



MEMORANDUM

To: Kurt Triplett, City Manager
Kevin Nalder, Director of Fire and Building

From: Tom Phillips, Building Services Manager

Date: October 20, 2010

Subject: MyBuildingPermit.com Fee/Surcharge

Beginning in 2011 the eCityGov Alliance is changing the MyBuildingPermit.com (MBP) fee structure from a population based schedule to a percentage (1.3%) of most development services permit revenue. Although jurisdictions have the option of paying this fee from their general fund, the eCityGov Alliance is recommending that participants adopt a 1.3% surcharge to pass through the costs of MBP and ePlan to the user. The intent of the proposed change is to:

- Provide a more equitable fee structure (based on permit activity, not population)
- Cover new costs associated with the ePlan project (described below)
- Provide cities with the option to utilize a permit fee surcharge to eliminate additional general fund expenditures
- Encourage more cities to join MBP with little impact to their budget

Fiscal Impact

Kirkland's MBP fee is currently \$22,000 per year based on 2008 population. Changing to a permit revenue based fee and adding the ePlan project funding for 2011 is forecast to increase Kirkland's MBP annual fee to approximately \$33,000 per year. This forecast is based on 2009 permit revenues and represents 1.3% of the fees. The actual 2011 fee will depend on Kirkland's total permit revenue for the year. If revenues are less than forecast, the amount paid to the Alliance for MBP will be less. The Alliance and MBP member jurisdictions will monitor the revenue generated from the surcharge and adjust it periodically as needed. MBP will be establishing and funding a reserve to address fluctuations in permit activity and once it's funded, additional reserves will only be added if the reserve balance is used. **In each budget development process, if permit revenues go up among the member jurisdictions and surplus revenue is generated, the percentage would be lowered to reach the target revenue and avoid over-collecting. Policy and programmatic details of how this will be implemented among the multiple jurisdictions are still being developed by the Alliance.**

Adoption of the 1.3% surcharge on our development fees will reduce expenses by \$22,000 a year through the elimination of the current MBP dues from the Information Technology budget. In reality, there are two alternatives:

- Adopt the surcharge
- Absorb the cost within the existing budget

Staff is asking for the Council's direction on which option is preferred. This issue was presented to the Economic Development Committee on September 27, 2010 and the Finance Committee on September 28, 2010. The Committees agreed that the issue should be presented to the full Council with the recommendation to adopt the surcharge but only if there was support from the development community to implement the surcharge. On October 7, 2010, staff met with the leaders of the Master Builders Association who also endorsed the surcharge (see attached letter).

Other Technology Fees

It should be noted that some jurisdictions are instituting a higher surcharge, or technology fee to cover the cost of MBP plus the cost of some of their internal technology that are related to development services. These costs include purchase of new permit tracking software, larger monitors, and upgrading the interface between their permit tracking software and MBP. Bellevue, Renton and Snohomish County are considering total surcharges or technology fees between 3 and 5%.

In 2008, a permit tracking system replacement charge of about 1.5% of fee revenues was incorporated into our existing development fees. The revenue has been used to fund a process improvement study and other activities related to our current system replacement. Future revenues are intended to be set aside toward a future permit tracking system replacement. In this case, the charge was not applied as a separate surcharge; rather the cost was incorporated within the fees themselves. During a future development fee update, the City Council could consider moving toward a surcharge structure for this element as well.

List of Fees to be Affected

The following is a list fees that eCityGov Executive Board has agreed will be subject to the MBP surcharge. The attached table shows examples of how this surcharge would be applied.

Building permit	Erosion control fee
Electrical permit	Traffic review fee (not impact fees)
Plumbing permit	Side sewer inspection permit
Mechanical permit	Right of Way permit
Demolition permit	SEPA Checklist fee
House move permit	Rezone permit
Fire Sprinkler permit	Tree permit
Fire Alarm permit	Shoreline permit
Sign permit	Zoning permit
Subdivisions fee	Sensitive area assessment fee
Grading permit (LSM)	Concurrency review fee
Drainage review fee	

MBP Background

MBP is a regional coalition of 15 jurisdictions that was created to share resources to provide online services at a low cost and create regional consistency for customers of development review processes. The current members of MBP are Bellevue, Bothell, Burien, Duvall, Kenmore, Kirkland, Issaquah, Mercer Island, Mill Creek, Renton, Sammamish, SeaTac, Snohomish County Snoqualmie and Woodinville. The online services shared by these jurisdictions include:

- **Over-the-counter (OTC) permits** – permits for work such as a water heater replacement or re-roof project can be obtained and paid for online without a trip to City Hall.
- **Online inspection requests** – Builders and homeowners can request their inspections from the convenience of the internet. This applies to all building permits, not just those obtained through MBP.
- **Permit status check** – Builders and homeowners can monitor the progress of their permit and permit application over the internet. Again this applies to all permits, not just those obtained through MBP.

