



**ISLAND COUNTY
PLANNING & COMMUNITY DEVELOPMENT**

Robert H. Pederson, AICP
Director

PHONE: (360) 679-7339 ■ from Camano (360) 629-4522, Ext. 7339 ■ from S. Whidbey (360) 321-5111, Ext. 7339
FAX: (360) 679-7306 ■ 1 NE 6th Street, P. O. Box 5000, Coupeville, WA 98239-5000
Internet Home Page: <http://www.islandcounty.net/planning/>

~ MEMORANDUM ~

TO: Board of Island County Commissioners

**FROM: Robert H. Pederson, AICP
Director**

DATE: September 3, 2010

SUBJECT: 2011 Budget Narrative

This memo is to serve as the 2011 Budget Narrative for the Planning and Community Development Department, in accordance with the Island County Budget Call issued on August 19th.

Planning and Community Development was specifically asked to submit costs for programs not supported by building permits, land use fees, or grants. The budget call does not specify whether this means 100% supported or partially supported. Accordingly, the table below lists all of the programs and activities that are implemented in this department. I have also included the statutory or code requirements for each item, the revenue source(s), and the approximate proportionate share of revenue support for each item.

Program	Statutory or Code Mandate	Funding Source (s)	Notes
Building Permits & Inspections Intl Building Code Intl Residential Code Intl Mechanical Code Intl Fire Code Uniform Plumbing Code State Energy Code ADA State Ventilation & Indoor Air Quality	RCW 70.92 RCW 36.43 RCW 19.27 RCW 19.27A Title 51 WAC ICC 14.01A ICC 14.03 ICC 14.03A ICC 14.03E	Permit Fees	
Flood Damage Prevention & Public inquires re: flood zone information & compliance	ICC 14.02A	Permit Fees cover 100% of these permit costs.	Costs for other inquiries are partially absorbed with bldg or land use permit review

Noise Level Reduction & APZ	ICC 14.01B ICC 17.03.180 Z	None	Costs are absorbed with bldg permit review
Street Addressing & Road Names	ICC 14.04A	Permit Fees cover this cost	
Ebey's Landing Design Review	ICC 17.04 Interlocal Agreement	None	See notes below
Shoreline Master Program Approval and Amendments	RCW 90.58 WAC 173-26	State DOE Grant (100%)	Grant funds from July 2010 thru December 2012
Shoreline Master Program Development Regulations	RCW 90.58 WAC 173-27 ICC 16.21 & 17.05	Permit Fees are projected to cover 85- 90% of cost for 2010	See notes under current planning
SEPA Responsible Official	RCW 43.21C WAC 197-11 ICC 16.14C	Permit Fees cover costs when SEPA is req'd for land use actions	Non project actions (regulatory or comp plan changes) require SEPA review. No fee assessed
Long Range (Comprehensive Planning) GMA compliance	RCW 36.70 RCW 36.70A ICC 16.10 & 16.19	None for GMA compliance (CAO updates, Annual Review Docket items, etc. Privately initiated Comp Plan or zoning changes have an app. fee	The program cost is estimated at ± \$237,000 per year.
Critical Areas Ordinances	RCW 36.70 RCW 36.70A ICC 16.10 & 16.19 ICC 17.02 & 17.02A	ENV/RUD Permits est. at \$8,000 in 2010 (11%)	Reasonable use Determinations,
Open Space & PBRS Tax Programs	RCW 84.34 ICC 3.40	Application Fees	Fees cover 100% of the cost to administer this program
Archaeological Resources	Various federal laws RCW 27.53 MOU with DAHP	None – costs for this service are absorbed in permit fee structure	All permit applications are reviewed for likelihood of archaeological resources
Current Planning & Permits Zoning Land Use Subdivisions	RCW 36.70 ICC Title 16 ICC Title 17	Permit Fees are projected to cover 90% of cost in 2010	Current planning and Shoreline permit programs cost ± \$300,000 in 2010
Hearing Examiner Type III Permits Appeals	ICC Title 16 ICC Title 17 ICC Title 14	For 2011, fees estimated to cover 85% of cost	Costs heavily subsidized in past. New contract reduces cost

