



CITY COUNCIL STAFF REPORT

MEETING DATE: April 22, 2024

ITEM TITLE: Consideration of Adopting a Resolution Authorizing Adjustments to the Cost of Services Schedule (User Fees), Park Facility Development Fee, Sewer Capacity Charge, Childcare Development Impact Fee, and Traffic Impact Fee for Fiscal Year 2024-25.

RECOMMENDATION:

Staff recommends that the City Council adopt a Resolution authorizing adjustments to the City of San Carlos Cost of Services Schedule ("User Fees") and certain impact fees for Fiscal Year (FY) 2024-25.

FISCAL IMPLICATIONS:

If adopted, these user fees and impact fees will result in a net revenue increase of approximately \$353,437 across all City Funds (*excluding Fire fees) based on estimated activity determined during a fee study in 2022. The table below shows how this estimated revenue increase would be split among the departments and funds for the User Fees, as well as the split among the four impact fees. The new fees would be effective July 1, 2024, as a minimum 60-day notice is required for new development fees in accordance with California Government Code Section 66017.

**Note - excludes Fire as fees were not part of the 2022 user fee study.*

User Fees				Additional Revenue split by Fund						
Department / Division	Estimated Annual Current Fee Revenue	Estimated Annual Recommended Fee Revenue	Additional revenue	General Fund	Waste-water Fund	Capital Fund	Park-in-Lieu Fund	Parking-in-Lieu Fund	Child Care Fund	TOTAL
Administrative Fees	\$ 325	\$ 325	\$ -	\$ -						\$ -
Planning	\$ 1,395,381	\$ 1,435,828	\$ 40,447	\$ 40,447						\$ 40,447
Public Works Engineering	\$ 844,990	\$ 869,435	\$ 24,445	\$ 23,389		\$ 1,056				\$ 24,445
Building	\$ 6,225,441	\$ 6,478,767	\$ 253,326	\$ 253,326						\$ 253,326
Police	\$ 133,770	\$ 137,505	\$ 3,735	\$ 3,735						\$ 3,735
Recreation (permits/processing)	\$ 120,600	\$ 122,364	\$ 1,764	\$ 1,764						\$ 1,764
Total	\$ 8,720,507	\$ 9,044,224	\$ 323,718	\$ 322,662	\$ -	\$ 1,056	\$ -	\$ -		\$ 323,718
Impact Fees										
Park Facility Development Fee			\$ 2,126				\$ 2,126			\$ 2,126
Sewer Capacity Charge			\$ 17,239		\$ 17,239					\$ 17,239
Traffic Impact Fee			\$ 3,850			\$ 3,850				\$ 3,850
Child Care Development Impact Fee			\$ 6,504						\$ 6,504	\$ 6,504
Total			\$ 29,719	\$ -	\$ 17,239	\$ 3,850	\$ 2,126	\$ -	\$ 6,504	\$ 29,719
GRAND TOTAL			\$ 353,437	\$ 322,662	\$ 17,239	\$ 4,906	\$ 2,126	\$ -	\$ 6,504	\$ 353,437

BACKGROUND:

All fee changes must be approved by the City Council. The proposed changes are coming before the City Council for consideration this evening.

Existing User Fee Schedule

Every spring, staff reviews the costs of providing fee-related services. The proposed fee schedule was derived from a comprehensive fee study performed by NBS Municipal Advisors (“NBS”) in June 2022. The study includes a full analysis of the total cost of providing services, including all applicable direct, indirect, and overhead costs associated with individual services. Such a study is usually only performed every three to five years.

As indicated in Resolution 2022-079 approved on June 27, 2022, the City Council chose to use the San Francisco – Oakland – San Jose (Bay Area) Urban Wage Earners and Clerical Workers Consumer Price Index (“CPI-W”) as a guideline for future annual increases. Staff is recommending increasing the User Fees (except those detailed in the Analysis section) by 2.9% CPI-W using the February 2024 index in accordance with prior practice for the FY 2024-25 fees. The User Fee Schedule is included as Attachment 2.

Impact Fees

In accordance with the Municipal Code, four impact fees are also adjusted on an annual basis by applying the appropriate indices. These fees are described below and a summary of the changes are shown in Attachment 3. On April 12, 2024, the United State Supreme Court published a decision in *Sheetz v. El Dorado County*. The case involved impact fees imposed by

a legislative body as a condition of development. The Supreme Court held that legislatively prescribed monetary fees are subject to same rules as *ad hoc* development projects and remanded the case to the California Court of Appeal to assess whether the County's traffic impact fee meets the essential nexus and rough proportionality tests based on *Nollan v. California Coastal Commission*, 483 U. S. 825 (1987), and *Dolan v. City of Tigard*, 512 U. S. 374 (1994).

In remanding the case back to the lower courts, the Supreme Court declined to address the parties' other disputes over the validity of the traffic impact fee, including whether a permit condition imposed on a class of properties must be tailored with the same degree of specificity as a permit condition that targets a particular development.

