

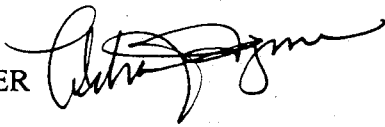


MEETING DATE: 3/1/04  
ITEM NO. 13

## COUNCIL AGENDA REPORT

DATE: February 26, 2004

TO: MAYOR AND TOWN COUNCIL

FROM: DEBRA J. FIGONE, TOWN MANAGER 

SUBJECT: ADOPT RESOLUTION AMENDING THE TOWN OF LOS GATOS COMPREHENSIVE FEE SCHEDULE ESTABLISHING A MULTIPLIER FOR CALCULATING THE VALUATION OF BUILDING CONSTRUCTION WHICH IS USED TO DETERMINE BUILDING PERMIT FEES


### RECOMMENDATION:

1. Open and hold the public hearing.
2. Close the public hearing.
3. Adopt Resolution amending the Town of Los Gatos Comprehensive Fee Schedule establishing a multiplier for calculating the valuation of building construction which is used to determine building permit fees.

### BACKGROUND:

In keeping with the Town's financial policies, the development-related services provided by the Community Development Department are supported by fees based on the actual costs of the services. Community Development Department's objective is to achieve cost recovery. The direction from the Town Council is for this Department to be self-supporting through the collection of these fees. Planning Fees have been analyzed extensively and have been adjusted to achieve cost recovery. Building services are supported by fees associated with permits and inspections. At the present time, the General Fund subsidizes the Community Development Department by approximately \$700,000. Over the last 12 months, staff have carefully evaluated the Building Permit Fees and determined that a fee adjustment is required to achieve cost recovery.

Currently, the method of determining the valuation of construction projects is based on the annual valuation data provided in the publication, *Building Standards*, published by the

  
PREPARED BY: BUD N. LORTZ  
Director of Community Development

Reviewed by: PSJ Assistant Town Manager \_\_\_\_\_ Town Attorney \_\_\_\_\_ Clerk \_\_\_\_\_ Finance \_\_\_\_\_  
\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_/ Community Development Revised: 2/26/04 2:29 pm

Reformatted: 5/30/02

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International Conference of Building Officials and by the 1997 Uniform Building Code. A copy of the Building Valuation Data is attached as Attachment 3. For example, at this time the Building Standards Publication establishes a modifier for the Bay Area of 1.16 which is used to adjust the valuation per square foot for Type V - Wood Frame construction (single family dwelling) from \$92.40 per square foot to \$107.18 per square foot. This results in a valuation that is significantly below the actual construction costs for the Los Gatos area.

### DISCUSSION:

The current fee structure for providing building plan check and inspection services is extracted directly from Uniform Building Codes and valuation estimates published by the International Conference of Building Officials. The valuation estimates are based on construction costs that cover wide regions of the United States and the valuation estimates established for our region are not representative of the actual construction costs (residential or commercial) for the Los Gatos area.

To obtain a realistic construction valuation for the Los Gatos area, staff conducted three surveys as follows:

1. Survey of Insurance Companies on building replacement costs.
2. Survey of Contractors on construction costs.
3. Survey of Towns/Cities on building permit fees.

The results of the surveys appear on Attachment 2.

The survey of insurance companies revealed that insurance companies use a flat rate for determining building replacement costs. Insurance companies do not designate different costs for different types of buildings. For commercial or residential construction, the value to rebuild is between \$200-\$250 per square foot.

A wide variety of contractors were contacted and asked how they have bid construction projects in the Los Gatos area over the past five years. The results showed the low end was \$175 per square foot. Several contractors indicated that their bid price for residential construction was \$250 per square foot. One contractor indicated that their bid price for residential construction has gone as high as \$350 per square foot in the Los Gatos area.

