

**CITY OF SAN MATEO  
RESOLUTION NO. \_\_\_\_ (2023)**

**AMENDMENTS TO THE COMPREHENSIVE FEE SCHEDULE FOR PLANNING SUPPORT FEES  
FOR FISCAL YEAR 2022-2023**

WHEREAS, the City has a Planning Support Fee associated with Building Permits on the Comprehensive Fee Schedule, which the City reviews annually; and

WHEREAS, it is the City's policy and practice to establish fees sufficient to recover its costs, and to eliminate or reduce fees that are obsolete, no longer applicable to services provided, or succeeded by state or county agencies; and

WHEREAS, the City hired an independent consultant, Matrix Consulting Group ("Matrix"), to study the Planning Support Fee; and

WHEREAS, the attached memorandum from Matrix (Exhibit A) demonstrates that the existing Planning Support Fee of 0.34% of the valuation of the project is not commensurate with the services provided; and

WHEREAS, the attached memorandum from Matrix recommends the Planning Support Fees be amended to be 10% of the Building Permit fee, with a minimum of \$210, based on an analysis of actual staff costs and best practices across other cities; and

WHEREAS, the fee amendments would not constitute a new fee or an increase in the existing Planning Support Fee; and

WHEREAS, the fee amendments would apply to all projects that have not yet had building permits issued; and

WHEREAS, in accordance with Government Code section 66016, the Council held a public hearing to consider these fee amendments on March 20, 2023; and

WHEREAS, in accordance with Government Code section 66019, at least ten days prior to the public hearing, the City made data available to the public supporting the need for the amendments to the Planning Support Fee.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN MATEO, CALIFORNIA HEREBY FINDS AND RESOLVES that:

1. The approval of a Comprehensive Fee Schedule is not a project subject to CEQA because it is a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant impact on the environment. (CEQA Guidelines Section 15378(b)(4).)
2. The amendments to the Planning Support Fee, attached in Table 1 (Exhibit B), are approved.

3. The amended Planning Support fees shall become effective retroactively from September 30, 2022 onwards for all projects that have not yet received their building permits.



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## **Subject: Planning Support Fee For Building Projects**

The City of San Mateo retained the Matrix Consulting Group to reevaluate its 'Planning Support Fee' for building related projects to more accurately capture the level of effort spent by Planning staff. The following sections provide a background on the project, the options that were developed and reviewed, a comparison to other jurisdictions, and the recommended fee amount.

### **Project Background**

The City of San Mateo's Community Development Department hired Matrix Consulting Group in 2016 to conduct its first Development-related fee study. As part of this study, the project team evaluated and updated the 'Planning Support Fee'. This fee is meant to cover the Planning staff's review and inspection during the Building phase to ensure compliance with conditions that were outlined during the Planning phase. In 2020, the project team worked with the Department again to conduct a review of development-related fees including the Planning fee. During this update, it was decided that the fee should increase from 0.33% of project valuation to 0.34% of project valuation.

The current fee (0.34%) is set based upon the total project valuation. During the 2020 fee study, the project team worked with Building staff to reevaluate their process for valuing projects. This resulted in much higher, more accurate valuations, that better captured building support. However, because of the higher valuations, the 'Planning Support Fee' also increased. The current fee was calculated based upon prior valuation assumptions, as that was the information available at that point, not the newer (higher) valuations. This resulted in some projects not being appropriately charged for the time spent by Planning staff.

Therefore, the department retained the project team to reevaluate the current 'Planning Support Fee', as well as provide recommendations to ensure that any future fees would best reflect the support both for small and large projects. The scope of this analysis was to review options for the 'Planning Support Fee', provide a comparison, and recommendations for implementation.

## Planning Support Fee Options

As discussed, the 'Planning Support Fee' is meant to capture the time spent by Planning Division staff on reviewing and conducting inspections as needed during the Building Phase to ensure compliance with Planning conditions. There are three standard ways to assess this support:

1. **Valuation-Based:** This is the City's current method. The concept behind this fee type is that it assumes that the higher the project valuation, the more support is needed from Planning staff to conduct their reviews and inspections. The project valuation serves as a proxy for level of complexity and effort.
2. **Percent of Building Permit:** This is the most common way other jurisdictions assess the fee. This methodology calculates the Planning staff time support proportionate to the level of effort spent by building division staff. The fee is charged as a percentage of the total building permit fee calculated. In this case, the higher the building permit fee, the higher the planning support, as their efforts are usually correlated.
3. **Flat Fee:** This methodology charges the same fee regardless of the type or size of project and assumes that the level of effort is fairly consistent for a particular fee category.

