



Community Development Department Development Processing Fee Updates

Fee Study Background



- CDD processing fees have not been substantially updated since 2006
- Current fees recover less than full cost of providing services
- Fees do not reflect actual staff time
- New online application and review system lacks funding source to keep it updated
- FMC Section 3.50.040 requires full cost recovery on most fees
- CDD staff retained a fee consultant to evaluate fees



CITY of Folsom

Development Processing Fee Study

City Council Review | March 12, 2024

MEETING AGENDA

- Background
- Fundamentals and Terminology
- Study Findings and Recommendations
- Next Steps



Background

clear  source
FINANCIAL CONSULTING

BACKGROUND

- Folsom staff and contract service providers review plans, issue permits, and perform required inspections to ensure safe, orderly and aesthetically pleasing development within the City.
- User/regulatory fees are the mechanism by which the City may recoup a portion, or all, of the costs associated with these services.

BACKGROUND

- Communities generally use tax revenues to fund services that provide general (community-wide) benefit
- Communities generally use fees and charges (direct recovery) to fund services that provide direct benefit

TYPES OF FEES EXAMINED

- This update DOES NOT examine taxes, assessments, utility rates, or development impact fees

- **Building Fees** - construction permit processing, plan check, and inspection
- **Engineering Fees** - engineering review of development-related grading and public improvements and requests for encroachment in the City right-of-way
- **Planning Fees** - review of project entitlement and permits requests for compliance with City Municipal Code



Fundamentals and Terminology

MUNICIPAL FEES

- Why do Cities Review Fees and Charge Fees for Services?

- Legal requirements
- Encourage direct recovery of costs incurred to serve private interests/benefit or respond to individual actions
- Provide opportunity for relief to General Fund or other Funds where costs are incurred
- Enable continuity of service levels by improving cost recovery levels

FEES ARE APPROVED BY THE CITY COUNCIL

The City Council has authority to Directly Approve User and Regulatory Fees and Increases to Fees

- Fees proposed are not taxes, as defined by Article XIIIIC of the California State Constitution
- Fees are set in accordance with parameters set by Article XIIIIC and by Section 66014 of the California Government Code:
 - Costs allocated to the payer should bear a fair or reasonable relationship to the payer's burdens on or benefits received from the governmental activity
 - Fees should not exceed the reasonable cost of providing the service for which the fee is charged

