

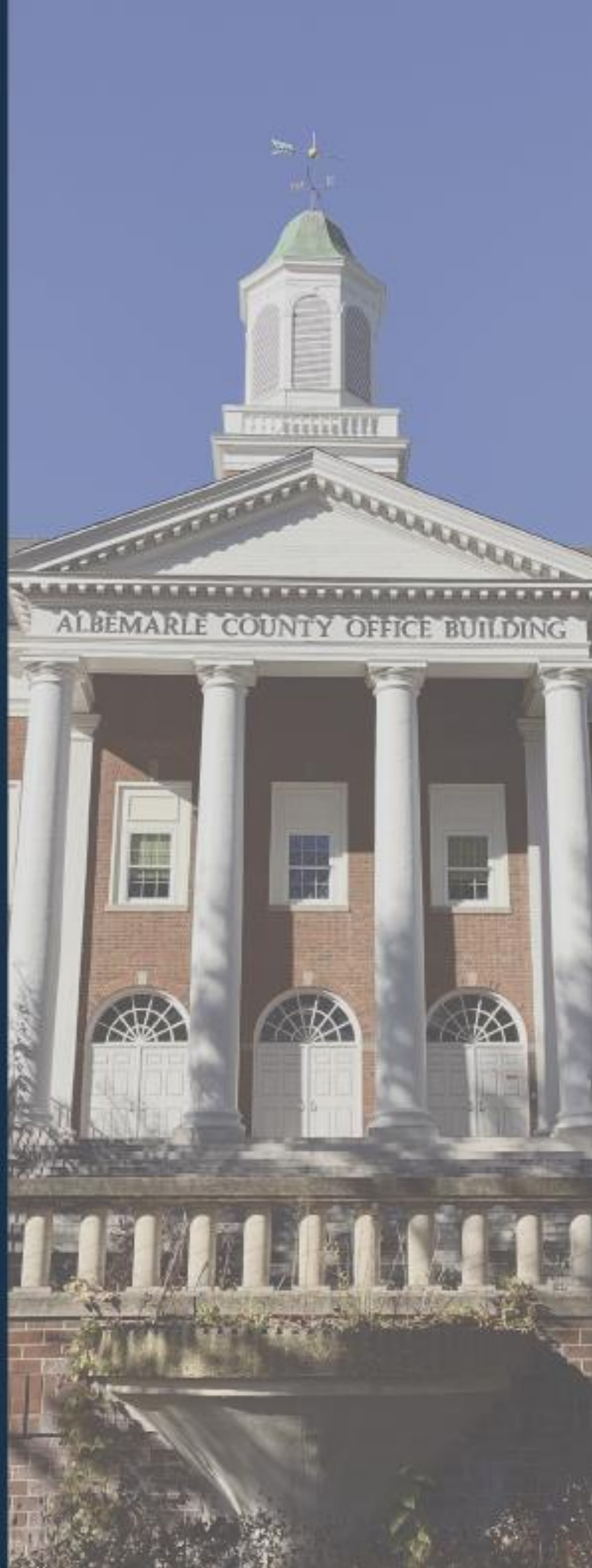
# Albemarle County

## Community Development Department

### Fee Study Fall 2023



Prepared by the Berkley  
Group in partnership with  
Albemarle County





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## Project Background

This project is a furtherance of work performed in 2007 as part of the *Final Report for Albemarle County Community Development Fee Study* (performed by the PFM Group). In this study, a number of recommendations were made to better align fees with actual costs and initiate new fees to cover activities not previously part of the schedule, but which were being performed by Community Development Department (CDD) staff. The study made recommendations on creating a fee schedule that reduced paging through multiple chapters of the Code to find fees, reduce the number of fees, and reduce confusion by applicants and staff on exactly which fees to charge for the permits. The Final Report was accepted by the Board of Supervisors (BOS) and, while some of the recommendations were not implemented, such as the reduction in the number of fee categories, the report was used as the basis for subsequent work by the BOS on fee adjustments in 2021.

On April 21, 2021, the Albemarle County Board of Supervisors, after performing a comprehensive analysis of its land use development-related fees, adopted increases in Community Development Department (CDD) fees consistent with the policy of following Board-approved salary adjustments and attempting to recover approximately 50% of the cost of department operations. In addition, a technology surcharge and fees for several services previously provided without charge were added to the fee schedule. With that adoption, the Board requested that staff examine the structure of fees for CDD in more detail.

