



City of Sacramento City Council

20

915 I Street, Sacramento, CA, 95814
www.CityofSacramento.org

Meeting Date: 10/25/2011

Report Type: Public Hearing

Title: Solar Photovoltaic and Water Heating Systems Fee Adjustments (Publishing Not Required]

Report ID: 2011-00854

Location: Citywide

Recommendation: Conduct a public hearing and upon conclusion adopt a Resolution adjusting permit fees for solar photovoltaic and solar water heating systems.

Contact: Tom Pace, Principal Planner, (916) 808-6848, Community Development Department

Presenter: Ryan Devore, Chief Building Official, (916) 808-8860, Community Development Department

Department: Community Development Dept

Division: Long Range Planning

Dept ID: 21001222

Attachments:

- 1-Description/Analysis
- 2-Background
- 3-Resolution
- 4-Exhibit A

City Attorney Review

Approved as to Form
Paul Gale
10/18/2011 9:59:31 AM

City Treasurer Review

Reviewed for Impact on Cash and Debt
Russell Fehr
10/11/2011 10:16:36 AM

Approvals/Acknowledgements

Department Director or Designee: Max Fernandez - 10/13/2011 11:25:51 AM



Description/Analysis

Issue: As part of the City's ongoing efforts to incentivize solar energy and improve the permitting process, staff is proposing a fee for certain solar projects to include components for plan review and inspections based on cost recovery, which will help to reduce the overall costs of solar projects.

The City Council formally adopted the Midyear Fees and Charges Report (Report #2011-00430) on June 14, 2011 (Resolution No. 2011-357). The report included a change to the Community Development Department's plan review and building permit fee for residential solar photovoltaic (PV) and solar water heating systems (SWHS). The changes included a new flat fee including components for both plan review and inspections of \$280 for a PV System up to and including 4 kilowatts (kW) in size. The flat fee of \$280 applied also to a standard 50 gallon tank SWHS.

Staff is now proposing to adjust the residential flat fee (including components for plan review and inspections) to a graduated base fee, which will extend to all residential PV projects up to and including 10 kW in size; and to residential SWHS up to and including 120 gallons in size. In addition, staff is proposing to adopt a graduated base rate (including components for plan review and inspections) determined by hourly review rates and system sizes for residential PV projects over 10 kW in size and on all commercial PV systems, rather than charging permit fees based on construction valuation (see Exhibit A).

The proposed adjustments to plan review and building permit fees for solar projects will allow staff to recover 100% of estimated City costs while still providing significantly reduced permit fees for solar projects. A sample 131 kW PV system, valued at \$1.2 million, currently incurs a combined plan review and building permit fee of approximately \$19,000 (including other fees). Under the proposed changes, a permit for the same system size would be approximately \$4,480 (including other fees), resulting in permit cost savings of over 77%.

Policy Considerations: The proposed fee adjustments for Solar PV and SWHS are consistent with the City's goals and policies as established by the 2030 General Plan adopted by the City Council In March 2009. These goals include:

- **Goal U 6.1 – Energy Resources: Adequate Level of Service.** Provide for the energy needs of the city and decrease dependence on nonrenewable energy sources through energy conservation, efficiency, and renewable resource strategies.
- **Policy U 6.6.1 Renewable Energy.** The City shall encourage the installation and construction of renewable energy systems and facilities such as wind, solar, hydropower, geothermal and biomass facilities.

Environmental Considerations Activities described in this report are administrative and fiscal in nature and do not constitute a project as defined by Section 15378 of the California Environmental Quality Act (CEQA) guidelines. Appropriate environmental review will be conducted for each solar PV or SWHS at the time of permit review and issuance, where applicable.

Sustainability: The proposed fees for Solar PV and SWHS are consistent with the City's goals and policies as established by the Sustainability Master Plan, adopted by the City Council in December 2007, by improving the availability of locally and regionally produced renewable energy. Charging fees for plan review and inspections based on valuation of solar equipment results in high permit fees due to relatively high equipment costs. Permit fees should be based on full cost recovery to review, process and inspect such systems. In addition, regardless of system size, the hours required for plan review, processing and inspecting solar energy systems do not vary significantly between small-scaled and larger-scaled systems.

Financial Considerations: The proposed adjustments to fees for solar projects (including fees for plan review and inspections) will allow staff to recover 100% of estimated costs for a streamlined permit process while still providing significantly reduced permit fees for solar projects. The adjustments are based on staff's estimate of a reasonable time allocation for processing, plan review, and inspections at the department's hourly rate of \$140/hr. Additional plan review or inspections beyond the allocated hours assumed in the base rates shown in Exhibit A shall incur additional fees.

Proposition 26 was passed by the voters on November 2, 2010, to amend Article XIII C of the state Constitution. According to the ballot measure, the intent of the measure is to ensure the effectiveness of Propositions 13 and 218 by providing a definition of a "tax" for state and local purposes "so that neither the Legislature nor local governments can circumvent these restrictions on increasing taxes by simply defining new or expanded taxes as 'fees'." Thus, under Proposition 26 a tax has been defined very broadly to include any levy, charge, or exaction of any kind imposed by a local government, except for seven specified categories of charges. Moreover, the City bears the burden of proving that a fee or charge is not a tax.

