



City of Palm Desert

User and Regulatory Fee Study
Development Services Fees

City Council Review

MEETING AGENDA

- Background
- Fundamentals and Terminology
- Study Findings and Recommendations
- Next Steps



Background

clear  source
FINANCIAL CONSULTING

BACKGROUND

- The City of Palm Desert reviews plans, issues permits, and performs required inspections to ensure safe, orderly and aesthetically pleasing development within the City.
- User/regulatory fees are the mechanism by which the City may recoup a portion, or all, of the costs associated with these services.

BACKGROUND

- Communities generally use tax revenues to fund services that provide general (community-wide) benefit
 - Public works
 - Public safety
 - Park maintenance and community recreation
- Communities use fees and charges (direct recovery) to fund services that provide direct benefit
 - Plan Review
 - Permitting
 - Inspection

TYPES OF FEES EXAMINED

- This update DOES NOT examine taxes, assessments, utility rates, or development impact fees

- **Planning Fees** - review of project entitlement and permits requests for compliance with City Municipal Code
- **Engineering Fees** - engineering review of development-related grading and public improvements and requests for encroachment in the City right-of-way
- **Building Fees** - construction permit processing, plan check, and inspection

GENERAL FINDINGS

- It has been more than a decade since fees were comprehensively updated
 - Prior study completed in 2012
- During that time the City's cost of providing services has increased due to inflationary pressures, but fees have remained relatively unchanged
 - Regional cost inflation since prior study = 38%



Fundamentals and Terminology

MUNICIPAL FEES

- Why do Cities Review Fees and Charge Fees for Services?

- Legal requirements
- Encourage direct recovery of costs incurred to serve private interests/benefit or respond to individual actions
- Provide opportunity for relief to General Fund or other Funds where costs are incurred
- Enable continuity of service levels by improving cost recovery levels

FEES ARE APPROVED BY THE CITY COUNCIL

The City Council has authority to Directly Approve User and Regulatory Fees and Increases to Fees

- Fees proposed are not taxes, as defined by Article 13C of the California State Constitution
- Fees are set in accordance with parameters set by Article 13C and by Section 66014 of the California Government Code:
 - Costs allocated to the payer should bear a fair or reasonable relationship to the payer's burdens on or benefits received from the governmental activity
 - Fees should not exceed the reasonable cost of providing the service for which the fee is charged

