



## Council Agenda Report

From: Catherine Piatti, Finance Manager

Subject: Approval of a Resolution Updating and Establishing City Development Services User Fees for Various Regulatory Activities, Programs, and Services

CEQA Determination: The City finds that this action is exempt under the California Environmental Quality Act from environmental review under Public Resources Code Section 21080(b)(8), which provides an exemption for the establishment or modification of charges by public agencies which the public agency finds are for the purpose of meeting operating expenses.

Date: March 17, 2026

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### Facts

1. The City charges fees for certain services for which a particular individual or group is the primary beneficiary, as opposed to the public at large. In these instances, it is more equitable to charge for these services rather than subsidize them out of the General Fund.
2. For most fees, the City is not allowed to charge more than the reasonable cost of providing the service or performing the activity. For some (e.g., youth recreation), the City purposefully charges less than the cost of providing the service in an effort to maintain accessibility and affordability.
3. The last citywide user and regulatory fee study was completed in 2005.
4. In March 2024, the City retained the services of an independent rate consultant, ClearSource Financial Consulting (ClearSource), to conduct a User and Regulatory Fee Study (the "Study") (Attachment No. 2), analyzing the costs of providing various City regulatory activities, programs, and services.
5. The Study and the applicable user fees have been conducted in two phases. On September 16, 2025, City Council approved user fees for public safety, airport, utility administration (non-regular service-related fees), library, recreation, and administration services. The second phase (this item) is to consider the adoption of proposed user fees for building, planning, engineering, and development services that are the responsibility of the Community Development Department.
6. User and regulatory fees for development services have been modified since 2025 (e.g., City Council Resolutions [03-66](#), [06-128](#), [06-0197](#), [17-086](#), [18-132](#), and [19-077](#)) but a comprehensive review and study has not. Comprehensive fee studies should be performed periodically to ensure the City's cost of providing services are accurate and appropriate.
7. The Study, dated February 2026, examined these development-related services provided by the City, the costs reasonably borne by the City in providing these services, the beneficiaries of these services, and the revenues produced by those paying fees and charges for such services.
8. On February 12, 2026, staff presented this report and study to the Housing Constraints and Opportunities Committee (HCOC) and unanimously supported advancing the proposed fee updates to City Council.
9. On an annual basis, fees will be adjusted based on the Consumer Price Index (CPI) – All Urban Consumers for San Francisco-Oakland-San Jose, California, calculated by the 12-month changes as of April each year. The first CPI adjustment will be effective July 1, 2027, and each July thereafter.

## **Community Outreach**

Public notice regarding the proposed fee changes has been provided as directed by the Mitigation Fee Act, codified pursuant to Government Code section 66000, et. seq. and more specifically the public meeting requirements of section 66016 and the public hearing requirements of section 66018. The City made publicly available the Study indicating the amount of cost, or estimated cost, required to provide the Services for which the user fees are to be imposed, and the revenue sources anticipated to provide such programs and services at least ten (10) days prior to the date of the public hearing. The City will hold a duly noticed public hearing at which all oral and written presentations are made as part of a regularly scheduled meeting and prior to holding said public hearing, the City published notice in a newspaper of general circulation at least ten (10) days prior to the date of the public hearing pursuant to Government Code section 6062a. City provided written notice to any interest party having requested such notice at least fourteen (14) days prior to the date of the public hearing and said notices provided the date, time, and location of this public hearing. Additionally, relevant advisory bodies were provided with the opportunity to review the proposed updates at regularly scheduled advisory body meetings. (See Attachment No. 5).

## **Options**

1. Take no action, leaving fees unchanged;
2. Approve accompanying resolution updating and establishing various user and regulatory fees, based on the materials presented;
3. Approve any combination of partial implementations of the proposed changes;
4. Provide alternative direction to staff.

