



City of Palm Desert

User and Regulatory Fee Study
Development Services Fees

August 28, 2025 | City Council Meeting

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FINANCIAL CONSULTING

MEETING AGENDA

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



Background

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The logo for ClearSource Financial Consulting. It features the word "clear" in a lowercase, sans-serif font, followed by a stylized icon of three overlapping, curved lines in blue, teal, and orange, and then the word "source" in the same font. Below this, the words "FINANCIAL CONSULTING" are written in a smaller, uppercase, sans-serif font.

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

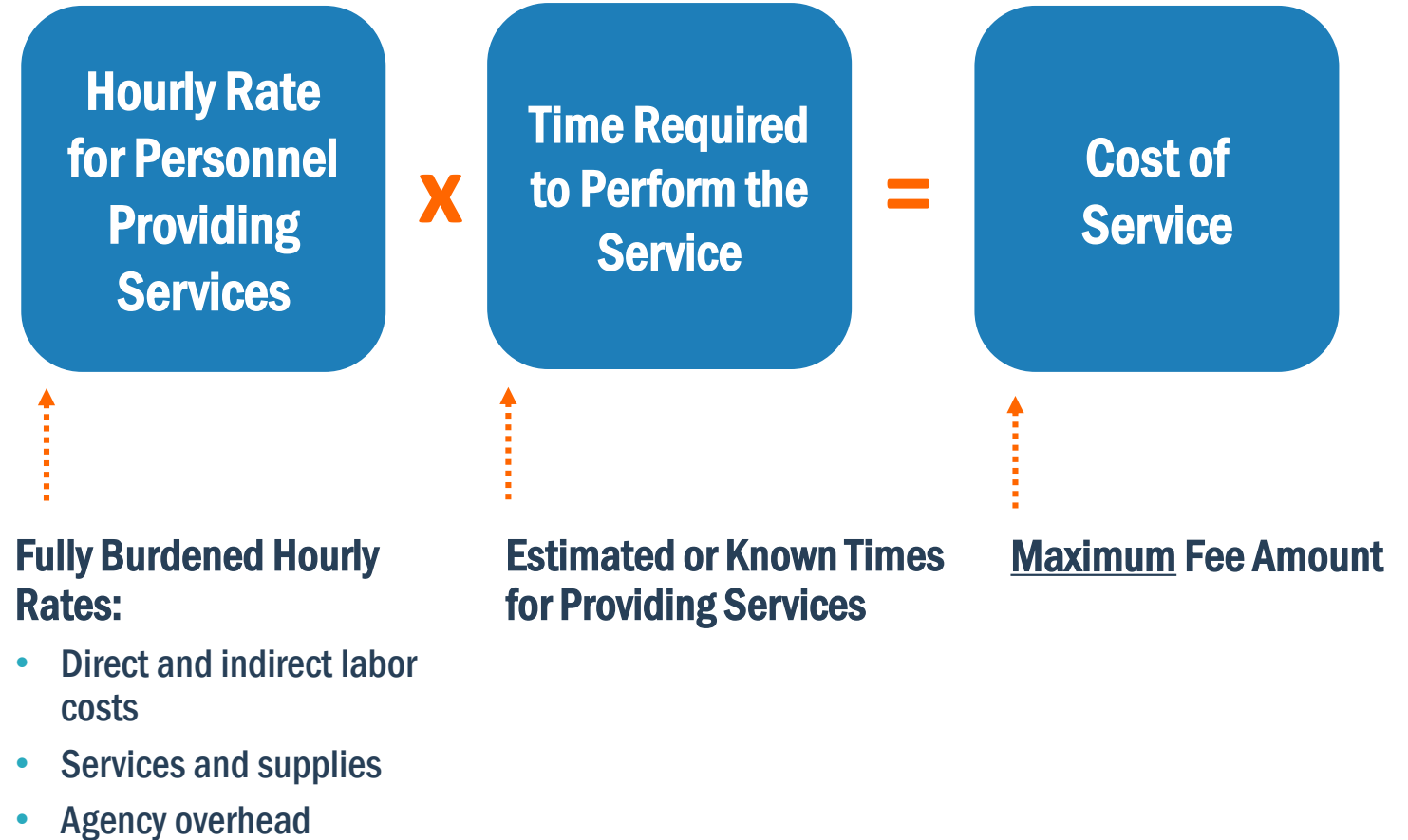
TERMINOLOGY

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

- **Full Cost of Service**
- **Cost Recovery**
- **Subsidy**

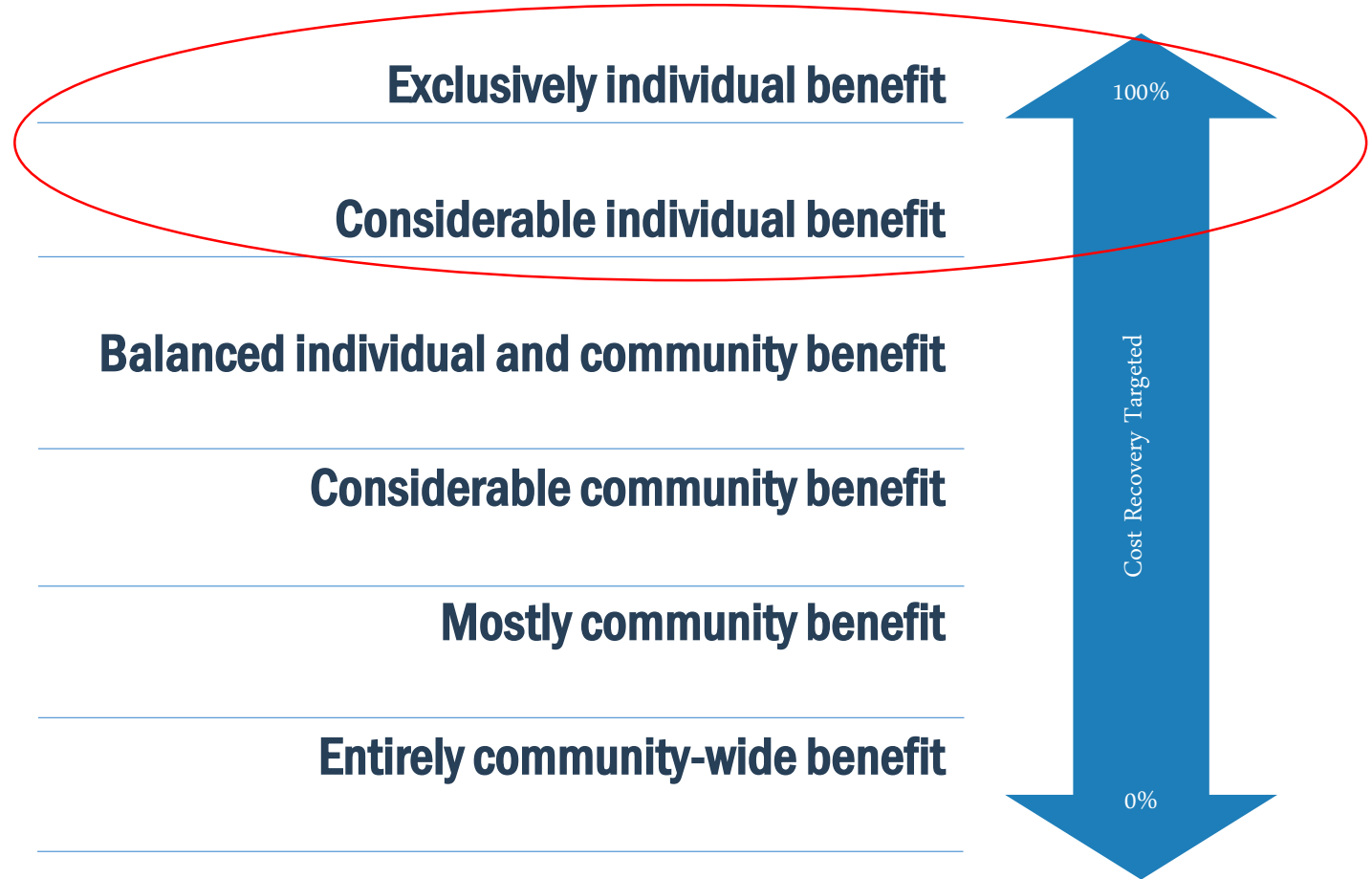
COST OF SERVICE

- 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



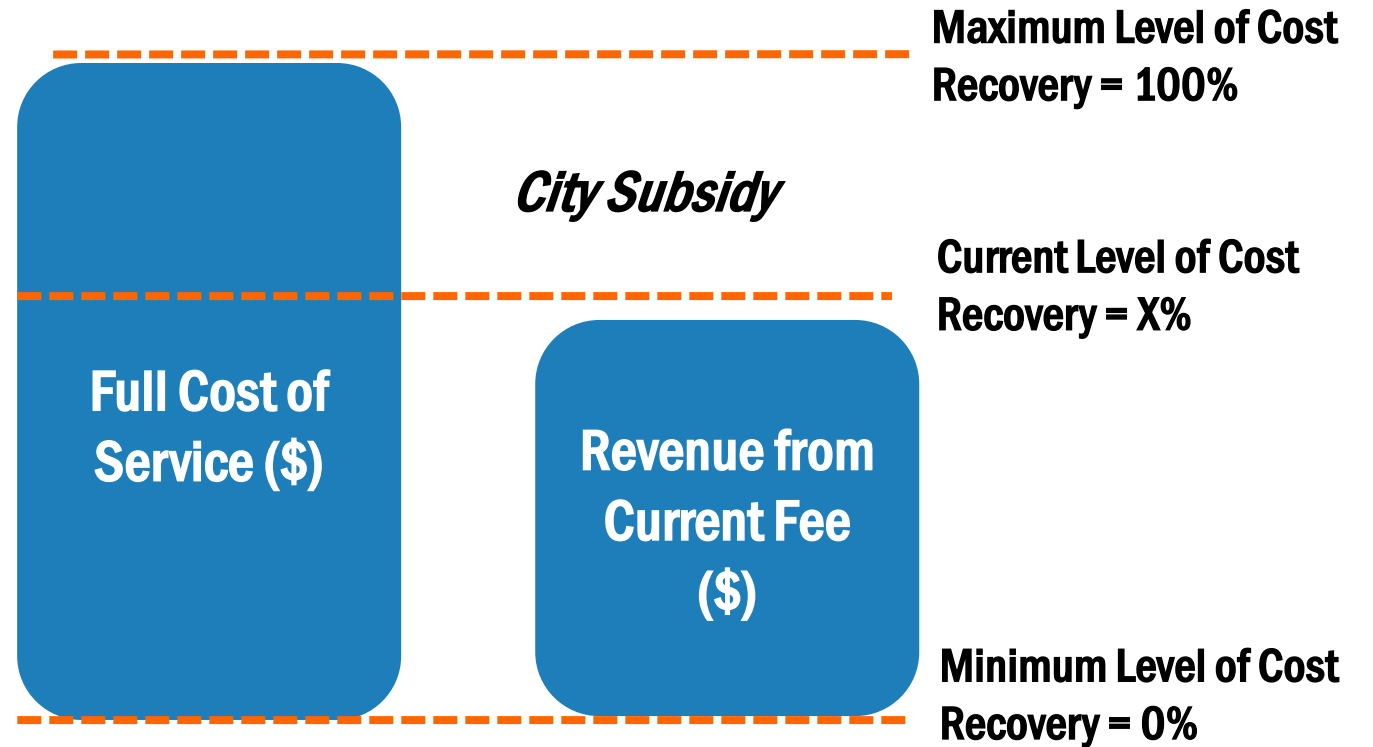
COST RECOVERY POLICY FRAMEWORK

- 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



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

PROCESS IMPROVEMENTS SUPPORTING THE FEE STUDY

- **Online Inspection Scheduling:** Automated scheduling freed up approximately 8 hours per day of administrative time.
- **Plan Review Timeframes:** Improved tracking eliminated overdue reviews and reduced turnaround times.
- **Online Plan Check & Resubmittals:** Redline/comment delivery + online resubmittals improved accessibility and communication.