Fees to recover some of the cost of providing land use development services are codified under County Code Chapters 3 (Agricultural and Forestal Districts), 5 (Building Regulations), 7 (Short Term Rental Registry), 14 (Subdivision Ordinance), 17 (Water Protection Ordinance), and 18 (Zoning Ordinance). Historically, each time any fees change, the appropriate section(s) of County Code must be amended to properly codify and enact the changes.

In 2022, the Albemarle County Community Development Department (CDD) contracted with The Berkley Group to explore best practices regarding fee structures and methodologies. The project includes examining the current fee categories and comparing them with six benchmark, or peer, localities and the City of Charlottesville; examining relevant best practices; and recommending how to best create a simplified Schedule of Fees that is transparent, equitable, and easy to use.



## Project Goals and Methodology

### County Goals

The goals of this project included:

- Consolidating the fees into a unified Schedule of Fees in one chapter within the Albemarle County Code that provides an easier way to amend them, when necessary;
- Simplifying fees so they are easier for customers to understand and staff to administer;
- Consolidating and aligning the fees to be consistent with the level of staff effort required, equalizing costs based on project size and maintaining existing revenue levels; and
- Implementing the new fee structure prior to implementation of the new Community Development System (CDS) and implementing the structure seamlessly with CDS implementation.

### Methodology

In making the County's fee structure more streamlined, the development process will become more transparent and easier to navigate, lowering unintended barriers to economic development. The existing fee structure is complicated for both customers and staff to navigate. As a result, there is the potential for miscommunication and errors in fee calculations. This has caused frustration on the part of applicants and stress for CDD staff.

The BOS has not asked for an examination of, or changes to, fee amounts so this analysis attempts to keep any fee changes as revenue neutral as possible (within 2%) while simplifying the CDD fee structure. Where maintaining total revenue neutrality was not possible across similar fee categories, a single fee or reduced fee adjustment was recommended. In these instances, revenue neutrality was achieved by lowering or raising consolidated fees as minimally as possible across fee categories with the goal of equalizing costs and effectively cancelling out the adjustments.

As the County begins to move to electronic plan submittals, plan review, and permit fee calculations, streamlining the structure of fees will allow for a simpler and more accessible application process for both community members and administrators, and better enable the new system to launch with minimal disruption to operations.



### Data Sources

Primary sources of data for this project include information accessible on public websites as well as data provided upon request from municipalities. Sources include, but are not limited to: Albemarle County CDD, Charlottesville Area Associations of Realtors (CAAR), Zillow, comparable locality data.

Other valuable sources of information include input from Blue Ridge Area Homebuilders (BRHB), Charlottesville Area Development Roundtable (CADRe), Engage Albemarle, the Albemarle County Planning Commission, and general public input.

### Outreach

#### **Stakeholder Groups**

This project involved direct engagement with community stakeholder groups which included Blue Ridge Homebuilders (BRHB) and the Charlottesville Area Development Roundtable (CADRe). A meeting was held between Albemarle County staff and BRHB in March of 2023 to receive their input regarding proposed initial ideas for changes to development fees. In addition, recommended changes have been shared with both BRHB and CADRe to receive their feedback in order to help us to refine our proposal and provide more clarity going forward.

#### **Community Survey**

In addition to reaching out to development groups within the community, who have the most experience working with development fees, a community survey was conducted through *Engage Albemarle* which included the proposed updated County Development fee schedule and asked for feedback from community members regarding the changes. This survey was directly shared via email with both stakeholder groups BRHB and CADRe as well as with 2,726 community members through County View. The survey went live on June 2nd, 2023, and closed on June 19th, 2023. In total there were 16 participants that responded to the survey. Most feedback received from this survey was generally positive and appreciative of the County's work in simplifying and streamlining fees. Other comments from the survey were addressed that help clarify fees language and layout of the schedule to help reduce confusion.

All this input has helped to ensure that the goal for a transparent, simplified fee structure was met.



## Comparative Analysis

In examining the current structure of fees administered by CDD, a comparison of that structure to other comparable communities was conducted, along with any applicable industry best practices. This comparative analysis of the County's CDD fees was with six other communities of comparable size and development character, along with the City of Charlottesville.

