



DEVELOPMENT RELATED COST OF SERVICE FEE UPDATE

City Council Meeting
March 5, 2024

Gabe Osburn, Director
Planning & Economic Development

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 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

User Fee Background

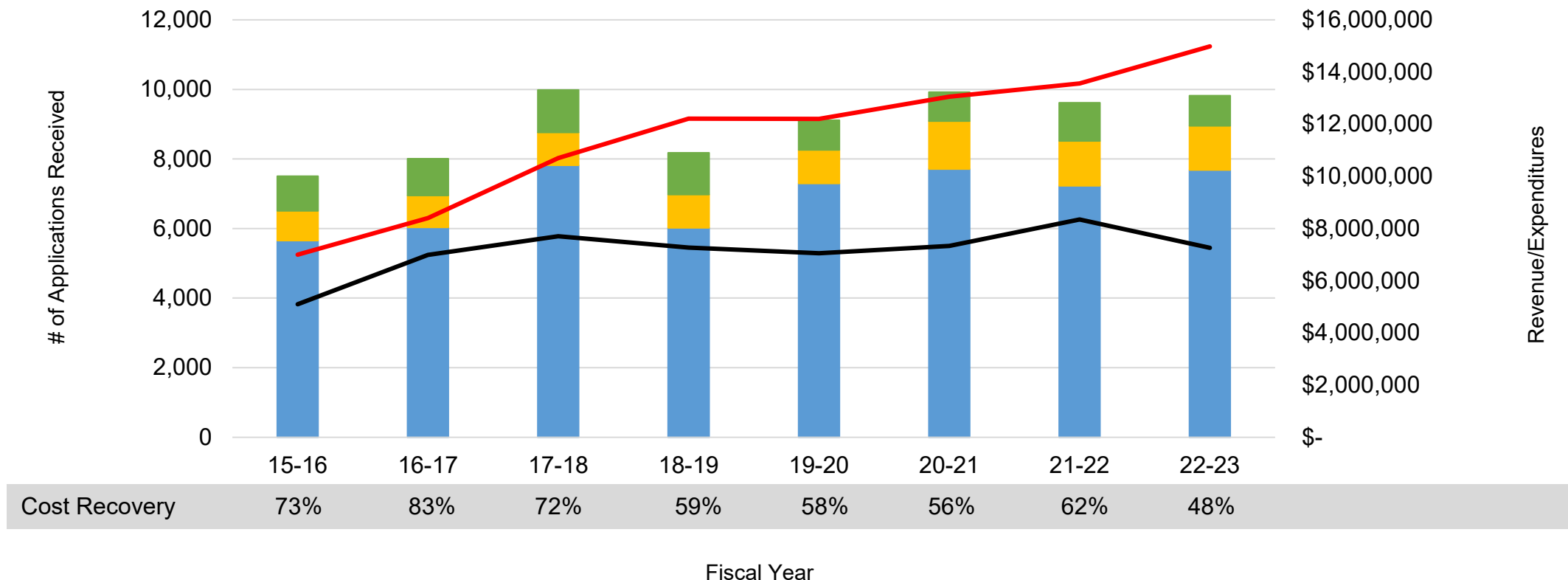
- Surveys containing 16 questions regarding fee restructuring options
 - Launched in English and Spanish – August and October of 2022
 - 301 responses
- 5/31/23 - Stakeholder meeting held at North Coast Builders Exchange
- 11/27/23 - Meeting with North Coast Builders Exchange Board Members
- 1/22/24 - General community meeting
- 1/30/24 - Council Study Session

User Fee Background

Summary of Comments Received

- Fees need to be easy to understand
- Fees should be based on efficient process
 - Charging actual cost (hourly billing) does not encourage efficiency
- Understanding that costs are rising and fees should be adjusted
- Willingness to pay more for reduced turnaround times
- Fee increases should not apply to projects currently under review
- Service fees are small portion of overall project cost - 1% to 2%

Total Development Applications Received vs Development Revenue & Expenditures



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

Project Objectives

- Make the fee structure easier for all parties to understand
- Define what it costs the City to provide the various 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.

Cost Recovery

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.

