

City of Coral Gables City Commission Meeting
Agenda Item I-1
September 22, 2020
Virtual Meeting
405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Raul Valdes-Fauli
Vice Mayor Vince Lago
Commissioner Jorge Fors, Jr.
Commissioner Pat Keon
Commissioner Michael Mena

City Staff

City Manager, Peter Iglesias
City Attorney, Miriam Ramos
City Clerk, Billy Urquia
Development Services Director, Suramy Cabrera

Public Speaker(s)

Jorge R. Duyos, President & CEO JRD & Associates

Agenda Item I-1 [Start: 11:10 a.m.]

A Resolution of the City Commission amending Ordinance No. 2015-17, as amended, to revise various building permit fees; providing for a severability clause and providing for an effective date.

Mayor Valdes-Fauli: City Manager Item, I-1.

City Attorney Ramos: I-1 is a Resolution of the City Commission amending Ordinance No. 2015-17, as amended, to revise various building permit fees; providing for a severability clause and providing for an effective date.

City Manager Iglesias: Mayor, Commissioners, this is simplified fee process that we are trying to initiate. It goes with our new program, Intergov, that will be initiated in March of next year, and its also part of the electronic plan and paperless solution that we have for the city. The Building Department is an Enterprise Fund and what we are trying to do here is have sufficient funds to run

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the Building Department, strictly the Building Department in a way that is efficient, but also helpful and also in a way that our residents and our customers are used to. So, with that, I will introduce George Duyos from JRD Associates, who will provide the presentation on our new permitting fee structure.

Mayor Valdes-Fauli: Good morning.

Mr. Duyos: Good morning. Thank you, Mr. Manager, Mr. Mayor, Mr. Vice Mayor, Commissioners for allowing me to make this presentation this morning. I think we have the presentation is going to come up on the screen, thank you. As the Manager said, my name is George Duyos with JRD and Associates. We had a Sunshine meeting about a month and-a-half ago, made the same presentation, so for those of you that were there, you've seen this already. This seems to be a very popular time for municipalities to look at their building permit fees, because of the nature of the construction industry and the things that are going on, like Covid, state law mandating that building departments in the State of Florida make very transparent in public their cost, their permit revenue. This is an important time. We actually just finished last month developing a new permit fee structure for the U.S. Virgin Islands. Tonight I'm making a presentation to the Village of Pine Crest Council on their new fees that we have done for them and next month we'll be presenting to the City of Sunny Isle Beach their new fees, so it's a hot topic right now, and its very timely that the city undertook this. So, in working with the Manager and staff over the last few months on developing the fees, we had several objectives we wanted to accomplish. There is no one size fits all. I could tell you that there are several components of the Pine Crest fee schedule that we developed that are similar to what you are going to see today, Virgin Islands and again, Sunny Isles Beach that we are working on have some parallels, but we take a very individual look at each municipality, there is not a cookie-cutter or one size fits all. So Coral Gables residents and developers expect the best level of service, so we wanted to make sure that we developed a fee structure that allowed the city to continue this level of service and that met these objectives; and these objectives are, number one, first and foremost insure adequate cost recovery. This is very important. The General Fund shouldn't be subsidizing building permitting operations, so its very important that your Building Department generate the revenue that it supposed to generate to cover its expenses. Number two, a fee schedule that is easy and concise to understand for both the customer and for staff. I think you'll see that it won't get any simpler than this when a developer, when a homeowner applies for a permit, they are going to know exactly how to calculate their fee, and that's very transparent and its very easy. And finally, to create a reserve for unforeseen factors affecting the construction industry. Again, we are in an interesting time, we are dealing with Covid. The construction industry fluctuates from year to year, Vice Mayor Lago knows, and so, we wanted to make sure that there is some money in the bank for a rainy day. And so, we've accomplished that with these fees that we are recommending. As I mentioned, we've worked very closely with the Manager and staff for the last four or five months in developing these recommended fees. We took an approach where we wanted to analyze a good historical period of activity, so we looked at the last three full fiscal years of construction activity for a permitting perspective and from a revenue and expenditure perspective. So, we looked at Fiscal Year 17, 18, and 19. The approach was again, to develop a concise, very simple to understand fee structure that would ensure cost recovery. We wanted to project FY21 revenue, this is going forward on the proposed fee and