Numerous cities were surveyed and the survey revealed that virtually none of the cities determined building fees directly from the Building Standards Publication. To achieve cost recovery, some cities use a valuation modifier to obtain a realistic valuation while others

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establish a series of administrative fees. A few cities such as Scotts Valley currently use the Building Standards Publication for determining construction valuation but many are in the process of establishing a new fee structure. The majority of the cities that are similar to Los Gatos use a modifier to establish a construction valuation of anywhere from \$150-\$300 per square foot. For example, the City of Capitola has a tiered system of construction modifiers and new construction in the "Depot Hill" and "Jewell Box" areas (high end neighborhoods) result in up to \$300.00 per square foot construction valuation. These two areas are very much like the Town of Los Gatos in terms of the quality of construction and materials. All of the cities contacted acknowledge that the Building Standards Publication results in construction valuations that are far below the actual construction costs in the Bay Area.

To obtain a realistic valuation estimate for our area, it is recommended that the Town of Los Gatos Comprehensive Fee Schedule be amended to include a valuation factor multiplier of 2.32. The 2.32 multiplier will be used in conjunction with the Building Valuation Data on Attachment 3 to determine the Building Permit Fee. The use of a valuation factor modifier will cause the valuation calculation to reflect the realistic cost of construction in Los Gatos and will result in building permit fees that will allow for cost recovery for building inspection and plan check services.

If a 2.32 multiplier is used to determine a Building Permit Fee, it does not necessarily result in a doubling of the total fee since there are some fees such as Road Impact Fees that are not determined by building valuation. For example, a 2,500 square foot Type V- Wood Frame home with a 480 square foot garage, currently produces a total Building Permit Fee of \$8,356.09. That includes all the fees that are collected. If the 2.32 multiplier is used to determine the construction valuation, it results in a construction valuation of \$214.37 per square foot and the total Building Permit Fee is \$13,474.76. The table below shows how a 2.32 multiplier will affect the total Building Permit Fee for various types of construction projects.

Type of Construction	Square Feet	2003-04 Cost Per Square Foot	Permit Fees	Recommended Cost Per Square Foot	Permit Fees
Type V- Wood Frame/Garage	2,980	\$ 92.40	\$ 8,356.09	\$ 214.37	\$ 13,474.76
New Retail Space	5,000	\$ 51.60	\$ 5,030.96	\$ 119.71	\$ 8,100.01

It is important to note that the Town of Los Gatos provides an extremely high level of customer service with regard to planning and building services. For example, the Town is extremely committed to a planning process that involves the community which generates significant public input. Through this process, a project may be approved but often numerous complex conditions of approval are imposed to address neighborhood concerns. Planners must carefully review construction plans to ensure that all conditions of approval have been satisfied. This is a time

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intensive process. The Town Building Inspection process also provides a very high level of service. For example, Town Building Inspectors conduct four inspections on the residential reroof while the City of San Jose only conducts one inspection to final the project. This is indicative of virtually all the inspection services offered by the Town and ensures that property owners ultimately receive high quality construction services and that the end product is safe and free of defects.

To improve efficiency, staff have made many improvements to streamline both the planning and building procedures. Council is aware of many of the efforts that have been made to streamline the planning process. However, Council may not be aware of streamlining efforts to streamline building services. For example, the plan check process for minor construction projects has been reduced from two weeks to three days and plan check process for major construction projects has been reduced from four weeks to two weeks. Staff is also working to develop an over-the-counter plan check process for commercial tenant improvements. However, it is necessary to work collaboratively with the Santa Clara Fire Department to implement this program because the Fire Department currently requires 10 working days to perform plan check services on virtually any type of construction project.

#### PUBLIC NOTICE

To inform the public of this fee adjustment, two public hearing notices were published. One was published in the Weekly Metro and one was published in the San Jose Mercury News. In addition, a notice was placed on the Community Department public service counter.

#### CONCLUSION:

Staff recommends that Council approve the attached resolution amending the Town of Los Gatos Comprehensive Fee Schedule to incorporate a building valuation factor multiplier of 2.32. The building valuation factor multiplier will become effective 60 days from the date of the adoption of the Resolution. The proposed fee adjustment will generate approximately \$650,000 annually and will virtually eliminate any General Fund subsidy required to support development related services. There will continue to be limited General Fund support for certain advanced planning activities that are not directly related to development services such as preparation of special studies, plans, and regulations as requested by Council.

