BUILDING AND NEIGHBORHOOD SERVICES

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CITY OF FRANKLIN
DEVELOPMENT SERVICES ADVISORY COMMISSION

A meeting of the Development Services Advisory Commission was held at City Hall, on Tuesday, September 3rd, 2024, 8:00 am – 9:00 am.

Committee Members		Employees Present
Matt Bryant, Chair	P	Vernon Gerth, Assistant City Administrator
Robert Winston, Vice Chair	P	Emily Wright, Director of Planning &Sustainability
Kate McDonald	P	Amy Diaz-Barriga, Asst. Director of Planning & Sustainability
Nathan Zipper	A	Melodie Brady, Surety Coordinator
Ben Crenshaw	P	Tom Marsh, Director of Building & Neighborhood Services
Scotty Bernick	P	Bill Squires, Assistant City Attorney
Mary McGowan	P	Katherine Harelson, Dev. Services Ops. Analyst
Paige Parham	P	Dillon Gaster, Management Fellow
Dana Kose	P	
Michael Walters Young	A	
Matt Brown	A	

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

Katherine Harelson began the meeting at 8:03 am.

1. **Approval of Minutes/Review of Meeting Notes from June 4, 2024, meeting.**
   - Meeting minutes were approved by acclamation.

2. **Introductions of New Commissioners.**
   - Katherine began by introducing three new commissioners that were approved by the Board of Mayor and Aldermen at the last meeting.
     - Kate McDonald is a civil engineer from CSDG, lived in Nashville for several years, and moved to Franklin several months ago.
     - Scotty Bernick is a landscape architect with Ragan Smith and serves on Franklin Tomorrow and Franklin Transit.
     - Ben Crenshaw does planning and design for Southern Land Company which serves a big role in the development of Westhaven. He has projects all over the country and wants to learn more about what's going on in Franklin.

3. Nominations of Chair and Vice Chair.

- Matt Bryant was nominated and voted unanimously as the Chair. Robert Winston was nominated and voted as Vice Chair.

4. Presentation and Discussion of Road Impact Fee Implementation Options.

- Vernon Gerth kicked off the discussion. Over the past year, the City has engaged with the development community and BOMA on updating the Road Impact Fees. There's been an ordinance drafted that provides and two-year and three-year phase-in option. There is a public hearing scheduled for the Sept. 10th meeting, and the hope is that staff will receive guidance on how to move forward.
    - The BOMA asked staff to meet more with the developer/design professionals to work through the impact fee update. BOMA has stated in the past that they want private development to pay it's fair share for infrastructure. The City has fallen behind on updating those fees and now there is concern regarding inflation and the increase costs of construction.
- Staff is trying to understand the value and time that will come with different road impact fee options.
    - Budget and Performance team will present some financial implications to the Board at the next meeting.
    - Once we get guidance, the Commission will look at the implementation process. We will likely come back to this at our next meeting.
        - This group will specifically look at the process for implementation.
- The current options presented to the Board are a two-year and three-year phase-in of the new fees. The Board has also added that in the future, staff will publish fees 5-years in advance that are based on inflation. That way, it will promote predictability for the development community.
- Scotty Bernick asked if the highway construction index inflation factor will be averaged out for the whole year or the last quarter.
    - Vernon said it would be based on the year, but we are also still waiting on direction from the BOMA. It is anticipated, however, that we will be posting fees 5-years in advance.
- Katherine shared that compared to the fees based on 2023 construction costs, only implementing 50% of that fee would create a $7million of unrealized revenue.
    - City averages $8.3 million in road impact fees every year.
    - This analysis is still preliminary, but we will have a broader analysis for the Board meeting.
- Vernon also added that these fees are based on uses and vehicular trips and pay for adding capacity to the City's roadway infrastructure. If fees are not increased, the revenue would have to be made up somewhere else.
- The NAIOP group drafted a proposal for the Board requesting that current road impact fees would be locked in for 5-15 years for projects already entitled. 5-years for single-phased projects and 15-years for multi-phased projects.
    - Vernon added that NAIOP wanted some consideration for projects that have already begun. There is also a consideration for when impact fees are paid. He also reminded everyone that this is a proposal that the Board has not provided guidance on yet.
    - The City assesses and collects impact fees at the time of building permit issuance. The development community has asked if there is a way to spread that cost throughout the life of a project.
    - Staff is discussing that larger projects could pay a percentage up front, and the balance is paid at final inspection.
    - NAIOP has also proposed that tenants for commercial space would pay for impact fees rather than the developer. This is in the very early stages of discussion.

- Dana Kose said that the development community asking to pay fees at a later time makes sense because it is closer to the time where the impact happens. However, the developer should pay a higher fee to keep up with inflation.
    - Vernon also added that the proposal requests that fees are locked in at an earlier part of the design process and paid at a later date.
    - Katherine responded that it is important that infrastructure is put in place prior to a building be granted occupancy. The roads, water, and sewer infrastructure need to be ready for the development's impact rather than catching up.
- Vernon said that staff has brought an idea to BOMA and is looking for their guidance. If the Board would like some form of "grandfathering" of projects, the current fees can be locked in, but with a 5% escalator each year on the current fees.
- Mary McGowan asked if there is an analysis being done for lost revenue if projects don't go forward because of the impact fees. Vernon responded is that it is difficult to measure.
    - Vernon did add that like other cities, Franklin can look at decreasing or suspending impact fees if development or the economy begins to slow.
- Ben Crenshaw asked about the Board's reaction to all of this information. It's been a lot of information put on them, and there might be confusion as to what they are being asked to do.
    - Vernon responded saying that the Board has various ideas or opinions. It is a complicated situation, but staff is hoping to provide options that will help them come to a consensus.
    - Emily Wright added that the Board is getting a lot of information in different directions that all play a part in the impact fee update. They are looking at the CIP, development improvements that need city investment, traffic impacts, and more.

5. Discussion Regarding Insurance Bonds for Sureties.

- Melodie Brady, Surety Coordinator, begins her presentation. Currently, site improvements are required either prior to a building permit or through a performance agreement and sureties. The sureties are collected at 125% of the cost of required improvements and are accepted as either a cashier's check or irrevocable letter of credit.
    - A surety bond is a third-party contract in which the insurance company guarantees the obligations of the developer to the City.
    - The insurance company will pay the contractor to finish the work even if the developer does not want to finish it. In a letter of credit, the City has to hire a contractor to finish the work.
- Bill Squires adds that surety bonds are an older way of handling performance agreements. Insurance companies will investigate all claims, and it could end up in court. Letters of credit are a lot simpler.
- Vernon adds that the City has over $70 million of outstanding letters of credit. The City has started calling some smaller letters of credit in the last year. The bigger concern is whether the letter of credit will actually cover the cost of improvements today.
- Mary McGowan said that in regards to insurance bonds, the insurance company will first investigate the developer or contractor and their financials before granting them the bond.
    - Matt Bryant agreed and added that letters of credit became more popular in the last decade because they were easier to obtain.
- Ben asked if the City is looking at adding this as an option. Melodie responded that an alderman has specifically asked to look into this option.
    - Ben also added that it is probably a good idea to keep letters of credit and surety bonds as options. Companies will only have a certain amount of bond capacity, and letters of credit will provide more flexibility.

- Amy Diaz-Barriga said that the City is also looking at ways to hold development accountable to finish the work by withholding occupancy until main improvements are completed.
- Due to time, the Development Services Advisory Commission will bring this back for the meeting next month.

  - **Next meeting – Tuesday, October 1st, 2024**

6. Adjourn.