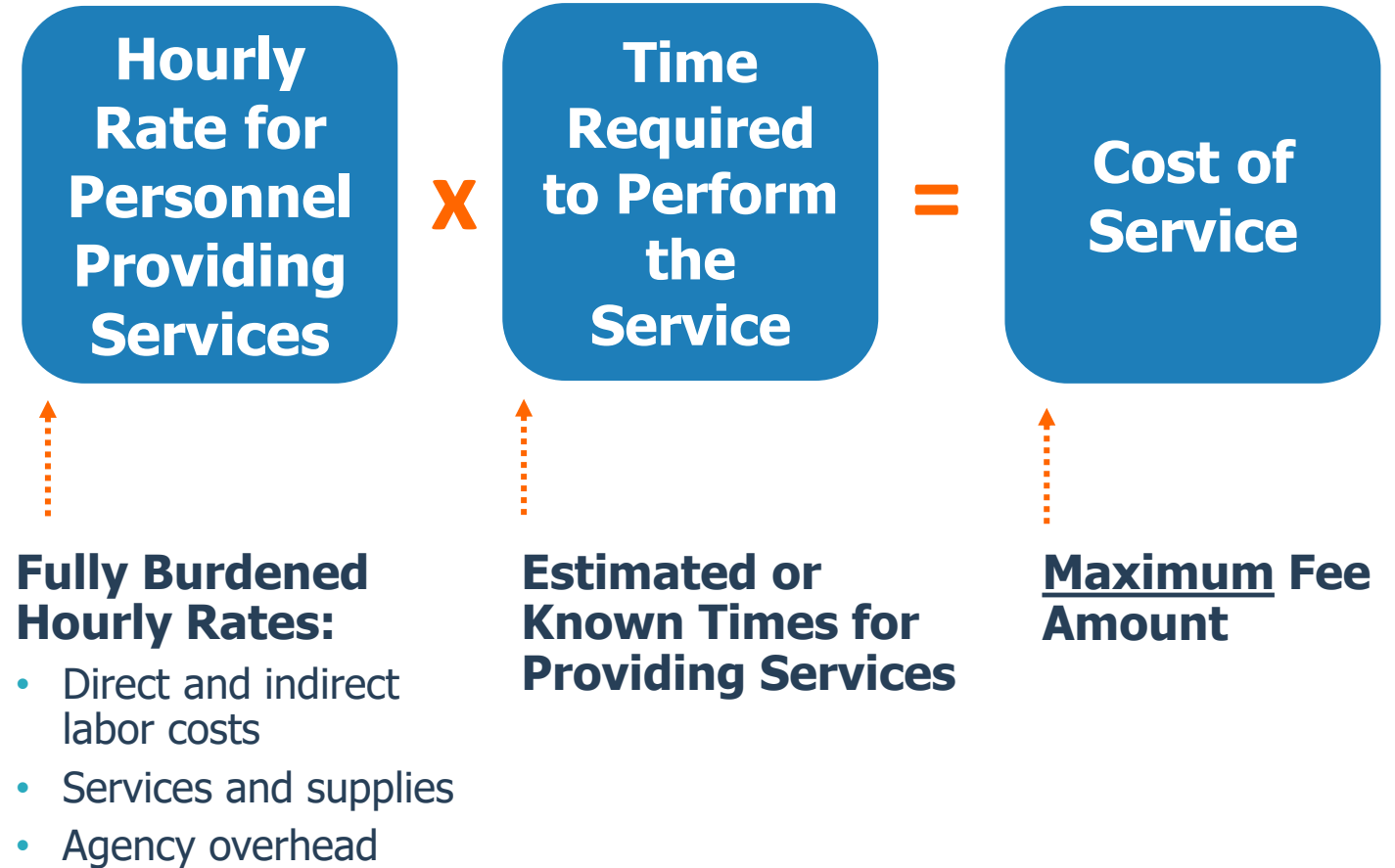
TERMINOLOGY

These terms of art have specific meaning across California municipalities and within the City

- Full Cost of Service
- Cost Recovery
- Subsidy

COST OF SERVICE

- The cost of service sets the maximum limit of a cost-based fee. It includes:
 - Direct program costs for labor, services, and supplies
 - Departmental administration
 - Citywide administration and central support services



COST RECOVERY POLICY FRAMEWORK

- Fees are regulatory
- High level of direct benefit resulting from construction activities including enjoyment of property enhancements, and increased property values
- Avoid having other Palm Desert residents and businesses subsidize individual private construction activities