#### ENVIRONMENTAL ASSESSMENT:

Is not a project defined under CEQA, and no further action is required.

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FISCAL IMPACT:

Adopting the recommended change in the Town's fee schedule will provide greater assurance that the Development process will continue to attain the level of revenues that are necessary to provide for full cost recovery and full services.

Attachments:

1. Resolution.
2. Surveys of Insurance Companies, Contractors and Cities/Towns.
3. Building Valuation Data from Building Standards.

BNL:LMD



**RESOLUTION NO. 2004-**

**RESOLUTION AMENDING THE TOWN OF LOS GATOS  
COMPREHENSIVE FEE SCHEDULE ESTABLISHING A MULTIPLIER FOR  
CALCULATING THE VALUATION OF BUILDING CONSTRUCTION WHICH IS USED  
TO DETERMINE BUILDING PERMIT FEES.**

**WHEREAS**, the construction costs in the Town of Los Gatos have increased significantly in the last several years; and

**WHEREAS**, the building permit valuation for the Town of Los Gatos is significantly below actual construction costs;

**RESOLVED**, that the building permit valuation multiplier be adjusted to 2.32%.

**RESOLVED**, that the new building permit valuation multiplier be adopted.

**RESOLVED**, that the new building permit valuation factor become effective 60 days from the adoption of this Resolution.

**PASSED AND ADOPTED** at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the \_\_\_\_\_ day of March, 2004 by the following vote:

**COUNCIL MEMBERS:**

**AYES:**

**NAYS:**

**ABSENT:**

**ABSTAIN:**

**SIGNED:**

**MAYOR OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA**

**ATTEST:**

**CLERK OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA**

**Attachment 1**





## SURVEYS OF INSURANCE COMPANIES, CONTRACTORS AND TOWN/CITIES

### INSURANCE COMPANIES

Four (4) insurance companies were surveyed to obtain a cost per square foot on replacement costs for damaged homes.

	<b>Cost Per Square Foot</b>
California State Auto Associatio	\$250
Allstate Insurance	\$200
State Farm Insurance	\$200
Farmer's Insurance	\$200

### CONTRACTORS

Numerous contractors were contacted to establish a building valuation calculation. These costs are based on a habitable structure, which includes living area, kitchen, and sanitary facilities that are heated. Contractors provided the price per square foot charged for recent jobs completed. The cost per square foot ranged from \$175 to \$300.

### TOWNS/CITIES

Several jurisdictions were contacted to compare our building valuation calculation.

	<b>Cost Per Square Foot</b>	
City of Monte Sereno	\$100-200	
City of Saratoga	\$150	
City of Cupertino	\$107	*
City of Capitola	\$125-300	
City of Carmel	\$166	
Town of Atherton	\$250	
City of Santa Cruz	\$104	*
City of Scotts Valley	\$107	
City of Mountain View	\$107	*
Town of Los Gatos	\$107	
City of Campbell	\$92	
City of San Jose	\$68	
City of Sunnyvale	\$107	*
City of Santa Clara	\$106	*

\* The cost per square foot is augmented by administrative fees resulting in a significant increase in the final building permit fee.

# BUILDING VALUATION DATA

At the request of numerous building officials, *Building Standards™* offers the following building valuation data representing **average costs** for most buildings. Because residential buildings are the most common for many cities, two general classes are considered for these, one for "average" construction and the other for "good." Adjustments should be made for special architectural or structural features and the location of the project. Higher or lower unit costs may often result.

The unit costs are intended to comply with the definition of "valuation" in Section 223 of the 1997 *Uniform Building Code™* and thus include architectural, structural, electrical, plumbing and mechanical work, except as specifically listed below. The unit costs also include the contractor's profit, which should not be omitted.

The determination of plan check fees for projects reviewed by the International Conference of Building Officials will be based on valuation computed from these figures, which were established in April 2002.

