



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Joseph Horwedel

SUBJECT: WATER HEATER
PERMITS IN SAN JOSE

DATE: May 20, 2011

Approved

Date

5/24/11

BACKGROUND

At the Community and Economic Development CSA Budget Study Session, Councilmember Herrera asked about the potential revenue generation to the City if all water heaters replaced in the City obtained required permits when installed.

ANALYSIS

The City of San Jose issued 1,005 water heater permits for single family detached dwelling units in 2009, and has issued 953 permits to date during 2010-2011. Assuming an average life of 20 years for a water heater, Development Services should be issuing roughly 8,750 water heater permits per year, based on the 2000 census showing San Jose with 175,000 single family detached dwelling units. Based on these numbers, only 11% of San Jose residents are obtaining the mandated permit to ensure a safe and properly installed water heater.

The current cost of a water heater permit is \$204, which covers one half-hour inspection (\$103), permit center processing (\$80), record retention and duplication charges (\$20), plus a \$1 General Plan Update fee. This fee ensures the permitting process is 100% cost recoverable based on the current staffing hourly rates. The portion of the fees related to staff costs is based on the billable staffing hourly rate, which is comprised of salary, retirement and benefits costs, as well as Planning, Building and Code Enforcement (PBCE) Department overhead and City overhead costs. PBCE departmental overhead recovers costs for administrative and technology services, management oversight, City Hall rent, and non-personal expenses. The City overhead costs recover costs for legal, facility, procurement, accounts payable, payroll and other services.

If each home owner who installed a water heater were to pay for the associated permit, the Department would bring in roughly \$1.5 million more per year in revenue. Since each fee funds the positions required to perform the associated work and is 100% cost recoverable, this revenue would be used to add Building Inspectors and Permit Center staff to provide the support required for this additional work. Due to the cost of a water heater permit, staff does not believe it is possible to substantially increase the number of permits issued for water heater replacements

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without significant reduction in fees and investments in automation. The costs compared to the benefits for such changes have not justified the expenditures of fee program revenues to do this work at this time.

/s/

JOSEPH HORWEDEL, DIRECTOR
Planning, Building and Code Enforcement

For information, please call Joseph Horwedel at 408/535-7900.