Exclusively individual benefit

Considerable individual benefit

Balanced individual and community benefit

Considerable community benefit

Mostly community benefit

Entirely community-wide benefit

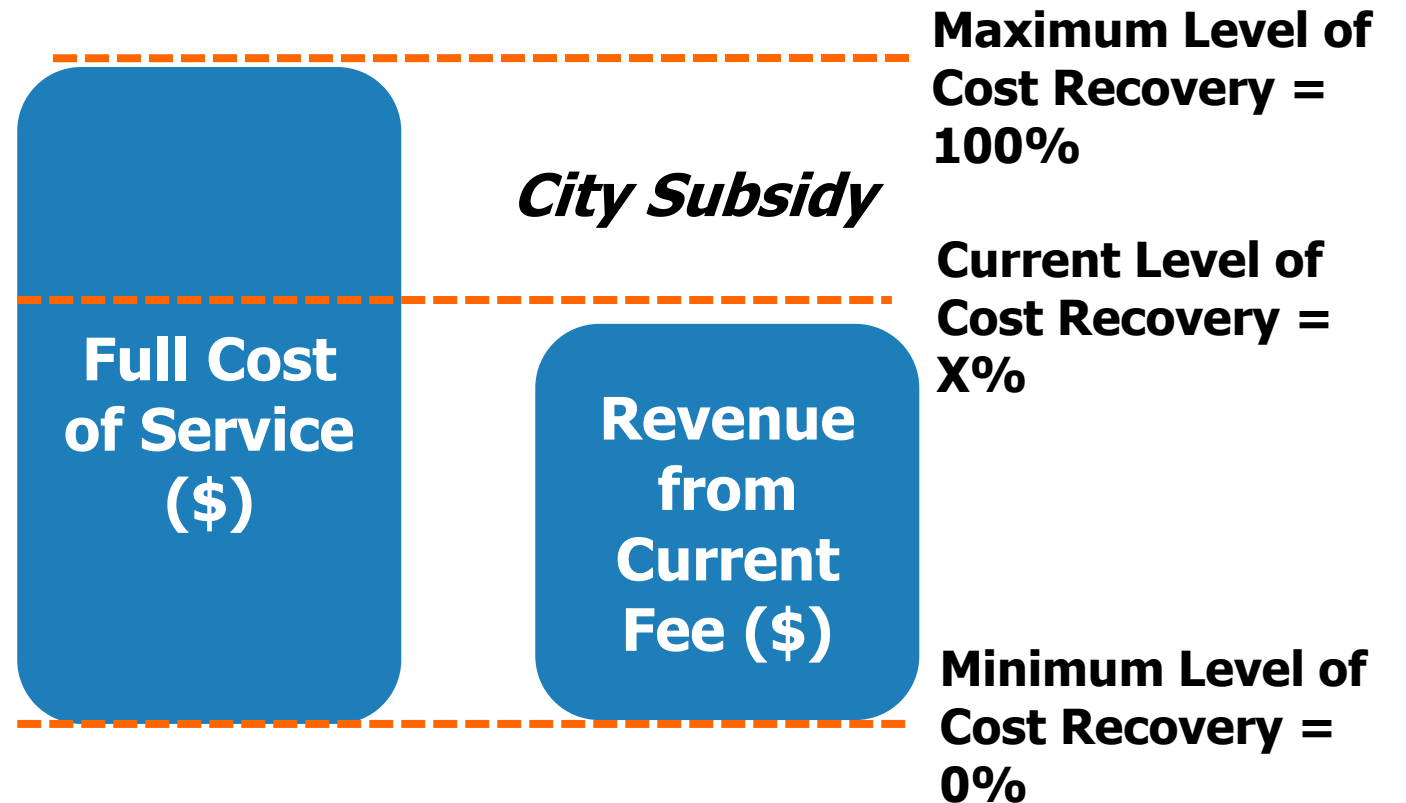
100%

Cost Recovery Targeted

0%

SUBSIDY

- The amount of a program's full cost of service that is supported by other City revenue sources





