



DEVELOPMENT COST OF SERVICES STUDY & FEE UPDATE

City Council Meeting
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Gabe Osburn, Director
Planning & Economic Development

Service vs. Impact Fees

- Study focuses on user or service fees that recover the staff time associated with delivering specific services. Examples Include:
 - Planning review
 - Permit Processing
 - Building and Engineering Plan Review
 - Inspection
- Impact fees are intended to offset the impact a development has on public infrastructure.
- Impact fees are not included in the draft service fee study and the analysis is not considered a nexus study under Assembly Bill No. 602.

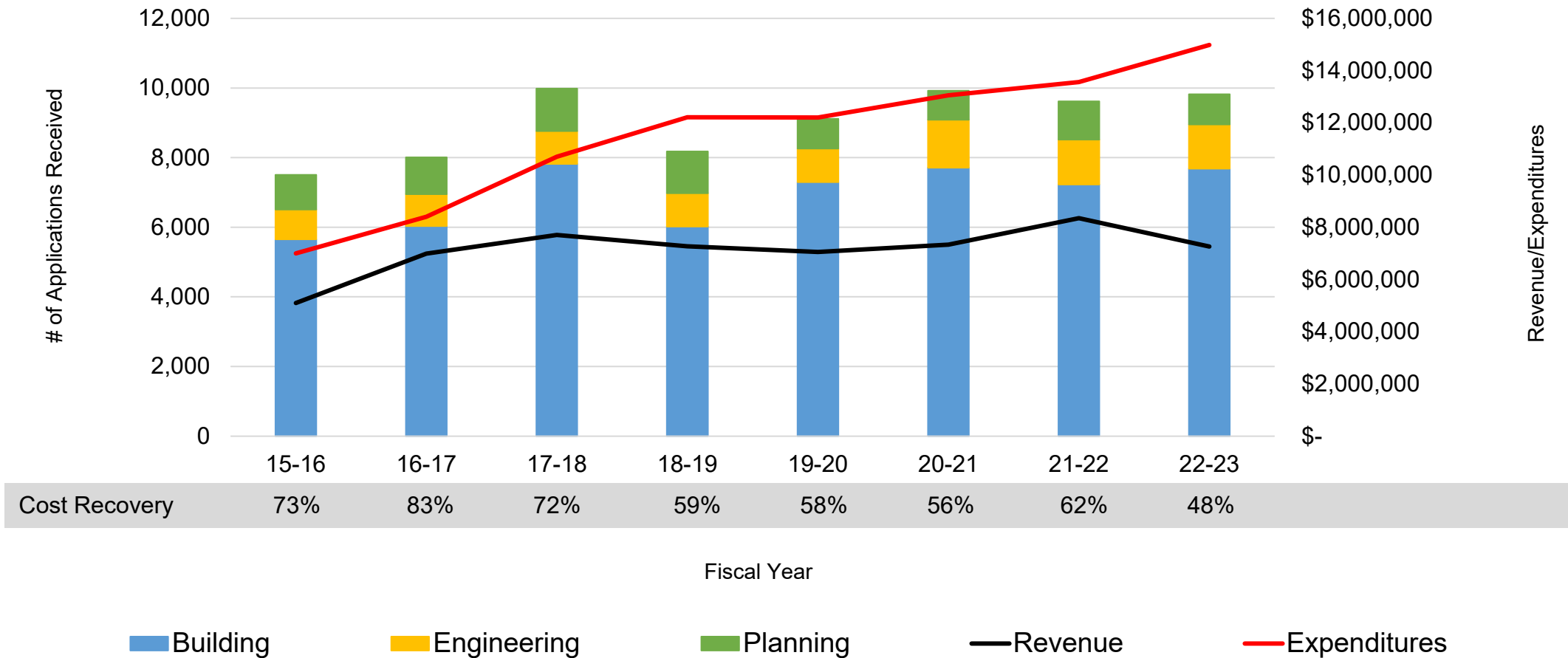


User Fee Background

- In 2004, City Council approved Financial Strategies
 - For all services determined to be “development-related”, a cost recovery level of 100% is desired.
- Most recent development user fee study was completed in 2013 and adopted by City Council in early 2014
- Minor City-generated fee update was completed in 2017, but did not include several key areas in the development process
- Current analysis is based on FY2022/2023 budgeted numbers and fees charged at the beginning of the study