Occupancy and Type	Cost per Square Foot, Average	Occupancy and Type	Cost per Square Foot, Average	Occupancy and Type	Cost per Square Foot, Average	Occupancy and Type	Cost per Square Foot, Average
<b>1. APARTMENT HOUSES:</b>		<b>7. DWELLINGS:</b>		<b>13. JAILS:</b>		<b>20. RESTAURANTS:</b>	
Type I or II F.R.*	\$88.70	Type V—Masonry	\$75.70	Type I or II F.R.	\$159.10	Type III—1-Hour	\$97.40
(Good) \$109.20		(Good) \$96.90		Type III—1-Hour	145.50	Type III—N	94.10
Type V—Masonry	72.40	Type V—Wood Frame..	67.30	Type V—1-Hour	109.10	Type V—1-Hour	89.20
(or Type III).....		(Good) \$92.40				Type V—N	85.70
(Good) \$88.70		Basements—		<b>14. LIBRARIES:</b>		<b>21. SCHOOLS:</b>	
Type V—Wood Frame..	63.80	Semi-Finished	20.10	Type I or II F.R.	116.40	Type I or II F.R.	111.20
(Good) \$82.00		(Good) \$23.20		Type II—1-Hour	85.20	Type II—1-Hour	75.90
Type I—Basement Garage	37.40	(Good) \$17.70		Type II—N	81.00	Type III—1-Hour	81.20
<b>2. AUDITORIUMS:</b>		<b>8. FIRE STATIONS:</b>		Type III—1-Hour	90.00	Type III—N	78.10
Type I or II F.R.	104.80	Type I or II F.R.	114.40	Type V—1-Hour	84.50	Type V—1-Hour	76.10
Type II—1-Hour	75.90	Type II—1-Hour	75.30	Type V—N	81.00	Type V—N	72.60
Type II—N	71.80	Type II—N	71.00	<b>15. MEDICAL OFFICES:</b>		<b>22. SERVICE STATIONS:</b>	
Type III—1-Hour	79.80	Type III—1-Hour	82.40	Type I or II F.R.*	119.50	Type II—N	67.20
Type III—N	75.70	Type III—N	78.90	Type II—1-Hour	92.20	Type III—1-Hour	70.10
Type V—1-Hour	76.30	Type V—1-Hour	77.30	Type II—N	87.60	Type V—1-Hour	59.70
Type V—N	71.20	Type V—N	73.30	Type III—1-Hour	100.00	Canopies	28.00
<b>3. BANKS:</b>		<b>9. HOMES FOR THE ELDERLY:</b>		Type III—N	93.10	<b>23. STORES:</b>	
Type I or II F.R.*	148.10	Type I or II F.R.	103.70	Type V—1-Hour	90.20	Type I or II F.R.*	82.40
Type II—1-Hour	109.10	Type II—1-Hour	84.20	Type V—N	87.00	Type II—1-Hour	50.40
Type II—N	105.60	Type II—N	80.60	<b>16. OFFICES**:</b>		Type II—N	49.30
Type III—1-Hour	120.40	Type III—1-Hour	87.70	Type I or II F.R.*	106.80	Type III—1-Hour	61.30
Type III—N	116.10	Type III—N	84.10	Type II—1-Hour	71.50	Type III—N	57.50
Type V—1-Hour	109.10	Type V—1-Hour	84.70	Type II—N	68.10	Type V—1-Hour	51.60
Type V—N	104.50	Type V—N	81.80	Type III—1-Hour	77.20	Type V—N	47.70
<b>4. BOWLING ALLEYS:</b>		<b>10. HOSPITALS:</b>		Type III—N	73.80	<b>24. THEATERS:</b>	
Type II—1-Hour	51.00	Type I or II F.R.*	163.20	Type V—1-Hour	72.30	Type I or II F.R.	109.80
Type II—N	47.60	Type III—1-Hour	135.10	Type V—N	68.10	Type III—1-Hour	80.00
Type III—1-Hour	55.50	Type V—1-Hour	128.90	<b>17. PRIVATE GARAGES:</b>		Type III—N	76.20
Type III—N	51.90	<b>11. HOTELS AND MOTELS:</b>		Wood Frame	24.30	Type V—1-Hour	75.30
Type V—1-Hour	37.40	Type I or II F.R.*	101.00	Masonry	27.40	Type V—N	71.20
<b>5. CHURCHES:</b>		Type III—1-Hour	87.50	Open Carports	16.60	<b>25. WAREHOUSES***:</b>	
Type I or II F.R.	99.20	Type III—N	83.40	<b>18. PUBLIC BUILDINGS:</b>		Type I or II F.R.	49.40
Type II—1-Hour	74.50	Type V—1-Hour	76.20	Type I or II F.R.*	123.40	Type II or V—1-Hour	29.30
Type II—N	70.80	Type V—N	74.70	Type II—1-Hour	100.00	Type II or V—N	27.50
Type III—1-Hour	81.00	<b>12. INDUSTRIAL PLANTS:</b>		Type II—N	95.60	Type III—1-Hour	33.20
Type III—N	77.40	Type I or II F.R.	56.90	Type III—1-Hour	103.80	Type III—N	31.60
Type V—1-Hour	75.70	Type II—1-Hour	39.60	Type III—N	100.20	<b>EQUIPMENT</b>	
Type V—N	71.20	Type II—N	36.40	Type V—1-Hour	95.00	<b>AIR CONDITIONING:</b>	
<b>6. CONVALESCENT HOSPITALS:</b>		Type III—1-Hour	43.60	Type V—N	91.60	Commercial	4.20
Type I or II F.R.*	139.20	Type III—N	41.10	<b>19. PUBLIC GARAGES:</b>		Residential	3.50
Type II—1-Hour	96.60	Tilt-up	30.00	Type I or II F.R.*	48.90	<b>SPRINKLER SYSTEMS..</b>	
Type III—1-Hour	99.00	Type V—1-Hour	41.10	Type I or II Open Parking*	36.70		2.60
Type V—1-Hour	93.30	Type V—N	37.60	Type II—N	28.00		
				Type III—1-Hour	37.00		
				Type III—N	32.90		
				Type V—1-Hour	33.70		

