

INDIAN RIVER COUNTY, FLORIDA
MEMORANDUM
PUBLIC WORKS DEPARTMENT



TO: Jason E. Brown, County Administrator
FROM: Richard B. Szyrka, P.E., Public Works Director
SUBJECT: Public Works Analysis of Building and Development Permit Fees
DATE: June 9, 2017

On May 2, 2017 Commissioner Zorc brought to the Board of County Commissioners three items to move forward as a result of the April 12, 2017 Development Review and Permitting Process Workshop. One of the items was for staff to review Development Review fees for Community Development and Public Works.

Review of the current Public Works Fee Schedule shows that the fees established by the Board of County Commissioners in 2004 have remained current at 2004 levels.

Building Permit Fees

An analysis of Public Works Building Permit Revenue over the last three years has shown a significant shortfall in revenue when compared to costs. Staff costs over the last three years for the Building Permit Review and Inspection process have averaged \$264,796 per year. However, in this same time-period the following revenue shortfalls were noted:

- In Fiscal Year (FY) 14-15, the total revenue collected for the Building Permit and Inspection process was \$121,414. When compared to staff costs, the revenue shortfall for FY 14-15 is \$143,382 or 54% of the total cost for services.
- In FY 15-16, the total revenue collected for the Building Permit and Inspection process was \$152,002. When compared to staff costs, the revenue shortfall for FY 15-16 is \$112,794 or 42.5% of the total cost for services.
- In FY 16-17, through the end of May, the total revenue collected for the Building Permit and Inspection process was \$109,922. When compared to staff costs of \$176,530 for the same time period, the revenue shortfall for FY 16-17, through May, is \$66,608 or 38% of the total cost for services.

Over the last three years, the revenue generated by the current fee schedule for Public Works Engineering Building Permit Review and Inspection services has resulted in a shortfall in the amount of \$322,784. The shortfall results in a taxpayer subsidy to fund the remainder of the building permit review and inspection costs.

To address the revenue shortfall for Public Works Building Permit Reviews and Inspections, it is recommended that the current Public Works fees for single family residential (SFR) right-of-way and drainage permits be increased from \$45.00 for private roads and \$75.00 for public roads to a fee of \$180.00 for public or private roads.

Increasing the current right-of-way SFR right-of-way and drainage permit fee to \$180.00 will address the current revenue shortfall. Applying the proposed fee to the past three years resulted in the following additional revenue being generated:

- FY 14-15
Private SFR Permits – 490 SFR @ \$135.00 ea = \$66,150
Public SFR Permits – 98 SFR @ \$105.00 ea = \$10,290
Total Additional Revenue Based on Proposed Fee Increase = \$76,440
Total Calculated Revenue Shortfall = \$143,382
- FY 15-16
Private SFR Permits – 603 SFR @ \$135.00 ea = \$81,405
Public SFR Permits – 232 SFR @ \$105.00 ea = \$24,360
Total Additional Revenue Based on Proposed Fee Increase = \$105,765
Total Calculated Revenue Shortfall = \$112,794
- FY 16-17 (YTD)
Private SFR Permits – 461 SFR @ \$135.00 ea = \$62,235
Public SFR Permits – 68 SFR @ \$105.00 ea = \$7,140
Total Additional Revenue Based on Proposed Fee Increase = \$69,375
Total Calculated Revenue Shortfall = \$66,608

As shown above, the proposed fee schedule for SFR right-of-way and drainage permits is anticipated to eliminate the current revenue shortfall. The proposed fee increase does not take into account the need for additional staff to reduce the current review times or backlog for single family residential permit reviews, however the additional fee collection could help fund the needed staffing increases. The proposed fee increase will need to be considered by the Board for final action in September.

Public Works Land Development and Right-of-Way Fees

An analysis of Public Works Land Development Revenue over the last three years has shown a significant shortfall in revenue when compared to costs. Staff costs over the last three years for the Land Development and Right-of-Way permit review and inspection process have averaged \$548,650 per year. However, in this same time-period the following revenue shortfalls were noted:

- In Fiscal Year (FY) 14-15, the total revenue collected for the Land Development and Right-of-Way permit review and inspection process was \$55,793. When compared to staff costs, the revenue shortfall for FY 14-15 is \$492,857 or 90% of the total cost for services.
- In FY 15-16, the total revenue collected for the Land Development and Right-of-Way permit review and inspection process was \$65,045. When compared to staff costs, the revenue shortfall for FY 15-16 is \$483,605 or 88% of the total cost for services.
- In FY 16-17, through the end of May, the total revenue collected for Land Development and Right-of-Way permit review and inspection process was \$66,474. When compared to staff costs, \$365,766 (YTD), the revenue shortfall for FY 16-17, through May is \$299,292 or 81% of the total cost for services.

Over the last three years, the revenue generated by the current fee schedule for Public Works Engineering Land Development and Right-of-Way permit review and inspection services has resulted in a shortfall in the amount of \$1,275,754. The shortfall results in a taxpayer subsidy to fund the remainder of the Land Development and Right-of-Way permit review and inspection costs.

