



# County of Monterey

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

## Board Report

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**File #:** RES 21-105, **Version:** 1

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### **2021 Land Use Fee Update**

Public hearing to consider amending the Monterey County Fee Resolution relating to fees for processing applications for land-use permits and entitlements, including amending Article IX - RMA-Land Use to re-title to Article IX-Land Use and make minor adjustments to fees; amending Article XIX -Building Services to make minor adjustments to fees; and adopting Article X-Public Works.

**Proposed CEQA Action:** Statutorily Exempt per CEQA Guidelines section 15378(b)(4)

#### **RECOMMENDATION:**

It is recommended that the Board of Supervisors adopt a resolution (Attachment A) amending Monterey County Fee Resolution , effective August 21, 2021,to:

- a. Amend Article IX - RMA-Land Use to re-title to Article IX--Land Use and to make minor adjustments to fees;
- b. Amend Article XIX -Building Services to make minor adjustments to fees; and
- c. Adopt Article X -- Public Works to update fees and align with revisions to Article IX.

#### **SUMMARY:**

Fees for processing applications for land use permits and entitlements are set forth in “articles” of the Monterey County Fee Resolution. In 2019, the Resource Management Agency (RMA) revised its land use fee articles into a consolidated, tiered format incorporating Article X-Public Works (Development Services) and Article XX -Environmental Services and Article IX-RMA Planning fees into a single Article IX and retitling it RMA-Land Use. The Board of Supervisors approved these fees on September 17, 2019. In September 2020, the Board of Supervisors approved splitting the RMA into two separate departments to create the Housing and Community Development (HCD) and Public Works, Facilities and Parks (PWFP) departments. The split of the RMA necessitates retitling and amending the previously consolidated Article IX -Land Use while concurrently adopting and retitling the previously rescinded and reserved Article X-Public Works.

Additionally, in December 2020 an audit of building and planning permits was conducted to determine if the fee article amendments adopted in 2019 were being properly applied and to determine if the department was achieving cost recovery. Using the results of the audit, staff recommends various corrections and adjustments to Article IX and Article XIX.

#### **DISCUSSION:**

In November 2020 staff conducted a land use fee audit and found that the new permit fee articles effective November 2019 were generally being properly implemented and supported by staff time tracking. Staff found that although Fiscal year 2019-20 revenue received for building permits was lower than anticipated, the revenue shortfall was because the permits issued in 2020 were more focused on single trades and smaller overall development projects.

The existing Article IX adopted in 2019 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 former Resource Management Agency (RMA).

The split of the RMA necessitates amending the previously consolidated Article IX -Land Use into separate fee articles. The proposed Article IX incorporates an hourly rate for the Housing division, removes the fees that are solely for Public Works, and reflects the new department name, Housing and Community Development. Concurrent to this action, the Public Works fees are set forth in Article X-Public Works which is also proposed for adoption.

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

- “Appeal of Director’s Interpretation” added to tier 2 (\$1,000 no GPUI fee)
- “Appeal of Incomplete or Completeness Determination” added to the “Each” category at \$3,000
- “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:

- Two smaller deposit levels are being added to “Condition Compliance / Mitigation Monitoring” to adjust the deposit amount to be more 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 have more than 20 conditions.
- “Voluntary (Lot) Merger” is being added to tier 2

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 HCD time required
- Adding “\$160 -Housing Services” to the Hourly Rates by Division section
- Removing the “Commercial Cannabis Permit- initial permit (Deposit Required \$1,000)” and “Commercial Cannabis Permit - renewal (Deposit Required \$230)” from the hourly category and 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

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

#### Proposed Revisions to Article XIX - Building Services

The fees in Article XIX for Building Services are based on a standardized method of calculating fees using the International Code Council (ICC) Building Valuation Data (BVD) Table and local multiplier that are approved

to be updated each year. The local multiplier is calculated by multiplying the total budget by the anticipated cost recovery, 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. Based on this calculation the multiplier will be updated to 3.8% of total valuation. The ICC BVD table and the local multiplier will be updated in the Accela permit database to adequately calculate building permit fees.