Based upon these three types of fee options, the project team explored Options #1 and #2. Option #3 was not explored due to the complexity of construction activity within the City of San Mateo. The flat fee option would require the City to develop several different categories to even begin to capture all the different project types and scales. Therefore, options #1 and #2 were evaluated for the City.

For both options, the project team collected information on the annual amount of time spent by Planning Division staff on conducting compliance reviews and inspections during the Building phase. The following table shows by Planning division staff, the estimated annual percentage of time (and hours) spent by staff:

PLANNING STAFF	% of Annual Time <sup>1</sup>	Total Available Hours <sup>2</sup>	Annual Hours
Admin Assistant	0%	3,819	0
Administrative Technician	0%	255 <sup>3</sup>	0
Assistant Planner	14%	1,697	233.36

<sup>1</sup> Estimated based upon the total time spent on average per 2 weeks by Planning Division staff on these activities.

<sup>2</sup> Reflects the total annual hours (2,080) subtracting for holidays, vacation, sick, etc. based upon the specific bargaining agreements for that position.

<sup>3</sup> Only reflect 0.15 of the Admin Technician Position.

<b>PLANNING STAFF</b>	<b>% of Annual Time<sup>1</sup></b>	<b>Total Available Hours<sup>2</sup></b>	<b>Annual Hours</b>
Associate Planner	14%	8,486 <sup>4</sup>	1,145.58
CDD Director	0%	232 <sup>5</sup>	0
Deputy CDD Director	0%	1,081 <sup>6</sup>	0
Planning Manager	3%	1,617	40.42
Principal Planner	4%	1,617	70.74
Senior Planner	13%	1,617	202.11

As the table indicates, support positions do not have any direct time associated with compliance reviews and inspections. This is because these positions are generally considered overhead to other staff and are built into their fully burdened hourly rates.

The annual hours for each position were multiplied by the fully burdened hourly rate for the staff to estimate the annual cost associated with planning support activities. The fully burdened hourly rate consists of the following components:

Direct Costs	<ul style="list-style-type: none"> <li>• Salaries and Benefits</li> <li>• Productive Working Hours</li> </ul>
Departmental Overhead	<ul style="list-style-type: none"> <li>• Services and Supplies</li> <li>• Supervisory and Administrative Support</li> </ul>
Citywide Overhead	<ul style="list-style-type: none"> <li>• Citywide support costs such as City Manager, Human Resources, City Clerk, Finance, etc.</li> </ul>

The following table shows by staff position, the annual hours for planning support to Building projects, the fully burdened rate, and the estimated annual cost:

<b>PLANNING STAFF</b>	<b>Total Planning Support Fee Hours</b>	<b>Hourly Rate</b>	<b>Total Annual Cost</b>
Assistant Planner	233.36	\$188.55	\$44,001
Assoc. Planner	1,145.58	\$194.22	\$222,497
Planning Manager	40.42	\$257.00	\$10,389
Principal Planner	70.74	\$250.71	\$17,735
Senior Planner	202.11	\$222.39	\$44,947
<b>TOTAL ANNUAL PLANNING SUPPORT COST</b>			<b>\$339,568</b>

Based on the table, the total estimated annual cost for Planning Support is approximately \$339,568. As discussed, two different options were evaluated for the 'Planning Support Fee' – Valuation-Based and Percentage of Building Permit Fee. For the valuation-based

<sup>4</sup> Reflects the total hours for 5.0 full-time Associate Planners.

<sup>5</sup> Reflects only 0.15 of the Director.

