



# City and County of San Francisco Department of Building Inspection

## Staff Report on Fee Study Conducted by Matrix Consulting Group

April 2008

**Isam Hasenin, P.E., C.B.O.**  
**Director**



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## **FEE STUDY REPORT**

### **MESSAGE FROM THE DIRECTOR**

The Department of Building Inspection (DBI) is in the process of reinventing itself in order to meet the increasing demands of its customers, mandates for reform and reorganization from the Mayor and the Board of Supervisors, and of 21<sup>st</sup> Century business practices. No area captures these overarching yet fundamental changes more explicitly than the critical relationship between what it costs the Department to provide its professional services and the fees levied to cover these costs.

For far too many years – more than 16, in fact – DBI has ignored the rapidly changing economic realities registering throughout the Bay Area, California and the nation, and simply not bothered to analyze periodically its business costs and revenues generated to pay for these business costs. But with this first-ever cost of services-fee study within the Department, which follows immediately upon our newly-completed Business Process Reengineering (BPR) comprehensive review of the City’s entire development review process, we are clearly identifying the foundation elements required to rebuild the Department into one that is more efficient, more customer-friendly and customer-responsive, more effective and more transparent.

As you will see from the bottom-line details laid out in this fee study report, we are under-recovering the costs of our professional services by approximately 29 percent, which equals nearly \$11 million in today’s tough economic environment. With the national and state-wide economic softening of the building and construction industry, this sum represents the dramatic difference between the value of the services we provide and the nuts-and-bolts’ fee table we rely upon to cover our costs, and our ability to produce a balanced budget capable of sustaining the professional positions we must have to fulfill our responsibilities.

Like the BPR analysis, this fee study gives us the essential and accurate market information we require. With these thoroughly researched and documented reports, DBI now has the “roadmap” required to move the Department away from what has often been a frustrating past for both employees and customers and towards a more streamlined, efficient and effective building safety organization.

## **EXECUTIVE SUMMARY**

The Department of Building Inspection (DBI) initiated in January, 2008, a comprehensive review of its fee structures with the goal of updating fee levels to reflect accurately current and new business practices, and to provide increased transparency to the public. This Fee Study, conducted by the Matrix Consulting Group for the Department and Director, Isam Hasenin, P.E., C.B.O. proposes to update the fees charged for permit processing and issuance, plan review, construction inspection, housing inspection and code enforcement. The results of this study are described in this staff report, and draft fee tables, which are attached.

The current DBI fee table was last comprehensively changed and approved in October, 1992, nearly 16 years ago. In 2002, the Department sought and received approval for a very limited update of the fee table. The update included certain increases to hourly rates included in the tables, but for the most part, basic permit fees remained the same. In 2004, the Board of Supervisors approved two additional fees.

Although a few changes have been made on the margin, it is clear from the study that permit fees do not reflect the actual cost of providing DBI's services. In fact, the 2003 County Civil Grand Jury report stated, "DBI is vulnerable to a legal challenge to the manner in which it determines permit and inspection fees because it cannot justify these fees on the basis of actual costs."

In addition, customers and stakeholders are demanding higher levels of service which affect costs and thus impact fees and staffing levels.

### **Policy Issues**

As part of this fee study, DBI identified a number of salient policy principles that affect the services it provides to the public. The most important policy issues are:

- Simplify the fee table to make it more transparent to the public. This would include consolidating fee levels to make the fee table easier to read, understand, and apply.
- Keep fees affordable for the small projects while at the same time ensuring that the Department covers its cost of providing permit processing and issuance, plan review, and inspection services.
- Implement the new fees that address the new and enhanced services outlined in the Department's Business Process Reengineering (BPR) recommendations and agreed-upon performance measures.
- Further delineate fees that would fund enhancements in the level of service provided.
- Eliminate fees that are obsolete, duplicative, or unnecessarily complicate the permit application and issuance process. Re-inspection fees for plumbing and electrical permits are one example; most of this work is now part of the basic inspection fee.

## **Fee Study Highlights**

### **Objectives and methodology**

The objective of the fee study was to document the overall cost of doing business and the revenues associated with those costs and, more specifically, the unit costs for all fee-supported services in the department, including all direct and indirect costs.

The Consultants:

- Compared actual costs with revenues collected.
- Determined where costs are not supported by fees.
- Collapsed the existing fee table into a simpler structure.

Overall, the consultant's fee study revealed that DBI under-recovers its costs by roughly 29%, or \$10,796,000, measured in FY07/08 budgeted dollars. More specifically:

- Overall, general building permit costs are under-recovered by 20%.
- Plumbing permit costs are under-recovered by 90%.
- Electrical permit costs are under-recovered by 109%.
- Housing Inspection Services' costs are under-recovered by 60%.
- Records/Report of Residential Building Records (3R Reports) are under-recovered by more than 200%.

The consultant's report is attached as an Appendix.

### **Summary of Staff Recommendations**

Based on the consultant's fee study and the policy principles identified, DBI staff recommends:

1. Increase permit fees by an average of 29%.
2. Increase fees for general building permit costs, including plan review and building inspections, by around 20%.
3. Establish new fixed fee categories for plumbing permits and associated permit fees. For example the basic permit fee for a bathroom or kitchen remodel would increase from \$116.55 to \$160.00. These fixed fees guarantee a minimum level of service for each category.
4. Establish new fixed fee categories for electrical permits and associated permit fees. For example, the basic electrical permit fee for a bathroom or kitchen remodel would increase from \$85.25 to \$160.00. These fixed fees guarantee a minimum level of service for each category.
5. Increase the hourly rate for department services from \$80.00 to \$104.00 for support services, \$170.00 for inspection services, and \$187.00 for plan review services.

6. Create new fees to fund new programs and service enhancements, including special inspections, plumbing, and electrical plan reviews, and over-the-counter appointments.
7. Tighten up the reimbursement policy by establishing non-reimbursable amounts for each service.
8. Add a “site permit and addenda” surcharge of 10-15%.
9. Provide for potential future surcharges to cover major capital projects.
10. Increase the fee for 3R Reports from \$50.00 to \$160.00.
11. Update the Department’s fee tables systematically by conducting a fee study every 3-5 years.

**Conclusion:** Submittal of this fee report represents the culmination of a full year of studying, re-organization, re-tooling, and reengineering the Department and meets the ever-growing needs of DBI customers. Implementation of the recommendations in this fee report will result in a financially stable organization; eliminate DBI’s potential budget deficit; fund the higher service levels and automation improvements demanded by the BPR. These fee updates also provide public transparency by recovering the actual cost of services provided by the Department of Building Inspection.

This report emphasizes that without approval of these fee increases, the FY08-09 budget as currently proposed would deplete all of the unrestricted reserves in the Department of Building Inspection Special Fund, as is required of fee supported City departments.

**Staff recommends approval of the proposed fee adjustments.** Once the fee changes are approved, the fee ordinance will be finalized and forwarded to the Board of Supervisors and Mayor for review and approval. Alternatively, if the proposed fee changes are not approved, DBI will face significant budget shortfalls in future years, resulting in staffing reductions, and adversely affect DBI’s ability to deliver quality permit processing and inspection services.

## **INTRODUCTION**

In January, 2008, the Department of Building Inspection (DBI) initiated a comprehensive review of its fee structures and proposed adjusting fee levels to better reflect current and new business practices, and to provide of better customer service to the public. This Fee Study, conducted by the Matrix Consulting Group for the Department and Director, Isam Hasenin, P.E., C.B.O., seeks to update the fees charged for permit processing and issuance, plan review, construction inspection, housing inspection, and code enforcement.

The Study's scope is to examine the full cost of providing services, including permit processing, plan review, inspection, and administration. The results of this study are described in this staff report, and draft fee tables, which are attached.

DBI staff views the fee study as an integral part of the reorganization, reforming, and re-engineering of building inspection operations to better serve the public. Along with the Business Process Reengineering initiative (BPR), this fee study will serve as the financial foundation for the Department's operations in the years ahead.



## **BACKGROUND AND HISTORY OF DBI FEES**

The current DBI fee table was last comprehensively changed and approved in October, 1992, nearly 16 years ago. At the time, the Department was a bureau within the City and County of San Francisco's Department of Public Works. It did not answer to a Building Inspection Commission, appointed by the Mayor and the Board of Supervisors.

In 1994, approved by ballot initiative, Building Inspection became a separate department under the governance of a Building Inspection Commission. In 2002, the Department sought and received approval for a very limited update of the fee table. The updates included certain increases to hourly rates included in the tables, but for the most part, basic permit fees remained the same.

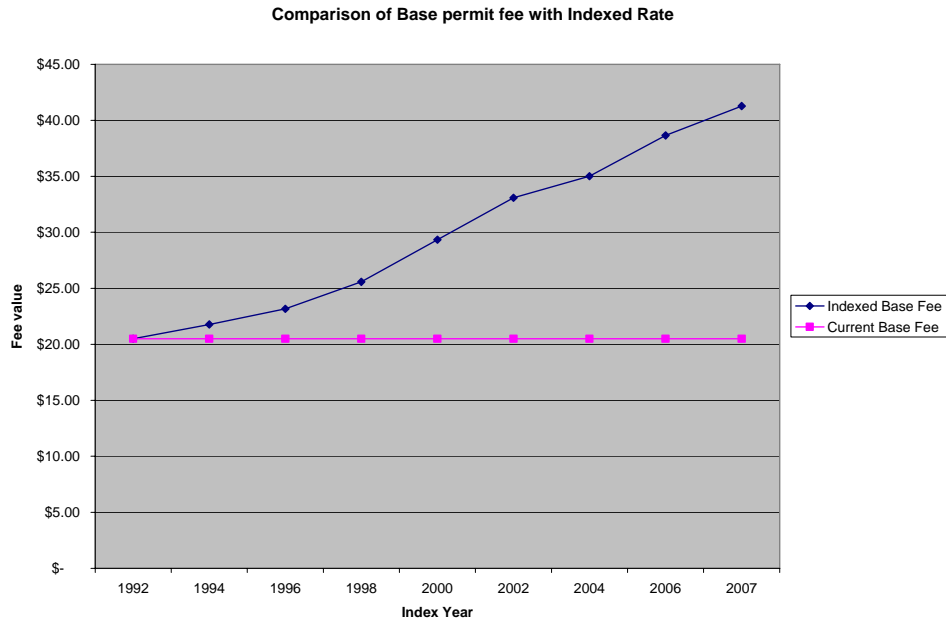
In 2004, the Board of Supervisors approved two additional ordinances that added:

- A permit fee for removal of front lawns and gardens to regulate the proliferation of expanded driveways; and
- A surcharge on Pre-1979 apartment houses and hotels for lead abatement.

Although a few changes have been made on the margin, it is clear from the study that permit fees have not adequately reflected the true cost of providing DBI's services.

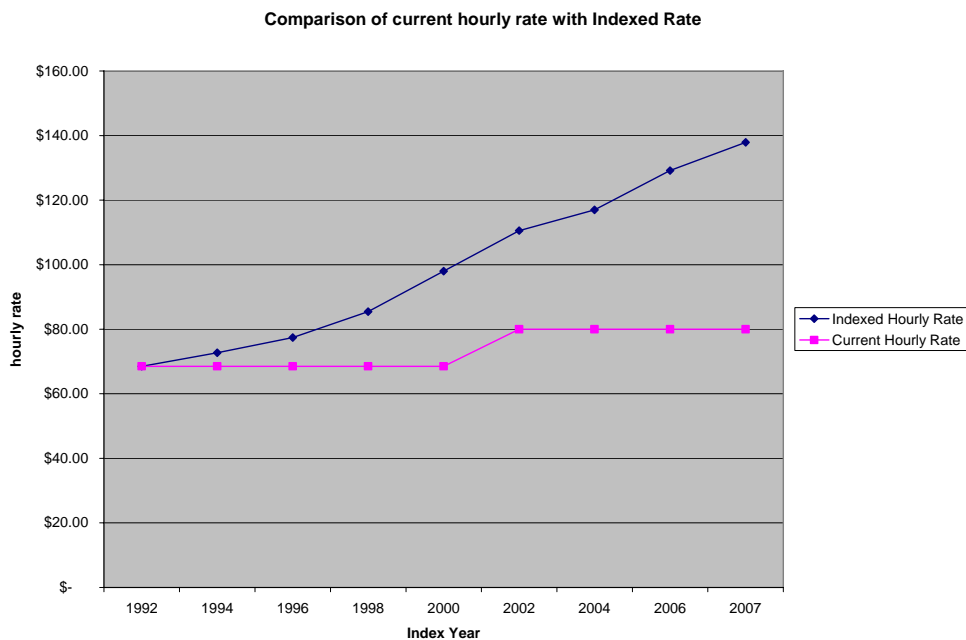
Even a rough comparison with the cost of living index shows how DBI permit fees have fallen behind. Between 1992 and 2008, cost of living increased by 73.5%, as measured by the Bay Area Consumer Price Index (CPI) (Association of Bay Area Governments). However, basic fees contained in DBI's fee table have either remained at 1992 levels, or legislated increases did not adequately cover changes in the cost of living.

