

Memo

To: All Members, Bellingham City Council

From: Mark Gardner, Senior Legislative Analyst

CC: Rick Sepler, Greg Aucutt, Lisa Pool, Moshe Quinn, Kurt Nabbefeld, Ted Carlson, Eric Johnston, Brent Baldwin, City of Bellingham; Gary Davis, Whatcom County

Date: 02/20/15

Re: 2014 Comparative Fees and Costs for a New Single Family Residence

Comparative Fees and System Costs for a New Single Family Residence

This memo summarizes findings regarding comparative costs of developing a new single-family residence in Bellingham, Blaine, Ferndale, Lynden, and in the unincorporated portions of Whatcom County. The memo focuses on the portion of development costs resulting from various fees and charges by the jurisdictions (e.g. permit costs, system development charges) as well as costs that are incurred in unincorporated areas of the county for water provision and waste treatment (e.g. well and septic costs).

In this memo, the fees and other costs are compiled for a generic example of a 2,500 square foot house with a 400 square foot garage. Choosing a specific example such as this allows the building permit fees to be included given that these are a substantial portion of overall fees. In order to avoid unusual or complicating factors, the residential project is assumed to have no other features that would raise building costs such as decks or fireplaces, and that the site is on flat terrain not located in an environmentally-sensitive area (e.g. no wetlands or critical areas). I have not included the cost of various mechanical permits (plumbing, heating etc.) because applying these gets complicated very quickly and the total cost of these permits will not change the relative cost picture to a substantial degree.

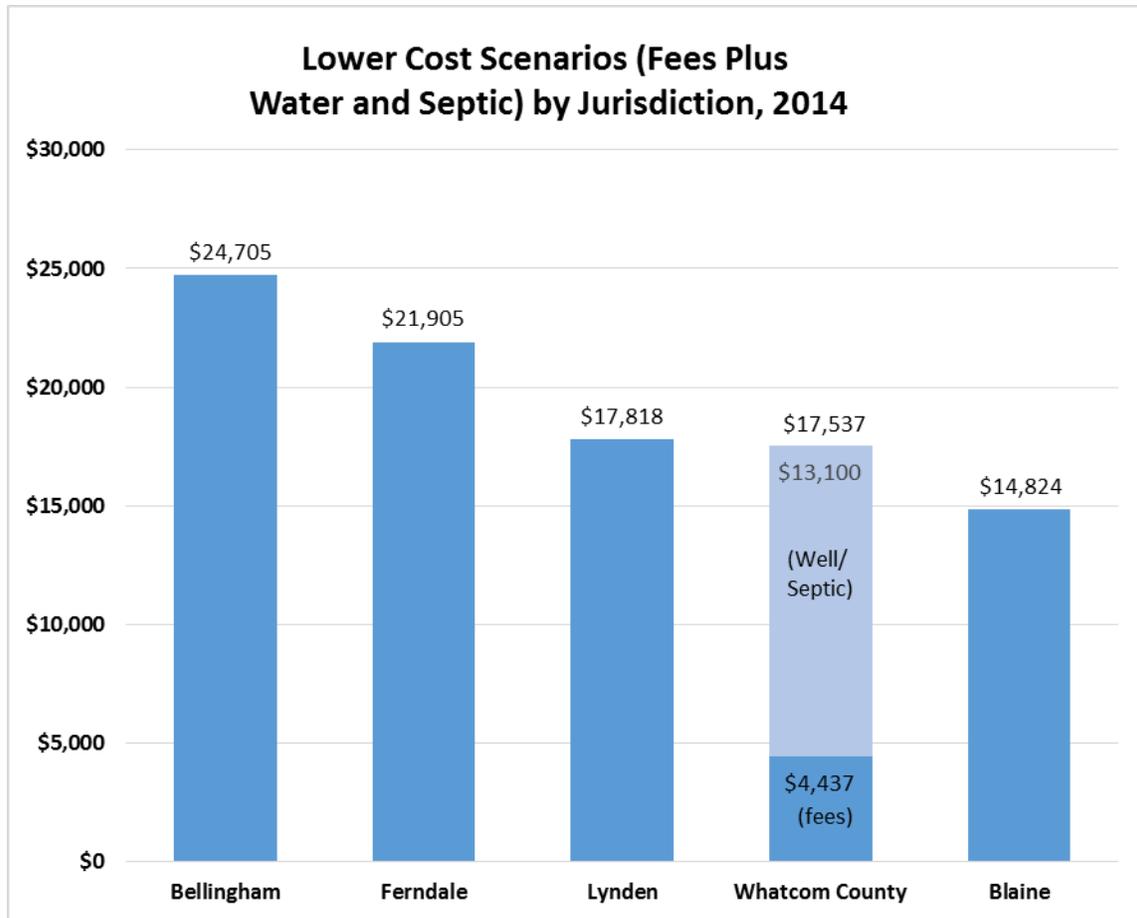
The analysis starts with baseline costs, which are the total of fees and charges (and septic and water development costs in Whatcom County) for the lowest-cost geographical area within each jurisdiction. (Note that while Bellingham and Ferndale have created areas where fees are discounted for certain types of projects under certain conditions, these are not taken into account here since most single family construction is outside of these discount areas and/or the discounts may not be applicable to SF construction). In this baseline analysis for Whatcom County, water and septic costs, which vary substantially, are applied using a lower estimate of system costs. The analysis then adds in additional fees or costs that would be incurred under a number of common scenarios within some of the jurisdictions. In some of the small cities, for example, there are sewer system surcharges that apply to some geographical areas that are additive to other fees. In Whatcom County, additional