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Enforcement	RCW 36.70 RCW 36.43	No permit fees	All regulatory & permit programs have an enforcement element. Enforcement does generate fee revenue (fines & civil penalties are assessed)
GIS Mapping	N/A	None SMP grant revenue will cover costs associated with SMP update	Provided as a service for other PCD and County efforts (Freeland SAP, Ebey's, zoning changes, water system boundaries, maps for hearings, etc)
Review of water systems	RCW 70.116 WAC 248-56 Ord. PD 85-07	Review fee is \$400 or ± 53% of the cost	Recommend fee be increased to \$750 for 2011
Review of Liquor Licenses	RCW 66.24.010 WAC 314-07-020	None	Costs absorbed in Building Permit fees

For budgetary purposes, all of these program activities are classified as follows:

- 58110 PCD Administration
- 58210 PCD GMA
- 58610 PCD Land Use
- 59610 PCD Permits
- 59612 PCD Permits – Camano
- 59613 PCD Permits – Whidbey
- 59650 PCD Enforcement
- 59910 PCD Hearing Examiner

Revenue Assumptions for 2011

For the 2010 fee increase that was implemented in January, we assumed that permit levels would be similar to 2009 permit numbers. Building fees were increased 7%, with an additional 3% technology fee. Planning fees were increased across the board, with the goal of covering the cost of service delivery. Planning fees also include the 3% technology fee.

During 2010, the total number of permits is down when compared to 2009. Through August in 2009, 863 building permits were issued. This number has decreased to 724 for 2010. New permit applications have slowed down this summer, particularly during July. However, total permit numbers do not directly correlate to total permit revenue. For example, new single-family home permits are up by 17 (thru August) when compared to 2009. Another bright spot is commercial construction with 58 permits in 2010 compared to 48 in 2009. There are also several large commercial projects currently in for plan review.

Permit revenues are up for the same period, as a result of the fee increase that began on January 1, 2010. Total building permit revenue to date for 2010 is \$ 725,052, compared to \$ 689,171 for 2009 (a 5% increase to date over 2009). Planning revenue for the same period in 2010 is \$227,814, compared with \$ 92,906 in 2009 (a 145 % increase).

Given current economic conditions, we anticipate that the rest of 2010 will be fairly slow for new construction permits.

The 3% technology fee has generated an additional \$ 22,521 through August of this year.

For 2011, we are not assuming any uptick in economic activity, so the revenue projection for 2011 will not change from 2010. Total estimated revenue for 2011 (without considering revisions to the fee schedule for 2011) is \$ 1,200,000 (\$ 906,000 Building and \$285,000 Planning). Technology fee revenue for 2011 is projected at \$36,000.

Programs & Activities and Revenue Sources

Critical Areas Ordinance

The Critical Areas Planner reviews Land Use and Building permits for compliance with the Critical Areas Ordinance (CAO). Reasonable Use Determinations (RUD) and Environmental reviews (ENV) are the only fees directly associated with this activity.

The total cost of this program is ± \$73,000. Environmental permit fees will generate ± \$8,000 in 2010 (± 11% of the cost of this program). Environmental permits comprise 23% of this employees time (± \$ 16,000). Approximately 26% of this program (± \$ 19,000) is attributable to review of building permits and 29% (± \$ 20,000) to review of land use permits. Enforcement of the CAO is estimated at ± \$28,500 for 2010.

I recommend that the fees for RUDs and ENV permits be raised to realize 100% cost recovery. The current fees should be doubled to achieve cost recovery for review of these permits.

Code Enforcement

Code enforcement activities do not generate any application fees. The annual program cost is ± \$ 68,000. These costs may be attributed to: 42% Critical Areas enforcement, 37% Land use enforcement, and 21% Building permit enforcement.

Code enforcement does generate revenue from fines and civil penalties. Also, beginning in 2010, any permits for "after the fact" construction carries a double permit fee. These fees are typically associated with a code enforcement action but were not tracked separately during 2010. In 2010, any double permit fees will be tracked and attributed to code enforcement revenue. In 2010, \$23,498 revenue was generated from

a civil judgment involving a 2005 code enforcement action ($\pm 34\%$ of 2010 program cost).

FEMA Flood Zone Compliance

There are two aspects to compliance with FEMA flood zone issues; Flood Development Permits and review and consultation with customers on FEMA compliance issues (e.g., Am I in a flood zone? What is my flood elevation? etc.) The annual cost for this activity is $\pm \$ 8,200$. These costs are absorbed within general administrative costs associated with review of building permits.

The fee for Flood development permits is \$50 and I estimate the cost of providing this service is covered by the permit fees.