### Benchmark Communities

Albemarle County is a singularly unique community without a peer that exactly matches the same development pattern, values, and market characteristics. All the same, the benchmark communities were selected, in consultation with CDD staff, as peers of Albemarle County for most closely matching those characteristics and also as possible examples for the type of future development patterns that Albemarle County may emulate. Individual benchmark communities were chosen for the following reasons:

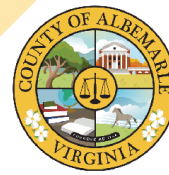
- Charlottesville: neighboring city surrounded on all boundaries with the County;
- Chesterfield County: rapidly urbanizing area, also with a large agricultural footprint, abutting Richmond south of the James River;
- Hanover County: traditional rural area with significant urban pressures from Richmond to the south, as well as Fredericksburg/Spotsylvania County to the north;
- Henrico County: rapidly urbanizing area, also with a strong agricultural history, that abuts Richmond north of the James River;
- James City County: more traditional suburban-focused county that abuts the majority of Williamsburg; large university presence;
- Roanoke County: growing, rural/mountainous region that surrounds the city of Roanoke, with comparative development pressures; and
- Rockingham County: rural county that surrounds the city of Harrisonburg, with James Madison University as a major part of its character.

### Major Analysis Results

There were a number of major takeaways that resulted from the comparative analysis with the seven communities examined.

Primarily, Albemarle County has significantly more fee categories than any other benchmark community. This is examined further below in the tables and related discussion.

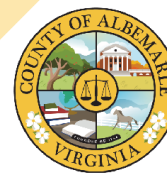
Secondarily, Albemarle County's existing fee structure is already more straightforward and logical than its benchmark communities. As an example, the benchmark communities do not use a price per square footage, when calculating building permit fees, like Albemarle's. They either use the valuation method, which charges a fee based on the value of the building project according to the



applicant; a method that charges a base fee plus all trade fees, individually added to the base fee; or a method that involves a combination of price per square foot plus valuation. These methodologies are more complex, include “hidden fees” in that they are relatively difficult to find, evaluate, and properly calculate, and are based on applicant subjectivity (in terms of project valuation). This results in a less than transparent or end-user friendly Schedule of Fees. Albemarle has avoided many of these pitfalls by using the price per square foot method.

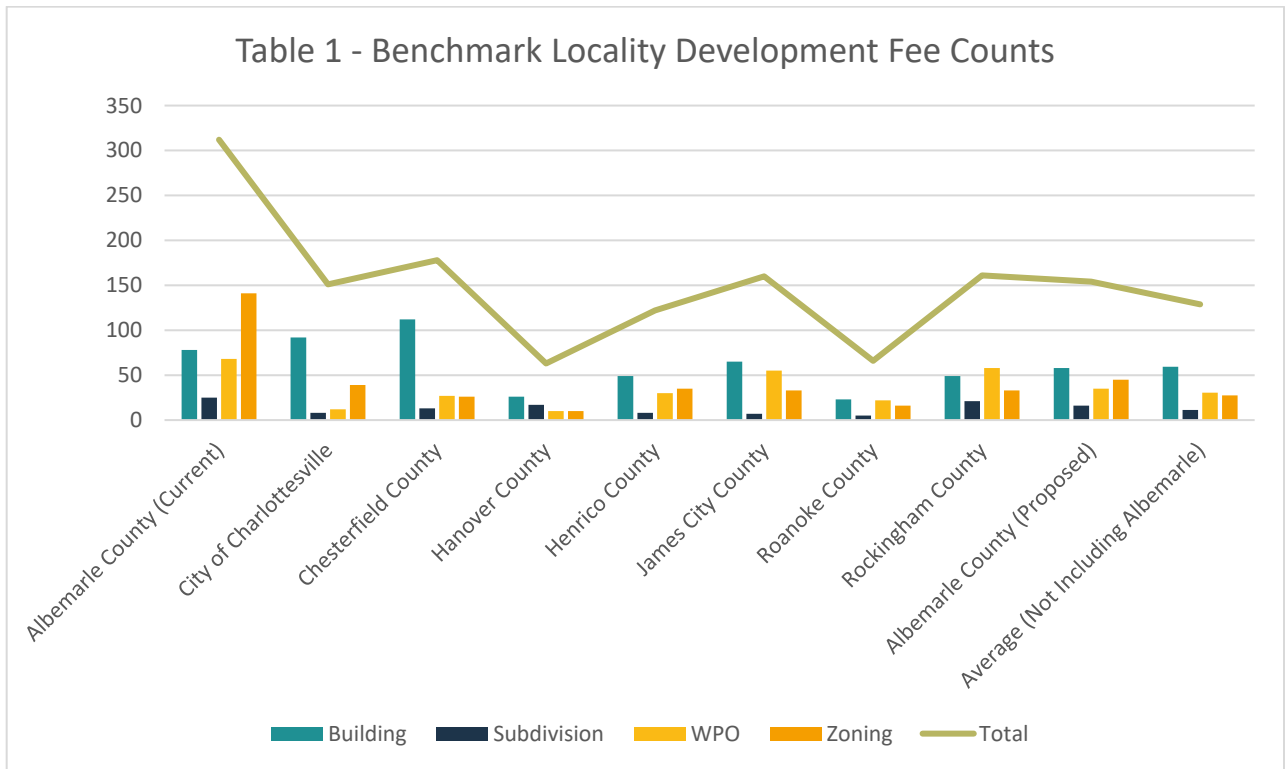
The fee amount charged has been the focus of previous studies and is largely determined by the cost of the service, calculated through labor cost by the amount of time spent on the service. The County’s fee structure is the focus of this project, and the goal is a simplified, unified, fee schedule. As part of the streamlining, a “crosswalk” spreadsheet was developed that shows how the revised fee structure relates to the existing fee structure. This spreadsheet can be found in *Appendix B*. It is also important to note that the short-term rental registry fee was not changed, but simply incorporated into this overall Schedule of Fees rather than Chapter 7 of County Code.

