

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Discussion of Revenue Supported Permit Staffing Request
<b>DEPARTMENT:</b>	Planning & Community Development Public Works
<b>PRESENTED BY:</b>	Rachael Markle, AICP, P&CD Director Tricia Juhnke, P.E., City Engineer
<b>ACTION:</b>	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

**PROBLEM/ISSUE STATEMENT:**

Development and the required permitting have increased in volume and complexity since the approval of the Town Center and the 185<sup>th</sup> Street Station and 145<sup>th</sup> Street Station subarea plans. Since 2015, permit applications have increased by 63%. Most significantly during the last eight years, the City has seen the number of multi-family units annually submitted for permitting increase from an average of 1.1 projects to 4.5 projects. This trend is expected to continue over the next several years, with current projections of 7,947 units to develop by 2025.

Given these increases, there are not sufficient staffing resources to process permit applications within a reasonable time frame. This issue needs immediate attention to address the current and anticipated permit processing backlog at the current staffing level. Staff recommends adding six regular staff positions to address this issue. There is also critical need for additional 0.5 FTE GIS Technician to support the comprehensive plan update. Tonight, Council will discuss this issue and the potential of preparing an amendment to the 2021-2022 Budget to include the cost of hiring these six new FTE permitting staffing members and one 0.5 FTE GIS Technician, including associated one-time costs.

**RESOURCE/FINANCIAL IMPACT:**

The budgetary impact would be an ongoing annual cost of \$896,247 to hire six additional permitting staff members and \$59,253 for adding a 0.5 GIS Technician. These are annual amounts based on 2022 salaries, which would be adjusted annually as required to respond to personnel cost increases such as step increases, cost of living adjustments, changes in benefits, etc. There would also be an estimated one-time cost of \$63,180 for equipment and supplies to support the new staff. These costs are proposed to be covered by permit revenue, a general fund one-time contribution, project budgets, and 30% of the proposed Development Review Engineer I costs would be covered by Wastewater Utility funds.

## **RECOMMENDATION**

Staff recommends that Council direct staff to prepare an amendment to the 2021-2022 Budget to include the cost of hiring six (6) new full time equivalent permitting staffing members and one 0.5 FTE GIS Technician, including associated one-time costs. Most of the cost would be paid for by permit revenue from increased sustained permit activity, a one-time contribution from General Fund fund balance to offset Deep Green and affordable housing incentives, project budgets, and a small percentage covered by the Wastewater Utility.

Approved By:           City Manager **DT**   City Attorney **MK**

## **BACKGROUND**

Staffing for the Planning and Community Development (PCD) Department, which is almost entirely devoted to processing permit applications and inspections for developments under construction, has remained relatively flat since the early 2000s. In 2001, the PCD Department had 25 staff members including managers, devoted to permit intake, review, issuance, inspection as well as long range planning<sup>1</sup>. In 2022, PCD and Public Works (PW) staff assigned to permit review totals 30 FTE staff members including the managers devoted to permit intake, review, issuance, inspection as well as long range planning and two 0.5 FTE Extra-Help Permit Assistants. The current staffing number of 30 FTEs also includes the third Combination Inspector approved in the 2018 Budget and the third Commercial Plans Examiner III approved by Council on February 28, 2022, via Ordinance No. 954. The staff report for this most recent Council action can be found at the following link:

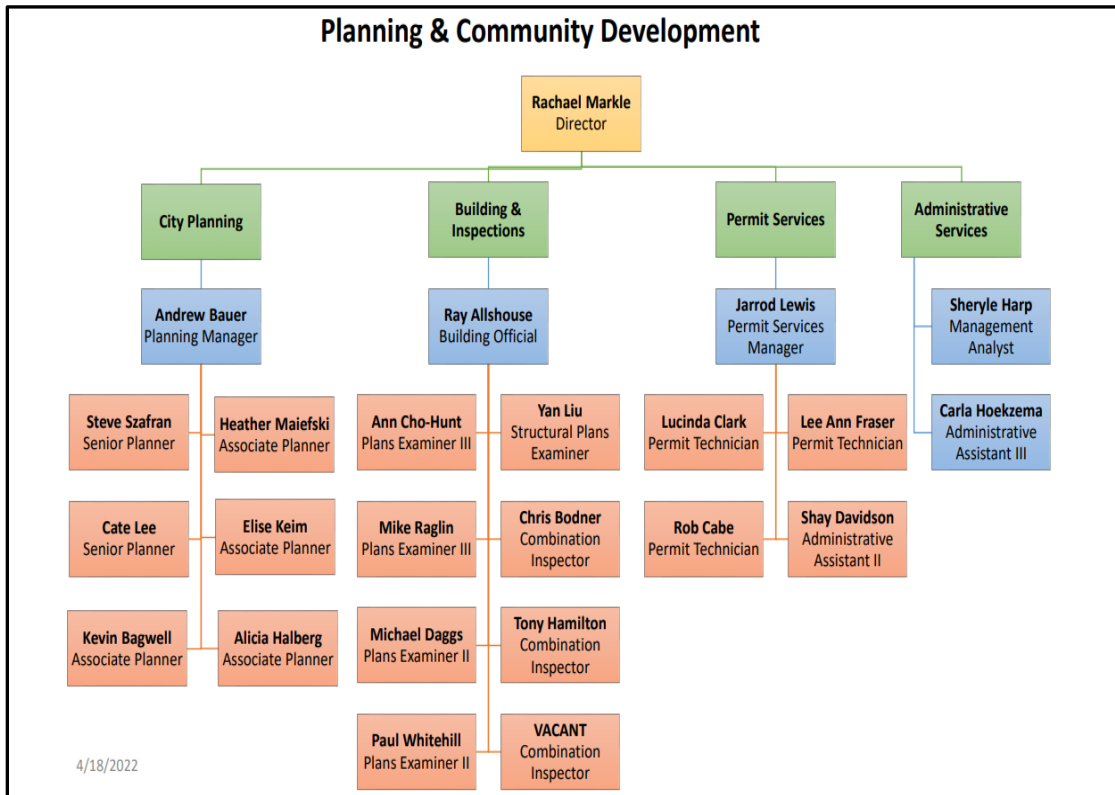
<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2022/staffreport022822-7c.pdf>.

Staff also uses on-call contracts for Building, Planning and Engineering reviews as well as building inspection. For the past four years, an average of \$300,000 has been expended for on-call review and inspection services. These contracts have also been used for to provide expedited permitting for an additional fee paid by the applicant, however the volume of permits and staff turn-over have increased the use of these contracts to perform regular permit reviews which limits staff's ability to provide expedited review. Currently, staff are only able to provide expedited review to the incentive program customers for Deep Green and qualifying affordable housing projects. The Shoreline Municipal Code (SMC) provides that Deep Green and qualifying affordable housing projects are eligible for permit fee reductions as well as free expedited review. In essence, these project permits are subsidized by proceeds from the General Fund.

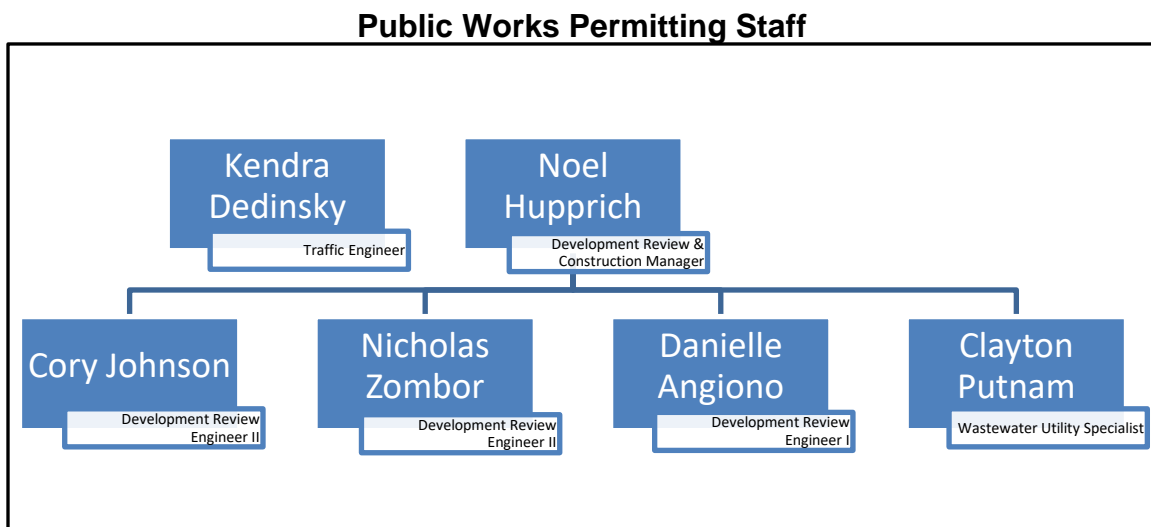
The following chart shows the existing staff involved in permitting functions in PCD. The Administrative Services division, the Senior Planners, Planning Manager and Director in PCD do not spend 100% of their time on permitting, but do devote a portion of their time to this work.