The proposed fee adjustments are not a tax under Proposition 26, as they fall under Exception 2, a fee for government services. The proposed fee, based on hourly review, recoups 100% of the Department's actual cost of providing the service. No fee waivers are provided, and costs are allocated equally to anyone receiving the service.

Emerging Small Business Development (ESBD): No goods or services are being purchased under this report.

BACKGROUND

On July 31, 2007, the City Council adopted an Ordinance to suspend for the calendar years 2007-2009 all City imposed fees related to the installation of new or replacement solar photovoltaic (PV) systems on existing residences (Ordinance No. 2007-062). A companion Ordinance that suspended building fees for solar water heating systems (SWHS) was adopted on October 2, 2007 (Ordinance No. 2007-076). The fee waivers expired on December 31st, 2009. No further action was taken by the City Council to extend the fee waivers and building fees for solar projects reverted back to being based on construction valuation.

California General Government Code Section 66014 provides that any local agency charging fees for building permits and building inspections should charge permits based on a reasonable cost of providing the service and that:

“those fees may not exceed the estimated reasonable cost of providing the service for which the fee is charged, unless a question regarding the amount of the fee charged in excess of the estimated reasonable cost of providing the services or materials is submitted to, and approved by, a popular vote of two-thirds of those electors voting on the issue.”

A flat fee for solar projects based on actual inspection and review costs was widely supported by recent round table discussions in the Green Building Task Force and Clean Tech CEO stakeholder meetings, rather than a project valuation-based fee, because solar equipment costs are much higher than with other projects of similar scope such as HVAC equipment. This results in solar permit fees that are much higher fees than for projects with similar scopes of work. The higher cost and uncertainty of fees represents a barrier to advancing local adoption of solar PV and water heating systems.

The City of Sacramento recently adopted a flat building permit fee of \$280 for Solar Photovoltaic Systems (PV) up to and including 4 kW in size, and for Solar Water Heating Systems (SWHS) for up to and including 50 gallon tanks in size, that became effective August 15, 2011 (Resolution 2011-357). The flat rate is based on an estimated one hour plan review and one inspection. Currently, all permit fees for PV systems over 4 kW in size and SHWS with tanks larger than 50 gallons are determined based on construction valuation.

The Sierra Club, Loma Prieta Chapter recently published a comparative photovoltaic building permit fee report, [Solar Electric Permit Fees for Commercial & Residential Installations in Sacramento County](#), on August 19, 2011. The Sierra Club survey featured two sample systems – a 3 kW residential system (valuation of \$27,000 and 320 square feet in size) and a 131 kW commercial system (valuation of \$1,200,000 and 8,634 square feet in size). The study found that the City of Sacramento charges an average of \$305 for residential permits and \$19,347 for commercial solar permits based on the study’s sample sizes. The permit fee of \$305 reflects the residential flat fee adopted by the Council on June 14th while the commercial permit fee is based on construction valuation rather than an hourly rate. Comparatively, the City is shown to be in-line with the six other permitting authorities within Sacramento County for residential solar permits but is charging a substantially higher fee for commercial solar applications. Table 1 below illustrates the study’s findings, based on the sample sizes:

Table 1 – Sierra Club, Solar Permit Fee Comparison within Sacramento County		
Jurisdiction	3 kW PV System Permit Fee**	131 kW PV System Permit Fee**
County of Sacramento	\$537	\$14,920
City of Sacramento	\$305	\$19,347
Galt	\$1	\$3,264
Rancho Cordova*	\$0	\$13,427
Elk Grove	\$390	\$1,497
Folsom	\$410	\$6,251
Citrus Heights*	\$875	\$11,605
*Fees under review		
**Permit Fees in the Sierra Club survey include other building fees.		
Source: <i>Solar Electric Permit Fees for Commercial & Residential Installations in Sacramento County - A Comparative Report</i> , Sierra Club, Loma Prieta Chapter, 2011		

Staff is now proposing to increase the residential PV system size allocation that is covered under the flat fee to extend up to 10 kW in size, and for residential SWHS up to 120 gallon in size (for ground-mounted tanks on slab only). SWHS tanks that are roof-mounted or on a raised platform will require additional review fees at the hourly rate.

In addition, proposed changes to building permit fees will include a graduated base rate for residential PV over 10 kW in size and for all commercial PV systems, which will be determined by an hourly review rate based on an estimated number of hours plus inspections. Additional fees will apply if the pre-determined review times are exceeded or if a re-inspection is necessary; examples include, but are not limited to, if residential PV/SWHS panels exceed 50% roof coverage then Fire Department review will be required or if PV/SWHS panels exceed 5lbs distributed weight then structural review will be required.

