



# Reconsideration of Development Related Cost of Service Fee Study and Associated Adopted Fees

City Council Meeting  
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# User Fee Background

- In 2004, City Council approved Financial Strategies
  - For all services determined to be “development-related”, a cost recovery level of 100% is desired.
- Development user fee study was completed in 2013 and adopted by City Council in early 2014
  - Achieved cost recovery ranging from 50% to 90% of the full cost calculations.
- March 5, 2024, Council updated fees based on study from MGT Consulting
  - Set fees at full cost
  - Resulted in both increases and decreases in fees.
  - Council approved fee reductions for certain project types

# Approved Fee Reductions

Activity Type	Fee Reduction
Building Permits (Mechanical, Plumbing, Electrical)	25%
Planning Appeal Fee (Non-applicant)	90%
Daycare Facilities	50%
Grocery Store (Downtown or Food Desert)	50%
Downtown Housing (4 Units or Greater)	50%
Affordable Housing (100% - 60% less of AMI)	50%
Encroachment Permit (Residential Sidewalk Replacement)	50%

# Fee Update Challenges

- Regulations increase and trigger additional review hours
- Balancing rising costs with the need to encourage participation in application processes
  - Reduce permit avoidance
- Community Engagement
  - Majority of feedback provided by development community
  - Homeowners typically provide input once confronted with fees through permitting
- Reliance on Technology
  - Additional reliance on technology – increases in annual costs
- Supporting Advance Planning Initiatives
  - Trigger significant consultant costs

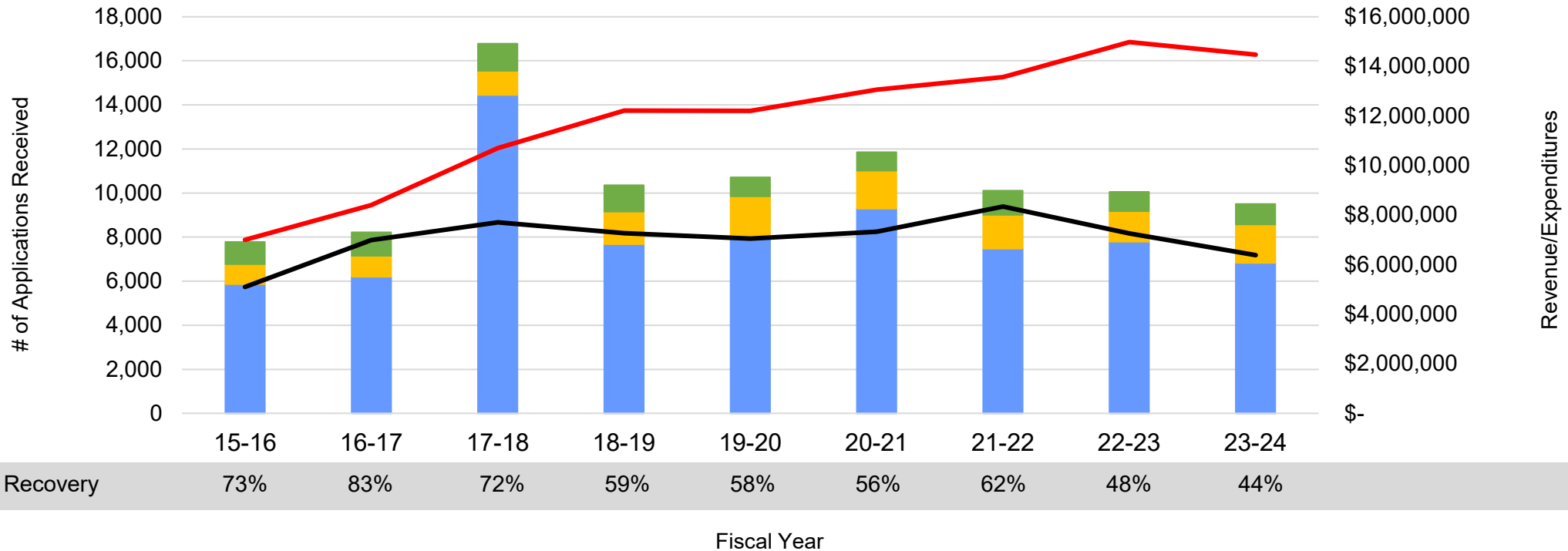
# 6-Month Review

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- Opportunity to analyze real world application of fee structure and better understand impacts to individual projects
- Collect issues and potential solutions identified staff through enforcement of fee schedule
- Obtain feedback from the community
- Provide the Council with the opportunity to make corrections and modifications without significant time delays