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<sup>1</sup> Note: There were no Public Works staff assigned to perform permit reviews in 2001.



Additionally, the following chart depicts the primary PW staff positions that are currently devoted to permit review and project management. Traffic Services staff support the Development Review Engineers on reviews involving frontage improvements, transportation impact analyses, temporary traffic control planning, and Transportation Impact Fees (TIF).



## DISCUSSION

Permit volumes have significantly increased over the past 20 years. In 2003, revenue received was \$1,146,190 and the number of permit applications received was 1,511. By comparison, in 2021, revenue was \$3,495,987 and 3,038 permits applications were received. The following chart contains the total number of permits applications submitted by year and the total number of permits applied for annually. The permit types depicted correspond to the permit types listed in the Permit Turn Around Time Chart found below.

### **Total All Permits Applied for Per Year 2016-present**

Year	Commercial New Building	Commercial Tenant Improvement	Multi-Family New Building*	Single Family New Building	Single Family Addition Remodel	Total Permits
<b>2001-2015</b>	8.5 avg.	55.9 avg.	1.1 avg.	56.3 avg.	192.2 avg.	<b>1,600 avg.</b>
<b>2016</b>	6	58	3	98	283	<b>2,156</b>
<b>2017</b>	8	50	5	98	256	<b>2,186</b>
<b>2018</b>	12	46	4	38	242	<b>2,703</b>
<b>2019</b>	13	56	4	77	245	<b>3,161</b>
<b>2020 COVID</b>	1	31	6	37	213	<b>2,545</b>
<b>2021</b>	8	47	6	40	248	<b>3,038</b>
<b>2022 to date</b>	1	10	4	8	107	<b>1,000 (over 3.5 months; estimated year end - 3,300)</b>

*\*Note: Multi Family New does not include Townhomes; Townhomes are not captured in the above data.*

SMC Section 20.30.040 includes target time limits for all land use and permit decisions as required in [RCW 36.70B.080](#). For the past few years Shoreline has not been able to meet the published target time limits for complex building permits. The chart below demonstrates how many weeks it takes on average for the first review by City staff and then to issue a decision (approval/denial) of our most common building permits. In accordance with SMC 20.30.040, the target is 17 weeks (120 days) for a decision.

As can be seen by the following chart, Shoreline exceeds the 17 weeks for permit decisions for all new building permit types. It should be noted that the approval time includes time in which the permit applicant spends in responding to City comments from the review of the permit submittal. Although that is the case, even the number of weeks spent to get to the first review letter, in many cases, is taking nearly the full 17 weeks that is targeted for the full decision-making process. The request for additional staff to process permits is intended to improve the alignment of resources to be able to process the increased volume and complexity of permits closer to or within the published target time limits.

