



CITY OF COMMERCE STAFF REPORT

TO: The Honorable City Council

Item No. _____

FROM: City Manager

SUBJECT: PUBLIC HEARING WITH THE CITY COUNCIL TO CONSIDER ADOPTING A RESOLUTION UPDATING THE BUILDING AND SAFETY PERMIT FEES AS AUTHORIZED BY CHAPTER 15.04.025 ("FEES CHARGEABLE UNDER BUILDING LAWS") OF TITLE 15 ("BUILDING AND CONSTRUCTION") OF THE CITY OF COMMERCE MUNICIPAL CODE; AS WELL AS UPDATE USER PERMIT FEES FOR PLANNING ACTIVITIES THAT ARE UNDERTAKEN AS PART OF TITLE 19 ("ZONING") OF THE CITY OF COMMERCE MUNICIPAL CODE

MEETING DATE: September 1, 2020

RECOMMENDED ACTION:

Hold a Public Hearing for the City Council to consider adopting a Resolution to allow for the revision of both User ("Planning/Zoning") and Building and Safety ("Building Permit") fees.

BACKGROUND:

Since 2018, the City of Commerce has been analyzing and studying its development fee structure to determine if the City is recuperating its costs associated with doing business with the development community. As part of the process, the City secured the assistance of a consultant to determine the full cost incurred by the City to support the various activities for which the City charges on planning and building activities.

The highlights of the report were presented to the City Council on June 2, 2020. During that evening's meeting, the Director of Economic Development and Planning shared with the Council that the shifts in the nation's Economy since the Great Recession of 2008 and most recently with the COVID-19 Pandemic, has resulted in a growing disparity between fees collected and services rendered. At the same time, a separate discussion on impact fees took place. To this latter point, staff needs additional time to carefully study an Impact Fee Structure for the City of Commerce.

The report concluded that the City's inaction to adopt revised fees for an extended time and expenditures ever increasing and exceeding its revenue, require that the City consider correcting user and permit fees to match real-world circumstances. Following the June 2nd Council meeting, staff promised to return to City Council with a formal request to adopt fees.

ANALYSIS:

User Fees

The Department of Economic Development and Planning provides planning services to both developers, and property owners. Planning services are funded by development fees and a General Fund allocation to support customer service responsibilities (e.g., long range planning initiatives, answering phones, and general public counter inquiries). Planning development fees are comprised of flat and deposit-based fees, both of which aim at recovering the full cost to provide the service to those requesting development review and permits, consistent with City policy. Flat fees are applied to requests that are generally simple and routine to process. Examples of flat fee projects are temporary signs, home occupation permits (for home-based businesses), and Conditional Use Permits, among others.

Ensuring that costs are recovered for the provision of City services is a critical element in budget stabilization. More so now, as the City works to offset losses resulting from the COVID-19 Pandemic. The City's current Schedule of Service Charges has not been updated since 2008, and most City fees and service charges have remained unchanged and do not reflect any adjustments to be consistent with ongoing escalating costs for doing business. Previously, staff shared that City is missing out on the opportunity to collect at least a couple thousand dollars per transaction, fees which could be used for this and other vital City services. It is therefore important that consideration be given to updating our planning fees in order to be in line and consistent with our counterparts in other communities. Further, staff is cognizant that this action may present a challenge to both the development and residential community. Therefore, staff is suggesting a few methods to progressively implement the fees. Similar to building fees, allow for a 2/3rd reduction (66 percent reduction) of the base fee, or as an alternative, the City may also consider a grandfathered fee for residential property owners. A combination of the abovementioned is also a possibility.