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anticipated permit activity. And again, we'll show you some detail in a little bit. And finally, to conduct a comparative analysis of current building permit fees in the City of Coral Gables for certain types of permits, compared to our proposed fees, and then compared to several other municipalities within the county that we think have parallels to the construction activity type in the city. So just to give you a little bit of the historical perspective. You see in the blue is residential activity, in the red is commercial activity, and pretty consistent throughout the last three fiscal years, your residential activity accounts for approximately two-thirds of your permit activity. This is not necessarily revenue or value of construction, its just on number of permits. So, over the three-year total, again, approximately 63 percent of your permits have been issued for residential work. Obviously, please let me know if you have any questions, as I go along. Again, this is looking at it, and segregating your permit activity based on value of construction in different segments or different buckets. So, if you look at the first one, I'll tell you that 87 percent over the three-year period of your permits occurred for work that was within \$50,000 value of construction. If you take it up to \$250,000, that's 96 percent of the permits in the city over three years. That basically tells you that most of the work that's occurring in the city is remodeling, maybe small additions, alterations, interior buildouts on the commercial side. All the way to the right, you'll see a large majority of your revenue, 56 percent over the three-year period have come from large commercial projects. These include the UM Student Housing Complex, The Plaza, Gables Station, these bigger projects that you are all very familiar with. So, these are projects worth more than \$10 million in value of construction, and the total value of construction over the three years of all of the permits issued in the city are really related to those eleven permits, over that period of time. And there you see. Here we just break it up a little bit into residential and commercial activity. Again, you see all the way to the left, work from zero to \$50,000 in value of construction, approximately 89 percent of the residential permits have been within that \$50,000 of construction. So, as you all know, a lot of remodeling, a lot of alterations. And then, on the commercial side, again, the blue bar is the number of permits, 83 percent of the permits had been on the commercial side within \$50,000 value of construction. Again, from a value of construction, the more expensive projects, those eleven projects make up a majority of your value of construction.

Vice Mayor Lago: May I ask a quick question, maybe your opinion. You know, as we all drive through the neighborhoods, we noticed that there is construction everywhere in the residential community. Obviously, you've seen the uptick in the prices, the median price for Coral Gables homes reach for the first time that I'm aware of, over \$700,000, that was discussed at the last Budget Hearing. Is it your opinion that as the prices have gotten so much more expensive and people have been living in their homes instead of moving and finding new homes, they are just saying, let me remodel my home, let me fix my home. I see, at least in my neighborhood around the University of Miami, I see construction happening probably two or three containers every single block. People remodeling, they are fixing up homes, do you think that 2020 is going to be a year, even with Covid that the construction numbers on the remodeling of \$50,000 and under have just exponentially grown.

Mr. Duyos: I do think so. I think one of the things we are seeing with the impact of Covid, obviously is the tele-working; people working from home, they are investing in their homes a little bit more. Who knows if that's going to be the "new normal" going forward? I think that's hard to

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predict, but everything that I read is that from a residential perspective, the market is hot and folks are fixing up their homes, they are converting that guest bedroom they had, that's never been used into an office, because now they need to work from home. So yes, Vice Mayor, I think that that's going to be a trend. One of the things we are going to talk about is going forward and projecting what's going to happen, and we didn't have a full year of Fiscal Year 20, but we did do a projection that looks like there has been an increase in activity, but as I'll mention in a couple minutes, we took Fiscal Year 19 as the basis because of the three years that we analyzed 17, 18, and 19; 19 was the lowest with respect to permit activity and value of construction, so we wanted to take a more conservative approach from a projection standpoint, but I do agree with you that I think we are going to see that for a while.

Vice Mayor Lago: Thank you.

City Manager Iglesias: One thing I may say though. We are a mature city, so we don't have new sub-divisions, we don't have these kinds of things. So, you are going to have, I think, a lot of these smaller projects which are quite time consuming, compared to some of the larger projects. So, unless you demolish and build new, you are going to have a lot of this kind of work; and so, that's why I think it appears and probably will maintain itself of something of what we are looking at now. And smaller work is also more time consuming than larger projects. So, I did want to mention that. This is a category where its quite time consuming from a building permit point of view.

Mayor Valdes-Fauli: Thank you,

Mr. Duyos: Thank you Mr. Manager. I did have a note here in my notes to mention that exactly that what this tells you is that a majority of staff time is really spent on the smaller projects, and one of the things that I'll mention is, as we look forward in projecting your revenue and looking at a fee structure, these smaller projects account for about 26 percent of your value of construction. We are recommending a fee based on value of construction, so obviously, value of construction is directly proportional or will be to your revenue. So one of the things that we sought to do here is to really do a kind of a redistribution to make this a little bit more equitable for the smaller projects so that that staff time that is spent considerably on your smaller projects brings in a little bit more revenue. And I'll show some numbers that highlight that.

Mayor Valdes-Fauli: Thank you.

