

---

## MEMORANDUM

To: Lina Velasco, Community Development Director, City of Richmond

From: Nicole Kissam, Director and Lauren Guido, Consultant, NBS

Date: April 14, 2021

Re: **Initial Fee Analysis for the Housing Division**

---

The City of Richmond's Housing Administration Division (Division) contracted with NBS to complete a User Fee Study. The Division does not currently have an adopted schedule of fees. Adoption of a fee schedule can provide cost recovery options for essential City services.

Prior to this Study, Division staff performed initial research to compile a list of fees charged for similar services by other agencies. This list served as a baseline for establishing a comprehensive list of fees for evaluation. Due to time constraints for meeting the Finance Department's deadline for the City's annual Master Fee Schedule update, NBS and Division staff prioritized an analysis of fees for the most routine services provided by the Division. Once these fees are implemented, the Division plans to continue with analysis of additional fees that could be added at mid-year or within the next fiscal year's budget adoption process.

This memorandum contains a summarized description of the Study's approach and outcomes for the City's consideration.

### **Section 1. Methodology and Approach**

Under the legal framework provided by the California Constitution Article XIII C, a fee may not exceed the estimated reasonable cost of providing the service or performing the activity for which the fee is charged.

The goal of a fee study is to establish the total cost of providing services and then translate those costs into a schedule of fees for services. The City Council can then consider fees for adoption either at or below the 100% cost recovery level established by the Study. The following three phases of analysis were required to accomplish the Study's goal: 1) Cost of service analysis, 2) Fee establishment, and 3) Cost recovery evaluation.

## Section 2. Cost of Service Analysis

A cost of service analysis compiles and analyzes the full cost of providing governmental services and activities. There are two primary types of costs considered: direct and indirect costs. Direct costs are those which specifically relate to the activity in question, including the real-time provision of the service. Examples of direct costs include salary, wages and benefits expenses for personnel specifically involved in the provision of services and activities to the public. Indirect costs are those which support the provision of services but cannot be directly or easily assigned to the activity in question. Examples of indirect costs include personnel costs of line supervisors and/or departmental management, and/or the costs of City-wide support services such as City Manager, Finance, Human Resources, etc. sourced from the City of Richmond's Cost Allocation Plan.

## Section 3. Fully-Burdened Hourly Rate Calculation

Because labor is the primary underlying factor requiring specific actions on the part of Division staff to provide services, the full cost of service was most appropriately expressed as a fully-burdened cost per available labor hour. To derive the fully-burdened labor rate, two figures were required: the full costs of service and the number of hours available to perform those services. The full costs of service were quantified generally through the earlier steps described. The number of hours was derived from a complete listing of personnel within the Division and reflected in the labor expenses embedded in the full cost of service. Each employee's annual paid leave hours were approximated. Paid leave includes holidays, vacation, and sick leave. Annual allowable paid leave hours were removed from the total number of regular paid hours to generate the total number of available labor hours for the Division. These available hours represent the amount of productive time during which services and activities can be performed.

The productive labor hours were then divided into the annual full costs of service to derive a composite fully-burdened labor rate for the Division at the current service level (FY 2021). This composite labor rate may then be used to quantify costs at an individual fee level. The composite labor rate may also be used by the City for other purposes when the need arises to calculate the full cost of other types of services.

The following table categorizes the Housing Division's costs, resulting in the fully-burdened hourly rate applicable toward recovery of costs through fees for services.

**Housing Division Fully-Burdened Hourly Rate – Fiscal Year 2020-21**

Cost Element	Division Direct
Labor	\$ 431,667
Recurring Non-Labor	20,450
Citywide Overhead	135,175
Division Admin	238,577
<b>Division Total</b>	<b>\$ 825,868</b>
<b>Fully Burdened Hourly Rate</b>	<b>\$ 238</b>
<i>Reference: Direct Hours Only</i>	<b>3,469</b>

As shown above, the total cost of the Housing Admin Division is approximately \$826,000. Based on NBS' analysis, all subsequent cost of service calculations at the individual fee level would assume a fully-burdened hourly rate of \$238.

#### **Section 4. Cost Recovery Evaluation**

Appendix A to this memo presents the results of the detailed cost recovery analysis of fees for the Housing Administration Division. In the Appendix, the "Cost of Service per Activity" column establishes the maximum adoptable fee amount for the corresponding service identified in the "Fee Name" list.

NBS provided a full cost of service evaluation and the framework for considering fees, while the Division determined the appropriate cost recovery levels at or below full cost amounts. The "Recommended Fee / Deposit Level" column in Appendix A displays Division staff's initial recommended fee amounts. Based on this information, the staff recommends setting fees between 60-66% cost recovery, depending on the fee. These initial recommendations reflect discretion on the part of the Division based on a variety of factors, such as existing Division policies and Division-wide or City-wide revenue objectives, economic goals, community values, market conditions, level of demand, and others. For more information regarding initial recommendations, please consult the Division's staff report.