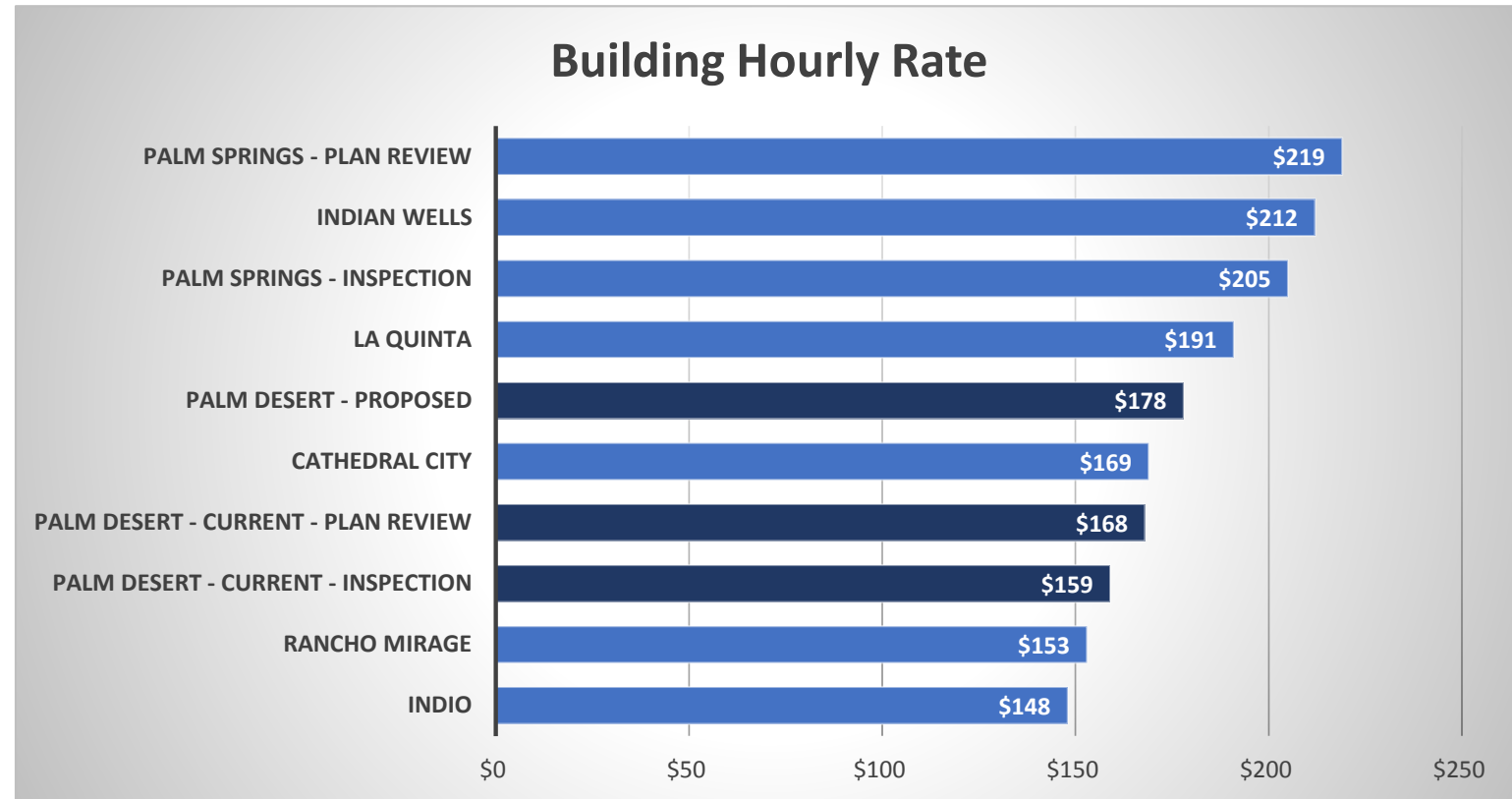
PROCESS IMPROVEMENTS SUPPORTING THE FEE STUDY

- **GIS-Based Georules:** Automated fee calculations eliminated manual staff work and reduced errors.
- **Consistent Processing:** Standardized workflows across entitlement and permitting improving compliance and regulatory services.
- **Operational Efficiency:** Improvements allowed staff to define more accurate cost-of-service hours for the fee study.

