Agenda Item #16.2
For Council Meeting of: November 4, 2025

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: GABE OSBURN, DIRECTOR, PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
SUBJECT: DEVELOPMENT RELATED COST OF SERVICE FEE UPDATE
AGENDA ACTION: RESOLUTION

RECOMMENDATION

The Planning and Economic Development Department recommends that the Council, by resolution: 1) adopt the proposed adjustments to certain development service fees; and 2) authorize the Planning and Economic Development Director to adjust all fee types identified within Exhibit A of the accompanying resolution on July 1st of each year based on price changes as identified by the Consumer Price Index.

EXECUTIVE SUMMARY

In June of 2022, the Planning and Economic Development Department contracted with MGT Consulting Group to conduct a cost-of-service study evaluating the full labor and indirect costs of providing development review services. On March 5, 2024, the City Council adopted a comprehensive update to the Development Services Fee Schedule based on MGT's findings and approved several fee subsidies and reductions to advance City development goals and encourage participation in public health, safety, and appeal processes. Over the past year, the Department has gathered community feedback on the adopted fees and developed a series of minor amendments to address this input and better align fees with current review times. Staff recommends that all fees continue to adjust annually on July 1st in accordance with changes in the Consumer Price Index (CPI). Proposed fee amendments will take effect 60 days from the date of resolution adoption.

GOAL

This item relates to Council Goal #1 - Achieve and Maintain Budgeting Excellence and Fiscal Stability and maintain fiscal sustainability and budgeting excellence by recovering staff costs.

<u>BACKGROUND/PRIOR COUNCIL REVIEW</u>

The full recovery of costs associated with development review activities has been an ongoing priority for the City of Santa Rosa since 2004. On June 29, 2004, the City Council approved a set of Financial Principles to guide the level of cost recovery associated with development services. One of these principles states:

"For all services determined to be development-related, a cost recovery level of 100% is desired."

In 2023, the Planning and Economic Development Department contracted with MGT Consulting Group (MGT) to prepare a *Development-Related Cost of Service Fee Study* (Study). The Study provided a comprehensive analysis of development service fees using 2023 budgeted figures, staffing levels, and operational data. The resulting document established a well-supported and legally defensible cost-of-service model that identified fee rates designed to recover the full billable costs of development services and ensure compliance with Proposition 26, Proposition 218, and other applicable statutory requirements.

On March 5, 2024, the City Council adopted the full-cost development service fees identified in the Study, with an effective date of July 1, 2024. As part of this action, the Council authorized the Planning and Economic Development Director to adjust all fees included in the Study annually on July 1 to reflect changes in the Consumer Price Index (CPI).

On the same date, the Council adopted a series of fee subsidies and reductions intended to support City development goals and encourage participation in health, life safety, and appeal processes.

On February 4, 2025, the Council adopted a resolution establishing a new fee for a Director-level Landmark Alteration Permit applications and authorizing subsidized fees for homeowner-submitted applications.

On the same day, the Council held a Study Session to review the initial implementation of the comprehensive Development Services Fee Schedule adopted on March 5, 2024. The session included discussion of specific fee items that generated community feedback, potential solutions to address those concerns, and options for recovering City Attorney costs associated with the review of new development applications.

<u>ANALYSIS</u>

The proposed minor amendments to the Development Services Fee Schedule are detailed in Exhibit A of the accompanying resolution. These changes are informed by recent process improvements, staff time analysis, and community feedback, and are summarized as follows:

Planning

- Introduces a tiered fee structure for tree removal permits and right-of-way vacations to better align fees with actual staff time and ensure equity between minor and major permits.
- Reduces select minor subdivision fees to reflect efficiencies achieved through updated review processes and improved interdepartmental coordination.
- Adds a Director-level fee for hillside development permits for structures rebuilding after a natural disaster, providing a streamlined option for eligible projects.
- Requires applicants to reimburse costs for outside legal counsel retained to assist with the review of environmental documents, including but not limited to Initial Studies, Mitigated/Negative Declarations, and Environmental Impact Reports.

Engineering

- Expands the existing 50% subsidy for sidewalk replacement plan review and inspection fees to include both residential and commercial properties, promoting citywide infrastructure maintenance (previously limited to residential properties).
- Modifies Certificate of Compliance fees to reflect reduced staff time requirements resulting from process improvements.
- Reduces the fee for debris container placement in the public right-of-way to account for the expanded use of self-certification procedures.

Building

- Modifies fees for exhaust hood installations and temporary occupancy requests to recover costs associated with specialized plan reviews and inspections.
- Establishes a minimum plan review and inspection fee for square-footage–based permits to ensure baseline cost recovery for all projects.

General

- Implements a cap on technology and advanced planning surcharges to ensure that large projects do not pay a disproportionate share of improvement costs.
- Consolidates existing application and permit extension fees to simplify administration and improve consistency.

Fee amounts have been determined by multiplying the average staff time associated with each service by the billable hourly rate for the position types responsible for service delivery. Billable rates include average salary, benefits, and indirect labor costs such as vacation, sick leave, and holiday pay for each classification.

To ensure ongoing alignment with operational costs and the adopted fee structure, staff recommends that the City Council authorize the Planning and Economic Development

Director to adjust fees annually each July based on the percentage change in the Bureau of Labor Statistics' San Francisco/Oakland/San Jose Consumer Price Index – All Urban Consumers (CPI-U).

The proposed fee amendments will take effect 60 days from the date of the resolution adoption, which will generally align with the development services calendar-year fee schedule updates.

FISCAL IMPACT

Most permit types affected by the proposed amendments either have a low usage rate or involve low dollar amounts that do not significantly affect annual revenue collection. The most notable impact on revenue is associated with the recommendation to reduce total fee payments for single projects that require multiple entitlement applications. Based on average annual permit activity, this change is expected to result in an estimated $42,000 reduction in annual revenue. Accounting for minor increases and decreases associated with other proposed fee adjustments, the overall amendment package is anticipated to result in a net annual reduction of approximately $40,000 in fee revenue. Future revenue levels will continue to vary based on the number and type of permit applications received, which are inherently difficult to project.

ENVIRONMENTAL IMPACT

Pursuant to CEQA Guidelines Section 15378, the proposed action is not a "project" subject to the California Environmental Quality Act (CEQA) because it involves the creation of government funding mechanisms or other government fiscal activities that do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. In the alternative, the recommended action is exempt from CEQA pursuant to CEQA Guidelines section 15061(b)(3) because it can be seen with certainty that there is no possibility that the project may have a significant effect on the environment.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Notice of the public hearing was published in the Press Democrat on October 25, 2025.

ATTACHMENTS

- Resolution/Exhibit A – Development Service Fee Update

PRESENTER(S)

Gabe Osburn, Director
Planning and Economic Development