

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: May 7, 2025

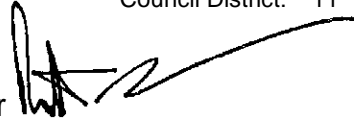
CAO File No. 0220-06305-0000

Council File No. 25-0006-S57

Council District: 11

To: The City Council

From: Matthew W. Szabo, City Administrative Officer



Subject: **FEASIBILITY OF WAIVING PLAN CHECK AND PERMIT FEES ASSOCIATED WITH RECONSTRUCTION OF PRIVATE PROPERTY DAMAGED IN THE JANUARY 2025 WILDFIRES**

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### RECOMMENDATIONS

1. Should the City Council wish to waive plan check and permit fees for private properties that were damaged or destroyed in Pacific Palisades as a result of the January 2025 Wildfires, which would have a General Fund impact of over \$86 million, the City Council should, subject to the approval by the Mayor:
  - a. Request the City Attorney, in consultation with the relevant departments, to prepare a draft ordinance to provide waivers for plan check and permit fees for the repairs or rebuilding of structures that were damaged or destroyed in the January Wildfires for Council consideration;
  - b. Find that the waiving of permit and plan check fees for rebuilding properties represents a clear public benefit inasmuch as the waivers would remove barriers to reconstruction and benefit the economy of the City of Los Angeles;
  - c. Request the Controller to establish a new account Wildfire Emergency Permit Fee Waivers in the General City Purposes (GCP) and appropriate \$10 million from a temporary revolving loan from the Building and Safety Building Permit Enterprise Fund (Enterprise Fund) to be repaid, with interest, by General Fund dollars;
  - d. Instruct the Los Angeles Department of Building and Safety to establish fee waiver procedures, including the process for obtaining reimbursements of waived fees from GCP to ensure full cost recovery for the Enterprise Fund; and,
  - e. Instruct the City Administrative Officer to identify General Fund dollars to repay the Enterprise Fund, for any and all fees waived in connection with January Wildfires, with interest calculated at the City Daily Interest Pool Rate; and,
2. That the City Council not approve the waivers for the Arts Developer fee inasmuch as there are already exemptions for rebuilding; or,

3. That the City Council not approve the waiving of these fees due to the estimated General Fund impact of over \$86 million and note and file this report.

## **SUMMARY**

The Park-Blumenfield motion (Council File 25-0006-S57) instructed the City Administrative Officer (CAO), with the assistance of the Los Angeles Department of Building and Safety (LADBS), the Department of City Planning (DCP), the Federal Emergency Management Agency (FEMA), the Department of Cultural Affairs (DCA), the City Attorney, and other departments if needed, to determine the feasibility of waiving plan check, permit, and arts fees for repairs and rebuilding of structures that were destroyed in the Palisades Fire. The motion also requests the CAO to explore alternative solutions if waiving fees is infeasible.

On April 25, 2025, the Mayor issued Executive Order No. 7, "Suspending Collection of Plan Check and Permit Fees" (EEO No. 7), instructing City departments to suspend the collection of permit fees associated with the repair or reconstruction of single-family structures and duplexes damaged or destroyed as a result of the January Wildfires while the City Council considers the adoption of an ordinance waiving the fees. EEO No. 7 also directs the CAO, in consultation with relevant departments, to complete the work directed by the Park-Blumenfield motion and to identify the estimated impact to the General Fund of the fee waivers.

The LADBS has provided a revenue estimate of \$86 million for plan check and permit fees related to the repairs and rebuilding of structures in the Pacific Palisades that were damaged or destroyed in the January 2025 Wildfires. This estimate reflects only the cost of the services rendered and does not include the costs of borrowing should the City Council decide to proceed with the fee waivers.

This report provides an assessment of the feasibility of waiving plan check, permit, and arts fees including a review of State requirements relating to cost recovery fees, exemptions for impact fees, as well as the fiscal impact of waiving these fees.

## **BACKGROUND**

In response to the damage caused by the January 2025 Wildfires, the Mayor issued Emergency Executive Order No. 1, "Expedited Community Rebuilding and Recovery" (EEO No. 1) to aid in rebuilding and recovery efforts. EEO No. 1 provided a framework for debris removal, watershed hazard mitigation, and rebuilding and reconstruction, which included allowances for and expedited project review and permit issuance. Pursuant to EEO No. 1, the City established the Disaster Recovery Center (DRC) in partnership with FEMA and service providers to connect those affected by the disaster to assistance and the One-Stop Permit Center to facilitate streamlined recovery and rebuilding through the co-location of development services departments as well as other permitting departments.

City residents affected by the disaster who want to rebuild and/or repair their properties are required to comply with the City's development process. This generally consists of submitting plans for review, obtaining appropriate permits, complying with code compliance inspections, and obtaining a Certificate of Occupancy, as well as complying with other State and local requirements. The framework provided by EEO No. 1 created an expedited process for repairing, restoring, demolishing, or replacing within 110 percent of the original footprint and the same use as the damaged property (Eligible Projects). This also includes exemptions for Eligible Projects from discretionary entitlement approvals and emergency rates for certain fees.