## **Analysis and Conclusions**

The 'Citywide User and Regulatory Fee Study for Development Services Fees' can be reviewed entirely as Attachment No. 2. Cities regularly conduct these studies to justify fee amounts imposed, and to optimize the overall portfolio of revenues available to the municipality to fund its services. Industry practice and fiscal conditions in the state have led most cities to link cost recovery for services of individual action, cause, or benefit to that same individual through user fee revenue, relieving the agency's general revenues as much as possible for use toward services of broader community benefit.

User and regulatory fees are intended to cover all, or a portion of, the costs incurred by the City for providing fee-related services and activities that are not otherwise provided to those not paying the fee. California law provides restrictions regarding the amounts the City may charge for fee-related services and activities. Specifically, in order to avoid being considered taxes, the fees charged shall not exceed the estimated reasonable cost of providing the services, activities, or materials for which fees are charged.

The services for which the City imposes a user or regulatory fee typically derive from an individual person or entity's action, request, or behavior. Therefore, except in cases where there is an overwhelming public benefit generated by the City's involvement in the individual action, a fee for service ensures that the individual bears most, if not all, of the cost incurred by the City to provide that service. When a fee targets "100% or full cost recovery," the individual is bearing the entirety of the cost. When a fee targets less than full cost recovery, another City revenue source—in most cases, the General Fund—subsidizes the individualized activity.

An overview of all proposed changes to fees, including proposed increases, are shown in detail in Attachment No. 3. The report includes all three divisions, building, planning and engineering and includes

charge type (i.e., Fixed Rate or Time and Materials), if it changes the current fee, and if so, by how much, and its cover recovery goal. The attachment also includes:

1. List of fixed fees and rates that are proposed to remain unchanged: Fees that are proposed to remain unchanged (example below) are generally:
  - Fees that already recover the City’s cost of service, so no adjustment is required;
  - Fees that align to prior City Council direction (e.g., reduced fees for sign permits); and
  - Fees established or limited by the State of California.

**City of Paso Robles**

**OVERVIEW OF PROPOSED ADJUSTMENTS TO BUILDING FEES**

**FIXED FEES AND RATES THAT ARE PROPOSED TO REMAIN UNCHANGED**

Fees and rates included in the following section are proposed to remain unchanged.

Activity Description	Charge Type	Change Proposed	Overview	Current Fee or Deposit	Cost of Service	Proposed Fee or Deposit	Change	Cost Recovery	Charge Basis	Note
1 Building Standard Hourly Rate	Fixed Rate	No	Current rate recovers cost of service	\$206	\$206	\$206	\$0	100%	per hour	
<b>Flat Fees</b>										
2 Minor Residential MPE Permits	Fixed Fee	No	Current fee recovers cost of service	\$103	\$103	\$103	\$0	100%	each	
3 Mechanical, Plumbing, Electrical (MPE) Permits										
a) 1 Item (e.g. Mech, Plumb, Elec, or EV ONLY)	Fixed Fee	No	Current fee recovers cost of service	\$360	\$361	\$361	\$0	100%	each	
b) 2 Items (e.g. Mech + Plumb)	Fixed Fee	No	Current fee recovers cost of service	\$463	\$464	\$464	\$0	100%	each	
e) Solar - CDM/IND Permit Processing	Fixed Fee	No	Current fee recovers cost of service	\$618	\$618	\$618	\$0	100%	each	[a]
f) Solar - CDM/IND Plan Check & Est. Inspections	Fixed Rate	No	Current rate recovers cost of service	\$206	\$206	\$206	\$0	100%	per hour	[a]
4 Residential Remodels/Additions										
c) Patio Cover/Deck/Porch/Carport	Fixed Fee	No	Current fee recovers cost of service	\$1,030	\$1,030	\$1,030	\$0	100%	each	
5 Other										
a) Pool/Spa - Residential	Fixed Fee	No	Current fee recovers cost of service	\$1,648	\$1,648	\$1,648	\$0	100%	each	
b) Pool/Spa - CDM Permit Processing	Fixed Fee	No	Current fee recovers cost of service	\$618	\$618	\$618	\$0	100%	each	
c) Pool/Spa - CDM Plan Check & Est. Inspections	Fixed Rate	No	Current rate recovers cost of service	\$206	\$206	\$206	\$0	100%	per hour	
d) Demolition	Fixed Fee	No	Current fee recovers cost of service	\$515	\$515	\$515	\$0	100%	each	
e) Retaining Wall Permit Processing	Fixed Fee	No	Current fee recovers cost of service	\$206	\$206	\$206	\$0	100%	each	
f) Retaining Wall Plan Check & Est. Inspections	Fixed Rate	No	Current rate recovers cost of service	\$206	\$206	\$206	\$0	100%	per hour	
g) Signs - Major Permit Processing	Fixed Fee	No	Current fee recovers cost of service	\$824	\$824	\$824	\$0	100%	each	
h) Signs - Major Plan Check & Est. Inspections	Fixed Rate	No	Current rate recovers cost of service	\$206	\$206	\$206	\$0	100%	per hour	
i) Signs - Minor	Fixed Fee	No	Current fee recovers cost of service	\$412	\$412	\$412	\$0	100%	each	
j) Foundation Repair	Fixed Fee	No	Current fee recovers cost of service	\$824	\$824	\$824	\$0	100%	each	
k) Commercial Re-Roof	Fixed Fee	No	Current fee recovers cost of service	\$824	\$824	\$824	\$0	100%	each	
l) Cell Site	Fixed Fee	No	Current fee recovers cost of service	\$1,648	\$1,648	\$1,648	\$0	100%	each	
m) Commercial Hood	Fixed Fee	No	Current fee recovers cost of service	\$1,030	\$1,030	\$1,030	\$0	100%	each	

