	City Council Study Session Finance, Technology and Economic Development Special Focus Area **September 28, 2020 - 5:30 PM** **Virtual** **AGENDA** **Watch the meeting LIVE!** **Watch the meeting video** Meeting videos are not available until 72 hours after the meeting has concluded.

I. CALL TO ORDER

II. VIRTUAL PARTICIPATION LINK

A. Virtual Participation Link

The Auburn City Council Study Session Meeting scheduled for Monday, September 28, 2020 at 5:30 p.m. will be held virtually and telephonically. To attend the meeting virtually please click the link or enter the meeting ID into the Zoom app or call into the meeting at the phone number listed below.

Per the Governor's Emergency Proclamation 20-28, the City of Auburn is prohibited from holding an in-person meeting at this time.

City of Auburn Resolution No. 5533, designates City of Auburn meeting locations for all Council, Board and Commission meetings as virtual. All meetings will be held virtually and telephonically until King County enters into Phase 3 of Governor Inslee's Safe Start — Washington's Phased Reopening plan.

The link to the Virtual Meeting or phone number to listen to the Council Meeting is:

Join from a PC, Mac, iPad, iPhone or Android device:

Please click this URL to join. https://zoom.us/j/94029552868

Or join by phone:
253 215 8782
877 853 5257 (Toll Free)

Webinar ID: 940 2955 2868

B. Roll Call

III. AGENDA MODIFICATION

IV. FINANCE, TECHNOLOGY AND ECONOMIC DEVELOPMENT DISCUSSION ITEMS

A. Cost Recovery Policy for Development Fees (Tate, Gaub, Thomas)

An overview of a Cost Recovery Policy related to development fees that guides the permit and application fees associated with land use, building and civil fees

V. OTHER DISCUSSION ITEMS

VI. NEW BUSINESS

VII. ADJOURNMENT

Agendas and minutes are available to the public at the City Clerk's Office, on the City website (http://www.auburnwa.gov), and via e-mail. Complete agenda packets are available for review at the City Clerk's Office.

CITY OF AUBURN WASHINGTON

AGENDA BILL APPROVAL FORM

Agenda Subject:
Cost Recovery Policy for Development Fees (Tate, Gaub, Thomas)

Date:
September 21, 2020

Department:
Community Development

Attachments:
Cost Recovery Policy
Cost Recovery Rate Targets
Examples of Fee Changes if Policy is Implemented

Budget Impact:
Current Budget: $0
Proposed Revision: $0
Revised Budget: $0

Administrative Recommendation:

Implement the cost recovery policy and defined percentage targets in future fee schedule updates.

Background Summary:

During the March 2020 City Council staff presented an overview of development fees and the rate of cost recovery associated with each type of application. The presentation provided the following basic information:

- A summary of the Cost Recovery Study prepared in 2018 by FCS Consultants. The FCS report provided an itemized breakdown of the more than 200 different types of permits and applications to show the city's processing, review and inspection costs. And to show the percentage of reimbursement that the city receives from the permit or application fee (e.g. cost recovery). City fees covered anywhere from 6% of the cost to 100% depending upon the type of request.
- Actions that were taken in 2018 and 2019 to adjust a few select development fees that were identified as having significantly low cost recovery rates.
- The presentation concluded with a question to Council: Should city staff work on a more formal cost recovery policy that would (1) increase the rate of cost recovery and (2) establish a basis different recovery rates for different types of development services.
- Council requested that staff develop a formal cost recovery policy and to present the policy in advance of the update to the 2021 development fee schedule.

  Since the March Council retreat staff has developed a policy for Council consideration that contains two main elements. First, the policy includes a narrative that provides background explanation for why a policy is necessary as well as factors that are used to define different recovery rates for different types of development services. Second, the policy includes a cost recovery table that sets forth groupings of different services, the intended percent recovery rate, and references back to the narrative that help inform the reader of why a percentage rate has been selected within the specific category. The version included for Study Session also shows percentage recovery rates for a few recent years. This information is included for the benefit of advancing the cost recovery policy discussion. The final policy would remove the reference to prior years and only list the percent recovery without any reference to a year since it is not the intent of staff to have Council review and modify the rate of recovery each year; it is staff's intent to have the rate of recovery be consistent year over year.

During staff's review and development of the draft policy there were a few fees that were left out of the policy. Staff opted to leave some fees out of the policy because they are influenced by other factors that need further consideration and/or interface with other funds. For example, utility permit fees tie back to capital facility plans, utility rates, and system development charges. Staff intends to propose future additions to the cost recovery policy that will add utility permit fees but recommends that this be done in coordination with the city's next utility rate study which is scheduled for 2023.

