



City Council AGENDA REPORT

DATE: 4/4/2022

AGENDA OF: 4/12/2022

DEPARTMENT: Planning and Community Development

SUBJECT: Green Building Program Proposed Fee Increase (PL)

RECOMMENDATION: Motion to:

- 1) Introduce for publication an amendment to Chapter 24.15, (*Green Building Regulations*), to specify that the fee associated with the Green Building Educational Resource Fund will be established by resolution of the City Council; and
 - 2) Adopt a resolution to increase the Green Building Fee from 0.0025 to 0.0100 times the overall valuation of a project, to retain the \$50,000 fee cap, and to incorporate said fee increase into the City Unified Master Fee Schedule with a footnote that annual Consumer Price Index increases do not apply to the fee; and
 - 3) Direct staff to update all associated fee schedules, such as user-friendly fee schedules developed by staff and post them online, where applicable, for the public.
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BACKGROUND: City Municipal Code 24.15, *Green Building Regulations*, was adopted in 2005 and marked the start of the Green Building Program, a program managed by staff in the Building & Safety Division in the Planning & Community Development Department (Department). The program seeks to promote environmental sustainability including incentives for waste reduction, energy efficiency, water conservation, indoor air quality, and climate protection.

The program was developed and recommended by the Green Building Working Group and introduced by ordinance to Council on October 25, 2005. Section 24.15.080 of the City Municipal Code established a Green Building Education Fee (GBF) to support program costs. The fee is codified as 0.0025 of project valuation and later included a cap on the fee of \$50,000.

DISCUSSION: The GBF has not been increased since 2005, even though employee costs continued to climb and program components have changed. For example, one change was the approval of a full-time Green Building Specialist in 2017. Program expenses and revenues since the program was effective in 2006 are shown in the Green Building Fund Analysis. Based on accounting of the last few fiscal years (FY), revenue (FY 2019 – FY 2021) did not meet annual program expenses. Another deficit is expected for FY 2022 and the current fund balance will not

support FY 2023 needs. Staff recommends an increase to the Green Building Fee to continue to support the current program.

Current Green Building Program Costs

The Department Principal Management Analyst reviewed current positions allocated to the Green Building program, as well as current services and supplies. Attachment “Fee Increase Analysis” details staff, services, and supplies budgeted as of FY 2021, which was used as the current baseline. The current FY 2022 budget was not used as the baseline for the program because staff anticipated a deficit and reduced the FY 2022 budget to minimize use of dwindling fund reserves. In summary, current costs for the Green Building program include varying percentages of the following staff, and the expenses for the following services and supplies:

<u>Personnel</u>	Current Percent/Amount Dedicated to GBF
Green Building Specialist	90%
Chief Building Official	20%
Deputy Building Official	30%
Supervising Building Inspector	5%
Senior Building Inspector	5%
Senior Building Inspector	5%
Senior Building/Building Inspector	5%
Management Analyst	5%
Supervising Plans Examiner	20%
Temporary Staff	\$6,000
Overtime	\$3,000
Total Personnel (FY 2022 Costs)	\$305,335
Services and Supplies (as of FY 2021 Budget)	\$46,285
Examples includes: <ul style="list-style-type: none"> • Program Services for Green Business Program • Travel and Training for One Individual • Dues & Membership for One Individual • Office Supplies, Small Tools, and Books for One Individual 	
Baseline Program Costs: \$351,620	

A detailed list of the staff, services, and supply budget for FY 2021 and FY 2022 are in Attachments “Green Building Adopted Budget, FY 2021” and “Green Building Adopted Budget, FY 2022.”

Proposed Green Building Program Costs

In addition to bridging funding gaps for current staff due to employee cost increases over the past few fiscal years, staff reviewed and included costs for:

- Adjusted current and considered time allocation of Building & Safety staff, who support the Green Building program.
- Other staff who support the Green Building program. For example, the current program budget does not consider all staff support, such as administrative staff who support building inspection and plan review services, or costs for vehicles, services, and supplies

for other members of the Building & Safety Division who also provide support services for the Green Building Program.

- Increased staff cost associated with cost of living increases, merit increases, liability costs, and insurance.
- Adjusted supply costs by 3-5% per year to year from FY 2023 – FY 2027 to account for general price adjustments.

The table below includes baseline staffing, increases to current staff, and adds new staff and service supply costs that were not originally considered but support the Green Building program. Italicized items are changes compared to the current fees.

Proposed:

<u>Personnel</u>	Proposed Percent/Amount Dedicated to GBF
Green Building Specialist	90%
Chief Building Official	20%
Deputy Building Official	30%
<i>Supervising Building Inspector</i>	8%
<i>Senior Building Inspector</i>	8%
<i>Senior Building Inspector</i>	8%
<i>Senior Building/Building Inspector</i>	8%
<i>Management Analyst</i>	10%
Supervisory Plans Examiner	20%
<i>Senior Plans Examiner</i>	10%
<i>Senior Plans Examiner</i>	10%
<i>Director of Planning & Community Development</i>	0.50%
<i>Assistant Director of Planning & Community Development</i>	0.50%
<i>Principal Management Analyst</i>	5%
<i>Records Coordinator</i>	10%
<i>Climate Action Manager</i>	5%
<i>Temporary Staff</i>	\$25,934
<i>Overtime</i>	\$3,483
<i>Total Estimated Personnel</i>	\$460,159
<i>Services and Supplies (as of FY 2021 Budget)</i>	\$159,897
Examples includes: <ul style="list-style-type: none"> • Program Services for Green Business Program • Travel and Training for One Individual • Dues & Membership for One Individual • Office Supplies, Small Tools, and Books for One Individual • Engineering Fees – Outside • Vehicle Lease • Portion of Travel and Meetings for all other Staff Support • Portion of Printing binding, other professional services for all other staff support • Portion of Office Supply, small tools, dues and memberships, and other misc. services and supplies for all other staff support 	
FY 2023 Projected Program Costs: \$620,056	