2. List of fixed fees and rates that are proposed to change: In these cases, fees are proposed to change to better recover the City’s current cost of service (example below).

**City of Paso Robles**

**OVERVIEW OF PROPOSED ADJUSTMENTS TO BUILDING FEES**

**FIXED FEES AND RATES THAT ARE PROPOSED TO CHANGE**

Fees and rates included in the following section are proposed to change.

Activity Description	Charge Type	Change Proposed	Overview	Current Fee or Deposit	Cost of Service	Proposed Fee or Deposit	Change	Cost Recovery	Charge Basis	Note
<b>Flat Fees</b>										
3 Mechanical, Plumbing, Electrical (MPE) Permits										
c) Solar - Residential	Fixed Fee	Yes	Fee updated to reflect cost of service	\$410	\$412	\$412	\$2	100%	each	[a]
d) Solar - Residential + Electrical Panel	Fixed Fee	Yes	Fee updated to reflect cost of service	\$490	\$515	\$515	\$25	100%	each	
4 Residential Remodels/Additions										
a) Re-Roof	Fixed Fee	Yes	Fee updated to reflect cost of service	\$206	\$309	\$309	\$103	100%	each	
b) < 500 sqft	Fixed Fee	Yes	Fee updated to reflect cost of service	\$1,853	\$2,060	\$2,060	\$207	100%	each	
5 Other										
n) Production/Tract Housing- SFR	Fixed Fee	Yes	Fee updated to reflect cost of service	\$4,612	\$4,635	\$4,635	\$23	100%	each	
o) Production/Tract Housing- SFR and ADU	Fixed Fee	Yes	Fee updated to reflect cost of service	\$5,436	\$5,459	\$5,459	\$23	100%	each	
p) ADU Flat Fee (Based on Stock Plan)	Fixed Fee	Yes	Fee updated to reflect cost of service	\$3,360	\$3,399	\$3,399	\$39	100%	each	

3. List of time and materials initial deposit amounts that are proposed to change. Historically, the City collects development services fees for development review services based on the actual cost of providing service. This is commonly known as “time and materials” and is an equitable method to charge for the services incurred depending on the complexities of development. In these instances, the City collects a cash deposit, and costs incurred are paid against the deposit. In some instances, the initial deposit amount collected may not cover the total cost of processing the application, in which staff will notify the owner/applicant of the amount of additional deposit required to complete processing of the application. Any remaining unused deposit is refunded to the owner/applicant after the approved project plans and forms are completed, or upon owner/applicant request to formally withdraw the application. Generally speaking, the proposed fees do not change the time and materials methodology, but rather initial deposit amounts are being recalibrated to attempt to minimize the need to pursue additional deposit funding from applicants. Below is an example of a deposit amount that is proposed to change.

