

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 6, 2013

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER /s/

DOCKET TITLE:

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Fee Increases for Planning & Zoning Development Review Applications.

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ISSUE: Adoption of proposed fee increases charged by the Department of Planning and Zoning for development review applications.

RECOMMENDATION: That the City Council adopt the attached proposed fees (Attachment 1).

BACKGROUND: As part of the FY 2014 budget process, the Department of Planning and Zoning (Department or P&Z) conducted a review of the development review fees to determine whether an increase of the fees may be appropriate at this time. There has not been an increase in these fees since 2008. At that time fees for historic preservation applications and development applications were both increased in order to recover more of the cost of the review and to be more in line with neighboring jurisdictions. Since that time, the real estate market took a down turn and a decision was made to keep the fees steady in order to not cause additional impacts on the market for development in Alexandria. Now the real estate market has picked up again and the City is seeing larger more complex cases being submitted that are creating a demand on staff. Additionally, a current comparison of Alexandria's fees to other jurisdictions shows that there is room for increasing Alexandria's development review fees to recover necessary costs without having too much of an impact on the market.

The authority for establishing Planning and Zoning fees comes from the City Charter section 2.07 which provides that "[w]henever in the judgment of the council it is advisable in the exercise of any of the powers of the city or in the enforcement of any ordinance or regulation, it may establish and collect such fees as it may determine to be reasonable for the rendering of city services." Section 11-104 of the Zoning Ordinance was adopted pursuant to this authority which provides that the Director of Planning and Zoning shall by general rule, approved by the City Council, establish a schedule of fees required for each application for development approval.

The proposed fee increase includes an increase of approximately 20% to the base fee per development application and an increase in the cap on the fees from \$30,000 to \$60,000. Alexandria is the only local jurisdiction that has a cap on development fees and there has been discussion about eliminating the cap. However, the increase from a cap of \$30,000 to no cap at all would have a very big impact on large projects that may be too rapid of an increase. This proposed fee increase allows the P&Z fees to address some of the increased cost of reviewing more complicated projects while minimizing the impact on the market for development in Alexandria.

Revenue from the increased fees will amount to approximately \$422,000 in additional revenue annually. This estimation is based on an average of the projects that have been submitted over the last year and that are anticipated to be submitted over the coming year. Therefore, this amount could vary based on the actual number of projects submitted.

DISCUSSION: The review of entitlement process development applications (i.e. DSP, DSUP, SUP, MPA, CDD, REZ, TMP, and FSP) is managed by P&Z but also involves review by multiple City departments including Transportation and Environmental Services, Code Administration, Recreation, Parks and Cultural Services, Health Department, Office of Housing, and Office of Archaeology. The proposed fee increases for FY 2014 are necessary for the City to offset costs of review associated with growing demand due to larger numbers and increased complexity of applications.

The Department saw a peak in development review projects as the real estate market was at its highest point in FY 2006. After FY 2006, with the fall of the market, the development review workload decreased significantly, as did the number of staff (from 13 to 9). Since the low point of 2009, the number of new project applications as well as total amount of square feet has increased yearly. The numbers of applications are already approaching peak 2006 levels now, in mid-FY 2013. Based on regional market forecasts as well as specific projects in Alexandria, we anticipate slow but steady growth in the next few years. Overall concept/zoning plans for two large projects, Beauregard and Potomac Yard North, each over 7 million square feet, were processed in 2010 and 2013, and we anticipate that the individual DSUPs for these projects will begin to come in soon, as well as projects in the Braddock area, North Old Town, Carlyle, Arlandria/Del Ray, and Landmark/Cameron Station.

Development review fees are intended to partially recover the City's cost of review while taking into consideration the impact the fee may have on the market for development in Alexandria. The fees are reviewed on a three (3) year cycle to determine if the fees charged are offsetting enough of the cost of the review, are in line with other jurisdictions, and are not discouraging development in Alexandria because of the cost. The intent of having a three (3) year review cycle is to allow the fees to increase gradually rather than having significant increases to catch up. The last development review fee increase was in 2008. In 2011 and 2012 a decision was made not to increase the fees because of the downturn in the real-estate development market. Because the complexity, scale and total staff involvement for development review varies depending upon individual project submissions, the total administrative cost to the City is difficult to measure. The model for fee administration and philosophy described are an attempt to

balance these variables to ensure that costs are partially offset while the overall fee structure does not impact the City's market competitiveness.

The intent of the FY 2014 proposed fee increase maintains adherence to this fee philosophy by increasing the fees only slightly for smaller, uncomplicated projects. The medium sized projects and projects that are more complicated will be increased by larger amounts as the size and complexity increases. This approach lessens the impact while addressing the cost recovery because the larger complex projects take the most staff time. It should be noted that the proposed cap of \$60,000 (effecting projects over 467,000 sq. ft.) reflects the fact that there is not necessarily a straight-line correlation between the size of a projects and the cost of the review, and provides some continuity with our past practice. Applying the proposed fee to typical projects reviewed by the Department of Planning and Zoning as shown in Table 1 (attached) shows that the fee impact is greater as the project size and complexity increases. Table 2 (attached) shows that the proposed fee increase still leaves Alexandria in line with other jurisdictions.

FISCAL IMPACT: The fiscal impact of the proposed fee changes would result in additional revenue of approximately \$422,000.

ATTACHMENT:

Attachment 1: Proposed Fee Increases

Attachment 2: Table 1 – Development Review Fee Increase Summary and

Table 2 – Development Review Fees Jurisdictional Comparison Using Typical Projects

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