Mr. Duyos: This next slide, again, focuses on Fiscal Year 19 permit activity. As I mentioned, this is the lowest of the three full years that we looked at, so we wanted to take a more conservative approach. One of the things that I'll say this is, doing these types of studies is part science part art and part luck, because we don't have the crystal ball to really know what's going to happen with respect to construction activity. So, that's why we like to look at three years, build a historical base. So, one of the things that we wanted to point out here again, we focused a lot on these ranges and we show here that 97 percent of your residential permits and 94 percent of your commercial permits for Fiscal Year 19 were less than or equal to \$250,000 in value of construction. You had two large projects worth over \$10 million value of construction. Again, that brings in significant

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amount of permit revenue, but the majority of the work that's occurring is within the smaller projects. This is presenting the same information but giving it more of a graphical look. You see, I call this kind of the sweet spot on the residential side is zero to 250; 97 percent of your permit activity, as I mentioned before, and 51 percent of your value of construction. Again, there are projects, 46 permits that were issued in FY19, that fell into the \$250,000 to \$1 million-dollar range, Vice Mayor, these are these larger remodels, either might be some new homes in there, I don't know of a brand new home can be built for a million dollars in the Gables these days, but there is probably some at the higher end of this range that fit that, but again, this goes to the point that there is quite a bit of that remodeling occurring.

Vice Mayor Lago: You know what I'd like to see, and I had a conversation with the ACM and the City Manager last week, talking about impact fees, and the threshold of a thousand square feet on an addition. I would love to see that number of one penny to \$250,000 – zero to \$10,000 is not going to be an addition, but that threshold up to \$250,000, I would love to see what is the breakdown of interior remodels versus additions, and there is a reason why. And the reason why is, because we received an e-mail from a resident that was concerned about the fact that his addition was 1,050 square feet, I think it was, and he had to pay impact fees. While additions under 1,999 do not have to pay those impact fees. Now, I think that that's kind of arbitrary, in my opinion, I know it has to be some sort of cutoff or a threshold where people jump off, but there should be, like I was telling Peter and Ed to consider, 25, 50, 75, 100 percent in regards to the impact fees, because you are going to get everybody just doing 999 square feet additions and it limits you, because now you have to pay impact fees; and the numbers were a few thousand dollars, they are still significant. Can we look into that and just see if that's something, I mentioned it to the Manager and to the ACM to – I think we are leaving a lot of money on the table and people are kind of starting to figure out that if you keep it under one thousand square feet, 999 square feet, you don't have to pay impact fees.

Mr. Duyos: Its certainly something we can look at kind of the same type of analysis. Again, we didn't look at impact fees, we just looked at...

Vice Mayor Lago: No, I know, I'm just saying, but I'd like to see on that number, because I never knew – when you are talking about something about up to 250,000 square feet, a very good chance that a lot of those are probably some sort of additions or full remodels of the interiors. I just want for my own edification; I'd like to see.

Mr. Duyos: We do have those numbers we can provide.

Vice Mayor Lago: I've asked the Manager to take a look at that, because that could be a potential opportunity for the city.

Mayor Valdes-Fauli: Go ahead.

Vice Mayor Lago: Thank you.

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Mr. Duyos: You're welcome. Again, the previous slide was residential construction activity, this one is commercial. Again, the story is the same, higher number of permits on the low end, much higher value of construction on the high end. So, then we sought out to develop, as I mentioned before, a fee that accomplish several objectives, first and foremost cost recovery, and then very importantly, a very transparent easy to calculate fee. The first thing we looked at was your minimum fee. You currently charge \$114.19 for both residential and commercial, that typically doesn't cover the cost of what the work that goes into a small project, plan review, or inspection. So, we looked at what we call your fully burdened hourly cost, which is about \$100 an hour, so we put the minimum fee at \$204 residential and \$350 for commercial. I'm going to walk you through a table with some numbers on the next slide that shows you how we applied these fees, but the recommended fees are tiered, 2 percent for residential on the first \$250,000 of construction of value of construction. And again, most of your permits on the residential side are going to fall into this tier; and then two and-a-quarter percent applied to any amount exceeding \$250,000. On the commercial side minimum fee of \$350 and 2.5 percent for the first \$250,000 of construction, and then 2.75 percent for anything exceeding the \$250,000 of construction. One of the things that I want to say is, and you have it in your resolution here, that you are going from pages and pages of different fees to really on the permitting side really just these numbers. Obviously, there is fees for reinspections, revisions, and things like that, but this will eliminate the need to count, let's say, plumbing fixtures, electrical outlets, kitchen fixtures, appliances, things like that, which really, really is an antiquated way of looking at this. All of the municipalities that we are working with we're getting them away from this, some might be based on square footage, some on value of construction, but no more counting outlets, that really takes staff just so much time when they can be focused on really doing a quality plan review, and really what that results in is a quicker turnaround to your customers, because they are not negotiating fees, they are not negotiating number of outlets and things like that. This is a very busy chart, but this is basically the crux of what we are recommending. The proposed fee structure is basically based on three thresholds. One, does it fall below \$10,000 for residential and \$14,000 for commercial? If it does, then we are going to charge the minimum fee for the respective minimum fee for each. Anything in excess of these minimum thresholds will be, then the percentage will be applied up to \$250,000. So, on the residential side, 2 percent, on the commercial side, 2 and-a-half percent. If it exceeds this threshold one, which is 250, then on the residential side, on the aggregate it will be anything in excess of 250 will be charged at 2 and-a-quarter percent, and on the commercial side, 2 and three-quarters percent. Again, very easy to calculate when the city, if this is implemented when the city puts it into the system. Its going to be a very easy and quick calculation. On the revenue projection, we wanted to show you, again, we projected based, if we said, if the same level of activity, again going conservative, occurs in FY21, that occurred in FY19, we would anticipate almost \$471,000 in revenue from minimum fees. And then, we broke out that revenue Tier 1, Tier 2, and Tier 3, we have all of your permit history. We segregated it into these ranges. So, we were able to calculate a projection for revenue of \$5.1 million. We have this other row, which is the plan revisions, reinspection fees, other revenue sources that are not necessarily tied to issuing the permit. Obviously, a plan revision is tied to a permit, but you don't issue a plan revision permit. So, there is another revenue stream, which should account for about \$657,000. All of that projected revenue brings us to approximately \$5.8 million. When we look at the expenditure side, and this expenditure is based on your approved FY20 Budget. We looked at your division expenditures of

