



**COUNTY OF MENDOCINO**

**DEPARTMENT OF PLANNING AND BUILDING SERVICES**

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## MEMORANDUM

**DATE:** April 16, 2012

**TO:** Supervisors John McCowen & Carre Brown

**CC:** Carmel Angelo & Steve Dunicliff

**FROM:** Roger Mobley

**SUBJECT:** Building Permit Fee Waiver Analysis

The following information responds to Board direction to investigate the possibility of providing Building Permit fee waivers or fee reductions as an impetus for local job creation. This analysis is broken into three parts, research, findings, and options for action. As used in this report, fee waivers and/or fee reductions refer to Building Permit fees collected as part of the Building Permit review and approval process. In addition, as used in this report, impact fees or development impact fees refer to fees collected as part of a development approval that are a project's pro-rated share of a larger area or county-wide infrastructure improvement program. The County currently has no impact fees.

### Research

Initial research surveyed other counties to see if any county had instituted fee waivers or fee reductions. The results of this survey are presented in the attached Table 1, *Waiver of Fees Survey*. Eleven counties responded as shown in the table.

The second area of research was to review Mendocino County's Building Permit history over the last year (March 2011 to present) to get an idea of the magnitude of Building Permit fees collected for projects that potentially produced new permanent jobs. This data is presented in the following Table 2, *Commercial & Industrial Permit History*.

**Table 2**

**Commercial & Industrial Permit History  
March 2011 thru March 2012**

*Commercial & Industrial – New Buildings*

1. Commercial Manufacturing	\$19,638.58
2. Industrial Manufacturing	\$14,121.89
3. Bus Maintenance Facility	\$23,483.23
4. Winery Warehouse	\$ 7,183.62
5. Wine production Bldg.	<u>\$ 6,380.24</u>
	\$70,807.56

*Commercial & Industrial – Additions/Remodels*

1. Supermarket remodel	\$22,634.55
2. Addition to Dairy Sales	\$ 5,834.04
3. Addition to Medical Facility	<u>\$ 8,682.80</u>
	\$37,151.39

Total of these Fees	\$107,958.95
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**Findings**

The survey information from other counties can be summarized as follows:

1. Of the eleven counties, only two offered fee waivers. These waiver programs are described as follows:
  - Napa County provided fee waivers only for non-profits but was in the process of terminating that policy.
  - Mono County provided fee waivers on a one time basis with a cumulative dollar cap of \$100,000, as set by the Board. This was done to help local contractors who, due to weather constraints, can only work about 7-8 months of the year. It was put in place for one year and apparently will not be extended.
2. Sutter County provided for impact fee waivers, if an applicant can justify that there is no nexus between his project and the purpose of the impact fee.
3. Five counties provided for impact fee deferral from payment at the Building Permit to payment at final inspection or Certificate of Occupancy.
4. Timeframes for impact fee deferral, where allowed, ranged from 1 year to 4 years. In all cases they had a defined timeframe and were not perpetual.
5. The following counties provided information on how many applicants asked to take advantage of the waiver or deferral:
  - In Sonoma County, over an 18 month period that the impact fee deferral program was available, only one applicant took advantage of it.

- In Contra Costa County, where the impact fee deferral program was set up at the request of the BIA, no applicants took advantage of it.
- In Mono County where fee waivers were offered, a County survey of applicants indicated that about 25% said the fee waiver was the sole reason for moving there project forward.

To summarize the survey, it appears from the survey that with the exception of Mono County, counties were not waiving fees to create jobs. Deferral of impact fees are not assumed to be an inducement to create jobs as the fees still have to be paid. With Mono County the fee waiver was intended to help local construction jobs but these are not permanent jobs.

The Building Permit fees shown above for the past year are intended to give an order of magnitude to the dollar amount of fees from projects that could potentially produce new permanent jobs. The two largest fees for the Bus Maintenance facility and Supermarket remodel are probably not typical, but based on these fees the average fee for the new construction would be just over \$14,000. For the remodel fees I would say the \$6-8,000 range is probably typical.