costs will often accrue for water and septic system development. Adding in these variable costs changes the rank ordering of the jurisdictions for total costs under a number of the scenarios.

Note that fees may be collected using different methods depending on the jurisdiction. Most notably, Ferndale or Lynden collect a portion (or all) of their impact fees at the time of platting rather than at the building permit stage. This analysis tends toward a more comprehensive look at fees and costs, and as such includes the total amounts of such fees regardless of when they are collected. (See the methodology section for more information).

Highlights of Findings

- Among the cities, total baseline (lowest cost) fees range from a high of \$24,705 in Bellingham to a low of \$14,824 in Blaine. Fees are \$21,905 in Ferndale and \$17,818 in Lynden.
- In Lynden, costs rise to \$22,588 if a project is in an area subject to a sewer system surcharge. In Ferndale, fees exceed \$22,000 within water or sewer system surcharge areas. Fees in Blaine increase by a few thousand within two higher-cost sewer system fee areas.
- Fees in unincorporated Whatcom County are much lower than the cities at \$4,437. This difference is accounted for by the absence of Impact Fees in the County, and because water and system development charges are not applicable.
- Although Whatcom County fees are low, when costs for developing water and septic are included, amounts may approach or exceed those of the cities. Under a low-cost development scenario in unincorporated Whatcom County, costs reach \$17,537, comparable to the Lynden baseline.
- Under a higher-cost scenario for unincorporated Whatcom County, if a lot obtained water via a private water association membership and required a higher cost septic system, total fees and required system costs exceed \$30,000. With a higher-cost well and higher-cost septic system, costs approach \$38,000.
- Fees are a relatively small input into total residential building costs, with land and construction costs accounting for a much larger share of total costs. For example, in a high-cost scenario for the County, higher up-front development costs could be offset by lower initial land costs. The impact of variables such as land costs are beyond the scope of this analysis.

