



**CITY OF FORT BRAGG**

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**COUNCIL COMMITTEE ITEM SUMMARY REPORT**

**MEETING DATE:** SEPTEMBER 8, 2020  
**TO:** COMMUNITY DEVELOPMENT COMMITTEE  
**FROM:** CHANTELL O'NEAL  
**AGENDA ITEM TITLE:** RECEIVE REPORT AND MAKE RECOMMENDATION TO COUNCIL TO UPDATE BUILDING PERMIT FEES

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**BACKGROUND AND OVERVIEW:**

On August 1, 2019, the building permit fee collection method was changed from a 1% surcharge collected based on the total valuation of the permit to a combination method that included a flat fee for permits valued under \$75,000 and a Developer Deposit Accounts (DDA) cost incurred method for permits valued over that amount. Permit fees associated with building permits passed last year are not reflective of actual costs incurred for processing permits. Likewise, the workload and time preparing and processing DDA's for building permits is considerably more involved and less efficient than originally expected for reconciliation of fees and payments. As listed below, there are several issues that have arisen over the past year with DDA's.

- The biggest problem is the delay between collection of fees and the time in which a DDA is created. The time required to setup accounts causes staff time spent to be unbilled to customers and/or creates a delayed billing reconciliation process increasing the administrative time for the Finance Department. Permit Plan Check staff typically start processing a permit as soon as it is taken in, and the typical turnaround time from permit receipt to issuance to the County is two weeks. It often takes at least that time for funds to be received from the customer and a DDA account to be established. Since time sheets are completed in two week cycles, this frequently means that billable time is task coded to a general building permit code and later needs to be reconciled by the Finance Department to bill back.
- Project Managers' role in managing DDA fund balances is complicated by both the delays in charge backs described above and the schedule of various staff charging time to accounts throughout the duration of the permit processing. For example, the Planner doesn't necessarily know how long the Engineering review might take, nor how frequently staff is answering questions or replying to email correspondence from an applicant. This has created a common issue where a DDA can over draft and Finance must request additional funds from the applicant.

- Post issuance permit corrections are another common problem with fee reconciliation. Once a DDA is closed the fee schedule does not provide a simple flat fee method for amendments, additional inspections, or issues encountered with the implementation of conditions.
- The current fee schedule also does not establish an initial collection amount to fund the DDA, leading to inconsistent initial deposit amounts requested from customers.
- Finally, the administrative time and costs are not accurately accounted for with the DDA process. This is primarily attributed to admin processing multiple permits in batches (time to copy, collate, calculate fees, stamp, process, and transport to the County) and time not being charged back out individually to DDA's. Other issues with administrative time are associated with general DDA management reconciliation by Finance, which is also done in batches as well as time associated with staff timesheet coding and task notes (which might seem like a simple process, but can be quite time intensive).

Based on the many issues described above, staff is concerned that the General fund is subsidizing several components of the cost of the building permit process. This is particularly problematic due to the fact that the City's General Fund has been severely impacted by the economic impacts of COVID. Based on the observed challenges with DDA's staff is proposing a flat fee based collection process which is further described below.

### **RECOMMENDATION:**

Valuation and Flat Fee based building permit fees are the two most common methods that Cities use for calculating fees associated with processing building permits. The City used the valuation method for many years and in 2019, switched to a flat fee method with an option for DDA's for higher value projects. Through the experience using both methods, City Staff is recommending further refinement to the process. Staff recommends that all projects which would currently qualify for hourly-based building permit fees collected through a DDA (those with valuation >\$75,000) be converted to a flat fee method which is reflective of the average hourly staff time needed to review a building permit from intake to inspection and is based on the specific components associated with the project scope.

Over the past year, staff has tracked hours spent on building permit processing and this information was used to create a baseline for the estimated time required to complete the various components of the permit plan check process. Average hourly staff rates and the recorded tracked time necessary to process permits was used to inform the proposed flat fees for the most common building permits types. These values are proposed for the 2020-2021 fee schedule update and depicted below in Table 2.

**Fee Purpose:** Building permit fees pay for permit plan check staff time expended during all aspects of the permit review process from intake to inspection. The proposed fees will be calculated based on the specific components a project's scope and includes the administration of the building permit program.

Components of the **Public Works Engineering Review** include water, sewer, storm water, drainage, low impact development, frontage, driveway, circulation, grading, backflow devices, grease traps, and fire sprinklers.

Components of the **Community Development Plan Check Review** include those items listed in the Coastal Land Use Code 17.30 and the Inland Land Use Code 18.30 along with a host of other regulatory requirements. The Planners review includes setbacks, lot coverage, allowable land uses, zoning review, consistency with previously established conditions (like non-conforming uses or Special Use Permit conditions), height limitations, driveway requirements, fence height/location, lighting, floor area, density, addressing, and signage. The administrative processing includes Fire Sprinkler Ordinance compliance, Waste Recycling Ordinance compliance, file folder creation, permit tracking, fee calculation and collection, data entry, and issuance.

