

CC Work Session

2. 1.

Meeting Date: 08/23/2011

By: Patrick Brama, Administrative Services

Title:

2011 Development Costs Study

Background:

As part of the Ramsey City Council's 2011 strategic goals, "Reviewing development fees and standards regarding construction" was identified as a council priority.

This study, the "2011 Development Costs Study," aims to understand how different cities assess the costs of new development.

In late April, the City of Ramsey sent a "Development Costs Survey" to 10 municipalities. The survey consisted of 200 questions. Completed surveys were received in mid June.

The purpose of this case is to review The 2011 Development Costs Study results.

Observations:

Each and every city in this survey assesses development costs differently. Some municipalities rely more on developers to install needed infrastructure and to make site improvements than other municipalities. Some municipalities install needed infrastructure and make site improvements independently and then charge developers. Some cities put most of their costs into one part of a building permit and others break down their costs into separate permit fees. Some cities account for nearly all costs through development fees and some cities absorb costs into the general operating budget. Some cities pass on costs to end users rather than developers (i.e. residents and businesses) through utilities and assessments. Furthermore, there is often times a difference in development fee rates for fully developed communities when compare to developing communities.

Cities also assign expenses in several different ways: flat rates, area specific rates, escrows, per unit rates, per acre rates, type of land use rates, per hour rates, assessments, trunk fees, etc.

The 2011 Development Costs Study results are broken down in two documents (both are attachments in this case). First, being the executive report; and second being the appendix.

The attached executive report contains background information on the development study and an overview of the results.

The attached appendix contains detailed background information on how the study was conducted, how the survey was broken down and it also includes individual answers for each individual question asked in the survey.

When reviewing the results of this survey please consider the following:

- When cities rely on the developer to install (DI) needed public infrastructure; or, when a city assesses (ASSD) the cost of public infrastructure to future property owners those costs are not reflected in this survey. The actual cost of development (for a developer) would be greater than stated.

Take scenario #1 for example, the City of Blaine has a much lower total cost of development than the City of Ramsey. However, the City of Blaine lists DI (developer installed) as an answer to five separate questions. Those developer installed costs are likely to exceed \$300,000.

- Leaving an answer space blank, writing "zero," writing the word "nothing," writing an answer that doesn't apply

and not having a fee/cost are all considered the same answer (zero/NA).

- People interpret identical questions differently; and, people answer identical questions differently (i.e. including a partial answer or common answer rather than a factual answer).
- Categories of costs were left out: fire suppression costs, irrigation requirements and several other development costs were not included in the survey.

To summarize where the City of Ramsey stacks up, in terms of the cost of development, there are four major findings:

- (1) Generally, total development costs are marginally higher in Ramsey than other communities surveyed; although certainly not the highest. NOTE: As stated, the survey does not capture the value of developer installed and assessed fees/charges. Most cities surveyed have a higher cost of development than shown.
- (2) Generally, utility rates in the City of Ramsey are lower than other communities surveyed
- (3) Generally, the City of Ramsey's building permit fees are similar to other communities surveyed
- (4) Generally, other cities rely on the developer to install needed infrastructure more often than the City of Ramsey does.

Staff would like to note a few of points:

- Ramsey is considering an update to its comprehensive sewer and water plan on or before 2014; which, may result in adjustments to development and utility fees.
- Budgeting for a future \$20 million dollar water treatment facility affects multiple development fees.
- Parks and Trails fees are based on both current needs and future expectations.

Staff will continue to identify fees for further review and provide some very basic, broad recommendations at the meeting on Tuesday.

Recommendation:

- (1) City staff would like to identify a list of existing development fees/charges that could be considered for either reduction or elimination to be brought back to the City Council.
- (2) City staff would like to develop a set development fee options to help evaluate how lowering one fee may affect other fees. NOTE: There is balancing act between utility fees and development fees. Lowering one typically results in raising the other. In 2004, the policy directive from the City Council was to pass the development costs onto the developer, thereby keeping the quarterly utility rates low.
- (3) City staff would like to further develop a breakdown of development and building fees into a concise document that is included with any land use application packet. Specifically, staff would like to define, evaluate and explain the purpose of each fee. Having such a list will not only help in future development costs discussions, it will help developers that have questions about development fees/charges.

Funding Source:

NA

Council Action:

Adopt staff recommendations; and, if the Council wishes, supply staff with additional direction.

Attachments

Executive Report

Appendix

Form Review

Inbox	Reviewed By	Date
Tim Gladhill	Tim Gladhill	08/18/2011 08:24 AM
Brian Olson	Amy Dietl	08/18/2011 08:27 AM
Tim Gladhill	Amy Dietl	08/18/2011 08:28 AM
Patrick Brama	Patrick Brama	08/18/2011 09:53 AM
Brian Olson	Amy Dietl	08/18/2011 10:50 AM
Heidi Nelson	Heidi Nelson	08/18/2011 11:37 AM
Patrick Brama	Patrick Brama	08/18/2011 12:27 PM
Brian Olson	Brian Olson	08/18/2011 03:20 PM
Heidi Nelson	Heidi Nelson	08/18/2011 03:24 PM
Kurt Ulrich	Amy Dietl	08/18/2011 03:51 PM

Form Started By: Patrick Brama Started On: 08/17/2011 01:51 PM

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