



CITY COUNCIL STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** April 26, 2021
FROM: Matthew Bronson City Manager
PREPARED BY: Annette Munoz, Finance Manager
Bruce Buckingham, Community Development Director
SUBJECT: Annual Master Fee Schedule Update

RECOMMENDATION

- 1) Adopt a Resolution updating the Citywide Master Fee Schedule approving cost increases based on the Consumer Price Index and other changes to become effective July 1st, 2021, and;
 - 2) Provide direction to staff related to Accessory Dwelling Unit Development Impact Fees; and;
 - 3) Receive information about updating Building Permit Fees and Development Impact Fees.
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BACKGROUND

The Citywide Master Fee Schedule (Schedule) summarizes all fees the City charges for various services and permits, such as building permits and recreational classes. This schedule ensures transparency and consistency in the fees charged for services to provide cost-recovery to the General Fund. Most fees are developed based on the cost to the City to provide the service or on the impact the activity has on the City or its property. Adjusting the fees in accordance with the Consumer Price Index (CPI) ensures sufficient cost-recovery for the City. The adjustment requested for the Schedule is based on the CPI for Los Angeles-Long Beach-Anaheim, CA which had an increase of 1.625% for the year ending on December 31, 2020. Adoption of City water and sewer rates are contingent upon the completion of the Proposition 218 process and the public hearing scheduled for the May 10, 2021 Council meeting.

Additionally, the City has some fees which are pass-thru fees from other agencies and only updated when the pass-thru agencies change their fees. One such agency is the South San Luis Obispo County Sanitation District which provides wastewater treatment to Grover Beach residents and businesses. The Sanitation District fees last increased effective July 1, 2019 with no other changes to date. However, the Sanitation District is proposing to change its billing process to semi-annual billing on the County property tax bill for both Grover Beach and Arroyo Grande customers similar to Oceano customers. The Sanitation District Board will consider this proposal during a public hearing on June 2 and if enacted the change would begin on July 1. The City would consequently bring an agenda item to the Council to update the Schedule to reflect the removal of this pass-thru fee.

Cannabis Background Fees

Since the inception of the City's cannabis regulatory program, staff has been able to continually refine the background investigation process to reduce the amount of time to complete certain background investigations. Staff has found the time it takes to process a new owner background investigation has not changed because of the depth of the investigation, but has found that the time to process new employee backgrounds and the background renewals for both owners and

employees has been streamlined. As a result of the streamlined process, staff is requesting a reduction in the Master Fee Schedule for the new employee background investigation and the renewal background investigation for both the employee and owner. Staff can provide further information to the Council about the cannabis background process during an upcoming agenda item on cannabis policy and regulatory issues at the May 10, 2021 Council meeting.

Parks and Recreation Fees

Staff is recommending waiving the increase of fees for the Parks and Recreation Department by the CPI due to the impact that COVID has had on related program registrations and facility reservations. Staff recommends that Parks and Recreation fees stay at their current rates to encourage participants to reserve parks/facilities and/or return and gain new customers when City facilities and classes are fully open again.

Other fees now included in the Master Fee Schedule include the recreation class fee revenue split. The split is currently a range of 41%-46% for instructors and 59%-54% for the City based on the class. Staff recommends that the split be changed to a standard used in other agencies of 70% to instructors teaching inside a City facility and 30% to the City. This recommended split would better offset the cost of administration and promotion and will incentivize increased instructor participation to teach within Grover Beach. Classes that are taught outdoors on City property would be established at a recommended split of 80%/20% split between instructors and the City respectively. The revenue impact from both recommendations is not projected to be significant.

Accessory Dwelling Unit Development Impact Fees

As part of the adoption of the annual Master Fee Schedule in April 2018, the Council decided to waive Development Impact Fees (DIFs) for construction of accessory dwelling units (ADUs) in order to facilitate the construction of smaller, more affordable residential dwellings. The Council indicated that it was open to reconsidering the payment of DIFs for ADUs on an annual basis. Currently the State preempts cities from charging DIFs for ADUs that are 750 square feet or less to encourage smaller, more affordable residential units. In addition, sewer and water DIFs are also preempted from being charged on ADUs greater than 750 square feet. ADUs cannot exceed 1,200 square feet consistent with State law and the City's ADU ordinance.

Since 2018, the City has seen a significant increase in permit activity for ADUs which reflects the State law changes and the update to the City's ADU ordinance in July 2020. Staff has received 25 ADU permit applications since 2018 with six ADUs greater than 750 square feet. Based on Council's decision not to include DIFs for ADUs, staff has omitted these DIFs in the draft Master Fee Schedule for FY 2021-22. However, staff is requesting that the Council consider reinstating DIFs for ADUs greater than 750 square feet given the current and projected number of ADU applications with additional information below on the amount of the fees.

