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Overview of Building Cost of Service Update

In 2019 the City of Dixon contracted with the Matrix Consulting Group to conduct a Citywide Cost of Service (User Fee) Study that calculated the full cost of providing City services, including: City Clerk, Building, Planning, Engineering, Finance, Fire, Parks and Recreation, Police, and Transit. During this study fees related to Planning and Building were significantly restructured. The results of this analysis were presented to and adopted by City Council.

During the original study fees relating to Building were significantly restructured, however, during implementation of the new structure, Development Services staff identified areas that still needed to be revised or improved. Therefore, the City contracted with Matrix Consulting Group to update the cost analysis associated with Building services.

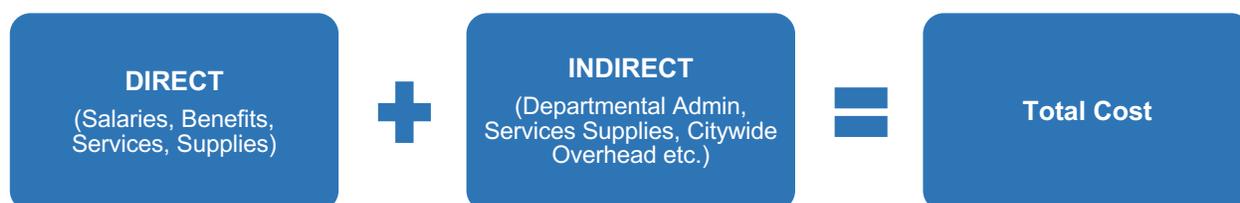
The following memo provides a brief overview of the legal framework and methodology used to calculate updated costs as well as per unit results for Building services.

Legal Framework

This section of the report is intended to provide an overview regarding overall legal rule and regulations as well as general policy considerations for fees for service. A “user fee” is a charge for service provided by a governmental agency to a public citizen or group. In California, several constitutional laws such as Propositions 13, 4, and 218, State Government Codes 66014 and 66016, and more recently Prop 26 and the Attorney General’s Opinion 92-506 set the parameters under which the user fees typically administered by local government are established and administered. Specifically, California State Law, Government Code 66014(a), stipulates that user fees charged by local agencies “...may not exceed the estimated reasonable cost of providing the service for which the fee is charged”.

Methodology

As with the previous analysis, the Matrix Consulting Group utilized a cost allocation methodology commonly known and accepted as the “bottom-up” approach to establishing User Fees. The term means that several cost components are calculated for each fee or service. These components then build upon each other to comprise the total cost for providing the service. The following chart describes the components of a full cost calculation:



The general steps utilized by the project team to determine allocations of cost components to a particular fee or service are:

- Calculate fully burdened hourly rates by position, including direct & indirect costs.
- Develop time estimates for the average time spent to deliver each service included in the study.
- Distribute the appropriate amount of the other cost components to each fee or service based on the staff time allocation basis, or another reasonable basis.

The results of these allocations provide detailed documentation for the reasonable determination of the actual cost of providing each service.

One of the key study assumptions utilized in the “bottom up” approach is the use of time estimate averages for the provision of each fee related service. Utilization of time estimates is a reasonable and defensible approach, especially since experienced staff members who understand service levels and processes unique to the City developed these estimates.

The project team worked closely with City staff in developing time estimates with the following criteria:

- Estimates are representative of average times for providing services. Extremely difficult or abnormally simple projects are not factored in the analysis.

- Estimates reflect the time associated with the position or positions that typically perform a service.
- Estimates provided by staff are reviewed and approved by the division / department, and often involve multiple iterations before a Study is finalized.
- Estimates are reviewed by the project team for “reasonableness” against their experience with other agencies.
- Estimates match the current or proposed staffing levels to ensure there is no over-allocation of staff resources to fee and non-fee related activities.

The Matrix Consulting Group agrees that while the use of time estimates is not perfect, it is the best alternative available for setting a standard level of service for which to base a jurisdiction’s fees for service and meets the requirements of California law.

