



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Adopt a Resolution Amending the FY 2023/24 Fee Schedule

BACKGROUND

The fees, rates, and charges of the City are reviewed and adjusted each year in accordance with Council Policy 7.1.1 (Fiscal - Long Range Goals and Financial Policies). This annual evaluation ensures that all fees, rates, and charges of the City are aligned with the cost to provide fee-related services, except for those fees that are legally limited, market based, or subsidized per Council direction. A public hearing was held on June 6, 2023 (RTC No. 23-0455) to present the recommended FY 2023/24 Master Fee Schedule, and on June 20, 2023 the Fee Schedule was adopted (RTC No. 23-0454).

While implementing the approved fees, staff identified omissions from the previously approved FY 2023/24 Fee Schedule and necessary administrative updates. Additional descriptive language has also been added to clarify fee details in the fee schedule. Updates were necessary at this time to accurately charge customers and implement new fees to meet state requirements. The FY 2023/24 Amended Fee Schedule (Attachment 1) details proposed amendments. Fee updates are highlighted in red and administrative updates and descriptive language updates are highlighted in blue.

The amended fee schedule would be effective once approved, with the exception of development impact fees, which would become effective 60 days after adoption pursuant to Government Code section 66017.

EXISTING POLICY

Council Policy 7.1.1 Fiscal - Long Range Goals and Financial Policies:

7.1B.5.2 - User charges and fees should be adjusted at least annually to avoid sharp changes.

7.1B.5.4 - User fees should be established at levels which reflect the full cost of providing those services.

7.1B.5.5 - Council may determine for any service whether a subsidy from the General Fund is in the public interest.

California Government Code Section 66016(a): Prior to levying a new fee or service charge, or prior to approving an increase in an existing fee or service charge, a local agency shall hold at least one open and public meeting, at which oral or written presentations can be made, as part of a regularly scheduled meeting. Further, pursuant to Government Code section 66018, a published notice for this public hearing has been printed in the Sunnyvale Sun.

ENVIRONMENTAL REVIEW

A review of the City's fees and charges does not require environmental review under the California Environmental Quality Act (CEQA) because it is a fiscal activity that does not commit the City to a specific project that will have a significant effect on the environment. (CEQA Guidelines, Section 15378(b)(4).)

DISCUSSION

Council Fiscal Policy guides staff to set fees for services to recover costs where possible and legally allowed. Staff continues to ensure that all fees provide for full cost recovery unless they are legally limited, market based, or intentionally subsidized at Council's direction. After a detailed staff review of fees, necessary adjustments have been made to the adopted Fee Schedule. Fees that are legally limited remain unchanged. Periodically, staff reviews various fees in detail and adjusts them for cost of service, usually once every three (3) to five (5) years. In the intervening periods, fees are adjusted by a general inflation factor.

For the FY 2023/24 Adopted Fee Schedule, most fees were updated based on City personnel cost increase of 5.8%. Fees related to construction price changes increased 10.5% in accordance with the Construction Cost Index (CCI) year-over-year change for the period of December 2021 to December 2022, as reported by Engineering News-Record. Certain impact fees for commercial or residential real estate development were updated using the Consumer Price Index for Urban Consumers for the San Francisco-Oakland-Hayward Area (CPI-U SF) at 5.6%. For ease of administration, many fees have been rounded to the nearest logical unit.

The amended FY 2023/24 Fee Schedule (Attachment 1) includes omissions from the FY 2023/24 Adopted Fee Schedule and administrative updates identified through staff review. With implementation of a new fee schedule format in FY 2023/24, some items were inadvertently omitted or transferred incorrectly. Additionally, necessary fee updates were identified after adoption of the fee schedule and additional descriptive language updates were made for clarity.

Omissions

Some fees were included in the FY 2022/23 Fee Schedule but were inadvertently omitted from the Adopted FY 2023/24 Fee Schedule. These are recommended for reinstatement as follows:

Department of Community Development

Section 4.02 Planning Permit Fees, (L) Development Impact Fees Related to Housing, (L4) Rental Housing In-Lieu Fee

CPI was applied to the FY 2022/23 adopted fees as follows:

Rental Housing In-Lieu Fee -

- Small Rental Projects (three to six units) will be increasing from \$14.00 to \$15.00 per applicable sq. ft.
- Large Rental Projects (seven or more units) will be increasing from \$28.50 to \$30.00 per applicable sq. ft.