Total Development Applications Received vs Development Revenue & Expenditures

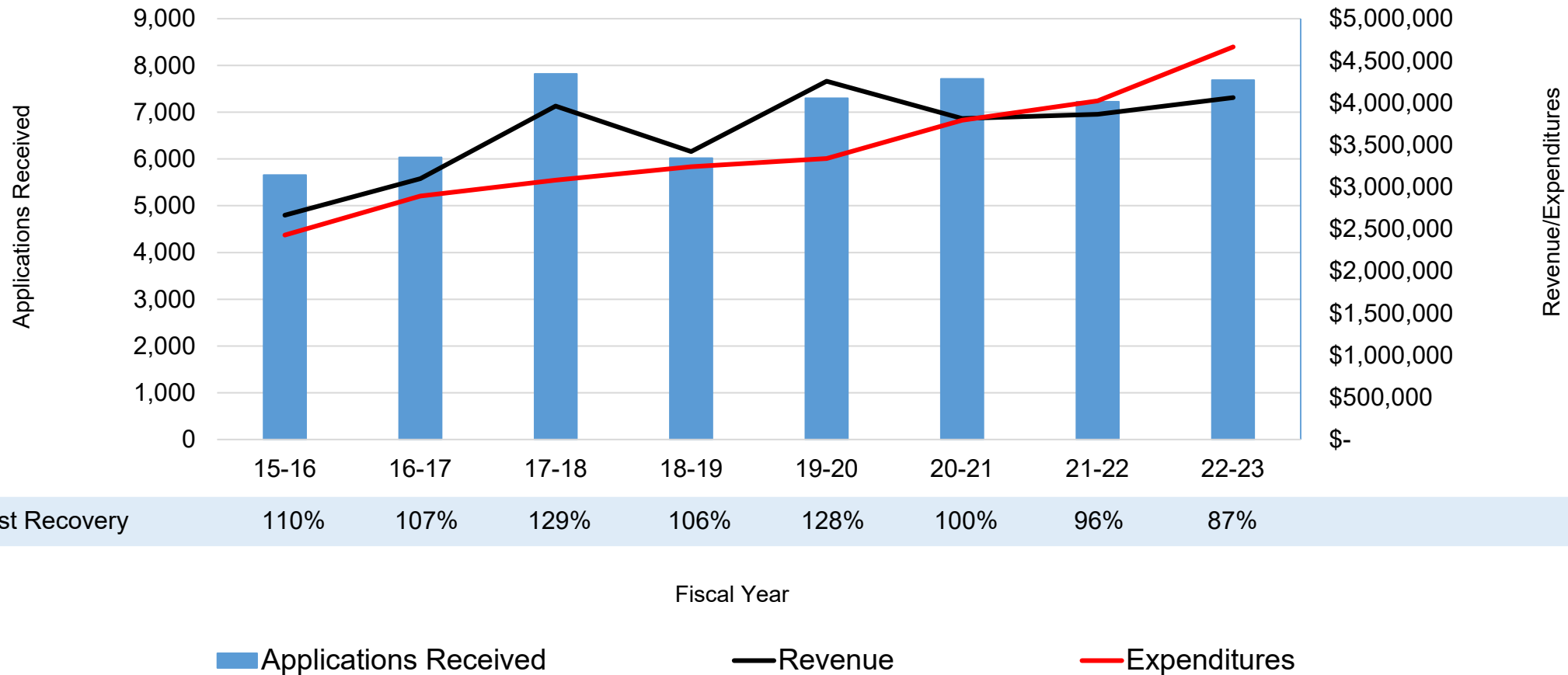


- Expenditures include the Administration Division
- Expenditures excludes Economic Development and Code Enforcement



