

Community Development Department Fees for Service

City Council
January 21, 2014

- June 29, 2004 – Cost recovery principles were established:
For all services determined to be “development-related,” a cost recovery level of 100% is desired.
- August 2008 - Present – Adjustment of development fees has only occurred with the annual index update.
- September 2013 – Council receives full cost of services study and initiates public review.
- October 2013 – Staff conducts public outreach.
- November 2013 – Council sets public hearing date.

- Calculated the cost of services at the unit level.
- Cost based on staff effort (time to complete services).
- Full Cost includes direct and indirect costs.
- Unit Results show full cost vs. current fees.
- Subsidies exist where fees are not set at full cost.
- Annual / Summary Results show extrapolated full cost vs. current fees and annual subsidies from General Fund.

Annual Full Cost of Services

Department / Division	FULL COST: Annual Cost of Fee-Related Services	CURRENT REVENUE: Projected (annual) @ Current Fees	SURPLUS / (SUBSIDY) (Current Revenue – Full Cost)	CURRENT COST RECOVERY (Current / Full Cost)
Building	\$ 1,958,000	\$ 1,385,000	(\$ 573,000)	71%
Planning	\$ 3,071,000	\$ 1,240,000	(\$ 1,831,000)	40%
TOTALS:	\$ 5,029,000	\$ 2,625,000	(\$ 2,404,000)	52%

Fee Adjustment – Considerations

- OPTIONS for the Council to consider – full cost, status quo, hybrid, phasing, etc.
- Department approach is very conservative and reasonable.
- Vast majority of fees are less than full cost.
- Phased implementation approach (% and time).
- Does not seek 100% cost-recovery.

General Strategy – Fee Adjustment

1. Establish fee categories for Building and Planning services.
2. Determine:
 - Fees that should be subsidized for public benefit reasons.
 - Services where fees are not charged and should be charged.
 - Fees that should be subsidized for economic development reasons.

3. Implement a Phasing Strategy and improve cost recovery results over time:
 - Minimum cost recovery – 50%.
 - Maximum cost recovery – 75-90%.
 - Time frame for improvement – 3 to 5 years.
4. Ensure that no fee exceeds 100% cost recovery.
5. Continue to implement annual CPI adjustments.
6. Conduct a Fee Update in 5 years.

Fee Categories - Building

- New Construction permits – new SFD, additions, new nonresidential.
- Miscellaneous permits – retaining walls, photovoltaic systems, alterations.
- Trade permits – mechanical, electrical, or plumbing.
- Non-fee services – Pre-submittal plan screening, pre-submittal disabled access site inspection.

Cost Recovery Strategy - Building

- Set New Construction, Miscellaneous, and Trade fees at 75% cost recovery rate; increase annually to achieve a 90% cost recovery goal within 3 years.
- Set fees for water heater & forced air unit replacements, roof mounted residential photovoltaic systems, pre-submittal plan screenings, and disabled access review at 75%. Set Board of Appeal application at 50%.
- Set fees for permit extensions, reactivation, and hourly billing at 100%.

Fee Categories - Planning

- Non-fee services – answering zoning questions, conducting pre-application meetings, zoning clearances.
- Public Benefit services – residential fences, homeowner landmark alteration permits, appeals.
- Standard services – use permits, design review, hillside permits.
- Private Benefit services – vacation of right of way, general plan amendment.

Cost Recovery Strategy - Planning

- Continue Non-fee and Public Benefit fees at existing cost recovery rates, ranging from 0% to 30%.
- Set Standard fees at a 50% cost recovery rate and increase annually so that a 75% cost recovery goal is achieved within 5 years.
- Set Private fees at a 60% cost recovery rate and increase annually so that a 100% cost recovery goal is achieved within 5 years.

Fees – Other Planning Agencies

- 8 out of the 11 jurisdictions surveyed are implementing a “full cost recovery” fee policy for Planning applications.
- All require applicants to sign an agreement to pay the full cost of staff time and materials necessary to process the application.
- All utilize “deposit plus time and materials” fee structure.
- All require widely varied initial deposit fees. However given the fee structure all are ensured full cost recovery for services provided.

Fees – Other Building Agencies

- Some jurisdictions have a policy for cost recovery but still use a valuation-based fee schedule.
- Rohnert Park is the only jurisdiction that has done a cost-based study and implements a fee schedule that represents the actual costs of providing permit services. Their current fees are similar to Santa Rosa's projected fees.
- Santa Rosa's current valuation-based fees have not been recently updated and are lower than the surrounding jurisdictions.

Fees – Other Building Agencies

- Santa Rosa plan check time has increased over time due to the enhanced regulations relating to disabled access, energy efficiency, green building, and storm drainage.
- Trade permits charged by Santa Rosa are in line with other jurisdictions.
- Trade permits have historically been subsidized with the fee per permit being much less than the cost to administer the permit and do a minimum of one inspection.
- The Santa Rosa strategy continues to subsidize high volume trade permits.

Projected Increase in Revenue

- About \$1,400,000 could be generated annually, assuming a consistent permit level.
- Based on the current costs this additional revenue could increase cost recovery to about 80% from 52%.

Current Subsidy	(\$2,403,000)
Projected Revenue	<u>\$1,435,000</u>
Remaining Subsidy	(\$968,000)

Response to Questions During Review Process

Construction Coalition comments:

- Increases over 5 years should be about 80% (not 100%).
- Fees for service – 3 - 13% total
- City has been very transparent in discussing the cost study.
- City has made significant improvements to make development review process more efficient and effective.

Percent of service fees to total fees:

- 3 - 13% of total fees

Impact of increased service fees downtown:

- 3 - 5% of total cost
- Downtown housing is a permitted use – only design review is required.

Conduct the public hearing and adopt the Service Fee increases based on the proposed Community Development Cost Recovery and Phasing Strategy.

Implement a Phasing Strategy and improve cost recovery results over time:

- Minimum cost recovery – 50%.
- Maximum cost recovery – 75-90%.
- Time frame for improvement – 3 to 5 years.