

FEES AND EXACTIONS

Entitlement Fees and Exactions

Like cities throughout California, Model City collects development fees to recover the capital costs of providing community services and the administrative costs associated with processing applications. New housing typically requires payment of the following fees: school impact, park in-lieu, sewer and water connection and, building permit; and a variety of handling and service charges. These fees comprise a significant part of housing costs in the City. In addition, subdivisions and multifamily projects may incur the cost of preparing environmental impact reports, traffic studies, soils reports, and filing fees for tentative and final maps. Such fees are typically based on the hourly rates of City employees (including overhead) and the number of hours spent processing the application or performing the associated work. Table 1 identifies the basic fees that apply to new residential construction in Model City.

Fees, land dedications, or improvements are also required in most instances to provide an adequate supply of public parkland and to provide necessary public works (streets, sewers, and storm drains) to support the new development. While such costs are charged to the developer, most, if not all, additional costs are passed to the ultimate product consumer in the form of higher home prices or rents.

Planning related fees are due at the time of project submittal. A proposal with an affordable housing component can apply for a fee deferral for which all fees are due at the time of building permit processing. All other building related and impact fees are due at the time of building permit issuance. Because Model City recognizes that less infrastructure and service improvements are needed to accommodate growth in existing neighborhoods, the fee structure is designed to encourage development in already established areas of the City. Projects built in the designated in-fill areas (Appendix A: land-use map) are assessed lower impact fees than those built in outlying areas. In addition, multifamily units are generally assessed lower per unit impact fees. The fee structure also differentiates between minor residential projects of 10 units or less, medium residential projects of 10-74 units, and major residential project over 75 units.

Additional exactions and land dedications include a Capital Facility Development Fee to offset the cost of transportation, police, general government, and fire protection. This fee is assessed to each new housing unit constructed within the City. The amount of the fee is determined by the land-use type and the quadrant the project is located. On average, the per unit fee cost is \$2,586 for new residential areas, \$1,428 for an in-fill designated residential project, and \$1,752 for a multifamily residential project. This fee can be deferred or waived if it can be demonstrated that the fee (alone) will increase the cost of the housing so that it is no longer affordable to low-income households.

Model City Unified School District serves the City. The elementary and high schools operate under one administration. The School District assesses a school impact fee on all new development. The school impact fee on commercial land is \$.34 per square foot. The fee of \$2.05 per square foot on residential land can add significantly to the cost of development. Currently, there are no exemptions from the school impact fee, however, the school board will review and consider requests for exemption from or reductions for senior and affordable housing projects.

**TABLE 1
PLANNING AND DEVELOPMENT FEES**

FEE CATEGORY	FEE AMOUNT	
Planning and Application Fees	Single-Family	Multifamily
Variance	\$1,102	\$1,102
Conditional Use Permit	minor \$997, medium \$2,205, major \$3,150	minor \$997, medium \$2,205, major \$3,150
General Plan Amend.	\$3,775	\$3,775
Zone Change	\$4,197.50	\$4,197.50
Site Plan Review	\$200 minor residential \$300 major residential	\$200 minor residential \$300 major residential
Architectural Review	minor \$420, medium \$997.50, major \$1,500	minor \$420, medium \$997.50, major \$1,500
Specific Plan	\$2,000 initial deposit	\$2,000 initial deposit
Development Agreement	\$1,500 deposit	\$1,500 deposit
Building Inspection/Permit	Building valuation ≤ \$100,000: \$34.12 - \$1,173 Building valuation > \$100,000: \$5.69 for each additional \$1,000 in valuation	Building valuation ≤ \$100,000: \$34.12 - \$1,173 Building valuation > \$100,000: \$5.69 for each additional \$1,000 in valuation
SUBDIVISION		
Certificate of Occupancy	\$108 plus staff time	\$108 plus time
Lot Line Adjustment	\$400 + \$35 per lot	\$400 + \$35 per lot
Tentative Tract Map	\$1,541 + \$50 per lot	\$1,541 + \$50 per lot
Final Parcel Map	\$525 application fee	\$525 application fee
ENVIRONMENTAL		
Initial Environ. Study	\$800	\$800
Environ. Impact Report	\$1,500 & consultant fees	\$1,500 & consultant fees
Negative Declaration	\$346.50	\$346.50
IMPACT		
Capital Facilities Fee	New = \$2,586 In-fill= \$1,428	\$1,752/unit
Parks	New = \$1,229 In-fill = \$751	\$698/unit
Water and Sewer	New = \$3,040 In-fill= \$2,015	\$1,200/unit up to 10 units \$960 per additional unit
Sewer Hook-up	\$1,036/unit	\$846/unit
Wastewater and treatment	\$1,673/unit	1673/unit
Traffic	New = \$452 In-fill= \$339	\$405/unit
School	\$2.05 per sq ft	\$2.05 per square ft
Public Building Facilities	New = \$692 In-fill= \$519	\$408/unit

Table 2 identifies the hypothetical fees that would be collected for a new 2,000 square foot two-story house and a 45-unit multifamily project. These fees would be approximately \$15,697 and \$9,081 per unit respectively. This represents about 16.4 percent of the total development cost for single-family unit and 8.3 percent for a multifamily unit.