Two comparisons illustrate how DBI fees do not reflect current fee values. In 1992 the basic minimum permit fee was \$20.50, for projects as small as a hot water heater replacement. This amount has not changed in 16 years. If that fee had been fully indexed, the basic permit value would be \$41.28 in today's dollars. The comparison is illustrated on the following chart:



In 1992, the Hourly inspection charge was \$68.50. DBI recognized that the rate needed to be updated in 2002, and the hourly rate was changed to \$80. If valued in 2002 dollars, using the CPI index, the hourly rate would have been \$110.56. In today's dollars, the hourly rate for inspections would be valued at \$137.92. Yet the current hourly inspection fee is still \$80. Staff is recommending adjusted hourly rates of \$170 for inspection services and \$187 for plan review services.

The hourly rate comparison is illustrated below:



## **NEED FOR FEE STUDY**

Despite the fact that a fee study was last conducted in 1992, discussion on the appropriate level of fee revenues has surfaced continually over the past 10 years. In 1999, a Controller's Office financial audit referred to a 1997 City Budget Analyst report that recommended reductions in DBI fees because cash reserves were approaching \$7 million at the time. The Controller subsequently recommended that DBI reassess whether it should reduce its building fees or determine how it will use its cash reserves.

The assessment, which was never initiated, should have determined whether the Department was adequately recovering its cost, and whether the costs were appropriate.

Today, DBI has just completed its comprehensive BPR initiative, which provides a roadmap to guide the Department on how it should spend its funds. This fee study, in turn, documents the cost of providing each unit of service, and whether current fee levels are recovering those unit costs.

### **Mandate for a Fee Study**

While the need for a fee study was clear, DBI also received a mandate for conducting a fee study from a June, 2003, County Civil Grand Jury Report. The report stated that DBI "has no cost records to support fees charged, and instead relies on its perception that its permit fees are justified because they are among the lowest in the state." The Grand Jury Report found further that, "DBI is vulnerable to a legal challenge to the manner in which it determines permit and inspection fees because it cannot justify these fees on the basis of actual costs."

This fee study seeks to correct this analysis and protect the department from any legal liability.

### **Budget Implications**

Because the fee tables have not changed in 16 years, the department's revenue sources have not kept up with the cost of providing services. In FY06/07, the Department incurred a shortfall of \$7,151,652, resulting in a draw from the fund balance of \$14,302,675 at year-end.

In FY2007-08, DBI budgeted \$40,363,037 in revenues, and \$47,412,429 in expenses, for a budgeted deficit of \$7,049,372, which would have depleted the unrestricted fund balance. However, through careful management and higher than expected revenues, the projected deficit is expected to be around \$1 million, with a remaining unrestricted fund balance of around \$6 million.

For FY08/09, *without fee increases*, the projected deficit could reach more than \$10 million, which is far more than the unrestricted fund balances, and would require disbursements from restricted fund balances, including deferred revenues.

## **Policy Principles**

As part of this fee study, DBI identified a number of important policy principles that affect the services it provides and the public it serves. These policy principles are:

- Simplify the fee table to make it more transparent to the public. This would include consolidating fee levels to make the fee table easier to read, understand and apply.
- Keep fees affordable for the small projects while ensuring that the Department can cover its cost of providing permit, plan review, and inspection services.
- Implement new fees for services that address the new services and service enhancements outlined in the Department's BPR initiative.
- Further adjust fees that would provide for enhancements in service levels provided. Through the BPR process, staff and stakeholders identified services such as over-the-counter appointments, and express plan review services.
- Eliminate fees that are either obsolete, duplicative, or unnecessarily complicate the permit application and issuance process. Re-inspection fees for plumbing and electrical are cited as one example. This work is now part of the basic inspection fee.

## **THE FEE STUDY**

### **Objectives and Methodology**

The objective of the fee study was to document the unit costs for all fee supported services in the Department, including all direct and indirect costs.

The consultants:

- Compared actual costs with revenues collected
- Determined where costs are not supported by fees
- Collapsed the existing fee table into a simpler structure

The consultant's fee study methodology consisted of developing cost and workload statistics using categories defined by DBI staff. The fee study presented a unique opportunity for DBI staff to develop fee categories that organized the work more logically; allowed a better understanding of the services rendered for the fee charged; simplified the complexity of the DBI fee tables, and more logically tied documented costs to the revenues collected.

The consultant then used the new fee categories to develop workload statistics based on data provided by staff. The consultant compiled workloads associated with the various fee categories developed above to determine how the Department allocates its direct work hours.

After developing workload statistics and allocations of staff hours, the consultant analyzed the costs associated with workloads. Using the Department's budget data, the consultant then calculated the total costs of each workload and fee category.

After analyzing the cost of each fee category, the consultant compared costs with revenues collected. Using department revenue collection data, the consultant analyzed the costs relative to the revenues collected to determine where the Department was under-recovering revenues, or in some cases, perhaps over-recovering.

### **Findings**

Overall, the consultant's fee study revealed that DBI under-recovers its costs by roughly 29%, or \$10,796,000, measured in FY07/08 budgeted dollars. More specifically:

- The Department's fee schedule over-recovers for projects at permit issuance and building inspections, but significantly under-recovers for permit processing and plan review costs.
- However, overall building permit costs, from beginning to end, are under-recovered by around 20%.
- Plumbing inspection costs are under-recovered, on average, by 90%.
- Electrical permit and inspections costs are under-recovered, on average, by 109%.
- Housing Inspection Division costs are under-recovered by 60%, or \$2.5 million. The uncovered costs are particularly troubling in housing because the costs cannot be borne by building permit and inspection fees.
- DBI charges \$50 for the production of 3R reports for the public and real estate agents. However, the cost is actually \$160 per report.

The full text of the consultant's fee study report is contained in the Appendix.

### **STAFF ANALYSIS**

As noted in previous staff reports, an implementation and staffing plan has been developed for the Department's BPR initiative. The BPR plan includes proposed staffing for enhanced and new services demanded by stakeholders that participated in the BPR process. Recommended enhancements include:

- Guaranteed turnaround times in Plan Review.

- Guaranteed turnaround times for scheduling and completing inspections.
- Expedited processes for quicker plan review production of 3R reports.
- Guaranteed second opinions to strengthen consistency.
- New services such as special inspections, plumbing and electrical plan review.
- Improved automated processes to improve performance and transparency

The estimated cost for staffing these enhanced services is more than \$4 million for a projected 32 positions. While staff is not proposing these new positions in the FY08/09 budget due to industry economic uncertainties, the annualized cost of these positions is built into the recommended fee levels outlined below.

### Cost Recovery

The Department's under recovery of costs is summarized in the following table. Staff added the costs of BPR service recommendations to give a total cost to be included in proposed fee adjustments.

<b>Division/Function</b>	<b><u>Current Revenues</u></b>	<b><u>Total Costs</u></b>	<b><u>Costs of BPR</u></b>	<b><u>Surplus (Deficit)</u></b>
Building Permits (including permit processing, plan review, and building inspection)	\$ 26,801,853	\$ 28,137,208	\$ 3,085,301	\$ (4,420,656)
Plumbing Permits and Inspections	\$ 2,987,164	\$ 5,267,826	\$ 412,225	\$ (2,692,887)
Electrical Permits and Inspections	\$ 3,059,852	\$ 5,736,804	\$ 411,705	\$ (3,088,657)
Housing Inspection Division	\$ 4,177,136	\$ 6,688,020	\$ -	\$ (2,510,884)
Customer Service	\$ 631,436	\$ 2,624,405	\$ 124,384	\$ (2,117,353)
TOTAL Under-Recovery Without BPR	\$ 37,657,441	\$ 48,454,263	\$4,033,615	<b>\$(14,830,437)</b> <b>\$(10,769,822)</b>

As noted above, the Housing Inspection Division is under-recovering cost by \$2.5 million. Currently, the Housing Inspection Division performs inspections of one and two family dwellings (R3 Occupancies) in response to local housing code complaints from the public and other City agencies.

The **Department's cost to respond to complaints and inspect R3 residential housing, is more than \$2 million**, and no fee revenue is collected for provision of this service. **In addition, the Housing Division's Code Enforcement Outreach Program (CEOP), which funds five community based agencies to work with landlords and tenants, costs a total of \$579,757**, annually, for which no fee revenue exists to offset the cost.

Staff also reviewed whether the existing apartment and hotel license fees could be increased to offset these costs. Because the cost of R3 inspections was so large, to

recover such a large shortfall, a 50% increase in apartment and hotel license fees would have to be enacted. Furthermore, simply establishing a fee to recover costs on inspection of R3 residential housing is a complex public policy issue that needs to be fully analyzed. Given all the policy issues, staff recommends that separate cleanup legislation be considered at a later date to address the under-recovery of costs in Housing Inspection Division.

### Other Non-recoverable Costs

The consultant also identified certain costs in Customer Services as un-recoverable from fees. Approximately \$1.1 million is considered un-recoverable. All of this cost is attributed to the retrieval of public information from the DBI archives. Because public records laws in California govern what fees can be charged for furnishing public information, government agencies are not allowed to charge for staffing costs in providing public information. Consequently, the fee consultants determined that more than half of all Customer Service costs are considered un-recoverable from fees.

## Hourly Rates

DBI's hourly rates are seriously under priced. The original hourly rates from 1992 were only based on direct personnel costs, and did not include non-personnel budget amounts, nor did the rates include department-wide support costs, and overhead. The consultants calculated overhead rates for each of the inspection disciplines, engineers and office support staff, and these ranged from a low of \$92.00/hour for housing clerical staff to a high of \$311.00/hr for engineers. The staff proposes blended overhead rates for plan review, inspection, and office support. The new hourly rates are as follows:

- Plan Review \$187.00
- Inspection Services \$170.00
- Support \$104.00

These rates are reasonable and in line with Oakland and San Jose, neighboring Bay Area cities included in the consultant's fee study and survey. For comparison purposes, Oakland charges an hourly rate of \$191.00 for plan review services, while San Jose charges an hourly rate of \$173.00. The following table compares San Francisco's proposed rates with Oakland and San Jose:

	<u>Plan Check Services</u>	<u>Inspection Services</u>	<u>Support Services</u>
San Jose	\$191.00	\$187.00	\$114.00
Oakland	\$173.00	\$157.00	\$173.00
San Francisco proposed	\$187.00	\$170.00	\$104.00

## Revenue Projections

Assuming approval of the recommended fee levels outlined below, and further assuming an implementation date of September 1, 2008, the estimated revenues, based on current workload demands, is approximately \$9.1 million. The estimate is based on an average 29% increase in all fees, and does not include revenue increases for housing or interdepartmental work order and code enforcement recoveries.

## RECOMMENDATIONS

Based on the consultant's fee study and the policy issues identified, DBI staff recommends increasing permit fees by about 29%, on average, to account for the cost of operations identified in the fee study and to fund improvements/enhancements in services as demanded by the stakeholders in the BPR. The breakdown for specific increases is as follows:

1. Increase fees for general construction building permit costs, including building inspections, plan review, and permit processing, by an aggregate of 20% as follows:

### New Construction

Category/Range		Current Fees		Tentative Proposed Structure	
<u>From:</u>	<u>To:</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
\$ 1	\$ 2,000	\$ 160	\$ 230	\$ 220	\$ 330
\$ 2,000	\$ 50,000	\$ 230	\$ 1,070	\$ 330	\$ 1,280
\$ 50,001	\$ 200,000	\$ 1,070	\$ 2,470	\$ 1,280	\$ 3,280
\$ 200,001	\$ 500,000	\$ 2,470	\$ 5,030	\$ 3,280	\$ 6,090
\$ 500,001	\$ 1,000,000	\$ 4,940	\$ 8,770	\$ 6,090	\$ 10,250
\$ 1,000,001	\$ 5,000,000	\$ 8,770	\$ 30,940	\$ 10,580	\$ 38,580
\$ 5,000,000		\$ 30,940		\$ 39,580	
\$ 10,000,000		\$ 58,400		\$ 74,580	
\$ 25,000,000		\$ 138,840		\$ 179,580	
\$ 50,000,000		\$ 272,900		\$ 389,580	



### Commercial Alterations

Category/Range		Current Fees		Tentative Proposed Structure	
<u>From:</u>	<u>To:</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
\$ 1	\$ 2,000	\$ 166	\$ 250	\$ 200	\$ 430
\$ 2,000	\$ 50,000	\$ 250	\$ 1,240	\$ 430	\$ 1,550
\$ 50,001	\$ 200,000	\$ 1,240	\$ 3,390	\$ 1,550	\$ 4,050
\$ 200,001	\$ 500,000	\$ 3,390	\$ 6,250	\$ 4,050	\$ 7,350
\$ 500,001	\$ 1,000,000	\$ 6,250	\$ 10,630	\$ 7,350	\$ 11,520
\$ 1,000,001	\$ 5,000,000	\$ 10,630	\$ 36,170	\$ 11,520	\$ 40,850
\$ 5,000,000		\$ 36,170		\$ 40,850	
\$ 10,000,000		\$ 67,690		\$ 75,850	
\$ 25,000,000		\$ 10,310		\$ 180,850	
\$ 50,000,000		\$ 314,690		\$ 355,850	

### Residential Alterations

Category/Range		Current Fees		Tentative Proposed Structure	
<u>From:</u>	<u>To:</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
\$ 1	\$ 2,000	\$ 166	\$ 250	\$ 200	\$ 290
\$ 2,000	\$ 50,000	\$ 250	\$ 1,240	\$ 290	\$ 1,600
\$ 50,001	\$ 200,000	\$ 1,240	\$ 3,390	\$ 1,600	\$ 4,050
\$ 200,001	\$ 500,000	\$ 3,390	\$ 6,250	\$ 4,050	\$ 7,350
\$ 500,001	\$ 1,000,000	\$ 6,250	\$ 10,630	\$ 7,350	\$ 11,520
\$ 1,000,001	\$ 5,000,000	\$ 10,630	\$ 36,170	\$ 11,520	\$ 40,850
\$ 5,000,000		\$ 36,170		\$ 40,850	
\$ 10,000,000		\$ 67,690		\$ 75,850	

NOTE: The consultant's analysis shows that DBI is substantially under-recovering its costs in the residential permit categories. However, to keep permit fees affordable for the small residential alterations, staff is recommending a lower fee adjustment than is recommended by the consultant.

