

Attachment C

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DETAILED DISCUSSION:

Matrix Consulting Group conducted an in-depth analysis of the services provided by Planning Services and Building Services activities within the HCD department. This analysis was used to provide understanding of HCD's current service levels and the cost for those services.

Integral to the analysis were the interviews with all staff involved in the permit process to determine the time spent per activity. Then all associated direct, and indirect costs were calculated and included to reach the fully burdened cost of providing services. The Matrix study can be found in Attachment B.

The results of the Matrix study revealed that overall HCD is under-recovering costs by approximately \$2.5 million; Building Services' deficit was approximately \$1.7 million, and Planning Services had a deficit of approximately \$830,000. The proposed revisions that follow to both Building Services and Planning Services fee articles will bring HCD's revenue closer to 100% cost recovery. The recommended fee changes are estimated to produce an increase in revenue of approximately \$834,000 for Planning Services and \$1.7M for Building Services. HCD is recommending reductions for several fee items across both service areas that would result in lowering the estimated net increase in revenue to approximately \$1.3M.

Proposed Revisions to Article IX – Land Use

Once the fees were calibrated to reflect the actual cost to provide each service, including direct, indirect, and overhead costs identified in the Study, it was clear that an alphabetized structure would be more appropriate. The fee article is now reorganized alphabetically by service category and descriptor. This approach emphasizes clarity, consistency, and ease of reference for stakeholders. The new alphabetical organization improves searchability when locating specific services and aligns more easily with the Land Use Fee Matrix. In addition to altering the overall structure, the following changes were made.

Additional fee items added:

- Address Verification
- Address Reassignment
- Tree Removal – Use Permit/Coastal Development Permit
- Development Agreement – Extension
- Historic Register Listing
- Local Coastal Program Amendment
- Zoning Verification Letter – Base
- Zoning Verification Letter – Each Addl. Hour

Fee items deleted from HCD's fees (but other departments may have fees for such matters):

- Design Approval limited in scope, no hearing required, no other departmental review required, minor change to existing structure, no addition
- Change of Commercial or Industrial Use
- Oak Woodland Guidelines Consistency Certification
- Commercial Cannabis Business Permit – Initial
- Commercial Cannabis Business Permit – Renewal
- Personal Cannabis Permit

- Record of Survey
- General Plan Update and Implementation fee

Consolidation of fee items:

Current	Proposed
Appeal Coastal	
Appeal Inland	Appeal Coastal/Inland
Lot Line Adjustment (General)	Lot Line Adjustment or Merger (Coastal or Williamson Act)
Lot Line Adjustment (Williamson Act)	
Voluntary Merger	& Lot Line Adjustment or Merger (Inland)
Condition Compliance/Mitigation Monitoring-Tier 2	
Condition Compliance/Mitigation Monitoring-Tier 3	Condition Compliance - Mitigation Monitoring (Per MM)
Condition Compliance/Mitigation Monitoring-Tier 4	&
Condition Compliance/Mitigation Monitoring-Tier 5	Condition Compliance (Per Cond - First Three Conditions Included in Cost of Entitlement)
Condition Compliance/Mitigation Monitoring-Tier 6	

Division of fee items:

Current	Proposed
Subdivision – Minor or Standard - Tentative / Vesting Tentative Map Application	Subdivision - Minor - Tentative/Vesting Tentative Map Application (Flat Fee)
- Tentative / Vesting Tentative Map Amendment	Subdivision - Minor - Tentative/Vesting Tentative Map Amendment (Flat Fee)
- Tentative / Vesting Tentative Map Extension (Deposit)	Subdivision - Minor - Tentative/Vesting Tentative Map Extension (Flat Fee)
	Subdivision - Minor - Subdivision Improvement Agreement/Extension (Flat Fee)
	Subdivision - Minor or Standard – Final Map/Amend Final Map (Deposit)
	Subdivision - Standard - Tentative / Vesting Tentative Map Application (Deposit)
	Subdivision - Standard - Tentative / Vesting Tentative Map Amendment (Deposit)
	Subdivision - Standard - Tentative / Vesting Tentative Map Extension (Deposit)
	Subdivision - Standard - Subdivision Improvement Agreement/Extension (Deposit)

Changes to footnotes:

Removed as footnote, edited, moved to top of fee article and applied to entire document:

- 1(current): Unless a "deposit" is indicated, the fee is a flat fee based on the estimated reasonable cost, averaged across all applications, for processing the permit/entitlement/activity. In cases where the scope of an application is modified and/or exceeds the scope originally used to assign the fee and other associated fees, HCD reserves the right to re-assess the appropriate fee to the application and collect associated fees.
- 11(current): Work performed without a permit where a permit is required is subject to Code Enforcement Investigation and Compliance Support based on hourly rates, plus double the permit fee.