Permit Type	Permit Subtype	Average Number of Weeks From Application to First Review Letter*		Average Number of Weeks From Application to Approval*	
		2019	2020/21	2019	2020/21
Commercial	Year				
	New building	13	16	27	50
	Tenant Improvement	7	8	11	17
Multifamily	New building	11	16	58	69
Single Family Residential	New building	15	14	31	32
	Addition/Remodel	5	9	9	17

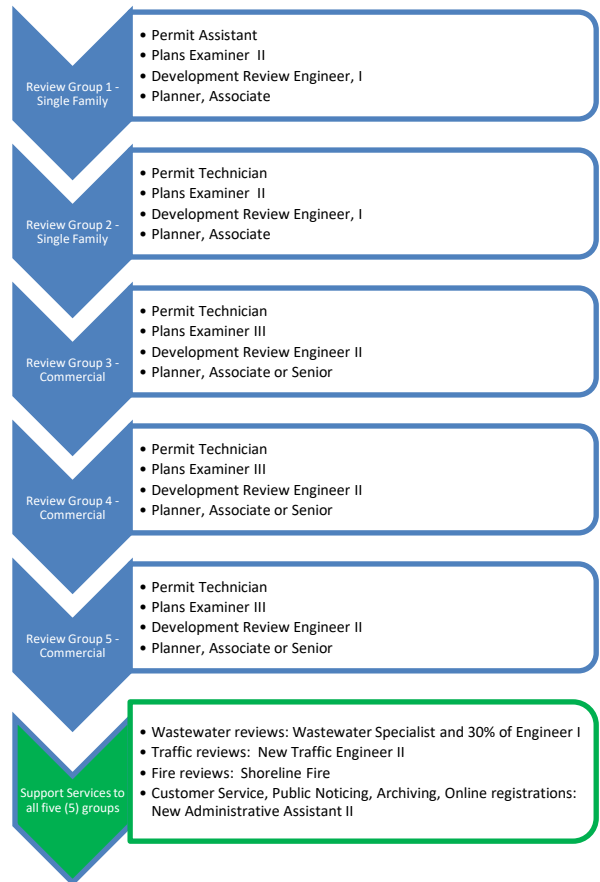
\*Note: The average number of weeks includes time the applicant uses to correct permit applications that is completely out of the control of the City, and as such, the first review time is the most accurate reflection of review times solely within the control of the City.

Given the current and projected level of permit submittals for multi-family, commercial and Deep Green projects, the City Manager determined that the staffing levels should be reviewed now, as opposed to waiting until the 2023-2024 Biennial Budget process. Even if Council supports the staffing request, it will take time to hire new staff and for them to become familiar with the City’s regulations. Waiting until the 2023-2024 Budget process would further delay initiating the process for at least another seven months.

**Staffing and Budget Request**

Staff’s proposal for Council consideration is to create a fifth permitting review group (see chart at right). The City currently has three complete permitting review groups. A permitting review group is a subset of the staff needed to process the most complex permit types such as new Mixed-Use, Multi-Family, Commercial, Deep Green Incentive Program projects, Affordable Housing projects and projects within Critical Areas from application intake to permit issuance. These complex projects also often represent development that advances key Council goals and policies such as Mixed Use Residential – 70 (MUR-70’) around the Light Rail Stations and the Shoreline Place projects.

For complex projects, the primary staff positions needed to advance a permit application to an issued permit require the services of a Permit Technician, Plans Examiner, Development Review Engineer (DRE), Planner, Wastewater Specialist, Traffic Engineer, and a Fire Reviewer. One member from a permit review



group also serves as the Project Manager who is responsible for coordinating reviews and other staff tasks as well as direct communication with the applicant during review.

The request included in tonight's discussion is to hire one (1) Permit Technician and one (1) Administrative Assistant II; one (1) DRE I (to assist in general and wastewater reviews), one (1) DRE II; one (1) Senior Planner; and one (1) Traffic Engineer II. As noted above, this would create five permitting review groups. The five permitting review groups would be served with four (4) Permit Technicians and two (2) extra help Permit Assistants. Permits would then be routed in theory to one of the five groups for review and processing.

The DRE II would perform review of the most complex projects such as the multi-family and commercial projects that require extensive coordination and iterative reviews. The DRE I would provide support to the DRE II on simpler tasks and would perform reviews on smaller projects, franchise utility permits and wastewater permits. This position will be funded through a combination of general permit revenue (70%) and wastewater permit revenue (30%).