In order to address the significant revenue shortfall for Public Works Land Development and Right-of-Way permit reviews and inspections, we have evaluated the issue and propose the following changes:

2004 Public Works Fee Schedule

<u>Fee Schedule Category</u>	<u>Current</u>	<u>Proposed</u>	<u>Additional Revenue FY 15-16</u>
Stormwater Permit (A & B)	\$450.00	\$ 850.00	21 Apps @ \$400 = \$ 8,400
Stormwater Permit (C)	\$100.00	\$ 225.00	101 Apps @ \$125 = \$12,625
Single Family R/W Permit	\$45/\$75	\$ 180.00	92 Apps @ \$105 = \$ 9,660
Utility R/W Permit	\$350.00	\$ 600.00	4 Apps @ \$250 = \$ 1,000
Land Dev. R/W Permit	\$550.00	\$ 900.00	3 Apps @ \$350 = \$ 1,050
Comm. R/W Permit	\$300.00	\$ 600.00	12 Apps @ \$300 = \$ 3,600
Re-inspection Fee	N/A	\$ 300.00	N/A
After 2 nd Re-inspection			
Plan Review Fee	N/A	\$ 300.00	N/A
After 3 rd Resubmittal			

The above proposed permit fees would have generated an additional \$36,335 in FY 15-16.

It is not feasible to increase the above permit fees to compensate for the total shortfall of revenue with respect to Public Works Land Development and Right-of-Way permit reviews and inspections. So, the above proposed changes are to compensate for the review aspect of the permitting process. The following is a proposed fee schedule to compensate for staff costs after permit issuance by the Public Works Department.

Permit review fees do not cover staff costs after permits are issued by the Public Works Department. Once permits are issued, staff deals with projects on a daily basis including inspections for right-of-ways, site plans and subdivisions, permit violations, drainage issues, project changes, field issues, correspondence with project engineers, project closeout documentation, as-built drawing evaluation, bonding, etc.

To address the revenue shortfall after permit issuance, a step system for inspection fees is proposed for all development projects, including site plans, subdivision, right-of-way improvements, and administrative approvals. The proposed step system does not include the on-site cost of water and sewer infrastructure improvements that are not inspected by Public Works inspection staff. However, it does include these infrastructure improvements within the County right-of-way. Calculating inspection fees is proposed using the following step system:

- Inspection fees for the portion of construction costs up to \$500,000 will be 2% of Construction Costs.
- Inspection fees for the portion of the construction costs between \$500,001 and \$1,000,000 will be 1.5% of the Construction Cost.
- Inspection fees for the portion of the construction costs above \$1,000,000 will be 1.0% of the Construction Costs.
- *The inspection fees will be cumulative to cover the entire construction cost for the project.*

The following is an example of how the inspection fee would be calculated:

- A project with a construction cost of \$1,289,000.00 will have an inspection fee calculated as follows.
 - $\$500,000 \times 2.0\% = \$10,000$
 - $\$500,000 \times 1.5\% = \$7,500$
 - $\$289,000 \times 1.0\% = \$2,890$
- The inspection fee due before permit issuance is \$20,390.00.

The following is a sample of current development costs and the calculated fee based on the proposed inspection fee schedule above.

Harmony Reserve 1A

- Construction Cost \$1,012,871
- Number of Lots 34 @ \$29,790/lot
- Calculated Inspection Fee \$17,628
- Additional Cost per Lot \$518.47 or 1.7% per lot

Willows

- Construction Cost \$699,376
- Number of Lots 43 @ \$16,264/lot
- Calculated Inspection Fee \$12,990
- Additional Cost per Lot \$302.10 or 1.85% per lot

Millstone Landing – Phases 4-6

- Construction Cost \$4,237,121
- Number of Lots 243 @ \$17,436/lot
- Calculated Inspection Fee \$49,871
- Additional Cost per Lot \$205.23 or 1.17% per lot

Waterway Village 2A-2

- Construction Cost \$2,423,241
- Number of Lots 68 @ \$35,636/lot
- Calculated Inspection Fee \$31,732.41
- Additional Cost per Lot \$466.65 or 1.3% per lot

Based on the above sampling of projects the overall cost to the developer is less than 2% per lot.

As shown above, the proposed fee schedule for Public Works Land Development and Right-of-Way permit reviews and inspections is anticipated to reduce the current revenue shortfall. The proposed fee increase does not take into account the need for additional staff to reduce the current review times or backlog for Land Development reviews and inspections, however the additional fee collection could help fund the needed staffing increases. The proposed fee increase will need to be considered by the Board for final action in September.

Recommendation

Staff recommends the Board of County Commissioners direct staff to finalize an update of development review fees for Community Development and for Public Works, obtain public input, and to present final updated fee schedules to the Board in September with a proposed effective date for Board consideration and adoption.