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**

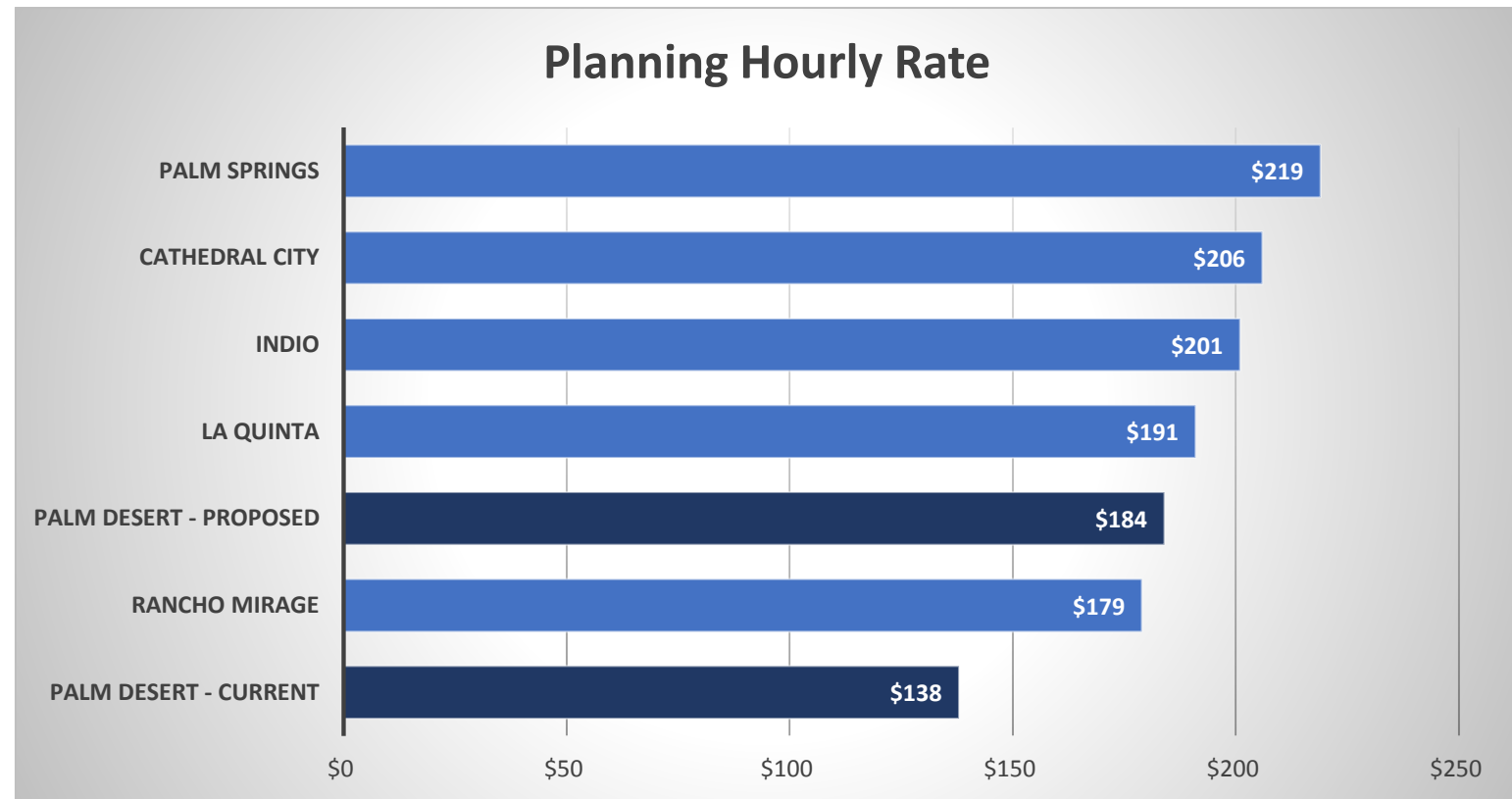
REGIONAL COMPARISON



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**

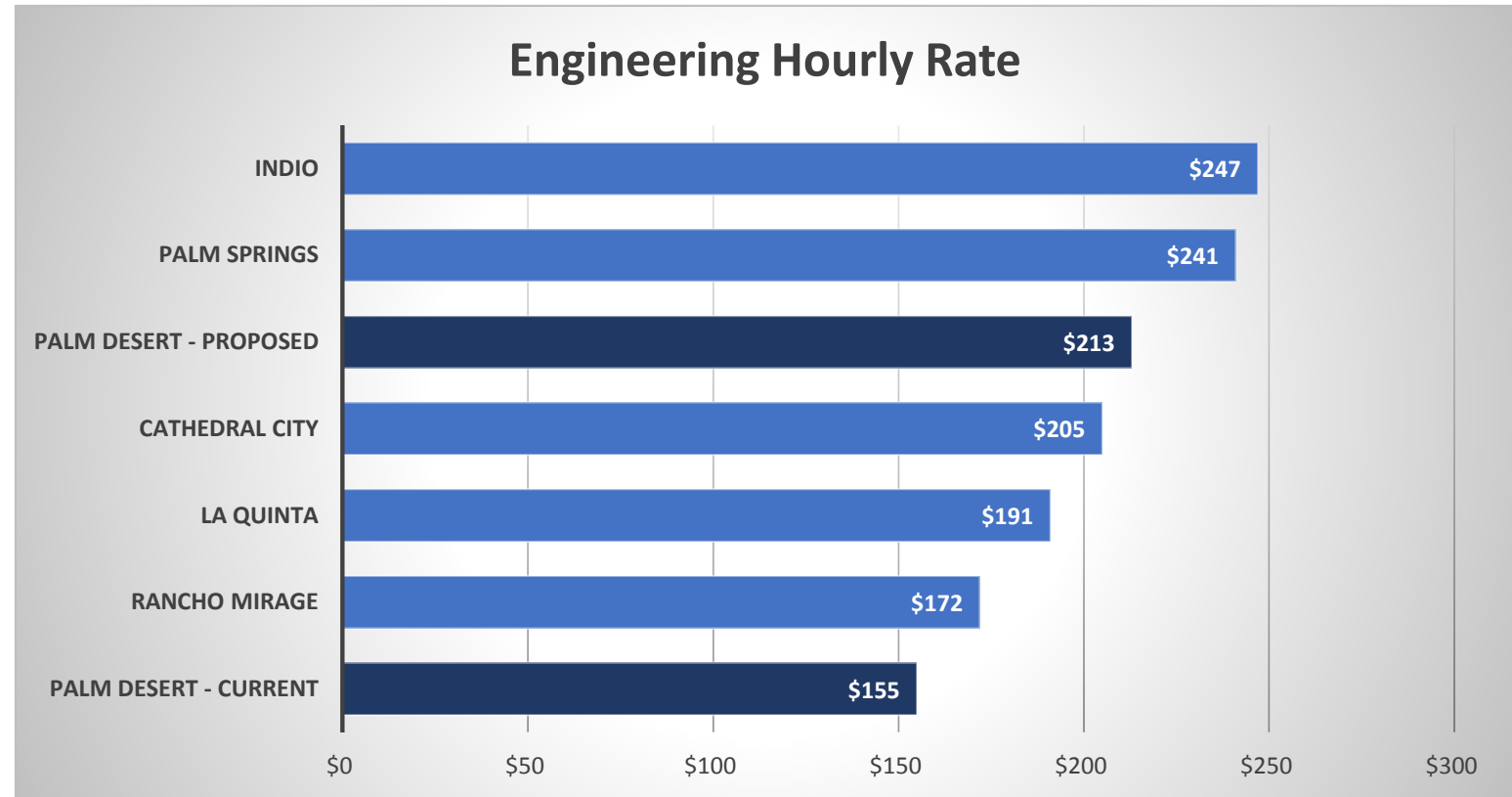
REGIONAL COMPARISON



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

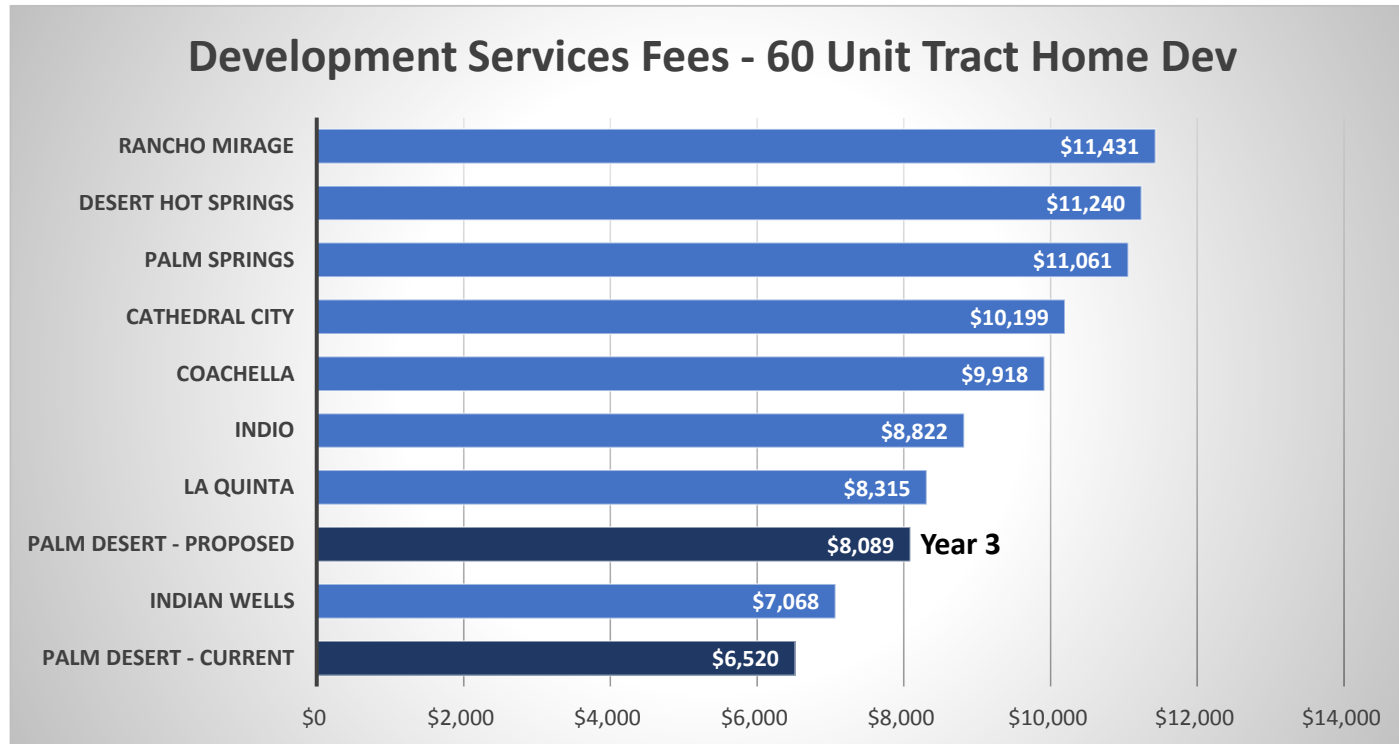


ILLUSTRATION OF FEE PHASE-IN

- **Minor Residential Permit**

| Description | Current Fee | Year 1 Proposed Fee | Year 2 Proposed Fee | Year 3 Proposed Fee |
|--------------------------|-------------|---------------------|---------------------|---------------------|
| HVAC Change-Out | \$159 | \$165 | \$172 | \$178 |