Reviewed by Council Committees:

Councilmember:	Brown	**Staff:**	Tate
Meeting Date:	September 28, 2020	Item Number:	

CITY OF AUBURN WASHINGTON	**CITY OF AUBURN POLICY**	
TITLE: Cost recovery policy related to development fees		**SUBJECT:** Establishing a rate of cost recovery for building, land use, environmental and engineering fees charged for development related permits and approvals.
DATE: December 1, 2020	**PAGES:** 1	**PREPARER:** JEFF TATE, Director of Community Development

Overview	When development or site improvements are proposed within the City of Auburn there are generally permit applications that must be submitted for review and approval. The purpose of reviewing proposed development activity is to ensure that the activity is consistent with Auburn City Code and other development standards. Once permits or plans are approved and issued city staff assigns inspectors to monitor the construction activity to ensure that the site work and/or buildings are carried out in a manner that is consistent with the approved permits and plans. The City of Auburn allocates substantial financial resources to ensure that it is providing timely and useful services to customers seeking to develop their land, construct new buildings, or alter existing buildings. In order to achieve positive customer service outcomes there is a need to develop and implement innovative and convenient tools to meet customer expectations, employ an adequate number of staff, ensure that they maintain certificates and education of new codes and construction techniques, ensure that the staff has a compensation package that attracts the highest caliber of person, develop and maintain technological solutions that benefit the employee, provide for vehicles and gas for site visits, etc. City Council can seek recovery of these costs through development fees or through general fund tax dollars (meaning that the tax payers are subsidizing development activity). The City of Auburn adopts a fee schedule each year that identifies all of the various permit and plan review application fees. The purpose of this policy is to establish a percent of cost recovery that the city seeks to collect in order to provide plan review and inspection services. Cost recovery targets are intended to identify services that should be fully funded by the customer or partially funded by the customer with the balance being covered by the general fund (e.g. proceeds from sales tax and property tax revenues).
Policy	There are several principles and considerations that guide this cost recover policy. They are as follows: 1. The cost of a service may impact the level of compliance. If a service is expensive, there may be a lower rate of compliance as property owners seek to avoid the additional cost. 2. It is appropriate to consider whether the customer is already paying into the general fund in other ways (e.g. property taxes, sales taxes) when determining if a fee should be set to achieve less than 100% cost recovery. 3. It is appropriate to consider whether the request is submitted by a developer or property owner who is seeking to profit from a commercial activity vs a property owner who is seeking to improve their home and/or residential property. 4. It is appropriate to consider whether the service benefits only the customer who is making the request. 5. It is appropriate to consider whether the service has a larger community benefit. 6. It is appropriate to consider whether the service is occurring during an early phase of exploring a development opportunity. If the cost to explore the viability of a development is excessive it may cause the developer to look outside Auburn. 7. It is appropriate to consider whether the requested service is seeking something that is outside the standard process and/or that the request is not something mandated by the City. These types of requests cause city staff to deviate from normal procedures which results in more staff time than typically required. 8. It is appropriate to ensure that a fee does not preclude a person's ability to participate in a public

	process. 9. It is appropriate to tie annual permit fee adjustments to the City's approximate annual increase in costs. 10. Since some fees are tied to the value of the construction activity that is occurring it is appropriate to ensure that the City is using realistic construction valuations. 11. It is appropriate to include the cost of recurring technology and transaction service fees the City incurs that directly benefit development customers.

Cost Recovery Policy (references that appear next to the % recovery relate back to the written policy)

Building Permits				
Service	**Cost Recovery Policy**	**2017**	**2018**	**2019**
Building Plan Review (new construction, tenant improvements, additions, alterations, stock plan review, demolition, signs)	100% (4)	100%	100%	100%
Building Permits (new construction, tenant improvements, additions, alterations, stock plan permits, signs)	100% (4)	100%	100%	100%
Mechanical and Plumbing Permits	100% Commercial (4) 33% Residential (1) (2) (3) (4) 25% OTC (1) (2) (3)	20%	19%	18%
Adult Family Home Inspections	100% (4)	53%	52%	51%
Additional Inspections and Re-Inspections	100% (4)	42%	41%	100%
Appeals of Building Official Decisions	25% (8)	2%	2%	2%
Temporary Certificate of Occupancy	125% (7)	50%	50%	50%

Land Use and Environmental				
Service	**Cost Recovery Policy**	**2017**	**2018**	**2019**
Land Use (Variance, Conditional Use Permits, Design Review, Lot Line Adjustments, Temporary Uses)	75% (4) (6) 50% for single SFR (2) (3) (6)	10-51%	10-51%	10-51%
Environmental w/o Alteration (Critical Areas, Shoreline, Floodplain)	75% (4) (6) 50% for single SFR (2) (3) (6)	6-42%	6-42%	6-42%
Environmental w/ Alteration (Critical Areas, Shoreline, Floodplain)	100% (4) 25% for proposals that enhance critical areas. (5)	6-42%	6-42%	6-42%
SEPA	50% (6)	28%	50%	49%
Comprehensive Plan (Zoning Maps, Text Changes, Code Changes)	100% (4)	17-40%	17-40%	17-40%
Subdivisions (Short Plat, Long Plat, Plat Alterations)	75% (4) (6)	12-68%	50%	49%
Grading (Timber Removal, Land Grading)	100% (4)	3-11%	3-11%	100%
Pre-Application Meetings	10% (6)	12%	11%	10%
Appeals	25% (8)	26%	25%	24%

*2018 Fee Adjustments (SEPA, Preliminary Plats, Rezones, and Design Review elevated to 50%)
*2019 19 applications were raised to achieve 25% or 50% recovery; Grading increased to 100%
The intent of keeping most cost land recovery rates at less than 100% is because most land use applications precede engineering and architectural work. A recovery rate that is less than 100% is intended to make it more affordable for customers to explore feasibility of projects before investing in high cost architectural and engineering design work.

