Planning & Development Services
Staff Report
Proposed Amendment to PDS Permit Fees: Phase III Development Review Fees (Transportation Review)

Snohomish County Department of Planning and Development Services charges a variety of application and permit fees to recover its costs of regulating development. Most of these fees are currently listed in Chapter 30.86 of the Snohomish County Code (SCC). Other fees charged by PDS are found in SCC Chapter 13. The nature of land development and building permits is cyclical and can change dramatically based on the national, state, and local economies, supply and demand, cost of materials, political issues, etc. In addition, it can take years for new development to go through the review, approval, and building process. It is important for the county to set permit and land use fees to ensure that Planning and Development Services can remain fiscally sound, support the needs of the building industry and their efforts to provide greatly-needed affordable housing, and be able to sustain the impacts of an always-changing and sometimes volatile industry.

In 2020, PDS began a multi-phase effort called the "PDS Fee Alignment Project" to examine and update permit fees. Phase I was completed in 2020, through Ord. No. 20-039, when PDS updated the fees in the Building Permit Fee Table in SCC 30.86.400(7), which had not been updated since 1997. Phase II, adopted in 2021 through Am. Ord. No. 21-048, examined miscellaneous permit fees that were simple to analyze, had not been updated in decades, and for which PDS did not achieve cost recovery.

The proposed ordinance is part of Phase III and addresses reviews for which PDS does not currently charge a fee as well as the more complex land use fees. Phase IV will address fire-related fees and other fees which need an adjustment due to the higher costs of doing business. Below is a discussion of the factors that PDS took into consideration as it developed the proposed changes in permit fees in SCC Chapter 30.86. The fees that the County will collect to process permits is reasonable and will reimburse the County for the staff time required to process applications.

Fiscal Framework

The permitting divisions within the Department of Planning and Development Services (PDS) operate as a special revenue fund, which means that (a) there is no revenue from taxes or the County's General Fund, and (b) a separate fund balance[1] that carries over from year to year is maintained.[2] The basis for this "self-funded" model is found in RCW 82.02.020, which states that the county may collect reasonable fees for processing development applications, reviewing plans and performing inspections. Most of the permitting division's funding comes from monies paid for permits, approvals, and inspections, and these revenues can only be used for these purposes pursuant to RCW 82.02.020 and established case law. Therefore, PDS must generate enough revenues from fees for land use approvals, building permits and miscellaneous related permits to meet expenses and manage an ongoing fund balance in such a way that is fiscally prudent.

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[1] The fund balance provides a level of stability for the department in that it increases in the years when there are numerous permit applications and falls in years when development activity slows down. PDS strives to adjust staffing levels to meet demand but must maintain the necessary and consistent professional expertise regardless of the up-and-down swings in development.

[2] The discussion in this report is limited to the special revenue fund for PDS's permitting divisions (known as Fund 193). PDS has other divisions that do receive funding from the County's General Fund, such as the Long Range Planning, Code Enforcement, and the Fire Marshal's Office investigation divisions. PDS accounts for the activities and expenses of those divisions separately from the special revenue fund for PDS's permitting divisions.

In the 2025-2026 biennium, PDS expects to recover 84% of permitting costs ($40.5 million) from charges for services and permit fees at their current levels ($33.9 million) and 11% from non-permit revenue ($4.5 million). The budgeted gap between revenue and expense (net loss) is $2.17 million[3]. Thus far into 2025, PDS is on track with these projections. In addition, the number of new permit applications is down significantly from prior years which will impact PDS's revenue in the coming months.

Additionally, state law now mandates certain permit review time frames (Senate Bill 5290). During a 2023 audit by the Washington State Auditor's Office, it was determined that PDS met the state's 120-day time frames 24% of the time for land use decisions and 40% of the time for civil permits. One of recommendations from the State Auditor was that PDS "assess whether their current staffing levels are sufficient to meet the 120-day requirement" rather than focus on balancing its annual budget. As such, PDS requested six additional staff in the 2025-2026 biennial budget to handle the backlog and ongoing permit and land use applications. The state has also issued guidance to all jurisdictions subject to the mandatory time frames encouraging them to conduct a fee analysis that examines the direct labor and overhead for each type of permit to ensure that cost recovery is achieved, so that they can maintain staffing levels sufficient to meet upward swings in demand.