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\$4.375 million, added the indirect cost allocation, which again is a line item that the city puts on each department. So that brought us a total expenditure of \$5.5 million that's what's currently in the FY20 Building Budget. So, to mention one of the things that we wanted, one of the objectives was to create a reserve for a rainy day. In working with the Manager, we felt that a 5 percent reserve would be adequate and that is because, if you look at Tier 3 under commercial, you see that we didn't project any large commercial projects. We know that typically large commercial projects will come in, but they are much harder to predict than the historical trend that we analyzed. So, any permits that come in, large permits that come in under the large commercial category of over \$10 million, will contribute to the surplus. We did not include the Building 427 expenditures allocated to the Building Division, that's about \$1.3 million, I believe, and so, obviously any excess revenue that comes in reserve can be allocated to Building 427. Any questions? Yes.

Commissioner Keon: You only looked at building fees, you don't look at the zoning fees or any of the other fees, is that right?

Mr. Duyos: Well, that's correct. We are just tasked with analyzing the building permit fees.

Commissioner Keon: Thank you.

Mr. Duyos: You're welcome. So, the other thing we wanted to do is, do a comparative analysis of what other municipalities charge for similar permits. We always do this. Its good to know what your neighboring or similar municipalities are charging. Some of your customers are their customers, so I'm sure you hear that maybe in Pinecrest, as an example, the City of Miami, your fees are higher or lower, so we always want to take a look at that. From our perspective, we kind of take that with a grain of salt. Its good to do the comparisons, but I don't know some of these municipalities if their fees are too low, too high, the level of service that they expect. So again, its good to compare, but what's important to us is what the city should be charging for the services its providing. And these municipalities that we chose again, working with the Manager and Suramy and staff, we wanted municipalities that have some level of parallel to the activity in the city. So Pinecrest and Palmetto Bay are heavy, heavy on the residential side, a lot of remodeling, alterations and additions. Miami Beach, Key Biscayne – Miami Beach more on the commercial and also Miami Beach and Key Biscayne on the condo side. So, we felt there was not one of these municipalities that I would say is exactly like the City of Coral Gables, but there are parallels with all of them. So, we thought it was a fair comparison. So, we wanted to draw some comparisons, as I said. What we did was take a look at the current City of Coral Gables fee for certain permits. We have eight examples and compare it to what we're recommending and then compared to the average of all these other municipalities. So, the first one is a single-family residence, this is a large residence, and again, we took the fee schedule for all the municipalities. This was actually a permit that was issued in Pinecrest, but its conceivable that a 12,000 square foot home, obviously could be built in the Gables. So, your current fee for this permit would be just shy of \$25,000. This is a 12,000 square foot mansion, as the Manager and your Building Director will tell you is, has some complications that come with it. These other municipalities on average would charge \$37,000 for this. Our recommended fee based on the tiered structure that we recommend is almost

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identical to what the others would be charging on average. We didn't back into the \$37,715, its just a coincidence that it came out almost identical.

Vice Mayor Lago: Can I ask you a quick question on that?

Mr. Duyos: Yes.

Vice Mayor Lago: So, \$1.7 million and total square footage is 12,000, correct?

Mr. Duyos: Yes.

Vice Mayor Lago: I broke the numbers down really quickly. You are talking about \$145 a foot, and I know Ed and Peter knows where I'm going with this. It's impossible.