Fee Schedule Modifications

The Building fee schedule consists of both flat fees and square footage-based fees. The main purpose of the updated analysis was to help Building staff convert the current square footage-based fees to valuation-based. Additionally, this analysis also modified Mechanical, Plumbing, and Electrical permits, with the following points highlighting the proposed changes:

- **Mechanical Permits:** Flat fees for Residential HVAC / Furnace partial or complete changeouts, and valuation-based fees for Non-Residential standalone permits.
- **Plumbing Permits:** Flat fees for ‘Water Heater’, ‘Sewer Repair’, ‘Gas Line Repair’, ‘Water Softener’, and standalone Residential work valued up to \$2,500. Any standalone service not listed will be based on valuation.
- **Electrical Permits:** Flat fees for Solar Systems, including EV Chargers and ESS Systems, as well as Residential Service Changes, or residential projects valued up to \$2,500. All other electrical permits not listed will be based on valuation.

The changes noted above will allow staff to more broadly apply the fee schedule to plan review and inspection services being provided, and more easily incorporate into proposed permitting systems.

Per Unit Results

The total cost calculated for each service includes direct staff costs and Divisional and Citywide overhead. The following table details the proposed fee structure along with the total FY23 full cost associated with providing these services.

Fee Name	Unit	Total Cost
BUILDING PERMIT FEES		
\$1 to \$2,000	Flat	\$305
\$2,001 to \$25,000		
First \$2,000	Base	\$305.41
Each additional \$1,000 or fraction thereof	Each additional	\$23.46
\$25,001 to \$50,000		
First \$25,000	Base	\$844.98
Each additional \$1,000 or fraction thereof	Each additional	\$20.28
\$50,001 to \$100,000		
First \$50,000	Base	\$1,351.97
Each additional \$1,000 or fraction thereof	Each additional	\$21.83
\$100,001 to \$500,000		
First \$100,000	Base	\$2,443.32
Each additional \$1,000 or fraction thereof	Each additional	\$9.80
\$500,001 to \$1,000,000		
First \$500,000	Base	\$6,362.80
Each additional \$1,000 or fraction thereof	Each additional	\$10.18
\$1,000,001 to \$5,000,000		
First \$1,000,000	Base	\$11,453.04
Each additional \$1,000 or fraction thereof	Each additional	\$2.48
\$5,000,001 to \$10,000,000		
First \$5,000,000	Base	\$21,379.02
Each additional \$1,000 or fraction thereof	Each additional	\$1.83
\$10,000,001+		
First \$10,000,000	Base	\$30,541.45
Each additional \$1,000 or fraction thereof	Each additional	\$0.92
BUILDING PLAN CHECK		
Residential, Commercial, Multi-Family, Industrial	% of Bldg Permit	65%
Residential - Subsequent Identical plan	% of Bldg Permit	25%
MISCELLANEOUS PERMITS		
Windows		
First 5 Windows	Flat	\$188
Each Additional Window	Each	\$15
Reroof		
Residential	Flat	\$328
Commercial, Multi-Family, Industrial	Flat	\$994
Pool and Spa		
Residential (Single Family)		
Pool	Each	\$1,220
Spa	Each	\$656
Spa (Portable)	Each	\$328
Commercial / Multi-Family		
Pool	Each	\$1,932
Spa	Each	\$806