### **Fee Calculation:**

The proposed Building Permit Review fees are based on actual hourly rates required for processing and coordinating components of common scopes of work associated with typical permits. The fees are further broken down by the type of review necessary to be performed by the different departments involved in the plan check process. Using this proposed method, the applicant's fees will be calculated based on the actual complexity of the project which triggers various types of review. This ensures the fees are based on the level of review required rather than the construction valuation.

The 2020-21 Proposed Fees (Table 2) are based on average time required to process a building permit, based on the time required per category review needed and the fully loaded rounded hourly rates of Plan Check Staff (Table 1) performing the review.

*Table 1 Fully Loaded Plan Check Staff Rates*

<b>Public Works</b>	<b>Rate</b>
Engineering Tech	\$62.00
Assistant Director	\$68.00
<b>Community Development</b>	<b>Rate</b>
Director (unfilled)	\$110.00
Senior Planner	\$84.00
Admin Assistant	\$55.00

The proposed fees shown in Table 2 are based on actual hourly rates and the time tracked over the past year associated with processing various types of building permits. These proposed fees amount to cost recovery only. Staff feels that this new proposed fee schedule will adequately cover the costs associated with processing building permits of various complexity and alleviate the unnecessary burdens associated with tracking DDA balances. As with any fee collection method, using a flat fee process means there is room for error, where some permits may subsidize others and also where there won't always be a perfect match between the type of permit being processed and the associated fee. For these scenarios staff further proposes this fee

schedule include an additional option to bill directly at an hourly charge out rate for projects that are more complex at the discretion of management level staff. This will allow a DDA to be created for particularly complex multi-family or commercial projects where we anticipate more time than the fees assume.

*Table 2 Proposed Building Permit Fees 2020-2021*

<b>Building Permit Review Fees (Proposed)</b>				
<b>Permit Type</b>	<b>Time</b>	<b>Actual Cost</b>	<b>Proposed Fee</b>	<b>Scope of Work Performed by Staff</b>
<b>Public Works (PW-Engineering Review )</b>				
New Construction- Requiring Water/Sewer Review	1.5	\$ 92.67	\$ 90.00	Research CAD Utility Model, calculate fees, prepare work order, coordinate with applicant, assign work order to Maintenance Crew.
New Construction (120 sf- 1000 sf)	2.5	\$154.45	\$ 150.00	Review site plan, Prepare Conditions, Coordinate with applicant, Perform site inspections as needed during construction.
New Construction (>1000 sf)*	4	\$247.12	\$ 245.00	Requires same as New Construction (120 sf- 1000 sf) plus additional LID storm water review and additional winter weather inspections, noticing, and reporting for MS4 compliance.
Fire Sprinklers, Grease Trap, Backflow	2	\$123.56	\$ 120.00	Requires deferred/subsequent submittals and additional routing and inspections; include Water Treatment staff (backflow) Wastewater Treatment staff (grease trap), and Fire Marshall (sprinklers).
Commercial Remodels-Change of Use (Increased capacity)	1.5	\$ 92.67	\$ 90.00	Research historical use, capacity fee calculations(s), and processing fee sheet
Frontage, driveway, parking, circulation, flatwork**	2.5	\$154.45	\$ 150.00	Review submittal for requirements with City Standard Specifications and perform pre and post inspection. **Unless authorized under a separate grading permit.

<b>Community Development Department (CDD - Planning Review)</b>	<b>Time</b>	<b>Actual Cost</b>	<b>Proposed Fee</b>	<b>Scope of Work Performed by Staff</b>
Over the Counter Permit	1	\$ 54.47	\$ 55.00	***Intake application, review for completeness, process fee sheet, collect fees, log into permit tracking system, route to appropriate personnel, collate conditions and transport to County
Interior Remodel (Admin combo with Planner)***	1.5	\$111.44	\$ 110.00	This includes time needed to review the change in use of an interior existing space like a garage being converted to an ADU or the creation of a new bedroom or bathroom.
Residential Site Plan Review (Planner Rate)***	1.5	\$126.32	\$ 125.00	New construction on residential lots including new construction of a Single Family Residence, an ADU, and/or accessory structures.
Commercial Site Development/Land Use Review (Planner Rate)***	3	\$252.63	\$ 250.00	New construction on commercial/Industrial structures and/or accessory structures.

<b>Non Departmental</b>	<b>Time</b>	<b>Actual Cost</b>	<b>Proposed Fee</b>	<b>Scope of Work Performed by Staff</b>
Demolition (combo Eng. Tech and CDD Admin)	2	\$116.25	\$ 115.00	Storm water and Erosion Controls
Requires Amendment to Plan Set or Conditions (Voluntary or Correction)	1.5	\$ 85.36	\$ 85.00	This is an after the fact permit fee, when an application needs to come back to the City after permit issuance but before final.
General Plan Maintenance Fee (% of permit fee)		5%		This fee is calculated last as a portion of the total permit fee is only for new construction projects and excludes interior remodels, electric panel upgrades, solar panels, reroofs and other similar permits from paying the fee.
Complex Project Requiring Cost Incurred	Actual	DDA	\$2,000.00	Initial Deposit Minimum

### **Table 2 Notes:**

\*Fees associated with Engineering review of New Construction/Additions are broken up into two categories based on their square footages primarily due to the calculated time spent on a permit for the storm water review as associated with tiered Low Impact Development (LID) regulations triggered for projects with over 1000 square feet (sf) of impervious surface. This break down is also based on other factors including but not limited to additional time to review larger scale projects, additional inspection requirements, winter weather noticing for erosion and storm water controls, and reporting compliance with the Municipal Separate Storm Sewer System (MS4) permit.