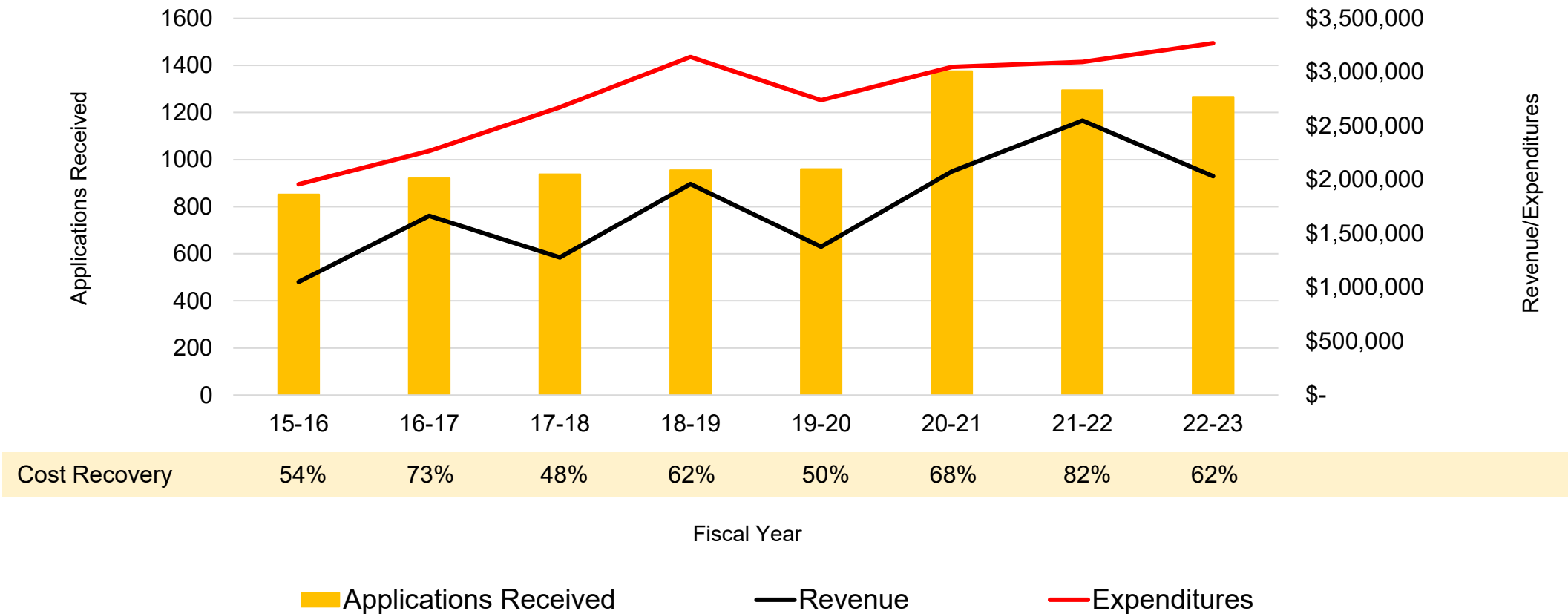
Development Applications Received vs Revenue & Expenditures by Division

Building Division



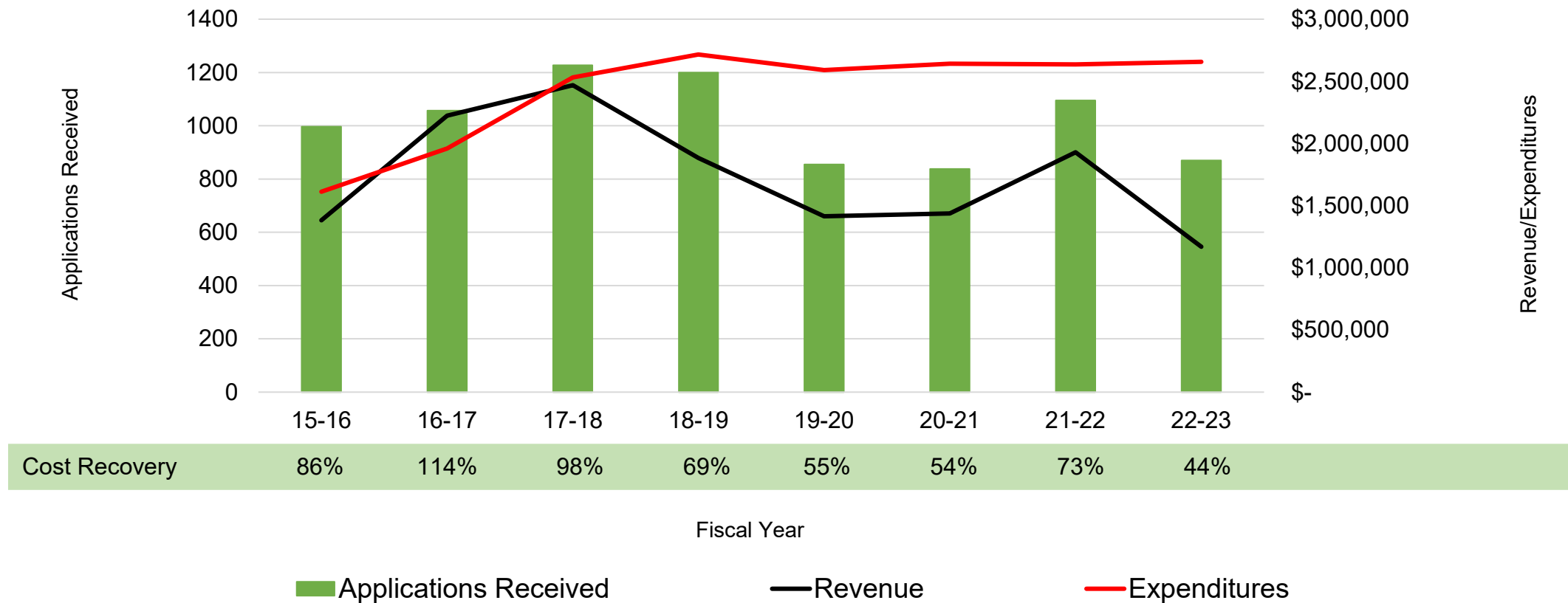
Development Applications Received vs Revenue & Expenditures by Division