Section 4.06(G) Housing Division Fees, Affordable Housing Developer Agreement Preparation

The fee was listed as “Calculated by Formula” but the preparation fee applies to the different types of agreements listed below. CPI-U SF was applied to the FY 2022/23 fee of \$1,287 and the FY 2023/24 amended fee will be \$1,359 per the following applications:

- Below Market Rate (BMR) Ownership Agreement (Standard)
- Rental-Only Density Bonus Agreement
- Combo Agreement (BMR and Density Bonus, any type)
- Condo-Mapped Rental Project BMR Agreements

Department of Environmental Services

Section 9.01 Storm Drainage Fees, Special Drainage Facilities

The fee for Special Drainage Facilities was omitted and has been reinstated in this amended version. The fee is based on the amount approved by the City therefore no inflation has been applied.

Administrative Updates

Administrative updates in the FY 2023/24 Fee Schedule include the following:

Office of the City Manager

Section 3.02 Provision of Notary Public Services, (C) Depositions.

Per update in California Government Code 8211 (c), the fee for the oath and certificate has increased from \$5 to \$7 each.

Department of Community Development

Section 4.02 Planning Permit Fees, (L) Development Impact Fees Related to Housing, (L3) Housing Impact Fee for Rental Housing

Previously this fee was inadvertently merged with (L4) Rental Housing In-Lieu Fee. The amended fee schedule reflects the corrected (L3) Housing Impact Fee for rental Housing with correct description and fee. CPI-U SF inflation increase was applied to the FY 2022/23 fee.

- Small Rental Projects (Four to Seven units) will be increasing from \$11.00 to \$11.50 per applicable sq. ft.
- Large Rental Projects (Eight or more units) will be increasing from \$21.50 to \$22.50 per applicable sq. ft.

Section 4.02 Planning Permit Fees, (L) Development Impact Fees Related to Housing, (L2) Housing Impact Fee for Nonresidential Developments

The recent fee study (RTC No. 23-0146) separated industrial uses from office and Research and Development (R + D) projects because the fee is different for industrial uses. These changes are captured in the recommended amendment to the FY 2023/24 Fee Schedule. The CPI-U SF inflation increase has been applied as shown in the chart below.

Fee	FY 22/23 RTC 23-0146	FY 23/24
Office/R+D Projects - First 25,000 net new sq. ft. of project	\$11.00	\$11.50
Office/R&D Projects - All remaining net new sq. ft. of project	\$22.00	\$23.00
Industrial Projects - First 25,000 net new sq. ft. of project	\$9.80	\$10.50
Industrial Projects - All remaining net new sq. ft. of project	\$19.50	\$20.50
Retail/Lodging Projects	\$9.80	\$10.50

Section 4.02 Planning Permit Fees, (N) Lawrence Station Area Plan (LSAP)

While transferring the fees from the FY 2022/23 Fee Schedule to FY 2023/24 Fee Schedule an additional fee was inadvertently added for LSAP Sense of Place Fee. That fee has been omitted and the remaining two fees for Residential and Non-Residential have been updated to reflect the appropriate inflation increase. The labor rate was previously applied however CCI inflation increase is the appropriate increase. Residential fee changed from \$2,436 to \$2,544 and Non-Residential went from \$2.50 per sq. ft. to \$2.70 per sq. ft.

Section 4.04 Fire Protection Engineering Fees, (A6) Inspection Cancellation

In the draft FY 2023/24 Fee Schedule, the FY 2022/23 fee was listed as \$223; however, the FY 2022/23 approved fee was \$289. Once the standard labor rate increase is applied for FY 2023/24, the new amended fee is \$306.

Department of Environmental Services

Section 9.09 Administrative Citation Fine Schedule for Sewer Use Violations, (H) Pre-Treatment Facilities and Monitoring Equipment

Failure to install monitoring equipment and failure to maintain monitoring equipment fees were reversed. Failure to install monitoring equipment has been amended from \$250 to \$500 and failure to maintain monitoring equipment has been amended from \$500 to \$250.