Study Findings and Recommendations

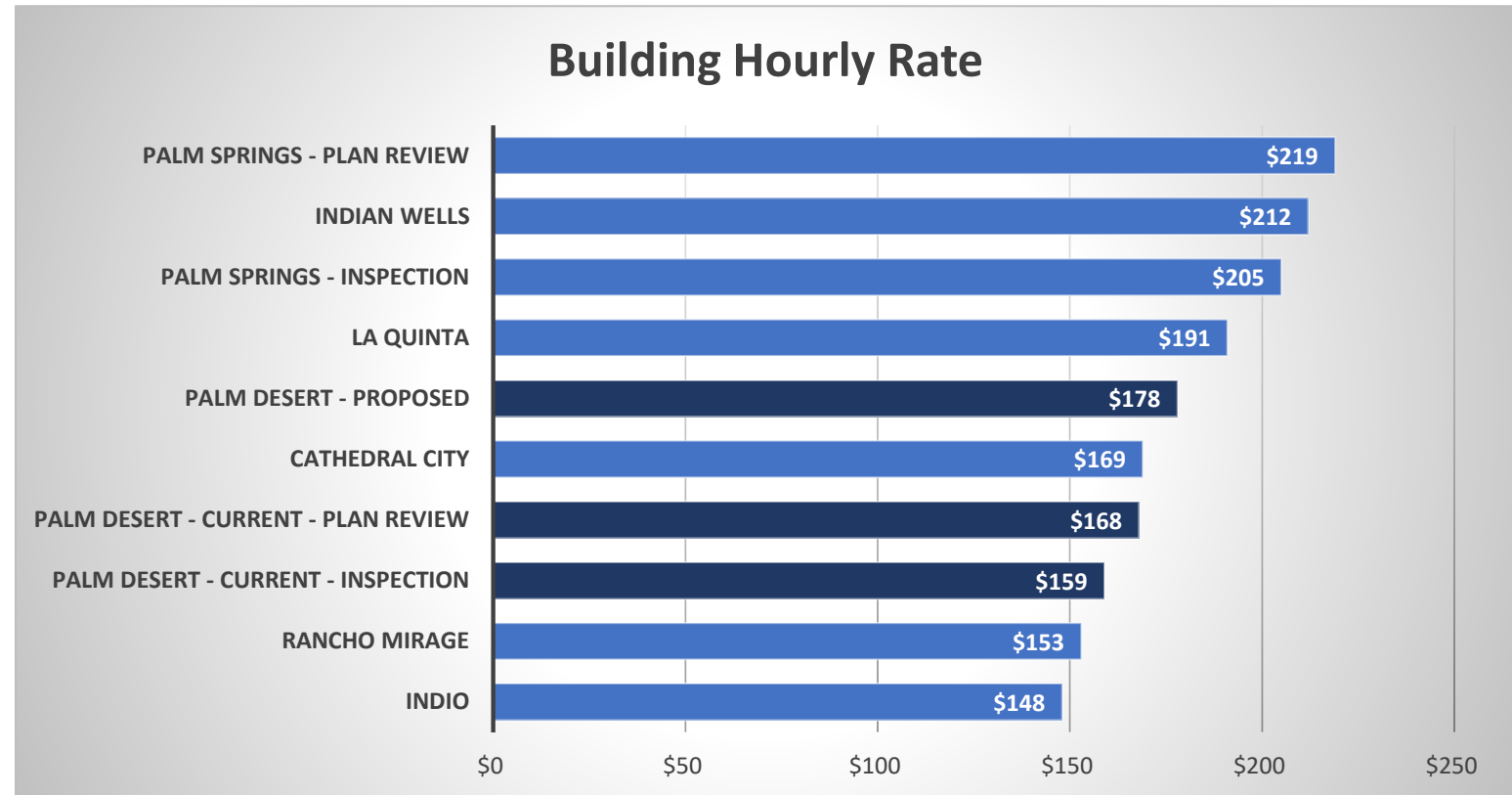
MULTI-YEAR PHASE-IN APPROACH

- **Staff Recommends Using a Multi-Year Phase-In Approach to Adjust Fees and Enhance Cost Recovery**
 - Since these fees are regulatory in nature, and typically correlated with high levels of direct benefit to the service recipient, communities frequently target full cost recovery for development-related services.
 - In order to allow the City to move toward full cost recovery, while being mindful of broad community goals and values and collaboration with the development community, staff recommends using a multi-year phase in approach to enhance cost recovery levels

BUILDING FEES

- Restructure fees to enhance correlation between services provided and fees collected
- Established fixed fees for the City's most commonly requested minor permits
- Fee schedule will allow applicants to easily estimate permit fees and works well for online permitting scenarios
- Proposed fees scale to allow for lower fees for less complex projects and higher fees for more complex projects