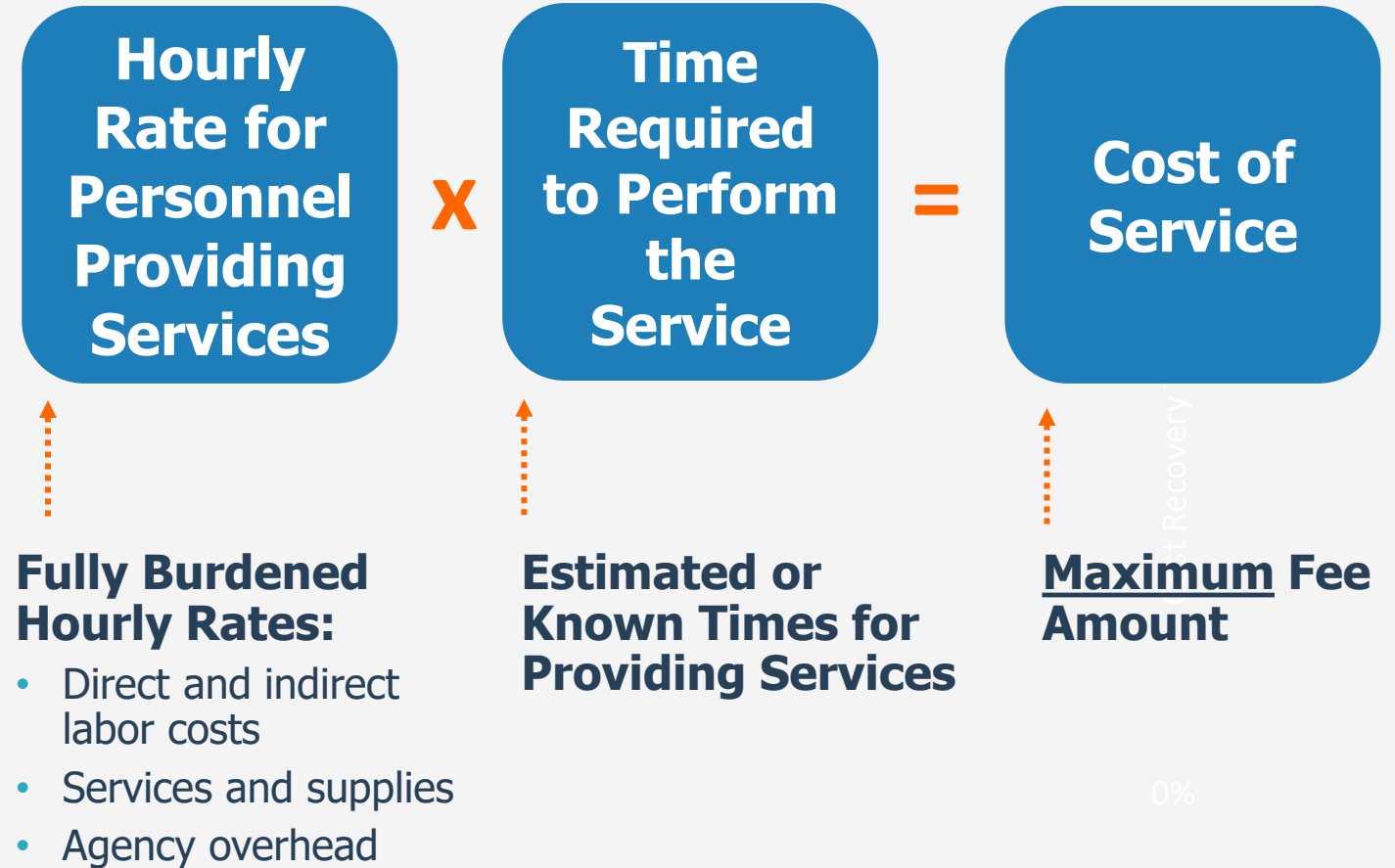
TERMINOLOGY

These terms of art have specific meaning across California municipalities and within the City

- Full Cost of Service
- Cost Recovery
- Subsidy

COST OF SERVICE

- The cost of service sets the maximum limit of a cost-based fee. It includes:
 - Direct program costs for labor, services, and supplies
 - Departmental administration
 - Citywide administration and central support services



COST RECOVERY POLICY FRAMEWORK

Cost recovery policy reflects **local values** regarding the presumed beneficiaries for each program area, ranging from **community benefit to individual benefit**