## No-Plan Permits

Category/Range		Current Fees		Tentative Proposed Structure	
<u>From:</u>	<u>To:</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
\$ 1	\$ 2,000	\$ 47	\$ 105	\$ 160	\$ 240
\$ 2,000	\$ 50,000	\$ 105	\$ 760	\$ 240	\$ 520
\$ 50,001	\$ 200,000	\$ 760	\$ 2,350	\$ 520	\$ 1,950

NOTE: The consultant's analysis shows that DBI is substantially under-recovering its costs in the residential permit categories. However, to keep permit fees affordable for the small residential alterations, staff is recommending a lower fee adjustment than is recommended by the consultant.

These ranges are tentative. Staff is testing the proposed fee amounts using historical project data to estimate and confirm potential revenues.

To illustrate the effect of the proposed fee increases described in this report, a summary of common project scenarios has been developed for the following:

- a. Commercial Tenant Improvement
- b. Retail tenant improvement
- c. High Rise Office building – new construction
- d. High rise residential condominium building – new construction
- e. Mixed use building – new construction (podium construction)
- f. Single family home – new construction
- g. Single family home – vertical or horizontal addition
- h. Single family home – remodel – bathroom and/or kitchen
- i. Bathroom or Kitchen Remodel
- j. Vertical or horizontal residential addition (a room and/or bathroom addition).

These scenarios are further described in Attachment 1.

2. Establish new fixed fee categories for plumbing permits and associated permit fees. For example the basic permit fee for a bathroom or kitchen remodel would increase from \$116.55 to \$160. These fixed fees guarantee a minimum level of service for each category. A table of the fixed fees is contained in Attachment 2.

3. Establish new fixed fee categories for electrical permits and associated permit fees. For example, the basic electrical permit fee for a bathroom or kitchen remodel would increase from \$85.25 to \$160. These fixed fees guarantee a minimum level of service for each category. A table of the fixed fees is contained in Attachment 3.
4. Increase the hourly rate for department services from \$80 to \$104 for support services; \$170 for inspection services; and \$187 for plan review services.
5. Create new fees for special inspections, mechanical, plumbing, and electrical plan reviews, and over-the-counter appointments.
6. Add a site permit and addenda surcharge of 10%.
7. Tighten up the reimbursement policy by establishing non-reimbursable amounts for each service.
8. Include provisions for future surcharges such as automation projects, office relocation, or other extraordinary costs.
9. Increase the fee for 3R Reports from \$50 to \$160.
10. Increase permit fees for roofing projects from \$80 to \$160 for R3 residential units, and \$240 for all other buildings.
11. Update the Department's fee tables systematically by conducting a fee study every 3-5 years.

### **Clean-up Legislation**

In addition, DBI staff is recommending that follow-up legislation be proposed during the next fiscal year to address policy issues not specifically addressed in the fee study, but for which cost data are now available. Such issues include developing fees for: (1) the cost of extending expiring permits, (2) the cost of R3 housing inspections mentioned above and the CEOP program; and (3) Proposing increases in the apartment and hotel license fees to reflect market conditions.

With approval from the Building Inspection Commission, the proposed fee adjustments will be further refined by staff and developed into a fee ordinance for submittal to the Mayor and the Board of Supervisors.

## **CONCLUSION**

Submittal of this fee report represents the culmination of a full year of studying, re-organization, re-tooling, and re-engineering a department still struggling to enter the 21st century, while meeting the ever-growing needs of the clientele it serves. Implementation of this fee report will result in a financially stable organization and fund needed improvements to better serve the public's building needs; and transparently charge the true cost of services provided by the Department of Building Inspections.

This report emphasizes that without approval of these fee increases, the FY08-09 budget as currently proposed would deplete all of the unrestricted reserves in the Building Inspection Special Fund.

### **Staff Recommends Approval of the Proposed Fee Adjustments.**

Alternatively, if the proposed fee adjustments are not approved, DBI will face significant budget shortfalls in future years, resulting in staffing reductions, and major impacts on permit processing and inspection services.

## Attachment 1

### Bay Area Fee Cost Comparisons

<u>Type of Project</u>	<u>Oakland</u>	<u>San Jose</u>	<u>Current SF</u>	<u>Proposed SF</u>
Office Tenant Improvement (V= \$190,450)	\$12,009	\$6,276	\$3,469	\$3,900
Retail Tenant Improvement (V= \$234,480)	\$3,017	\$5,070	\$4,149	\$4,430
Hi Rise Office Bldg: New Construction (V=\$28,389,522)	\$399,406	\$31,754 <sup>1</sup>	\$155,976	\$203,310
Hi Rise Residential Condominium Bldg: New Construction (V=\$31,549,597)	\$502,283	\$245,864	\$174,417	\$225,430
Mixed-Use Bldg: New Construction (podium construction) (V=\$21,367,081)	\$239,231	\$137,449	\$118,321	\$140,580
Single Family Home New Construction (V= \$355,746)	\$8,903	\$3,962	\$3,484	\$4,740
Single Family Home: Addition (Vertical or Horizontal) (V=\$136,720)	\$2,870	\$3,149	\$2,603	\$3,110
Single Family Home: Remodel (bathroom and/or kitchen space) (V=\$30,000)	\$1,891.80	No Data	\$902.08	\$1,200

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<sup>1</sup> Based on recent discussions with San Jose building officials, there is an error in their fee table for this type of building, which is currently being corrected and will become affective in July, 2008.

## Attachment 2

### Proposed – PLUMBING PERMIT FEES

- A. Permit applicants shall show a complete itemization of the proposed scope of work and select the appropriate fee category.
- B. A separate permit is required for each structure, condominium unit, existing apartment unit, high-rise office floor, suite, or tenant space.
- C. Standard hourly inspection rates will apply for installations not covered by the fee categories below.
- D. Fees shall be paid in full prior to approval for occupancy, job card signature, permission to energize, or final signoff, as applicable.

#### 1. Permit fees by category

CATEGORY 1P	Single Residential Unit – water service, sewer replacement, single Plumbing fixture installation, shower pan installation, or kitchen or Bathroom remodels	\$160.00
CATEGORY 1M	Single Residential Unit – mechanical gas appliance (furnace, hydronic heat, heat pump)	\$150.00
CATEGORY 2PA	Plumbing installation for residential construction with six or fewer Dwelling units or guest rooms; without underground plumbing installation (includes water, gas, waste, and vent)	\$275.00
CATEGORY 2PB	Plumbing installation for residential construction with six Dwelling units or guest rooms or less; with underground plumbing installation (includes water, gas, waste, and vent)	\$400.00
CATEGORY 2M	Mechanical gas appliances for residential construction with six dwelling units or guest rooms or less	\$240.00
CATEGORY 3PA	7 – 12 Dwelling Units	\$575.00
CATEGORY 3PB	13 – 36 Dwelling Units	\$1150.00
CATEGORY 3PC	Over 36 Dwelling Units	\$4800.00
CATEGORY 3MA	7 – 12 Dwelling Units	\$575.00
CATEGORY 3MB	13 – 36 Dwelling Units	\$1150.00

CATEGORY 3MC	Over 36 Dwelling Units	\$4800.00
CATEGORY 4A	Fire sprinklers – one and two family dwelling units	\$150.00
CATEGORY 4B	Fire sprinklers – 3 or more dwelling units or guest rooms, commercial and office –per floor	\$250.00
CATEGORY 5P/5M	Office, mercantile & retail buildings: New or tenant improvements; heating/cooling equipment to piping connected thereto – per tenant or per floor	\$325.00
CATEGORY 6PA	Restaurants (New and Remodel) fee includes 5 or less drainage and or gas outlets – no fees required for public or private restroom	\$311.00
CATEGORY 6PB	Restaurants (New and Remodel) fee includes 6 or more drainage and/or gas outlets-no fees required for public or private restroom	\$880.00
CATEGORY 8	New Boiler installations over 200kbtu	\$275.00
CATEGORY 9	Surveys	\$300.00
CONDO CONVERSIONS		\$365.00
BOILER MAINTENANCE PROGRAM (Permit to Operate- PTO)		\$55.00

A permit may include more than one category, and each category will be charged separately.

2. Standard inspection fees

Reinspection or additional inspection per SFBC Section 108A.8	\$170.00 hourly rate
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## **Attachment 3**

### **Proposed – ELECTRICAL PERMIT FEES**

- A. Permit applicants shall show a complete itemization of the proposed scope of work and select the appropriate fee category.
- B. A separate permit is required for each structure, condominium unit, existing apartment unit, high-rise office floor, suite, or tenant space.
- C. Standard hourly inspection rates will apply for installations not covered by the fee categories below.
- D. Fees shall be paid in full prior to approval for occupancy, job card signature, permission to energize, or final signoff, as applicable.

- 1. Permit fees by categories:

#### **Category 1**

##### **General Wiring: Residential Buildings**

Residential installations under 10 outlets	
<10 outlets (one inspection)	\$160.00
11 to 20 outlets (maximum of two inspections)	\$240.00
21 outlets to 40 (three inspections)	\$300.00
Greater than 40 outlets and <5,000 sq.ft (four inspections)	\$420.00
Residential 5,000-10,000 sq. ft five inspections	\$600.00

## **Category 2**

### **General Wiring: Nonresidential Buildings and Residential Buildings over 10,000 square feet (929.3 m<sup>2</sup>)**

Up to 10 outlets (two inspections)	\$240.00
11 to 20 outlets (three inspections)	\$360.00
More than 20 outlets in areas up to 2,500 sq. ft. (four inspections)	\$480.00
2,501 to 5,000 sq. ft (6 inspections)	\$720.00
5,001 to 10,000 sq. ft (8 inspections)	\$1,200.00
10,001 to 30,000 sq. ft. (12 inspections)	\$2,400.00
30,001 to 50,000 sq. ft. (18 inspections)	\$4,800.00
50,001 to 100,000 sq. ft (24 inspections)	\$7,200.00
100,001 to 500,000 sq. ft (48 inspections)	\$14,400.00
500,001 to 1,000,000 sq. ft (120 inspections)	\$32,400.00
More than 1,000,000 sq. ft (240 inspections)	\$64,800.00

### **Category 3**

#### **Retrofit Service and Distribution Equipment, Emergency, Legally required, and Stand-by Generator Systems, Utilization Equipment and Separately Derived Systems that are not part of Categories 1 or 2 (includes two inspections)**

Equipment rated up to 225 amps	\$240.00
250 to 500 amps or up to 100kva	\$360.00
600 to 1000 amps	\$480.00
1,200 to 2,000 amps	\$720.00
More than 2,000 amps	\$960.00
600 volts or more	\$960.00
More than 100kva	\$480.00
Fire Pump and generator installations	\$480.00

### **Category 4**

#### **Retrofit Fire Warning and Emergency Systems (not part of Categories 1 or 2)**

Building installations up to 3 floors (3 inspections)	\$480.00
4 - 9 floors (8 inspections)	\$1,440.00
10 - 25 floors (12 inspections)	\$2,400.00
More than 25 floors (24 inspections)	\$7, 200.00

### **Category 5**

#### **Data, Communications, and Wireless Systems**

Up to 10 cables	Exempt
11 to 100 cables (one inspection)	\$170.00
100 to 1000 cables (two inspections)	\$340.00
1001 through 10,000 (4 inspections)	\$720.00
More than 10,000 (8 inspections)	\$1,440.00

### **Category 6**

#### **Miscellaneous Installations**

Office Workstations, up to 5 (one inspection)	\$170.00
6 to 40 workstations (two inspections)	\$360.00
More than 40 workstations (four inspections)	\$960.00
Temporary Exhibition Wiring (includes one inspection)	
1 to 100 booths	\$170.00
101 to 200 booths	\$360.00
More than 200 booths	\$960.00
Exterior Electrical Sign (includes one inspection)	\$170.00
Interior Electrical Sign (one inspection)	\$170.00
Each Additional Sign, at the same address	\$40.00
Quarterly Permits (includes one inspection)	
Maximum five outlets in any one location	\$375.00

Survey Inspection and Report, per hour or fraction thereof	\$170.00
Witness Testing: life safety, fire warning, emergency, and energy management systems One-hour minimum	\$170.00
Additional hourly rate	\$170.00
Off-hour inspections: two hour minimum	\$340.00
Additional off-hourly rate	\$170.00
Security Systems, up to 5 components (one inspection)	\$170.00
6 to 20 components (two inspections)	\$240.00
21 to 100 components (three inspections)	\$480.00
More than 100 components (four inspections)	\$720.00
Includes installations and devices that interface with life safety system	
Energy Management, HVAC, and Low-Voltage Wiring Systems 1 - 9 floors (3 inspections)	\$480.00
10 – 25 floors (8 inspections)	\$960.00
More than 25 floors (12 inspections)	\$1,440.00
Solar Photovoltaic Systems Up to 10KW rating (1 inspections)	\$170.00
11 to 24KW (2 inspections)	\$340.00
25 to 50KW (4 inspections)	\$680.00
51 to 100KW (7 inspections)	\$1,190.00
More than 100KW (12 inspections)	\$2,040.00

2. Standard inspection fees

For each inspection, reinspection or additional inspection required, per  
SFBC Section 108A.8

\$170.00  
hourly rate

# **Final Report on the Cost of Services (User Fee) Study for the Department of Building Inspection**

**CITY AND COUNTY OF SAN FRANCISCO,  
CALIFORNIA**



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**April 22, 2008**

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# **1. EXECUTIVE SUMMARY**

The report, which follows, presents the results of the Cost of Services (User Fee) Study conducted by the Matrix Consulting Group for the City and County of San Francisco. This report provides the City with the findings and conclusions resulting from the analysis of the Department of Building Inspection.