Deleted as no longer relevant:

- 6(current): This fee shall not apply to an application for the first Building Permit following approval of a discretionary planning entitlement, except Design Approvals.
- 7(current): General Plan Update and Implementation fee of 10% is applied to the total permit fee assessed toward an application and is required for all permits covered under this article except for: Application Requests; Appeals; Appeals of Director's Interpretation; and Appeals of Fee Determinations.
- 12(current): A portion of the fee (50%, \$1,650) collected for a parcel legality determination may be credited toward a request for Certificate of Compliance (Conditional \$7,700 or Unconditional \$3,300) for the same lot that was the subject of the parcel legality determination.

Additions:

- 6(proposed): Certificate of Compliance (COC) requests not required by a condition of approval will not be processed until a Parcel Legality Status Determination demonstrating COC eligibility is obtained. Parcel Legality Status Determination fees are invoiced separately from the Certificate of Compliance fees. Condition Compliance fees cover the processing of COCs required by conditions of approval.
- 10(proposed): When the construction of a principally permitted use in a zoning district necessitates an entitlement for a Coastal Development Permit due to proximity to a resource (e.g. 100 feet of ESHA or 750 of known archaeological resources), but evidence provided with an application demonstrates that development will not directly impact a resource, the fee for a Coastal Development Permit shall apply rather than a Combined Development Permit fee. Should tree removal also be required, the Coastal Development Permit - Tree Removal fee shall be additive.
- 11(proposed): Any person desiring to develop property, which under the terms of Monterey County Code requires more than one discretionary permit, may apply for a Combined Development Permit. The Director of Housing and Community Development or Chief of Planning may elect to charge fees based on specific entitlements that are consolidated in the Combined Development Permit. Instances where alternative fees may be applied include, by way of example and without limitation, applications for multiple

Administrative/Coastal Administrative Permits, which may be charged a single Administrative Permit fee; or an Administrative/Coastal Administrative Permit combined with a Use Permit/Coastal Development Permit due to proximity to resources, in which case a single Use Permit/Coastal Development Permit fee may be charged.

The above changes were made to the footnotes then renumbered appropriately.

The current land use fees (Article IX) can be found in Attachment D and the proposed land use fees can be found in Attachment A, Exhibit 1. The modifications are also provided in a comparison format viewable on the HCD website. Links are available in Attachment H.

Proposed Revisions to Article XIX – Building Services

Currently the building permit fee in Article XIX - Building Services is based on a standardized method of calculating fees using the International Code Council (ICC) Building Valuation Data (BVD) Table and ICC Permit Fee Multiplier calculated by multiplying the total budget by the anticipated cost recovery, then dividing by the total valuation. While this method is standardized it produces fees that can be too generalized. HCD proposes adopting the suggested method from the fee study report where the multiplier is derived from the time estimated for HCD staff to complete the work depending on the size of the project rather than the currently used ICC multiplier. The ICC BVD table will continue to be utilized to determine overall project valuation. Adopting the proposed changes is expected to increase revenue by approximately \$1.7M.