Mr. Duyos: Right.

Vice Mayor Lago: To build for \$145 a foot with the cost of construction and the cost of labor. So again, not saying that those numbers are wrong, this is just another testament to the City Manager and to our City Attorney who need to start using AIA contracts.

Mr. Duyos: Right.

Vice Mayor Lago: We need to make sure that people are submitting the AIA contracts to ensure compliance, because its impossible to build at the finish level, and I'm not talking about you can't build at \$140 a foot, it's just impossible.

Mr. Duyos: Right.

Vice Mayor Lago: A brand new construction, I don't know if that was, excuse me, it says new construction, it just doesn't work.

Mr. Duyos: And again, just a point – when we saw this number, we said the same thing, I mean \$145, because you know they are putting very high-end finishes.

Vice Mayor Lago: I'm assuming, I don't like to assume, but when you are talking about a 12,500 square foot home, you know they are going to have the best.

Mr. Duyos: This is actually a true permit, again from the Village of Pinecrest, this is a professional baseball player's home that he is building or has built. We did question \$145 a square foot, but that's what it was feed at, so two points to your point, Vice Mayor Lago is, number one, that is a valid point because if you have a fee based on value of construction, the accuracy that is being reported on the permit application is going to be paramount to collecting the appropriate revenues. So, we have had discussions about what form of proof, especially as you get into the bigger contracts, the bigger projects, the bigger values of construction that either an AIA contractor or

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some other contract between owner and developer. Obviously, that's a policy decision, we leave that up to the Manager. We recommend and agree with that idea.

Vice Mayor Lago: We've had that discussion here and we requested, we asked the Manager to ensure that we headed in that direction, because again, we're leaving a lot of money on the table and when he was in the City of Miami, I was asked on many occasions when I had to deal with an issue of permit, I need to see your AIA contract, because again, that's...

City Manager Iglesias: Vice Mayor, we use this value and we realize right away when you look at that exactly what you said, but we use this value as a comparison.

Vice Mayor Lago: Yes, yes, of course.

City Manager Iglesias: However, a value like this would top out on Intergov because it would be below the minimum square footage that we are going to be using. So, in this case, you have to bring in an AIA contract to show what you're doing which will probably show that that's not the case, or that you are leaving out a lot of construction.

Vice Mayor Lago: But what I think is also important is that you want to avoid redundancy. What we are trying to do is, the third floor which does an incredible job, Suramy's team, their job should be about service, that's what their job is about, and I've talked to Ed about this, its service. Like you said, expediting permits, ensuring that the mobile permitting is going. You have over 300 people that are using mobile permitting every year. Its been a huge success. Getting people in and out as quickly as possible, counting fixtures, I mean to me is so antiquated. I can't believe that we still do this. When you add the AIA contract to let's say, make a threshold, anything over \$50,000, anything over \$100,000, you literally take the guessing game out of it, because as we have three attorneys here, exceptional attorneys who know about the law, they can tell you the moment you give an AIA contract, you better be putting the exact correct figures because that's going to be memorialized here in the city, and it's a document, its an instrument that can get you into a lot of trouble if you submit something that's false. So, it's a different thing putting a price tag on a permit and saying listen, \$50,000 versus submitting an AIA contract that's signed by the owners, signed potentially by a lawyer, a litany of people who are attesting that that is correct.

City Manager Iglesias: What we will be looking at, would be an executed contract.

Vice Mayor Lago: Yes – and executed contract.

City Manager Iglesias: And so something like this would automatically pop out on the computer system, on Intergov, not on the current one we have, which is not geared for this, but it would pop out because the cost would not be what the computer relates it to.

Vice Mayor Lago: You don't even need to waste that time. I think if you just, like you said, pick a threshold, anything over \$250,000, anything over \$150,000, as you submit your permit, as you get to submit your insurance every year, they call to get the contractors and architects and engineers

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insurance and copies of their licenses and all continuing education, you've got to submit your AIA contract in the back of your permit, it's very simple.

City Manager Iglesias: And we can have a contract, as you remember that in Miami, we had any contract above \$1 million required an AIA contract to be submitted. So, we will do something similar here, so that...

Vice Mayor Lago: With a lower threshold.

City Manager Iglesias: With a lower threshold so that it needs to be an executed contract. So, we will be implementing something like that here, so that we don't have something like this, but this was just used as a comparison and so we just wanted to add, compare apples to apples.

Vice Mayor Lago: I don't want to say, but I'll say it, I think we are leaving a lot of money on the table.