Summary of Results

- Proposed fees capture full cost
 - General increase in operational costs above Consumer Price Index
 - Addition of cross support hours on building and planning permits
 - Additional State requirements increasing staff hours
 - Technology requirements
 - Consultant costs associated with large scale policy work
 - On average, fees are increasing
- New fees will be added, existing fees modified, and certain fees removed
 - New fees to cover time within other departments (e.g., street light activation, traffic signal modification, parking administration)
 - New fees to address State housing legislation (e.g., SB9, SB35)
 - Expanding a single fee into multiple categories
 - Certain fees decreasing due to efficiencies

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)	

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	

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	

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

Fee Reductions

Proposed Fee Reductions – Health and Life Safety Permit Programs and Appeal Process

- Building Permits (Mechanical, Plumbing and Electrical) 25% Reduction
- Encroachment Permits (Residential Sidewalk Replacement) 50% Reduction
- Planning Appeal Fees – (Neighbor/Non-applicant) 90% Reduction

Fee Reductions

Proposed Fee Reductions – Development Projects

- Grocery – as described in City Code Section 20-70.020 (both large and small)
 - Located within the Downtown Station Area
 - U.S. Department of Agriculture identified food desert
 - Poverty rate is greater than or equal to 20% or median family income does not exceed 80% statewide (rural/urban) or metro-area (urban) median family income
 - At least 500 people or 33% of the population located more than 1 mile (urban) or 10 miles (rural) from the nearest supermarket or large grocery store
 - 50% reduction on all associated Building, Planning and Engineering specific fees

Fee Reductions

Proposed Fee Reductions – Development Projects

- Day Care Facilities – as described in City Code Section 20-70.020
 - Child Day Care Facilities
 - Large Family Day Care Home
 - Small Family Day Care Home
 - Adult Day Care Facility
- 50% reduction on all associated Building, Planning and Engineering specific fees

Fee Reductions

Proposed Fee Reductions – Development Projects

- Market Rate Housing – 4 Units and Greater
 - Located within the Downtown Station Area
 - 50% reduction on all associated building and engineering specific fees
 - Planning fees have previously been reduced through reduced review authority allowances and associated fee reductions

Fee Reductions

Proposed Fee Reductions – Development

- Affordable Housing – 100% affordable citywide
 - All units set at an affordability level of 60% or less of AMI
 - Excludes onsite management units
 - Must have a housing agreement with the City
- 50% reduction on all associated Building and Engineering specific fees
 - Future conversations regarding reduced review authority

Fee Reductions

Fee Reductions – General Fund Impacts

- Building Permits (plumbing, mechanical and electrical)
 - Anticipated average \$55 reduction per fee
 - Approximately 4,500 permits per year - **\$247,500** reduction in revenue
- Large Development – (Grocery, Daycare, Housing)
 - Single Large Project - \$120,000 reduction (includes all permits)
 - 5 projects per year - **\$600,000** reduction in revenue
- Encroachment permit and appeal fees - **\$50,000** reduction
- Total fee reductions during high permitting – approximately **\$900,000**
- Proposed fees with reductions – **17% to 20%** annual increase in revenue

How does Santa Rosa compare to its neighbors?

Building Permits

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

How does Santa Rosa compare to its neighbors?

Planning Entitlements

Fee Type	Santa Rosa Current Fee	Santa Rosa Full Cost	Comparison Agency Trends
SB 35/AB 2162 (change to major)	\$3,569	\$23,216	Deposit and billing at actual cost
SB35/AB 2162 (change to minor)	\$3,569	\$6,269	Deposit and billing at actual cost
Subdivision Tentative Maps	Minor - \$17,421 Major - \$36,033	Minor - \$9,571 Major - \$18,504	Deposit and billing at actual cost

Comparisons are based on the FY2022/2023 fee schedules

Effective Dates

Proposing all new fees and fee reductions effective on July 1, 2024

- New fee schedule and reductions apply to new applications received on or after July 1st
- Projects received and in review prior to July 1 will fall under current fee schedule
 - Projects currently in review will likely experience higher fee under current fee schedule
 - If the projects total fee burden is less under new schedule, staff will adjust payments made after July 1 to new schedule
 - No adjustment or refunds will be provided on payments made prior to July 1st

Questions

Gabe Osburn
Planning and Economic Development Director
gosburn@srcity.org