



REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: June 17, 2008

SUBJECT: Adopt Resolution approving the schedules for
determining Building, Electrical, Mechanical, and
Plumbing fees and associated fee tables.

Report in Brief

In 2004 the City of Woodland performed a comprehensive fee study. As part of the study the Building Division's fees were reviewed. Since that last study substantial staff and code changes have occurred within the Building Division. In response to these changes the City Manager initiated a Building Division User study and approved the hiring of MuniFinancial to assist in the collection and reporting of data. The results of this study are attached to this report. The study revealed that considerable organizational changes needed to occur in the Division's fee tables with a resulting increase and decrease of fees. These changes are documented in Exhibit "A" the new Building Division User Fee schedule. Adoption will result in a fundamentally simpler fee schedule for both staff and the public and provide for 100% cost recovery of staff's time.

Staff recommends that the City Council adopt Resolution No ____ approving the new schedules for Building, Plumbing, Mechanical, and Electrical fees and accompanying tables.

Background

The fee schedules currently being used for determining building, electrical, mechanical, and plumbing fees are taken from the 2004 Comprehensive Fee Study for the City of Woodland. These fees were developed just prior to the building expansion, prior to the last MOU changes, prior to the adoption of the new 2007 California Building Code, and prior to the staff changes that have taken place over the last year and half. Some of the significant changes that have occurred over the last four years: the hiring of a new plans examiner position, two new building inspector positions; increased salaries and medical benefits based on the MOU's; a new building code was adopted requiring the purchase of new books, extensive training, and new codes to enforce; a new flood plain mapping that resulted in extensive staff review and inspection of development projects. Because of these significant changes, it was recommended by staff and supported by the City Manger to undertake a user fee study for the Building Division.

Staff reviewed various firms with experience in the field and selected MuniFinancial, a subsidiary of Willdan. MuniFinancial has performed fee studies for numerous cities in California and has previously assisted the City of Woodland's Finance Department with various projects. The study began in December of 2007 and was completed in March of 2008.

In the past, fee tables were incorporated within the codes and building departments around the State would use these tables to determine various fees. Since these tables are no longer available, it was necessary to develop new tables requiring extensive review of all Building Division's processes to develop fees based upon the actual time and material costs of performing the work.

The goal of the study was to provide a schedule that would collect 100% of the cost of performing the duties of the Division. Another goal was to develop a fee schedule that would be simple to understand and to implement. An outcome of this was to maintain a standard set of fees for a period of years and only change the fees when a new review was performed. It is anticipated that a fee study will be performed every three to five years. As a result of this, it is being recommended that the fee schedule not be tied to any COLA or annual increase.

The attached Building Division User Fee schedule is based upon the actual time and City costs of performing each job function. Reviewing the tables of the fee schedule reveals the extensive duties of plan review and inspection. Some basic tables may look familiar, but the numbers within the tables have all been developed out of the results of the fee study. The *Highlights* section attached to this report details the major changes in the Division's fees. Finally, the study itself is available for review.

Discussion

The Division's mission is to protect the lives and safety of the citizens of Woodland and contribute to the City's economic development. This is accomplished through implementation and enforcement of the Building, Plumbing, Mechanical, and Electrical Codes. The Division also implements Flood Plain regulations, Energy Code compliance, Disabled Access regulations, local and State laws for new construction, and the maintenance of buildings through code enforcement.

The Division's role in the development process begins by reviewing all construction plans for new residential, commercial, and industrial buildings and alterations to those buildings. Plan Examiners (staff and consultants) review the plans to verify that the proposed construction project is designed to meet minimum safety requirements specified in the codes. When the Division determines that the building plans comply with applicable codes, the Division issues building permits authorizing construction. During a structure's construction phase, Division inspectors will perform on-site inspections to verify compliance with the approved building plans, and applicable local and state regulations. After a final inspection, the Division issues certificates of occupancy

for each new building. This certifies that the building meets all the appropriate codes, structural, zoning, health, safety, and access regulations and is safe to inhabit or occupy.

For reviewing building plans, issuing building permits and inspecting building projects the Division uses a City Council-approved fee schedule to assess permit fees. The Division's current fee process is to follow the International Conference of Building Officials' (ICBO) method for charging building permit fees. Under the ICBO method, building permit fees are calculated based on a structure's valuation and use, construction type, and square footage.

The Division uses the project's valuation to calculate building permit fees, and to indirectly calculate plan review fees. In addition, the current fee schedule specifies that in no case shall the valuation be less than the published valuation tables in the latest edition of the ICBO Building Standards magazine. These tables contain valuation data that represents the construction cost for most types of buildings. Typically staff would use the most current value, either from the table or that supplied by the developer. The valuation data table currently in use for Woodland is the 2002 valuation table from the former ICBO Building Standards magazine. This valuation table is no longer published.