Finally, none of the communities examined have a simple, unified, and transparent fee schedule structure. They are all different with few commonalities and few best practices. While Albemarle’s is the most complex, in terms of the number of permits required, it is also the most logical and straightforward in terms of how the fees are calculated and applied.



Regarding the number of fee categories, *Table 1* shows how Albemarle County compares to the benchmark communities in this report.

As shown, Albemarle has 75% more fee categories than its next closest counterpart (Chesterfield County) and 150% more than the average of the other communities.

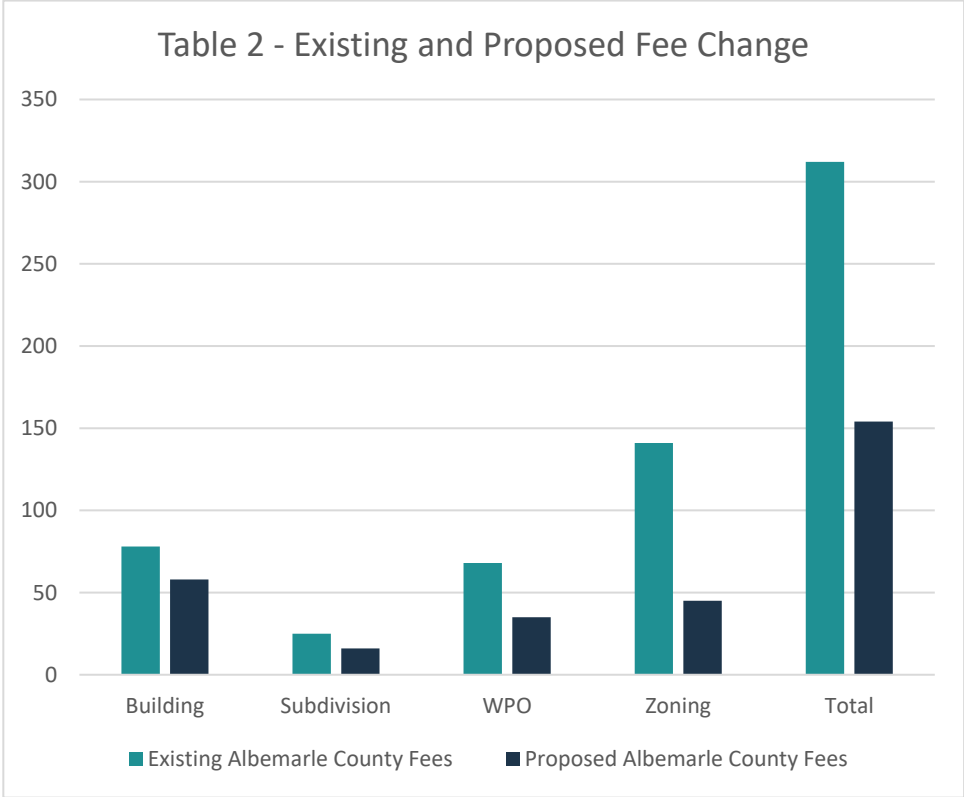


Type of Fees	Albemarle County (Current)	Albemarle County (Proposed)	City of Charlottesville	Chesterfield County	Hanover County	Henrico County	James City County	Roanoke County	Rockingham County
<b>Building</b>	78	58	92	112	26	49	65	23	49
<b>Subdivision</b>	25	16	8	13	17	8	7	5	21
<b>WPO</b>	68	35	12	27	10	30	55	22	58
<b>Zoning</b>	141	45	39	26	10	35	33	16	33
<b>Total</b>	<b>312</b>	<b>154</b>	<b>151</b>	<b>178</b>	<b>63</b>	<b>122</b>	<b>160</b>	<b>66</b>	<b>161</b>