\*Add 0.5 percent to total cost for each story over three. \*\*Deduct 20 percent for shell-only buildings. \*\*\*Deduct 11 percent for mini-warehouses.

## REGIONAL MODIFIERS

The following modifiers are recommended for use in conjunction with the building valuation data. Additionally, certain local conditions may require further modifications. To use these modifiers, merely multiply the listed cost per square foot by the appropriate regional modifier. For example, to adjust the cost of a Type III One-hour hotel building of average construction for the Iowa area, select Regional Modifier 0.80 and unit cost from valuation data, \$87.50:

$$0.80 \times 87.50 = \$70.00 (\text{adjusted cost per square foot})$$

Eastern U.S.	Modifier	Eastern U.S. (cont.)	Modifier	Central U.S. (cont.)	Modifier	Western U.S.	Modifier
Connecticut	1.00	Pennsylvania		Kansas	0.87	Alaska	1.20
Delaware	0.93	Philadelphia	1.05	Kentucky	0.83	Arizona	0.87
District of Columbia	0.90	Other	0.88	Louisiana	0.78	California	
Florida	0.80	Rhode Island	0.97	Michigan	0.91	Los Angeles	1.00
Georgia	0.77	South Carolina	0.77	Minnesota	0.91	San Francisco Bay Area	1.16
Maine	0.86	Vermont	0.88	Mississippi	0.74	Other	0.97
Maryland	0.86	Virginia	0.83	Missouri	0.87	Colorado	0.92
Massachusetts	0.97	West Virginia	0.91	Nebraska	0.83	Hawaii	1.24
New Hampshire	0.86			North Dakota	0.86	Idaho	0.87
New Jersey	1.03	<b>Central U.S.</b>		Ohio	0.87	Montana	0.84
New York		Alabama	0.76	Oklahoma	0.78	Nevada	0.93
New York City	1.20	Arkansas	0.75	South Dakota	0.84	New Mexico	0.79
Other	0.90	Illinois	0.97	Tennessee	0.79	Oregon	0.94
North Carolina	0.78	Indiana	0.91	Texas	0.77	Utah	0.84
		Iowa	0.87	Wisconsin	0.92	Washington	0.97
						Wyoming	0.84