**TABLE 2
PROPORTION OF FEE IN OVERALL DEVELOPMENT COST FOR
A TYPICAL RESIDENTIAL DEVELOPMENT**

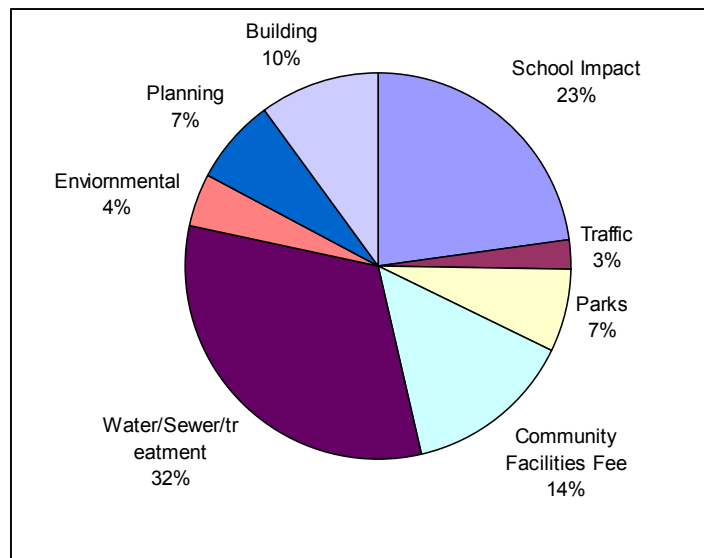
Development Cost for a Typical Unit	New Single-Family*	New Multifamily**
Total estimated fees per unit	\$15,697	\$9,081
Typical estimated cost of development per unit	\$95,697	\$110,000/unit
Estimated proportion of fee cost to overall development cost per unit	16.4%	8.3%

*2000 sqft home in a new residential area

**45-unit multifamily complex

The distribution of the fees by each type are shown in Chart 1. Three of the fees — for community facilities, schools, and water/sewer — represent over two-thirds of the total. Of these, only the community facilities fee is levied by the City. The school impact fee is collected by the building department but the funds are directed to the School District. The water connection fee is collected by the Municipal Utility District. The City does not have jurisdiction over these fees nor have the authority to waive or reduce them. City planning and building fees represent about 21 percent of the total fee. Parks and road impact fees represent another 10 percent.

**CHART 1
DISTRIBUTION OF FEES BY TYPE**



While fees represent a substantial part of residential construction costs, Model City’s fees are in line with those charged in other neighboring communities. The City has one of the lowest planning fees within the County. A brief survey demonstrates the below average cost in planning fees charged by the City. For example, Model City requires a fee of \$4,197 for a zone change, while all other cities’ fees, except City A, are higher. The low fees in the City, do not act as a constraint against building affordable housing and as a result, fees have not affected the City’s competitiveness for affordable housing with neighboring communities.

**TABLE 3
PLANNING APPLICATION FEES – SURROUNDING JURISDICTIONS SINGLE
FAMILY AND MULTIFAMILY**

Jurisdiction	General Plan Amendment	Zone Change	Tentative Tract Map	Variance
Model City	\$3,775	\$4,197	\$1,541+\$50 per lot	\$1,102
City A	\$2,500 deposit	\$1,500+\$25/lot	\$1,000+\$25/lot	\$785.00
City B	\$2,500	\$4,925	\$1,175+\$20/lot	\$1,528.00
County	\$5,000-\$7,000	\$4,826	\$3,092+\$315/lot for the first 40, \$158/lot subsequently	\$2,207-Class One \$3,416-Class Two
City C	\$750 Filing Fee + actual Cost w/min \$3,800	\$4,532	\$2,125+\$25/lot	\$1,125-\$2,800

Source: City and County Planning Departments

Conclusions

Model City’s City Council has recognized that fees could significantly impact the cost and affordability of housing within the community. As a result, in 2006, the City conducted a thorough nexus study on the fees assessed at the time. The study showed that current fees had a negative impact on development in the urban center and on the City’s ability to meet housing goals. As a result, the City altered their fee structure, lowering fees for infill development and multifamily housing to better encourage development within existing service corridors and compact development.

The current Model City fee structure does not appear to pose an undue constraint on the production of housing as the development of housing has continued to grow, outpacing neighboring communities. In addition, two new housing developments affordable to lower-income households have been proposed since the new fee structure was implemented. The City continues to have highly competitive fee rates as well as offering reductions or deferrals as incentives for projects which provide public benefit, or present extenuating circumstances and has granted such requests as part of regulatory relief agreements. More typically, the City grants fee deferrals to non-profit developers of affordable housing. More information on constraint mitigation efforts can be found in the program section of the housing element.