



REPORT TO COUNCIL

21

City of Sacramento

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Staff Report

July 25, 2006

**Honorable Mayor and
Members of the City Council**

Title: MATRIX Funding Strategy

Location/Council District: All Council Districts

Recommendation: Adopt a **Resolution** 1) adjusting the City of Sacramento building valuation tables to conform with the April 2002 International Council of Building Officials (ICBO) valuation tables as permitted by City Code Section 15.08.110; 2) increasing the residential plan check fee from the current level of 32% of the building permit fee to 42%; 3) increasing by 32 the number of Full Time Equivalents (FTE) in the development-related departments; and 4) adjusting the FY07 operating revenue and expense budgets of the development-related departments by \$3.5 million.

Contact: William A. Thomas, Director of Development Services, (916) 808-1918;
Gregory J. Schulte, Program Manager, (916) 808-7116

Presenter: William A. Thomas, Director of Development Services

Department: Development Services

Division: Administration

Organization No: 4811

Description/Analysis

Issue: After a successful pilot demonstration, the MATRIX business model for development application processing is recommended for expansion citywide. Expanding MATRIX to all areas of the City will necessitate an increase in staffing and resources. The City's development-related departments are recommending a total of 32 new positions and support resources totaling \$3.5 million to support the citywide implementation of MATRIX.

To off-set the cost of the additional resources, staff recommends an update to the valuation tables utilized to calculate building fees and an increase in the residential plan check fees. The City's valuation tables have not been revised since 1998 and the residential plan check fees have not been increased since 1993 (see Attachment 1 for background information). Furthermore, this is the first part of a two step process in the overall review of development fees. The second part, is estimated to return to Council in fall 2006 and will focus on updating and simplifying the development fee structure.

Policy Considerations: State law and building industry standards specifies that fees shall not exceed the amount reasonably required to administer or process permits. Currently, costs to administer and process building permits exceed the fees collected. For FY05, costs exceeded revenue by \$2.2 million. Staff is requesting adjustment to the City's valuation tables and residential plan check fees only in an amount to necessary to recover costs for the additional FTE and resources needed to expand MATRIX citywide. Even with the requested fee increase, total fees collected will not cover the full cost of administering and processing building permits.

Committee / Commission Action: In the 2005-2006 Development Oversight Commission (DOC) Annual Report presented to Council on March 21, 2006, the following actions were presented and received by Council:

1. Expansion of the MATRIX review process to include all areas of the City
2. Funding and staffing augmentations to facilitate the expansion of MATRIX.
3. Providing permanent funding support for increased staff resources through an appropriate fee structure.

On June 29, 2006, the FTE requirements and fee recommendations were presented and approved by the DOC.

Environmental Considerations: None

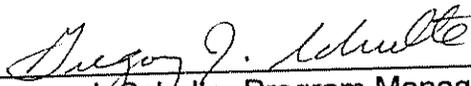
Rationale for Recommendation: The MATRIX business model for processing development applications has been well-received by both customers and staff and has been recommended for expansion on a citywide basis. Development Services staff conducted two "brown bag" forums for our customers on July 6th and July 13th. Invitees included 10 various organizations, associations, and development entities. There were 12 attendees at the forums and no opposition was expressed to the proposed fee changes.

Expansion the MATRIX program will entail additional resources and staff. Based upon staff research, the ICBO April 2002 Valuation Tables are being utilized by other California jurisdictions and represent a generally accepted fee calculation methodology within the development industry and the proposed increase in residential plan check fees are also in line with other local jurisdictions. Therefore, staff believes the proposals contained in this report represent a reasonable methodology for increasing revenue to off-set the estimated costs of expanding the program, while remaining competitive with other jurisdictions in regards to development fees.

Financial Considerations: The cost to expand MATRIX citywide is estimated at \$3.5 million in one-time and on-going costs and 32.0 FTE (see Attachment 2). By updating the current valuation tables to the April 2002 ICBO tables and increasing the residential plan check fee from the current level of 32% of the building permit fee to 42%, it is estimated to yield \$3.5 million based upon 2005 activity levels. Since all projects vary by size, building type and construction materials, it is impractical to provide an "across

the board" percent increase, and attached are four sample fee scenarios to demonstrate the possible increase (see Attachment 3).

