



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
REGULAR MEETING

#18-1190

TO: Honorable Mayor & Members of the
Fort Lauderdale City Commission

FROM: Lee R. Feldman, ICMA-CM, City Manager

DATE: November 6, 2018

TITLE: Ordinance Revising Building, Fire and Other Fees for Services Related to
Land Development and Permitting

Recommendation

It is recommended the City Commission adopt an ordinance that amends Building Services Permit Fees.

Background

The Building Services Division (Division), which issues permits for construction, remodeling and other activities last conducted a fee study in 2010. The 2010 fee study provided a detailed analysis of the building permit fees based on the actual cost to deliver the services, the evaluation of the fees charged by surrounding municipalities for the same services and accounted for changes in construction activity due to the recession. The analysis was approved and has been in effect since October 1, 2010. The proposed update will reflect the changes in activity since 2010, as well as a change in the method of applying the permit fees based upon the new fee study.

According to Section 166.222, Florida Statutes, the revenue from permits can only be expended on the administration and enforcement of the Florida Building Code. For the purpose of the 2018 Permit Fee Study (Study), building permit fees are identified as any fee charged to obtain a permit for construction, renovation, replacement or physical improvement to a residential or nonresidential property within the corporate limits of the City of Fort Lauderdale and all associated reviews and inspections. Revenues collected in association with permits for building (structural), mechanical, electrical or plumbing are collected and deposited into a special revenue fund, commonly referred to as the Building Fund. Currently, revenues for permits issued related to specific landscape, engineering, zoning and fire permits are deposited into the General Fund. However, the previous 2008 fee study did not anticipate the need to cover costs associated with other reviews by landscape, engineering, zoning, and fire in association with general building permits, while the 2018 Study takes these disciplines into account. This has created a gap in the cost recovery of plan reviews associated with landscape, engineering, zoning, and fire when these reviews are part of a building permit review.

The Division currently evaluates job cost through a fixed fee per trade and uses the sum of these charges as the total permit fee. For instance, an electrical permit for general purpose light fixtures costs \$27.65 for up to five fixtures with any fixture over five charged \$1.60 per additional fixture. This creates a situation where a significant amount of time and effort is expended to count all of the light fixtures within a proposed building to correctly determine the fee, which is extremely time consuming on large projects. The Division has determined that a change from a fixed fee to one based on the percentage of construction cost is a more appropriate method that reflects the current industry standard and will have the additional benefit of reducing the amount of time necessary to calculate the fee and reduce overall permit plan review time. To support the proposed method, a discussion based on literature research regarding best practices as well as conversations with other building officials regarding the appropriateness of the methodology is included on page five of the Study attached (Exhibit 1).

Fee Study 2018

The Study was prepared as an evaluation of existing practices focused on establishing the cost to perform the service and the revenue generated from the permit fees. The Study also focused on operational enhancement by examining the portion of the permitting process not funded by the building fund. From this analysis, we can conclude that when increasing expenditures to hire staff to support the building fund, a similar approach should be applied to non-building fund staff. The Study considers the ability of the fees charged to cover the expenditures of the Building Services Division and those permitting requirements that are funded in other ways. In summary, the Study is a review and analysis of:

- Research regarding Best Practices and discussion with Building Officials
- Financial Statement Analysis
- Determination of the cost to provide the service
- Comparison of fee rates with other municipalities
- Non-Building Fund Plan Review and Inspection Workload Analysis
- Establishment of a new fee schedule

Comparative research was conducted to determine the rates charged using the percentage of construction value method. The research determined that the rates vary across municipalities and do not reflect any pattern based on size or location. The rates charged for building permits range from 0.7% to 5%. In some cases, the rate drops as the construction value increases. Despite varying differences in construction costs, there are constants that exist in processing an application for a building permit, such as reviewing plans and performing inspections.

The City issues over 25,000 permits annually, and approximately 60% are small projects requiring three or fewer disciplines to approve. Large scale projects can include plan reviews and inspections by nine different disciplines – building, mechanical, electrical, plumbing, flood, fire, engineering, landscaping, and zoning. Engineering, landscape, zoning, and fire are not funded by the Building Fund. After reviewing permitting history and recognizing that the Division's increases in workload have not resulted in increased

resources for non-building funded positions, a new "Premium Fee" is recommended in order to appropriately fund those positions. Since 2014, the Division has increased employees from the Building Fund from 57 full time equivalent employees to 127 in order to keep up with the demands placed on the department for permit plan review and inspections. During the same period, the Division has increased expenditures for contract staff and hired two landscape inspectors and one additional project engineer to support landscaping and engineering plan review and inspection. However, to reiterate, these positions are General Fund based and the existing permit fee schedule does not provide for a fee to address these resources, while the premium fee recommendation is intended to cover those positions as the need for more resources increases or decreases in relation to permit activity.

Recommended Fee Schedule

It is recommended that the Building Permit Fee Schedule be built around a base/minimum fee of \$105 plus a percentage of construction value. The percentage of construction value is different for each trade (i.e. Building, Electrical, etc.) and will be blended to calculate the permit fee. It is further recommended to keep some fees and methods that are in place today and continue to deposit them into a special revenue fund consistent with the Florida Building Code. Lastly, it is recommended to discontinue the Technology Fee and Training/Educational Fee as it will be covered by the new fee structure.

It should be noted that while the Study recommends percentages specific to a calculation, staff is recommending rounding the numbers to the nearest 0.05% for ease of calculation. For instance, the Study recommended 0.92% of construction value for an electrical permit associated with a burglar/fire alarm or access system. Staff has rounded that number to 0.90%. All other fees

In addition, a Premium Fee is recommended on each permit application where zoning, landscape and engineering review is required. Proceeds from the Premium Fee will be deposited into the General Fund to cover the plan reviews and inspections by those non-building fund positions.

The Premium Fee would be calculated as a base fee of \$88 plus the addition of 0.30% of the construction value at the time of application.

Overall the Study projects a reduction of 18.7% to the building fund opposed to the current rate structure. Please see page 14 of Exhibit 1 for more information.

The Premium Fee associated with the landscape, engineering, and zoning portions of the building permit review that have not been captured by the current fee structure is anticipated to generate approximately \$1.6 million based on FY2016/2017 data. Please see page 26 of Exhibit 1 for more information (Please note the calculation shown in table 23 appears to be incorrect based on the figures provided. Staff has updated the calculation for the purposes of this CAM and projected revenue).

Staff intends the Study to be revisited every 3 years to ensure that fees are kept in line

with volume of workload.

Resource Impact

Building permit fee revenue is expected to decrease by approximately \$5 million from FY2018 to FY2019 with the new fee schedule. The projected decrease is still expected to generate enough revenue to cover the operational needs of the Building Services Division for FY2019. The premium fee will create additional revenue for the General Fund in FY2019 of approximately \$1.6 million.

Strategic Connections

This item is a *Press Play Fort Lauderdale Strategic Plan 2018* initiative, included within the Neighborhood Enhancement Cylinder of Excellence, specifically advancing:

- Goal 12: Be a leading government organization, managing our resources wisely and sustainably.
- Objective 2: Ensure sound fiscal management.

This item advances the *Fast Forward Fort Lauderdale 2035 Vision Plan: We Are Community*.

Attachments

Exhibit 1 – Permit Fee Study 2018

Exhibit 2 – Ordinance

Prepared by: John Travers, Building Official

Department Director: Anthony Gregory Fajardo, Sustainable Development