

Attachment D

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2021 Land Use Fee Update

Detailed Discussion

Background

In 2005, the Resource Management Agency (RMA) was established by combining multiple departments under one agency (public works, redevelopment/housing, planning, and building inspection). In 2007, architectural services, facilities, grounds maintenance, and fleet were incorporated under RMA after the General Services Department was dissolved. In 2011, redevelopment/housing separated from RMA and was established as part of a separate Economic Development Department under the County Administrative Office (CAO). The County Parks Department was added to RMA in 2016. RMA managed five separate fee articles that are part of the Monterey County Fee Resolution:

1. Article V - Parks
2. Article IX -Planning
3. Article X - Public Works (Development Services)
4. Article XIX - Building Services
5. Article XX - Environmental Services

In 2014 RMA began transitioning toward one comprehensive RMA with one Director and three Divisions: Land Use and Community Development; Public Works, Parks, & Facilities; and Administrative Services. As this transition evolved, RMA made significant organizational and operational changes. In 2019, the County and Monterey County Water Resources Agency (MCWRA) entered into a Memorandum of Understanding (MOU) where floodplain and watershed land use functions transferred from MCWRA to RMA. Those functions were integrated into the Land Use & Community Development Division (Building Services and Environmental Services). Recently, the CAO's office assumed lead for the Cannabis Program and reallocated land use fees relative to the cannabis permit application process. Also, in 2019, the RMA revised its land use fee articles into a consolidated, tiered format incorporating Article X-Public Works (Development Services) and Article XX-Environmental Services into Article IX and retitling it RMA-Land Use.

In September 2020, the Board of Supervisors approved the dissolution of the RMA, reuniting with Housing and splitting into two separate departments to create Housing and Community Development (HCD) and Public Works, Facilities and Parks (PWFP). The split of the RMA necessitates retitling and amending the previously consolidated Article IX (RMA-Land Use) while concurrently reinstating and retitling of the rescinded and reserved Article X-Public Works (Development Services).

HCD is the lead agency for Monterey County to review projects and perform activities for land use, based on customer requests and permit applications. HCD is proposing amendments to its fee articles to align them with the time required to complete a project plus overhead cost. The estimated hours used in establishing the proposed fees were developed from audits conducted within each unit using WinCAMS, HCD's time tracking system, and permit data from Accela, HCD's permit tracking database. Based on

this study, HCD proposes to continue utilization of the tiered structure that is based on the estimated reasonable cost of providing the services.

Updates to the land use fee articles are coordinated among HCD, Monterey County Health Department-Environmental Health Bureau (EHB), MCWRA, and County Counsel (CC). The other County departments that work with land use, EHB (Fee Article I.E.), CC (Fee Article XVII), MCWRA (Fee Article XX), and CAO (Article XXI), develop their fees separately, yet generally conform to the format set by HCD. The last comprehensive update to the fee articles involving all these agencies occurred in September 2019. HCD took the lead working with PWFP to separate the RMA fees between HCD and PWFP and is bringing forward Fee Article X on behalf of PWFP.

A detailed discussion of the proposed revisions to Fee Article IX - Land Use, Fee Article X - Public Works, and Fee Article XIX - Building Services is presented here.

Following Board approval, all amendments and updates to the Fee Articles will take effect not less than 60 days following Board approval. Accordingly, Fees Articles adopted on June 22, 2021, take effect on August 21, 2021.

Audit

Fiscal year 2019-20 revenue received for building permits was lower than anticipated, while revenue received for planning permits was generally on target. There were various elements that could have caused the revenue shortfall including the amendments to fee Article XIX – Building Services that went into effect in November 2019, and the stay-at-home order imposed at the onset of the COVID-19 pandemic in March 2020; therefore an audit was conducted to discover the cause of the revenue shortfall for building permits.

To analyze the permit fee shortfall, staff used data from Accela Automation including all building permits opened between 1/1/2019 to 12/31/2020. Staff chose to sort the data into calendar years for comparison as the factors that might have been affecting the permit revenue more neatly fit into calendar rather than fiscal years.