The City of Woodland's current fee schedule is based upon a standard that is no longer supported within the code. Secondly, the City's fee schedule is based upon a standard that is questionable in complying with the State's legal requirements—according to State of California (State) law, building permit fees cannot exceed the reasonable estimated cost of providing service. Because of these uncertainties, the Building Division decided to perform a user fee study to ensure that the City's building permit fees will be able to withstand public and political scrutiny and the building program will be more equitable and accountable to its customers.

The Division obtained the assistance of the MuniFinancial Group, a subsidiary of Willdan to complete the user fee study. To complete, the study required the dedication of all the Building Division staff and was concluded in just over a three month period. Based on staff's and consultant's review, the study found the following limitations with the current permit fee process:

- The Building Division cannot demonstrate that its fees are based on the actual cost of providing specific building-related services and;
- The Division is not properly accounting for all costs of development review by staff and in some instances is not collecting any fee for service.

To resolve these inequities MuniFinancial, the consultant, examined the Building Division's budget, staffing levels, productive hours for each employee, permit processes, and services provided. Staff calculated the total amount of time for each member to provide Building Division development related services.

From these two sets of data, the Chief Building Official designed a fee model that included direct,

indirect and overhead costs related to the provision of Building Division development related services. The fee model revealed that Building Division's current fee schedule was significantly lower (20% to 35% lower) than the costs incurred by the City to provide the services.

Implementing the proposed fee schedule will provide three fundamental changes:

- The City's building permit fees will be able to withstand public and political scrutiny.
- The building program will be more equitable and accountable to its customers.
- The updated fee schedule will allow the City to recover direct costs for the Building Division's fee supported activities.

If the rates and fees for the Building Division remain at their current levels, resources that could be used for other City Council priorities must be used instead to support development services.

Attached to the Council Report is the Fee Schedule. After the Fee Schedule is Attachment "A" that shows examples of fees for commercial projects and the effect of the new fees. Following the Attachment "A" is a *Highlights* section which details the major changes to the Building Division's Fee Schedule.

Notable examples, detailed in the *Highlights* section, of where the fee schedule will be reduced significantly and/or simplified include:

Photovoltaic Permits: These *reduced* fees are to encourage the installation and use of electrical generation in residential homes. A typical permit fee of \$52 for a residential system puts Woodland as one of the lowest priced cities in the State.

New over-the-counter permit issuance fee: \$25.00 for over-the-counter permit issuance fee. This is 60% less than the normal issuance fee. These are permits that require no plan review and typically can be issued in less than fifteen minutes.

Example: Water Pipe Replacement--\$7.00 inspection fee and a \$25.00 permit issuance fee = \$32.00 total fee. This is a 26% *reduction* from the current fee schedule.

Note: How the fee is calculated is changing. As in the example above, the current water repair/replacement fee is \$43.66 but no fee is being added to issue the permit or process the fee payment. To the customer it appears that the inspection is costing them \$43.66 which is too high. By accurately reflecting each fee process in detail the customer sees that the inspection time is one price at \$7.00 and the permit issuance time is another \$25.00.

Flat-rate fee for residential re-roof permit: All residential re-roof permits will be \$150.000 and this includes the permit issuance fee. No more calculating roof squares or area. This is true for all roof types and sizes.

Other flat-rate fees for residential permits:

Water heater permits \$34.00. This is a 25% fee *reduction*.

Water softener permits \$34.00. Water softener permits are not required on new subdivision homes that were pre-plumbed for water softeners at time of construction.

HVAC (Heater and AC change-outs) permits \$50.00: This is a 17% fee *reduction*. This includes replacement of heating and air conditioning units and includes duct repairs as part of the change-out.

Simplified mechanical/plumbing/electrical (M/P/E) calculations: All residential and commercial buildings and additions will have their M/P/E fees calculated based on square footage. One simplified number to determine fees. No more added each receptacle, fan, and plumbing vent to calculate a fee.

Gas and Electrical Re-tagging of meters following shutoffs: Where a meter needs to be re-energized following shut-off a \$25.00 flat rate fee is applied (this is the total fee). This is the lowest fee the Building Division utilizes.

See the highlights section for more detail and the Building Division Fee Schedule for specific fees.

The last document attached to this report is the MuniFinancial final report which includes all data that the new fee schedule uses to determine the appropriate fee types and fee amounts.