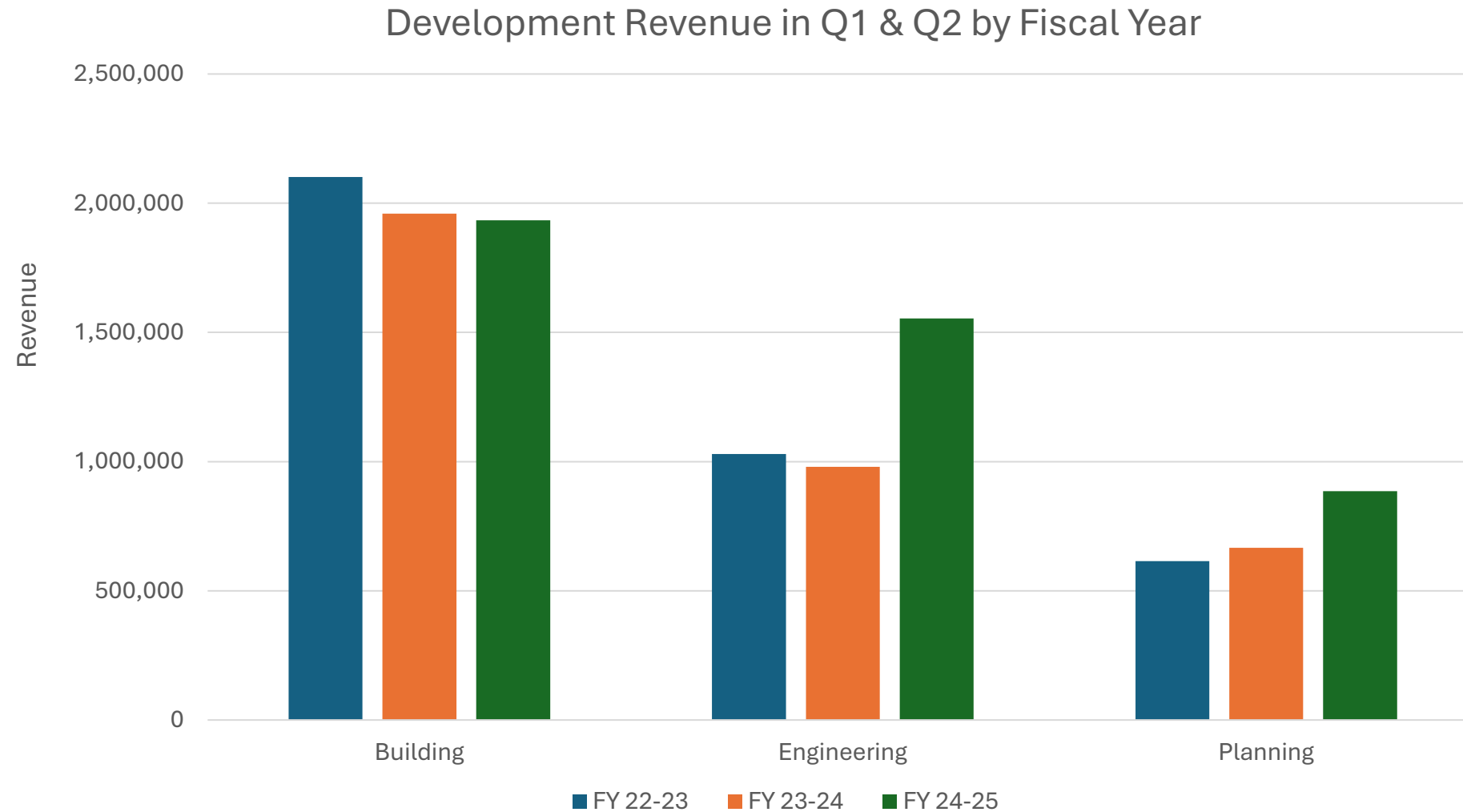
# Total Development Applications Received vs Development Revenue & Expenditures