## **1. PROJECT BACKGROUND AND SCOPE OF WORK**

The City and County of San Francisco's Department of Building Inspection is responsible for overseeing the effective, efficient, fair, and safe enforcement of the City's Building, Housing, Plumbing, Electric, and Mechanical Codes, along with Disability Access regulations.

As part of the City/County's periodic review and update to existing fees for service, the Matrix Consulting Group has conducted a study to determine the total cost of services provided by the Department of Building Inspection. The results of this analysis provide a tool for understanding current service levels, the cost and demand for those services, and what fees for service can and should be charged.

## **2. GENERAL PROJECT APPROACH AND METHODOLOGY**

The methodology employed in establishing the full cost of providing services is a widely known and accepted "bottom up" approach to cost analysis, where time spent per unit of fee activity is determined for each position within a department. Once time spent for a fee activity is determined, all applicable costs are then considered in the calculation of the full cost of providing each service. A more detailed discussion of all costs considered for San Francisco's Department of Building Inspection is included in

Chapter 3 of this report. However, the following table is a summary of typical costs included in the calculation of total service costs:

<b>Cost Component</b>	<b>Description</b>
<b>Direct</b>	Salaries, benefits and allowable departmental expenditures.
<b>Departmental Overhead</b>	Departmental administration / management and clerical support.
<b>City/County-wide Overhead</b>	Central service costs such as payroll, human resources, budgeting, city/county management, etc. Often established through a cost allocation methodology or plan (In this case, the City/County provided these costs).
<b>Cross-Departmental Support</b>	Costs associated with review or assistance in providing specific services. For example, costs associated with the Planning Department's review of construction plans..
<b>Off-budget items</b>	General Plan Update, code enforcement, and technology related costs, where applicable.

The work accomplished by the Matrix Consulting Group in the analysis of the proposed fees for service involved the following steps:

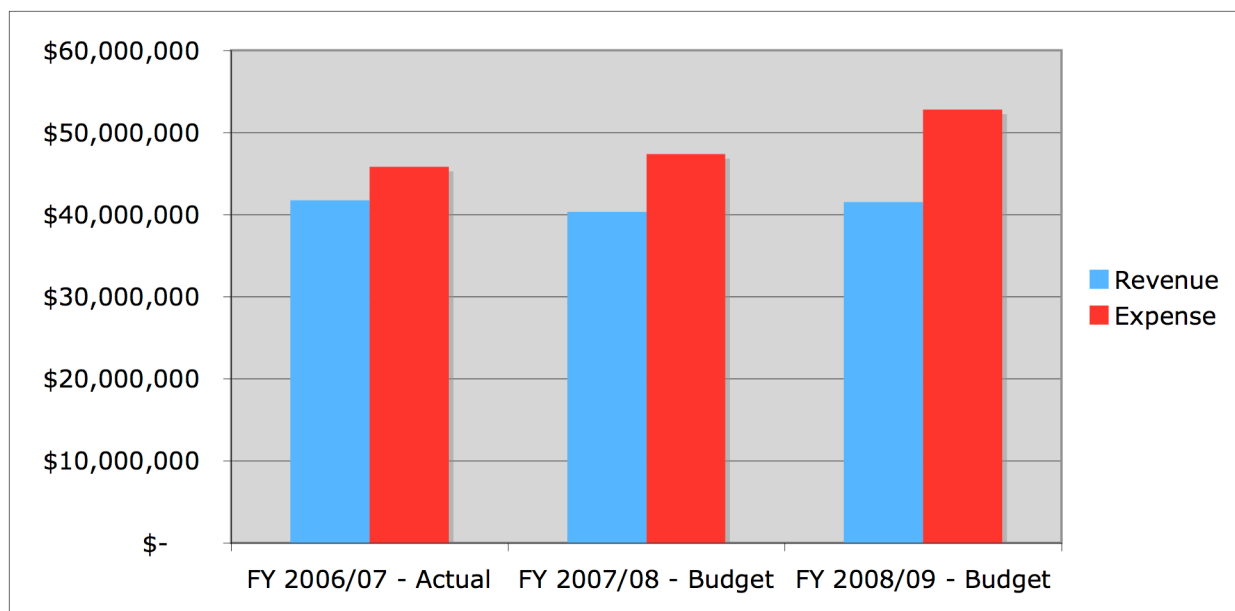
- **Initial Interviews:** Key project management staff for the City and County of San Francisco were interviewed to solidify the mutual understanding of the objectives of this study and potential issues with the implementation of user fees.
- **Department of Building Inspection Staff Interviews:** The project team interviewed staff in each of DBI's divisions regarding their needs for clarification to the structure of existing fee items, or for addition of new fee items.
- **Data Collection:** All essential data components were entered into the Matrix Consulting Group's user fee analytical software model, including all budgetary, staffing level, time estimate, and volume of activity assumptions.
- **Cost Analysis:** The project team applied all applicable City/County costs toward the calculation of the full costs of providing each service included in the model. Resulting costs were presented on a unit and annual level, compared to revenue reports, and provided information about cost recovery surpluses and deficits.
- **Review and Approval of Results with City/County Staff:** Because the analysis of fees for service is based on estimates and information provided by the Department's staff, it is extremely important that all participants were comfortable with our methodology and with the data they provided. Department staff and management reviewed and approved these documented results.

- **Comparison Survey of Market Rates and Fees:** The Department of Building Inspection wished to consider the local “market rates” for services as a means for assessing what types of changes in fee levels their community can bear. The Matrix Consulting Group will worked together with Solem and Associates, a Human Rights Commission-certified Local Business Enterprise, to conduct a comparison survey of rates, fees, and cost recovery practices.

In the detailed report, which follows, the full cost of services for items included in the Study are presented from both a unit and annual cost perspective. A more detailed description of user fee methodology and policy considerations are provided in the Chapter 2 of this report.

### **3. SUMMARY OF RESULTS**

The following table shows a three year picture of cumulative expenses versus revenue for the Department of Building Inspection:



As shown above, cost recovery for the Department of Building Inspection has shown a steady decrease, where expenses are typically exceeding revenues.

The cumulative results of this User Fee Study, based on budgeted expenditures for fiscal year 2007/08, also identified an overall subsidy provided to the fee payer,

where the annual revenue collected for all fee related services is, on average, less than the estimated true cost of providing those services.

From a detailed, fee-by-fee perspective, the results demonstrate that while some charges for services are set at levels higher than the true costs of providing services, other charges for service are generating much less than their estimated true cost. However, as stated previously, the net result of the Study found an overall undercharge for services by the Department of Building Inspection. The project team also combined and annualized the costs for each service by using actual permit volumes provided by the Department's financial and permit tracking system, as well as estimates of activity volume provided by City/County staff.

The table on the following pages identifies the potential revenue impacts associated with the implementation of fees at 100 percent recovery of full cost:

**Exhibit 1.1**  
**Cost Recovery Report – Total for all Fee Related Services**

<b>FEE NO.</b>	<b>Fee Name</b>	<b>Total Current Fee / Deposit (\$ ) Per Unit</b>	<b>Total Average Cost Per Unit (\$ )</b>	<b>Surplus / (Deficit) per Unit (\$ )</b>	<b>Annual Volume Performed</b>	<b>Revenue at Current Fee - Annual (\$ )</b>	<b>Total Cost - Annual (\$ )</b>	<b>Surplus / (Deficit) - Annual (\$ )</b>
<b>PERMITTING, PLAN REVIEW AND INSPECTION SERVICES</b>								
1	1A-A - \$1 - \$2,000 New Construction	20	131	(111)	1	20	131	(111)
2	1A-A - \$2,001 - \$50,000 New Construction	437	147	289	13	5,675	1,912	3,762
3	1A-A - \$50,001 - \$200,000 New Construction	1,025	158	867	6	6,152	947	5,205
4	1A-A - \$200,001 - \$500,000 New Construction	2,206	925	1,280	69	152,180	63,838	88,342
5	1A-A - \$500,001 - \$1,000,000 New Construction	3,501	849	2,653	58	203,067	49,213	153,854
6	1A-A - \$1,000,001 - \$5,000,000 New Construction	9,048	1,316	7,732	25	226,197	32,898	193,298
7	1A-A - \$5,000,001 and above New Construction	158,863	10,997	147,866	16	2,541,816	175,959	2,365,857
8	1A-A - \$1 - \$2,000 Alterations Commercial	60	134	(74)	1,206	71,777	161,459	(89,682)
9	1A-A - \$2,001 - \$50,000 Alterations Commercial	341	179	162	3,118	1,063,792	558,976	504,817
10	1A-A - \$50,001 - \$200,000 Alterations Commercial	1,320	293	1,027	1,096	1,447,064	321,567	1,125,497
11	1A-A - \$200,001 - \$500,000 Alterations Commercial	3,049	328	2,721	358	1,091,689	117,461	974,228
12	1A-A - \$500,001 - \$1,000,000 Alterations Commercial	3,088	344	2,744	246	759,634	84,634	675,000
13	1A-A - \$1,000,001 - \$5,000,000 Alterations Commercial	11,326	980	10,345	75	849,420	73,524	775,896
14	1A-A - \$5,000,001 and above Alterations Commercial	57,864	4,534	53,330	8	462,909	36,269	426,640
15	1A-A - \$1 - \$2,000 Alterations Residential	60	174	(114)	4,826	289,472	837,795	(548,322)

**CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**  
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16	1A-A - \$2,001 - \$50,000 Alterations Residential	322	342	(20)	10,821	3,479,342	3,697,747	(218,405)
17	1A-A - \$50,001 - \$200,000 Alterations Residential	1,269	464	805	1,361	1,727,156	631,507	1,095,650
18	1A-A - \$200,001 - \$500,000 Alterations Residential	2,956	825	2,131	292	863,196	240,886	622,310
19	1A-A - \$500,001 - \$1,000,000 Alterations Residential	5,479	853	4,626	54	295,876	46,063	249,813
20	1A-A - \$1,000,001 - \$5,000,000 Alterations Residential	11,448	3,531	7,917	22	251,853	77,675	174,178
21	1A-A - \$5,000,001 and above Alterations Residential	47,492	4,394	43,098	5	237,462	21,969	215,492
22	1A-A - \$1 - \$2,000 New Construction - Plan Review	-	189	(189)	1	-	189	(189)
23	1A-A - \$2,001 - \$50,000 New Construction - Plan Review	698	1,744	(1,045)	13	9,079	22,670	(13,591)
24	1A-A - \$50,001 - \$200,000 New Construction - Plan Review	562	2,080	(1,518)	8	4,494	16,639	(12,145)
25	1A-A - \$200,001 - \$500,000 New Construction - Plan Review	1,082	2,951	(1,869)	72	77,907	212,443	(134,536)
26	1A-A - \$500,001 - \$1,000,000 New Construction - Plan Review	5,128	5,820	(692)	66	338,473	384,149	(45,676)
27	1A-A - \$1,000,001 - \$5,000,000 New Construction - Plan Review	3,961	20,227	(16,265)	30	118,835	606,797	(487,962)
28	1A-A - \$5,000,001 and above New Construction - Plan Review	97,234	65,456	31,778	17	1,652,971	1,112,748	540,223
29	1A-A - \$1 - \$2,000 Alterations Commercial - Plan Review	74	356	(282)	1,300	95,683	462,924	(367,242)
30	1A-A - \$2,001 - \$50,000 Alterations Commercial - Plan Review	187	414	(227)	3,262	609,852	1,351,415	(741,563)
31	1A-A - \$50,001 - \$200,000 Alterations Commercial - Plan Review	589	723	(134)	1,149	676,657	831,145	(154,488)
32	1A-A - \$200,001 - \$500,000 Alterations	1,246	1,244	2	380	473,585	472,833	752

**CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**  
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	Commercial - Plan Review							
33	1A-A - \$500,001 - \$1,000,000 Alterations Commercial - Plan Review	2,246	1,520	726	143	321,135	217,332	103,803
34	1A-A - \$1,000,001 - \$5,000,000 Alterations Commercial - Plan Review	4,846	4,964	(118)	79	382,806	392,164	(9,358)
35	1A-A - \$5,000,001 and above Alterations Commercial - Plan Review	40,486	15,263	25,223	11	445,350	167,894	277,456
36	1A-A - \$1 - \$2,000 Alterations Residential - Plan Review	44	212	(168)	5,073	224,759	1,076,482	(851,723)
37	1A-A - \$2,001 - \$50,000 Alterations Residential - Plan Review	100	388	(288)	13,467	1,342,918	5,222,637	(3,879,719)
38	1A-A - \$50,001 - \$200,000 Alterations Residential - Plan Review	509	1,062	(554)	1,513	769,781	1,607,330	(837,549)
39	1A-A - \$200,001 - \$500,000 Alterations Residential - Plan Review	1,121	2,578	(1,456)	347	389,118	894,481	(505,363)
40	1A-A - \$500,001 - \$1,000,000 Alterations Residential - Plan Review	2,241	4,983	(2,742)	75	168,083	373,723	(205,640)
41	1A-A - \$1,000,001 - \$5,000,000 Alterations Residential - Plan Review	4,716	7,085	(2,369)	23	108,477	162,956	(54,479)
42	1A-A - \$5,000,001 and above Alterations Residential - Plan Review	40,781	23,188	17,593	6	244,684	139,127	105,557
43	1A-A - \$1 - \$2,000 No Plan Permits	57	319	(262)	3,931	224,720	1,253,653	(1,028,933)
44	1A-A - \$2,001 - \$50,000 No Plan Permits	300	479	(180)	5,904	1,768,383	2,829,062	(1,060,679)
45	1A-A - \$50,001 - \$200,000 No Plan Permits	1,131	556	575	257	290,576	142,812	147,765
46	Subdivisions - DPW	-	2,132	(2,132)	200	-	426,406	(426,406)
47	1A-H Sign Permit - Up to 50 sf	20	46	(26)	29	580	1,333	(753)
48	1A-H Sign Permit - 51-100 sf	20	40	(20)	1	20	40	(20)
49	1A-H Sign Permit - 101-200 sf	20	46	(26)	14	280	647	(367)
50	1A-H Sign Permit - 201-400 sf	20	46	(26)	8	160	370	(210)
51	1A-H Sign Permit - Over 400 sf	20	46	(26)	12	240	554	(314)

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52	1A-H Sign Permit - Ground Sign - Up to 100 sf	20	46	(26)	8	160	370	(210)
53	1A-H Sign Permit - Ground Sign - 101-600 sf	20	46	(26)	272	5,440	12,559	(7,119)
54	1A-H Sign Permit - Ground Sign - Over 600 sf	20	46	(26)	53	1,060	2,446	(1,386)
55	1A-J Building Numbers (Addressing)	17	213	(196)	604	9,996	128,497	(118,500)
56	1A-L Notices	17	26	(9)	1,199	19,843	30,831	(10,988)
57	Building Inspection - Housing Litigation Cases	-	347,122	(347,122)	1	-	347,122	(347,122)
<b>Subtotal</b>						<b>26,801,853</b>	<b>28,137,208</b>	<b>(1,335,355)</b>
<b>PLUMBING INSPECTIONS</b>								
1	Category 1P single residential unit - water service, sewer replacement, single plumbing fixture installation, shower pan installation, or kitchen or bathroom remodels. includes 1 inspection	102	158	(56)	3,830	389,298	603,755	(214,456)
2	Category 1M single residential unit - mechanical gas appliance (furnace, hydronic heat, heat pump) includes 1 inspection	93	145	(51)	766	71,606	110,821	(39,215)
3	Cat 2PA - plumbing installation for residential construction with 2-6 dwelling units or guest rooms- w/o underground plumbing installation (includes water gas waste and vent) includes 2 inspections	152	259	(107)	887	134,689	230,037	(95,348)
4	Cat 2PB - plumbing installation for residential construction with 2-6 dwelling units or guest rooms- with underground plumbing installation (includes water gas waste and vent) includes 3 inspections	212	377	(166)	610	129,149	230,108	(100,959)
5	Cat 2M - mechanical gas appliances for residential construction with 2-6 dwelling units	140	232	(92)	313	43,784	72,713	(28,929)



**CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA**  
**Final Report on the Department of Building Inspection's User Fee Study**

<b>FEE NO.</b>	<b>Fee Name</b>	<b>Total Current Fee / Deposit (\$ ) Per Unit</b>	<b>Total Average Cost Per Unit (\$ )</b>	<b>Surplus / (Deficit) per Unit (\$ )</b>	<b>Annual Volume Performed</b>	<b>Revenue at Current Fee - Annual (\$ )</b>	<b>Total Cost - Annual (\$ )</b>	<b>Surplus / (Deficit) - Annual (\$ )</b>
	- includes 2 inspections							
6	Cat 3PA 7 - 12 dwelling units.	310	571	(261)	532	165,113	303,877	(138,764)
7	Cat 3PB 13 - 36 dwelling units	590	1,119	(530)	292	172,196	326,820	(154,624)
8	Cat 3PC over 36 dwelling units	2,466	4,801	(2,335)	34	83,858	163,236	(79,378)
9	Cat 3MA 7 - 12 dwelling units.	310	571	(261)	402	124,708	229,621	(104,914)
10	Cat 3MB 13 - 36 dwelling units	589	1,119	(531)	221	130,062	247,353	(117,291)
11	Cat 3MC over 36 dwelling units	2,533	4,801	(2,268)	25	63,321	120,026	(56,705)
12	Cat 4A fire sprinklers - one and two family dwelling units two inspections	91	139	(48)	574	52,131	79,967	(27,837)
13	Cat 4B fire sprinklers - multi-family dwellings, commercial and office - 1 inspection per floor	140	232	(93)	2,872	401,408	667,192	(265,783)
14	Cat 5P Office, mercantile & retail buildings: new or tenant improvements - per tenant or per floor	152	247	(95)	3,734	566,555	921,657	(355,103)
15	Cat 6P Restaurants	185	311	(126)	71	13,146	22,090	(8,944)
16	Cat 8 New Boiler installations over 200kbtu	210	256	(46)	338	70,980	86,526	(15,546)
17	Cat 9 Surveys	160	412	(252)	70	11,200	28,833	(17,633)
18	Complaints and NOV's (paid by inv fees)	307	645	(338)	707	216,815	456,094	(239,279)
19	Condo Conversions	-	363	(363)	422	-	153,093	(153,093)
20	Boiler maintenance program	35	51	(16)	4,204	147,145	214,007	(66,862)
<b>Subtotal</b>						<b>2,987,164</b>	<b>5,267,826</b>	<b>(2,280,662)</b>
<b>ELECTRICAL INSPECTION</b>								
1	RES <10 OUTLET/DEVICES (1 INSP)	85	108	(23)	2,870	244,668	310,669	(66,002)
2	RES 10-20 OUTLET/DEVICES (2 INSPS)	85	238	(153)	2,870	244,668	683,474	(438,806)
3	RES 21-40 OUTLET/DEVICES (3 INSPS)	264	281	(17)	1,674	442,172	471,136	(28,964)

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	including AIMCO)							
4	RES >41 OUTLET/DEVICES & <5K SQ FT (4 INSPS)	264	413	(149)	1,453	383,796	600,537	(216,740)
5	RES 5K-10K SQ FT (5 INSPS)	20	590	(570)	473	9,460	279,278	(269,818)
6	COMM_OPN-COMMERCIAL OPENINGS FEE <6 (2 INSP)	111	141	(29)	1,169	130,051	164,503	(34,452)
7	COM 6-20 OUTLET/DEVICES (3INSP)	246	303	(57)	361	88,806	109,416	(20,610)
8	COMM >20 UP TO 2.5K SQ FT (4 INSP)	246	472	(226)	843	207,378	398,193	(190,815)
9	COMM 2.5-5K SQ FT (6 INSPECTIONS)	246	886	(640)	843	207,378	746,612	(539,234)
10	COMM 5K-10K SQ FT (8 INSPECTIONS)	246	1,378	(1,132)	361	88,806	497,347	(408,541)
11	COMM 10K-20K SQ FT (12 INSPECTIONS)	1,001	2,273	(1,272)	152	152,122	345,526	(193,404)
12	COMM 20K-30K SQ FT (18 INSPECTIONS)	1,001	3,031	(2,030)	75	75,060	227,319	(152,259)
13	COMM 30K-500k SQ FT (24 INSPECTIONS)	12,769	3,897	8,872	15	191,536	58,453	133,083
14	COMM 500K-1M SQ FT (110 INSPECTIONS)	19,144	12,557	6,587	2	38,287	25,114	13,173
15	COMM OVER 1m SQ FT (220 INSPECTIONS)	20	19,484	(19,464)	1	20	19,484	(19,464)
16	SURV-SURVEY FEE @ \$160 ea	160	197	(37)	139	22,240	27,357	(5,117)
17	GENR-GENERATOR FEE @ \$400 ea	420	295	125	12	5,040	3,543	1,497
18	FIRE_PUMP-FIRE PUMP FEE @ \$200 ea	220	295	(75)	3	660	886	(226)
19	HVAC-HVAC FEE @ \$91.25 ea	111	118	(7)	6	668	708	(41)
20	EQP-EQUIPMENT FEE under 800 amps @ \$91.25 ea	111	118	(7)	196	21,805	23,145	(1,340)
21	EQP-EQUIPMENT FEE 801-1600 amps @ \$200 Ea	220	179	41	2	440	358	82
22	EQP-EQUIPMENT FEE over 1600 amps @ \$1000 ea	1,020	276	744	2	2,040	551	1,489
23	TESTS-TESTS FEE @ \$160 ea	160	197	(37)	390	62,400	76,757	(14,357)
24	EXT_SIGN-EXTERIOR SIGNS @ 46.75 ea	67	87	(20)	262	17,489	22,689	(5,200)

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25	INT_SIGN-INTERIOR SIGNS @ \$39 ea	59	108	(49)	63	3,717	6,820	(3,103)
26	RES_DOOR-RESIDENTIAL ONLY DOOR OPENER @ \$30	30	49	(19)	682	20,460	33,557	(13,097)
27	EXB_WIR-EXHIBITION AND WIRING 1-100 @ \$62	82	108	(26)	87	7,134	9,417	(2,283)
28	EXB_WIR-EXHIBITION AND WIRING 101-200 @ \$91.25	111	162	(51)	14	1,558	2,273	(716)
29	EXB_WIR-EXHIBITION AND WIRING 101-200 @ \$226	246	216	30	50	12,300	10,825	1,475
30	QRTLY_FIL-QUARTERLY FILING @ \$65.25	65	197	(132)	105	6,851	20,665	(13,814)
31	LAGUNA HONDA (Work order)	71	197	(126)	1,607	114,270	316,279	(202,009)
32	PENALTY FEE (Complaint inspections)	244	197	48	720	175,996	141,705	34,290
33	#3R inspections (condo conversions)	-	197	(197)	422	-	83,055	(83,055)
34	Port Inspections (Work Order)	494	197	298	85	42,031	16,729	25,302
35	COMM 100K-500k SQ FT (48 INSPECTIONS)	2,570	162	2,408	15	38,547	2,423	36,124
<b>Subtotal</b>						<b>3,059,852</b>	<b>5,736,804</b>	<b>(2,676,952)</b>
<b>HOUSING DIVISION</b>								
1	Energy Reports & Certificates	10	19	(9)	3,189	31,890	61,538	(29,648)
3	Certification of Qualified Energy Inspector	-	807	(807)	13	-	10,496	(10,496)
4	1A-P Apartment House License Fee - 3 Units	47	69	(22)	14,349	675,814	992,309	(316,495)
5	1A-P Apartment House License Fee - 4-6 Units	35	40	(5)	35,360	1,239,697	1,422,257	(182,560)
6	1A-P Apartment House License Fee - 7-10 Units	28	25	3	15,190	418,923	376,867	42,057
7	1A-P Apartment House License Fee - 11-15 Units	23	16	8	20,405	476,476	319,299	157,177
8	1A-P Apartment House License Fee - 16-20 Units	24	11	12	9,477	226,435	108,873	117,562

