

**COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS - LAND USE
WEDNESDAY, MAY 24, 2023**

MINUTE ORDER NO. 1

**SUBJECT: ADMINISTRATIVE ITEM:
SECOND CONSIDERATION AND ADOPTION OF ORDINANCES:
COST RECOVERY PROPOSAL TO AMEND PORTIONS OF THE
ADMINISTRATIVE CODE AND ORDINANCES RELATED TO LAND
DEVELOPMENT FEES AND DEPOSITS EFFECTIVE FISCAL YEAR 2023-2024
(DISTRICTS: ALL)**

OVERVIEW

On May 03, 2023 (09), the Board of Supervisors took action to further consider and adopt the Ordinance on May 24, 2023.

This is a request for the Board of Supervisors (Board) to adopt the land development cost recovery proposal, which includes hourly rates, fees, and deposits for the processing of discretionary land development and building permit applications by Planning and Development Services (PDS), Department of Public Works (DPW), and Department of Parks and Recreation (DPR) (collectively “the Departments”).

Using cost recovery funding, the Departments provide services that range in diversity and complexity and serve a wide variety of customers. Services include environmental and project review, health and safety inspections of homes, and inspections of public infrastructure, such as roads, parks, and trails. The review of privately initiated land development and building permit applications ensures the safe design and construction of structures and infrastructure to protect the public. The Departments work in communities in the unincorporated region, conducting more than 60,000 inspections and processing more than 19,000 land development permits annually. This includes the issuance of over 7,000 residential solar photovoltaic permits reducing dependence on fossil fuels. Through these services, the County of San Diego (County) balances environmental, community, and economic interests to enhance the quality of life for residents and visitors in the unincorporated area of the region.

Board of Supervisors Policy B-29: *Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery* (Board Policy B-29) directs departments to recover the full cost of services provided to agencies or individuals. Exceptions require specific Board approval. The last cost recovery package was unanimously approved by the Board on April 27, 2022 (10). Since that time, the Departments have continued to provide services at the approved rates.

The fees proposed today for Fiscal Year (FY) 2023-24 are necessary to address cost changes, such as increased salary, benefit, and retirement costs, and to ensure full cost recovery, except where the Board has previously directed the waiver of fees such as residential roof mount photovoltaic and Accessory Dwelling Unit (ADU) fee waivers. Due to the timing of the labor negotiations last fiscal year, the FY 2022-23 cost recovery proposal only included the standard assumptions and not all cost increases associated with the negotiated labor agreements; it was stated that these cost increases would be included in a future cost recovery proposal. Today's proposal reflects two years of salary and benefit cost increases based on negotiated labor agreements and equity adjustments due to the timing of the last cost recovery proposal and the approved labor agreements. Therefore, due to the timing of the approved

labor negotiations in FY 2022-23, those changes, as well as FY 2023-24 costs, are reflected in this cost recovery proposal. As an example, for PDS, approximately 80% of the department's costs are fixed and fluctuate annually, such as salary and benefits, retirement, enterprise-wide services, and facilities, while 20% of the department's costs, such as services and supplies, and salary savings when positions are vacant are discretionary, meaning costs are determined by the department based on operational needs. The proposed fee package is to reflect known costs as accurately as possible to ensure full cost recovery, continue delivering programs and services to customers and the communities using data analysis, make data-driven decisions, and continue community outreach. Regular cost recovery updates allow the Departments to recuperate costs in a consistent and predictable manner without having to request County-provided one-time funding, while also providing stakeholders an opportunity to plan for smaller, more manageable fee increases as stakeholders have requested.

As part of this fee proposal the Departments evaluated 153 fees and propose to increase 143 fees, decrease one fee, delete zero fees, and add zero fees. Additionally, nine fees are proposed to not change. The Departments evaluated 110 intake deposits, and propose to increase 108 deposits, and decrease one deposit. Additionally, one intake deposit is proposed not to change.

For PDS, the proposed average flat fee increase requested in this cost recovery proposal is equivalent to a 9.5% increase, the average intake deposit change is a 10.3% increase, and the average hourly rate change is an 11.1% increase. For DPW, the proposed average flat fee increase requested is equivalent to a 4.0% increase, the average intake deposit change is a 14.0% increase, and the average hourly rate change is a 14.4% increase. DPR does not use fees or deposits and is only proposing to update its hourly rates; the proposed average hourly rate change is an 8.0% increase.