Fee Name	Unit	Total Cost
Demolition (Pool)	Each	\$430
Solar	Flat	\$251
Stucco / Siding		
Repair	Flat	\$234
New	Flat	\$563
Insulation		
Residential / Commercial	Flat	\$235
Standalone Construction		
Shed (Residential) - <250 sqft, no trades	Each	\$375
Patio Cover (Residential)	Each	\$375
Trellis (Residential)	Flat	\$375
Porch / Deck	Each	\$610
Fireplace Insert	Flat	\$188
Kitchen or Bath Remodel		
Direct Replacement (No Structural or Trades)	Flat	\$141
Direct Replacement (No Structural, Includes Trades)	Flat	\$469
Not Direct Replacement (Structural)	% of Bldg Permit	75%
Occupancy Permit		
Temporary Occupancy Permit	Flat	\$438
Administrative Services		
Permit Extension, Reissuance, or Change of Contractor	Flat	\$196
Plan Duplication, Research, Etc. (No charge for 1st 30 minutes)	Per Hour	\$196
Fee Estimate	Flat	\$196
MECHANICAL		
HVAC / Furnace		
Residential		
Complete Changeout	Each	\$281
Partial Changeout	Each	\$141
Non-Residential		
<\$2,500 Valuation	Flat	\$468
>\$2,500 Valuation	See MEP Valuation Table	
Standalone Mechanical		
<\$2,500 Valuation	Flat	\$235
>\$2,500 Valuation	See MEP Valuation Table	
PLUMBING		
Water Heater	Flat	\$187
Sewer Repair	Flat	\$281
Gas Line Repair	Flat	\$187
Water Softener	Flat	\$94
Standalone Plumbing		
Residential - up to \$2,500	Flat	\$235
All Others	See MEP Valuation Table	
ELECTRICAL		
Service Change (Residential)	Each	\$187
Standalone Electrical		
Residential - up to \$2,500	Flat	\$235
All Others	See MEP Valuation Table	
Solar Systems		
Residential Photovoltaic		
15KW or less	Flat	\$500
Each KW above 15	Per KW	\$15
Non-Residential / Multi-Family Photovoltaic		
50KW or less	Flat	\$1,000

Fee Name	Unit	Total Cost
Between 50KW and 250 KW		
First 50KW	Flat	\$1,000
Each KW above 50, up to 250 KW	Per KW	\$7
Greater than 250 KW (base)		
First 250 KW	Flat	\$2,400
Each KW above 250	Per KW	\$5
EV Charger (EVSE)		
Single Family Residential	Flat	\$188
Non-Residential / Multi-Family	See Building Valuation Table	
ESS System (Battery)		
	Flat	\$705
ELECTRICAL, MECHANICAL, PLUMBING PERMIT FEES		
\$1 to \$2,500	Flat	\$303.56
\$2,501 to \$5,000		
First \$2,500	Base	\$303.56
Each additional \$1,000 or fraction thereof	Each additional	\$13.57
\$5,001 to \$10,000		
First \$5,000	Base	\$337.49
Each additional \$1,000 or fraction thereof	Each additional	\$59.21
\$10,001 to \$25,000		
First \$10,000	Base	\$633.53
Each additional \$1,000 or fraction thereof	Each additional	\$19.73
\$25,001 to \$50,000		
First \$50,000	Base	\$929.55
Each additional \$1,000 or fraction thereof	Each additional	\$29.56
\$50,001 to \$100,000		
First \$50,000	Base	\$1,668.62
Each additional \$1,000 or fraction thereof	Each additional	\$33.11
\$100,001 to \$500,000		
First \$100,000	Base	\$3,324.09
Each additional \$1,000 or fraction thereof	Each additional	\$10.03
\$500,001+		
First \$500,000	Base	\$7,334.28
Each additional \$1,000 or fraction thereof	Each additional	\$5.01

Due to the conversion of fees from square footage-based to valuation based, a per unit comparison between current and full cost fees could not be conducted.

Valuation Determination

As noted earlier, the proposed fee structure for building permit fees is based on the construction value of a project. When determining construction value, it is common to rely on applicants to provide project valuations. However, the original value submitted when a project begins is often less than the actual cost once a project is complete, and staff generally do not have the means to determine the accuracy of the cost being submitted by applicants.

One way that jurisdictions determine valuation is to use a table issued by the International Code Council (ICC) that details construction costs per square foot based on occupancy and construction type. The table is based on national averages; however, jurisdictions can develop area specific modifiers to be applied to the table to calculate locally specific construction costs.

The San Diego Area Chapter of the International Code Council has been developing recommended valuation multipliers to be used by building Officials since 1987. These multipliers are based on the ICC table, but factor in building costs more relevant to California and the region. In review of the most recent tables issued by the San Diego Area Chapter, the project team, along with Building staff believe that this table is more closely aligns with building costs seen in the City of Dixon. Therefore, it is proposed that the City utilize the San Diego Area Chapter valuation schedule to determine construction cost for the purposes of fee calculation.