#### **Section 5. Conclusion**

Based on the outcomes presented in this analysis, the Division can use this information as an interim step to establish some initial fees for the Housing Division's services.

To keep pace with cost inflation the Division should consider adjusting the hourly rate outcome and/or fee schedule on an annual basis by an inflationary factor such as Consumer Price Index, or other factor currently applied by the Finance Department to the Master Fee Schedule each year. While a comprehensive Cost of Service Analysis is not required every year, in NBS' experience, it is best to be performed every three to five years as organizations change over time.

*Disclaimer: In preparing this report and the opinions and recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters, conditions and events that may occur in the future. This information and assumptions, including the City's budgets, time estimate data, and workload information from City staff, were provided by sources we believe to be reliable; however, NBS has not independently verified such information and assumptions. While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.*

## APPENDIX **A**

---

### Cost of Service Analysis - Housing Division

Richmond Community Development Department  
Housing Division - Fee Study FY 2020-21  
Cost of Service Estimate for Fee Related Services and Activities

APPENDIX A

				Activity Service Cost Analysis			Cost Recovery Analysis			
Fee No.	Fee Name	Fee Type (Flat / Deposit / Hourly)	Notes	Estimated Average Labor Time Per Activity (hours)	FBHR	Cost of Service Per Activity	Current Fee	Existing Cost Recovery %	Recommended Fee / Deposit Level	Recommended Cost Recovery %
<b>HOUSING DIVISION FEES</b>										
<b>PORTFOLIO MANAGEMENT</b>										
1	<b>Subordination</b>									
	Processing Fee									
	Single Family/Condo/Townhouse	each		3.25	\$ 238	\$ 774	NEW	%	\$ 500	65%
	Multi-Family (Developer)									
	Property less than 10 years old	each		6.20	\$ 238	\$ 1,476	NEW	%	\$ 960	65%
	Property 10+ years old	each		8.20	\$ 238	\$ 1,952	NEW	%	\$ 1,260	65%
	Redraw Fee (Revisions)									
	Single Family/Condo/Townhouse	each		0.50	\$ 238	\$ 119	NEW	%	\$ 75	63%
	Multi-Family (Developer)	each		1.50	\$ 238	\$ 357	NEW	%	\$ 225	63%
2	<b>Demand Statement</b>	each		1.00	\$ 238	\$ 238	NEW	%	\$ 155	65%
3	<b>Re-conveyance Fee</b>									
	Property less than 10 years old	each		1.00	\$ 238	\$ 238	NEW	%	\$ 155	65%
	Property 10+ years old	each		1.50	\$ 238	\$ 357	NEW	%	\$ 235	66%
4	<b>Recording Fee</b>	each	[1]				Per County Recorder Schedule		Per County Recorder Schedule	
5	<b>Notary Fee</b>	each	[2]				Fees set by State		Fees set by State	

Richmond Community Development Department  
Housing Division - Fee Study FY 2020-21  
Cost of Service Estimate for Fee Related Services and Activities

APPENDIX A

				Activity Service Cost Analysis			Cost Recovery Analysis			
Fee No.	Fee Name	Fee Type (Flat / Deposit / Hourly)	Notes	Estimated Average Labor Time Per Activity (hours)	FBHR	Cost of Service Per Activity	Current Fee	Existing Cost Recovery %	Recommended Fee / Deposit Level	Recommended Cost Recovery %
<b>MARINA SHORES PROPERTY MANAGEMENT</b>										
6	<b>Subordination</b>									
	Processing Fee									
	Single Family/Condo/Townhouse	each		3.50	\$ 238	\$ 833	NEW	%	\$ 500	60%
	Redraw Fee (Revisions)									
	Single Family/Condo/Townhouse	each		0.50	\$ 238	\$ 119	NEW	%	\$ 75	63%
7	<b>Demand Statement</b>	each		1.00	\$ 238	\$ 238	NEW	%	\$ 155	65%
8	<b>Re-conveyance Fee</b>									
	Property less than 10 years old	each		1.00	\$ 238	\$ 238	NEW	%	\$ 155	65%
	Property 10+ years old	each		1.50	\$ 238	\$ 357	NEW	%	\$ 235	66%
<b>OTHER FEES</b>										
9	<b>Fees by external departments/agencies</b>	actual cost					Actual cost as set by external dept/agency		Actual cost as set by external dept/agency	

[Notes]

- [1] Fees set by Contra Costa County. NBS did not evaluate.  
[2] Fees set by Government Code 8211. NBS did not evaluate.