The City's fees under consideration would be considered legislatively prescribed monetary fees. As with El Dorado County, the City's fees are based on a fee study designed to recover no more than the reasonable cost of providing the service for which the fee is charged. The City conservatively reviews fees at a level to ensure the recovery is below the City's actual costs.

1) **Park Facility Development Fee.** The fee shall be increased annually by the percentage increase of park construction costs cited in the Engineering News Record, for the San Francisco Bay Area. For FY 2024-25, this would result in an increase of 0.63%.

2) **Sewer Capacity Charge.** The sewer capacity charge shall be adjusted annually based on the change in the Engineering News Record – Construction Cost Index (20-Cities Average) from the March 2016 Index. For FY 2024-25, this would result in an increase of 2.7%, based on a 12-month comparison.

3) **Traffic Impact Fee.** The amount of the Traffic Impact Fee shall be adjusted annually based on the Construction Cost Index published by the Engineering News Record as approved under Ordinance #1562. For FY 2023-24, this would result in an increase of 0.63%.

4) **Childcare Development Impact Fee.** The amount of proposed fee shall be established by the City Council resolution and not exceed the fee established by the adopted Impact Fee Nexus Study dated July 14, 2021, or subsequent nexus studies which shall be adjusted annually based on the Construction Cost Index published by the Engineering News Record or a reasonable replacement index as approved under Ordinance #1585. For FY 2024-25, this would result in an increase of 0.63%.

ANALYSIS:

Exceptions to CPI increases, Adjustments, and New Fee Requests

As noted previously and based on prior practice, staff recommends increasing the User Fees (except those noted below) for the FY 2024-25 by 2.9% CPI-W, using the February index in accordance with prior practice. After seeking input from each department, the following exceptions to an increase and adjustments were received and have been incorporated into the proposed FY 2024-25 Schedule of Fees:

Fire Department

Fire prevention fees were separate from the Fee Study's scope of review because these services are contracted from the City of Redwood City. As done in prior years, staff recommends adopting user fees based on the Redwood City User Fee Schedule upon its effective date, as applicable.

Parks and Recreation

Facility Attendant – Staff does not recommend an increase in this fee. The current and recommended fee is \$31 per hour.

Janitorial Services – Staff does not recommend an increase in this fee. This fee is a pass-through cost recovery for the service. The current and recommended fee is \$220/event or actual cost.

Security Guard Fee – Private Rentals Serving Alcohol – Staff does not recommend an increase in this fee. This fee is a pass-through cost recovery for the service. The current and recommended fee is \$220/event or actual cost.

Corn Hole Game Area, Chestnut Picnic Site – Staff does not recommend an increase in this fee to keep it comparable to other jurisdictions. This fee was implemented in the prior year and is an add-on to a picnic rental permit.

Facility Rental Application Fee - Staff does not recommend an increase in this fee. This is a fee to ensure that any application submitted is genuine in their intent. The current and recommended fee is \$25 per rental application.

Light Use (Fields) – Staff does not recommend an increase in this fee. This fee was analyzed in the 2022 comprehensive fee study and is a pass-through cost recovery for the service. The current and recommended fee is \$32/hour.

Sports League Field Use Fee – This fee was studied during the 2022 comprehensive fee study. The City Council opted to phase the increase over two years, to land at a rate of \$86 per player this year.

Special Event Permit Request Fees – Staff does not recommend an increase in these permit fees. This fee was evaluated through the 2022 comprehensive fee study and increased over 40% from previous years. Staff proposes to keep the fee the same so that it does not become cost prohibitive for community organizations to hold events. The current and recommended fee is \$400 for a new event application and \$375 for a repeat event application.

Sports Tournament Permit Request Fees – Staff does not recommend an increase in these permit fees. This fee was also evaluated through the 2022 comprehensive fee study and increased over 40% from previous years. Staff are proposing to keep the fee the same so that it does not become cost prohibitive for community organizations to hold events. The current and recommended fee is \$350 for a new event application and \$300 for a repeat event application.

Snack Shack Fee - Staff does not recommend an increase in this fee. This is a new fee established in 2022. Staff will continue to evaluate the staff time associated with this service.

The current and recommended Snack Shack Use Fee is \$300 per season or \$50 per week (outside of a season).

Community Development

Protected Tree Fees – Staff does not recommend increasing these fees. The categories are listed below which represent 100% of the staff and arborist's time to complete.

- Dead Tree - \$100 per project
- Risk or Health Rating – \$500 per project
- Species – \$500 per project
- Development – \$500 + Planning Division staff hourly rate
- Utility Interference – \$500 per project
- Arborist Fee – \$200 per hour
- Emergency Removals – No charge
- Protected Tree Notice – \$150 each
- Tree Protection Plan Review (Depending on complexity of application, additional arborist fees may be incurred at an hourly rate.) – \$750 per project (five or fewer trees) and \$1,250 per Project (six or more trees)

Beekeeping Fee – Staff does not recommend an increase in this fee. The purpose of the beekeeping permit is to provide appropriate review and consideration of small-scale beekeeping under the direction of the Community Development Director or his/her designee, and to ensure that beekeeping in single-family residential zones will not be detrimental or injurious to property and to the health, safety, and welfare of persons residing or working around the neighborhood of the proposed use. The current recommended fee is \$150 and will cover approximately 50% of staff's time. As discussed at the March 25, 2024 City Council meeting, staff recommends that applicants receive a \$100 reduction in the permit fee if they provide proof that they have taken a beekeeping class.