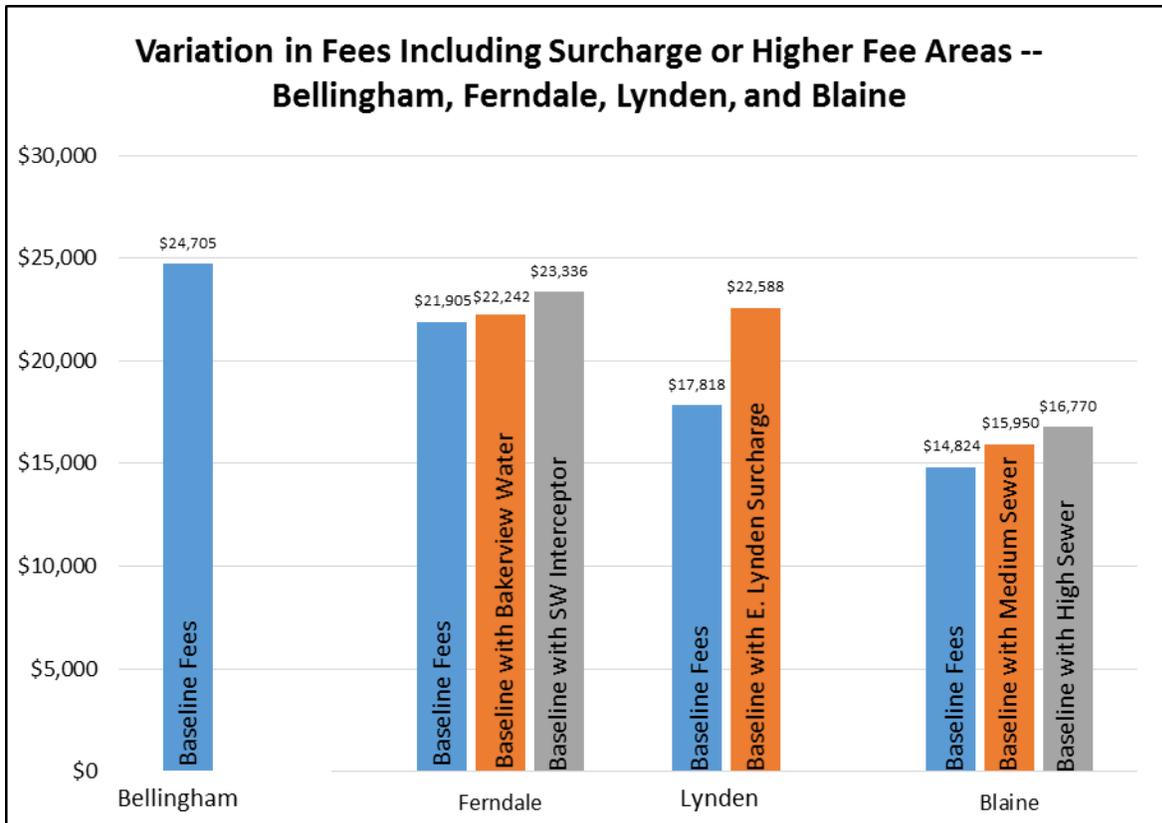


Analysis of 2014 Costs for Single-Family Development

Development fees in the cities. Tallying up the various permitting and other fees in the lowest cost area of each jurisdiction reveals variation across the cities, with Bellingham most expensive at \$24,705 and Blaine lowest at \$14,824. Lynden baseline costs are \$17,818. Ferndale's fees are close to Bellingham's at \$21,905.

These totals do not represent total permitting costs in some instances, however. Surcharges, or higher fees, may be charged to reflect the higher cost of servicing certain geographical areas. For example, if the property is in East Lynden, an area of that city seeing substantial amounts of new development, a new home would cost \$22,588 to permit since that area is subject to a sewer system development surcharge. Similarly, Ferndale's fees increase to \$23,336 if the lot is in a Southwest Sewer Interceptor area. This area encompasses much of the west side of the city with substantial recent single family construction. In another smaller area, also on the west side of Ferndale, an additional fee is assessed for water development, bringing building fees to \$22,242. (If a lot is within both surcharge areas, fees rise to \$23,673). In Blaine, if development is in a large portion of

the City where a medium-rate sewer fee is assessed, total costs go to almost \$16,000. In the highest cost area, encompassing about 30 percent of the City, costs are \$16,770. The following chart illustrates the effects of these surcharges or variable fees.



Development costs in unincorporated Whatcom County. The total permit and other required fees for a property in Whatcom County are substantially lower than the cities at \$4,437. However, the costs of development in the County quickly approach or exceed that of the other jurisdictions when the costs of obtaining water and septic are taken into account.