Emerging Small Business Development (ESBD): None

Respectfully Submitted by: 
Gregory J. Schulte, Program Manager

Approved by: 
William A. Thomas, Director of Development Services

Recommendation Approved:

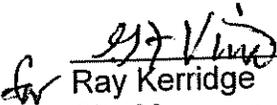

Ray Kerridge
City Manager

Table of Contents:	
Report	pg 1
Attachments	
1 Background	pg 4
2 Staffing Request Detail	pg 5
3 Sample Fee Scenarios	pg 6
5 Resolution	pg 10

Attachment 1 - Background

The MATRIX Program brings Development Services Department (DSD) staff and other City departments involved in the development review process into multi-disciplinary teams organized around development or product types, thereby eliminating the traditional "silos" common to municipal development departments. The customer is paired with a specialized City team that may be composed of planners, engineers, landscape architects, and building inspectors depending on the type of project involved and a Team Leader is assigned who serves as the process manager and the single point of contact for the customer on their project. The MATRIX offers and encourages pre-application meetings with staff and utilizes an early notification system to identify community issues early in the process. DSD initiated the pilot MATRIX program in August 2005 and focused initially on the Central City / Midtown / East Sacramento area.

In consultation with the other development-related City departments, it is estimated that approximately 32 positions equaling \$3.399 million and \$140,000 in support resources will be required for a total cost of \$3.5 million. To off-set the costs of expanding MATRIX citywide, staff recommends an initial two-step approach by updating the valuation tables and increasing the residential plan check fee.

The City of Sacramento, like most other jurisdictions in California and the United States, calculates building fees at a rate that is multiplied by the estimated value of the project. The rates currently utilized by the City of Sacramento were adopted by Council on June 16, 1998 and were based on a cost study performed by David M. Griffith and Associates. The estimated valuations of projects are based on an average cost per square foot set out in the 1998 valuation table published by International Conference of Building Officials (ICBO). Residential plan check fees have been the same since 1993.

Staff is recommending the following actions: 1) Update the City's valuation tables to the ICBO Valuation Table dated April 2002. Based upon our research, the ICBO April 2002 Valuation Tables are being utilized by other California jurisdictions and represent a generally accepted fee calculation methodology within the development industry; and 2) Increase the residential plan check fee from the current rate that averages 32% of the building permit fee to 42%. For comparison, the ICBO recommendation and generally accepted industry practice is that the plan check fee be 65% of the building fee.

Implementing both recommendations is expected to yield \$3.5 million based upon 2005 activity levels. This approach is consistent with state law, building industry standards and Sacramento City Code stipulating that fees shall not exceed the amount reasonably required to administer or process permits.

In addition, Development Services staff conducted two "brown bag" forums for our customers on July 6th and July 13th. Invitees included 10 various organizations, associations, and development entities, including ULI, BIA, AGC, SBX, AIA, Sac Metro Chamber of Commerce, Habitat for Humanity, and various large residential builders. There were 12 attendees at the forums and no opposition was expressed to the proposed fee changes.

MATRIX Funding Strategy

Attachment 2 – Staffing and Resource Detail

Citywide MATRIX

<u>Labor Costs</u>	<u>Costs</u>	<u>FTE</u>
<i>Development Services Department</i>	2,258,000	4.0
- Engineers / Architects		5.0
- Techs		3.0
- Plans Examiners		2.0
- Building Inspectors		3.0
- Planners		2.0
- IT/GIS		3.0
- Admin / Managers		
 <i>Department of Parks & Recreation</i>	 196,000	 1.0
- Arborist		1.0
- Landscape Architect		
 <i>Department of Transportation</i>	 214,000	 2.0
- Engineers		
 <i>Department of Utilities</i>	 107,000	 1.0
- Engineer		
 <i>Fire Department</i>	 452,198	 3.0
- Fire Prevention Officers		1.0
- Clerical		
 <i>Office of the City Attorney</i>	 172,500	 1.0
- Sr. Deputy City Attorney		
 Total Labor	 3,399,698	 32.0
 <u>Other MATRIX Related Costs</u>		
- Cubicles/Space Reconfiguration	100,000	
- Organizational Development	40,000	
 TOTAL COSTS	 <u><u>3,539,698</u></u>	