Engineering Division



Development Applications Received vs Revenue & Expenditures by Division

Planning Division



Project Objectives

- Make the fee structure easier for all parties to understand
- Define what it costs the City to provide the various fee-related services
- Determine whether there are any services where a fee should be collected
- Identify service areas where the City might adjust fees based on the full cost of services and other economic or policy considerations



Project Methodology

- The analysis to determine the cost of providing fee-for-service activities is comprised of two basic elements:
 - Fully burdened hourly rates of staff providing the service
 - Time spent to provide the services
- The product of the hourly rate calculation multiplied by the time spent yields the average cost of providing the service.
- There is a clear nexus to the services being provided and the fee being charged.
- None of the fee adjustments recommended by MGT are considered taxes per Proposition 26 guidelines.



User Fees – Cost Recovery Goals

User Fee Department	Current			
	(A) Full Cost User Fee Services	(B) Current Revenue		(C) Current Subsidy
Permit Services	\$ 127,135	\$ 44,124	35%	\$ 83,011 65%
Building	\$ 6,109,159	\$ 6,114,461	100.1%	\$ (5,302) -0.1%
Planning	\$ 2,803,175	\$ 1,814,029	65%	\$ 989,146 35%
Engineering	\$ 3,461,061	\$ 2,071,731	60%	\$ 1,389,330 40%
Fire	\$ 696,510	\$ 574,370	82%	\$ 122,140 18%
Technology Surcharge	\$ 416,215	\$ 55,667	13%	\$ 360,548 87%
Advance Planning Surcharge	\$ 562,500	\$ 227,505	40%	\$ 334,995 60%
Totals:	\$ 14,175,755	\$ 10,901,887	77%	\$ 3,273,867 23%

Current revenue represents the average revenue for FY2020/2021, 2021/2022 and 2022/2023.



Stakeholder Engagement

- Surveys containing 16 questions regarding fee restructuring options and subsidies
 - Launched from 8/15/2022 to 9/6/2022 and 10/14/2022 to 10/31/2022 in English and Spanish
 - 301 responses
- 5/31/23 - Stakeholder meeting held at North Coast Builders Exchange
- 11/27/23 - Meeting with North Coast Builders Exchange Board Members
- 1/22/24 - General community meeting



Results – Summary

- The majority of existing fees will increase if set at full cost recovery
 - General increase in operational costs above Consumer Price Index
 - Addition of cross support hours on building and planning permits
 - Additional State or Federal requirements increasing staff hours
 - Technology requirements
 - Consultant costs associated with large scale policy work
- New fees will be added
 - Cost not being recovered in City Departments (e.g., street light activation, traffic signal modification, parking administration)
 - Processes added through State legislation (e.g., SB9, SB35)
 - Expanding a single fee into multiple categories



Results – Summary

- Certain fees reducing due to process change
 - Consolidation of engineering services
 - Reduced review authority
 - Technology improvements
 - Commitment to streamlining and improving processes
- Fees based on estimated hours to perform process in efficient manor



Results – Project Examples

Large Residential Subdivision Project (100 Lots)

Permit Category	Current Fee	Proposed Fee	Difference	Percentage
Building	\$ 350,900.00	\$ 422,320.00	\$ 71,420.00	20%
Planning	\$ 108,524.00	\$ 110,965.00	\$ 2,441.00	2%
Engineering	\$ 357,877.00	\$ 281,517.00	\$ (76,360.00)	21%
	\$ 817,301.00	\$ 814,802.00	\$ (2,499.00)	



Results – Project Examples

Large Multifamily Project (100+ Units)

Permit Category	Current Fee	Proposed Fee	Difference	Percentage
Building	\$ 68,000.00	\$ 121,040.00	\$ 53,040.00	78%
Planning	\$ 11,648.00	\$ 30,612.00	\$ 18,964.00	162%
Engineering	\$ 86,181.00	\$ 81,391.00	\$ (4,790.00)	6%

\$ 165,829.00 \$ 233,043.00 \$ 67,214.00



Results – Project Examples

Stand Alone Accessory Dwelling Unit (700 Square Feet)