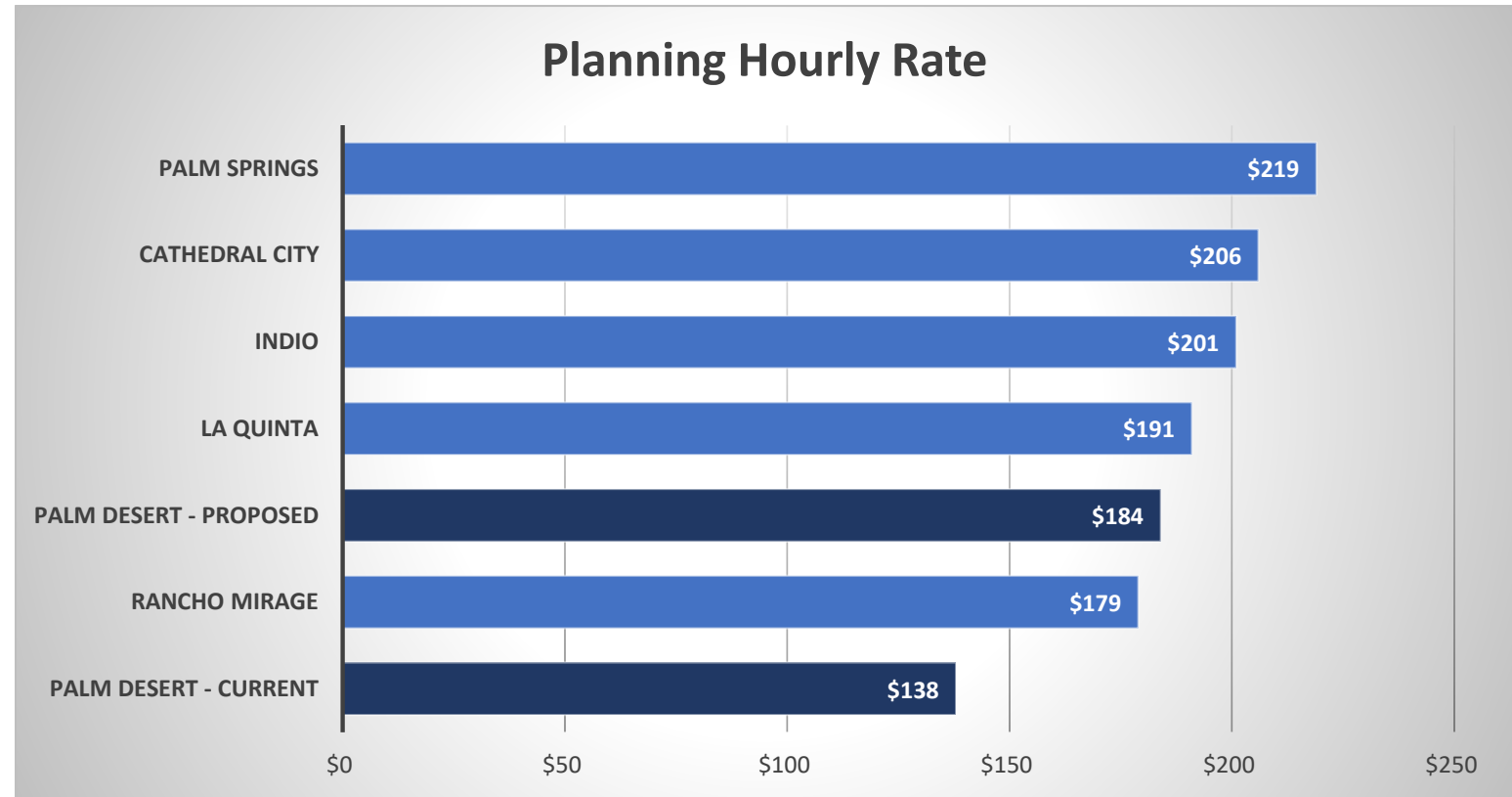
REGIONAL COMPARISON



PLANNING FEES

- The City's current planning fees recover less than the City's cost of service.
- In order to foster continued collaboration with the development community and residents, some fees are proposed for less than full cost recovery
- The recommended fees will allow the City to remain in-line with amounts charged by other agencies in the region