These increases in PDS and DPW include costs for salary and benefits including increases due to the negotiated labor agreement that went into effect in FY 2022-23. Recognizing that many customers are still recovering from a three-year pandemic, and incurring rising costs due to inflation, the Departments continue to focus on cost containment through innovation, efficiencies, and streamlining so that those savings can be applied where possible. The Departments have worked to contain costs where possible and have applied approximately \$2,000,000 in operational savings from streamlining measures or efficiencies. PDS has implemented cost savings programs, such as online payments, electronic approvals, expansion of online permit applications, text message building inspection management, and utilization of a mobile field inspection application. DPW has implemented tools that automate work previously done manually, such as reports and stormwater inspection scheduling, self-service tools, and a mobile inspection application. For PDS, without this cost containment, building fees would have needed to increase an additional 7.3%, and planning and land development hourly rates would have increased an additional 2.8% on average. For DPW, some fees would have increased 26%, and land development hourly rates would have increased an additional 3.6% on average without cost containment efforts.

Today's proposal requests three actions from the Board.

The first action is for the Board to find the proposed project is exempt from the California Environmental Quality Act (CEQA) as specified under Section 15273(a) of the CEQA Guidelines.

The second action is to approve Board-directed fee waivers as part of Board Policy B-29 for approximately \$5,200,000 in PDS related to appeals, fees for rebuilding structures damaged or destroyed by a natural disaster, plan review and building fees for the Green Building Incentive Program, permit fees associated with the Homeowner/Business Owner Relief Act, plan check, permit and impact fees associated with ADUs, permit fees associated with the Urban Agricultural Incentive Zone program, fees associated with political signage permits, and abatement fees associated with graffiti removal. These programs encourage health, safety, sustainability, and housing availability in the unincorporated region. The Green Building Incentive Program reduces plan check and permitting fees to encourage builders to use energy-saving materials when constructing homes and the Homeowner and Business Owner Relief Act program for minor permits, such as water heater replacements and residential roof mount photovoltaic systems, encourages sustainability practices and ensures health and safety codes are followed, and waiving plan check, permit and impact fees associated with the construction of ADUs encourages additional housing availability. Waiving abatement fees associated with graffiti removal helps to reduce the impacts of graffiti on unincorporated communities by proactively removing blight, and the Urban Agricultural Incentive Zone program waives permitting fees associated with maintaining a property in active agricultural use for a period of five years to promote and protect agricultural uses and recognize the public benefits of agriculture. The Board has previously directed these fees to be waived and provided General Purpose Revenue or General Fund fund balance appropriations to facilitate access to the appeal process, assist homeowners impacted by natural disasters, and strengthen support and promotion of sustainable building practices and additional housing units.

The third action is to approve the introduction, read title, and waiver further reading of the ordinance amendments in the San Diego County Administrative Code Sections 362, 362.1, 362.2 and 362.3 relating to the fees, deposits, and hourly rates the Land Development process on May 3, 2023. If the Board approves the three action on May 3, 2023, after making necessary findings, the Board on May 24, 2023 will be requested to consider and adopt , the ordinance amending Sections 362, 362.1, 362.2 and 362.3 of the San Diego County Administrative Code, relating to fee, deposits, and hourly rates for the Land Development process.. In accordance with Board Policy B-29, the Land Development team will review fees annually and return to the Board with any changes.

If this fee proposal is not approved, it would require the Departments to request one-time alternative County funding in the total amount of \$3,494,280 to ensure full cost recovery to continue delivering programs and services to customers and the communities, using data analysis to make data-driven decisions, and continue community outreach. If the fee proposal is not approved and alternative funding is not identified, the Departments would have operational impacts including increased processing times, reduced ability to conduct community outreach and perform research and data analysis to support data-driven decision-making. Resources would be shifted away from innovation and data analysis to front-line operations, and we anticipate a backlog would be created. This would impact customers by increasing overall costs to applicants as well as reduce our ability to focus on innovation, streamlining, and meeting operational goals. In addition, there will be a cumulative impact and the change in future fee updates will be even higher based on the need to cover the increases in this proposal, plus fee increases in future years.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

Consider and adopt the following Ordinance (second reading) entitled:

ORDINANCE AMENDING PORTIONS OF THE ADMINISTRATIVE CODE RELATING TO FEES AND DEPOSITS FOR THE DEPARTMENTS OF PLANNING & DEVELOPMENT SERVICES, PUBLIC WORKS, AND PARKS AND RECREATION (Attachment A).