Permit Category	Current Fee	Proposed Fee	Difference	Percentage
Building	\$ 4,450.00	\$ 4,050.00	\$ (400.00)	9%
Planning	\$ -	\$ -		0%
Engineering	\$ 728.00	\$ 1,705.00	\$ 977.00	134%

\$ 5,178.00 \$ 5,755.00 \$ 577.00



Results – Project Examples

Commercial Tenant Improvement (5,000 square foot space)

Permit Category	Current Fee	Proposed Fee	Difference	Percentage
Building	\$ 7,700.00	\$ 4,215.00	\$ (3,485.00)	45%
Planning	\$ 5,218.00	\$ 13,146.00	\$ 7,928.00	151%
Engineering	\$ 1,328.00	\$ 3,355.00	\$ 2,027.00	152%

\$ 14,246.00 \$ 20,716.00 \$ 6,470.00



Comparison Survey

MGT performed a peer comparison survey on a select number of key fees

- Purpose: Provide the City with a sense of the local market pricing for services.
- Fee structures can differ, and a comparison is only an estimate of the fee that may be charged.
- Most of the agencies chosen are currently going through their own fee study and have raised fees since the time the comparison was completed.
- Peer jurisdictions included: City of Petaluma, City of San Rafael, City of Vacaville, City of Rohnert Park, City of Napa and Sonoma County.



Comparison Survey

Advance Planning Fee

- Comparison Results: There are a variety of ways that this fee can be charged, but none of the peer agencies had a flat fee.
- Based on the comparison survey, a majority of the agencies either charge based on percentage of the building permit fee or based on the building valuation.
- Proposed New Structure: 16% applied to certain Building and Planning fees.

Sonoma County	City of Petaluma	City of San Rafael	City of Vacaville	City of Napa	City of Rohnert Park
"Planning Administration Fee" 15% of Building Permit Fees	"Incremental Fee", which is calculated as .0061 times the building valuation	"General Plan Maintenance" 35.5% of Building Permit Fee	"General Plan Implementation Fee" 9.9% of Building Permit Fee	Advance Planning Fee" of 5% of the Building Permit fee on permits of \$1,000 or more.	"General Plan Maintenance Fee" 0.5% of the total construction valuation of building permits for new construction and commercial and industrial additions



How does Santa Rosa Compare to its neighbors?

Fee Type	Santa Rosa Current Fee	Santa Rosa Full Cost	Sonoma County	City of Petaluma	City of San Rafael	City of Vacaville	City of Napa	City of Rohnert Park	Average	Median
Single Family Custom or Model Home 2,000 sq ft (R-2.1/R-3/R-3.1/R-4) (estimated valuation \$300,000)	\$4,845	\$4,684	\$5,220	\$6,092	\$5,209	\$2,991	\$3,475	\$14,828	\$6,303	\$5,215
Multi-Family Residential Home 75,000 sq ft (R-1, R-2) (Single Family Resid. - Remodel without MPE) (estimated valuation \$11,625,000)	\$29,086	\$54,166	\$54,434	\$101,340	\$87,122	\$55,111	\$58,536	\$34,258	\$65,133	\$56,823

- When comparing fees there are several key factors to keep in mind:
 - ✓ When was the last time that agency updated their fees?
 - ✓ Comparison surveys do not provide information about the agency's cost recovery policy and fees may not be set at 100% cost recovery.
 - ✓ Salaries and benefits can vary from agency to agency and can impact the cost of services.

Comparisons are based on the FY2022/2023 fee schedules



Cost Recovery Strategy

Study has identified full cost for all services (100% cost recovery)

- Fees adopted in 2014 set the following cost recovery levels:
 - Most building fees set at 75%, with annual increases designed to achieve 90% in 3 years
 - Most planning fees set at 50% with annual increases designed to achieve 75% in 5 years
 - Public benefit fees, such as those related to landmark alterations, residential fences and appeal applications were calculated to achieve a cost recovery rate from 30% to 50%.



Cost Recovery Strategy

Justification for Reduction in Cost Recovery

- Reduce permit avoidance – health and life safety building permits
- Increase public participation – appeal fees
- Maintain historical characteristics – Landmark Alteration process
- Pedestrian safety – encroachment permits for sidewalk repair
- Request for reasonable accommodation – ADA accommodations for fair housing
- Encourage development activities – overall reduction in cost recovery

Ensuring that future fees adjust with changes in operational costs

- Fees adjust annually based on Consumer Price Index (average of 3% increase)



Questions and Feedback

Gabe Osburn

Planning and Economic Development Director

gosburn@srcity.org