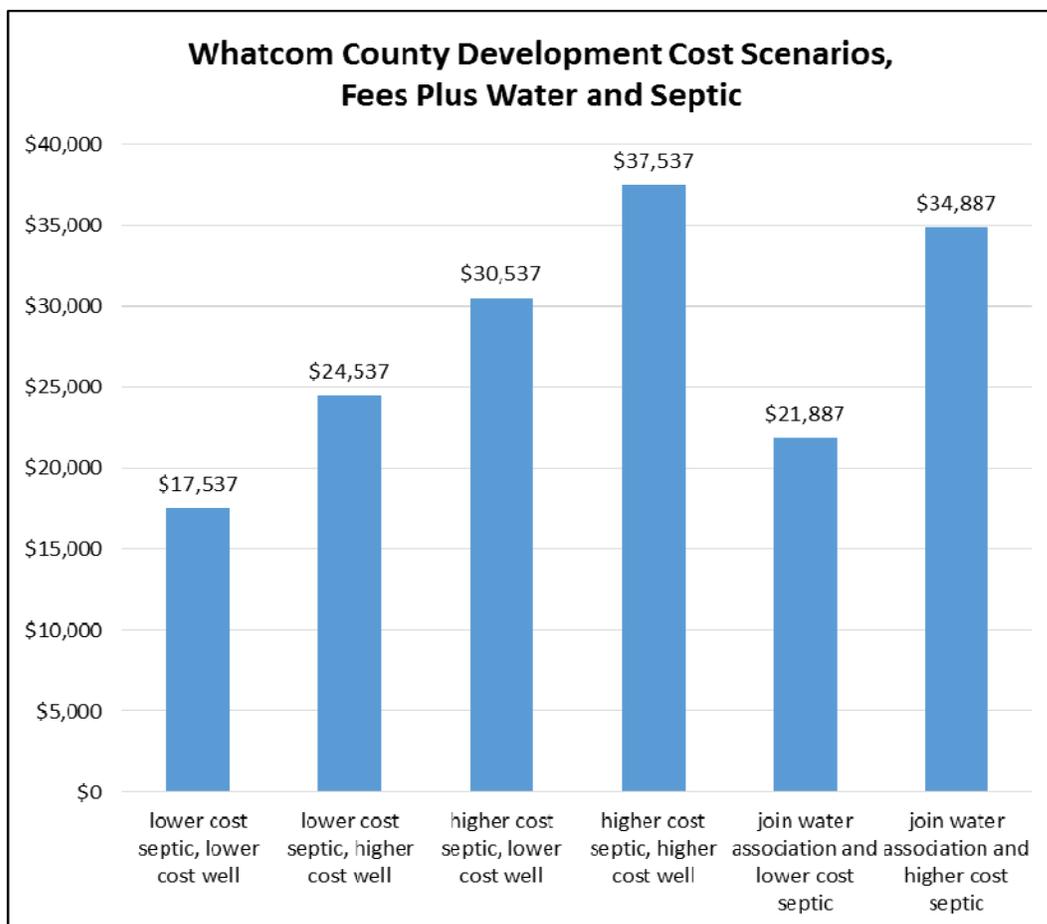
For septic, this memo includes lower and higher-cost alternatives, with the lower-cost system a gravity system at \$7000, and the higher cost alternative an above-ground pressurized system at \$20,000. When a lower-cost septic system is added to the fees, and including a septic review fee, costs of permits and septic rise to \$12,387. With a higher-priced system, costs are \$25,387. (Since a new septic system will be required in most development scenarios, this range of fees plus septic costs will be included in all additional scenarios).

Water can be obtained in a number of ways, with the most common ways being drilling a new well; tapping into an existing small well; or joining a water association. This memo

includes the two most common practices: drilling a well or joining a water association. Drilling a well could range from about \$5,000 under a lower-cost scenario to about \$12,000 under a higher-cost scenario. (Factors affecting well costs include well depth and the cost of a pump system; see the methodology section below for more information). If the parcel is in one of the larger water associations that charge membership fees, the cost for water would be approximately \$9,500.

These variables can be combined to produce several different scenarios. The lowest cost scenario comes in at about \$17,500. Three higher-cost examples exceed \$30,000. The costs of septic are a large cause of this variation, although there is also a large swing between the lower-cost and higher-cost water scenarios. These variants are summarized in the table below.

For some subset of properties, costs could exceed, or drop below, these scenarios. For example, a lot with a very low water table and poor septic drainage could push costs past \$40,000. On the other end, if a lot were to be able to tap into a small shared neighborhood well, costs could go below the \$17,500 shown here.