### **Options for Action**

It appears that there are several possible options for actions regarding fees that might help to stimulate job creation. These are defined as follows:

1. Waiver of fees for qualifying projects that are determined to create new permanent jobs.
2. Fee reductions for qualifying projects that are determined to create new permanent jobs.
3. Fee reductions for qualifying projects that are determined to create significant shorter-term construction jobs for local contractors.

There are several variables in any of the options that would need to be defined, including:

1. Criteria for what qualifies for job creation, i.e. how many jobs, what type of jobs.
2. What percentage fee reduction to use and whether that might be tied to how many jobs are created.
3. What timeframe to allow for the fee waiver/reduction program.

One approach to either fee waiver or reduction would be to set a cap on the dollars available for waiver or reduction and when that amount has been used by qualifying projects the program would end. If this was to be an annual program the dollar amount committed could be set each year in the budget process.

Given Board members expressed interest in stimulating local job growth, and considering the data gathered and options outlined above, Planning and Building Services would suggest that if the Board wants to move forward with some form of jobs stimulus, a pilot program approach should be used. Initiation of a short term pilot program could be used to determine if some form of Building Permit financial relief will stimulate development and corresponding creation of jobs in the County. The suggested "job stimulus" pilot program is a tiered ***fee reduction program*** made up of three components: 1) Job creation criteria, 2) Funding allocation, and 3) Timeframe.

These components are proposed as follows.

Job Creation Criteria:

A tiered job creation criteria is suggested addressing both permanent jobs and short-term construction jobs. New permanent jobs provide opportunities to reduce unemployment and short-term construction jobs help to save existing county jobs. The suggested tiering is intended to provide increasing fee reduction based on the type and number of jobs potentially created by a project. The suggested fee reduction tiering is as follows:

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|---|--------------------|
| 1. Creation of 1 new job anticipated to last at least 5 years:  | 20% fee reduction  |
| 2. Creation of 2 new jobs anticipated to last at least 5 years: | 40% fee reduction  |
| 3. Creation of 3 new jobs anticipated to last at least 5 years: | 60% fee reduction  |
| 4. Creation of 4 new jobs anticipated to last at least 5 years: | 80% fee reduction  |
| 5. Creation of 5 new jobs anticipated to last at least 5 years: | 100% fee reduction |
| 6. Creation of at least 5 temporary construction jobs:          | 10% fee reduction  |

Funding Allocation:

Provide a one-time allocation of \$50,000 from the General Fund to backfill the loss of revenue from the Planning and Building Services budget.

The \$50,000 allocation would be drawn down on a “first come first served” basis. Building permit fees would be paid up front with the fee reduction given as a refund upon project completion and proof of jobs created.

Program Timeframe:

The fee reduction program is suggested to be established for a six month period from May 1, 2012 to October 31, 2012. The program would sunset on October 31<sup>st</sup> or upon drawdown of the entire \$50,000 allocation, whichever occurs first. At the conclusion of the pilot program period any remaining funds would be reallocated by the Board to any other budget program.

**Table 1****WAIVER OF FEES SURVEY**

<b>Agency</b>	<b>Fee Waiver</b>	<b>Fee Deferral</b>	<b>Timeframe</b>	<b>Participation</b>
Sonoma County	No	Yes, development impact fees only	Approx. 18 months	1 applicant
Nevada County	No	No		
Napa County	Yes for non-profits only, but in process of ending	Yes, impact fees only		
Fresno County	No	Yes, impact fees only	2010 to 2014	
Contra Costa County	No	Yes, impact fees only		No applicants
Tehama County	No	No		
Humboldt County	No	No		
Kings County	No	No		
Sutter County	Yes, may apply for impact fees waiver	No		
Mono County	Yes, Bldg. permits with \$100,000 cumulative cap for all waivers	No, impact fees being terminated, money refunded	1 year	Survey indicated 25% said this was sole reason for moving project forward
San Luis Obispo County	No	Yes, impact fees only	Till Sept. 2014	