While many of our customers are familiar with the above services, they are not aware of the services MBP provides to improve enforcement consistency among the jurisdictions. These services include:

- **Tipsheets** – typically these are architectural details that show how a specific component (such as a water heater) should be installed. All MBP jurisdictions agree to follow these tip sheets.
- **Inspection checklists** – these are created by our inspectors to let owners and builders know what items the inspectors typically look for on the various inspections.
- **Common interpretations** – These are created so gray areas of the code are enforced consistently across the jurisdictions.
- **Training** – MBP coordinates code related training for its members and the public at very low cost.
- **Common code adoption** – Since 2004 the jurisdictions have worked together to adopt the same codes and amendments to those codes. Membership in MBP requires that each jurisdiction make a good faith effort to align their codes to the extent possible.

ePlan

With the improvements in computer technology, more and more developers, architects and engineers are requesting that building departments accept electronic (digital) plans and submittals documents. An electronic permit and plan submittal service can save applicants hundreds of dollars in printing and shipping costs. MBP also saves contractors significant amounts of time by eliminating many vehicle trips to city hall. Since the ideal way to receive electronic plans would be through an online portal, MBP members concluded it was only logical to upgrade the current MBP portal so it can accept electronic plans. This is an ambitious plan because it would require the MBP portal to accept all development services related permits, not just the OTC permits.

After careful consideration and feedback from a development community focus group, the MBP members agreed to pursue an ePlan program. The main reasons for initiating the ePlan project are to:

- Keep the MBP portal up to date with the industry standards expected by our customers.
- Provide an ePlan program that is affordable for all jurisdictions. Many jurisdictions could not afford to create an ePlan program by themselves.
- Keep the MBP members unified in their delivery of services. If each jurisdiction were to develop their own ePlan program they would end up with two online portals; one for OTC permits (MBP) and one for electronic plans. This would be confusing for the customer which could result in some jurisdictions leaving MBP.

Permit or Fee type	Type of Project	Permit Fee	1.3% MBP fee
Building permit	Lake Washington High School	\$207,824.00	\$2,701.71
Building permit	Typical new single family home	\$4,000.00	\$52.00
Building permit	Typical home remodel	\$1,400.00	\$18.20
Electrical permit	Lake Washington High School	\$46,611.60	\$605.95
Electrical permit	Typical single family add/alteration	\$192.50	\$2.50
Plumbing permit	Lake Washington High School	\$3,159.00	\$41.07
Plumbing permit	Typical single family add/alteration	\$50.00	\$0.65
Plumbing permit	Typical water heater replacement	\$29.00	\$0.38
Mechanical permit	Lake Washington High School	\$66,012.00	\$858.16
Mechanical permit	Typical single family add/alteration	\$100.00	\$1.30
Mechanical permit	Furnace replacement	\$120.00	\$1.56
Demolition permit	Typical house	\$27.50	\$0.36
House move permit	Typical	\$75.00	\$0.98
Fire Sprinkler permit	Typical new single family home	\$180.00	\$2.34
Fire Alarm permit	Lake Washington High School	\$810.00	\$10.53
Sign permit	Typical	\$179.00	\$2.33
Subdivisions fee (long)	Typical 12 lot subdivision	\$16,170.00	\$210.21
Grading permit (LSM)	Typical	\$1,690.00	\$21.97
Drainage review fee	Typical single family home	\$905.00	\$11.77
Traffic concurrency review fee (not impact fees)	51-200 trips	\$1,487.00	\$19.33
Side sewer inspection permit	Typical	\$425.00	\$5.53
Right of Way permit	Typical	\$110.00	\$1.43
SEPA Checklist fee	Typical	\$522.00	\$6.79
Rezone permit	Typical	\$300.00	\$3.90
Tree permit	Typical	\$200.00	\$2.60
Shoreline permit	Typical	\$4,500.00	\$58.50
Sensitive area assessment fee	Typical	\$2,400.00	\$31.20



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October 20, 2010

Mayor Joan McBride
Kirkland City Council
123 5th Avenue
Kirkland, WA 98033

RE: Proposed MyBuildingPermit.com surcharge

Dear Mayor McBride,

On behalf of the nearly 3,400 member companies of the Master Builders Association of King and Snohomish Counties, I am writing to support the proposed technology surcharge on permits issued by the building department.

The business community continues to realize cost savings from technological advances, and this is another example. As you are well aware, our industry is very sensitive to increasing costs, especially at this time. However, after an in depth review, our association is pleased to support this surcharge.

The proposal would support technology improvements needed to implement electronic plan submittals, review and issuance. These modernizations will save both time and resources for the city as well as homebuilders. We believe this surcharge makes sense and look forward to working with city staff on implementation.

Thank you for the opportunity to comment and for your consideration of these changes. If you have any questions, please feel free to contact me at 206-605-3836.

Sincerely,



David Hoffman
King County Manager