During implementation following Board adoption of the fee Articles in September 2019, staff identified the following proposed corrections and clarifications for fees for building services:

- Apply an hourly rate based on number of hours of plan review and inspection for prefabricated and modular structures to calculate fees rather than using the default ICC BVD Table permit fee calculation, as they require a different level of staff resources than a structure built using standard construction methods.
- Apply an hourly rate based on number of hours of plan review and inspection for master plans and tract homes to calculate fees rather than using the default ICC BVD Table permit fee calculation, as they require a different level of staff resources than a standard residential structure.
- Use the contractor's stated value rather than the ICC BVD table valuation to calculate the building permit fees for retaining walls, generators, pools/spas, and water tanks, as they are not considered "building" structures by the ICC; therefore, the ICC does not provide guidance to calculate the value of these structures.
- Add clarifying language to indicate that a Permit Extension includes the cost of the Permit Card Replacement for simple permits.
- 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 Revisions to Percentage-Based Fees in Article IX and Article XIX

General Plan Update and Implementation (GPUI), 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 fee offsets actual 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 detailed in Attachment D. Staff also proposes to increase 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 applications and supporting documents, which cost equaled \$155,095. No changes are proposed for the GPUI Fee or the credit card convenience fee.

#### Proposed Actions for Article X - Public Works

In 2019, Public Works fees were incorporated into a consolidated Article IX- RMA and into Article XIX, and Article X for Public Works fees was rescinded and reserved. The existing Article IX Land Use combines 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 and Article XIX, 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. Article X is provided in Attachment C.

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 in Attachment D. If the Board approves these revisions, all amendments and updates to the fee Articles cannot take effect until 60 days following Board approval. Accordingly, fees Articles adopted on June 22, 2021 would take effect on August 21, 2021.

**OTHER AGENCY INVOLVEMENT:**

HCD worked with stakeholders from the development industry and other County departments with land-use responsibilities such as the Environmental Health Bureau and Public Works, Facilities and Parks Department. HCD generally received support for the proposed amendments and updates to the fee articles.

**FINANCES:**

Staff time to develop and process the amended fee articles is funded as part of the Fiscal Year 2020-21 Adopted Budget, Appropriation Unit RMA013, Unit 8222. The impacts of COVID-19 resulted in fewer and smaller construction projects and a corresponding decrease in building permit fee revenue. Staff anticipates the construction market to begin to recover with the lifting of statewide COVID-19 related restrictions and expects to see the building permit revenue increase in FY21-22. Rather than imposing a fee increase to mitigate prior revenue losses, the objective of the proposed changes to existing fee articles is to make appropriate adjustments and provide full cost recovery for most permit categories.

**BOARD OF SUPERVISORS' STRATEGIC INITIATIVES:**

The requested actions support the Board of Supervisors' Administration Strategic Initiative by promoting fiscal responsibility and efficient, effective County operations while offering excellent customer service to the public.

- ☐ Economic Development
- ☒ Administration
- ☐ Health & Human Services
- ☐ Infrastructure
- ☐ Public Safety

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Approved by: Melanie Beretti, HCD Housing and Special Programs Services Manager

Approved by: Mike Novo, Interim HCD Director

The following attachments are on file with the Clerk of the Board:

- Attachment A-Draft Resolution
- Attachment B-Current Fee Articles Revised
- Attachment C-Proposed Fee Articles
- Attachment D-Detailed Discussion
- Attachment E-Current Land Use Fee Matrix
- Attachment F-Proposed Land Use Fee Matrix

cc: HCD Permit Center: Freda Escobar and Liz Gonzalez; Environmental Health Bureau: Ric Encarnacion and

Roger Van Horn; Office of the County Counsel: Wendy Strimling and Robert Brayer; HCD Planning: Erik Lundquist, AICP, Craig Spencer and Anna Quenga; HCD Building Services: Joshua Bowling and Evan Nuckles; HCD Interim Director: Mike Novo, AICP; PWFP Department: Randy Ishii, Tom Bonigut, Shawne Ellerbee, and Jessica Cordiero-Martinez; and Permit Streamlining Task Force