Currently, the City Traffic Engineer provides review support on projects and heavily utilizes consultants for review of Traffic Impact Analyses (TIAs) and other tasks. The increased complexity and volume of projects is beyond the resource capacity of the City Traffic Engineer. The new Traffic Engineer II would review a variety of right-of-way requirements including lane widths, on-street parking and loading areas, temporary traffic control, signs, and pavement markings; and review of TIA reports, associated Transportation Impact Fee calculations, and in some cases, identify mitigation strategies or follow up monitoring. These larger projects require significant time to review and follow up on improvements. Due to staffing constraints, these reviews can cause delays in permit processing and issuance.

Currently PCD has two Administrative Assistants (AA). The AA III is primarily assigned to serve as the Planning Commission Clerk, PCD public records coordinator, PCD Council response letter representative, and PCD records coordinator. The AA II provides in person and phone reception for PCD, manages the PCD incoming email, and provides general office support, such as ordering supplies. These tasks do not allow for much time to focus on other more detailed tasks due to constant interruptions and high volumes. The new AA II would allow for more permit related tasks to be done on demand such as project noticing, website management, and routine tasks associated with permit intake and issuance. Council is being asked to consider approval of the following six (6) new ongoing FTEs to support permit intake, review, and issuance:

<b>Position</b>	<b>Department</b>	<b>Ongoing Cost</b>	<b>One-time Cost<sup>2</sup></b>	<b>Total Cost</b>
<b>Development Review Engineer I</b>	Public Works	\$167,049 <sup>1</sup> (30% of the cost proposed to be covered by the Wastewater Utility: \$50,115)	\$10,530 (30% of the cost proposed to be covered by the Wastewater Utility: \$3,159)	\$124,305
<b>Development Review Engineer II</b>	Public Works	\$181,099 <sup>1</sup>	\$10,530	\$191,629
<b>Engineer II - Traffic</b>	Public Works	\$181,099	\$11,530	\$192,629
<b>Senior Planner</b>	PCD	\$154,000 <sup>1</sup>	\$10,530	\$164,530
<b>Permit Technician</b>	PCD	\$111,000 <sup>1</sup>	\$10,530	\$121,530
<b>Administrative Assistant II</b>	PCD	\$102,000 <sup>1</sup>	\$9,530	\$111,530
<b>TOTALS</b>		<b>\$896,247</b>	<b>\$63,180</b>	<b>\$906,153</b>

<sup>1</sup> Annual Cost based on 2021-2022 Budget estimates and ongoing costs will gradually increase over time based on CPI. The partial year estimated cost would be added to the 2021-2022 Budget Amendment.

<sup>2</sup> One-time costs include cubicles, computers, monitors, phones and one new shared fleet vehicle. These costs would be added to the 2021-2022 Budget through an amendment.

PCD and PW staff have implemented alternatives to hiring additional staff. As noted earlier, staff have on-call contracts for Planners, Plans Examiners, Inspectors, Permit Technicians and Development Review Engineers and Traffic Engineers. However, staff are still not able to process permits in a timely manner. It must be noted that contracting for these services still requires significant in-house project management coordinative support. Staff are at the point where we need to rely on contract assistance regularly and are still not able to consistently meet the internal target of 12 weeks on average for permit turn around for first new commercial construction reviews.

If Council supports the request within this staff report, staff will continue to monitor the usage of on-call services along with the new staffing levels. There may be opportunity to reduce the level of on-call usage, but staff cannot accurately predict that with the current rate of permit submittal and until such time as the new permit teams are fully functional.

It should also be noted that the last two years have been challenging and stressful in projecting development activity and staffing levels. The COVID-19 pandemic created significant impacts as staff were juggling work and personal responsibilities with school closures and potential illness, along with transitions to remote work teams. As most employers have experienced, the City has also seen a greater number of employees moving on to new jobs outside or within the organization; more staff retiring; and more sick time being taken for employee/employee family care. All these events have reduced staffing for prolonged periods of time often without much warning. Meanwhile, permit applications and calls for inspections keep arriving with the expectation of receiving timely services.