| Patio Cover Construction | \$159 | \$225 | \$290 | \$356 |
| Re-Roof (up to 2,000 SF) | \$159 | \$210 | \$261 | \$312 |
| Swimming Pool | \$318 | \$449 | \$581 | \$712 |

ILLUSTRATION OF FEE PHASE-IN

- **New Construction Building Permit (Plan Review and Inspection)**

| Description | Current Fee | Year 1 Proposed Fee | Year 2 Proposed Fee | Year 3 Proposed Fee |
|---|-------------|---------------------|---------------------|---------------------|
| Single Family Dwelling \$3M BP Valuation | \$29,906 | \$26,230 | \$26,316 | \$26,402 |
| Hotel \$12M BP Valuation | \$39,013 | \$87,438 | \$87,524 | \$88,609 |
| Commercial \$790K BP Valuation | \$2,413 | \$6,547 | \$6,775 | \$7,006 |

ILLUSTRATION OF FEE PHASE-IN

Land Action Review

| Description | Current Fee | Year 1 Proposed Fee | Year 2 Proposed Fee | Year 3 Proposed Fee |
|------------------------------------|-------------|---------------------|---------------------|---------------------|
| Tentative Parcel Map | \$3,308 | \$4,781 | \$6,255 | \$7,728 |
| Tentative Tract Map | \$1,203 | \$2,213 | \$3,222 | \$4,232 |
| Grading Plan Review (SFR) | \$698 | \$1,016 | \$1,333 | \$1,651 |
| Final Parcel Map - 2 Lots | \$12,878 | \$11,354 | \$11,505 | \$11,655 |
| Final Tract Map - 20 Acres/93 Lots | \$1,503 | \$1,711 | \$1,922 | \$2,130 |

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