All DIFs must be charged in accordance with the Mitigation Fee Act, Government Code Sections 66000, et.seq., which requires fees to be proportional to the actual impact. State law recognizes that ADUs have significantly less impact on services than a single-family residence. The Master Fee Schedule development impact fee section includes three different residential DIFs for "single family", "multi-family", and "mobile home" based on the average number of persons per household. The "mobile home" DIF is based on an average of 1.4 persons per household which is reasonably related to the impacts associated with an ADU that typically have an occupancy of one or two persons. If the Council elected to charge the mobile home DIFs for an ADU, the total cost would be approximately \$6,386 per ADU as follows:

Administrative DIF	\$ 105.77
Fire Protection DIF	\$ 137.99
Law Enforcement DIF	\$ 84.86
Park Improvement DIF	\$ 1789.91
Park In-Lieu Fee	\$ 2751.00
Recreational Facility DIF	\$ 319.98
Storm Water DIF	\$ 270.00 (assumes 1,000 s.f. of impervious area)
Transportation DIF	\$ 926.72
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Total DIFs	\$6,386.13

The total DIFs of \$6,386 would be approximately in the middle of the range compared with other cities as shown below:

- Arroyo Grande: \$11,600 (based on a 2,000 s.f. residence with a 1,000 s.f. ADU)
- Atascadero: \$7,020 (based on \$7.02/s.f. and assumes 1,000 s.f. ADU)
- Morro Bay: \$1,450 (based on \$1.45/s.f. and assumes 1,000 s.f. ADU)
- Paso Robles: \$6,020 (based on \$6.02/s.f. and assumes 1,000 s.f. ADU)
- Pismo Beach: \$21,274 (based on a 2,000 s.f. residence with a 1,000 s.f. ADU)
- San Luis Obispo: \$0

Staff is seeking Council direction on potential modifications to the City's ADU DIFs. As an option, the Council could schedule a future agenda item to consider adoption of such DIFs for ADUs.

Building Permit Fees

The City's building permit fees for plan review and inspection services have not been updated in 20 years and are not adequate to cover the cost for the City's contract services. Staff recently hired a consultant to review and update the City's building permit fees and the updated fee structure will be presented to the Council in August. Pending Council direction, staff would subsequently bring an amendment to the Schedule to the Council to reflect these updated fees.

Development Impact Fees

Lastly, the City's Development Impact Fees in general need to be updated and staff is expecting to complete the update in the next fiscal year. The recently updated Housing Element includes a program to update DIFs to index fees based on the size of the unit which would provide lower fees for smaller units.

FISCAL IMPACT

The fiscal impact of these recommended changes to the General Fund is estimated to be increased revenue of \$20,000-\$25,000 depending upon the level of activity for the related services during FY 2021-22. The estimated revenue increase to the Water and Wastewater Fund is to be determined at the May 10, 2021 Council meeting with the public hearing on water and sewer rates. Estimates for other funds are expected to be minimal.

ALTERNATIVES

The Council has the following alternatives to consider:

1. Adopt a Resolution updating the fee increases to the Master Fee Schedule; or
2. Do not adopt the Resolution.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

Attachments

1. Resolution updating the Master Fee Schedule, including Exhibit A – City of Grover Beach Master Fee Schedule.

RESOLUTION NO. 21-__

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH, CALIFORNIA, AMENDING THE MASTER FEE SCHEDULE

WHEREAS, the City Council of the City of Grover Beach has created a Master Fee Schedule by adopting Resolution No. 21-__; and

WHEREAS, on April 26, 2021 the City Council approved recommendations regarding adjustments to certain current fees based on CPI of 1.625% for Los Angeles-Long Beach-Anaheim, CA as of year ended December 31, 2020 and other cost increases in certain areas.

WHEREAS, the Council has consented to waive the increase of fees for Parks and Recreation by the CPI due to the impact of COVID-19 on related program registrations and facilities.

NOW, THEREFORE, BE IT RESOLVED that the Master Fee Schedule be amended as set forth in Exhibit "A" attached to this Resolution; and

That the fees listed in Exhibit "A" of this Resolution shall become effective July 1, 2021

On motion by Council Member _____, seconded by Council Member _____, and on the following roll-call vote, to wit:

- AYES: Council Members –
- NOES: Council Members –
- ABSENT: Council Members –
- ABSTAIN: Council Members –
- RECUSED: Council Members –

the foregoing Resolution was **PASSED, APPROVED, and ADOPTED** at a regular meeting of the City Council of the City of Grover Beach, California this 26th day of April 2021.

JEFF LEE, MAYOR

Attest:

WENDI B. SIMS, CITY CLERK