Fiscal Impact

Approval of the updated fee schedules will allow the City to recover direct costs for the Building Division's fee supported activities. If the rates and fees for the Building Division remain at the FY 07/08 levels, General Fund resources that could be used for other City Council priorities must be used instead to support development-related services. The new fee schedule would increase user permit fees by approximately 20 to 35% for commercial buildings. Other fees, such as photovoltaic fees would be substantially reduced. The over all impact is estimated at an approximate \$200,000 increase in all types of fees over an average building year.

Public Contact

Posting of the City Council Agenda. Ten days prior to the Council meeting a public notice was printed in the newspaper. The public notice was sent to the Chamber of Commerce. One copy of the User Fee Study is available for public inspection in the Office of the Building Official.

The Building Industry Association (BIA) was contacted and the entire fee study and proposed fees sent to their representative for review. After their review they had no comment. The BIA

representative also sent the study to area builders and noticed the fee study on their web site. No comments were received.

In contacting commercial developers it was assumed that the BIA would be a good source. But in discussions with the BIA, Darin Gale, the BIA's area representative indicated to staff that most of the BIA members are residential developers, though the organization does have commercial developer members. He recommended the Sacramento Builders Exchange as a contact; however, based on discussions with the Builders Exchange, that organization does not represent commercial developers, only contractors. Staff is not aware of any organization that represents most of the commercial developers' active in this region. That said, staff did notice local area developers that have pulled permits recently and the Chamber of Commerce about the meeting.

Effects on Development: While the increase in the Building Division's fee will generate only funds to recover the costs of service, concerns have been raised that the fee increase may act as a constraint to new commercial development, especially infill development. Since infill development often faces higher costs due to a variety of constraints and other factors, the 20 to 35% percent increase may impact this type of development more than it might impact commercial development in other areas of the City. This impact could be mitigated by offering incentives for infill development, including financial assistance using Redevelopment funds. In addition, Council has expressed to staff the need to review and potentially revise development impact fees applied to infill development.

Attachment "A" shows some fee examples of recent commercial projects within the City. These projects include the Costco retail warehouse, Hampton Inn on Freeway Drive, and the new Medical Office Center on Gibson. In each case, the Building Division's fee represents one of the smallest fees paid by developers of these projects.

Alternative Courses of Action

1. Adopt Resolution No. _____ approving new schedules for Building, Plumbing, Mechanical, and Electrical fees and accompanying tables.
2. Retain fees at current levels.
3. Direct staff to modify the fee schedule by raising or lowering individual fees.

SUBJECT: Adopt Resolution approving the schedules for determining Building, Electrical, Mechanical, and Plumbing fees and associated fee tables.

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ITEM:

Recommendation for Action

Staff recommends that the City Council approve the Alternative 1.

Prepared by: Paul Siegel
Chief Building Official

Reviewed by: Barry Munowitch, AICP
Assistant City Manager

Mark G. Deven
City Manager

Attachments:

1. Resolution including Exhibit A—Building Division’s Fee Schedule.
2. Attachment A—Example of Fees for Commercial Projects
3. Highlights of New Fee Schedule.
4. MuniFinancial Final Report

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WOODLAND
ADOPTING THE
COMMUNITY DEVELOPMENT DEPARTMENT
BUILDING PERMIT FEE SCHEDULES**

WHEREAS, the City Council of the City of Woodland, last approved a building fee change on July 15, 2004,

WHEREAS, since July 2004 the Building Division has experienced considerable changes in staffing, additional code requirements from the adoption of the 2007 California Building Codes, and added review and inspection due to changes in Flood Mapping,

WHEREAS, the City Council of the City of Woodland, wishes to prescribe a schedule of fees sufficient to pay the costs incurred in the enforcement of the 2007 Edition of the California Building Codes,

WHEREAS, the City Council of the City of Woodland, wishes to provide a nexus between the level of work required and the fee imposed,

WHEREAS, the City Council of the City of Woodland, wishes to maintain consistent stable fees,

NOW, THEREFORE, BE IT RESOLVED

SECTION 1. That the schedule of building permit fees for the City of Woodland is hereby established to be as shown in Exhibit "A".

SECTION 2. That the fee schedule will be incorporated into the current City of Woodland Comprehensive Fee Schedule and replace the existing Building Division Fee pages.

SECTION 3. That the Building Official of the City of Woodland shall administer the fee schedule.

SECTION 4. That the provisions of this resolution shall become effective on August 1, 2008.

PASSED AND ADOPTED this 17th day of June, 2008, by the following vote:

AYES: _____

NOES: _____

ABSENT: _____

ABSTAIN: _____

David Flory, Mayor

ATTEST:

Sue Vannucci, Director of Administrative Services

APPROVED AS TO FORM:

Ann M. Siprelle, City Attorney