Based on the data reviewed, the revenue shortfall related to building permits for 2020 appears to be because the permits issued in 2020 were more focused on single trades and smaller overall development projects. While the number of single trade permits held steady at roughly 90% of 2019, there were only about half the number of building and combination permits of 2019. In 2020, the number of combination permits for single-family dwellings were only a small fraction (16%) of 2019, where a large portion of revenue from building permits is normally generated.

As part of the review, Staff also performed an audit of building and planning permits opened between January and June 2020 and found that the new permit fee articles effective November 2019 were being properly utilized with minimal and minor errors. The valuation calculator that was part of the updated building fee article was also evaluated and found to be working properly. Staff recommends continued use of the existing valuation calculator for the building permit fee and continuing to provide staff with quality control checkpoints to ensure input errors are kept to a minimum.

While the amount of revenue received from planning permits was as anticipated, an audit was performed to determine if the newly adopted fee amounts in the tiered structure were supported by planning staff time tracking. The time audit found that the staff time (number of hours) to process permits in tiers one, three and four were within the range estimated to establish the tier fees. However the actual processing time for tier two was on the high end of the range. The number of hours tracked for permits in tiers five through seven were relatively low but are comprised of complex multi-year projects that have only just begun. Staff is recommending an increase in the fee amount for tier two for cost recovery.

Proposed Revisions to Article IX - Land Use

The tiered fee structure is aligned with Board policy to recover costs for conducting services. Board Financial Policy 7.4 states: “It is the policy of the Board that fees will generally be set at a level sufficient to cover both direct and indirect costs of the services provided or the service may be subsidized by the County as deemed necessary by the Board. Factors for subsidy consideration are whether a subsidy causes an inappropriate burden on property taxpayers, the degree to which the service benefits a particular segment of the population, whether beneficiaries can pay the fee, and whether the service provides a broader benefit to the community.”

It should be noted that there continues to be a “*No Fee*” tier of services. The “*No Fee*” Tier was developed to continue efforts to streamline the permit process for projects that take very little time. The intent is to reduce and remove obstacles that might keep individuals from engaging in the permitting process and reduce pressure for enforcement. HCD determined that the permits in the “*No Fee*” tier incur minimal cost to the HCD as they require no professional review, inspection, routing, or processing and can usually be approved over the counter, typically in less than an hour.

Fees grouped in Tiers 1 – 6 are flat fees based on HCD’s estimated reasonable cost of providing that service. These tiers consist of projects that do not require a deposit, ranging from projects that do not require other agency approval and are limited in scope, to larger more complex project applications. Deposit projects are identified in Tier 7 in the fee article. Fees grouped in Tier 7 require the indicated deposit amount at the time of application, and total fees will be based on actual time spent.

The existing Article IX combined fees from Planning (formerly the sole subject of Article IX), Public Works/Development Services (formerly Fee Article X), and Environmental Services (formerly Fee Article XX), as these services were performed under the Resource Management Agency (RMA). The split of the RMA necessitates amending the previously consolidated Article IX (RMA-Land Use) to incorporate the Housing Department hourly rate for reviewing permit applications where compliance with the inclusionary housing ordinance is triggered, removing the solely Public Works fees, and retitling to reflect the new department name. Concurrent to this action, Article X-Public Works (Development Services) must be reinstated and retitled.

Fee articles adopted prior to 2019 had some fee categories that were inadvertently left out of the 2019 fee article. Omissions identified for incorporation in this update of Article IX include adding the following:

- “Appeal of Director’s Interpretation” that is being added to tier 2 (\$1,000 no GPUI fee)

“Contract Administration” fee for administrative support staff to draft contracts and contract amendments for the preparation of environmental documents related to permit applications in the amount of 15% of contract or amendment amount.

The following consist of one new fee for the voluntary merger of parcels and a reduced deposit amount for certain condition compliance categories:

- Voluntary (Lot) Merger is being added to tier 2
- Two smaller deposit levels are being added to “Condition Compliance / Mitigation Monitoring” for a more appropriate size deposit, commensurate with the complexity of the project.
 - A \$2,000 deposit for projects with up to ten conditions “Condition Compliance/ Mitigation Monitoring (1-10 conditions, Deposit Required \$2,000)” ,
 - A \$4,000 deposit for projects that have between 11-20 conditions, “Condition Compliance/ Mitigation Monitoring (11-20 conditions, Deposit Required \$4,000)”.
 - The existing “Condition Compliance/ Mitigation Monitoring (Deposit Required \$6,000)” will be amended to read “Condition Compliance / Mitigation Monitoring (>20 conditions Deposit Required \$6,000)” for larger scope projects that require more than 20 conditions.