Mr. Duyos: Just one other point on that. I think this is why we also support the AIA contract at whatever level is deemed appropriate is that, we shouldn't assume, right, that a 12,000 square foot mansion is going to have the highest end finishes. We can assume that, the AIA contract neutralizes that, because maybe this gentleman wanted a big house on a big parcel of property and said, I will sacrifice finishes for what I'm getting for my money here. Again, I think \$145 for this level of construction is low, but I don't know that its wrong, and what the AIA contract will do is, it will neutralize that, if that's what you accept as.

City Manager Iglesias: It will also tell us what's left out of the contract also, because an AIA contract will show things are left out.

Vice Mayor Lago: You could have a construction project that has three or four phases, you know, we are going to do the driveway separately, we are going to do the main structure separately, a lot of people use a different pool company to come in and do the pool, they leave that for last. I understand that. So, if you find somebody that can build a 12,400 square foot house for \$145, I wish you luck.

Commissioner Keon: Can you explain something to me please. When you talk about, I don't know, about the contracts that are required in building, is the AIA contract that you're talking about, does that delineate all the finishes?

Mr. Duyos: It does not.

City Manager Iglesias: What it would do Commissioner, it would delineate what's not the responsibility of the contractor for that contract. So that if that contract, let's say takes out kitchens or let's say on a high-rise building, it may be a decorator building, so it would take out all the internal finishes, and you would catch that in an AIA contract. Then of course, they would come back for the interior alterations that would be a separate building permit. So, we can look at all

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those issues in an AIA contract, because it delineates the scope of work and it's an executed contract.

Commissioner Keon: So, then you would go back and look for the additional finishes?

City Manager Iglesias: So, if that is not in the scope of work, we would make sure that the permit includes the entire scope of work before the permit is issued.

Vice Mayor Lago: Mr. Manager, as you know, very well because we did it in the City of Miami, when you have an AIA contract there are different sections to the contract and the lawyers here can tell you. One of the sections that's very clearly defined is what's called the schedule of values. When you have a schedule of values, its very simple, everything is broken down, not only by price, but by scope and intent. So, it's clear, it's clear as day. There is no discussion. It says shall number, your finishes, it actually has an item for finishes. It has an item for plumbing, electrical, so you know exactly what's happening, plus most of the time on an AIA contract, all the times that I've seen it, it has a breakdown very clearly of all the design documents that are corresponding to the scope. So, A-1, A-2, the date on it, who's the architect, who's the engineer. It's a very comprehensive document that really gives you the guidance necessary to come to a conclusion.

City Manager Iglesias: Since it delineates the scope of work that's the responsibility of the contractor. It got to be well delineated and then if we see something is missing, then of course it would be required to be put as additional expenses to that permit. The classic case would be a building which is a decorator building and all the interiors, you just have minimum interiors and then all the interior permits would come in separately, so that would look like a lower contract. However, when you sum up all the interiors to different units and then you would come up to what you would think would be a normal contract.

Commissioner Keon: So, it cost us more to inspect a high-end kitchen than it does a low-end kitchen?

City Manager Iglesias: The Building Official has the ability to look at outliers, if there is something that's way off, and can certainly look at anything like that or...

Commissioner Keon: Or the quality of marble I may use in a bathroom as opposed to tile, that requires more work on the part of your inspector?

City Manager Iglesias: I think that if you have something that is very unusual and its an outlier, then certainly the Building Official has the ability to look at those specific items and deal with them on a case-by-case basis. I can assure you that if a contractor feels that they have something that is way out of line, they will bring it up, because they would certainly try to minimize their fee in a way that would be rationale and can be explained.

Mr. Duyos: One of the things that I wanted to mention was that this tiered structure that we've created, the 2 percent would be inclusive of your administrative cost, plan review and inspections,
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for building and all the trades. So, it's a comprehensive fee for all of the work that you are doing. Obviously, if there are subsidiary permits, if you want to build a pool, add a fence, those things would be additional, but this is a very comprehensive fee; and again, the intent is let's make it as simple as possible without having to count fixtures and things like that.

Commissioner Keon: What I'm trying to understand is, but what you are saying is that that fee would be the fee for the building permit.

Mr. Duyos: That fee would be the fee for the master permit, which includes building and the trades, electrical, mechanical and plumbing.

Commissioner Keon: Right – but then we have a whole other set of fees for the zoning part of it.

Mr. Duyos: Right.

Commissioner Keon: So, it's in addition to.

Mr. Duyos: That's correct.

Commissioner Keon: I would think that most residents, maybe the contractors might know, but I think most residents when you say that we've simplified their fees and there is one fee, they think that's the fee. They don't realize that then there is a whole set of zoning fees and inspections fees, whatever, that go along with those building fees. So, it's not just, you know, I don't think people know that. So, I think it's really important that we be very clear that fees related to building are not just building fees, there's also zoning fees and there are a variety of fees that go along with this. When you look at that you say, Oh, that's not bad at all, but then when you start adding in all the other ones, it isn't quite what it seems.