Table 2 presents the amount of current fees alongside the amount of proposed fees recommended in the new fee schedule. As Table 2 shows, the overall number of separate fee categories are significantly reduced (-53%) bringing the County’s fee structure more in line with the benchmark communities.



	Existing Albemarle County Fees	Proposed Albemarle County Fees	Percentage of Change
<b>Building</b>	<b>78</b>	<b>58</b>	<b>-26%</b>
<b>Subdivision</b>	<b>25</b>	<b>16</b>	<b>-36%</b>
<b>WPO</b>	<b>68</b>	<b>35</b>	<b>-49%</b>
<b>Zoning</b>	<b>141</b>	<b>45</b>	<b>-68%</b>
<b>Total</b>	<b>312</b>	<b>154</b>	<b>-53%</b>



## Recommended Best Practices for Fee Schedules

The following recommendations are key attributes for local government agencies to follow as they move from a traditional fee system to a modern fee structure. These industry best practices are derived from direct local government experience and knowledge, research, and a current examination of communities across the country.

- **Keep it simple.** Most fee schedules are overly complex due to the myriad of development and construction types performed in every community and “fee creep” over time as new categories are added.
- **Bundle permits as much as possible, especially for single- or two-family residential construction and accessory structures.** Examples include deck, shed, or pool packages or kits. It’s important to have a simple application process that clearly lays out the process steps (e.g., application submittal, staff review, permit issuance, required inspections, final approval/certificate of occupancy) along with the total, or approximated, fee.
- **Cost recovery.** Application review, plan review, and inspections take time which is labor to the municipality. These costs are either borne by the applicant or by the taxpayer. The applicants should pay for the direct cost of services used or, at least, offset most of those costs. The use of third-party inspections from approved firms, and billing those costs to the applicant, has become increasingly common. Albemarle County should regularly review fees to ensure that costs incurred by Albemarle County are kept to an acceptable minimum.
- **Benchmarking.** Every three to five years, perform a comparative analysis of fees and fee structures with regional localities, particularly ones with similar demographics and other community characteristics. There are many variables that affect fees beyond “level of service.” Policy decisions and how fees are calculated (sq. ft. review fees vs. value of construction) can lead to profoundly differing fee structures.
- **Adopt an automatic, periodical fee adjustment to keep up with inflation or other market factors (e.g., Consumer Price Index [CPI]).** Consistent changes based upon items such as salary increases (costs), or CPI changes can be predictable and transparent ways to structure fees to keep up with changing economic conditions more regularly. This adjustment need not be applied annually but could be done biannually or commensurate with the benchmarking analysis.
- **Round fees (up or down).** Fee amounts fluctuate widely based on a number of methodologies including direct cost recovery. Rounding individual service fees to the nearest dollar or the nearest five-dollar increment (e.g., instead of a \$37.32 fee make it \$37, \$35, or \$40) makes them more understandable and easier to calculate. Municipalities should not lose money on services, but they should also not aim to profit [§36-105(B) of the *Code of Virginia*]. Rounding is a simple housekeeping tool, not intended to materially affect overall fee amounts.



- **Predictable fees.** Fees for reviews and permits should be clear and easy to understand.
- **Transparency.** Fees should be posted online and easy to find and download. They should also be available at a kiosk or as hard copies at the front counter or wherever customers are served.
- **Fee schedules should be comprehensive.** The schedules must include all known and applicable fees in one easy to find, location. This should include any third-party review fees that may need to be paid, at the expense of the applicant.
- **Credibility.** Staff should be able to explain the purpose of any fees to interested parties and ensure that the same fee amount is quoted regardless of the staff member.

Another best practice, which was not mentioned above but relates to transparency is civic engagement. Asking for public input by involving local stakeholders, such as the Blue Ridge Homebuilders Association (BRHA) and Charlottesville Area Development Roundtable (CADRe), as well as the general public (*Engage Albemarle*) and appointed officials (Planning Commission), is a great way to keep the public informed on county-wide fees. While it could be argued that fees are only the purview of the governing body, which is true, effectively utilizing relevant appointed bodies to review and make recommendations is good governance and definitely a recommended best practice.

