



Legislation Details (With Text)

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Title: A Resolution Rescinding Resolution Number 68-12 and Establishing Building Permit Review Fees for the Development Review Enterprise.

Presenter:
Peter Wysocki, Director of Planning and Community Development
Meggan Herington, Assistant Director of Planning

Sponsors:

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Attachments: 1. RES_DRE Zoning Fee, 2. Exhibit 1 DRE Fees, 3. Exhibit 2_DRE Fee Collection Details 2017-2018, 4. Exhibit 3_DREFees_2019YTD, 5. Exhibit 4_DRE Balance Sheet as of September 2019, 6. Signed Resolution 136-19.pdf

Date	Ver.	Action By	Action	Result
12/5/2019	1	City Council	adopted	Pass
11/7/2019	1	Council Work Session	referred	

A Resolution Rescinding Resolution Number 68-12 and Establishing Building Permit Review Fees for the Development Review Enterprise.

Presenter:

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Summary:

The City Planning and Community Development Department, along with the Development Review Enterprise Customer Advisory Committee, is recommending reductions to the zoning review fees that are collected for review of construction drawings and building permits for new commercial and residential construction

Background:

The Development Review Enterprise (or DRE), as a way of introduction, is a 100% fee funded Division (Enterprise) of the City Planning and Community Development Department. The DRE was created in 2000 (Ordinance 00-201) to provide commercial and residential building plan review in order to ensure compliance with City land use regulations and management of financial and administrative review programs associated with building permits. Functionally, the DRE office comprises of two separate divisions: (1) Zoning and (2) Fire Construction Services. Although zoning staff reports to the Planning and Community Development Department, and the fire staff reports to

the Fire Department, the DRE budget is administered by the Planning and Community Development Director.

The DRE Customer Advisory Committee was established (and incorporated into City Code, Chapter 7) to give customer feedback regarding service delivery and to advise on customer service, fee structure and fee collection, in compliance with City Code. Planning staff worked closely with this Committee, as well as the City Finance Department, to complete a full analysis of the current fee structure and rate of fee collection.

The recommended reductions and updated collection methodologies are detailed in Table 1. These reduction recommendations are based on several factors:

Revenues Collected: Current building permit review fees paid to the DRE Zoning cost center are based on a percentage of the Pikes Peak Regional Building Department building permit fees. The building permit fees are based on valuation of the individual projects. The DRE receives a percentage of that fee for city review, with the percentage varying on the type of project (Table 1). In the past 3 years, the DRE has seen increasing permit and review activity while keeping expenditures stabilized and relatively flat. A three-year analysis of revenue versus expenditures was completed showing that revenues have consistently exceeded expenditures. Actual revenue collections have also steadily exceeded projections.

Prior to 2015, although Zoning Division and Fire Division had separate fees, the DRE budget was a single account - meaning DRE Zoning and DRE Fire revenues and expenditures were combined into a single “bucket”. In 2015, in order to better keep track of revenues and expenditures, the decision was made to separate the DRE into two separate accounts - Zoning and Fire. In 2016, fee analysis was performed for the Fire Division. It was then identified that the Fire fees did not cover the Fire Division expenditures. As result, DRE Fire fees were increased based on a cost-of-service analysis. Now, in order to true-up the Zoning Division fees versus expenditures, a reduction in the fees is warranted.

Cost of Service: A cost of service and capacity analysis for the Zoning Division was completed. This provided data on the full cost of plan and permit review. Staff tracked time and resources required for the review of each type of permit. This showed that a number of fees are set higher than the cost of the resources required for review. Some of this can be attributed to increased use of technology decreasing overall review times and refined staff levels based on workload needs.

Level of Service: The overall level of customer service and customer need was evaluated. The DRE Customer Advisory Committee has identified a few areas for improvement; including the need for additional front counter staff to answer calls and customer inquiries. This is a minor budgetary adjustment item with no other large expenses expected. It should also be noted that over the last three years, additional positions were added to maintain targeted customer service level.