City Manager Iglesias: This fee Commissioner, is for the Building Department, which by state law is an enterprise fund.

Commissioner Keon: Right. Doesn't zoning...

City Manager Iglesias: No, because zoning cannot be part of the enterprise fund. For instance, if you have a company has a plan change, if you have a zoning change, you have a plat, those fees are normally understood that those are separate fees, as part of the project. This is a building permit fee, and it deals with the Building Department, which is the only part of Development Services which is an enterprise fund; Code Enforcement, Zoning and Planning are not part of the enterprise fund in accordance with state statute. So, we are dealing here with just the Building Department which this fee is for, and this fee pays for the Building Department, it does not come out of the General Fund.

Commissioner Keon: And so, for Zoning and Planning then you anticipate that the fees and the support for that department come out of the General Fund, in addition to their fees.

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City Manager Iglesias: In addition to their fees.

Commissioner Keon: Or do you try and also place those fees to cover the cost of that department?

City Manager Iglesias: So the idea of those fees have been to try to cover some of the cost as far as Planning and Zoning, remember that Code Enforcement, basically is not something that has a fee structure, other than violations, but this is strictly the Building Department which is the enterprise fund, the enterprise portion of Development Services. And there are many other public hearings and all kinds of issues that are dealt with from a Planning and Zoning perspective that are not covered by this, and by state law, the state law deals with just the Building Department portion.

Commissioner Keon: Okay. I understand that, but...

Building Director Cabrera:...So the Building permit fees only Florida Building Code.

Commissioner Keon: Okay. I can ask at the Budget Hearing.

City Manager Iglesias: I'm sorry.

Commissioner Keon: No. No. I understand what you are saying, and I know that it is related because of the Florida law that is an enterprise fund and it should be funded through its fees.

City Manager Iglesias: I think we can charge a fee to cover cost and you also can charge a little bit of an excess fee to cover a reasonable rainy day fund for the Building Department, so that in case of a downturn or something, you don't have to go to the General Fund. So, you are allowed a reasonable rainy-day fund and also a recovering of those costs for the Building Department.

Building Director Cabrera: Right. And all the departments service the Building Department, so the Building Department actually pays into the General Fund in a percentage of use of the City Attorney's office, the IT, HR, all that.

Commissioner Keon: Right, right, right – you pay rent for your space and all those things.

City Manager Iglesias: That is the indirect cost allocation that Mr. Duyos put in and that deals with all the peripheral work that helps the Building Department do their job. So, it's not just the actual Building Department, it deals with all peripheral things.

Commissioner Keon: The issue is, I see the rationale behind why the Building fees being what the Building fees are. I guess, we don't have to talk about that now, why the zoning fees are what they are and what some of the other fees are what they are.

Building Director Cabrera: The fees are basically in order for us to basically administer and carry out our functions in the Florida Building Code and enforcing the Florida Building Code, that's why the Building permit fees are supposed to cover.

Commissioner Keon: Okay. We can talk about the other fees at another time.

City Manager Iglesias: Those indirect costs, Commissioner, plus the indirect cost of doing that, because there is space, there are cars, all those indirect costs, City Attorney's office, and so forth, and all that is the indirect cost allocation that Mr. Duyos has put into the overall cost of the Inspection Division.

Mayor Valdes-Fauli: Thank you.

Mr. Duyos: To your point, Commissioner, just to finish this topic is, part of this is how this is messaged, right, so what we are presenting is a comprehensive Building Permit Fee. Its not the fee, is not your whole development fee, that's the messaging.

Commissioner Keon: That's why I think its important that it be an asterisk that denotes that, these are not all the fees charged for you. In addition to this, there will be Planning and Zoning and other fees.

Building Director Cabrera: Our table has all the other fees which we are not touching, that stays as it always has been. So, the BOA and DRC and all that, that all remains as it always has been.

Commissioner Keon: Right. I understand what you are saying. Yes.

Mayor Valdes-Fauli: Mr. Duyos.