## Recommendations

Commensurate with the identified project goals, methodology, research, public input and best practices, the intended outcome of this project is the official repeal of the five relevant fee sections [County Code Chapters 3 (Agricultural and Forestal Districts), 5 (Building Regulations), 7 (Short Term Rental Registry), 14 (Subdivision Ordinance), 17 (Water Protection Ordinance), and 18 (Zoning Ordinance)] and the adoption of a new Schedule of Fees, by ordinance, as drafted.

The major recommendations to be adopted as a matter of policy by the Board of Supervisors are as follows:

**Notice requirements for those applications involving advertisement in the newspaper and/or mailings to adjacent owners** – The current fees have not kept up with the increasing costs of postage and advertising in the newspaper. To better address these fees, the fee paid for notice should be changed to the actual cost for the advertisement (when advertisement is applicable) and the actual cost of the postage (for mailings). The initial application fee will include a standard administrative fee for the notice. The actual costs for notice will be charged following the mailings and prior to issuance of related permits.



**Tiered bundled residential fee structure (includes single-family, two-family, townhouse and condominiums)** –To consolidate and simplify fees for applicants, bundling fees into six (6) different permit categories, or tiers, based on the size of dwelling is recommended. Currently, these fees are \$0.58 per square foot (SF) for finished spaces, \$0.18/SF for unfinished spaces (decks, garages, basements, etc.), and \$0.05/SF for plan review. The proposed six (6) tiers are:

<u>Gross Square Feet (GSF)</u>	<u>Fee</u>
<1500 GSF	\$500
1501-2500 GSF	\$1000
2501-3500 GSF	\$1500
3501-4500 GSF	\$2000
4501-7500 GSF	\$3000
>7500 GSF	\$4000

*\* Fees do not include proffers, zoning inspections, 2% State Levy, or 4% Technology Surcharge*

This fee structure lowers any unintended barriers for the construction of smaller homes, which typically have fewer and quicker inspections, and better equalizes the costs based on the size of the project (i.e., charging higher fees for larger homes which typically require more and longer inspections). While some benchmark communities do take a valuation approach to residential building fees (i.e., charging the building permit based on the cost of the home) to help address the complexities of a larger home, Albemarle County addresses any complexities with additional flat fees that get added to the base cost of building permit shown above. This approach is more in line with best practices, which helps streamline the process for applicants and staff as well as reduces barriers and keeps costs low for smaller homes.

**Consistent fees among the development codes** – Through this work to consolidate and simplify the fees, an inconsistency in fees for bond transactions (establishing or replacing a bond, etc.) and for appeals of decisions under these regulations was noted. The proposed unified fee schedule eliminates these inconsistencies.

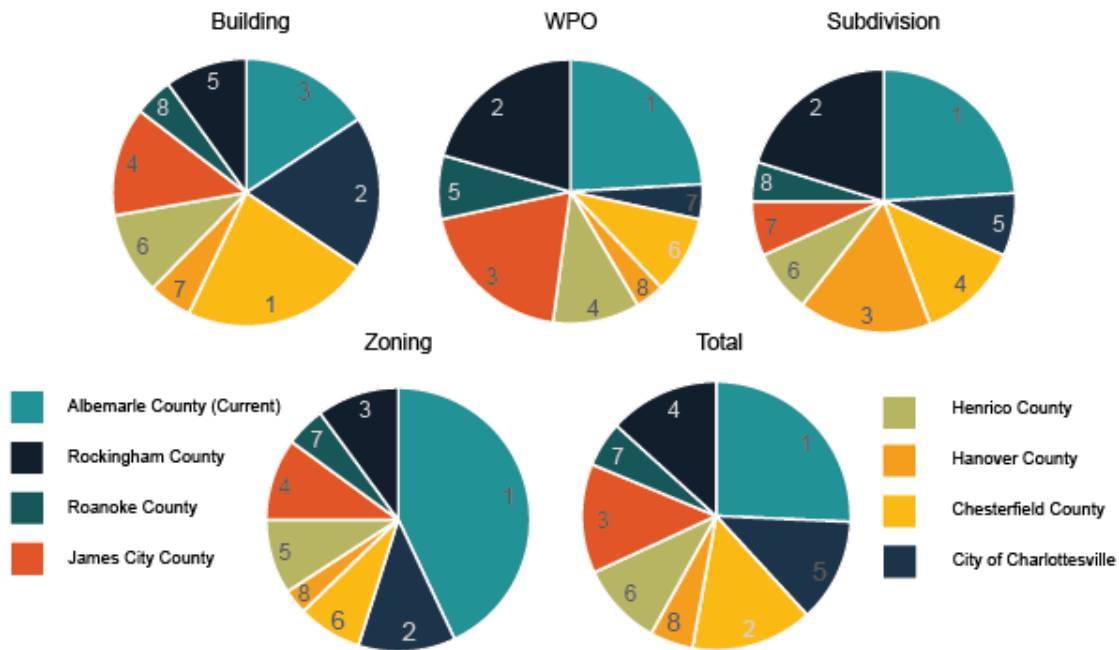
**Timing for the payment of fees** – Payments for rezoning and special use permit applications should be made at the time of initial application rather than at review/approval. The review begins once the application is deemed complete, therefore the fees should be paid accordingly. Fees for notices related to these applications will be charged once approval is attained.