Development Engineering				
Service	**Cost Recovery Policy**	**2017**	**2018**	**2019**
Construction Permits	100% (4)	10-32%	100%	98%
Facility Extensions	100% (4)	11-40%	60%	100%
Right of Way Use Permits – Long Term (Type C) – Private Benefit	100% (3) (4)	20%	19%	18%
Right of Way Use Permits – Long Term (Type C) – Public/Community Benefit	20% (5)	20%	19%	18%
Appeals	25% (8)	0%	0%	0%
Deviations and Deferrals	125% (7)	0%	0%	75%

*2018 Fee Adjustments (Construction Permits elevated to 100%, FAC's elevated to 25%)
*2019 Fee Adjustments (FAC Permits, Deviations and Deferrals)

Annual Adjustments

The construction valuation used to calculate building permit fees will be adjusted each year by using the "Building Valuation Data" published by the International Code Council each August.

In order to keep pace with the annual increase in costs that are experienced by the City, all fees will be increased by 6% each year. In 2021 fees will reflect the above cost recovery objectives plus 6%.

Sample Fee Increases Based on Targets Established in Draft Policy

Building Permits			
Permit/Project	**Current Fee**	**Adjusted Fee**	**Notes**
Commercial Mechanical or Plumbing Permit (new and modified commercial and multifamily)	$28.00 (18% recovery)	$139.00 (100% recovery)	Note that we currently have the same fee for all types of plumbing and mechanical permits. This policy would create 3 categories with different fees for each.
Residential Mechanical or Plumbing Permit (associated with a new house)	$28.00 (18% recovery)	$46.00 (33% recovery)	
Over the Counter (OTC) Mechanical or Plumbing Permit (home remodels, repairs, replacements)	$28.00 (18% recovery)	$35.00 (25% recovery)	
Adult Family Home Inspections	$175.00 (51% recovery)	$350.00 (100% recovery)	
Temporary Certificate of Occupancy (TCO)	$500.00 (50% recovery)	$1,250.00 (125% recovery)	TCO's are very labor intensive because they require city staff to take a timeout from the normal process for obtaining occupancy and coordinate with a number of outside agencies and internal departments. And they are only necessary if a developer has not completed their project on time.

Land Use and Environmental Fees			
Permit/Project	**Current Fee**	**Adjusted Fee**	**Notes**
Residential Variance	$291.00 (7% recovery)	$2,422.00 (50% recovery)	It costs the city approximately $4,844 for the city to process a variance request.
Commercial Variance	$1,114.00 (23% recovery)	$3,633.00 (75% recovery)	
Residential Boundary Line Adjustment	$715.00 (25% recovery)	$1,430.00 (50% recovery)	It costs approximately $2,860.00 for the city to process a boundary line adjustment.
Commercial Boundary Line Adjustment	$1,430.00 (50% recovery)	$2,145.00 (75% recovery)	
Comprehensive Plan Amendment	$3,106.00 (50% recovery)	$7,212.00 (100% recovery)	If the City chooses to sponsor an amendment the fee won't be charged. This typically a request to change the land use designation and zoning of property. It must go through Planning Commission and City Council which makes this process time consuming for staff.
Residential Conditional Use Permit	$1,126.00 (26% recovery)	$2,252.00 (50% recovery)	It costs approximately $4,502 for the city to process a conditional use permit request.
Commercial Conditional Use Permit	$2,252.00 (50% recovery)	$3,378.00 (75% recovery)	
Preliminary Short Plat (9 lots or fewer)	$1,630.00 (30% recovery)	$4,075.00 (75% recovery)	Smaller land divisions that are typically less complicated.
Preliminary Subdivision (more than 9 lots)	$6,305.00 (50% recovery)	$9,437.50 (75% recovery)	Larger land divisions that typically have a great deal of complexity.

Development Engineering Fees

Permit/Project	Current Fee	Adjusted Fee	Proposed Recovery %
Deviations and Deferrals	$400 (75% recovery)	$440 (125% recovery)	These are requests from developers to design and building something that is not consistent with the prescriptive/adopted engineering design standards. They require extra review and coordination. They are not mandated by the city and are a choice made by the developer.

*Did not include the following types of permits because they already achieve a 100% cost recovery:

- Building Permits (residential and commercial)
- Construction Permits
- Facility Extensions