



Administrative Report

N.1., File # 26-0342

Meeting Date: 3/17/2026

To: MAYOR AND CITY COUNCIL

From: MARC WIENER, COMMUNITY DEVELOPMENT DIRECTOR

TITLE

DISCUSSION AND POSSIBLE ACTION ON THE DRAFT USER FEE STUDY PREPARED FOR THE COMMUNITY DEVELOPMENT DEPARTMENT

EXECUTIVE SUMMARY

The Community Development Department (CDD) performs a variety of services to maintain an attractive, safe, and healthy environment for residents and businesses. The Department's primary function is to oversee property development and land use activities occurring within the City. The CDD consists of the Planning and Building Divisions and is staffed with 17 full-time employees. Over the past several years (FY 2025-26 excluded) the Department's budgeted expenses have averaged approximately \$4.1 million, while revenue over the same period has averaged approximately \$3.7 million.

On October 29, 2024, the City Council approved the hiring of Revenue & Cost Specialists, LLC (RCS) to perform a User Fee Study (Study) which includes a comprehensive analysis of CDD fee-based services. The Study recommends an increase in the fees to help reduce General Fund subsidies and achieve greater cost recovery. The purpose of this item is to present the results of the study for discussion prior to providing the City Council with a final proposed fee schedule for consideration of approval as part of the Fiscal Year 2026-27 Budget Adoption.

The Agreement with RCS also included services to perform a separate analysis of the City's development impact fees, which is intended to be initiated upon completion of the User Fee Study. The scope of the Agreement includes a nexus study to support, and evaluate potential adjustments, to the City's current development impact fees. As part of this item, the City Council may wish to discuss expanding the scope of the Agreement with RCS to evaluate adding new development impact fees.

BACKGROUND

Over the past several years, the City Council has made incremental increases to various fees within the CDD. In 2024 and 2025, the fees were increased by 7.5% and 6.7% respectively to help offset increased costs. The City hired RCS to evaluate the full costs of all CDD fee-based services. RCS identified the direct and indirect costs within the CDD through a User Fee Study. Direct cost calculations included salaries, benefits, operating supplies and services, and internal service charges. Indirect cost calculations included administrative overhead and departmental overhead.

As part of the cost analysis, RCS evaluated the individual steps involved in processing a development application and the time to complete each task. The cost of all applicable staff time, including overhead costs, were evaluated to ensure that the full cost of service could be recovered through fees. The study was focused on the CDD and did not include other departments involved in the development review process such as Public Works/Engineering and the Fire Department.

The study revealed that CDD’s existing fee structure captures approximately 75% of the service's total cost, which is currently approximately \$4.9 million in Fiscal Year 2025-26 after including increased building contract plan check expenses. The Building and Safety Division captures 83% of the service cost through fees, while the Planning Division only captures 47% of the service cost. The Cost of Services Study recommends the following modifications broken down by Division:

Building and Safety Division

The Building Division fee study proposes updates that would modernize the City’s fee schedule while better capturing the cost and steps involved in administering a building permit. One recommendation is to transition from the CDD from its current valuation-based permit fee structure (based on value of the project) to a square-footage-based model, which would clarify the fees for the applicant and ensure compliance with California Building Code requirements. Using a square-footage based calculation would also be consistent with neighboring cities, such as Rancho Palos Verdes, Manhattan Beach, and Hermosa Beach. The study also recommends new fees for several services in which fees are not currently collected, including Temporary Certificate of Occupancies, Project Staging Certifications, and Permit Extensions.

The Building and Safety Division over the past five years receives an average of approximately \$3.2 million in annual revenue. The study recommends modifications to the Building and Safety fees, which would likely increase CDD revenue by approximately \$660,000 annually. The proposed updates to the fee schedule would increase permit fees by an average of 20%, however, some of the fees for more common projects would double or triple, as depicted in the examples provided in the table below.

Permit Type	Current Fee	Proposed Fee	Difference
Water Heater Replacement	\$91.60	\$151.91	\$60.31
Residential Reroof Permit	\$394.92	\$659.53	\$264.61
Grading for New Construction	\$1,029.82	\$644.10	-\$385.72
Shoring for New Construction	\$1,663.74	\$2,131.87	\$468.13
New Single-Family Residence	\$35,680.38	\$41,122.50	\$5,442.12
New Multifamily 3-unit	\$46,125.17	\$53,483.38	\$7,358.21
Electrical Panel Upgrade	\$122.13	\$147.78	\$25.65
Single-Family Addition	\$5,692.86	\$14,459.05	\$8,766.19
Commercial Tenant Improvement	\$6,782.04	\$12,887.58	\$6,105.54

The square-footage-based building permit fees included in the proposed draft fee schedule are derived from costs incurred by the City to provide the services for various types and sizes of construction. The use of a square-footage-based system is based on the International Code Council (ICC) Building Valuation Data tables (attached), which are nationally recognized benchmarks used by jurisdictions to estimate the relative scope, complexity, and staff effort associated with construction activity. These tables assign standardized construction values per square foot by occupancy type and construction classification, allowing permit fees to be calibrated to project scale rather than declared valuation, which has historically been inconsistent and difficult to verify.