Review of Water System Boundaries

P&CD reviews the boundaries of water systems to ensure there are no conflicting claims for service. The annual program cost is $\pm \$ 7,500$ or $\pm \$ 750.00$ per review. The P&CD component of the permit fee is \$400.00. For the 2011 fee schedule, I will recommend this fee be increased to \$ 750.

Fish and Wildlife Habitat Conservation – Critical Areas Ordinance Update

This required element of the Critical Areas Ordinance (mandated by GMA) has no funding source identified for this work. As you know, we have committed to coordinating this work with the SMP update. A portion of the SMP grant funds may be used to the extent that these resources are with the 200' shoreline jurisdiction. I have not identified any additional sources of funding for this activity.

Ebey's Reserve – HRC Review Process

The design review process within unincorporated Island County is codified in Chapter 17.04 ICC. Currently, no fees are charged for costs associated with HRC review of projects. My estimate of the current annual cost of this program is \$ 11,000 to \$12,000 (staff hours). This figure does not include any costs associated with developing the new code and design manual, which I estimate at \$11,000 for 2010, to date.

As you know, we have invested considerable time in crafting a unified code and design guideline with the Town of Coupeville. Under the new code, it has been estimated that $\pm 70\%$ of the projects that currently go to the HRC will now be reviewed administratively. The draft code and design manual are considerably more detailed than the current requirements.

Overall, I estimate that the cost of this program will increase significantly, especially given the more detailed unified code requirements and design guidelines. An Interlocal agreement with the Town is also required under the new code. Finally, there will be costs associated with training and the learning curve for the new code and guidelines.

I believe there are 2 options for funding this program:

1) Fees for design review. A possible fee structure was discussed at a recent joint meeting with the Town. Part of that discussion was to keep the fees relatively low to encourage acceptance and compliance. Given the current budget needs, I now recommend that any fee structure must achieve full cost recovery;

Or

2) Reallocation of the funding generated by the recording surcharge under RCW 36.22.170. This \$1.00 per document surcharge ... "shall be used at the discretion of the county commissioners to promote historical preservation or historical programs, which may include preservation of historic documents." It is my understanding that this surcharge generates ± \$25,000 per year.

Pursuant to the 1988 Interlocal agreement for the administration of Ebey's Landing: "The County will annually provide direct and in-kind financial support up to one-half of the operating costs of the Ebey's Landing National Historic Reserve subject to the limitation of amounts annually appropriated in the County's budget."

As I understand the history, the standing practice has been to allocate a portion of the recording surcharge revenue to the Ebey's Landing Trust Board (\$10,000 in 2010). Given the nearly \$12,000/year in costs to the County to implement the current HRC design review process and the increased complexity (and cost) of the new Ebey's Landing design review process, I recommend that we reevaluate allocation of the recording surcharge. Recording surcharge funds could be used to offset the increasing cost of our in-kind services.

Protection of Archaeological Resources

A number of federal and state laws mandate the protection of historical and archaeological resources. Island County has worked cooperatively with the State Department of Archaeology and Historic Preservation for many years to protect these resources. Local government is typically involved in this effort because our local permits (land disturbance, building, land use, etc.) and the work authorized by those permits has the potential for damage to these resources.

This working arrangement with DAHP is set forth in a Memorandum of Understanding. This MOU was amended this year to permit County access to the digital maps maintained by DAHP. Maps are reviewed in conjunction with building and land use permits. Realtors and prospective buyers also call to find out if a lot might have possible archaeological resources.

I estimate the annual cost of this activity is \$8,000 to \$10,000 (± \$ 10.00 per permit). This cost is absorbed in the fee structure for building and land use permits. For 2011, I propose that our annual review of the fee structure include this cost.

Liquor Licenses – Review for Zoning Compliance

Requests for new and special event liquor licenses are reviewed for zoning compliance. Under state law, we typically have 20 days to respond to these reviews. We review about 60 licenses per year. I estimate the cost of providing this at \$1,400 to \$1,500 per year. Since it is doubtful that a local jurisdiction can assess either the applicant or the State a fee for this review, I have not identified any source of funding for this activity.

If we were able to establish a fee for this service, \$25 per review would equal 100% cost recovery.