Childcare Center Required Fees – Staff recommends waiving the following Use Permit planning fees if the applicant is a commercial childcare center:

- Conditional Use Permit – Planning Commission - \$9,701 per project
- Minor Use Permit – Zoning Administrator – \$4,850 per project
- Use Permits (Development Standards) – \$3,881 per project
- Temporary – \$2,587 per project
- Amendment – \$3,881 per project

Police Services

Visa/Police Clearance Request Form – This fee was previously waived prior to FY 2023-24 but was re-introduced by the San Mateo County Sheriff's Office effective July 1, 2023. The letter is often required to obtain a government-issued Visa or other documents. The County intends to keep the fee at \$11.

General Plan Surcharge

Included in the proposed fee schedule is a recommendation to reduce the General Plan Surcharge Fee. The General Plan Surcharge Fee is applied to new construction and additions to existing square footage as these projects have the largest relative impact on the

maintenance, update, and use of the City's General Plan. This fee is allowed as provided in Government Code Section 66014 and cannot exceed the estimated reasonable cost of providing the service for which the fee is charged. The fee is based on the total building valuation to recover 50% of the total cost estimates. Included in the cost estimates are staff support and contract services support. The 50% cost recovery target established by City Council conservatively accounts for the fact that there are other uses of the General Plan document than policies and procedures that guide development decisions. For example, public safety, parks, and other elements of the general plan are used to guide operational practices and services to the existing community on an ongoing basis.

To determine the rate required to recover the estimated costs, the 2022 Fee Study used historical building permit valuations for the three years prior. Given the increase in valuations since the 2022 study, the information was updated and rolled forward to include larger development projects. As a result, staff recommends that the fee be reduced from 1.15% per building permit valuation to 0.74%. This will decrease the cost for all new construction and additions for single family residential, multi-family residential, and commercial buildings as shown in the table below.

BPV	Current Fee	Proposed Fee
	1.15%	0.74%
\$10,000	\$115	\$74
\$25,000	\$288	\$185
\$50,000	\$575	\$370
\$100,000	\$1,150	\$740
\$500,000	\$5,750	\$3,700
\$1,000,000	\$11,500	\$7,400
\$10,000,000	\$115,000	\$74,000
\$20,000,000	\$230,000	\$148,000
\$50,000,000	\$575,000	\$370,000

In addition to the reduction in the rate, staff recommends that the total fee be capped at a project valuation of \$50 million. This would cap the fee at \$370,000 for any projects larger than \$50 million.

This will result in a General Plan Surcharge cost recovery of less than 50% as determined by the City's 2022 fee study. A survey of jurisdictions in San Mateo County found the following agencies who charge a General Plan Surcharge fee based on permit valuation. While this can be helpful as a comparison, agencies may or may not base their fees on the same criteria that was used in the 2022 fee study.

	Fee name	Fee
Burlingame	General Plan and Title 25 Zoning ordinance Maintenance fee	.005% of building valuation
Belmont	General Plan Maintenance Fee	0.75% of building valuation
San Mateo	General Plan Maintenance Fee	0.59% of valuation
Daly City	General Plan Maintenance Fee	1.0% of project valuation
Redwood City	General Plan Maintenance Fee	0.39% of building valuation
Foster City	General Plan and Title 15 Building and Title 17 Zoning Ordinance Maintenance Fees	0.50% of application value above \$500 (Does not apply to ADUs and Affordable housing projects)
Palo Alto	Comprehensive Plan Maintenance Fee	\$1.26 per \$1,000 Valuation
San Bruno	General Plan Maintenance Fee	0.4% of building valuation
Millbrae	General Plan Maintenance Fee	0.39% of project valuation
Pacifica	General Plan Maintenance Fee	0.252% of construction value
San Carlos	General Plan Proposed Fee	0.74% of project valuation

There are no requests for new fees to be added to the master user fee schedule for FY 2024-25.

Impact Fees

As noted above, staff also recommends that four impact fees (Park Facility Development Fee, Sewer Capacity Charge, Traffic Impact Fee, Childcare Development Impact Fee) be increased using the appropriate indices in accordance with the Municipal Code (see Attachment 3).

ALTERNATIVES:

The alternatives available to the City Council include:

1. Adopt a Resolution authorizing adjustments to the City of San Carlos Cost of Services Schedule ("User Fees") and certain Impact Fees for FY 2024-25; or
2. Do not adopt the Resolution; or
3. Provide staff with alternative direction.

Respectfully submitted by:

Rebecca Mendenhall, Administrative Services Director

Approved for submission by:



Jeff Maltbie, City Manager

ATTACHMENT(S):

1. Resolution
Exhibit A to Resolution - Proposed User Fee Schedule FY24-25
Exhibit B to Resolution - Impact Fees