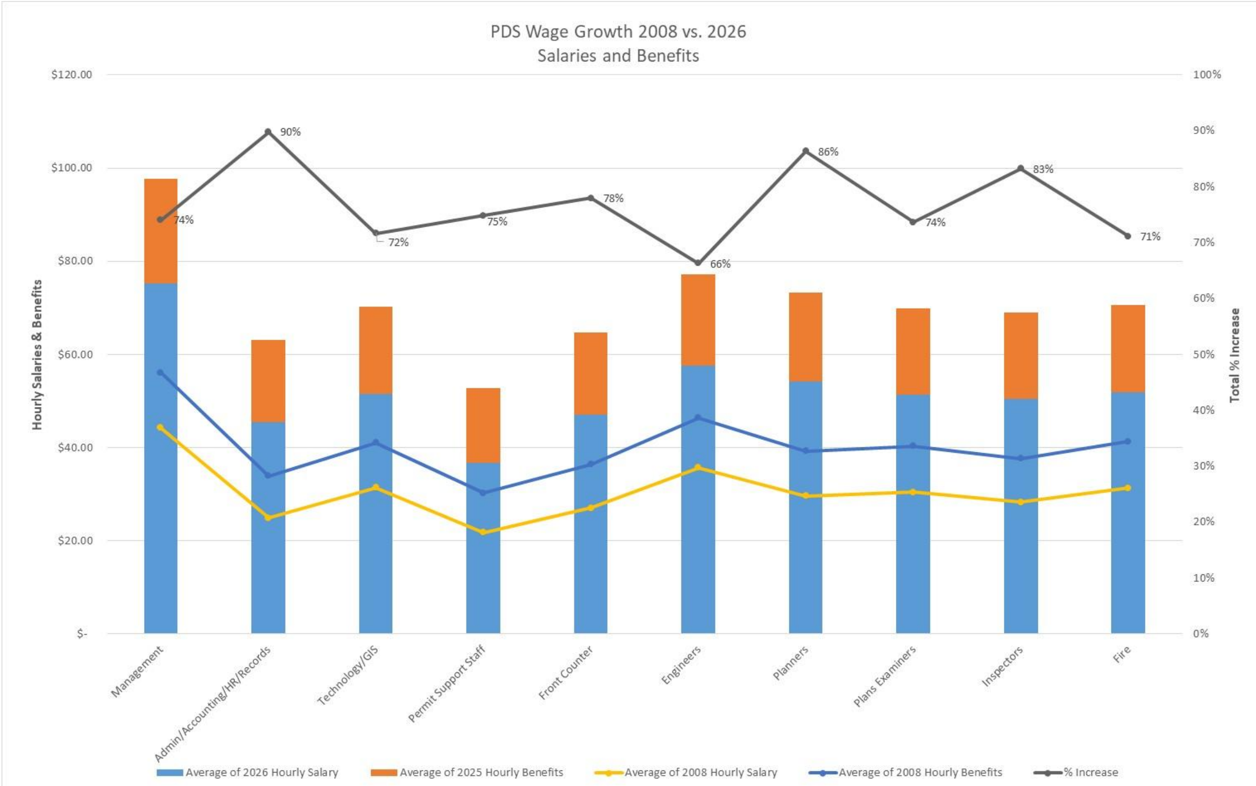
Need for Fee Increases

There are several reasons why PDS Fund 193[4] is facing a budget deficit of $2.17 million per year, including inflation and the higher costs of doing business, the increasing complexity of permit regulations, and new types of housing.