Reserve Levels: The DRE has a robust fund balance (reserve) to ensure the customer needs are met and staffing is provided in all economic climates. With revenues exceeding expenditures, the fund balance continues to increase. While the City Code does not established fund balance policy or service levels, the DRE Customer Advisory Committee continually monitors the DRE Budget and service levels to ensure adequate and consistent funding of the Enterprise. With the reserve fund currently at approximately 100% of the annual budget, reduction of funding into the reserve will have no negative impact.

Table 1 - Proposed Fee Reductions (DRE - Zoning)

Permit Type	Current Fee*	Proposed Fee	Note	Est. Decrease
Single Family - Non-Hillside (includes detached duplex and townhomes (per dwelling)	28%	\$ 160	Flat Fee	20% (based on \$200 avg. fee)
Single Family - Hillside	155%	\$ 450	Flat Fee	63% (based on \$1,230 avg. fee)
Over the counter (residential decks, garages, pergolas, minor remodel, accessory structures)	77%	\$ 75	Flat Fee	49% (based on \$146 avg. fee)
Commercial new build (including apartments and condos)	42%	30%	% of the RBD Building Fee	30%
Commercial remodel and addition (including apartments and condos)	56%	30%	% of the RBD Building Fee	46%
*% of RBD permit based on project valuation				

In addition to overall reductions on the percentage of fees charged, the fee methodology for building permit review fees is changing. Currently, all permit types are percentage based. With the current reduction proposal, residential permit fees will be charged as a flat fee. Commercial type permits, including multi-family, will remain percentage based due to variations in project sizes lending to varied staff resources needed for review and approval. Typically for commercial development, the larger the project, the more review and inspection resources required.

These fees will continue to be collected by the Pikes Peak Regional Building Department. It should be noted that there are a number of other fees collected directly by the Development Review Enterprise that are not changing. Those are attached as Exhibit 1 to this memo. Staff will monitor monthly fee revenues with implementation of the new fee structure. Staff will also work with the Customer Advisory Committee in the future to review and update charges and fees periodically based on factors such as the impact of inflation, other cost increases, and use of services. The City Finance Department, through yearly budget preparation, will utilize long-term forecasting in ensuring that charges and fees anticipate future costs in providing services.

It has been determined that the fees related to building permit and site plan review should be formalized and adopted by resolution by City Council. The resolution is scheduled for introduction at the November 12 City Council Work Session and for action at the November 26 City Council Regular meeting. Staff is recommending an implementation date of January 1, 2020 for the new fees. This will allow time for coordination of payment with the Pikes Peak Regional Building Department.

Previous Council Action:

The current fees were implemented by Council in 2012. The previous resolution set both Fire and Zoning fees, while the current resolution only adjusts Zoning fees.

On November 7, 2019, City Council was introduced to this resolution and agreed it that it be heard on the Consent Calendar for the November 26 regular session.

Financial Implications:

The current 2019 fund balance covers 103% of our 2020 budget with an anticipated additional contribution at the end of 2019. Although we do not intend to utilize the current fund balance, it is healthy enough that it could absorb future revenue shortfalls if need be. The proposed decrease has

already been implemented in the 2020 budget after the application of revenue trending from previous years, and we anticipate that with this reduction we will still be able to meet or exceed our budgeted expenses.

City Council Appointed Board/Commission/Committee Recommendation:

The Budget Committee recommended that the fee reduction move forward. Among discussion items at the Committee meeting were the satisfaction levels of the customers and the proposal that the excess revenue that DRE is currently collecting could be used to increase staff to enhance customer satisfaction. An additional concern was raised regarding the change from a percentage-based fee to a flat fee as the fee for projects with lower values could potentially increase.

The DRE Customer Advisory Committee recommends reduction of the fees and supports the proposed fee schedule.

Alternatives:

Deny the fee reduction proposal, keeping fees at their current rate. Doing so will continue to increase the DRE fund balance.

Proposed Motion:

Adopt a Resolution Rescinding Resolution Number 68-12 and Establishing Building Permit Review Fees for the Development Review Enterprise.

N/A.