



Legislation Details (With Text)

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Title: Conduct the first reading on an ordinance amending the structure and fee amounts included in Articles E, F, and H of Chapter 9 (Municipal Finances) of the Naperville Municipal Code.

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| Date | Ver. | Action By | Action | Result |
|-----------|------|--------------|--------|--------|
| 6/16/2020 | 1 | City Council | passed | Pass |

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Conduct the first reading on an ordinance amending the structure and fee amounts included in Articles E, F, and H of Chapter 9 (Municipal Finances) of the Naperville Municipal Code.

DEPARTMENT: Transportation, Engineering and Development

SUBMITTED BY: Amy Emery, AICP, Operations Manager

BOARD/COMMISSION REVIEW:

NA

BACKGROUND:

The City of Naperville has an established fee schedule which is used to assess applications fees for annexation, development, zoning and subdivision projects (hereinafter referred to as “entitlement fees”). The City’s entitlement fee schedule has not been comprehensively reviewed and updated in more than 20 years.

As Naperville approaches buildout, development projects have become more complex. Projects are largely focused on redevelopment and often involve parcels with a variety of unique challenges. In this setting, it has become increasingly apparent that the City’s traditional ways of assessing entitlement fees (i.e., per acre) do not necessarily correlate with the complexity of each project. Further complicating matters, a single development may require several types of plan reviews (e.g., site plans, landscape plans, engineering plans, traffic studies, etc.), each of which currently has a separate plan review fee calculated using a different methodology (e.g. per acre, per parking space created, improvement value, etc.). This can be very confusing to applicants and inefficient and difficult to administer.

To examine these issues more closely and propose solutions, Houseal-Lavigne Associates, LLC, was selected through a city procurement process to analyze existing entitlement fees and recommend improvements. Over a six-month period, they completed:

- A detailed cost-recovery analysis based on a series of Naperville development case studies using actual fees collected by the City compared to level-of-effort required and associated City costs; and
- A survey of the fees collected by 20 other communities in the region to Naperville to appreciate best practices and the competitive level of Naperville's existing fees, as well as, any proposed modifications.

The final entitlement fee report submitted by Houseal Lavigne is attached for reference.

DISCUSSION:

Proposed Changes to the Fee Structure

Through detailed study and analysis, changes are being recommended to the entitlement fee structure in alignment with the following primary goals:

- Establish a streamlined fee structure that is reflective of a project complexity, but is easy for applicants to understand
- Establish fees that allow the City to remain regionally competitive while offsetting actual City-expenses to provide development-review services
- Consider, where necessary, establishing new fees to collect payment for actual services required (e.g., re-review of projects with excessive resubmittals, review of add-on items such as development or annexation agreements, negotiated agreements, site permits, temporary uses, etc.) currently the full costs of which are covered by the City
- Collect reimbursement from applicants for direct costs that are currently paid by the City (e.g., notices and publications)

The recommended structure is detailed in the attached ordinance. The focus of the new structure is to move to a model where plan review fees are charged based on the actual approval process required:

- Annexation
- Projects Requiring Planning & Zoning Commission AND City Council Review
- Projects Requiring ONLY City Council Review
- Administrative Requests

This simplified structure replaces countless combinations of review fees currently charged depending on the type and number of different plans submitted for a single project. With only four options, the proposed "process-based" structure makes it very easy for customers to identify and understand applicable fees. This is especially critical as we work to build software to support electronic application and permitting. Trying to maintain the existing fee structure would require substantial custom software programming time and effort to account for so many different fee calculation methodologies and fee types. A streamlined approach is needed so customers can easily identify and pay required plan review fees. Otherwise, applicants risk unnecessary delays due to repeated rejections of electronically plan submittals with incorrect fees identified.

The updated structure also addresses issues of fairness that arise when complicated projects receive an abundance of additional services at no additional charge (e.g. detailed reviews of additional studies and reports not required for every development, custom legal agreements, repeated resubmittal reviews). The new structure is based on the premise that applicants should pay for actual services requested from the City. It should be noted that the fee structure does recognize the need to provide a reduced-cost option to accommodate simple homeowner requests for basic zoning relief (e.g. fence variance), temporary uses, as well as, simple annexation requests. As a part of the Entitlement Fee Study, two important changes are also recommended in Article H (Fees for Construction and New Development) related to engineering plan review and site permits. The changes seek to improve the timing and transparency of both processes.

As proposed, all engineering plan review fees would be paid on a per-page basis like all other construction permit plans. This replaces the existing approach whereby, for residential projects, engineering review plan fees are sometimes outstanding for years as they are not collected until an approved subdivision plat is recorded. As a result, if a residential project is not developed, the time spent reviewing the engineering plans is lost. For engineering review of commercial projects plans, currently the fee is calculated based on the number of new parking spaces created. In many instances, commercial projects may not generate new parking spaces, but still require substantial engineering review; in these instances, the nominal fee collected does not align with the staff costs to review the project. The revised per-page review fee provides a fair means of collecting fees for actual review time spent.

With respect to site permits, also in Article H, the recommended ordinance revisions include a new site permit fee. Under the existing code, these same fees are collected as part of the engineering review, which is not an accurate representation of the fee purpose. The site permit fee is to permit and inspect the public improvements, not the time spent reviewing engineering plans.

Proposed Fee Increases

In addition to changing the structure of fees, staff is recommending a corresponding fee increase. Unlike building permit fees which have been increased periodically to more closely align revenues and costs, plan review fees have remained largely unchanged for more than 20 years. Over this same period, development challenges have gotten more complex, requiring more time and effort to consider unique site features, impacts of developments, and apply codes and laws. As a result, existing entitlement fees recapture only about 75% of the city's actual costs (note: actual costs include staff review and processing time only and do not include costs such as overhead, supplies, or indirect costs from supporting departments). The proposed fee structure will improve cost-recovery to about 97% of direct costs. It is important to note that this cost-recovery includes new fees for services not previously collected. The recommended fees have been tested to confirm their competitiveness in the region. The Entitlement Fee Study demonstrates, even with the recommended fee increases, the cost to develop in Naperville will be comparable to others in this market based on a review of 20 other municipality ordinances.

The recommended changes highlighted in the Entitlement Fee Study have been shared with area attorneys who frequently submit applications on behalf of developers, business owners and residents. In their feedback, some concern was expressed about the overall increases. However, the concern was partly a misunderstanding related to changes to the timing of fees, not necessarily the amounts. If City Council approves the recommended fee changes, staff will provide additional educational materials and supporting documentation, as well as, general assistance, similar to efforts

made when building permit fees are increased. The recommended changes were also shared with the Naperville Development Partnership (NDP) in early March. The NDP expressed appreciation for the transparency of the new fee structure due to its simplified format. The “pay-as-needed” model for additional city review services (e.g., fees for reviews of studies, special legal agreements, resubmittals) was also considered a fair approach. Perhaps most importantly, the NDP also appreciated that the new structure keeps fees competitive in the region.

Finally, it is important to note that staff is sensitive to current economic conditions resulting from the Covid-19 pandemic. As a result, staff recommends that the revised fee structure and fee increases do not become effective until January 1, 2021.

FISCAL IMPACT:

There is no fiscal impact to the fee structure improvements; staff recommends that the revised fee structure be adopted regardless of any final recommendations regarding fee increases. The recommended fee changes would increase total fees charged by approximately 28%, effective January 1, 2021, to more closely align with actual city costs. The actual amount collected each year depends on the number of plan review requests received.