Every PV and SWHS permit will include plan review, inspection and processing fees in addition to other building permit fees (i.e. Strong Motion Instrumentation, State of California Green Building) that are based on project valuation. The permit base rates are determined by the hourly rates depending on how many hours are required for each application review type and system size. For residential PV up to 10 kW project applicants will be required to follow the City's Solar PV submittal guidelines.

The hourly rates for determining the permit base rate are listed below:

Plan Review:

- Electrical, \$140/hour
- Structural, \$140/hour
- Fire, \$140/hour

Inspections:

- Electrical, \$140/hour
- Structural, \$140/hour
- Fire, \$140/hour

Other fees included in the base rate:

- Planning review, \$140/hour (estimated 30 min.)
- Technician fee \$140/hour

Other fees that apply based on valuation but are NOT included in the base rate are:

- Strong Motion Instrumentation (SMI) fee
- City Business Operations Tax
- Green Building fee
- General Plan fee
- Technology fee

Under staff's proposed fee adjustments, a permit for a 131 kW PV system that was priced at over \$19,000 (including other fees) in the City of Sacramento per our current fee schedule, as noted in Table 2 below, would now be reduced to \$4,484.20 (including other fees), resulting in a reduction of over 77%. Staff thinks that the proposed fee adjustments will more accurately allow the City to recover its costs for processing, plan review and inspections.

Table 2 – Fee Comparison for 131 kW PV System	
Current Fees (including other fees) based on Construction Valuation	\$19,347.46
Proposed Fees (including other fees) based on Hourly Rate	\$4,484.20
Total Savings	\$14,863.26 (77% savings)

On October 6, 2011, staff conducted a stakeholder meeting to discuss the proposed solar fee schedule. Representatives from the California Solar Energy Industries Association (CALSEIA), the Sacramento Municipal Utilities District and regional partners provided positive feedback and were supportive of the proposed fee changes and adjustments. No requests for notice pursuant to Government Code Section 66016 were received.



RESOLUTION NO. 2011-XXX

Adopted by the Sacramento City Council
October 25, 2011

APPROVING FEE ADJUSTMENTS FOR SOLAR PROJECTS

BACKGROUND:

- A. On June 14, 2011, the City Council adopted the Streamlined Permit for Residential Solar Photovoltaic (PV) and Solar Water Heating Systems (SWHS) Permit Fee (Resolution No. 2011-357).
- B. The proposed method of assessing and collecting fees based on an hourly rate of \$140 times the number of hours shown in Exhibit A is as simple as possible and is sensitive to the market for similar services.
- C. The proposed fees are based on cost recovery and do not exceed the overall cost of providing the facility, infrastructure or service for which the fee is imposed.
- D. The proposed fees and fee adjustments will allow staff to recover 100% of estimated costs for a streamlined permit process while still providing significantly reduced permit fees for solar projects.
- E. Reducing the cost of solar projects will contribute to the growth of the solar industry in Sacramento and create jobs, while also helping to reduce greenhouse gas emissions through the expansion of renewable energy and distributed generation technology.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The proposed fee adjustments as set forth in Exhibit A are hereby approved.
- Section 2. Exhibit A is part of this resolution.

Table of Contents:

Exhibit A - Solar Permit Fee Adjustments



Solar Fee Adjustments

Base Fee Schedule for Solar PV and SWHS Permits¹

Technology	Application Type, Size	How Fee is Determined	Permit Fee
SWHS	Residential, up to 120 gallons tanks (ground-mounted tanks on slab only)	1 hour Plan Review + 1 hour Inspection =	\$280
PV	Residential, up to 10 kW	1 hour Plan Review + 1 hour Inspection =	\$280
PV	Residential, 10.1 kW - above	1.5 hour Plan Review + 1 hour Inspection + 0.5 hour Planning fee + 1 hour Technician fee =	\$560
PV	Commercial, up to 10 kW	2 hours Plan Review + 2 hours Inspection + 0.5 hour Planning fee + 1 hour Technician fee =	\$770
PV	Commercial, 10.1 to 25 kW	5 hours Plan Review + 3 hours Inspection + 0.5 hour Planning fee + 1 hour Technician fee =	\$1,330
PV	Commercial, 25.1 kW – 50 kW	6 hours Plan Review + 3 hours Inspection + 0.5 hour Planning fee + 1 hour Technician fee =	\$1,470
PV	Commercial, 50.1 kW -150 kW	10 hours Plan Review + 6 hours Inspection + 0.5 hour Planning fee + 1 hour Technician fee =	\$2,450
PV	Commercial, 150.1 kW -500 kW	12 hours Plan Review + 12 hours Inspection + 0.5 hour Planning fee + 1 hour Technician fee =	\$3,570
PV	Commercial , 500.1 kW – 3 MW	29 hours Plan Review + 22 hours Inspection + 0.5 hour Planning fee + 1 hour Technician fee =	\$7,350

¹ Fee shown is the base rate only (\$140 hourly rate x number of hours shown) and does not include estimates of valuation-based other fees, which will vary from project to project. Additional fees may apply if pre-determined hours of review and number of inspection are exceeded.