## Development Applications Received



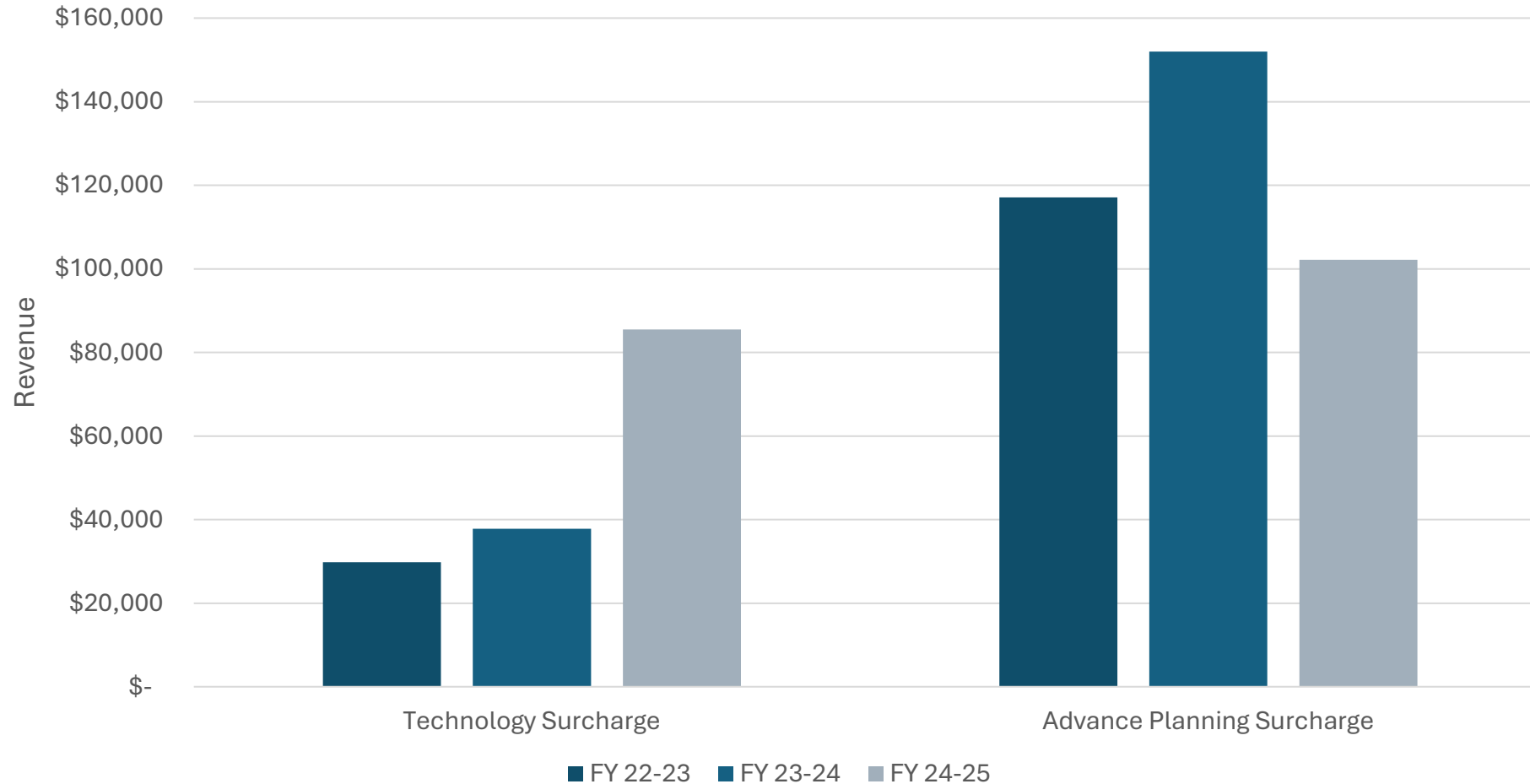
- Expenditures include the Administration Division
- Expenditures exclude Economic Development and Code Enforcement