Exclusively individual benefit

Considerable individual benefit

Balanced individual and community benefit

Considerable community benefit

Mostly community benefit

Entirely community-wide benefit

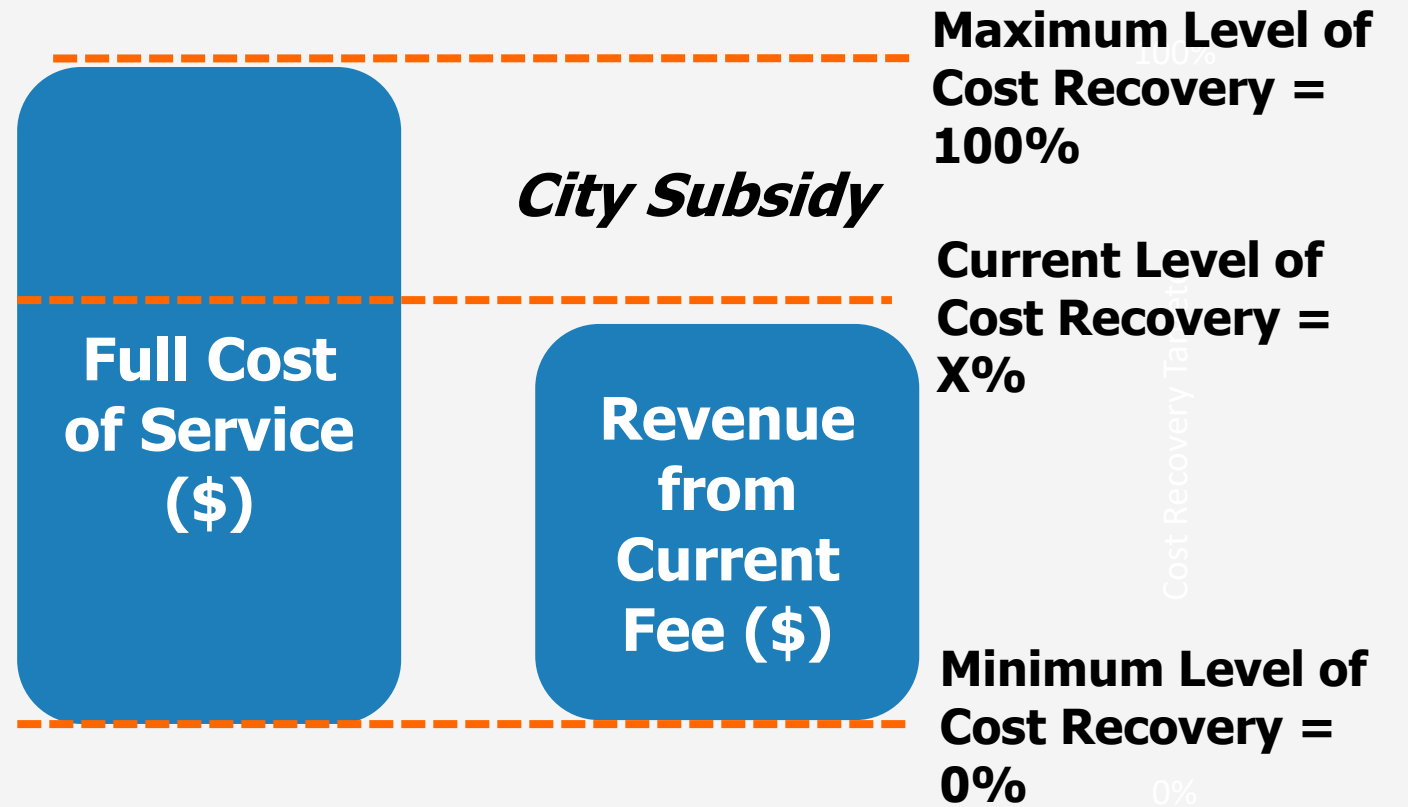
100%

Cost Recovery Targeted

0%

SUBSIDY

- The amount of a program's full cost of service that is supported by other City revenue sources





Study Findings and Recommendations

BUILDING FEES

- Current fees recover less than the City's full cost of providing fee-related services.
- Current cost recovery from fees is approximately 84%
- Fees are proposed to be recalibrated to align to the cost of service with minor exceptions:
 - Residential HVAC Change-Outs
 - Residential Water Heater Change-Outs

PLANNING FEES

- Current fees recover less than the City's full cost of providing fee-related services.
- Current cost recovery from fees is approximately 55%

PLANNING FEES, CONTINUED

- Fees are proposed to be recalibrated to align to the cost of service with several exceptions:
 - Owner occupied appeals
 - Minor Design Review
 - Entertainment Permitting
 - Landmark Tree Classification
 - Opinion on a Planning Matter
 - Sidewalk Vendor Permit
 - Special Event Permitting
 - Temporary Outdoor Dining Permit
 - Variance for Single Family Dwelling

ENGINEERING FEES

- Current fees recover less than the City's full cost of providing fee-related services.
- Current cost recovery from fees is approximately 83%
- Recalibrate fees to encourage recovery of City staff and outside service provider costs.
- Use deposit-based billing (time & materials billing) for some of the complex land development review projects.

