



**KING COUNTY**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Signature Report**

**July 17, 2018**

**Motion 15177**

**Proposed No. 2018-0066.1**

**Sponsors Lambert**

1           A MOTION approving a plan to restructure the public  
2           benefit rating system program in accordance with 2017-  
3           2018 Biennial Budget Ordinance 18409, Section 81,  
4           Proviso P1.

5           WHEREAS, the 2017-2018 Biennial Budget Ordinance, Ordinance 18409,  
6           Section 81, Proviso P1, states that one hundred thousand dollars shall not be expended or  
7           encumbered until the executive transmits a plan to restructure the public benefit rating  
8           system program and a motion approving the plan is passed by the council, and

9           WHEREAS, the water and land resources division of the department of natural  
10          resources and parks administers the public benefit rating system program and produced  
11          the attached plan exploring strategies to implement a sliding scale application fee and  
12          strategies to increase program efficiency, and

13          WHEREAS, the plan explores four different program application fee options and  
14          provides a summary of administrative efficiencies realized since the program's inception  
15          and new efficiencies being proposed, and

16          WHEREAS, the executive is recommending a change to the application fee level  
17          and structure to make the fee a sliding scale fee based on the acreage of the property to be  
18          enrolled in the public benefit rating system program, and

19          WHEREAS, the executive has transmitted to the council the requested plan and

20 motion;

21 NOW, THEREFORE, BE IT MOVED by the Council of King County:

22 The plan to restructure the public benefit rating system program, submitted as  
23 Attachment A to this motion in accordance with Ordinance 18409, Section 81, Proviso  
24 P1, is hereby approved.

25

Motion 15177 was introduced on 6/4/2018 and passed by the Metropolitan King  
County Council on 7/16/2018, by the following vote:

Yes: 9 - Mr. von Reichbauer, Mr. Gossett, Ms. Lambert, Mr. Dunn,  
Mr. McDermott, Mr. Dembowski, Mr. Upthegrove, Ms. Kohl-Welles  
and Ms. Balducci

No: 0

Excused: 0

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON



J. Joseph McDermott, Chair

ATTEST:



Melani Pedroza, Clerk of the Council



**Attachments:** A. KC PBRs Strategies to Implement a Sliding Scale Application Fee

**King County's Public Benefit Rating System:  
Strategies to Implement a Sliding Scale Application Fee and  
Efficiently Operate the Program**

Prepared in accordance with  
Ordinance 18409, Section 81, Proviso P1

**November 2017**



**King County**

Department of Natural Resources and Parks  
Water and Land Resources Division

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## **Introduction**

Ordinance 18409, Section 81, Proviso P1 requires the King County Executive to transmit a report to the Council regarding the Public Benefit Rating System (PBRs) program.

Specifically, the Ordinance requires the report to detail:

- Strategies to implement a sliding scale for the PBRs application fee based on the current assessed value of the property applying to be enrolled in the program; and
- Strategies to efficiently operate the PBRs in collaboration with the assessor's office and other King County departments, which may result in cost savings to the general fund.

This report addresses each requirement under a separate heading that corresponds to the particular requirement.

## **Executive Summary**

The Public Benefit Rating System program offers an incentive (a property tax reduction) to landowners who voluntarily preserve open space, farmland or forestland on their property (KCC 20.36). It is administered by the Department of Natural Resources and Parks (DNRP), and has over 1,250 landowners participating who have collectively enrolled approximately 12,600 acres in the program.

This proviso response evaluates five options overall, four options for a sliding scale fee and the existing fee structure; and also examines past and potential program efficiencies. One option for a sliding scale fee is based on current assessed value, as required by the Ordinance. As explored further in the analysis section, this option has complications that make it more challenging than other alternatives evaluated in this report. At this time, the Executive is not recommending that any changes be made to the fee structure for the program, but that a formal proposal to implement a sliding scale related to the acreage of the parcel enrolled, which reflects complexity of application review and/or tax benefit, be submitted concurrent with the 2019/2020 budget submittal.

Additionally, the Executive recommends merging the Timber Land program, which is administered by DNRP with the Designated Forestland program, which is managed by the Department of Assessments. Merging these programs will increase administrative efficiencies by having one department, the Department of Assessments, oversee the enrollment and monitoring of all property devoted to timber production and harvest.

## **Public Benefit Rating System Overview**

There are four Current Use Taxation programs that offer an incentive (a property tax reduction) to landowners who voluntarily preserve open space, farmland or forestland on their property. Chapters 84.33 and 84.34 of the Revised Code of Washington

(RCW) and Chapters 458-30 and 458-40 of the Washington Administrative Code (WAC) detail the definitions, policies and procedures for their administration. The Designated Forestland and the Farm and Agricultural land programs are administered by the Department of Assessments. The PBRs and Timber Land, which are defined in KCC 20.36, are currently administered by the Department of Natural Resources and Parks (DNRP).

