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Title: HEARING to Consider Adoption of the 552nd Amendment to the Master Fee Schedule Resolution No. 80-420 to Add, Adjust, or Delete Various Development Fees Associated with the Current Planning and Building Divisions of the Development and Resource Management Department (Citywide).
1. ***RESOLUTION - 552nd Amendment to the Master Fee Schedule No. 80-420, Making Various Changes to the Regulatory, Development, and User Fees in the Current Planning and Building and Safety Services Division of the Development And Resource Management Department (Subject to Mayor's veto)

Sponsors: Planning and Development Department

Indexes:

Code sections:

Attachments: 1. Submission - User Fee Analysis Report.pdf, 2. Power Point Presentation, 3. Resolution, 4. Comparison to Clovis Fees

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| 6/20/2019 | 2 | City Council | adopted | Pass |

REPORT TO THE CITY COUNCIL

June 20, 2019

FROM: JENNIFER CLARK, Director
Development and Resource Management Department

THROUGH: MIKE SANCHEZ, Assistant Director
Development and Resource Management Department

BY: SUMMER CECIL, Management Analyst II
Development and Resource Management Department

SUBJECT

HEARING to Consider Adoption of the 552nd Amendment to the Master Fee Schedule Resolution No. 80-420 to Add, Adjust, or Delete Various Development Fees Associated with the Current Planning and Building Divisions of the Development and Resource Management Department (Citywide).

1. ***RESOLUTION - 552nd Amendment to the Master Fee Schedule No. 80-420, Making Various Changes to the Regulatory, Development, and User Fees in the Current Planning and Building

and Safety Services Division of the Development And Resource Management Department
(Subject to Mayor's veto)

RECOMMENDATION

Staff recommends Council hold a hearing regarding and approve the 552nd Amendment to the Master Fee Schedule (MFS) Resolution No. 80-420 to recover development service costs provided by the Current Planning and Building and Safety Services Divisions, including General Plan Maintenance and Technology Maintenance surcharges.

EXECUTIVE SUMMARY

The Development and Resource Management (DARM) Department has completed a comprehensive User Fee Study (Fee Study) to analyze existing development fees and recommend adjustments per a full cost recovery methodology. DARM contracted the services for the financial fee analysis with NBS Government Finance Group (NBS), which studied the City's current fee structure, developed a cost of service analysis of DARM's current activities related to development application processing, and provided the recommendations set forth in the Final User Fee Report (Report).

BACKGROUND

Per California State Constitution Article XIII C, Section 1 and the Mitigation Fee Act (Government Code Sections 66000 et. seq.), cities may establish fees for services, provided, such fees do not exceed the estimated reasonable cost of providing those services. Accordingly, the City has established various Development related Planning and Building Fees. The subject fees were last updated by Council in November 2011. In an effort to evaluate the continued legitimacy and accuracy of the fees, DARM initiated the Fee Study to ensure that the subject fees neither exceed the costs of services, nor fall short of recovery thresholds.

A. The Fee Study.

DARM contracted with NBS Government Finance Group to conduct the Fee Study. For purposes of this item, NBS analyzed Current Planning fees, Building and Safety fees, the General Plan Surcharge, and the Information Technology Surcharge and provided recommendations for amendment as set forth in the Final User Fee Report.

NBS's methodology for the Fee Study included a cost of service analysis accounting for direct and indirect costs related to development application processing; fee establishment, including simplifying or restructuring certain fees to better align with current services provided; and a cost recovery evaluation, including analysis of current cost recovery provided by current revenues and adjustments to align with desired recovery efforts. NBS also provided a comparative survey of municipalities that are similar-sized and/or in close proximity to Fresno including the cities of: Bakersfield, Clovis, Merced, Modesto, Visalia, and Stockton, outlined in Appendix B.1 of the Report.

When analyzing the costs of service for the Fee Study, NBS identified costs that are recoverable-directly related to an individual development project-and costs that are considered non-recoverable-services that benefit the general public as a whole and are not related to an individual development project. NBS utilized the City's adopted FY 2018-2019 budget, prevailing fee schedules, annual workload data, and communications with Staff as data sources for the Fee Study.

In conducting the Fee Study, NBS requested Staff review and analyze all processes followed during the development review of a project and provide an estimated average labor time. Management Staff sampled at least three different Staff members for each application type. In most cases, the average labor times gathered were similar; average times were provided to NBS. In cases where there were divergent timeframes among Staff members, management held discussions with the polled Staff members and additional sampling was conducted to determine the most accurate average labor time. NBS utilized the information provided as well as a calculated fully burdened hourly rate, specific to each Division, to calculate each fee as outlined in Appendix A.1 and A.2.

1. Current Planning Division Fees - Conclusions

Utilizing the methodology as described above, NBS identified total Division costs for Current Planning of approximately \$3.6 million, of which \$2.8 million is considered recoverable. The current MFS, however, provides for only \$2.3 million in estimated fee revenues. Based on current MFS fees, cost recovery is at 81%. The Division has identified that approximately 97% of Staff time is generally dedicated to individual development projects rather than general questions from the public or non-project related items. As such, it is recommended that the fully burdened hourly rate be increased from \$164 to \$187 to achieve an approximate cost recovery percentage of 97% moving forward.