1. Fewer Permits; Less Revenue. Over the last decade, as the number of building permits has declined, so has the number of related miscellaneous permits and land use decisions. However, department overhead for core staffing and administration cannot be proportionately reduced. PDS must maintain a certain level of core staff, management, technology and support services. Reducing staff is one way to help balance the budget, but PDS can only cut support staff so far without impacting mandatory core functions. There are fixed costs associated with a county department that PDS must pay for, regardless of permit volume. Also, as noted in the previous section, PDS must maintain a certain level of professional and technical staff to be able to handle the variable work load and meet state-mandated review time frames.

2. Inflation and the Cost of Doing Business. The transportation review fees in this ordinance have not changed since they were first implemented in 1991. The 2026 cost of salaries and benefits for the Traffic Engineers are far greater than the revenue generated by the 1991 fees. Periodic adjustments to fees are necessary to keep up with inflation. Staffing costs, which make up 77% of PDS's permitting budget, have risen approximately 83% since 2008. Salaries have increased 80% and benefits have risen 96%. PDS is projecting a budget deficit for its permitting divisions' special revenue fund of $2.17 million in 2025-2026 and similar deficits in the years to come. The gap between revenue and expenses is growing at an unsustainable rate, and without some actions to close that gap, PDS will eventually run out of fund balance.

[3] Excludes the Technology Reserve Fund revenue and expenses which is a separate, restricted fund.
[4] Permitting divisions, not including technology reserve fund.



3. Complexity of permits. In recent years, there have been increased requirements for building and land use regulations (critical areas, stormwater, energy codes and public notice). Easily developed land has become scarcer and much of the remaining undeveloped land presents challenges for builders. Accordingly, there has been a corresponding increase in the amount of time and effort required to review and inspect building projects due to constraints on the land and the complexity of new codes. The increased complexity also affects transportation review of proposed development.

Fee Calculation Methodology – Cost Recovery Model

Changes to the fees proposed in this ordinance are needed to better recoup the labor and non-labor expenses related to fully processing those permits. The new fees were established in consideration of the staff time required to fully process the respective permits.

The cost of service model is a methodology developed to determine the costs of the various development and regulatory services provided by PDS to users of its services. Included in the methodology are direct, indirect and overhead costs.

Direct costs are those costs which can be identified specifically with a particular project/application and which can be directly assigned to such activities, relatively easily, and with a high degree of accuracy.

Indirect costs are costs incurred in support of multiple permitting processes or application types, and which cannot be tracked in a cost-effective manner at the level of individual application or permit.

Overhead costs are the costs necessary for the continued functioning of the department, are incurred in support of a range of permit services, but are not uniquely attributable to an individual service.

Direct, indirect and overhead costs are applied through a series of cost layers. There are four main cost layers:

- Labor expenses – this includes the direct costs of salary and benefits adjusted for paid time off, direct time spent on individual permits, indirect time spent on general permit activities, and indirect time spent on general overhead activities
- Direct (non-labor) expenses – this layer includes division operating costs allocated to each employee within that division (translated to an hourly rate)
- Department overhead/indirect management costs – this layer includes an allocation of PDS administration, business process technology, and support staff that cannot be allocated to individual permits
- County-wide overhead – this layer includes an allocation of overhead imposed on PDS by the county for central services such as risk management, space rent, security, IT, executive, public records, HR, training, etc. Additionally, hearing examiner costs have not previously been factored into the costs for land use decisions but were considered during the present Phase III analysis.

For the permits contained in this ordinance, we came up with an estimated time spent by PDS and applied the cost layers as outlined above. Estimates were based on an analysis of data obtained from time keeping data, the permit tracking database, and interviews with staff who work on the permits.