Participation in the PBRs program allows urban and rural land owners to receive a reduction in their property tax if they implement certain actions on their property that conserve natural resources and provide a public benefit. Enrollment and associated tax savings are based on a point system. There are currently 25 different categories for which properties can qualify. The total points awarded for a property's PBRs resources translate into a 50 percent to 90 percent reduction in the taxable land assessed value for the portion of the property enrolled. Enrollment requires approval by the Council through the adoption of an ordinance.

Approximately ten percent of the annual operating budget for the PBRs program is generated through the collection of application fees. In 2016, 57 PBRs applications were received (on par with the program's ten year average of 63 applications received per year). All applications are processed by PBRs staff within six months of receipt as per state law requirements.

### **Strategies to Implement a Sliding Scale Application Fee**

The current PBRs application fee is \$480. The fee is collected upon submittal of the application and before staff invest significant time in site visits and evaluating the property for enrollment in the program. King County's system and fee structure is similar to other counties in Washington State. In all cases, the other 38 counties charge a flat fee for all parcels entering current use, including the other 18 counties with PBRs systems. Thirteen counties also have additional charges for elements of the application process that impact review costs, such as a per parcel charge and recording fees.

PBRs application fees range from a low of \$100 in Whitman County to a high of \$4,797 in Cowlitz County. The average fee across all counties in Washington State is approximately \$800. At this point, we are unaware of any other counties contemplating a sliding fee scale for applicants to current use or PBRs programs.

In King County, the current PBRs application fee is \$480, and the average tax savings for a property owner who enrolls in the PBRs is approximately \$1,500 per year. Consequently, almost all applicants to the PBRs system recover the entire application fee within the first year after they are enrolled in the program.

Ordinance 18409 directed PBRs program staff to explore strategies to implement a sliding scale application fee based on the current assessed value of the property applying to be enrolled in the program. This response presents a range of options to a sliding scale application fee and includes analysis addressing how each option reflects the relative cost of processing applications and/or the relative tax benefit realized by

applicants. For the purpose of this analysis, revenues remain neutral when compared to the existing fee structure.

Given the significant tax benefits derived from enrolling in the PBRs system and the rapid recovery of the cost of the application fee, typically one year, it is unlikely that a scaled fee will have a dramatic impact on enrollment in the program. However, this analysis acknowledges that there is a possibility that modulating the rate may have some marginal impact on the low end of the fee scale for some of the options (e.g., encourage additional landowners to apply).

The tier structure and associated fees for these options were determined based on an analysis of average property size, land assessed value, and program savings for properties currently participating in PBRs. To aid with the comparison among options, parcels were grouped into one of three tiers. For options one through three, program staff have estimated 10 percent of the applications received annually will fall in Tier One, 80 percent in Tier Two and 10 percent in Tier Three.

Fees are scaled along a range that sets the current fee (\$480.00) at approximately the mid-point of the scale, and under this proposal fee revenues would be relatively unchanged from the current system. The current fee structure does not cover the entire cost of the application process for the PBRs program, and so while the fees are intended to be proportional to the level of effort for each of the alternatives there is not a direct dollar-for-dollar correlation between the cost of processing the application and the fee tiers.

Under options one through four, in order to implement a sliding fee program staff would need to conduct a field analysis to determine the area of a parcel that is eligible for enrollment in the program and/or the tax savings. It may be necessary to charge a nominal application fee at the time of the initial application (e.g. \$100), to offset some of the costs of evaluating the property, and then charge the balance of the fee once the property has been qualified for the program and eligibility and tax savings have been identified.

Option five represents the status quo and no change to the current flat application fee.

#### Option 1: Fee Based on Size of Enrolling Acreage

The enrolling acreage of a property can vary greatly, with larger properties often increasing the complexity of analysis and staff time required to conduct an on-site property review. The landowner estimates acreage to be enrolled at the time of application for the program; however, actual acreage is not determined until after site visits and conversations with the owner to better understand what land is actually eligible for enrollment. Owners of larger properties typically also receive the largest tax benefit. To account for these factors and promote greater fee equity, this approach would scale the fee to the size of the property.

Fee Structure:

Tier One: Less than 5 acres enrolling = \$300 fee

Tier Two: 5-15 acres enrolling = \$500 fee

Tier Three: Greater than 15 acres enrolling = \$600 fee

Pros:

- Easy to scale fee based on size of acreage to be enrolled.
- Difference in fees reflect the reality that larger properties often require more analysis and onsite review time (both during approval process and subsequent monitoring).
- Changes in property values over time will have no impact on fee scale based on property size.