GIS Mapping Assistance

Maintain our existing level of service for GIS mapping & assistance has an annual cost of ± \$18,000. GIS mapping supports all P&CD programs, in addition to other County departments and outside agencies. GIS mapping and analysis will be a key component of our upcoming SMP update, the Annual Review Dockets, and the periodic review update of our Comprehensive Plan. Other than grant revenue for the SMP update, I have not identified any additional sources of funding for this activity.

Impact of reductions on these programs and services

Building Permit Services - any reduction in staffing levels will result in:

- Longer processing time for plan review
- Longer wait time for issuance of permits
- County may not comply with statutory time limits for permit processing
- Longer wait time for inspections
- Longer wait time to resolve permit issues
- Longer wait times for customer service at the counter – further cuts in hours open to the public
- Probable increase in unpermitted construction
- Delays in issuing certificates of occupancy or completion
- Delays in zoning, flood zone, and address verifications needed for real estate closings
- County may be obligated to reduce permit fees

Land Use Permits & Services

Current Planning - any reduction in staffing levels will result in:

- Delays in determining application completeness
- Longer delays in permit review comments
- Longer delays in issuing permit decision documents
- Longer delays in issuing SEPA Threshold Determinations
- Longer delays to resolve permit issues

Longer delays in scheduling public hearings and appeals
County will further be out of compliance with statutory time limits for permit processing
Longer wait time for site inspections
Longer wait times for customer service at the counter – further cuts in hours open to the public
Limited ability to consult with DOE or DFW on certain shoreline permits
County may be obligated to reduce permit fees

Critical Areas

Further delays in reviewing building permit applications for critical areas
Extreme delays in processing Reasonable Use Determinations
Longer delays to review and comment on current land use applications
Longer delays to coordinate enforcement of violations of the Critical Areas Ordinance
No assistance with wetland determinations

Code Enforcement

Extreme delays in responding to violations and citizen complaints. Only the most blatant or egregious violations would merit investigation.
Extreme delays in issuing Initial or Supplemental Enforcement Orders.
Extreme delays in responding to violations of prior Stop Work Orders.

Long Range Planning

Further delays in completing unfinished Annual Review Docket items from past years (i.e., Oak Harbor UGA, Freeland Sub Area Plan, Ebey's Landing Unified Code, Fish and Wildlife Habitat Critical Areas Ordinance, APZ, Business Storage)
No capacity to take on new docket review items in 2011 (Critical Areas and agriculture, Affordable housing, economic development, etc.)
Little or no capacity to address necessary revisions to the ICC (i., Type 1 Shoreline permits and SEPA appeals, Temporary Uses in RC zone, conflicts in Chapter 16.19 – permit approval levels, appeal processing)
Limited ability for GIS mapping support to other departments
Delays in processing current use applications (PBRs, Timber Open Space) 11 applications currently pending
Longer processing time for review of water system boundaries
Limited ability to review and comment on proposed land use or growth management legislation

Impact on staffing levels

The Budget Call did not identify a specific percentage or dollar amount cut for this Department.

Impact on lost grant opportunities

Our ability to pursue grant opportunities is already severely limited. Of the many opportunities that were possible, Planning and Community Development partnered in 3 grants during the past year (EPA watershed planning, EPA Tribal watershed planning, and strategic planning for agriculture). We were only able to partner in these grants because another department or agency wrote the grant and was the lead agency. The Planning and Community Development deliverables were minor in comparison to the overall scope of the grant or could easily be absorbed into existing staff responsibilities.

Planning and Community Development will not be able to pursue any grant opportunities during the upcoming budget year.

Organizational Chart

A current organizational chart is attached. This chart will be updated once specific programs, positions, or dollar value cuts are decided by the Board.

Recommendations for Revenue Enhancement

The recommendations listed below are to point out the necessity of some fee increases to cover the cost of programs administered by Planning and Community Development.

These fee increases are necessary to maintain our existing levels of service which, in the view of some of our customers, are not adequate.

It is also important to reiterate that our existing levels of service do not always result in permit decisions being issued with the time parameters specified in state law or County code. Hopefully, our investment in technology upgrades will help this situation.

1. Increase the RUD and ENV fees by 100%.
2. Track "after the fact" permits in 2011 as revenue attributable to enforcement activities.
3. Increase the fee for review of water systems to \$750.
4. Establish fees structure for Ebey's Landing design review or consider reallocation of the recording surcharge.
5. Review the building permit fee structure to include archaeological review.
6. Consider raising building permit fees 3%.
7. Evaluate & adjust land use fees as necessary for full cost recovery.