



CITY OF SAN MATEO

City Hall
330 W. 20th Avenue
San Mateo CA 94403
www.cityofsanmateo.org

Agenda Report

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TO: City Council
FROM: Drew Corbett, City Manager
PREPARED BY: Community Development Department
MEETING DATE: February 16, 2021

SUBJECT:
Development-Related User Fee Study – Report Review

RECOMMENDATION:

Review findings of development-related user fee study report by Matrix Consulting Group and provide feedback prior to adoption of the fiscal year 2021-22 Master Fee Schedule.

BACKGROUND:

In 2020, the City entered into a contract with Matrix Consulting Group to review all of the City's development-related fees, including user fees in the Community Development Department's Building and Planning Divisions. As a first step in this process, Matrix Consulting Group conducted interviews and collected time and cost of service estimates to make a series of recommendations to better align the City's fee schedule with the actual costs associated with processing planning applications, permits, and other development-related activities.

The user fee study, included as Attachment 1, presents the findings of those conversations and the subsequent analysis, making a series of recommendations for changes to development-related user fees in the fiscal year 2021-22 Master Fee Schedule. While most of the recommendations contained in the report are simply changes to fee amounts to more accurately reflect the cost of service, staff and Matrix Consulting Group would like to highlight the following recommended structural changes to the Community Development Department fee schedule:

1. Streamline the Mechanical, Electrical, and Plumbing Fees

To better reflect the cost of service and streamline the fee schedule, staff recommends Mechanical, Electrical, and Plumbing (MEP) fees be converted from a per unit fee schedule to flat fees for residential, commercial, or commercial tenant improvement projects. This change will simplify the administration of the fees themselves and make the schedule more user-friendly.

2. Create Separate Valuation Tables for Single-Family/Duplex, Multi-Family, and Commercial Building Permits

Under the current fee schedule, all projects are assessed building permit fees based on a valuation table that accounts for the time it takes staff to process projects at various valuation levels. However, this valuation table applies across projects of all types and does not allow staff to distinguish between different land uses when determining permit fees. Based on an analysis of time estimates and cost of service calculations, staff recommends creating separate valuation tables for single-family/duplex, multi-family residential, and commercial to more accurately reflect the different services and time commitments needed to fully process each type of project.

3. Set Plan Check Fees as Percentage of Building Permit Fees

Currently, the City uses valuation tables to calculate fees for both building permits and plan check. To further simplify the fee schedule and the administration of plan check fees, staff recommends plan check fees be based on

a percentage of the building permit fee amount. The proposed fee amounts are calculated based on time estimates and are separated into categories for single-family/duplex, multi-family residential, and commercial projects.

4. **Standardize Project Valuations Through Use of International Code Council Construction Costs Table with Regional Multiplier**

Many of the City's fees are calculated based on a project's valuation, which makes it especially important that staff has accurate valuation amounts for a given project. In order to standardize the calculation of a project's valuation across all development types, staff recommends the use of the International Code Council's construction costs table, which is issued twice per year, as well as a regional multiplier to account for high construction costs in the Bay Area. Standardizing the valuations in this way will ensure fees are charged in an equitable manner across all projects and make it easier for staff to calculate.

In addition to these structural changes, the fee study also identifies the following series of fees that are currently set significantly below their cost of service:

- **Accessory Dwelling Units**
As noted in the fee study, if the City were to pursue full cost recovery for Accessory Dwelling Unit and Junior Accessory Dwelling Unit permits, it would require fee increases of 88% and 114%, respectively. Raising the fees for these permits to account for the full cost of service would make the City a significant outlier in comparison with the fees charged by its neighboring jurisdictions. As a result, Council may wish to continue subsidizing the cost of permits for Accessory Dwelling Units and Junior Accessory Dwelling Units to incentivize housing production and keep the City's fees in line with those of its neighbors.
- **Special Use Permit – Day Care Facilities**
Child care centers can be located within most zones in the City, but in some cases, they require a Special Use Permit to operate. Currently, the City charges a flat fee of \$2,000 for such permits, but based on time estimates provide by City staff, such permits cost the City more than \$6,300 to process. While the City would be justified in charging up to that amount, given the chronic shortage of child care and the fees charged by surrounding jurisdictions, Council may wish to continue subsidizing this particular permit moving forward.
- **General Plan Maintenance Fee**
The City's General Plan Maintenance Fee is intended to account for the cost of updates to the General Plan and other long-range planning activities that inform the General Plan process. Currently, the fee is set at .39% of the construction valuation of a project and is assessed at the time of the building permit submittal. However, when accounting for the annual cost to maintain, update, and/or modify long-range planning materials, codes, and documents, the City would be justified in raising the fee as high as .59% of construction valuation.
- **Electric Vehicle Charging Stations**
The fee study recommends a consolidation of the current electric vehicle charging station fee structure and indicates the City is undercollecting for such permits based on the processing and inspection time they require. However, should Council wish to encourage the adoption and use of charging stations, it may choose to continue subsidizing permit costs. This is particularly true for single-family dwellings or duplexes, where a fee set at the full cost recovery level would likely make up a significant portion of an applicant's total costs of installation.
- **Planning Application Deposits**
As noted in the user fee study, the initial deposits collected for certain types of planning applications are significantly lower than what it costs the City to process them. As opposed to flat fees or permit fees in the Building Division, Planning staff can go back to applicants to request additional funds to cover the balance when the City's costs exceed the applicant deposit. However, this creates inefficiencies in the management of planning applications, as staff may need to request multiple additional invoices to fully recover costs, and it does not provide applicants with a complete upfront understanding of the cost of doing business with the City. By raising

deposits to the amounts recommended in the fee study, the City will reduce the number of additional funding requests sent to the applicant and provide greater transparency into the costs of processing a planning application.

CITY COUNCIL GUIDANCE REQUESTED:

1. Is the Council comfortable with the proposed structural changes to the fee schedule to allow fees to better reflect the costs of service?
2. Does the Council wish to subsidize any of the fees, including those noted above, to promote policy aims?
3. Does the Council have any additional direction or concerns with the changes presented in the user fee study?

Following the Council meeting, staff will incorporate the changes requested into the update of the fiscal year 2021-22 Master Fee Schedule to be completed at a future Council meeting. As a result, the fees outlined in this staff report will not go into effect until July 1, 2021, pending Council approval of the Master Fee Schedule revisions.

BUDGET IMPACT:

The recommend changes better align fees with the cost of providing services and are not expected to have a significant impact on the Community Development Department's budgeted revenue.

ENVIRONMENTAL DETERMINATION:

This report review is not a project subject to CEQA because it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines Section 15378(b)(5).)

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

Att 1 – Development-Related User Fee Study

STAFF CONTACT

Brian Alexander, Senior Management Analyst
balexander@cityofsanmateo.org
650-522-7209