Changes identified for incorporation into this update of Article XIX for include the following:

Additions:

- Adopt the suggested method from the fee study report for calculating the building inspection and plan review fees for Single Family Residential projects including new construction, remodels and additions.
- Adopt the suggested method from the fee study report for calculating the building inspection and plan review fees for Commercial, Multi-Family Residential, and Industrial projects including new construction, remodels, additions & tenant improvements.
- Re-Review fee
- Grading permit Per Cubic Yard table
- SolarAPP+ flat fee
- Encroachment Base + Fees – Tree Installation
- Misc. Encroachment Fees – Complex Tents
- General Plan Update and Implementation Fee was renamed the General Plan Management Fee and modified to be applied only to building permits that have a related planning permit
- Many new flat fees were determined including the following:
 - Walls/Fences (Base + per Addl 50 linear feet)
 - Retaining Walls (Base + per Addl 50 linear feet)
 - Swimming Pools & Spas
 - Bathroom/Kitchen Remodels (non-structural)
 - Window/Door/Skylight Replacement
 - Window/Door/Skylight Installation
 - Demolition
 - Residential Reroof
 - Residential Siding
 - Residential Patio/Carport
 - Residential Deck/Balcony
 - More (found in attached proposed fee article)

The proposed Building fees (Article XIX) can be found in Attachment A, Exhibit 3 and the current fee article in Attachment F. The modifications are also provided in a comparison format viewable on the HCD website. Links are available in Attachment H.

Proposed Revisions to Percentage-Based Fees in Article IX and Article XIX

General Plan Update and Implementation, technology fees and file storage and scanning fees are added as a percentage of the permit fee for both building permits and planning permits.

The fee study report suggests that HCD rename the General Plan Update and Implementation fee to the General Plan Management fee (GPM) and only charge the GPM fee during the building permit phase. This will ensure development projects that progress to the building phase and make enough of an impact to require the need for an update to the Zoning Code, or the General Plan bears its fair share of the costs, without burdening smaller, less impactful projects.

The technology fee offsets actual costs to support the permitting systems, staff time for managing the systems, acquiring the system, mobile devices used for permitting, etc. Per the fee study report, staff proposes combining the technology fee and the document storage and scanning fee. The combined current “tech” and “doc” fees would be 9.42%. Adjusting for increased costs for both technology and document storage and scanning would increase the combined fee to 13%.

Proposed Reduced Fees

HCD proposes the fee items shown below be reduced to below cost recovery as they provide public benefit or an incentive. Most of the proposed fee reductions are carried forward to align with current practices, such as providing first address assignments at no charge and additional addresses at a reduced cost of \$90, preparing floodplain determinations, and reducing the fee amounts for solar project installations to be in alignment with surrounding jurisdictions. New fee reductions are proposed with this revision of the fee article including plan review fees for construction of ADUs and Junior ADUs and encroachment permits for removal and trimming trees in the right-of-way at no cost. The proposed fee and approximate lost revenue of the proposed reductions are provided with each fee item. The total estimated lost revenue of the proposed fee reductions is \$1,183,400. Decreasing Matrix’s projected increase to revenue for HCD of \$2.5M by the estimated lost revenue of \$1.2M due to these reductions yields an estimated increase in projected revenue of \$1.3M annually for HCD.

Service Area	Projected Revenue Increase	Proposed Fee Reductions	Net Projected Revenue
Planning Services	\$ 834,370	\$ 259,980	\$ 574,390
Building Services	\$ 1,679,482	\$ 923,420	\$ 756,062
Total \$ 1,330,452			

Proposed Fee Reductions: Planning Services

Fee Item	Current Fee	Cost	Proposed Reduced Fee	Est Reduction in Revenue
Address - Address Verification	\$0	\$761	\$0	\$30,440
Address - Each Additional Address	\$90	\$761	\$90	\$26,840
Address - First Address Assignment	\$0	\$761	\$0	\$38,050
Floodplain Determination	\$0	\$1,405	\$0	\$42,150
Hazardous Vegetation/Fuel Management Plan Review				
Tree Removal - Hazard	\$0	\$373	\$0	\$111,900
			Total	\$259,980

Proposed Fee Reductions: Building Services

Fee Item	Current Fee	Cost	Proposed Reduced Fee	Est Reduction in Revenue
Building Plan Check - ADU & JADU	n/a	65% of Insp Fee	32.5% of Insp Fee	\$204,513
Residential Misc. (Gas/Water/Sewer Line or Fixture) Replacement	\$195	\$663	\$332	\$182,050
Residential & Commercial Solar	Variable	Variable	Variable	\$512,897
Encroachment – General Encroachment – Tree removal & trimming	n/a	\$559	\$0	\$23,960
			Total	\$923,420
			Combined Total	\$1,183,400

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