FEE COMPARISON – BUILDING

Fee Description	Folsom - Current	Folsom - Proposed	Folsom - Current Fee	Folsom - Proposed Fee	Rancho Cordova	Rocklin	Roseville
\$25,000	Mid-Range	Mid-Range	\$330	\$360	\$375	\$456	\$158
\$50,000	Mid-Range	Mid-Range	\$530	\$630	\$600	\$751	\$757
\$100,000	Mid-Range	Mid-Range	\$880	\$1,080	\$1,050	\$1,158	\$1,162
\$500,000	Mid-Range	Mid-Range	\$3,280	\$3,960	varies (res v. non-res)	\$3,697	varies (res v. non-res)
\$1,000,000	Mid-Range	Mid-Range	\$6,030	\$7,200	\$7,511	\$6,417	\$6,180

** Fee amounts shown are for illustrative purposes. Actual fees collected will vary depending on services reviewed (e.g., new construction, plumbing, mechanical, electrical, structural, general plan update, technology fees, etc.). Amounts are intended to illustrate patterns and order of magnitude.*

FEE COMPARISON – PLANNING

Fee Description	Folsom - Current	Folsom - Proposed	Folsom - Current Fee	Folsom - Proposed Fee	Elk Grove	Rancho Cordova	Rocklin	Roseville
Annexation	Low End	Mid-Range	\$5,641	\$17,000 Deposit	\$18,800		\$17,949	\$20,000 Deposit
Appeal	Low End	Low to Upper Range	\$251 - \$502	\$1,700 - \$6,800	\$2,500 - \$5,000 Deposit	\$2,590 - \$4,383	\$4,257 - \$4,902	\$2,080 - \$5,530
Variance - SFR / Admin	Low End	Mid-Range	\$1,643	\$2,500	\$6,000 Deposit	\$10,000 Deposit	\$2,578	\$1,530
Variance - All Other	Low End	Mid-Range	\$1,643	\$5,100	\$6,000 Deposit	\$10,000 Deposit	\$6,948	\$5,124
Zone Change	Low End	Mid-Range	\$2,928 - \$5,847	\$10,000 - \$13,000	\$1,000 Deposit	\$15,000 Deposit	\$13,573	\$10,000 - \$17,000 Deposit
General Plan Amendment	Low End	Mid-Range	\$4,272 - \$8,544	\$10,000 - \$13,000	\$1,000 Deposit	\$15,000 Deposit	\$14,209	\$10,000 - \$17,000 Deposit
Conditional Use Permit	Low End	Low-Mid Range Depending on CUP	\$2,749 - \$5,798	\$2,500 - \$5,100	\$5,000 - \$10,000 Deposit	\$10,000 Deposit	\$6,480 - \$13,940	\$9,000 Deposit

FEE COMPARISON – ENGINEERING

Fee Description	Folsom - Current	Folsom - Proposed	Folsom - Current Fee	Folsom - Proposed Fee	Elk Grove	Rancho Cordova	Rocklin	Roseville
Engineering Plan Check and Inspection Improvement Value Up to \$100K	Mid-Range	Mid-Range	6% - 7%	8%	10.5% - 18%	7%	21%	5%
Engineering Plan Check and Inspection Improvement Value \$100K - \$200K	Mid-Range	Mid-Range	5%	6.40%	8.5% - 10%	5%	11%	5%
Engineering Plan Check and Inspection Improvement Value \$200K - \$1M	Mid-Range	Mid-Range	2% - 4%	3.6% - 4.8%	6% - 8.5%	2% - 4%	6% - 8%	5%

FISCAL IMPACT

- The anticipated General Fund revenue impact of the proposed changes included in the fee update is an additional \$1.3M annually.
- Additional revenues expected from proposed changes to fees and charges are intended to offset the cost of providing existing services associated with those fee-related regulatory functions. Additional fee revenue is not intended to fund new services.

