



ENGINEERING SERVICES

To: Mayor and Town Council

From: Daniel Heischman, Assistant Director of Engineering Services - Development

Through: Mario Canizares, Town Manager
Chuck Ewings, Assistant Town Manager
Hulon T. Webb, Jr., Director of Engineering Services

Re: Construction Inspection Fee Update

Town Council Meeting – September 12, 2023

Strategic Visioning Priority: 4. Provide Excellent Municipal Services

Agenda Item:

Consider and act upon adopting an ordinance repealing existing Section I, "Construction Permits and Fees," and Section II, "Reserved," contained in Appendix A, "Fee Schedule," of the Town's Code of Ordinances and replacing them with a new Section I, "Engineering Inspection Fees," and a new Section II, "Building Permits/Inspection Fees".

Description of Agenda Item:

On September 1, 2023, HB 3492 became effective, which prohibits municipalities from considering the cost of constructing or improving the public infrastructure for a subdivision, lot, or related property development in determining the amount of a fee for inspection of said improvements. The law also prohibits requiring disclosure of valuations as a condition of acceptance. Municipalities must now have a fee structure based on "the municipality's actual cost to, as applicable, to review and process the engineering or construction plan or to inspect the public infrastructure." On November 8, 2022, the Town Council adopted engineering plan review fees based on costs to provide the service prior to any knowledge of this house bill; however, the construction inspection fee was not updated. Since it is currently a value-based (3% of construction costs of the public infrastructure) fee structure, it must be changed to comply with the new state law.

Since the surrounding municipalities construction inspection fee structures are also value-based, staff from many of the neighboring communities met to discuss different strategies. While the initial intent of the collaboration was to work towards a consistent calculation that all involved could utilize, it soon became apparent that the level of effort expended was different for each municipality and that more specific tracking of actual time and effort were needed to formulate a more accurate calculation. So, in order for Prosper to adopt a fee structure to comply with the new state law, estimated time spent by all applicable staff on several project sizes and types were calculated. Those values were then converted to a proposed fee structure based on the size and different types of developments in order to streamline the calculation and assessment process.

The following table represents the proposed amendment to the construction inspection fees to comply with the new state law. Over the next six (6) to nine (9) months, staff will evaluate the actual time spent by all applicable staff on each project type to verify whether the proposed fees accurately account for all actual costs attributed to the inspection process of public infrastructure, or if changes to the fees need to be made.

Single Family Residential Development	\$1,000 base fee plus \$600 per platted lot
Non-Residential Development	\$1,000 base fee plus \$1,500 per final platted acreage
Non-Residential Infrastructure * = or as identified on preliminary site plan	\$1,000 base fee plus \$1,200 per conveyance* platted acreage
Linear Utility Infrastructure For offsite utilities outside of platted boundary **=no base fee if done with platted development	\$1,000 base fee** plus <div style="display: flex; justify-content: space-between; padding: 0 10px;"> <div style="width: 60%;"> Wastewater Water Storm Sewer </div> <div style="width: 35%;"> \$3.00 per linear foot \$3.00 per linear foot \$4.00 per linear foot </div> </div>
Development Road Separate from platted development **=no base fee if done with platted development	\$1,000 base fee** plus \$3.00 per square yard of concrete surface
Turn Lanes and Median Openings **=no base fee if done with platted development	\$1,000 base fee** plus \$3.00 per square yard of concrete surface
Creek Stabilization **=no base fee if done with platted development	\$1,000 base fee** plus \$0.50 per square yard of disturbed area

Budget Impact:

Staff performed an initial analysis of the 3% construction inspection fees collected over the past 3 years (FY2020 to FY2022) for several project sizes and types and compared those fees to the proposed fees based on costs to provide the service for those same projects. The results of the comparison show that the proposed fees are on average 25% less than the current value-based fees. During the next six (6) to nine (9) months, staff will monitor the amount of construction inspection fees being collected compared to the \$1,321,821 estimated revenue in the FY2024 budget.

Legal Obligations and Review:

Terrence Welch of Brown & Hofmeister, L.L.P., has reviewed the ordinance as to form and legality.

Attached Documents:

1. Ordinance

Town Staff Recommendation:

Town staff recommends that the Town Council approve an ordinance repealing existing Section I, "Construction Permits and Fees," and Section II, "Reserved," contained in Appendix A, "Fee Schedule," of the Town's Code of Ordinances and replacing them with a new Section I, "Engineering Inspection Fees," and a new Section II, "Building Permits/Inspection Fees".

Proposed Motion:

I move to approve an ordinance repealing existing Section I, "Construction Permits and Fees," and Section II, "Reserved," contained in Appendix A, "Fee Schedule," of the Town's Code of Ordinances and replacing them with a new Section I, "Engineering Inspection Fees," and a new Section II, "Building Permits/Inspection Fees".