**Rounding to the Nearest Dollar** – As a result of fee increases over the years, some resulting fees include dollars and cents (\$118.86 for a letter of revision) or uneven numbers (\$562 or \$331 for example). The proposed fee schedule rounds fees to the nearest dollar ending in “0” or “5.”



**Reduce the amount of fee categories to simplify and make easier for applicants –**  
As shown in *Table 3*, Albemarle County ranked first (1<sup>st</sup>) overall, first (1<sup>st</sup>) in three of the four major fee categories, and 3<sup>rd</sup> in the fourth category. With a total of 312 fees managed by CDD, Albemarle County has 75% more fee categories than second ranked Chesterfield County, and 395% more than Hanover County with the least amount of fees.

**Table 3 - Count of Current Number of Fees by Locality**

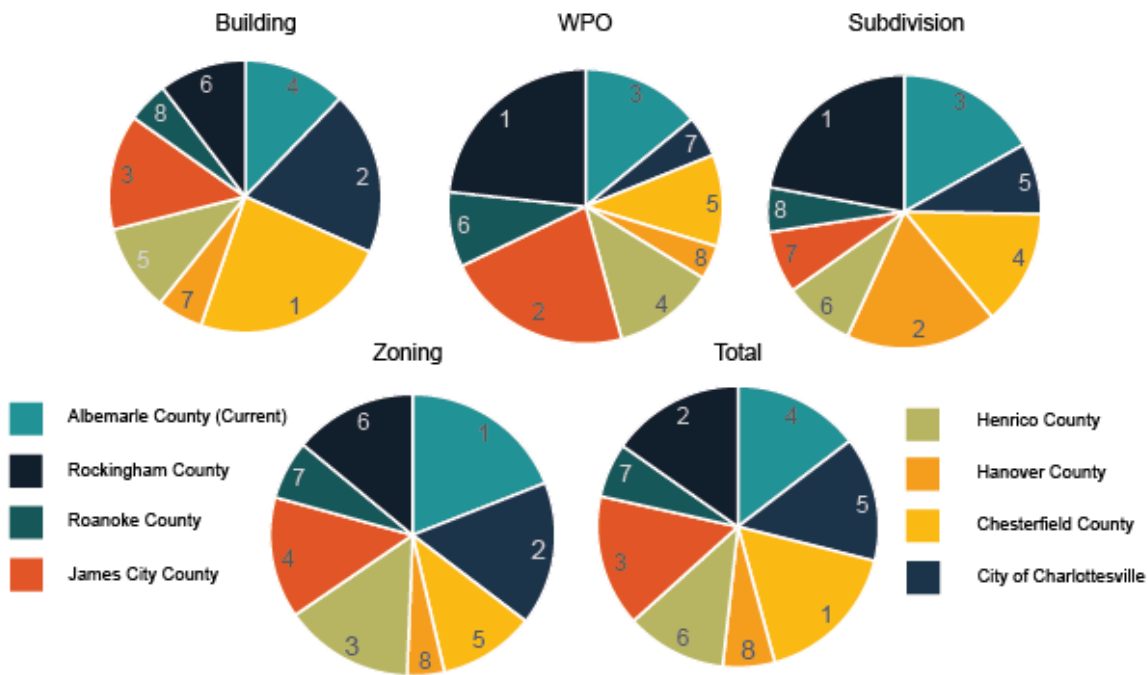


**Current Benchmark Locality Permit Count Rankings**

Type of Fees	Albemarle County (Current)	City of Charlottesville	Chesterfield County	Hanover County	Henrico County	James City County	Roanoke County	Rockingham County
<b>Building</b>	3rd	2nd	1st	7th	5th	4th	8th	5th
<b>Subdivision</b>	1st	5th	4th	3rd	5th	7th	8th	2nd
<b>WPO</b>	1st	7th	5th	8th	4th	3rd	6th	2nd
<b>Zoning</b>	1st	2nd	6th	8th	3rd	4th	7th	4th
<b>Total</b>	1st	5th	2nd	8th	6th	4th	7th	3rd



