CITY OF FRANKLIN
DEVELOPMENT SERVICES ADVISORY COMMISSION

A meeting of the Development Services Advisory Commission was held at City Hall, on Tuesday, October 1st, 2024, 8:00 am – 9:00 am.

Committee Members	
Matt Bryant, Chair	P
Robert Winston, Vice Chair	P
Kate McDonald	P
Nathan Zipper	A
Ben Crenshaw	P
Scotty Bernick	A
Mary McGowan	P
Paige Parham	A
Dana Kose	P
Michael Walters Young	P
Matt Brown	A

Employees Present
Vernon Gerth, Assistant City Administrator
Emily Wright, Director of Planning &Sustainability
Amy Diaz-Barriga, Asst. Director of Planning & Sustainability
Melodie Brady, Surety Coordinator
Katherine Harelson, Dev. Services Ops. Analyst
Dillon Gaster, Management Fellow

The purpose of the regular meeting will be to discuss matters regarding Development Services and will include the following items:

Matt Bryant, Chair began the meeting at 8:00 am.

1. **Approval of Minutes/Review of Meeting Notes from September 3, 2024, meeting.**
   - Meeting minutes were approved by acclamation.

2. **Discussion Regarding Insurance Bonds for Sureties.**
   - Vernon Gerth began the meeting by asking the Commission for guidance on whether to implement an insurance bond option for required improvements on private development.
   - Melodie Brady started the presentation where the discussion left off in last month's meeting. The first topic was looking at what Metro Nashville does regarding sureties.
     - Metro Nashville allows both letters of credit and surety bonds. They don't have a preference because the process works the same from their sides.
     - Metro also said that developers utilize both options equally. Surety bonds are more common on larger and more expensive projects.
   - Robert Winston asked if the problem with letters of credit is when it's time to renew with the bank.

  - Melodie responded saying that we don't really run into that issue very often.
  - Amy Diaz-Barriga added that staff tries to make sure that the letter of credit is auto-renewing. The bank, however, can choose to not renew the letter of credit, and they only have to give the City 60 days to figure out next steps.
    - 60 days is not a lot of time for staff to figure out a solution.
  - The downside with bonds is that the City is out of the loop when the applicant doesn't complete the work. The insurance company investigates and completes the project.
- Dana Kose asked how often staff has to scramble to handle letters of credit that a bank won't renew.
  - Emily Wright responded saying that staff only runs into this a couple of times a year. Most of the time staff has been able to come up with a solution in time.
  - She also added that this discussion really isn't about getting rid of letters of credit as an option. This conversation is more about whether the City should add insurance bonds as an additional option.
- Vernon reminded the group that the City currently has $80 million in outstanding letters of credit. Some projects are ongoing, but others have been competed for years. Inflation over the last few years has made some of the improvements more expensive than what the letter of credit will cover.
  - He offered that the City could open insurance bonds as an option for developers that don't have older outstanding letters of credit.
- Matt Bryant asked if the City has any authority to adjust the letter of credit over the years to keep up with inflation.
  - Amy Diaz-Barriga said that's a good idea, but staff does not know how to implement that idea without issuing a lot of stop work orders.
  - Matt offered that the City could adjust the amount at the renewal date.
  - Emily said that the City would have to issue a new letter of credit for each change. It would add a lot more administrative work on staff and on the developer.
- Staff has also added measures to reduce long-lasting sureties in the future. The new Certificate of Completion process will encourage developers to get off sureties faster, and staff is collecting more up front now.
- Ben Crenshaw pointed out that this seems like two different issues. The outstanding sureties would likely still be a problem even with adding insurance bonds.
- Mary McGowan said that the big deal with Metro Nashville is the high bond amount. Larger amounts might be better suited for insurance bonds over a letter of credit.
  - Vernon agreed and said that the City could possibly set a standard for when insurance bonds are open as an option.
- Dana Kose asked whether it would be better to allow insurance bonds for larger projects. There is more work required for a large project and would be a higher risk for the City in the case of the work not getting completed.
  - Melodie said that Metro Nashville experiences longer work times for developments that utilize insurance bonds.
  - Robert said that insurance bonds seem to really benefit the large developments, and he asks what staff, and the City could benefit from using insurance bonds.
    - Melodie responded that the insurance company would pay for everything. The City would not have to hire a contractor to finish the work and pay the difference if the letter of credit doesn't cover the cost. The City loses a bit of control but won't have to invest more money to finish improvements.

- Matt Bryant said that he has heard that insurance bonds are more cumbersome for developers to get because they only have a certain amount of bonding capacity, and the insurance companies will investigate their financials in order to assess risk.
- Melodie will come back before the Commission with some more information from peer cities.

3. Continued Discussion of Road Impact Fees.

- Vernon lets the Commission know that staff will be meeting with a larger design professional/developer group on the implementation of the road impact fees. The development community has made a few requests.
  - The budget and performance team will be bringing forward a financial analysis of the different implementation options.
  - The development community brought up some process-orientated requests that will likely go before this Commission.
- The development community has asked that impact fees are paid at closing for single-family detached homes. The fee would be assessed prior to building permit and collected at closing.
  - Vernon added that he's never heard of this in his career. That option gets homeowners and real estate agents involved which can get messy.
  - Dana Kose said that the fee should be assessed at the time it is paid. When they can do the improvements, that's when they have to pay.
  - The concern with paying impact fees later is that it will take longer for the City to collect money that helps finance capital projects. Some of the developments take over a year to build.
    - Dana said that paying at any point in the process works for her as long as it's fair and predictable.
- The development community has also asked that the tenant pay for impact fees at build-out in a multi-tenant commercial space.
  - Ben Crenshaw asked if the City has an interest in who pays the fees.
  - Vernon said staff doesn't care who pays the fees as long as we can collect the fees in a timely manner, and it's predictable.
- BOMA has not provided guidance yet on impact fees. Staff will go back to them with phase-in and grandfathering options, and the possible financial impacts of each option.

- **Next meeting – Tuesday, November 5th, 2024**

4. Adjourn.