When the User Fee Study evaluated this square foot-based model, it revealed that certain permit categories, particularly Single-Family Additions and Commercial Tenant Improvements, have been significantly under-charged. These project types routinely involve a disproportionate amount of plan review time, code coordination, revisions, inspections, and accessibility review relative to their size, yet prior flat or valuation-based fees did not reflect that workload.

Planning Division

The Planning Division currently receives approximately \$500,000 in annual revenue and only captures 47% of the service cost. The study provides recommendations for 100% cost recovery and would net approximately an additional \$536,000 annually in revenue. The proposed fee differences for some of the common types of applications are provided in the table below.

Permit Type	Current Fee	Proposed Fee
Minor Admin DR	Single Family, Additions, Commercial Remodels, Signs, etc. - No Charge Pre-Application - \$695 per application	Residential Addition - \$825 per application Commercial Tenant Improvement - \$825 per app Standalone Sign Program - \$825 per app New Single-Family Residence - \$1,930 per app
Major Admin DR	New containing 2-3 units on a lot - \$2,360 per app + \$688 per unit Multi-Family Residential - \$2,360 per app + \$688 per unit Non-Residential under 10,000 square foot floor area - \$5,400	Non-Residential (under 10,000 sf) - \$3,580 Residential Base (up to 4 Units) - \$3,580 per app Each additional unit over 4 (up to 15) - \$175
Non-Res Commercial DR	Non-Residential under 10,000 square foot floor area - \$3,215 Non-Residential 10,000-49,999 square foot floor area - \$12,900 Non-Residential 50,000 square foot or more floor area - \$25,800	0-9,999 square foot of floor area - \$7,305 10,000-49,999 square foot of floor area - \$9,235 50,000+ square foot of floor area - \$13,795
Non-Res CUP	\$3,208	\$7,305
Variance	\$3,200	\$7,950
Res Modification	\$920	\$2,165

As depicted in the table, some of the fees would be reduced, such as the Non-residential commercial design review, while other fees would be increased, such as the Major Design Review for residential and commercial projects.

A second option would result in 90% cost recovery and would net approximately an additional \$440,000 annually in revenue. In this scenario, the following fees would be reduced by 50% below what is proposed, which means they would be partially subsidized. Staff supports subsidizing these applications in the interest of maintaining a more affordable process for home owners, prospective businesses and project appellants, however, the City Council may wish to consider reducing these and other fees further. This would result in greater overall subsidization of actual costs by the City.

Permit Type	Current Fee	Proposed Fee	Proposed Fee 50% Reduction
Non-Res CUP	\$3,208	\$7,305	\$3,650
Variance	\$3,200	\$7,950	\$3,975
Pre-App Review	\$695	\$2,515	\$1,257
Entertainment Permit Level II	\$806	\$3,375	\$1,687
Historic Variance	\$2,570	\$7,950	\$3,975
PC Appeal	\$550	\$4,470	\$2,235
CC Appeal	\$500	\$5,620	\$2,810

Use of Additional Revenue Funds

Over the past several years, budgeted expenses for the Department have averaged approximately \$4.1 million, with the expenses reaching \$4.9 million this fiscal year due to additional contract plan check service costs, while revenue has averaged approximately \$3.7 million. With the proposed updates to the fees a conservative estimate projects that the CDD would receive an additional \$1 million in revenue annually, with \$660,000 collected in additional Building fees and \$440,000 collected in addition Planning fees.

Development Impact Fees

The Agreement with RCS includes a separate evaluation of the City’s development impact fees, and is intended to be initiated upon completion of the user fee study. The CDD currently collects the following three development impact fees as part of the Building Permit Application:

- Park in-Lieu Fees (Quimby Fees) - \$25,000 per new subdivided residential unit
- Public Art Fee - 1% of project valuation (for valuations over \$250,000) for commercial, mixed-use and multi-family of 4+ units
- Parks and Recreation Fee - \$430 flat to any new single-family residential

Some jurisdictions throughout California, including the neighboring cities of Manhattan Beach and Hermosa Beach, are making adjustments to their development impact fees in response to State housing mandates and associated production of new housing units. The scope and funding in the original agreement with RCS only supported the evaluation of existing development impact fees. The City Council may wish to consider directing staff to return with an updated agreement that would

broaden the scope of services to evaluate the potential for adding new development impacts fees to further close the gap between costs to provide services and fees collected.

COORDINATION

This report was coordinated with the Financial Services Department and the City Manager's Office.

FISCAL IMPACT

With the proposed updates to CDD fees, the Department would receive an estimated \$1 million or more, of additional revenue annually. The additional revenue could be used to support future CDD expenses and/or reduce General Fund subsidy to the Department.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Cost of Services Study - Revenue & Cost Specialists, January 2026
- International Code Council (ICC) Fee Tables