Line item detail is shown in the attached Fee Increase Analysis document, which also shows anticipated costs for FY 2024 – FY 2027. Based on the proposed changes and adjusting to cover current staff cost, it is estimated the change will cost \$620,056 to cover anticipated program costs for FY 2023, with increases through FY 2027.

Revenue Projections

The current GBF rate is 0.25% of project valuation and includes a cap of \$50,000. To determine the necessary revenue to cover proposed cost of the Green Building program, staff compared what revenues might be raised in prior years had the rate been 0.75%, 1%, and 1.25%.

	0.75%	1%	1.25%
FY 2018	\$511,171	\$648,228	\$785,286
FY 2019	\$506,100	\$621,096	\$726,370
FY 2020	\$411,485	\$571,980	\$702,474
FY 2021	\$388,941	\$501,922	\$614,902

Balancing the volatility of this revenue type with addressing cost recovery only, staff recommends increasing the rate to 1% of project valuation, and re-evaluating the fee in FY 2023.

Future Program Considerations: Proposed program changes consider the program as it stands currently and does not include future changes that may be considered by the Chief Building Official and Director of Planning & Community Development. Considerations presented focus on ensuring the current program is fiscally sustainable based on current program structure. If the scope of the program grows, is modified, or reduced in future years, then the fee should reflect such changes.

Amendment to Chapter 24.15

As indicated above, the current Green Building Fee is codified. Changing it requires a code amendment. Rather than codify the new fee, the proposed amendment would allow the City Council to modify the fee by resolution, as is typically the practice with other City fees and is typically the case for fees in other jurisdictions throughout the State. The proposed amendment in both clean and strikeout versions is attached.

The advantage of adopting fees by City Council resolution is that it involves a much more streamlined process than an ordinance amendment, which requires two readings and a recommendation from the Planning Commission (since the green building provisions are contained in the Zoning Ordinance), plus thirty days from the second reading before the ordinance is in effect. Not only will the proposed amendment reduce the amount of staff time devoted to report preparation and attendance at the additional hearings, but it will also reduce costs associated with public noticing.

On March 17, 2022, the Planning Commission unanimously recommended approval of the proposed amendment by making the following findings:

1. The proposed amendment serves and furthers public necessity and general community welfare by streamlining the process associated with updating fees to support the City’s Green Building Program; and

2. The proposed amendment serves and furthers good zoning practice by streamlining the process associated with updating fees to support the City’s Green Building Program; and
3. The proposed amendment is in general conformance with the principles, policies, and land use designations set forth in the General Plan as it is consistent with a variety of Policies and Actions in the General Plan, such as NRC 4.1.2, 4.3.2, 7.1, 7.2, and ED 6.2.2 of the General Plan. The Green Building Ordinance is not part of the Local Coastal Program.

For reference, the General Plan policies and actions noted above follow:

- NRC4.1.2 Revise the Climate Action Plan to include projected General Plan 2030 growth to the year 2030, and implement municipal, community, and business sections of the Climate Action Plan on energy efficiency and expanded use of renewable energy.
- NRC4.3.2 Involve the public to identify additional City incentives necessary to improve community energy efficiency upgrades.
- NRC7.1 Improve local energy efficiency and conservation.
- NRC7.2 Promote energy efficiency and innovation as an integral part of economic development.
- ED6.2.2 Require commercial and industrial construction and facilities to incorporate green and sustainable building features and operating practices.

FISCAL IMPACT: Increasing the Green Building Fee from 0.0025 to 0.01 of total permit valuation aims to ensure there is no fiscal impact to the City’s general fund for FY 2023 as was the original intent of the Green Building Program. Because the GBF annual revenue is dependent on the quantity and valuation of building projects received, the fee should be reviewed and adjusted regularly given the volatility potential of building permit revenues. Additionally, it is important to note that if the increase is accepted as introduced on April 12, 2022 and formally adopted on April 26, 2022, the new effective date would be 60 days later (around June 27, 2022). However, if a complete planning or building application is received prior to the effective date, the original Green Building Fee (0.0025 of project valuation, \$50,000 cap) applies.

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ATTACHMENTS:

Proposed Green Building Ordinance Amendment, Clean Version
Proposed Green Building Ordinance Amendment, Strikeout Version
Resolution Amending Unified Master Fee Schedule
March 17, 2022 Planning Commission Action Summary
Green Building Fund Analysis, Fund 108, FY 2005 – FY 2022
Green Building Adopted Budget, FY 2021
Green Building Adopted Budget, FY 2022
Fee Increase Analysis