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9	1A-P Apartment House License Fee - 21-30 Units	21	8	12	13,514	277,824	109,647	168,177
10	1A-P Apartment House License Fee - 30 + Units	12	3	8	39,576	457,372	130,617	326,755
11	1A-P Hotel License Fee - Less Than 20 Rooms	15	102	(88)	2,750	40,181	281,651	(241,470)
12	1A-P Hotel License Fee - 20-29 Rooms	9	9	(0)	3,053	27,020	28,327	(1,306)
13	1A-P Hotel License Fee - 30-39 Rooms	8	7	0	2,582	19,429	18,827	602
14	1A-P Hotel License Fee - 40-49 Rooms	7	5	3	2,505	18,236	11,770	6,466
15	1A-P Hotel License Fee - 50-59 Rooms	8	3	4	2,762	21,410	9,608	11,801
16	1A-P Hotel License Fee - 60-99 Rooms	6	1	5	8,863	56,765	10,874	45,891
17	1A-P Hotel License Fee - 100-149 Rooms	4	2	2	8,349	36,300	18,105	18,195
18	1A-P Hotel License Fee - 150-175 Rooms	4	3	0	3,062	10,978	9,960	1,018
19	1A-P Hotel License Fee - More than 175 Rooms	2	0	2	22,234	54,818	4,609	50,208
21	1A-K Building Official's Abatement Orders	-	1,557	(1,557)	281	-	437,606	(437,606)
23	1A-K Emergency Order	-	2,531	(2,531)	6	-	15,188	(15,188)
24	Annual Usage Report Filing Fee	49	62	(14)	416	20,202	25,861	(5,659)
25	HCO Permit to Convert	362	1,551	(1,189)	10	3,623	15,509	(11,887)
26	HCO Implementation	-	1,079	(1,079)	19	-	20,499	(20,499)
27	Inspection of R-3 Occupancy	-	2,158,388	(2,158,388)	1	-	2,158,388	(2,158,388)
30	Lead Penalties	1,051	998	53	54	56,743	53,890	2,853
32	Subordination Fees	295	1,346	(1,051)	5	1,475	6,732	(5,257)
33	Witness Fees	150	463	(313)	32	4,800	14,819	(10,019)
<b>Subtotal</b>						<b>4,177,136</b>	<b>6,688,020</b>	<b>(2,510,884)</b>
<b>CUSTOMER SERVICES</b>								

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1	3R Reports	50	161	(111)	8,444	422,200	1,361,878	(939,678)
2	Microfilming	17	103	(86)	12,308	209,236	1,262,528	(1,053,292)
<b>Subtotal</b>						<b>631,436</b>	<b>2,624,405</b>	<b>(1,992,969)</b>
<b>FULL COST RECOVERY RATES PER DIVISION</b>								
1	Hourly Rate - Customer Services	80	118	(38)	1	80	118	(38)
2	Hourly Rate - Permit Services	80	135	(55)	1	80	135	(55)
3	Hourly Rate - Plan Review Eng/Mech	80	318	(238)	1	80	318	(238)
4	Hourly Rate - Plan Review Inspections	80	280	(200)	1	80	280	(200)
5	Hourly Rate - Building Inspections	80	153	(73)	1	80	153	(73)
6	Hourly Rate - Plumbing Clerical	80	114	(34)	1	80	114	(34)
7	Hourly Rate - Plumbing Inspections	80	213	(133)	1	80	213	(133)
8	Hourly Rate - Electrical Inspections	80	191	(111)	1	80	191	(111)
9	Hourly Rate - Electrical Clerical	80	97	(17)	1	80	97	(17)
10	Hourly Rate - Housing Inspections	80	174	(94)	1	80	174	(94)
11	Hourly Rate - Housing Clerical	80	92	(12)	1	80	92	(12)
<b>TOTAL - ALL SERVICES</b>						<b>37,657,440</b>	<b>48,454,264</b>	<b>(10,796,823)</b>

At full cost recovery, the potential additional revenue obtained from implementing these revised and/or additional fees for services is approximately \$10.8 million above what is currently collected for these services. However, in some cases, recovery of the full cost of providing each service may be limited by economic, policy and even State law limitations (as in the case of the California Public Records Act, for example). The remainder of this report provides a detailed discussion of the approach, methodology, and results of the Matrix Consulting Group's study.

## **2. LEGAL FRAMEWORK AND POLICY CONSIDERATIONS**

A “user fee” is a charge for services 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 66012 and 66014, and more recently the Attorney General’s Opinion 92-506 set the parameters under which the user fees typically administered by local government are established and administered.

### **1. GENERAL PRINCIPLES AND PHILOSOPHIES REGARDING USER FEES**

Local governments are providers of many types of general services to their communities. While all services provided by local government are beneficial to constituents, some services can be classified as globally beneficial to all citizens, while others provide more of a direct benefit to a specific group or individual. The following table provides examples of services provided by local government within a continuum of the degree of community benefit received:

<b>Services that Provide General “Global” Community Benefit</b>	<b>Services that Provide Both “Global” Benefit and also a Specific Group or Individual Benefit</b>	<b>Services that Provide a Primary Benefit to an Individual or Group, with less “Global” Community Benefit</b>
<ul style="list-style-type: none"><li>• Police</li><li>• Park Maintenance</li></ul>	<ul style="list-style-type: none"><li>• Recreation / Community Services</li><li>• Fire Suppression</li></ul>	<ul style="list-style-type: none"><li>• Building Permits</li><li>• Planning and Zoning Approval</li><li>• Site Plan Review</li><li>• Engineering Development Review</li></ul>

Funding for local government is obtained from a myriad of revenue sources such as taxes, fines, grants, special charges, user fees, etc. In recent years, alternative tax revenues, which typically offset subsidies for services provided to the community, have

become increasingly limited. These limitations have caused increased attention on user fee activities as a revenue source that can offset costs otherwise subsidized (usually) by the general fund. In the table above, services in the “global benefit” section tend to be funded primarily through voter approved tax revenues. In the middle of the table, one typically finds a mixture of taxes, user fee, and other funding sources. Finally, in the “individual / group benefit” section of the table, lie the services provided by local government that are typically funded almost entirely by user fee revenue.

The following are two central concepts regarding the establishment of user fees:

- **Fees should be assessed according to the degree of individual or private benefit gained from services.** For example, the processing and approval of a land use or building permit will generally result in monetary gain to the applicant, whereas Police services and Fire Suppression are examples of services that are essential to the safety of the community at large; and,
- **A profit making objective should not be included in the assessment of user fees.** In fact, California laws require that the charges for service be in direct proportion to the costs associated with providing those services. Once a charge for service is assessed at a level higher than the actual cost of providing a service, the term “user fee” no longer applies. The charge then becomes a tax subject to voter approval.

Therefore, it is commonly accepted that user fees are established at a level that will recover up to, and not more than, the cost of providing services.

## **2. GENERAL POLICY CONSIDERATIONS REGARDING USER FEES**

Undoubtedly, there are programs, circumstances, and services that justify a subsidy from a tax based or alternative revenue source. However, it is essential that jurisdictions prioritize the use of revenue sources for the provision of services based on the continuum of benefit received.

Within the services that are typically funded by user fees, the Matrix Consulting Group recognizes several reasons why a jurisdiction's staff or decision making authority



may not advocate the full cost recovery of services. The following factors are key policy considerations in setting fees at less than 100 percent of cost recovery:

- **Limitations posed by an external agency.** The State or other agency will occasionally set a maximum, minimum, or limit the jurisdiction's ability to charge a fee at all. Examples include Transportation Permits commonly issued by Public Works departments, many types of Police records and processing fees, as well as charging for time spent copying and retrieving public documents in the City Clerk's office.
- **Encouragement of desired behaviors.** Keeping fees for certain services below may provide a better compliance from the community. For example, if the cost of a permit for changing a water heater in a residential home is higher than the cost of the water heater itself, many citizens will avoid pulling the permit.
- **Affect on demand for a particular service.** Sometimes raising the "price" charged for services might reduce the number of participants in a program. This is largely the case in Recreation programs such as aquatics or sports leagues, where participants often compare the jurisdiction's fees to surrounding agencies or other options for leisure activities.
- **Participation for individuals or groups that typically cannot afford services.** Policy makers may decide to fully subsidize or set fees at a level that will allow participation for certain segments of the community, such as Senior programs.
- **Benefit received by user of the service and the community at large is mutual.** Many services that directly benefit a group or individual equally benefit the community as a whole. Examples include Recreation programs, Planning Design Review, historical dedications and certain types of special events, to name a few.

The Matrix Consulting Group recognizes the need for policy that intentionally subsidizes certain activities. The primary goals of a User Fee Study are to provide a fair and equitable basis for determining the costs of providing services, and assure that fees charged for services are in compliance with State law.

Once the full cost of providing services is known, the next step is to determine the "rate" or "price" for services at a level which is up to, and not more than the full cost amount. The Council or Board is responsible for this decision, which often becomes a

question of balancing service levels and funding sources. The placement of a service or activity within the continuum of benefit received may require extensive discussion and at times fall into a “grey area”. However, with the resulting cost of services information from a User Fee Study, the Council or Board can be assured that the adopted fee for service is reasonable, fair, and legal.

### **3. METHODOLOGY AND APPLICATION OF RESULTS**

The Matrix Consulting Group utilizes 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 components of a the full cost calculations for the City and County of San Francisco's Department of Building Inspection's services are shown in the table below:

<b>Cost Component</b>	<b>Description</b>
<b>Direct</b>	Fiscal Year 2007/08 budgeted salaries, benefits and allowable departmental expenditures.
<b>Departmental Overhead</b>	Division and Department administration / management and clerical support.
<b>City/County-wide Overhead</b>	City and County costs associated with central service costs such as payroll, human resources, budgeting, City/County management, etc.
<b>Cross-Departmental Support</b>	Costs associated with review or assistance in providing specific services from other departments.
<b>Off-budget items</b>	Additional costs identified in support of the Building permit process that are allowable under State Government Code, including: <ul style="list-style-type: none"><li>• Technology for acquisition, enhancement and replacement of for the Department's permitting operation.</li></ul> These costs should be designated and set aside on an annual basis specifically for the purposes noted above.

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

- Develop time-estimates for each service included in the study;
- Calculate the direct cost attributed to each time estimate;
- Utilize the comprehensive allocation of staff time to establish an allocation basis for the other cost components; and,

- Distribute the appropriate amount of the other cost components to each fee or service based on the staff time allocation basis, or other reasonable basis.

The result of these allocations provides detailed documentation for the reasonable estimate of the actual cost of providing each service. The following are critical points about the use of time estimates and the validity of cost allocation models.

**1. TIME ESTIMATES ARE A MEASURE OF SERVICE LEVELS REQUIRED TO PERFORM A PARTICULAR SERVICE**

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

The project team worked closely with the Department of Building Inspection's staff in developing time estimates with the following criteria:

- Estimates are representative of average times for providing service. Extremely difficult or abnormally simple projects are excluded from the analysis;
- Estimates provided by staff are reviewed and approved by the 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.

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

The alternative to time estimating is actual time tracking, often referred to billing

on a “time and materials” basis. Except for in the case of anomalous or sometimes very large and complex projects, the Matrix Consulting Group believes this approach not to be cost effective or reasonable for the following reasons:

- Accuracy in time tracking is compromised by the additional administrative burden required to track, bill, and collect for services in this manner;
- Additional costs are associated with administrative staff's billing, refunding, and monitoring deposit accounts;
- Customers often prefer to know the fees for services in advance of applying for permits or participating in programs;
- Applicants may begin to request assignment of faster or less expensive personnel to their project;
- Departments can better predict revenue streams and staff needs using standardized time estimates and anticipated permit volumes.

Situations arise where the size and complexity of a given project warrants time tracking and billing on a “time and materials” basis. However, the Matrix Consulting Group discourages this practice whenever possible.

## **2. CROSS CHECKS ENSURE THE VALIDITY OF OUR ANALYTICAL MODEL**

In addition to the collection of time estimate data for each fee or service included in the User Fee Study, annual volume of activity data assumptions are also a critical component. By collecting data on the estimated volume of activity and estimated amount of revenue collected for each fee or service, a number of analyses are performed which not only provide useful information to departments regarding allocation of staff resources, but also provide valuable cross checks that ensure the validity of each cost allocation model. This includes assurance that 100% of staff resources are accounted for and allocated to a fee for service, or “other non fee” related category. Since there are no objectives to make a profit in establishing user fees, it is very

important to ensure that services are not estimated at a level that exceeds budgeted resource capacity. If at least and not significantly more than 100% of staff resources are accounted for, then no more than 100% of costs associated with providing services will be allocated to individual services in the Study.

### **3. INTERPRETATION AND APPLICATION OF THE STUDY'S RESULTS**

Many jurisdictions nationwide, including the City and County of San Francisco, use traditional sliding scale fee tables applied to project valuation calculations for establishment of building permit fees.

The results shown in Chapter 1 can be utilized to expand upon and update the Department's existing sliding fee tables so that they reflect up to, and not more than 100% cost recovery of services. To accomplish this, the Department of Building Inspection can utilize the results presented in this report to make the appropriate adjustments.