## Revenue

The great recession of 2008 is the primary reason PCD staffing remained flat through 2016. A Planner and the Planning Manager were laid off in 2011. Permit revenue in 2009-2010 dipped below half of the permit revenue collected in 2007. Permit revenue did not consistently exceed pre-recession levels until 2016. Between 2011 and 2015 and 2017 to 2019, PCD revenue was bolstered by the Shoreline School District new and major remodeling projects of several schools, including both high schools. In 2017, a three-year limited term Senior Planner position was hired to work on both School District and Sound Transit permits. Additionally, consultants and extra help were used to assist with Plans Examination and Engineering Reviews for the School District permits.

PCD's revenue has increased since 2015. The adoption of the Light Rail Station Subarea Plans in 2015 and 2016 has spurred redevelopment in Shoreline. Currently, staff are seeing the construction of the light rail stations themselves igniting development adjacent to these important assets. Multi-Family and Mixed-Use development along Aurora Avenue, in North City and in Ballinger has also been strong. The 2019-2020 Biennium actual revenue total was \$7,529,825. As of May 5, 2022, 92% of 2021-2022 budgeted revenue has been collected and will likely exceed the projected \$7.05 million.

In 2016, Council approved permit cost recovery targets based on a [cost recovery study prepared by FCS Group](#). The targets are to recover 78% of the program expenditures for the Building and Inspection Team; 30% of the program expenditures for the City Planning Team; and 35% of the program costs for the Engineering Team (in PW). The following chart depicts the amount of budgeted costs that must be recovered per the approved cost recovery study:

<b>Program &amp; Required Cost Recovery Percentage</b>	<b>2021-2022 Budgeted Expenditures by Program (Costs)</b>	<b>Total of 2021-2022 Expenditures (Costs) That Must be Recovered</b>
<b>Building &amp; Inspections – 78%</b>	\$2,566,445	\$2,001,827
<b>City Planning – 30%</b>	\$2,260,582	\$ 678,175
<b>Engineering (PW) – 35%</b>	\$1,195,032	\$ 418,261
<b>Totals</b>	<b>\$6,022,059</b>	<b>\$3,098,263</b>

It should be noted that the budgeted expenditures by program do not include associated support service costs necessary to have the programs fully functional, such as information technology, legal, financial services, human resources, etc. As such, that is why some of the programs have a lower recovery rate, so strictly looking at the recovery rate of the program expenditures to the permit revenue collected is not a fully allocated cost model. Also, the City Council has approved incentives, including permit fee reductions/waivers, for certain targeted development programs such as affordable/low-income housing and Deep Green projects. In many of these cases, lower levels or no revenue is collected.

With this said however, revenue collections have continued to out-pace those budgeted, and the PCD and the PW Engineering Program are currently on track to recover an estimated 90% of budgeted expenditures with revenue versus the cost recovery target of 39%. If for example, the requested permitting staff are added to the current 2021-2022 Budget in full, the City expenditures related to permitting would increase by an estimated \$960,000 and based on planned revenue, 80% of the costs for this service would still be recovered by permit fees, although this does not reflect a fully allocated cost recovery estimate.

As previously stated, permit fee reductions and waivers have an impact on staff resources and revenue. The following are where the municipal code provides for waiving fees:

- SMC 20.30.100 and SMC 20.40.230(H) - affordable housing waiver of fees based on the percentage of affordable units to be constructed.
- SMC 20.40.235(B)(4) and (F) - affordable housing, light rail station subareas fee reductions or waivers for new and remodeled housing affordable to people making 60% or less of the King County area median income.
- SMC 20.50.630(D)(1) - waiver up to 100% of permit fees for qualifying projects and free expedited review for all Deep Green Incentive Projects (DGIP).