New Fees

Department of Community Development

Section 4.02 Planning Permit Fees, (C) Staff Level Permits and Reviews - No Public Hearings, (C10) SB330 Preliminary Application

The SB 330 Preliminary Application fee has been added since the City currently does not have a specific fee for these types of applications. An SB 330 Preliminary Application would include projects proposing housing or mixed housing and commercial projects. State law only requires the City to check for specific development features and it also locks in the fees for that project. Although not required, staff found that routing these applications through the staff Project Review Committee (PRC) provides the opportunity for the applicant to get comments from various Departments/Divisions before they formally submit an application for entitlement.

This is the same practice that staff uses for non-SB 330 applications. The Preliminary Review process is similar to an SB330 review, staff is recommending that the same fee of \$1,190 be applied and inflated annually by CPI-U SF. The fee is not a full cost recovery fee as a means to encourage applicants to use the process.

Section 4.02 Planning Permit Fees C21. By-Right Approvals - Design Review and C22. By-Right Approvals - Plan Review

On January 30, 2024 Council approved an Urgency Ordinance to implement By-Right Approvals as required by the recently adopted Housing Element, and the formal Ordinance will go into effect mid-March (an updated version of this ordinance will be considered by Council in March and would go into effect in late April). Additional information can be reviewed in RTC No. 24-0138 (note that an updated urgency ordinance was adopted on February 27, 2024, RTC No. 24-0391). A new application fee for By-Right Approvals is proposed to cover the costs of City services for the review of these planning applications. Cost associated with review of By-Right Approvals is anticipated to be approximately 10% less than the level of effort associated with processing the Special Development Permit (SDP)/Design Review (DR) and Plan Review fee as the By-Right Approvals process will be not require a public hearing.

C21. By-Right Approvals - Design Review will be \$5,623 and inflated by CPI-U SF annually.

C22. By-Right Approvals - Plan Review will be \$2,120 and inflated by CPI-U SF annually.

Department of Public Works

Section 8.02 Development Projects B4. Project reviews associated with major planning applications (such as projects with General Plan Amendment, Development Agreement, EIR, or projects within a Specific Plan or ITR areas, etc.), or By-Right Approvals.

The Department of Public Works will need to conduct a similar type of review for By-Right applications. The standard Major Planning Application fee would be applied to By-Right Approvals by the Department of Public Works.

FISCAL IMPACT

Most new fees in the Adopted FY 2023/24 Fee Schedule were effective at the start of the new fiscal year on July 1, 2023. Exceptions are changes to Development Processing fees (i.e., filing, accepting, reviewing, approving, or issuing of an application or permit) and mitigation fees; these became effective 60 days after adoption (in accordance with California Government Code Section 66017). Estimated revenues from these fees were incorporated in the FY 2023/24 Adopted Budget. The revenue impact of the proposed fee adjustments outlined in this report are expected to be minimal for the remainder of FY 2023/24. All updates will be incorporated into the FY 2024/25 Recommended Fee Schedule.

PUBLIC CONTACT

Public contact was made by posting the Council meeting agenda on the City's official-notice bulletin board at City Hall, at the Sunnyvale Public Library and in the Department of Public Safety Lobby. In addition, the agenda and this report are available at the NOVA Workforce Services reception desk located on the first floor of City Hall at 456 W. Olive Avenue (during normal business hours), and on the City's website.

Notice of the public hearing on the proposed fees and charges was published in the Sunnyvale Sun on March 8 and 15. Notice was sent to the Building Industry Association and the Tri-County Division of the California Apartment Association, which requested notice pursuant to the Government Code. Boards and commissions wishing to make comments, suggestions, or recommendations may testify at the public hearing.

STAFF RECOMMENDATION

Adopt a Resolution to Amend the FY 2023/24 Fee Schedule.

Prepared by: Nancy Grove, Senior Management Analyst

Reviewed by: Jimmy Tran, Management Analyst

Reviewed by: Felicia Silva, Budget Manager

Reviewed by: Trudi Ryan, Director of Community Development

Reviewed by: Tim Kirby, Director of Finance

Reviewed by: Sarah Johnson-Rios, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. FY 2023/24 Amended Fee Schedule
2. Resolution