensure the current provisions are still

applicable and that changes in business practices are reflected. Fee adjustments are also proposed to reflect the results of the annual fee analysis which sets the flat fees based on the average number of review /inspection hours to complete the permit. In total the proposed changes would generate an estimated \$455,000 increase in Development Services revenue in 2017. Refer to Attachment B – Summary of Proposed Changes to the Development Services Consolidated Fee Ordinance No. 6263 for a summary of proposed adjustments.

STAFF CONTACTS

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Development Services Department

POLICY CONSIDERATION

City policy: The City Council has set cost recovery principles for development services. The proposed changes to the City's fee ordinance achieve alignment between the cost to deliver services and fees charged, guided by cost recovery and financial management policy direction.

State Law: RCW 19.27.100 allows cities to charge fees for development services provided by the City.

BACKGROUND/ANALYSIS

On November 14, 2016, staff presented to Council the proposed 2017 fee adjustments as part of the 2017-2018 budget discussion. The proposed adjustment to Development Services fees would be effective January 1, 2017 and maintain alignment with Council policy and the financial model created to sustain adequate financial and staffing resources to meet demand through development cycles.

Development Services Financial Policies

In 2003, Council endorsed a set of fiscal principles and a new rate management model for development services hourly fees for Land Use, Transportation, Utilities and Fire. Under this model, the cost recovery targets were set based on the type of service being provided, not based on the department providing the service. Overall these policy changes significantly simplified the City's development services rate model, made it easier to administer, and more predictable for the client. This has enabled the City to provide consistent, high quality services that the development community has requested and has been willing to pay for.

Financial Management Guiding Principles

The financial management guiding principles continue to serve as the cornerstone of how the Development Services fees are established and managed. The guiding principles are:

- Fees should be regionally competitive and provide for fast, predictable, high-quality services.
- Permit applicants should pay for the direct services that they receive, adjusted to account for broader community benefits.
- Fiscal management should be development-services wide, not department by department.
- The funding structure should support the management of development services as a line of business, through economic cycles and fluctuations in work-load.
- Fees should be predictable and understandable to the customer.

- The fee system should be efficient and cost-effective to manage.

Cost Recovery Objectives

Setting cost recovery objectives based on the type of service being delivered provides a more understandable and consistent approach for setting fees, with common objectives across departments and functions, and is consistent with the “One-City” philosophy. It also resulted in a model that it is simpler and easier to maintain and update. The cost recovery targets established by the Council are as follows:

| Type of Service | Cost | |
|---|----------|--|
| | Recovery | |
| | Target | |
| Policy Development & Public Information | 0% | (100% General Fund/Utilities Fund supported) |
| Land Use Discretionary Review | 50% | (50% General Fund supported/50% fee supported) |
| Engineering Review & Inspection | 100% | (100% fee supported) |
| Technical/Administrative Support | 100% | (100% fee supported) |

The proposed fee adjustments reflect the results of the annual Cost of Service Study, maintain alignment with cost recovery targets, and are responsive to established Financial Management Guiding Principles.

EFFECTIVE DATE

If approved, this Ordinance becomes effective on January 1, 2017.

OPTIONS

1. Adopt Ordinance regarding development services under the Bellevue City Code; fees for applications requiring construction, land use, fire, survey, sign, transportation, utility, and clearing & grading review and inspection services; and repealing Ordinance No. 6263.

1. Provide alternative direction to staff.

RECOMMENDATION

Option 1.

MOTION

Adopt Ordinance No. 6328 regarding development services under the Bellevue City Code; fees for applications requiring construction, land use, fire, survey, sign, transportation, utility, and clearing & grading review and inspection services; and repealing Ordinance No. 6263.

ATTACHMENT

A. Summary of proposed changes to the Development Services Consolidated Fee Ordinance No. 6263.

B. Proposed Ordinance No. 6328

AVAILABLE IN THE COUNCIL DOCUMENT LIBRARY

N/A