Proposed Fee Amendments – Development application fees

Transportation review fees - SCC 13.110.030(1)

Development Applications

As part of the review process for development applications, PDS transportation reviewers[5] review the applications for impacts to county roads. The current fee structure, developed in 1991, establishes a base fee of $200 plus $5 for each new vehicle trip generated by the development. It is unknown how this fee structure was derived, but the list of the types of development and associated trips seem to come from the Institute of Traffic Engineers (ITE) Manual. PDS looked at updating the fees using this model. However, the model is outdated and, because it has not been updated in 34 years, does not provide for cost recovery. Trip generation information is not captured and stored in the permit tracking system, and it is not clear how trip generation correlates with the time spent on the review. PDS developed a new model that achieves an equitable allocation of fees to the different types of development applications that PDS reviews for transportation issues and road impacts. The new fees are set out in a table in SCC 13.110.030(1). The fees are grouped similarly to how the types of development are listed in Chapter 30.86 SCC. The groupings and fees were determined according to what the data for the different types of developments showed. The main focus of the analysis was to determine which factors drive the amount of time spent, and what correlations in the data could be made to the actual time spent on the reviews. PDS looked at three and half years' worth of projects reviewed and completed by PDS. The conclusion reached was that the current fees are so low and the model is so outdated, that the revenue is covering only a fraction of the cost of PDS transportation reviewers. PDS has three engineers dedicated to transportation review which cost the department approximately $560,000 per year. Annual revenue that is directly tied to their work was approximately $185,000 for a deficit of $375,000 annually. The fees proposed in this ordinance should help close that gap and provide better cost recovery.

[5] The staff performing this work are engineers in PDS, under authority delegated to PDS by Public Works.

For some types of developments, road access and/or the number of trips generated impacted the amount of time spent. For example, the transportation reviews for administrative conditional use permits, conditional use permits, and commercial/industrial development not subject to a separate land use approval were all similar and the time spent was impacted by whether there is a change in existing access or peak hour trips. The groupings were based on the project information and time spent data, the average time spent for each group was determined, then the Cost Recovery Model (described in previous section) was used to determine the fees which would be a base fee of $500 (3 hours) plus additional fees of $830 (5 hours), $1,325 (8 hours), $2,650 (16 hours) or $3,975 (24 hours) depending on the access and traffic impacts. The fee for minor revisions for these development types would be $330 (2 hours).

The fees for binding site plans, boundary line adjustments, new preliminary short subdivisions, and new final short subdivisions were calculated based on the average time spent for these as there was no distinctions or natural groupings within these types of reviews. The fees and estimated average time for these types are as follows:

- Binding site plan - $830 (5 hours)
- Boundary line adjustment – $500 (3 hours min.) with additional $830 if changing access (5 hours)
- Preliminary short subdivision – $2,300 (14 hours)
- Minor revisions to short subdivision - $550 (3.3 hours)

PDS proposes that the fees for subdivisions be based on the number of lots. The number of lots seemed to be a predictable indicator of how much time is spent on the transportation review. For subdivisions under 50 lots, PDS proposes a flat fee of $2,500. Larger developments were grouped based on size and the fees would be an amount per lot on a sliding scale. The fees proposed are $70 per lot for 50-99 lots; $60 per lot for 100-199 lots; and $50 per lot for 200 or more lots (for these larger developments, there is no base fee, just a "per lot" fee). The per-lot fee structure provides a more equitable set of fees that more accurately covers PDS's costs of providing the review services. The estimated time spent varies which is why the fees are also variable based on the size of the development. Fees for minor revisions of subdivisions would be $750 (4.5 hours). This model will provide better cost recovery for PDS. The current 1991 fee structure has generated very little revenue to cover the costs of transportation reviews, especially on subdivisions. Of 68 subdivisions in the data analyzed from 2022 to present, the total fees collected were $78,490. However, the cost of staff to perform the reviews was around $350,000. Under the new fee structure, the development review fee for 100 lot subdivision would be $6,000 whereas under the current fee model it might range between $1,500 and $4,900. Any subdivision under 50 lots would be a flat fee of $2,500 which equates to 15 hours of review time; under the current fee structure, the fees for those have ranged between $400 and $2,550.