Cons:

- Landowners who enroll larger acreage provide a larger public benefit but yet are asked to pay a larger application fee.

Option 2: Fee Based on PBRS Tax Reduction Level Scale (50-90 percent)

When evaluating properties for enrollment in PBRS, program staff recommend the percentage reduction for which a property qualifies, which places the parcel in a corresponding PBRS tax reduction level. Under this option, program staff would use that reduction level to determine the size of the fee to be paid by the applicant. Landowners who receive the greatest tax benefit as a percentage of their total tax therefore pay a proportionally greater application fee than those that realize a lesser benefit.

Fee Structure:

Tier One: 50 percent PBRS reduction level = \$300 fee

Tier Two: 60 percent - 80 percent PBRS reduction level = \$500 fee

Tier Three: 90 percent PBRS reduction level = \$600 fee

Pros:

- Easy to scale fee based on existing PBRS reduction scale, which is simple and straightforward.
- Fee based upon awarded PBRS reduction level with those applicants receiving the greatest relative tax benefit paying the highest application fees.
- The PBRS savings level scale has been constant since the program was established and is not affected by changes in land values resulting from fluctuations in real estate market trends over time.

Cons:

- PBRS reduction level does not solely determine the amount of property tax dollars saved; assessed value and enrolling acreage are also important variables.



- Landowners who are ostensibly providing greater public benefits and resource protection (i.e., those landowners scoring at a higher reduction level) pay a higher application fee.

### Option 3: Fee as a Percentage of Estimated Annual Property Tax Savings

This option is similar to Option 2 above, but rather than scaling the fee to the percentage of tax reduction it scales it to the annual tax benefit realized by the applicant. Under this option, landowners seeing a greater level of tax savings could be required to pay a higher application fee in an effort to promote greater fee equity and potentially reduce the current fee for those owners seeing less significant savings. The fee for every application is a set percentage of the estimated annual PBRS tax savings, as determined by the property's most recent assessed land values at the time of application.

The average PBRS tax savings for property currently participating is approximately \$1,500. Setting the percentage multiplier at 33 percent results in an average application fee of \$500, which closely approximates the current application fee of \$480. However, because some enrolling properties hold much greater land value, usually due to location or size, under this alternative an application fee cap might be necessary so that continued enrollment of higher valued property is not discouraged. Each year program staff see a few applications with much higher amounts of annual tax savings, rarely more than \$10,000 which would mean a \$3,300 fee if no cap was set.

#### Pros:

- Equitable and simple fee determination with those landowners receiving the greatest tax benefit paying the largest application fee.
- Relatively easy to adjust revenue from applications over time (modify the fee multiplier).

#### Cons:

- This type of fee structure cannot necessarily maintain revenue neutrality unless the multiplier was regularly adjusted to account for expected changes in land values over time.
- Land values will likely keep increasing over time, which may result in increased application fees for future program applicants.
- Adjusting the fee would require formal Council approval via an ordinance.

### Option 4: Fee Based on Assessed Value

PBRS tax savings are tied to two factors: the assessed value of the land being enrolled in the program, and the qualifying level of resource protection. Ordinance 18409 directed PBRS program staff to explore a tiered fee scale based on assessed land value, and the following scale was developed based on land value with the intent of tying the fee to the value of the parcel applying for PBRS. Fees are scaled along a range that sets the current fee at approximately

the mid-point of the scale, and under this proposal fee revenues would be unchanged from the current system.

Fee Structure:

Tier One: Under \$100,000 land value = \$300 fee

Tier Two: \$100,000 - 300,000 land value = \$500 fee

Tier Three: Over \$300,000 land value = \$600 fee

Pros:

- Responds to proviso request to base scale on assessed land value.
- Easy to scale fee based on amount of assessed property value – at time of enrollment.

Cons:

- Not necessarily equitable given that the tax reduction is based on both assessed land value and qualifying resource characteristics. Even though properties with higher assessed value would appear to ultimately see the greatest tax benefit (and therefore have to pay a higher fee), this is not always the case. Each enrolling property qualifies for a specific PBRS reduction percentage (50 percent-90 percent) based on its qualifying level of resource protection. Consequently, enrolling lands do not see a uniform level of reduction in property taxes. As a result, a property with greater assessed value scoring on the low end of the PBRS savings spectrum (a 50 percent reduction) may end up seeing less tax savings than a property with lower assessed value scoring on the high end of the PBRS savings spectrum (90 percent).
- Land values are likely to increase over time so a fee scale based on set tiers of assessed value will also increase, necessitating regulatory changes to KCC 20.36 to maintain the intended benefits of a sliding scale. If not adjusted, a greater percentage of applicants, if not all, will have to pay the highest fee as property values continue to rise, defeating the objective to keep the application cost fair and equitable over time.