**City of Paso Robles**

**OVERVIEW OF PROPOSED ADJUSTMENTS TO ENGINEERING FEES**

**TIME AND MATERIALS INITIAL DEPOSIT AMOUNTS THAT ARE PROPOSED TO CHANGE**

Amounts shown in the following section represent initial deposits collected for services performed on a time and materials basis. Initial deposit amounts are proposed for adjustment.

Activity Description	Charge Type	Change Proposed	Overview	Current Fee or Deposit	Cost of Service		Proposed Fee / Deposit		Change	Proposed Cost Recovery	Charge Basis
					Permit Processing / Plan Review	Permit Inspection	Permit Processing / Plan Review	Permit Inspection			
<b>Encroachment Permits</b>											
2 Major Encroachment Permit (Encroachment Work Greater than Five Days)			Underlying hourly billing rate for time & materials deposit based billings has been recalibrated to reflect consolidated billing rate rather than positional billing rates. This is consistent with practice of other development divisions.								
b) Permit Fee											
i) Projects expected to last between 6 and 10 days in ROW	Deposit	Yes		varies	\$1,314	\$1,480	\$1,250	\$1,250	varies	100%	Deposit
ii) Projects expected to last more than 10 days in ROW	Deposit	Yes		varies	\$2,628	\$2,960	\$2,500	\$2,500	varies	100%	Deposit
c) Traffic Control Plan Review	Deposit	Yes		varies	\$2,628		\$2,500	varies	100%	Deposit	
<b>Public Improvement Plan (Per SLO County Engineer's Estimate Valuation)</b>											
b) Permit Fee			Current deposit amounts are illustrated as "varies" because they vary depending on application submittal. Moving forward, staff recommends proposed deposit amounts that are commonly applied from project to project. The deposit amount is								
i) Up to \$100,000	Deposit	Yes		varies	\$2,628	\$2,960	\$2,500	\$2,500		100%	Deposit
ii) Greater than \$100,000	Deposit	Yes		varies	\$6,132	\$7,400	\$6,000	\$6,000		100%	Deposit

4. List of new fees proposed: Four new fees are proposed and are intended to:
- A. Recover the cost of planning division review of building plans.
    - This service is currently provided, without a corresponding fee for service.
    - The fee is only applicable to building applications that require planning division review.
  - B. Recover the cost of engineering division review of building plans.
    - This service is currently provided, without a corresponding fee for service.
    - The fee is only applicable to building applications that require engineering division review.
  - C. Recover a portion of the cost of development specific technology used by the engineering division.
    - This will allow the City to recover a portion of the costs of development specific technology.
  - D. Collect fees for work performed without a permit or outside the scope of a permit.
    - This fee will only be collected when work commences without required permits or work is performed outside the scope of an issued permit.

The most significant fee adjustments within the proposed schedule occur in a few key service categories where the current fees or deposits are most misaligned with the actual cost of providing the service. It is important to note that time and materials services in both departments continue to be tracked and billed

based on actual staff time spent on a project. The initial deposit functions only as a starting balance for that work. If the actual cost of providing the service is less than the deposit amount, the remaining balance is refunded to the applicant. Conversely, if the work exceeds the deposit amount, the applicant is responsible for paying the additional costs incurred. This approach ensures that applicants ultimately pay only for the actual cost of the services provided.

To provide additional context and clarity, Attachment No. 4 presents a side-by-side comparison of permit fees for a new single-family residence under the existing and proposed fee schedules. The comparative format enhances transparency by clearly identifying specific fee adjustments and allowing users to easily evaluate the cumulative impact of the proposed changes on total project costs. These building and development fee estimate can be requested by any developer.