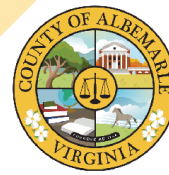
**Table 3 - Count of Proposed Number of Fees by Locality**



Proposed Benchmark Locality Count Rankings								
Type of Fees	Albemarle County (Proposed)	City of Charlottesville	Chesterfield County	Hanover County	Henrico County	James City County	Roanoke County	Rockingham County
Building	4th	2nd	1st	7th	5th	3rd	8th	5th
Subdivision	3rd	5th	4th	2nd	5th	7th	8th	1st
WPO	3rd	7th	5th	8th	4th	2nd	6th	1st
Zoning	1st	2nd	6th	8th	3rd	4th	7th	4th
Total	4th	5th	1st	8th	6th	3rd	7th	2nd

After working with CDD staff and community stakeholders on a revised fee structure, if adopted, Albemarle County will rank fifth (5<sup>th</sup>) overall, and be tied for first (1<sup>st</sup>) in only one category (Zoning) with the City of Charlottesville.

These significant reductions are predicated on the potential for combining similar fee categories that shared the same “first level” fee category (e.g., Site Development Plan and Subdivisions) and combining similar “second level” fee types to create fewer individual fees without losing revenue or accountability.



In the case of land use fees, we were able to reduce the “first level” fee category for:

- Site Development Plan fee categories from 17 to 5, a 70% reduction
- Subdivision fees from 20 to 7, a 65% reduction
- Water Protection Ordinance fees from 68 to 35, a 51% reduction
- Special Use Permits from 20 to 5, an 75% reduction
- Rezoning from 8 to 4, a 50% reduction

The “crosswalk” of the fee simplification and combinations are included in *Appendix B*.

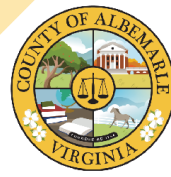
While streamlining the fee structure, fees that had similar but nuanced intents were combined. For example, there were several subcategories for rezonings, such as resubmittals or changes based on acreage, but they are all a rezoning application. Same process, similar costs. Based on benchmark examples and best practices, nine different rezoning fees were streamlined into one single fee for a rezoning application. The same reduction opportunity was identified with Zoning Map Amendments as well.

The County will begin the migration of their present system to CDS in 2023-24. Integrating the fee structure into the system is a complex and time-consuming endeavor. As CDS is introduced to the broader community, and the number of people using CDS grows, it is imperative that the fee structure is intuitive, easy to navigate, internally consistent, and able to be easily amended.

## Conclusion

As with any policy or procedure, a fee schedule structure must adapt to changes over time due to technological, cultural, or economic shifts. A regular update and fee category restructuring helps to ensure a more efficient system for the community. Comparative research showed that Albemarle County’s development fee structure was significantly out of line with the benchmark communities and the city of Charlottesville in terms of the sheer number of permit categories. By consolidating similar fee categories, a 53 percent reduction was achieved moving the County from first in number of required permit categories to fifth among its peer communities.

The analysis conducted for this project identified several problems associated with fees and applications that have added strain to both staff and applicants for community development-related processes. Solutions to these problems have been identified with thorough research into industry best practices, an analysis of peer communities as well as engagement with local community development stakeholders, County staff, the Planning Commission, and the general public. This report details the results of that work and has presented a new Schedule of Fees for Albemarle’s Community Development Department that –



- creates a more efficient, streamlined system;
- allows for easier modification of fees;
- prepares the fee categories for integration with new technology;
- maintains revenue neutrality for the budget; and
- create incentives for affordable development.

Going forward it will be important for Albemarle County to monitor this new structure through regular studies of County fees and revisit the fee categories or amounts on an annual, bi-annual, or some agreed upon periodic basis to ensure that the new system remains responsive to the community's changing needs.