A Note on Methods. Permit fees are calculated using the construction valuation method adopted for each jurisdiction and then applying the local fee formulas. Total impact fees are added when they are collected by the various jurisdictions. In Ferndale and Lynden, with new land divisions 50% of the impact fees may be assessed at the platting stage, and 100% of the traffic fess in Lynden are assessed in this matter. (A few older parcels not previously having paid impact fees at platting may be assessed the full amount at the permit stage). Especially since the costs of new development involving new land divisions may be rolled forward into total project costs, the full impact fees are included in the final fee tally for this analysis.

System development charges, such as for sewer and stormwater, are also included when they apply. These vary by jurisdiction; for example, Bellingham, Ferndale, and Blaine have stormwater development charges but Lynden and Whatcom County do not. A number of other smaller fees associated with utilities, such as inspection or connection fees, are also included when these are required as part of the building permit process.

After baseline fees are tallied, various additional fees that apply to geographical areas within the jurisdictions are added to the analysis. Lynden, Ferndale, and Blaine have areas with system surcharges or higher fees for sewer or water; when these apply, fees go up significantly.

The County represents the most complicated case, with possible development costs varying wildly under different circumstances. In most cases for new residential construction, septic systems will need to be developed. The cost estimates presented here range from a low cost gravity system, to a higher cost above ground pressurized system.

For water, the memo includes estimates of the costs for drilling a new well, and the possibility of joining an existing private water association. For water association costs, the midpoint cost (\$9,500) for three of the larger water associations that are still accepting new members is used. For well costs, the memo includes data reflecting lower and higher cost scenarios. Specifically, the analysis starts with well depth data from the Department of Ecology for all drinking water wells with available depth data (2,224 wells) drilled since January 2000 in the Nooksack (WRIA 1) watershed. The lower and higher cost scenarios assume that wells range from the 20th percentile in depth (35 feet) to the 80th percentile in depth (200 feet). Well development costs, including pump systems and other equipment costs, were then obtained from large local drilling companies active in Whatcom County, with costs rounded down to reflect possible variation in costs in certain circumstances.

Note that costs of permitting in any of the areas could rise dramatically if the site were in an environmentally-sensitive area. Note also that, with the exception of impact fees in certain jurisdictions, the costs of subdividing and platting are not included in these figures. (The costs of subdivision activities and associated permits would presumably be reflected in lot costs, a variable not measured in this analysis).

Conclusions. The portion of development costs attributed to fees and water and septic development under fully-costed scenarios across the jurisdictions range from a low of about \$15,000 in Blaine to upwards of \$30,000 or more. Within the cities, baseline costs vary but costs fall within a relatively similar range of between \$20,000 and \$25,000 under a number of typical scenarios. For example, in both Lynden and Ferndale fees rise to over \$22,000 if residential lots that are being developed are located in various surcharge areas. In the County, while low-cost development scenarios are possible, under several likely scenarios for new single family construction, costs come close to or exceed those of the cities.

In the County, increased attention to septic standards and inspections are raising the cost of installing and operating a septic system. A similar process may develop for water as water rights issues and the need for maintenance of in-stream flows require greater investment in new conservation or management systems. However, individual prospective homeowners may focus on lower land costs for existing small parcels in the County and may not tally up all the other costs until the permitting process begins. For retirees with substantial prior home equity, and for new residents with higher incomes, these may be costs they are willing to absorb.

Table 1. Low Range (Baseline) Fee and Development Costs					
	Bellingham	Blaine	Ferndale	Lynden	Whatcom County
Building Permit Fees	\$2,554	\$3,425	\$3,344	\$3,049	\$4,037
Total Impact Fees	\$8,569	\$1,770	\$4,712	\$3,469	\$0
Stormwater Fees	\$994	\$283	\$600	\$0	\$0
Sewer and Septic Fees or Costs	\$7,662	\$5,951	\$7,243	\$6,400	\$8,050*
Water Fees or Costs	\$4,896	\$3,395	\$6,006	\$4,900	\$5,250*
Miscellaneous**	\$30	\$0	\$0	\$0	\$200
TOTAL	\$24,705	\$14,824	\$21,905	\$17,818	\$17,537
<p>*For Whatcom County, the septic and water costs in this table include a \$100 fee for water or septic review, respectively. When these fees are added to the \$200 in miscellaneous fees assessed by the County, total fees match the \$4,437 shown in an earlier chart.</p> <p>**Miscellaneous fees include a fire review fee in Bellingham, and various review fees (e.g. natural resource, fire) in Whatcom County.</p>					