## **DISCUSSION**

The LADBS provides plan check, permitting, and inspection services through the support of fees collected from the project applicant intended to provide full cost recovery for services rendered. The revenues collected from plan check, permit, and inspection fees are deposited into the Building and Safety Building Permit Enterprise Fund (Enterprise Fund), established on July 1, 2005. The Enterprise Fund provides clear cost accounting for fees in compliance with Government Code Section 66014, which requires that building permit fees do not exceed the reasonable cost of providing the services for the collected fees.

The Park-Blumenfield motion directs the CAO to provide an assessment of the feasibility of waiving fees, noting similar proposals in 1995 following the Northridge Earthquake and in 2018 following the La Tuna and Creek Wildfires. Both cases provide useful context for the feasibility of waiving fees in the case of the present-day disaster response and recovery. Fee waivers following the Northridge Earthquake were feasible because FEMA and the California Office of Emergency Services (Cal OES) provided reimbursement for the fee waivers. In the case of the La Tuna and Creek Wildfires, FEMA and Cal OES did not provide reimbursements for fee waivers.

Currently, FEMA Public Assistance will not reimburse the City for services considered normal and customary for the building process, nor will it reimburse the City for lost revenue associated with fee waivers. FEMA Public Assistance will only support extraordinary labor and work performed by City personnel due to the January 2025 Wildfires. Property owners, however, may apply for FEMA Individual Assistance for expenditures incurred as a result of the January 2025 Wildfires after exhausting private insurance coverage.

As stated in previous CAO reports, the City Attorney has opined that waiving of fees without reimbursement from unrestricted funds could result in potential liability arising from Proposition 218 requirements. Proposition 218 requires that building permit fees be set at a rate reflecting the reasonable cost of providing the services for which the fees were collected. Providing fee waivers to certain customers creates the perception that other customers may be overpaying for services to subsidize the cost of fee waivers. The basis for the City Attorney opinion on fee waivers also apply to fee reductions.

To mitigate legal concerns associated with Proposition 218 and reduce potential liability, any waivers of cost recovery fees should be accompanied by reimbursement from unrestricted funds. Therefore, the City would need to cover the costs of waived fees from the General Fund. Further, the City Attorney and this Office recommend establishing an account within the General City Purpose Fund (GCP) for any Council-approved fee waivers.

The LADBS has provided a preliminary revenue estimate of up to \$86 million, consisting of \$27 million in plan check fees and \$59 million in permit fees related to the reconstruction of property damage caused by the January 2025 Wildfires in the Pacific Palisades. The LADBS calculated this estimate based on applicable fees and surcharges and the initial assessment of the extent of the property damage (green, yellow, and red tags), property size, and project type (single family residential, multifamily residential, or commercial). The estimate includes the fees and surcharges collected by the LADBS such as plan check, permit, green building, electrical, and plumbing fees, as well as energy surcharge and the residential development tax (if applicable). Should the City opt to waive fees prior to identifying General Fund dollars, which is the only unrestricted source to repay the fee waivers, the City would need a loan from the Enterprise Fund to front-fund the fee waivers. The City would then have to repay the loan plus the Daily Interest Pool Rate, currently at 3.34 percent.

The Park-Blumenfield motion also directs the CAO to review the feasibility of waiving the Arts Development Fee (Arts Fee). The Arts Fee is collected by the LADBS from commercial or industrial development projects. Unlike cost recovery fees such as plan check, permit, and inspection fees, the Arts Fee is an impact fee, which is developed and collected by establishing a nexus between the impact of development on the surrounding environment. The Arts Fee only applies to commercial or industrial buildings. Both the Arts Fee and the Affordable Housing Linkage Fee already include exemptions for rebuilding. For example, a homeowner rebuilding a single-family home with a net increase of 1,500 square feet or less of floor area will not be subject to the Affordable Housing Linkage Fee. Because there are already exemptions from these impact fees for rebuilding, this Office does not recommend waiving any of the impact fees.

The City Financial Policies states that “In rare circumstances, when permitted by law and based on a finding of clear public benefit, the City Council may decide to waive fees for service for an individual user. If the fee to be waived is for a service funded through a source of funds generated by the collection of that fee, a General Fund appropriation may be required to prevent other service users from improperly subsidizing such fee.” The City Council may consider the fee waivers as removing the barriers to reconstruction and benefitting the City economy to make a public benefit finding.

The scope of this report is limited to the feasibility of waiving plan check, permit, and arts fees as directed by the Park-Blumenfield motion. However, the requirements and exemptions discussed in this report relative to waiving cost recovery and impact fees would apply to other City fees referenced in EEO No. 7.

## **FISCAL IMPACT STATEMENT**

Should the City Council waive plan check and permit fees related to the repairs and rebuilding of structures in the Pacific Palisades that were damaged or destroyed during the January 2025 Wildfires, the General Fund impact would be more than \$86 million. The option to note and file this report will have no General Fund impact.

## **FINANCIAL POLICIES STATEMENT**

In order to comply with the City Financial Policies, the City Council needs to make a finding of public benefit to waive fees for services for individual users. Because the fees to be waived are for services funded through a source of funds generated by the collection of those fees, a General Fund appropriation would be required to prevent other service users from improperly subsidizing such fees.

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