Building Permit Fees

The City's current Building and Safety Fees are codified as shown in Attachment B to this report. Similar to the Planning Fees, Building and Safety fees have remained stagnant over the last 10+ years. Staff is proposing to adjust the plan-check and permitting fees as outlined on the following page:

- Initially adjust fees (increase) by 3.4 percent, and thereafter based on the percentage movement between February 2019 and February 2020 as outlined in the Los Angeles-Long Beach-Anaheim California Consumer Price Index-All Urban Consumers (“CPI-U”) for the preceding twelve-month period, as published by the United States Government Bureau of Labor Statistics. Although this typically trends upwards, there may be an off-year where it could remain stagnant where no increase may occur.
- Currently there are no fees to review and inspect the work required to comply with Title 24, California Code of regulations, Calgreen California Green Building Standards Code, in order to cover the cost of the service it is proposed to add a five percent surcharge for all construction work required to comply with Title 24, California Code of regulations, Calgreen California Green Building Standards Code requirements. The increase in fee shall be included in the building permit fee for the purpose of determining the plan checking fee.
- Currently there are no fees to cover the cost of Technology such as the use of the City’s Land Management System (LMS) or existing on-line services to conduct the building Plan check process. It is proposed to add a two percent surcharge to all fees to cover the cost to use technology while performing Planning, as well as Building and Safety Services. This fee is important as COVID-19 will force many municipalities, including ours to rely on technology to get work done in an efficient manner.
- Staff recommends updating, Electrical, Mechanical and Plumbing Fees as discussed herein and to be reviewed annually by the Director of Community Development and Building Official. Beginning on September 1st, 2021, and thereafter on each succeeding September 1st, the amount of each fee in this fee schedule shall be adjusted as follows: calculate the percentage movement between February of the previous year and February of the current year in the Los Angeles-Long Beach-Anaheim California Consumer Price Index-All Urban Consumers (“CPI-U”) for the preceding twelve-month period, as published by the United States Government Bureau of Labor Statistics; and adjust each fee by said percentage amount, provided, however, that no adjustment shall decrease any fee and no fee shall exceed the reasonable cost of providing services.

When it is determined that the amount reasonably necessary to recover the cost of providing services is in excess of this adjustment, the Building Official and/or Director of Community Development may present fee proposals to the City Council for approval.

- Finally, consistent with our current practice, fees for Building Permits issued to Single-Family and Duplexes will qualify for a fee reduction of 2/3rds, or (66.66 percent reduction).

CONCLUSION

As mentioned, the cost of doing business has shifted over the last decade, and become more apparent during the current pandemic. It is therefore important, that the Department of Economic Development and Planning be proactive in putting forward a set of fees that will ensure the cost of services being rendered is covered, while at the same time keep the City economically viable and competitive. Along with the direction given to staff on how to implement the fees, staff believes the fee structure presented herein will ensure the Department will be able to continue to provide exemplary service.

RELATIONSHIP TO STRATEGIC GOALS:

This item relates to the Strategic Action Plan's Goal of: Economic Growth - Guiding Principles 1 to "Create and strengthen our identity, as a community that promotes opportunity and success for business that meets the strategic focus for economic growth, will have a positive impact on the quality of life and the City's financial sustainability," and 3 "Support a long-range planning vision through the City's General Plan, zoning ordinance, and related land use planning documents that incorporate community and stakeholder input and provide a compass for strategic economic growth, infrastructure investments and city fiscal planning."

ALTERNATIVES:

1. Adopt all fees as presented herein with no modification or graduate increase;
2. Provide a modified recommendation that includes an implementation cycle or directive primarily for planning fees; or
3. Provide Staff with further direction.

FISCAL IMPACT:

As noted above, the City requires that the fees charged reasonably relate to the cost to the City for providing that service. With the exception of the commercial cannabis permit program, the City of Commerce does not generally have full cost recovery which results in the City often subsidizing staff time and service associated with the action of issuing a permit. This recommended adjustment will allow the City to reduce the variance and collect fees that are more in line with current real-world conditions.

Recommended/Prepared By: Jose D. Jimenez, ED and Planning Director

Reviewed By: Vilko Domic, Assistant City Manager

Approved as to Form: Noel Tapia, City Attorney

Respectfully submitted: Edgar P. Cisneros, City Manager

ATTACHMENT A: Resolution

EXHIBIT A: Planning and Building and Safety Fee Schedule