PDS is proposing that the fees for reviews of site development plans be flat fees based on the type of site plan being reviewed, categorized into several groups. There seemed to be no distinction in the data beyond the identified groupings. Below is a summary of each group along with the proposed fee and estimated time spent:

- Administrative site plan for single family detached units (SFDU) and cottage housing - $2,300 (14 hours)
- Stand alone site plans for developments under Chapter 30.31A SCC and Chapter 30.31F SCC except townhomes and multifamily developments[6] - $3,000 (18 hours)
- Urban Residential Design Standards (URDS) site plans under Chapter 30.23A SCC or other site plans under Chapters 30.34A and 30.31G SCC not submitted concurrently

[6] Townhomes and multifamily development typically require an URDS or other type of site plan approval (e.g., URDS, Urban Center or other) and will fall within those groups.

with a subdivision application, and multifamily or townhome development under chapter 30.31A SCC (BP, IP, PCB Zones) and chapter 30.31F (RB, RI, RFS, CRC Zones).
    - less than 50 units - $3,000 (18 hours)
    - 50-199 units - $5,000 (30 hours)
    - 200+ units - $8,300 (50 hours)
- Minor revisions to site development plans - $660 (4 hours)

Flat fees for variances, minor revisions and resubmittals are proposed to be based on an average time spent for each of these.

- Variance – $180 (1 hour)
- Minor revisions not otherwise identified - $660 (4 hours)
- Resubmittals - $500 (3 hours)

Maximum review fees - SCC 13.110.030(2)

The maximum fee charged for transportation review is currently set at $5,000 which has not changed since it was established in 1991. The maximum fee at present covers the cost of 30 hours of a PDS traffic engineer which does not cover the time for the larger lot developments. PDS traffic engineers have spent hundreds of hours on the most complex projects, and cost of that work has not been recovered. PDS proposed a new maximum fee of $25,000 (an applicant would reach this maximum if they have 500 or more lots in a subdivision). PDS expects it will be very rare situation where a developer would reach the new proposed maximum.

Exemptions from fees - SCC 13.110.030(3)

There are no changes proposed to the list of the types of developments which are exempt from the development application transportation review fee.

Commercial building permit applications with prior review - SCC 13.110.030(4)

PDS proposes changing the fee for transportation review of commercial building permit applications that have undergone prior development review from $200 to $350 which equates to approximately two hours of staff time.

Preapplication concurrency evaluation fees - SCC 13.110.030(5)

PDS proposed a change to the application fee for a preapplication concurrency evaluation for a proposed development under SCC 30.66B.175. The existing fee is $850 plus $400 for each arterial until analyzed. The proposed fee is a flat fee of $3,975. Additional review requests would be $860 each. There have only been five of these in the past 10 years, so data was limited. PDS estimates it should take 24 hours of staff time (which involves both transportation review and public notice of the proposal), and 5 hours for additional reviews.

Reduction of development review fees when there is a prior concurrency determination - SCC 13.110.030(6)

The changes to this subsection are wordsmithing changes only.

Permit Fees Charged by Other Jurisdictions

Because the permit fee analysis was based on the cost to provide the related service, a thorough comparison of other jurisdictions was not conducted. In addition, it is not appropriate under state law to use comparative jurisdiction data as the basis for setting permit fees under the cost recovery method. PDS attempted to examine what several jurisdictions charge for transportation review; however, each jurisdiction is so unique in how and under which department transportation review is conducted that it is difficult to compare them to PDS.

Summary

PDS needs to update its transportation review fees to improve its recovery of the costs of processing, reviewing, issuing and inspecting various types of permits handled by PDS, while simultaneously ensuring that the fees are equitable and reasonable. Most of the fees in this ordinance have not been updated in 34 years, and a fee increase is long overdue. The proposed changes are a fiscally-prudent step toward closing the budget deficit gap for PDS and will help PDS maintain fiscal solvency into the future.