Attachment 3 – Sample Fee Scenarios

Project: Commercial Office Type V No Hour	Prior to Change	After Change
Square Feet		
Office	8,120.00	
Deck Ground Cover	1,000.00	
Roof Covering	200.00	
Sprinkler System	8,120.00	
Site Development	4,000.00	
 Estimated Valuation	 <u>\$ 593,126.80</u>	 <u>\$ 676,052.00</u>
 Fees:		
Building Permit	\$ 4,424.87	\$ 4,987.65
Plan Review	3,604.35	4,064.81
Strong Motion Fee	124.56	141.97
Technology Fee	321.17	362.10
General Plan	350.46	399.43
City Business Operations Tax	237.25	270.42
Construction Excise Tax	4,425.01	5,088.42
Review - Fire	308.56	308.56
Grading - ESC	100.00	100.00
Landscape	50.00	50.00
Engr - Utilities	10,000.00	10,000.00
Engr - Pub Wks	15,000.00	15,000.00
Water Supply	110.00	110.00
W/S Tap & Meter	385.00	385.00
Water Development		
Pipe Size: 1"	2,305.00	2,305.00
Sewer Development	124.00	124.00
Regional Sanitation	3,515.96	3,515.96
Housing Trust Fund	14,584.80	14,584.80
Park Dev Impact Fee	3,410.40	3,410.40
School Fees	<u>2,923.20</u>	<u>2,923.20</u>
	<u>\$ 66,304.59</u>	<u>\$ 68,131.72</u>
 Total Change	 <u>\$ 1,827.13</u>	 <u>3%</u>

MATRIX Funding Strategy

Project: Residential Type V	Prior to Change	After Change
Estimated Square Footage:		
Living	2,400.00	
Garage	450.00	
Back Patio	200.00	
Front Patio	100.00	
 Estimated Valuation	 <u>\$ 158,982.50</u>	 <u>\$ 240,555.00</u>
 Fees:		
Building Permit	\$ 1,478.30	\$ 2,031.98
Plan Review	490.47	812.79
Strong Motion Fee	15.90	24.06
Technology Fee	78.75	113.79
General Plan	93.81	142.19
City Business Operations Tax	63.59	96.22
Construction Excise Tax	1,271.86	1,924.44
Res Const Tax	1,540.00	1,540.00
Review - Fire	91.20	91.20
Grading - ESC	70.00	70.00
W/S Tap & Meter	385.00	385.00
Water Development		
Pipe Size: 1"	2,305.00	2,305.00
Res Const Water Use	53.55	53.55
Sewer Development	124.00	124.00
Regional Sanitation	7,000.00	7,000.00
Park Dev Impact Fee	4,378.00	4,378.00
School Fees	<u>5,376.00</u>	<u>5,376.00</u>
	 <u>\$ 24,815.43</u>	 <u>\$ 26,468.22</u>
 Total Change	 <u>\$ 1,652.79</u>	 <u>7%</u>

MATRIX Funding Strategy

Project: Commercial Store Type V No Hour	Prior to Change	After Change
Square Feet		
Store:	8,000.00	
Roof Covering:	200.00	
Deck-Ground Level:	1,000.00	
Sprinkler System	8,000.00	
Site Development		
 Estimated Valuation	 <u>\$ 486,100.00</u>	 <u>\$ 543,900.00</u>
 Fees:		
Building Permit	3,698.46	4,090.75
Plan Review	3,010.01	3,330.98
Strong Motion Fee	102.08	114.22
Technology Fee	268.34	296.87
General Plan	287.33	320.96
City Business Operations Tax	194.44	217.56
Construction Excise Tax	3,248.80	3,711.20
Review - Fire	304.00	304.00
Landscape	50.00	50.00
Engr - Utilities	6,000.00	6,000.00
Engr - Pub Wks	6,000.00	6,000.00
Water Supply	110.00	110.00
W/S Tap & Meter	385.00	385.00
Water Development		
Pipe Size: 1"	3,398.00	3,398.00
Sewer Development	124.00	124.00
Regional Sanitation	7,384.00	7,384.00
Housing Trust Fund	11,490.00	11,490.00
Park Dev Impact Fee	2,480.00	2,480.00
Natomas-Pub FAC		
Transit Fee		
Pub Land Acquisition		
Reg Park Acquisition		
Drainage Fee		
NN Suppl Drainage Fee		
School Fees	<u>2,880.00</u>	<u>2,880.00</u>
	 <u>\$ 51,414.46</u>	 <u>\$ 52,687.54</u>
 Total Change	 <u>\$ 1,273.08</u>	 <u>2%</u>