The following Planning Division fees are recommended for deletion:

- Conditional Use Permit - Elderly and Long Term Care Facility
- Microfiche Copies (8 1/2x11 only)
- Precise Plans of Design
- Tentative Tract Map - Condominium Conversion
- Tentative Tract Map - UGM Application
- CUP - Special, Woodward Park Height Exception

The following Planning Division fees are recommended for addition and are indicated as “New” in the Report, Appendix A.1:

- Addressing - Assignment - Tract Map per each additional 50 lots
- Conditional Use Permit - ABCUP - New Alcohol use submitted with a full related development permit or CUP
- Environmental Review and Related Studies - Outsourced Initial Study
- Tentative Parcel Map -
 - Pre-application and verification
 - Revised Conditions
- Plan Amendment - PA and Rezone Combo
- Planned Development
 - Standalone
 - Related to a CUP or DP
 - Related to a map, no CUP
- Signs - Revision to MSP
- Variance - Variance associated with a Development Permit or CUP
- Variance - IM Priority Area Variances
- DRC Process

- GIS Research Request

2. Building and Safety Services Division Fees - Conclusions

Utilizing the methodology as described above, NBS identified total Division costs for Building and Safety of approximately \$6.84 million, \$6.81 million of which is considered recoverable. The Division generates revenue through two cost centers: the Permit Center and Inspection Services. Under the current MFS, both cost centers currently recover only approximately 90% of costs, \$3.04 million and \$3.76 million respectively.

The Permit Center has identified that approximately 99% of Staff time is attributable to individual development projects; therefore, it is recommended that the fully burdened hourly rate be increased from \$107 to \$109 to achieve 99% cost recovery.

Inspection Services has identified that nearly 100% of Staff time is attributable to individual development projects; therefore, it is recommended that the fully burdened hourly rate increase from \$107 to \$119 to achieve 100% cost recovery.

The following Building and Safety Division fees are recommended for deletion:

- Building Plan Check - Express Plan Check
- Irrigation Time Clock / Valves
- Noise Plan Check
- Commercial Coach
- Roof Structure Replace / Repair
- Residential / Commercial Temporary Utility or Occupancy

The following Building and Safety Division fees are recommended for addition and are indicated as “New” in the Report, Appendix A.2:

- Application pre-inspection

3. General Plan Surcharge and Information Technology Surcharge Conclusions

Pursuant to Government Code Section 66014(b), the City may “include the costs reasonably necessary to prepare and revise plans and policies that [the City] must adopt before it can make any required findings and determinations,” and supports general plan update and maintenance costs. The City’s General Plan is used to determine conditions of approval for entitlements; therefore, recovery of these costs aligns with Government Code. The surcharge should only apply to development projects that have a significant impact on the update of the General Plan or are subject to review and approval pertaining to the policies and requirements therein.

Currently, the estimated annual cost of a comprehensive General Plan update and its associated implementation is approximately \$1.2 million. In accordance with the cost analysis conducted by NBS, the 37.5% surcharge currently assessed on building permits should be decreased for accurate cost recovery. As such, it is recommended that the surcharge be decreased to 12.9%.

DARM has also identified approximately \$485,000 as an annual cost for the operation and

maintenance of its Information Technology, primarily the Accela Land Management System and Laserfiche Document Management System. Approximately \$265,000 of the annual cost is attributable to development projects, and it is recommended to decrease the current \$20 Information Technology surcharge to \$19, for accurate total cost recovery. The remaining costs will, as has been the case in prior years, be covered by the General Fund.

4. Outreach and Final Conclusion

On May 20, 2019, Staff held a workshop for the Building Industry Association (BIA) and the Mayor's Residential, Commercial, and Industrial Developer subcommittees, where Staff presented the Report and outlined the proposed MFS changes. A copy of the Report was also posted on the DARM website landing page and made available at the City Clerk's Office. Staff also met individually with interested parties, upon request.

Minimal comments and feedback were received from industry and agency partners. Feedback included questions regarding processing times for completed tasks associated with certain fees. Staff examined processing times and conducted further surveys with relevant members of DARM Staff; resulting in modifications to four fees..

Staff recommends Council approve the amendment to the MFS as outlined in the attached Resolution.

B. Fee Update Procedure. Pursuant to the Mitigation Fee Act (Government Code Section 66000 et. seq.) any action to increase a fee requires a noticed public hearing at a regularly scheduled meeting of the Council. If adopted, fees will become effective 60 days after final approval or on September 1, 2019, whichever is later.

C. Annual Update. Pursuant to recommendations made in the Report, the Council may consider approving annual Consumer Price Index (CPI) adjustments of the fees to keep pace with inflation costs. Industry standards dictate a complete, comprehensive study to be conducted by the City every 5-7 years; therefore, a CPI adjustment can proportionally account for increased costs due to inflation, which arise between completions of comprehensive fee studies. Staff intends to examine inflation factors annually and present Council with recommended CPI increases accordingly.

ENVIRONMENTAL FINDINGS

Staff has performed a preliminary environmental assessment of the fee update and has determined that it falls within the Statutory Exemption set forth in CEQA Guidelines Section 15273.

LOCAL PREFERENCE

Local preference was not considered because this Resolution does not include a bid or award of a construction or service contract.

FISCAL IMPACT

If approved, the overall effect of the amended fees will be revenue neutral at this time, as the intent of this update is to provide accurate cost recovery for the City. If approved, the amended fees will go into effect on the later of 60 days after final approval of the Resolution or September 1, 2019.

Attachments:

1. User Fee Analysis Final Report
2. Power Point Presentation
3. Resolution
4. Comparison to Clovis Fees