Proposed Planning Fee Changes



Planning fees have been modified to reflect staff time and current process using flat fees. Major proposed changes include:

Fee Increases:

- Appeal (to City Council)
 - from \$250-\$500 to \$3,400-\$6,800
- Commercial and Multi-Family Design Review
 - from \$2,100 to \$5,100
- Variance
 - from \$1,600 to \$5,200
- General Plan Amendment
 - from \$8,000 to \$13,000

Fee Decreases:

- Planned Development Permit Modification
 - from \$8,900 to \$5,000
- Tentative Map Amendment
 - from \$9,200 to \$5,100

Proposed Planning Fee Changes

Special Event Permit Fee



Fee Type	Existing Fees	Proposed Fees
Base Special Event Permit fee:	\$61	\$500
Additional fees apply for large events:		
• Larger events (1,000+ people):	\$0	\$432/1,000 people
• City consultation meeting for large event:	\$0 (not held)	\$200
• Traffic control/street closure - New Event:	\$0	\$700
• Traffic control/street closure - Repeat Event:	\$0	\$400
• Alcohol/ABC Permit:	\$0	\$324
• Fire Inspections:	Approx. \$400	\$400

Proposed Building Fee Changes



Building fees have been modified to better reflect the scopes of projects. Updates include:

- New flat rate fees for common residential permit types,
 - Consistent with other jurisdictions in the area.
- Restructuring the fees related to subdivision development
 - Better aligns with the amount of staff time utilized for each permit type.
- Revising the current valuation-based portion of the fee schedule to reflect estimated staff time.
- New 5% technology fee and updated 5% General Plan/Zoning Code Update fee applied to all building permit applications

Proposed Engineering Fee Changes



Engineering fees have also been modified to better reflect the scope of projects. Updates include:

- Encroachment permit fees changed to reflect scope and schedule of work
- Annual permits for general maintenance will be billed on a time and materials basis
- Production home landscape review is now a fixed fee
 - No longer uses project valuation.
- Fees for Contract City Surveyor updated to reflect billable rate.
- Increase in tree permit fees when multiple trees are being removed.

Fee Testing

Project Type	Description	Project Valuation	Current Permit Fees	Proposed Permit Fees	Impact Fees	Overall Project % Change
Residential Subdivision	300-acre; 800 lots	\$300,000,000	\$2,500,000	\$3,500,000	\$36,000,000	0.3%
Commercial Project	Multi-tenant shopping center	\$2,500,000	\$80,000	\$111,000	\$137,000	1%
Commercial Remodel Project	Remodel, TI and addition	\$1,300,000	\$19,000	\$26,000	n/a	0.5%
Custom Home Project	5,000 sf, 2-story house	\$910,000	\$11,000	\$18,000	\$32,000	0.7%
ADU Project*	Historic District ADU	\$93,000	\$2,100	\$6,700	n/a	5%

* Note: ADU project cost increase due to staff time associated with Commission hearing, review and inspections as ADUs are similar in process to custom homes.

Effects of Proposed Changes

- Increased fee recovery would result in an estimated additional \$1.3 million annually to the General Fund
- Fees increase 40% on average
 - Represents 2% to 3% annual increase since 2006
- Compared to rest of region, new proposed fees are in the mid-range
- Technology fee supports online submittal and review systems
 - Including system improvements
- Changes to current processes could bring fee levels down

Outreach Efforts

- Over 1,000 emails sent to contractors, developers, business and members of the public
- Presentations to:
 - North State Building Industry Association
 - Folsom Chamber of Commerce
 - Folsom Historic District Association (FHDA)

April 23, 2024 - Council adoption hearing

- Final staff recommendations presented
- If adopted, new fee info provided to public in May and June
- Approved fees would be effective July 1, 2024
- Proposed modifications to FMC Chapter 3.50

- Staff is seeking input and direction from the Council on any changes
- Staff will return on April 23 with final recommendations for adoption