EQUITY IMPACT STATEMENT

The County of San Diego strives to preserve, enhance, and promote quality of life, health and safety, sustainability, equity, and environmental resources through the implementation of programs and services that enhance the community by increasing the well-being of our residents and our environments while simultaneously complying with mandatory federal, State, and local regulations governing the land development process. The Departments utilized approved County methodology to ensure all direct and indirect project costs are fully recovered. This ensures that privately initiated project applicants are paying for the full costs needed to recover department costs associated with their project while ensuring development is designed and built to be safe, striving to meet or exceed federal, State, and local building, sustainability, and energy standards and provide opportunities for growth and development that meet the needs of the communities. In some instances, such as the Accessory Dwelling Unit (ADU) fee waiver program, fees have been waived by the Board of Supervisors to ensure equal opportunities for all communities to increase housing availability. Reviewing and updating fees and hourly rates ensures only project costs are being paid for by applicants and general public dollars are not used to subsidize privately initiated development projects. The Departments also continue to identify ways to reduce departmental costs to provide services to the public with cost containment efforts savings of over \$2,000,000 annually. Full cost recovery for privately initiated land development projects ensures that other tax dollars can be used for programs that improve equity throughout the organization.

SUSTAINABILITY IMPACT STATEMENT

The Departments proposed amendments to the hourly billing rates, fees, and deposits for services that are provided to the public will cover the full cost of services for the department's internal operations. The hourly billing rate, fee, and deposit changes are a result of the cumulative increase of the cost drivers such as salaries and benefits, services, and supplies, and associated departmental and countywide costs. The adjustments to the fees are based on available expenditure and revenue data, time studies, and service counts. Sustainability means efficiently using and effectively protecting natural resources, balancing economic growth, and ensuring just and equitable provision of public services, without compromising the ability of future generations to also flourish and thrive. The proposed actions support the County of San Diego's Strategic Initiative of Sustainability to align the County's available resources with services to maintain fiscal stability and that promote economic stability.

FISCAL IMPACT

The proposed increases to fees and deposits will be included in the Fiscal Year (FY) 2023-24 CAO Recommended Operational Plan in Planning & Development Services (PDS), Department of Public Works (DPW), and Department of Parks and Recreation (DPR).

If approved, the proposed fee and deposit adjustments will result in additional estimated costs and revenue of \$2,380,469 in PDS, \$1,113,411 in DPW, and \$400 in DPR, effective FY 2023-24, a total amount of \$3,494,280. The funding source is fees paid by privately initiated land development projects and building permit applicants.

A waiver of Board Policy B-29: *Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery* (Board Policy B-29) is requested to continue previously directed fee waivers, including appeal fees, fees for rebuilding structures damaged or destroyed by natural disasters, plan review and permit fees for the Green Building Incentive Program, Homeowner and Business Owner Relief Act Permits, Accessory Dwelling Units, Political Campaign Signage, Graffiti Abatement, and Urban Agriculture Incentive Zone program. These items are proposed to be less than full cost recovery, and a waiver of Board Policy B-29 is requested since the proposed fees do not cover all operating costs. The total unrecovered cost of the items combined is approximately \$5,200,000 for Fiscal Year 2023-24 and is proposed to be funded by existing and one-time General Purpose Revenue. In the future fiscal years, the Departments will return to the Board to identify the unrecovered cost and funding source. There will be no additional staff years needed as a result of the waiver.

BUSINESS IMPACT STATEMENT

These recommendations would enable Planning & Development Services, the Department of Public Works, and the Department of Parks and Recreation to continue to align fees to the actual costs of services provided to fee payers in each fee category. These fees, deposits, and hourly rates allow the Departments to continue to meet program objectives, provide a level of service expected by stakeholders and customers, and fully recover costs. When individuals pay for services they receive, it ensures those agencies or individuals benefiting from the services pay those services rather than the general public which ensures that public tax dollars do not subsidize individual private projects.

ACTION:

ON MOTION of Supervisor Anderson, seconded by Supervisor Desmond, the Board of Supervisors took action as recommended, On Consent, adopting Ordinance No. 10847 (N.S.), entitled:
ORDINANCE AMENDING PORTIONS OF THE ADMINISTRATIVE CODE RELATING TO FEES AND DEPOSITS FOR THE DEPARTMENTS OF PLANNING & DEVELOPMENT SERVICES, PUBLIC WORKS, AND PARKS AND RECREATION.

AYES: Vargas, Anderson, Desmond

NOT PRESENT: Lawson-Remer

ABSENT: (District 4 Seat Vacant)

State of California)
County of San Diego) §

I hereby certify that the foregoing is a full, true and correct copy of the Original entered in the Minutes of the Board of Supervisors.

ANDREW POTTER
Clerk of the Board of Supervisors



Signed
by Andrew Potter



MAY 24, 2023