MATRIX Funding Strategy

July 25, 2006

Project: Condo Type V 1 Hour	Prior to Change	After Change
Square Feet		
Apartment House	12,228.00	
Carport	3,000.00	
Deck-Ground Level:	1,000.00	
Patio Cover Deck	720.00	
Sprinkler System	12,228.00	
Aite Development	8,000.00	
 Estimated Valuation	 <u>\$ 995,419.76</u>	 <u>\$ 1,136,385.20</u>
 Fees:		
Building Permit	\$ 7,155.22	\$ 8,111.98
Plan Review	2,397.56	2,718.97
Strong Motion Fee	99.54	113.64
Technology Fee	382.11	433.24
General Plan	587.64	670.83
City Business Operations Tax	398.17	454.56
Construction Excise Tax	7,323.36	8,451.08
Res Const Tax	3,780.00	3,780.00
Review - Fire	464.66	464.66
Landscape	50.00	50.00
Engr - Utilities	10,000.00	10,000.00
Engr - Pub Wks	15,000.00	15,000.00
Water Supply	110.00	110.00
W/S Tap & Meter	385.00	385.00
Water Development		
Pipe Size: 1"	4,465.00	4,465.00
Sewer Development	278.00	278.00
Regional Sanitation	8,307.00	8,307.00
Park Dev Impact Fee	30,948.00	30,948.00
School Fees	27,390.72	27,390.72
Quimby Fee	<u>31,680.00</u>	<u>31,680.00</u>
	 <u>\$ 151,201.98</u>	 <u>\$ 153,812.68</u>
 Total Change	 <u>\$ 2,610.70</u>	 <u>2%</u>

RESOLUTION NO.

Adopted by the Sacramento City Council

APPROVING USE OF THE APRIL 2002 INTERNATIONAL COUNCIL OF BUILDING OFFICIALS (ICBO) VALUATION TABLES FOR DETERMINING BUILDING PERMIT FEES, INCREASING THE RESIDENTIAL PLAN CHECK FEE, APPROVING INCREASE IN STAFF AND ADJUSTING THE FY 07 BUDGETS OF THE DEVELOPMENT-RELATED DEPARTMENTS

BACKGROUND

- A. After a successful pilot demonstration, the MATRIX business model for development application processing is recommended for expansion Citywide.
- B. In the 2005-2006 Development Oversight Commission (DOC) Annual Report presented to Council on March 21, 2006, the following actions were recommendations were presented and received by Council: 1) Expansion of the MATRIX review process to include all areas of the City; 2) Funding and staffing augmentations to facilitate the expansion of MATRIX, and 3) Providing permanent funding support for increased staff resources through an appropriate fee structure.
- C. In consultation with the other development-related City departments, it is estimated that approximately 32 positions equaling \$3.399 million and \$140,000 in support resources will be required for a total cost of \$3.5 million.
- D. On June 29, 2006, the final FTE requirements and fee recommendations were presented and approved by the DOC
- E. Based upon staff research, the ICBO April 2002 Valuation Tables are being utilized by other California jurisdictions and represent a generally accepted fee calculation methodology within the development industry and the proposed increase in residential plan check fees are also in line with other jurisdictions.
- F. State law and building industry standards specify that fees shall not exceed the amount reasonably required to administer or process permits and current costs to administer and process building permits exceed fees collected.

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

Section 1. City Manager is authorized to 1) adjust the City of Sacramento building valuation tables to conform with the April 2002 International Council of Building Official (ICBO) valuation tables as permitted by City Code Section 15.08.110; 2) increase the residential plan check fee from the current level of 32% of the building permit fee to 42%; 3) increase by 32 the number of Full Time Equivalents (FTE) in the development-related departments; and 4) adjust the FY07 operating revenue and expense budgets of the development-related departments by \$3.5 million.