These programs have become popular with multi-family developers often taking advantage of both affordable housing and DGIP programs. The incentives are working, which is creating a greater demand on resources. Since these projects are often taking advantage of the free expedited permitting through the DGIP program, we have been trying to manage these reviews in-house as we are not collecting the double permitting fees to cover expediting with consultant reviewers. To do this, staff must move the DGIP permits to the front of the line for review. Staff now have too many DGIP projects to continue this practice and are using consultants which lengthens the time it takes to receive an expedited permit and the City pays the cost of the consultant. Currently, there are three (3) Mixed-Use/Multi-Family projects under review that qualify for the DGIP incentives. All three projects were expedited and to date fee reductions total \$332,537. We do not have adequate staff resources to expedite all these permits at that same time. This incentive, though well intentioned, is having a negative impact on non-DGIP project timelines.

While the current state of the world is making economic forecasting more difficult, there are strong indications that development in Shoreline will increase between now and 2025 to coincide with the opening of the two light rail stations. Beyond 2025, staff have credible information that development is planned to continue based on pre-application meetings, discussions with property owners and developers and a continuation of the region's housing crisis. In addition to housing developments, larger scale projects from Shoreline Community College, Fircrest/DSHS, the Shoreline Place build out, and the City's own Park Bond projects are anticipated in the next couple of years for permitting.

Below is a chart that depicts expected development projects that are on track to apply for permits to align construction with the start of light rail service in 2024. There are also some projects like Shoreline Place that are planned in phases into the future:

<b>Number of Units Projected by Development Phase</b>			
<b>Development Area</b>	<b>Units in Permitting or Construction</b>	<b>Property Acquired or Under Contract – projected units</b>	<b>Pre-Application Meeting held – projected units</b>
<b>148<sup>th</sup> Street Station</b>	1,336	1,327	324
<b>185<sup>th</sup> Street Station</b>	266		932
<b>Shoreline Place</b>		1,400	
<b>North City</b>			630
<b>Aurora Corridor</b>	1,044	622	1,239
<b>Ballinger</b>	227		
<b>Unit Subtotals</b>	<b>2,873</b>	<b>3,349</b>	<b>3,125</b>
<b>TOTAL PROJECTED UNITS: 9,347 units</b>			

In conclusion, the Council’s policies related to creating transit-oriented communities that have a mix of residential types affordable to a range of incomes and built with reduced impacts on the environment and increased health benefits for residents are successful. While this success has created a demand that has exceeded staff capacity, permit revenue has also increased. Tonight’s request is to gradually add permitting staff to PCD and PW to better meet this demand. While the additional staffing resources could be paid for entirely by permit revenue, given the strong performance of permitting revenue in past years and the impact of these incentives on workload, staff recommends using some General Fund fund balance as one-time contribution to support a portion of the added staff for the next three years. This approach would allow revenue forecasts to remain conservative in the face of the uncertain economy. PCD and PW may also be asking for additional staff as part of the 2023-2024 Biennial Budget depending on whether on or not the workload and revenue are still out pacing staff resources.

**GIS Support for Comprehensive Plan and other Critical Projects**

The Council approved the conversion of the Information Technology (IT) Division’s GIS extra-help position to a 0.5 FTE GIS Technician as part of the mid-biennium budget review process. As staff evaluates the workload in the next three to five years, staff have identified ongoing and project work that far exceeds the capacity of a 0.5 FTE GIS Technician. This position is currently vacant and staff are seeking Council authority to increase that position to a 1.0 FTE GIS Technician so that staff can recruit at this time. This work is 100% project supported and does not require a monetary increase to the Budget, as the costs are incorporated in project budgets already approved by Council. The City is conducting a comprehensive IT Workload Analysis and staff anticipates additional FTE requests will be presented in the 2023-2024 Budget to support the needs of the City.

**Next Steps**

Based on Council direction, staff can return in late June or July with an ordinance to amend the 2021-2022 Budget for PCD and PW to add six (6) FTE and a 0.5 GIS Technician to address the permitting workload. If Council is supportive of the recommendation, staff will start the recruitment process immediately. Given the timeline

needed for recruitment, staff anticipates that the budget amendment ordinance would be before Council for action prior to the hiring of related staff.

### **RESOURCE/FINANCIAL IMPACT**

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