Other services included in this User Fee Study, such as Electrical, Plumbing, Sign, Housing, etc., can be identified and considered on a unit-by-unit basis, as "flat" or non-scaled fees for service.

## **4. CONCLUSION**

The motivation behind a cost of services (User Fee) analysis is for the jurisdiction to maintain services at a level that is both accepted and effective for the community, and also to maintain control over the policy and management of these services.

The display of 100 percent cost recovery levels for each fee in Chapter 1 is meant to provide a basis for policy development discussions, and does not represent a recommendation for where the City/County should set the “price” of each fee. The setting of the “rate” or “price” for services, whether at 100 percent full cost recovery or lower, is a decision to be made only by the necessary decision making authority, often in conjunction with input from Department staff. Common reasons for adopting fees at less than 100 percent of full cost recovery are presented in Chapter 2 of this report.

The presentation of results in this report are intended as summaries of extensive and voluminous cost allocation documentation for the Department of Building Inspection's analytical model. The full analytical results were provided to the Department's staff under separate cover from this summary report.

It should be noted that these results are not a precise measurement. Changes to the structure of fee names, along with the use of time estimates and annual volume and revenue estimates allow only for a reasonable projection of surpluses, subsidies and revenues. Consequently, the reader should rely conservatively upon these estimates to gauge the impact of implementation going forward, while, at the same time, remain confident that the data, conclusions, and results presented in this report represent the estimated, reasonable cost of providing the Department's fee related services.

## **ATTACHMENT A: SURVEY OF MARKET RATES AND FEES**

As part of a cost of services (fee study) for San Francisco's Department of Building Inspection, the Matrix Consulting Group worked with Solem and Associates (a San Francisco HRC certified subcontractor) to conduct a comparative survey of fee calculations for typical project sizes, as well as of general questions related to the administration of fees and cost recovery policy. The following is an outline for the survey, in accordance with the contract and proposed scope of work.

### **1. JURISDICTIONS INCLUDED IN THE SURVEY**

The City/County desired to compare itself against the following seven jurisdictions:

- San Diego
- Los Angeles
- San Jose
- Anaheim
- Oakland
- Seattle
- Sacramento

### **2. PROJECT TYPES AND SIZES FOR THE FEE COMPARISON SURVEY**

For the following scopes of work, we identified both the Plan Check and Building Permit (aka. inspection) fees, separately:



<b>Type of Project</b>	<b>Size (s.f.)</b>	<b>Type of Construction</b>	<b>Other</b>
Office Tenant Improvement	5,000	Existing Type I building	Include sprinklers
Retail Tenant Improvement	2,000	Existing Type V building	
Hi Rise Office Building – New Construction	120,000	Steel Frame Type I building	Include sprinklers
Hi Rise Residential Condominium Building – New Construction	150,000	Concrete Shear Wall Type I building	
Mixed Use Building – New Construction (podium construction)	Includes: 80,000 Residential 10,000 Retail 10,000 Parking Garage	Residential = Type V One-Hour Retail = Type V One-Hour Parking = Type I	Include sprinklers
Single Family Home – New Construction	Home = 2,400 Garage = 600	Type V building	
Single Family Home – Addition (Vertical or Horizontal)	1,000	Type V building	
Single Family Home – Remodel (bathroom and/or kitchen space)	Value of approx \$30,000	Type V building	

Important to note for this part of the survey was which plan review and inspections the permit fee covered. For example, did the fees provided cover building permits as well as mechanical, electrical, plumbing permits.

### **3. ADDITIONAL SURVEY QUESTIONS**

In addition to a comparison of Plan Check and Building Permit fees for the project types and sizes listed above, Solem and Associates also surveyed the chosen jurisdictions on responses to the following questions pertaining to cost recovery practices, fees, and policies:

1. Do you charge a separate fee for Disabled access plan review and/or inspection? In addition to above fees, what other fees are assessed for these permits?

(such as application fee, filing fee, records fee, processing fees, etc.)

2. Do you use the valuation method to determine your permit fees? If not, what method do you use?
3. Has the jurisdiction's decision making body adopted a formal cost recovery policy for Building and Safety fees?
4. Do the Building and Safety fees for service recover for costs associated with technology improvements, records management, office space, code enforcement, review of subdivisions... etc.
5. What type of increase mechanism (CPI or otherwise) is utilized to update the Building and Safety fees for service and how often?
6. Does the jurisdiction increase multi-year project fees by a CPI?
7. Do you have premium express, or expedited plan review? If so, what are the related fees?
8. What is your hourly rate for additional services provided by inspectors, engineers, and support staff?

## **1. SUMMARY OF SURVEY**

According to a major California cost management/cost estimating firm (Cumming Corporation), plan check and building permit fees are typically 2 to 2.5 percent of project cost. Some jurisdictions' fees can be higher if they had a sewer improvement bond recently that raised sewer fees. All information was received from San Diego, Los Angeles, Anaheim, Oakland, Seattle Sacramento and San Jose.

### **1. SUMMARY OF FEE COMPARISON RESULTS FOR EACH PROJECT TYPE AND SIZE**

The following presents a summary of survey findings for plan check and building permit fees by project type listed in section 1.2 above:

- **Office Tenant Improvements:** Results were all over the board, ranging from \$2,000 to \$13,000. San Francisco's current fees are in the low end of this range, at \$3,469.
- **Retail Tenant Improvements:** Results were pretty close here, averaging about \$2,000 among all jurisdictions. San Francisco's current fees are the second to highest of jurisdictions responding for this project type, at \$4,149.
- **Hi Rise Office Building – New Construction:** Results varied greatly here, ranging from \$50,000 to \$400,000. Most jurisdictions submitted about a \$100,000 fee, while Oakland's jumped to \$400,000. San Francisco's current fees are in the middle of this range, at \$155,976.
- **Hi Rise Residential Condominium Building – New Construction:** Most jurisdictions were in the ballpark here, with a fee of about \$100,000. Again, Oakland submitted the highest fee at \$500,000. San Francisco's current fees are in the middle of this range, at \$174,417.
- **Mixed Use Building – New Construction (podium construction):** Everyone was in the ballpark again with about a \$50,000 average except for Oakland, at over \$200,000. San Francisco's current fees are in the middle of this range, at \$118,321.

- **Single Family Home – New Construction:** The average was about \$4,000 here. San Francisco's current fees are in the middle to low end of this range, at \$3,484.
- **Single Family Home – Addition (Vertical or Horizontal):** Everyone was in the ballpark here at about \$2,000. San Francisco's current fees fall in the middle of the range at \$2,603.
- **Single Family Home – Remodel (bathroom and/or kitchen space):** The average was about \$1,000. San Francisco's current fees are the lowest of the range, at \$517.

While determining fee calculations shown in the appendix to this report, Solem and Associates asked jurisdictions which plan review and inspections each permit fee covered. Responses indicated that these fees generally cover all inspections related to architectural, structural, energy and disabled access compliance.

Solem also asked each jurisdiction if the fee calculations included inspections and plan review fees related to mechanical, electrical and plumbing items. Most jurisdictions said that their plan check fees cover building mechanical, electrical and plumbing review in addition to architectural, structural, energy and disabled access. However, most building permit fees only cover inspections related to architectural, structural, energy and disabled access compliance. When jurisdictions were asked to provide a separate estimate for mechanical, plumbing, and electrical permit fees for each project type, data was not provided, except for in the case of San Jose. Surveyed jurisdictions felt it was too time intensive and cumbersome to try and estimate these fees, given that most of these jurisdictions base these permit fees on unit counts of fixtures, etc. per project.

## **2. SUMMARY OF RESULTS FOR ADDITIONAL SURVEY QUESTIONS**

The following is a summary of results for each additional question noted above in section 1.3 of this report, in the same numerical order:

1. Most jurisdictions do not charge a separate fee for Disabled Access plan review. Los Angeles, however, does. Other fees assessed could include Mapping Fee, General Plan Maintenance Fee, Hazmat Fee, and Permit Issuance Fee and/or a fee for parking facilities outside of buildings; floodplain approval/license fee; demolition/relocation fee; site review fee (hourly fees for certain employees that are drainage or geotechnical engineers); standard plans; factory built structures; single-family earthquake retrofits; swimming pools.
2. Most jurisdictions do use the valuation method. If not, jurisdictions generally either based their fees on the time it takes to perform each plan check and inspection or developed some type of development fee index (DFI) method.
3. Half of surveyed jurisdictions said yes, the other half said no to whether a formal recovery policy had been adopted.
4. All jurisdictions surveyed, except San Francisco, answered yes to whether their fees for service attempted to recover for costs associated with technology improvements, records management, etc.
5. Most jurisdictions review or update their rates by CPI or otherwise, annually.
6. Most jurisdictions do not increase multi-year project fees by a CPI or other adjustment factor. Fees may be modified to a current fee subtitle when the permit is not issued within 12 months of the start of the initial review unless there is reasonable and continuous progress on the completion of the permit requirements. Otherwise, the fees are based on the fee subtitle in effect at the time of application.
7. Most jurisdictions said they do have an expedited plan review service and the additional cost is 50% of the normal plan check fees they assess.
8. Hourly rates varied by jurisdiction, averaging about \$100. They start at \$75 and go up to \$165.

## 2. MATRIX OF PLAN CHECK AND BUILDING PERMIT FEE COMPARISONS BY PROJECT TYPE

The following table presents the detailed results of plan check and building permit fee responses for each jurisdiction included in the comparative survey:

JURISDICTION	PROJECT TYPE	SIZE	CONSTRUCTION TYPE	OTHER	PLAN CHECK	BUILDING PERMIT	TOTAL
	Office Tenant Improvement	5,000	Existing Type I building	Include sprinklers			
San Diego					\$98	\$12,946	\$13,044
Los Angeles					\$986	\$1,095	\$2,081
Anaheim					\$1,996	\$1,205	\$3,201
Oakland					No breakout available	No breakout available	\$12,009
Seattle					No breakout available	No breakout available	\$8,994
San Jose					\$3,603	\$2,673	\$6,276
Sacramento					\$3,043	\$3,165	\$6,209
San Francisco – Current Fees					\$1,310	\$2,159	\$3,469
	Retail Tenant Improvement	2,000	Existing Type V building				
San Diego					\$98	\$1,607	\$1,705
Los Angeles					\$572	\$635	\$1,207
Anaheim					\$792	\$485	\$1,277
Oakland					No breakout available	No breakout available	\$3,017
Seattle					No breakout available	No breakout available	\$3,100
San Jose					\$2,770	\$2,301	\$5,070
Sacramento					\$1,335	\$1,417	\$2,752
San Francisco – Current Fees					\$1,031	\$3,118	\$4,149

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JURISDICTION	PROJECT TYPE	SIZE	CONSTRUCTION TYPE	OTHER	PLAN CHECK	BUILDING PERMIT	TOTAL
	Hi Rise Office Building – New Construction	120,000	Steel Frame Type I building				
San Diego					\$98	\$70,910	\$71,008
Los Angeles					\$49,768	\$55,298	\$105,066
Anaheim					\$31,006	\$19,003	\$50,009
Oakland					No breakout available	No breakout available	\$399,406
Seattle					No breakout available	No breakout available	\$104,740
San Jose					\$10,410	\$21,344	\$31,754
Sacramento					\$80,784	\$80,940	\$161,723
San Francisco – Current Fees					\$61,958	\$94,019	\$155,977
	Hi Rise Residential Condominium Building – New Construction	150,000	Concrete Shear Wall Type I building				
San Diego					\$98	\$75,916	\$76,014
Los Angeles					\$56,232	\$62,480	\$118,712
Anaheim					\$31,133	\$19,081	\$50,214
Oakland					No breakout available	No breakout available	\$502,283
Seattle					No breakout available	No breakout available	\$108,115
San Jose					\$56,536	\$189,328	\$245,864
Sacramento					\$103,982	\$104,002	\$207,985
San Francisco – Current Fees					\$68,663	\$105,754	\$174,417
	Mixed Use Building – New Construction (podium	Includes: 80,000 Residential 10,000 Retail	Residential = Type V One-Hour Retail = Type V One-Hour Parking = Type I				

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JURISDICTION	PROJECT TYPE	SIZE	CONSTRUCTION TYPE	OTHER	PLAN CHECK	BUILDING PERMIT	TOTAL
	construction)	10,000 Parking Garage					
San Diego					\$98	\$46,238	\$46,336
Los Angeles					\$27,504	\$30,560	\$58,064
Anaheim					\$28,118	\$17,233	\$45,351
Oakland					No breakout available	No breakout available	\$239,231
Seattle					No breakout available	No breakout available	\$58,430
San Jose					\$42,975	\$94,474	\$137,449
Sacramento					\$44,501	\$44,870	\$89,371
San Francisco – Current Fees					\$47,124	\$71,197	\$118,321
	Single Family Home – New Construction	Home = 2,400 Garage = 600	Type V building				
San Diego					\$98	\$4,472	\$4,570
Los Angeles					\$1,232	\$1,108	\$2,340
Anaheim					\$2,925	\$1,793	\$4,718
Oakland					No breakout available	No breakout available	\$8,903
Seattle					No breakout available	No breakout available	\$4,162
San Jose					\$1,891	\$2,131	\$3,962
Sacramento					\$1,095	\$2,003	\$3,098
San Francisco – Current Fees					\$1,372	\$2,112	\$3,484
	Single Family Home – Addition (Vertical or Horizontal)	1,000	Type V building				
San Diego					\$98	\$2,213	\$2,311
Los Angeles					\$621	\$690	\$1,311
Anaheim					\$1,103	\$676	\$1,779