Option 5: Maintain Status Quo – Flat \$480 Fee

This option reflects how the program is currently operating. Applicants pay a single \$480 fee submitted at the time of application, regardless of property size, assessed value, PBRS reduction level or tax savings. Program staff then evaluate the property and determine program eligibility and the tax savings to be realized.

Pros:

- Simple, projectable revenue stream and treats all landowners equally.
- Proven to be successful and produce consistent annual application numbers – fee not so expensive that it discourages steady applications.

- Favorable fee structure for landowners willing to enroll large acreage or lands with multiple open space benefits.

Cons:

- All landowners pay the same application fee, regardless of land value or potential tax savings.

At this point in time, the Executive recommends keeping the current system – Option 5 – in place through the 2017/2018 biennium. The Water and Land Resources Division of DNRP will propose a sliding scale fee structure based on Option One – fee based on parcel acreage – as part of the 2019/2020 biennial budget submittal. The Division will conduct targeted community outreach to develop a fee proposal, and the proposal may be structured to enhance revenue to the PBRS program.

The Executive welcomes the opportunity to discuss with the Council any comments it has on the PBRS program to enhance the revised fee proposal and achieve greater equity and efficiency in the operation of this essential program to maintain open space in King County.

### Strategies to Increase Program Efficiency

Program staff have been and continue to evaluate program improvements and efficiencies in the oversight and management of current use taxation within DNRP. A number of program changes have been enacted in recent years, which have made the application process and ongoing program compliance easier for program participants. Additionally, DNRP has also incorporated a number of program efficiencies to reduce application processing time and reallocate staff time to marketing and monitoring. While quantifying the dollar value of these improvements is difficult, the effect of these changes is to free up approximately one quarter of a full time equivalent to increase outreach and monitoring. Below are some examples of past (and proposed) efficiencies made to the PBRS program.

#### Implemented Programmatic Improvements

DNRP has made several revisions to the PBRS program via ordinance (1993, 1998, 2005, 2010, and 2011) since its initial adoption in 1992, in an effort to continually improve the program. Some of these improvements have improved internal efficiencies, while others have made the application process and the program easier for applicants and participants to navigate. Briefly they include:

- Several categories, which were duplicative in their resource protection, have been removed.
- New categories have been added, most recently involving public trail linkages and access.
- General program policies as described in KCC 20.36 have been revised as needed. Examples include updates to participant reporting requirements and eligible lands requirements/definitions.

- Removal of some program public notice requirements not required by RCW 84.34 (property signage, letters to neighbors, and additional publication notice/time).

### Implemented Technological Improvements

Over the last several years, PBRS staff have made a number of technical improvements to the program. Among the programmatic efficiencies are the following:

- Website redesign – included the addition of an interactive enrollment map, accessibility to/for participants to self-monitor via fillable form, “application status” and “FAQ” pages.
- Ongoing updates to supporting documents, program materials, statutes, codes, etc. available for constituents to access and review.
- Database management – a new, more comprehensive program database provides staff with the ability to more efficiently enter, update and summarize/report on enrollment data. The database is also tied directly to DNRP GIS services for easier and regular updating of existing program enrollment available to County staff and the public, including on iMap.
- Improvements in GIS based property analysis software - allow staff to more accurately conduct resource analysis and compliance review. Improvements include new tools which now allow staff to digitize excluded portions of properties at time of enrollment, greatly simplify ongoing compliance monitoring and improving measurement accuracies.

### Proposed Programmatic Efficiencies

DNRP has drafted two new ordinances for Council’s consideration, which will make the PBRS program simpler and easier to navigate for applicants by collapsing two separate programs into one and consolidating enrollment and monitoring in the Department of Assessments:

- An ordinance recommending the merging of the Timber Land program, which is administered by DNRP, with the Designated Forestland program, which is managed by Department of Assessments. Merging these programs will increase administrative efficiencies by having one department, the Department of Assessments, oversee the enrollment and monitoring of all property devoted to timber production and harvest, including the 256 parcels currently enrolled in Timber Land. The merge will allow PBRS staff to focus solely on the administration of new and existing PBRS enrollment. This merge is allowed by RCW 84.34.400.
- A second ordinance that provides language for additional improvements and efficiencies to the PBRS program. This ordinance would create a new resource category rewarding landowners interested in conducting major resource recovery efforts on property with critical fish and wildlife habitat resources that are more costly, labor intensive and ecologically significant. It also adds minor revisions to existing program resource criteria and policy for the purpose of improved clarity and more efficient program administration.

These ordinances will be transmitted to the Council separately from this proviso response.