



TO: Elizabeth Pauli, City Manager
FROM: Peter Huffman, Director, Planning & Development Services
COPY: City Council and City Clerk
SUBJECT: Ordinance – Amending TMC Title 2.09 Fee Code, TMC Title 2.19 Site Development, and TMC Title 3.09 Fire Prevention Code– Requested City Council date: April 3, 2018
DATE: March 16, 2018

SUMMARY:

Adopting changes to the Tacoma Municipal Code (TMC), Title 2.09 – Fee Code, pertaining to creating new dedicated funds collected from permit fees to replace existing dedicated funds and creating a reserve fund; adjusting fees for single family and duplex permits; and restructuring Title 2.09 to create a new fee schedule for permitting fees. In addition, adopting minor changes to TMC Title 2.19 - Site Development and TMC Title 3.09 – Fire Prevention Code in order to correlate with changes in Title 2.09 - Fee Code. TMC Title 2.19 changes will amend exempted work from grading permits related to site development permits and TMC Title 3.09 changes will amend fee provisions for dedicated funds and fee adjustments.

A separate PDS Fee Schedule document shall be proposed to be adopted by City Council Resolution. A Planning and Development Services Financial Policy document will also be referenced in TMC 2.09 to establish policies for raising fees, monitoring expenditures, and managing the dedicated funds.

STRATEGIC POLICY PRIORITY:

Updating the fee code will support City’s Council’s strategic policy to encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

The Department of Planning & Development Services (PDS) transitioned from a General Fund Department to an Enterprise Fund in 2010, and with that transition, the department has focused on establishing fiscally sustainable permit services. In 2015, PDS conducted an analysis of permitting fees to better understand the relationship between fees for service and the cost recovery associated with permitting services. The primary goal of this effort was to explore the development of a new fee schedule that would transition PDS to a full cost recovery model for permitting services. This effort was facilitated by the implementation of a new permitting software system that enabled staff to capture various data sets associated with permit reviews. Data included the specific review times, work flow and costs associated with the review of individual permits.

Also, a parallel effort started in 2016 with Master Builders Association of Pierce County (MBA) to improve permit services related to single-family and duplex construction. PDS met with MBA’s legislative strategy committee in November, 2015 to discuss fees and services, and then established a separate task force throughout 2016/2017 to work on efficiencies to improve services and develop sustainable fees to support these services. On February 13, 2018, PDS again met with this MBA committee and they supported the proposal to modify the fees.

On March 6, 2018, PDS presented the proposed Financial Policy and Fee Schedule, and proposed code changes to TMC 2.09, 2.19, and 3.09, to the Government Performance and Finance Committee. The final proposed code changes and associated policy and schedule will be presented at Study Session on April 3, 2018.

ISSUE:

Regular review and adjustments to the fee code are necessary for PDS to provide sustainable permit services. The adjustment of fees at this time for single-family and duplex construction will allow PDS to provide a sustainable level of service that is desired by permitting customers. In addition, the creation of a new fee schedule will facilitate the evaluation these fees on an annual basis, and facilitate adjustments as necessary to maintain and enhance permitting levels of service while recovering costs for those services.

As part of the fee code and fee schedule changes, a new fee structure for single-family/duplex construction is proposed to adjust the fees collected for these permits. The adjustments are proposed to be phased, with the first phase aligned to recover 50 percent of the difference between revenues and expenditures for these permits. As outlined in the PDS Financial Policy document, careful monitoring of cost of services, along with continued work to improve efficiencies in these services, will be performed in 2018 to determine if the remaining fee adjustments to achieve full cost recovery should be implemented in 2018. Fee adjustments for single-family and duplex construction permits will be evaluated in conjunction with level of service standards and performance metrics associated with these permits. Evaluation of levels of service and performance will be conducted collaboratively with permitting customers including the MBA.

Additionally, PDS has evaluated the dedicated funds currently collected with permit fees and services. These funds, which were created over ten years ago, have been reviewed relative to their historic purpose and current restrictions as they relate to contemporary policy and service delivery requirements. Changes are proposed to create an updated dedicated fund structure that is more aligned with current policy objectives and development services provided by the department.

Furthermore, as an operating Enterprise Fund service delivery department, economic fluctuations in the construction industry and subsequent fluctuations in the permit revenues collected during economic downturns, necessitates the need for PDS to create a dedicated reserve fund. Creation of a dedicated reserve fund will provide an ability to maintain critical service levels during economic downturns.

ALTERNATIVES:

The City could choose not to modify and adjust the fee code; however, this would continue to create an increasingly large financial gap between the cost of services and the revenues collected to pay for those services. Such a gap would create a situation where service levels would be impacted or reduced unless an alternative funding sources to pay for permitting services, such as the General Fund, is identified to maintain and enhanced permitting services.

RECOMMENDATION:

PDS recommends modifying TMC Title 2.09 Fee Code with proposed changes to restructure the code, create new dedicated funds including a reserve fund with a Financial Policy document referenced in TMC 2.09 to establish policies for adjusting fees, monitoring expenditures, and managing the dedicated funds and reserve fund. In addition, PDS recommends the creation of a separate PDS fee schedule that incorporates adjusted fees for single-family/duplex permits. PDS also recommends modifying, Title

2.19 Site Development, and Title 3.09 Fire Prevention Code with proposed changes to align these codes with the TMC 2.09 Fee Code changes.

The effective date of the new Fee Schedule would be June 1, 2018 to allow for staff time to make the necessary changes in the permit software system and provide customer outreach of the upcoming changes.

FISCAL IMPACT:

Increased fees for single-family and duplex permits will produce an estimated \$400,000 in increased revenues to the Permit Enterprise fund in 2018. This estimate is based on historical permit volumes and the permit fee changes shown on exhibit A. The increased revenues will cover existing costs in the permit fund. This fee adjustment is part of a strategic plan toward full cost recovery for permitting activities and a sustainable permit fund.

New dedicated funds are estimated to receive the following revenue:

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
TOTAL			

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
4110-Permit			\$400,000
TOTAL			\$400,000

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: The fiscal impact is positive. Additional revenues estimated as \$400,000, will be generated as part of the proposed ordinance changes

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No, the revenues would be additional revenue not in the budget.

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.

N/A – no additional expenses