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<b>JURISDICTION</b>	<b>PROJECT TYPE</b>	<b>SIZE</b>	<b>CONSTRUCTION TYPE</b>	<b>OTHER</b>	<b>PLAN CHECK</b>	<b>BUILDING PERMIT</b>	<b>TOTAL</b>
<b>Oakland</b>					No breakout available	No breakout available	\$2,870
<b>Seattle</b>					No breakout available	No breakout available	\$2,568
<b>San Jose</b>					\$1,051	\$2,098	\$3,149
<b>Sacramento</b>					\$544	\$1,026	\$1,570
<b>San Francisco – Current Fees</b>					\$894	\$1,709	\$2,603
	<b>Single Family Home – Remodel (bathroom and/or kitchen space)</b>	<b>Value of approx \$30,000</b>	<b>Type V building</b>				
<b>San Diego</b>					No breakout available	No breakout available	\$1,009
<b>Los Angeles</b>					\$315	\$350	\$665
<b>Anaheim</b>					Charge on hourly basis (\$165.92/hr)	Charge based on number of inspections (\$131.60/inspection)	n/a
<b>Oakland</b>					No breakout available	No breakout available	\$1,891.80
<b>Seattle</b>					No breakout available	No breakout available	\$1,029.50
<b>San Jose</b>					No data provided	No data provided	No data provided
<b>Sacramento</b>					\$271	\$530	\$801
<b>San Francisco – Current Fees</b>						\$517	\$517

### 3. DETAILED RESPONSES TO ADDITIONAL SURVEY QUESTIONS

The following presents each surveyed jurisdiction's responses to additional survey questions presented by Solem and Associates:

1. **DO YOU CHARGE A SEPARATE FEE FOR DISABLED ACCESS PLAN REVIEW AND/OR INSPECTION? IN ADDITIONAL TO ABOVE FEES, WHAT OTHER FEES ARE ASSESSED FOR THESE PERMITS, SUCH AS APPLICATION FEE, FILING FEE, RECORDS FEE, PROCESSING FEES, ETC.?**
  - **San Diego:** No. Other fee examples include: Mapping Fee, General Plan Maintenance Fee, Hazmat Fee, and Permit Issuance Fee.
  - **Los Angeles:** There is a separate fee for disabled access plan review and inspection. There is also a fee for Energy review.
  - **Anaheim:** No, we do not charge a separate plan check and permit fee for reviewing plans and providing inspection on disabled access compliance. We do not have application, filling and processing fees. We do charge \$1 imaging fee per sheet of approved blue print.
  - **Oakland:** No. Application fee, filing fee, records fee and technology enhancement fee are included in the estimate.
  - **Seattle:** DPD does not charge a separate fee for disabled access plan review nor for it's inspections. The review and inspection of any code required accessibility upgrades would be done under the permit & plan review fees. However depending on the type of permit, there are a multitude of additional fees that may be incurred to apply for the permit (or for the permit to be issued) that may not be related to the fee based on valuation or may be in addition to the fee based on valuation. Some of those include: a fee for parking facilities outside of buildings; floodplain approval/license fee; demolition/relocation fee; site review fee (hourly fees for certain employees that are drainage or geotechnical engineers); standard plans; factory built structures; single-family earthquake retrofits; swimming pools. These additional fees are listed in Table D-2 of the fee subtitle.
  - **San Jose:** Disabled review and inspection is included, no separate fee. Records fee is also included.
  - **Sacramento:** Disabled access, NO. Technology Fee and General Plan Fee, Yes.

- **San Francisco:** Does not currently charge separate fees in this area.
- 2. **DO YOU USE THE VALUATION METHOD TO DETERMINE YOUR PERMIT FEES? IF NOT, WHAT METHOD DO YOU USE?**
- **San Diego:** Our fees are based upon the time it takes to perform the plan check and inspection for various project types
- **Los Angeles:** Yes. We use the valuation method to determine our building plan check and permit fees.
- **Anaheim:** No, we do not use the valuation method to determine our plan check and permit fees. Instead, our fees are based on square footage, occupancy and type of construction of the projects.
- **Oakland:** Yes.
- **Seattle:** Valuation method is based on the determination of a development fee index (DFI). The fees associated with the permit fee and plan review fee are based on the DFI. The DFI is based on a sliding scale and is shown in Table D-1 in the fee subtitle.
- **San Jose:** Service fees are based on several criterion attributed to the type and scope of the work proposed but fees are no longer associated with value. They are based on primarily the following:
  - Fee tables are separate for each of the categories of Commercial/Industrial, Multi-family, and Single Family.
  - Base fees are intended to compensate for hours spent of 80% of like projects based on historical data.
  - Additional fee increments added to a base fixed fee are proportional to the square feet of the area of work.
  - Criterion for the base hours assessed for single family detached work is based on the type of work. Multi-family hours assessed are based primarily on the number of units and the average size of each unit. Commercial/Industrial finish/alteration fees are modified by occupant use, while type of structural system modifies the assessment for the shell portion of a new commercial/industrial building.
- **Sacramento:** New Construction, Yes. Not new - Contractor Value.
- **San Francisco:** Currently uses the valuation method, and establishes their own

table based on the Marshall and Swift Construction indices.

**3. HAS YOUR DECISION MAKING BODY ADOPTED A FORMAL COST RECOVERY POLICY FOR BUILDING AND SAFETY FEES?**

- **San Diego:** Our department is an Enterprise Fund, so our fees must be cost recoverable.
- **Los Angeles:** Our fees are to recover the cost of work associated with plan check and permits. There is a separate surcharge to deal with technology improvements and building improvements to our construction services centers.
- **Anaheim:** Yes.
- **Oakland:** No.
- **Seattle:** The decision making body for DPD's fees is the City Council. There does not appear to be any formal cost recovery policy for Building & Safety fees.
- **San Jose:** The City Manager and Council expect proposed service fees to provide full cost recovery for the Building Division.
- **Sacramento:** No.
- **San Francisco:** The Building Fund is a Special Revenue fund and therefore established as a 100% cost recovering operation.

**4. DO THE BUILDING AND SAFETY FEES FOR SERVICE RECOVER FOR COSTS ASSOCIATED WITH TECHNOLOGY IMPROVEMENTS, RECORDS MANAGEMENT, OFFICE SPACE, CODE ENFORCEMENT, REVIEW OF SUBDIVISIONS, ETC.?**

- **San Diego:** Yes.
- **Los Angeles:** Building permit fees cover only work related to inspection. A separate fee covers technological improvements.
- **Anaheim:** Yes, it does. However, code enforcement and review of subdivision are under separate departments and they have their own fee structures.
- **Oakland:** Yes.
- **Seattle:** The permit and plan review fees do cover the costs associated with technology improvements, records management, office space. However, some code enforcement fees are recovered through the use of a "special investigation fee". This fee is added to permits that are associated with Notice of Violations. The fee is a stepped fee based on the value of the work and can be seen in

Table B-2. This analysis has not discussed any fees that would be incurred with Land Use permits for projects such as, administrative conditional uses, design review, SEPA, shoreline, short subdivisions, variances, council conditional uses, full subdivisions, and zoning map changes and rezones.

- **San Jose:** Building Division Service fees are intended to be based on hourly rates that are inclusive of our entire budget including overhead, though recent studies indicates the rates are undervalued. Code enforcement that is building code related and occurs within our Division is structured to charge the same type of fees as typical permit applications to achieve cost recovery. Division fees are not structured to subsidize other development services such as entitlements.
  - **Sacramento:** Yes.
  - **San Francisco:** Surcharges exist on alteration permits and apartment house and hotel license fees for such structures constructed prior to 1979. The surcharges are intended to fund lead abatement regulation.
- 5. WHAT TYPE OF INCREASE MECHANISM (CPI OR OTHERWISE) IS UTILIZED TO UPDATE THE BUILDING AND SAFETY FEES FOR SERVICE AND HOW OFTEN?**
- **San Diego:** N/A
  - **Los Angeles:** Our fee schedule has not been changed in many years.
  - **Anaheim:** The hourly rates are reviewed on annual basis based upon our full cost recovery program.
  - **Oakland:** Annual fee schedule change.
  - **Seattle:** As discussed previously, the permit fee and plan review fee for new construction projects are based on determining the value of construction by determining the construction type and occupancy. Each construction type and occupancy would have a different value associated with it, multiplied by the square footage. This value is based on the Building Valuation Data (BVD). The current BVD is based on ICC August 2007 BVD and modified for the Seattle area to keep the fees in line with current market conditions by increasing the ICC BVD by 9%. This update is done once a year and is effective January 1.
  - **San Jose:** Service fees are based on estimated hours of service given fixed project parameters. Thus only a periodic review of historical data of time reported is required for updates.

- **Sacramento:** Valuation calculated based on ICC (ICBO/California UBC) tables. Updates must be adopted by City Council. Building Fees currently based on 2007 rates.
- **San Francisco:** The current fee schedule does not have an increase mechanism included.

**6. DO YOU INCREASE MULTI-YEAR PROJECT FEES BY A CPI?**

- **San Diego:** We are currently involved in a fee study, and we intend to include this factor as part of the fees.
- **Los Angeles:** The permit fee is assessed at the time of the permit issuance. This fee is the same regardless of the duration of the project.
- **Anaheim:** No.
- **Oakland:** No.
- **Seattle:** Fees may be modified to a current fee subtitle when the permit is not issued within 12 months of the start of the initial review unless there is reasonable and continuous progress on the completion of the permit requirements. Otherwise, the fees are based on the fee subtitle in effect at the time of application.
- **San Jose:** No
- **Sacramento:** No.
- **San Francisco:** No.

**7. DO YOU HAVE PREMIUM EXPRESS, OR EXPEDITED PLAN REVIEW? IF SO, WHAT ARE THE RELATED FEES?**

- **San Diego:** An initial fee of \$1,000, and an addition 50% added to the plan check fee.
- **Los Angeles:** The cost of expedited plan review service is 50% of the plan check fee for a project. That fee is used to pay for off-hour plan review.
- **Anaheim:** We do have expedited plan review service and the additional cost is 50% of the normal plan check fees we assess.
- **Oakland:** Expedited plan review is provided at \$173.00 per hr/1 hr min

- **Seattle:** DPD currently does not have any fees related to premium express or expedited plan review, although historically that has been an option that the fee subtitle allowed. However the current policy is that depending on the complexity of the project, some projects have an expedited review including STFI permits issued over the counter while the applicant waits at application, however no additional fees are paid for those reviews.
- **San Jose:** We have 4 primary types of review service:
  1. Regular: Normal fee based on 80th percentile of past reported time to review work proposed.
  2. Minor: Counter walk-in customer that requires minimal code review. 1/2 hour minimum charge with additional charge by the hour if required.
  3. Express: Review for one hour appointment. Fee initially assessed for one hour. Additional review time is charged by the hour. A 50% surcharge is applied to the initial assessment and any additional hours expended.
  4. Intermediate: As in Regular review, with a 50% surcharge applied to initial assessment and any additional hours expended. 1st cycle review period target reduced to 5 business days.

Note that though additional hours reported beyond those covered by the initial fee assessment are billable to the customer, for "Regular" review, additional fees are limited to the time spent after the 2nd hour of the 2nd cycle of review. This limitation does not apply to other review types.

- **Sacramento:** Yes - related fee = 1 1/2 Plan Review Fee.
  - **San Francisco:** Current fee for express plan review is 50% on top of the original plan review fee.
8. **WHAT IS YOUR HOURLY RATE FOR ADDITIONAL SERVICES PROVIDED BY INSPECTORS, ENGINEERS, AND SUPPORT STAFF?**
- **San Diego:** \$99 for inspectors, \$144 for engineers.
  - **Los Angeles:** Our hourly fee for miscellaneous services such as revisions is \$75 per hour.
  - **Anaheim:** Our hourly rates for engineers (plan examiners), inspectors and support staff are \$165.92, \$131.60 and \$131.60, respectively.
  - **Oakland:** \$157/hour applies to inspector, \$173/hour applies to engineers and support staff.

- **Seattle:** The hourly rate for additional services is \$155/hour. This fee is the 'base fee', which many of the other fees are based on. Typically, when a project is required to be revised, the hourly fee is incurred to review the revised plan is based on the hourly fee. Also, the base fee is paid for inspection requests not during normal business hours.
- **San Jose:**

Code Review – All Staff:	\$191 per hour
Field Inspection	\$187 per hour
Permit Specialist Processing	\$114 per hour
- **Sacramento:**

Clerical:	\$50
Technicians:	\$75
Inspectors:	\$75
Plan Check:	\$85
- **San Francisco:** San Francisco's hourly rate for additional services is currently \$80.00 per hour.