\*\*\*All the other Planning Review Permit Types for Community Development include the administrative time for tasks described in the "scope of work performed by staff" for the Over the Counter application, which includes; review for completeness; process fee sheet; collect fees; log into permit tracking system; route to appropriate personnel; and collate conditions and transport to County.

### **General Plan Maintenance Fee**

The current fee schedule includes a General Plan Maintenance Fee for each building permit. The current fee is 1.5% of the valuation for the permit. It was determined that the amount collected is more than other localities. Other cities collect a General Plan Maintenance Fee, but only on new construction projects. This would exempt interior remodels, electric panel upgrades, solar panels, reroofs and other similar permits from paying the fee. Most cities also make this a percentage of the overall building permit fee instead of a percentage of the valuation. For example, the City of Eureka collects a "Future General Plan Update Cost" of 3% of the building permit fee for new construction permits. They do not collect this fee on projects that are not new construction (i.e. remodels, reroofs, etc.).

The purpose of the General Plan Maintenance fee is to cover the costs reasonably necessary to prepare and revise the plans and policies that the City is required to adopt. The City has historically and plans to continue to utilize these funds for the development and environmental review of amendments to the Coastal General Plan, the Coastal Land Use and Development Code, the Inland General Plan, and the Inland Land Use and Development Code.

City staff is proposing to update the fee collection method and amount of the General Plan Maintenance Fee to be more consistent with the standard practice. Staff proposes this fee to be 5% of the calculated building permit fee and applied to new construction projects only as described above.

### **Sample Costs**

During the May 13, 2019 City Council Meeting, when these fees were last examined Council asked several questions regarding the costs associated with certain types of projects like the installation of a new hot water heater (over the counter), residential remodels, or a new minor addition. Some Example costs of typical permit types are

shown in table 3 below. Additionally, supporting documentation of these calculated costs are shown in Attachment 3. It is important to note that these figures are not exact for every permit of that scope type as variations in the review components may be necessary. For example, a commercial remodel may not include a new water service and cost less alternatively an ADU may need sprinklers and cost more. The purpose of this sample fee table is to provide a snapshot of those fees for the most common permit types.

*Table 3 Sample Permit Fees*

<b>Project Scope</b>	<b>Proposed (2020-21)</b>	<b>Current (2019-20)</b>
Over the Counter (Hot water heater or roof mount solar)	\$56.00	\$158.00
Residential Interior Remodel	\$116.00	\$250.00
Minor Addition	\$297.55	\$250.00
New Single Family Residence	\$864.50	DDA Cost Incurred
Accessory Dwelling Unit	\$588.75	DDA Cost Incurred
Commercial Remodel	\$488.00	\$750.00
New Commercial Construction	\$1,078.95	DDA Cost Incurred
Complex Project Requiring DDA-Initial amount collected	\$2000	DDA Cost Incurred

**Summary of Compliance:**

While the new proposed process requires staff to determine the level of review at application in-take in order to calculate the fees, it is substantially more efficient than managing DDAs for projects that are not complicated enough to warrant such extensive tracking and administrative processing. Consistent with Proposition 26, only fees that are changing have been included in the schedules attached to this report. Staff time associated with these fees have generally been rounded down to the nearest five-dollar amount to make them easier to collect.

The requirements to increase planning and development fees are set forth in Government Code Section 66014. Those fees may not exceed the estimated reasonable cost of providing the service, unless approved by a popular vote of two-thirds in that election. Reasonable cost of providing the service as explained above is based on empirical data that shows these assumptions are reasonable because the estimated tasks are supported by the actual staff time necessary to process each permit type and is based on current average staff hourly rates (between \$55-\$84 per hour).

Government Code Section 66016 sets forth the requirements for public notice and public hearing prior to adoption of new or increased fees. Should the Community Development Committee recommend the above proposed fees changes to the full Council notice will be provided in accordance with these requirements.

**ALTERNATIVES:**

1. Committee can make modifications to the proposed fee categories or collection methods prior to recommending this action to the full Council;
2. Direct staff to provide additional information for action at a future Committee Level meeting; or
3. Recommend the current fee schedule remain in use for the foreseeable future.

**ATTACHMENTS:**

1. 2019-2020 Building Permit Fee Schedule (current)
2. 2020-2021 Building Permit Fee Schedule (proposed)
3. Sample Fee Sheet(s) for Typical Permit Types