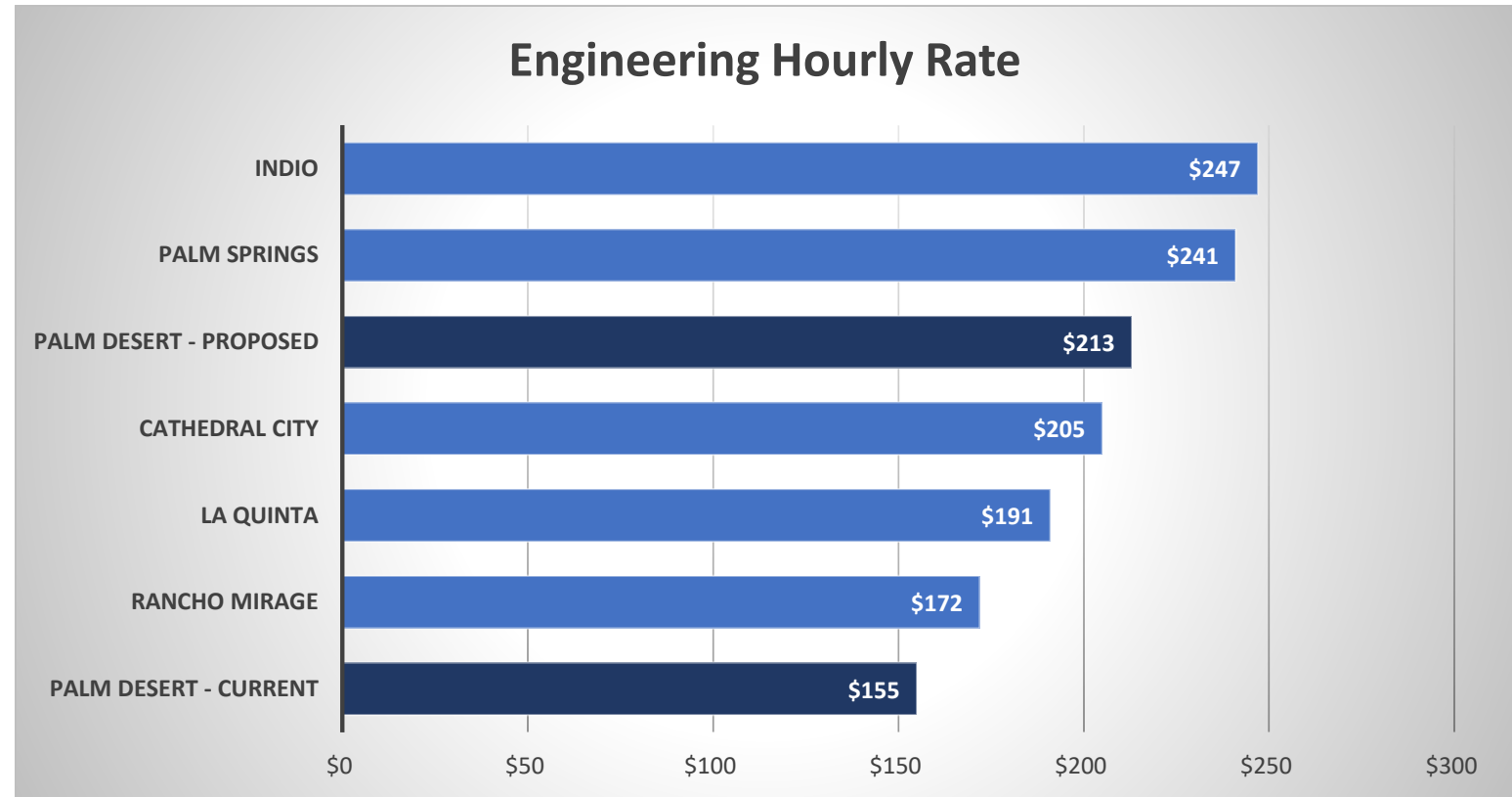
REGIONAL COMPARISON



ENGINEERING AND ENCROACHMENT FEES

- The department uses a combination of outside service providers and internal staff to perform certain plan review and inspection activities.
- The proposed fee structure encourages recovery of City costs in addition to contract service provider costs, while developing fixed fees intended to scale to reflect project complexity.
- The proposed fees are calculated based on the type of project reviewed and inspected.
- Full cost recovery is targeted from proposed fees.

REGIONAL COMPARISON



RESIDENTIAL DEVELOPMENT FEE COMPARISON

- The study considers whether proposed fees will potentially deter residential development within Palm Desert.
- Comparison information for other regional agencies is based on information contained in **2024 Residential Development Fee Study prepared by Desert Valleys Builders Association (DVBA)**.
- Comparison information shows that Palm Desert's current development services fees (Building, Planning, Engineering) are the lowest in the region.
- If adopted, Palm Desert's fees will be in-line with regional average.