# Development Revenue by Division



# Development Surcharge Revenue

Revenue in Q1 & Q2 by Fiscal Year





# Engineering

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## Encroachment Permits

- Previously based on percentage of project cost
- Current fee schedule shifted to set rate for each improvement
- Resulted in both increases and decreases

## Public Improvement Plans and Subdivision Maps

- Maintained fee based on percentage of valuation
- Fee for small subdivisions (4 lots and under) experienced increase
- Fee decreases for larger projects

# Engineering

## Community Feedback

- Fees for driveway replacement too high
- Debris container Encroachment Permit too high

## Recommendation

- Add fee for condominium conversion (reduction – new fee at full cost)
- Adjust staff hours for debris container permit (reduction – process improvement)
- Adjust staff hours for SB9 review (reduction – process improvement)
- Adjust staff hours for lot line adjustment/merger (increase)
- Adjust staff hours Certificate of Compliance (increase)

# Planning

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## Planning Entitlements

- Certain permits heavily subsidized under previous fee schedule
- Certain fees experienced significant increases when set at full cost recovery due to board/commission processes and the inclusion of cross support hours from other departments
- Increases in Use Permits, Landmark Alteration and Design Review
- Decreases in Tentative Map applications
- Increases in Tree Removal permits

# Planning

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## Community Feedback

- Cost of Landmark Alteration Permits too high
- Cost for short term rental renewals too high
- Cost for certain minor uses to obtain Use Permit too high
- Cost of tree removal permits too high

# Planning

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## Recommendations

- Focus future modifications on homeowner and small business initiated requests
- Provide reduction for tree removal permits (reduction - subsidy)
- Study potential time savings when multiple applications submitted for a single project (reduction – process improvement )
- Analyze potential reductions on certain Use Permits (reduction – subsidy and process improvements)

## Previous Actions

- Short term rental renewal process modified and fee reduced

# Building

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## Building Permits

- Small increases and decreases
- Significant increase to multi-family developments, but still lower than comparison agencies
- Reduction in single family and accessory dwelling units

## Community Feedback

General concerns about small increases on trade permits

# Building

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## Recommendation

- Add minimum fee for plan check and inspection (increase)
- Add "standard" category for demolition permits (reduction – new fee at full cost)
- Allow light pole plan check and inspection to apply to batches of 10 poles (reduction – process improvement)
- Add separate fee for commercial exhaust hoods (increase – new fee at full cost)

# Technology and Planning Surcharge

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## Planning Surcharge

- 12.65% of fees paid on planning and non-trade building
- Provides financial support to preparation of advance planning initiatives such as General Plan, Housing Element and Zoning Code updates

## Technology Surcharge

- 5.69% of building, planning and engineering fees
- Support to technological solutions (hardware and software) utilized in the permitting, plan review and inspection processes

## Staff Recommendation

- Add a maximum amount (cap) on an individual applications



# City Attorney Review

- City Attorney's Office (CAO) provides legal review and advice for the majority of private development projects that require a discretionary action
- Certain private development projects require significant legal resources
- CAO's staff time has historically not been included in PED fee structure
- Legal landscape for private development is constantly changing and becoming more complex as dozens of new bills are passed each year
- Need exists for additional legal resources to provide legal review and advice within specified timelines
- Many cities, including surrounding jurisdictions, hire outside counsel for private development projects at developer's cost

# City Attorney Review (continued)

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- Larger complex private development projects generate the need for legal review and divert limited City legal resources from other City priorities while providing considerable individual benefits to developers

## Recommendation

- Explore options for imposing cost of outside legal counsel on developers for certain categories of private development projects that require considerable legal resources and provide primarily individual benefits

# Questions and Feedback

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