Changes identified for this update include the following:

- Increase Tier 2 fee amount to \$1,650 (\$1,500 fee, plus \$150 General Plan Update and Implementation when appropriate) for cost recovery based on audit and time tracking
- Move “Lot Line Adjustment – General” from tier 5 to tier 4 as the effort required to process a general lot line adjustment is relatively equivalent to that of a Use Permit
- Move “Road Abandonment” from tier 4 to tier 1 as it is mainly a Public Works service with minimal planning time required.
- Adding “\$185 - Cannabis Business Permit – Initial” and “\$92.50 – Cannabis Business Permit – Renewal” to the “Each” category, to incorporate changes approved by the Board of Supervisors on May 11, 2021, Resolution No. 21-132 related to cannabis permit fees

Adoption of Article X – Public Works will include the fees for Public Works that had been previously included in Article IX. These changes and additions are provided in strikethrough format in Attachment B and revised format in Attachment C.

Land Use Hourly Rates

HCD maintains separate appropriation units, so the proposed hourly rates are a function of the appropriation units and functional areas of HCD providing fee-based services. The HCD is considering developing a uniform hourly rate across all land use appropriation units that captures the indirect and direct costs. This consolidation will create operationally and administrative efficiencies. Until the consolidation happens, each unit has separate hourly rates. Staff is proposing to add the hourly rate for Housing and to remove “RMA” from each division’s name.

Hourly Rate	Division
\$180	RMA Code Enforcement Investigations and Compliance Support
\$164	RMA Environmental Services

\$175	RMA – Planning
\$186	RMA – Development Services
\$165	Housing
\$175	RMA – Public Works
\$90	RMA – Front Counter Processing

Percentage-Based Fees Overview

General Plan Update and Implementation, technology fees, file storage fees, and credit card convenience fees are added as a percentage of the permit fee for both building permits and planning permits. The technology, records and file storage, and credit card fee are adjusted to recover actual costs, as described below.

Current	Proposed	Fee Name
10.00%	10.00%	General Plan Update and Implementation Fee
6.02%	7.04%	Technology Fee
1.70%	1.93%	Records & File Storage Fee
2.25%	2.25%	Current Credit Card Convenience Fee

General Plan Update and Implementation (GPUI)

A General Plan Update and Implementation (GPUI) Fee of ten percent (10%) was proposed and approved with the 2019 land use fee update to adequately fund ongoing expenses of updating, implementing, and maintaining the General Plan and related land use studies and ordinances for the County. No change to the GPUI fee is proposed at this time. In the next Land Use Fee Update staff recommends analysis to determine if the incorporation of the Housing department effective September 2020 will necessitate an increase to costs related to General Plan Update and Implementation.

Technology Fee

The technology fee offsets annual costs of information technology and related support including annual Accela permit database maintenance costs and related licenses. To maintain 100% cost recovery, staff proposes increasing the technology fee from 6.20% to 7.04% to address the increasing costs of Accela and other programs used in the permit process. FY 2020/21 breakdown of cost for Information Technology and related support to HCD is \$566,271 as shown below.

Technology	Cost	Description
Accela (FY 21- 22)	\$ 344,873	3rd Year of agreement includes 3.5% annual increase
Civic Insight	\$ 7,400	Web Permit Tracker
Geocortex	\$ 4,160	Parcel Report Maintenance and support
Accela GIS	\$ 9,120	Maintenance for Accela GIS, Map Viewer and Zoning Web Apps
ESRI License	\$ 382	ArcGIS License
TruePoint	\$ 20,000	Accela custom Programming
QLess	\$ 7,500	Permit Counter Queue system maintenance