REGIONAL COMPARISON

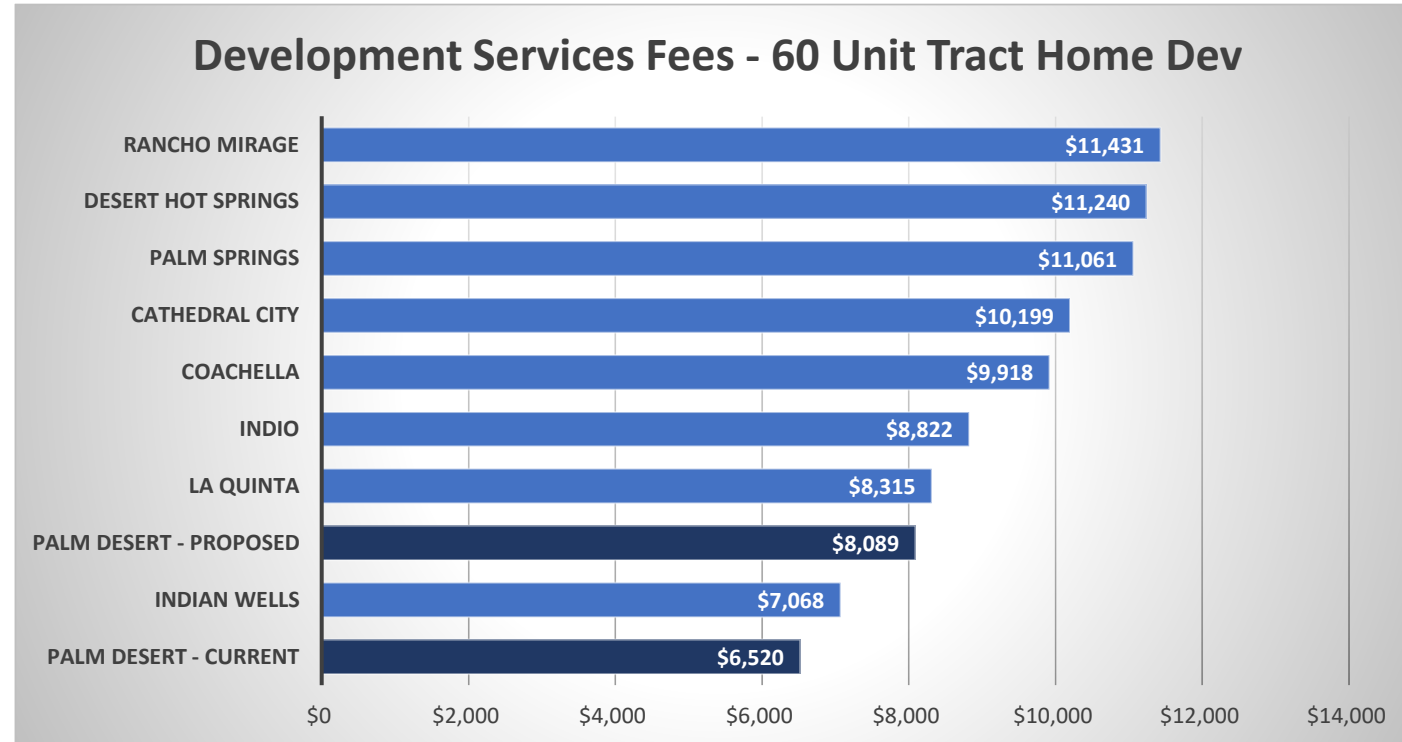


Figure: Estimated Development Services Fees Per Unit – 60-Unit Tract Home Development (Year 3 Comparison)
Compares estimated Building, Planning, and Engineering fees per unit for a 60-unit tract home project in Year 3 of Palm Desert’s proposed fee schedule, alongside current fee levels in surrounding cities.

OVERALL FINDINGS OF REGIONAL FEE COMPARISON

- Hourly billing rates inform development services fees:
 - Current rates are at the low end of the regional spectrum.
 - **Proposed rates are in-line with the region.**
- Agency fee schedules contemplate hundreds of potential fee scenarios making an exhaustive comparison unrealistic. Depending on fees examined Palm Desert may reside at the low end, mid-range, or upper end of the regional spectrum
- **Proposed fees should not deter development within City limits.**
 - Current service fees are the lowest in the region.
 - **Proposed service fees align to the region.**
 - Palm Desert currently has the lowest development impact fees in the region.

FISCAL IMPACT

Description	Cost of Service	Fee Cost Recovery	General Fund Subsidy	Incremental Change	Overall Cost Recovery
Current	\$4,500,000	\$2,735,000	\$1,765,000		61%
Year 1	\$4,500,000	\$3,059,000	\$1,441,000	\$324,000	68%
Year 2	\$4,500,000	\$3,383,000	\$1,117,000	\$324,000	75%
Year 3	\$4,500,000	\$3,706,000	\$794,000	\$323,000	82%
Total				\$971,000	

- **Enhanced Cost Recovery of \$971,000 to General Fund over three-years**

- Current Cost Recovery from Fees = 61%;
- Proposed Cost Recovery from Fees = 82%

- The City will target full cost recovery for most services, however the costs of certain services (e.g., General Plan Update) will continue to be funded via other City sources.
- **Proposed Cost Recovery is Consistent with Other Agencies.**



Next Steps

NEXT STEPS AND RECOMMENDATIONS

City Council to Determine Whether to
Adopt Updated Fees and Charges



Questions or Feedback
