

# **City of Florence Fee Strategy**

Prepared for

The City of Florence

by

## **ECONorthwest**

99 W. Tenth, Suite 400  
Eugene, OR 97401  
(541) 687-0051

May 2005



# Table of Contents

---

<b>CHAPTER 1 INTRODUCTION</b> .....	<b>1</b>
BACKGROUND.....	1
DATA AND METHODS.....	1
ORGANIZATION OF REPORT.....	2
<b>CHAPTER 2 EVALUATION FRAMEWORK</b> .....	<b>3</b>
OVERVIEW.....	3
LEGAL ISSUES .....	3
FEE STRUCTURES IN COMPARABLE JURISDICTIONS .....	4
Typical fee structures.....	4
How Florence compares .....	5
<b>CHAPTER 3 ANALYSIS</b> .....	<b>6</b>
PERMITTING SERVICES COSTS .....	6
Permitting services time.....	7
Costs by function .....	10
PERMITTING SERVICES REVENUES .....	11
Population growth trends .....	12
Permitting revenue trends.....	13
Revenue projections .....	14
COST RECOVERY .....	16
Building permits .....	16
Land use permits .....	17
<b>CHAPTER 4 RECOMMENDATIONS</b> .....	<b>18</b>
BUILDING PERMIT FEES .....	18
LAND USE PERMIT FEES.....	19
Recommended fee levels .....	19



## BACKGROUND

The City of Florence has recently experienced a high level of development, and expects the trend to continue. The City, along with many others on the Oregon coast, is a popular retirement community. The small population is steadily growing, and demand for housing is strong. The growth has led to new construction, leading to an increased number of land use and building permits issued by the City.

A City may charge fees to cover the average cost of providing land use and building permitting services, but no more. The City of Florence has a fee system for building and land use permits and building inspections. The City believes the land use permit fees are well below the cost of providing the service, but that building permit fees are probably covering costs.

The City of Florence developed its fee system over time as the City developed. Land use and building permits and the fee amounts have not been regularly reviewed or updated. The last time the City reviewed its land use and building permits was in 1998.

The City's goal is to develop and implement a strategy to recapture costs involved with land use and building direct services rendered to customers. To do so, the City needs an analysis of the cost of providing such services and a fee structure that can cover those costs. The City hired ECONorthwest to conduct an analysis to determine the actual cost of service and recommend a new land use and building permit fee strategy.

This report summarizes our analysis of Florence's permit fees. This report also presents our analysis of the costs for providing land use and building permit services to the City of Florence. It includes a discussion of the legal requirements and constraints of fee systems in Oregon, and our review of comparable jurisdictions' fee structures.

We calculated land use and building permit projections to calculate future expected revenue. We then used those projections and the cost analysis to develop a proposed new fee structure.

## DATA AND METHODS

To conduct our analysis, we relied on five primary sources of information:

- **City of Florence Adopted Budget, Fiscal Year 2004-05.** We reviewed the City's most recent budget to understand the costs of personnel and materials and services. We supplemented this information with direct information provided by the City regarding personnel costs for individuals involved in the permitting process.

- **City permit data.** City staff provided ECO with reports on the number and type of permits issued and permit revenue collected for fiscal years 2001-2002, 2002-2003, and 2003-2004, and for the first seven months of the current fiscal year.
- **City staff time study.** Under the direction of Linda Sarnoff, the Community Services Director, City staff involved in the permitting process recorded the time devoted to permitting services and other tasks during the first two weeks of February. This two-week sample provided ECO with data to describe the portion of each staff member's work time devoted to permitting activities.
- **Interviews with City staff.** ECO staff also interviewed each staff member, to better understand their tasks and workload.
- **Interviews with comparable jurisdictions.** We interviewed other small cities in Oregon to determine what their permit and building inspection fees are, to gain an understanding of comparable jurisdictions' activities.

## ORGANIZATION OF THE REPORT

The remainder of this report is organized into three chapters and one appendix:

**Chapter 2, Evaluation Framework** explains why local governments charge fees for services, the legal constraints, and the fee structures in comparable jurisdictions.

**Chapter 3, Analysis** explains how we determined the costs of providing land use and building permitting services under the Community Development, Wastewater, and Water Funds and how much of those costs are currently recovered through permitting revenues.

**Chapter 4, Fee Structure Recommendation** describes our proposed fee structure for the City of Florence.

**Appendix** contains sample consolidated fee schedules from two cities.