Mr. Duyos: Yes, thank you. So, just a couple more examples that I wanted to point out, because I've shown a few times here where the majority of your construction falls in value of construction in the city, a high percentage in the 90's is in these types of projects, on the bottom here, the residential additional and the residential alterations, and you can see with the recommended tiered permit fee structure, those permits will actually go down in price from a fee perspective. So the point here is for those residents that are doing this type of work, compared to what you are currently charging, you are going to charge them less under this scenario, but we are still going to achieve cost recovery, because again, we are redistributing throughout all of your types of permits. And then the final one, again, we just put some examples here. The bathroom remodel would go up a little bit and that is because we still have to have minimum fees, so this one, the assumption here on the residential alteration for the bathroom remodel is that, it will take a building permit, a plumbing permit, and an electrical permit to remodel this bathroom. The level of effort that goes into these permits is certainly greater comprehensively or totally than the \$457 you are currently charging. So in this case, even those this passes that minimum threshold that I mentioned previously, we still have to hit the minimum fee, because think about this bathroom, you are probably going to have 8 to 10 inspections a couple of hours of plan review, so you want to recoup

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that cost. Swimming pool is another one that we compare right now. You have separate fees for building, for plumbing, and for electrical, mechanical if you have a heater, although I think the plumbing trade will do that, but right now you are charging separate permits. We came up with a flat fee, again based on percentage value of construction of \$848, that's right on par, a little bit higher than the average of other municipalities, like Miami Beach and Key Biscayne.

Commissioner Keon: What would the average swimming pool cost now to install, is \$42,000?

Mr. Duyos: This again was an example of an actual swimming pool, but I think you could go a lot higher than \$40,000 and \$50-\$60,000.

Vice Mayor Lago: Because the issue you are thinking is just the pool, its not the pool, its all the plumbing and the associated decking and the decking is very, very expensive, depending on the materials that you use, the structure and sometimes they consider the pool cabana right next to the pool, they throw that in. They throw in the outdoor kitchen, sometimes into the pool permit.

Mr. Duyos: So those would be tangential separate permits, so this is just the pool and the components of the pool.

Vice Mayor Lago: They are not the same, but on certain times you'll see.

Mr. Duyos: Sure – yes.

Vice Mayor Lago: Like what I did. I handled my house, the renovation free-standing and then I ran out of money, so I had to do the pool a year later, so that was separate item.

Mr. Duyos: Right.

City Manager Iglesias: If I can say something important, there were some permits that were removed, such as interior tile and things on a residential that were removed that are not building code issues.

Vice Mayor Lago: We removed interior paint, removed tiling.

City Manager Iglesias: Paint is no longer – it's a zoning permit, but it's a no cost permit.

Vice Mayor Lago: Baseboards, crown molding and we even talked about front doors and tried to find some sort of number for that, because they weren't correlating the cost of the permit was more expensive than the actual work. It just didn't make much sense.

Mr. Duyos: Right. Right. I think this eliminates that. And then the final one I wanted to just talk about is something that obviously occurs in the city a lot, which is reroofs, roofing, as most of you know takes considerable work on the part of the city reviewing shop drawings, product approvals, multiple inspections. I don't think a roof passes inspection completely on the first time, so we

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thought this cost was a little low. We did a logic check on this and felt that a 2 percent value of construction on a \$50,000, \$1,000 is a fair fee that ensures recovery and is actually less than the average of the other municipalities we analyzed.

City Manager Iglesias: We also say that we work, for instance, that's a great example because we work with the roofing companies. If its raining we do partial inspections, let them dry and come back again and again, so these are some of the services that we do, some of the cities do not do.

Vice Mayor Lago: Probably having at a minimum four to five inspections on roofs.

City Manager Iglesias: Sometimes more if we do partials, because with training we will go to partials and we will help them out, because certainly during the rainy season, you can't leave that roof open. So that's one area, for instance that we provide a lot more than I think most municipalities, we want to make sure if your roofing goes during a hurricane, you've completely flooded your house.

Mayor Valdes-Fauli: You want to conclude Mr. Duyos?

Mr. Duyos: Just leave it up to questions. That's it for our presentation, any questions?

Mayor Valdes-Fauli: Any more questions?

Commissioner Keon: Thank you for your...

Mr. Duyos: Thank you for your time.

Mayor Valdes-Fauli: Thank you very, very much. Very helpful and very informative.

Vice Mayor Lago: Its been a pleasure. This is something that we've talked about for a long time, case in point when we talk about the interior fees and the structure, so thank you.

Mayor Valdes-Fauli: Do I hear a motion?

City Manager Iglesias: Mr. Mayor, Commissioners, we would like to just two things we would like to implement this instead of October 1st, November 1st and one more issue, we would like to have a tiered fee on the Board of Architects, so that preliminary fees; preliminary board pays 50 percent and then the other 50 percent on final.

Vice Mayor Lago: Do we need a motion today or no?

Commissioner Keon: I'll move it.

Vice Mayor Lago: Do we need a motion?

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City Attorney Ramos: Yes.

Vice Mayor Lago: So moved.

Commissioner Keon: I'll move it.

Vice Mayor Lago: Second.

Mayor Valdes-Fauli: Okay. Will you call the roll please?

Commissioner Mena: Yes

Commissioner Fors: Yes

Commissioner Keon: Yes

Vice Mayor Lago: Yes

Mayor Valdes-Fauli: Yes

(Vote: 5-0)