As an additional layer of review, the Housing Constraints and Opportunities Committee (HCOC) was given the opportunity to review the proposed fees and provide feedback to be included in the final proposal presented to City Council. The HCOC was established to review housing-related issues and provide recommendations to the City Council on strategies to increase housing production within the City. As part of its role, the Committee evaluates factors that influence the feasibility and delivery of housing development, including both constraints and opportunities within the development process. Because development-related service fees directly affect the cost and predictability of development review, they are an important component of the broader housing production framework.

In reviewing potential updates to development-related service fees, the HCOC considered how fee structures may impact housing development, affordability, and the City's ability to efficiently process development applications. Ensuring that development review services are adequately funded supports timely and effective processing, which can help reduce delays and uncertainty for housing projects.

The HCOC reviewed the proposed fee updates and recommended that staff bring the proposed fees forward to the City Council for consideration as presented. Through this recommendation, the Committee expressed its support for the proposed fee structure and recognized the importance of maintaining development services that are appropriately resourced to support housing development and address the City's broader housing challenges.

### **Fiscal Impact**

Since most of the City's development services fees are collected via time and materials billings process, the fiscal impact of proposed fee changes will be dependent upon development activity within the City, application review and corresponding inspection requirements.

Following adoption of the fee schedule, staff will monitor actual permit activity and evaluate revenue performance before making any modifications to projected revenues.

Additional revenues expected from proposed changes to fees and charges are intended to offset the cost of providing existing services associated with those fee-related functions. Additional fee revenue is not intended to fund new services.

Fairly allocating costs to the services provided and recovering some, or all, of these costs from service recipients creates value and predictability for City customers and reimburses the City for services provided to a single party, as compared to the public at large. Collecting fees for services:

- Increases the availability of General Fund revenues to be used for services and activities available to all residents and businesses, such as public safety and public works services.
- Helps meet fee-payer service level expectations by collecting fees to fund the existing level of services provided.

If the proposed development fee adjustments are not adopted, the City will continue to experience a gap between the actual cost of providing development related services, such as development review, inspection, and permitting services, and the revenue generated to support those activities. Unlike many core municipal services, such as police services, fire and emergency response, street maintenance, parks, and library services, which are inherently public services that cannot realistically or legally be fully cost recovered through user fees, development related services review are among the limited categories of municipal services where cost recovery is both appropriate and feasible. When fees for these services do not reflect the true cost of providing them, the difference must be absorbed by the City's broader financial resources, effectively shifting the financial burden from the applicant benefiting from the service to the community as a whole. Maintaining development fees that more accurately reflect the cost of service helps ensure that private development pays for the administrative and regulatory services required to support it. Conversely, failing to update fees increases the level of subsidy required from the General Fund, which may reduce the City's ability to fund essential community services that cannot be fully recovered through fees, including public safety, parks, streets, and library services. Updating the fee schedule therefore supports fiscal sustainability by preserving limited General Fund resources for services that must rely on them.

#### **CEQA**

The City finds that this action is exempt under the California Environmental Quality Act from environmental review under Public Resources Code Section 21080(b)(8), which provides an exemption for the establishment or modification of charges by public agencies which the public agency finds are for the purpose of meeting operating expenses.

#### **Recommendation (Option 2)**

Approve Resolution 26-XXX, updating and establishing various user and regulatory fees for various City regulatory activities, programs, and services set forth in a comprehensive fee schedule.

#### **Attachments**

1. Resolution 26-XXX – User Fee Study  
Exhibit A: Schedule of Proposed User and Regulatory Fees and Charges – Development Services
2. User and Regulatory Fee Study Phase 2 – February 2026
3. Overview of Proposed Adjustments to Development Services Fees and Deposits
4. Example of Fees for Single Family Residence- Current and Proposed
5. Publication Notice of Public Hearing