DocuSign	\$ 960	Permit Counter tool
DES	\$ 4,000	Maintenance for Scanners used for Front-Counter workflow and archive
Mythics	\$ 198	Accela Reporting (Oracle DB Support for Reporting)
Yearly IT Support	\$ 90,490	20% of HCD-IT Base Salary
Server Costs	\$ 7,200	Accela GIS Server, Wincams Server
WinCAMS	\$ 8,203	Cascade Maintenance
Lease copiers	\$ 34,462	Copiers
Camino	\$ 25,000	Web application to create guide for permit applicants
Bluebeam	\$ 2,323	Annual Maintenance / technical support for 16 licenses
Total	\$ 566,271	

File Storage Fee

Staff also proposes increasing the file storage fee from 1.70% to 1.93% to fully recover the FY2020/21 costs of the Record Retention Center related to storage of permit related documents, \$155,095.

Credit Card Convenience Fee

A Credit Card convenience fee of 2.25% is currently charged on credit card transactions based on the County's vendor agreement. No change is proposed at this time; however, staff proposes that the Credit Card Convenience Fee adjust with any change per the vendor agreement. Keeping this convenience fee in alignment with the vendor agreement allows for full cost recovery.

Proposed Revisions to Article XIX – Building Services

The fees in Article XIX are based on a standardized method of calculating fees using the International Code Council (ICC) Building Valuation Data (BVD) Table and local multiplier (<https://www.iccsafe.org/>) that were previously approved to be updated each year.

The ICC BVD Table is the nationwide standard used to develop fee amounts for permits based on building type. The local multiplier used in the table is calculated by multiplying the total budget by the anticipated cost recovery (100%) then dividing by the total valuation. The multiplier adjusts the amount charged for permit fees based on HCD's cost to process permits and the total amount of construction being processed (Valuation). This multiplier determines the percentage of permit revenue to valuation needed to fully recover costs. Based on this calculation the multiplier is 3.8% of total valuation, for full cost recovery to occur. The ICC BVD table and the local multiplier will be updated in the Accela permit database to accurately calculate building permit fees.

Following Board adoption of the fee Articles in September 2019, as part of implementation efforts, staff identified the following proposed corrections and/or clarifications:

- Prefabricated and modular structures require a different level of staff resources than a structure built using standard construction methods. Staff proposes to apply an hourly rate based on number of hours of plan review and inspection to calculate fees rather than using the default ICC BVD Table permit fee calculation.

- Master plans and tract homes require a different level of staff resources than a standard residential structure. Staff proposes to apply an hourly rate based on number of hours of plan review and inspection to calculate fees rather than using the default ICC BVD Table permit fee calculation.
- Retaining walls, generators, pools/spas, and water tanks are not considered “building” structures by the ICC therefore they do not provide guidance to calculate the value of these structures. Staff proposes to use the contractor’s stated value rather than the ICC BVD table valuation to calculate the building permit fees.
- Add clarifying language to indicate that a Permit Extension includes the cost of the Permit Card Replacement.
- Increase the Building Permit Base Fee from \$195 to \$390 for cost recovery of one (1) hour of inspection and one (1) hour of office time and modify the valuation range of the Building Permit Base Fee from “\$0-\$10,000” to “\$0-\$5000” to remedy a disparity identified where currently “simple” permits that involve a single-trade have a higher permit fee than multiple trade minor projects with a calculated valuation that falls below \$10,000.

These changes and corrections are provided in strikethrough format in Attachment B and revised format in Attachment C.

Proposed Actions for Article X – Public Works

As previously mentioned, the existing Article IX and Article XIX combined fees from Planning, Public Works/Development Services and Environmental Services, as these services were performed under the former Resource Management Agency (RMA). The split of the RMA necessitates removal of the fees that apply only to Public Works from Article IX while concurrently adopting Article X-Public Works to provide for fees that relate only to the Public Works division of the Public Works, Facilities and Parks department.

Public Works fees are based on an hourly rate of \$175, representing a weighted blend of the fully burdened labor rate for the Chief of Surveys, Senior Civil Engineer, and support staff. A flat fee is based on the estimated reasonable cost, averaged across all applications, of processing the permit/entitlement for which the fee is charged. On matters for which a deposit is required, fees will be based on actual time multiplied by the hourly rate representing actual hours worked by Public Works staff.

Article X is provided in Attachment C.

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