<sup>6</sup> Reflects only 0.70 of the Deputy Director.

fee, the total annual estimated cost was divided by the FY21-22 estimated total project valuations. The following graphic shows this calculation:

$$\frac{\text{Planning Support Annual Cost}}{\text{FY21-22 Valuation}} = \frac{\$339,568}{\$290,476,124} = 0.12\%$$

Under the re-evaluation, the full cost indicates that the valuation-based fee option should be reduced from the current fee amount of 0.34% of the valuation to 0.12% of the valuation.

Like the valuation calculation, the project team took the estimated annual cost for planning support and divided it by the FY21-22 annual building permit revenue to determine the percentage of building permit support. The following graphic shows this calculation:

$$\frac{\text{Planning Support Annual Cost}}{\text{FY21-22 Building Permit Revenue}} = \frac{\$339,568}{\$3,558,421} = 10\%$$

Based upon the Building Permit Revenue, the full cost results in 10% of the building permit fee. As the City does not currently charge the 'Planning Support Fee' in this manner, there is no comparison that can be conducted.

Therefore, based upon the estimated annual support, the department should either charge 0.12% of the project valuation or 10% of the building permit to recover the annual cost associated with Planning support.

## Comparative Survey

As part of the scope of this analysis, the project team surveyed other Bay Area jurisdictions to provide insight on how the other jurisdictions are charging fees (if any) for planning support. The following table lists the jurisdiction and their current fee structure for capturing planning support on building fees:

Jurisdiction	Planning Support Fee
Burlingame	25% of Building Permit Fee
Cupertino	No Support Fee
Millbrae	No Support Fee <sup>7</sup>
Milpitas	Flat Fee of \$242
Mountain View	No Support Fee
Palo Alto	35% of Building Permit Fee
Redwood City	40% <sup>8</sup> of Building Plan Check + Permit Fee
San Bruno	No Support Fee
San Carlos	Flat Fee of \$206

<sup>7</sup> The city is currently in the process of calculating a fee for implementation.

<sup>8</sup> Includes Fire and Engineering in the 40%.

Jurisdiction	Planning Support Fee
Santa Clara	0.032% of Valuation
South San Francisco	SFR is Flat fee of \$636; MF / Commercial = 10% of Building Permit Fee

For those jurisdictions that charge a Planning Support Fee, almost all of them have the fee as a percentage of the building permit fee, or a flat fee. The calculated fee of 10% of the building permit fee would be on the lower end of most jurisdictions and set at the same level as City of South San Francisco.

## Fee Recommendations

The project team developed two different options. However, in order to recommend the appropriate fee, the project team met with City staff and reviewed some project samples regarding the impact of the different fee options. Based upon this sample review, it was determined that the percentage of the building permit fee (Option #2) was the best and most accurate option for the City. Some key advantages of this option:

- The estimated amount of time for the different scenarios seemed to be most in alignment with the level of effort spent by Planning staff.
- The total Planning support fee would never exceed the Building Permit fee.

However, it was also discussed that a 10% fee of the building permit fee, generally works for the medium to large projects, but on some small projects it may result in significant undercharging or under-recovering of costs. Therefore, it is being proposed that the fee be set at 10% of the building permit fee with a minimum. The minimum fee would be based upon an hour of Planning staff time.

Therefore, the project team is recommending that the City implement a new 'Planning Support Fee' that is set at 10% of the Building Permit fee, with a minimum fee of \$210. This updated Planning Support Fee will not only allow for cost recovery but also more accurately capture Planning staff's efforts spent on building projects during the building phase.

**Recommendation: The City should implement a Planning Support fee that is 10% of the Building Permit Fee, with a minimum fee of \$210.**

**COMMUNITY DEVELOPMENT  
BUILDING DIVISION**

DESCRIPTION OF SERVICES	UNIT	PRIOR FEE	PROPOSED FEE
<b>III. ADDITIONAL REQUIRED PLAN REVIEW &amp; BUILDING PERMIT FEES</b>			
<b>B. PLANNING SUPPORT FEE (PLAN CHECK/INSPECTION)</b> (Fee covers initial review and 2 resubmittals) The fee will be charged for all projects which require a planning application, for new single-family homes and duplexes, and for any other permit application that requires review by the Planning Division.	Fee	0.34% of Valuation	10% of Building Permit Fee, with a minimum fee of \$210.