



1200 WILMETTE AVENUE  
WILMETTE, ILLINOIS 60091-0040

**MINUTES OF THE LAND USE COMMITTEE-SPECIAL ZONING COMMITTEE  
WEDNESDAY, SEPTEMBER 13, 2017  
7:00 P.M.  
VILLAGE BOARD CONFERENCE ROOM OF VILLAGE HALL  
1200 WILMETTE AVENUE, WILMETTE, ILLINOIS 60091**

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Members Present: Trustee Steve Leonard, Chairman  
Trustee Kathy Dodd  
Trustee Dan Sullivan

Members Absent: None

Staff Present: John Adler, AICP, Director, Community Development  
Lisa Roberts, AICP, Assistant Director of Community Development

Guests: Chris Canning, 1000 Skokie Boulevard, Wilmette

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**I. Call to Order.**

Chairman Leonard called the meeting to order at 7:02 p.m.

**II. Approval of Minutes.**

Trustee Dodd moved to approve the minutes of the July 10, 2017 Land Use Committee meeting. The motion was seconded by Trustee Sullivan. Voting yes: Chairman Leonard, Trustee Dodd, and Trustee Sullivan. Voting no: none. **The motion carried.**

**III. 2017-SZC-02 – Review of the April 1, 2014 Zoning Ordinance and Zoning Map Review the recent implementation of the April 1, 2014 zoning ordinance and zoning map and recommend amendments as necessary**

The Special Zoning Committee meeting was called to order at 7:04 p.m.

Mr. Adler clarified that the only new item on this matter is a memo dated September 8, 2017 from Mr. Adler. The memo containing the bulk of the proposed changes had been included as an attachment to the July 10, 2017 committee minutes.

Mr. Adler said the current memo addresses the definition of the rear lot line for lakefront lots. It had been intended to be included in the July memo but was not. The 579' elevation

is what has been used as the rear lot line for lakefront homes since 2002. It has worked fairly well.

Chairman Leonard asked what the importance of the regulation was.

Mr. Adler said prior to 2002, for new homes and additions, the lot area was determined by the water line at the time the survey was done. This resulted in lots varying by thousands of square feet depending on the lake level. In 2001 and 2002, the village reviewed the lakefront regulations because we saw a number of issues that were going to come up with new construction. For example, new homes being built conforming and then six months later, the water level had changed and they became non-conforming. At that time, staff proposed using an elevation of 585' as the rear lot line. It made sense because 585' is the elevation below which Army Corps and IDNR won't allow construction without special permission. Three out of 18 lakefront property owners were agreeable to this. But others pointed out that they owned more land than that. The compromise was to average the high water mark and the low water mark, which was 579'. That's been in place without complaints since 2002. The only negative recently was a bad storm that affected 430 Sheridan; they had stairs to the lake and the sand underneath them was washed away. That was the first time where 579' had changed. Staff has been told that the sand will likely come back through natural patterns. At this point, the staff doesn't have anything better than the 579' elevation. If this were to be changed, the staff would recommend a process that involved all the lakefront property owners. The lakefront property owners didn't want to change where the rear lot line was. Their ownership is to the water line. The staff was fine with this as long as for zoning purposes, the line was 579'. There were three other things the staff recommended to do to protect lakefront homeowners, to prevent building so far out on their properties that they would block each other's views, but the owner's didn't support that.

The ordinance currently from the 2014 amendment does dictate the rear lot line at 579'.

Trustee Sullivan asked if 579' was applied to 1006 Michigan that was discussed at a recent Village Board meeting.

Mr. Adler said yes but no portion of the beach house could go below 585'.

Trustee Dodd asked how one knows where 579' falls on a property.

Mr. Adler said the applicant needs to provide a topographic survey identifying the 579' elevation when they apply for the permit. Right now, the 579' elevation is in the water. Up until maybe the summer of 2016, the water was further out, maybe closer to 576'.

Chairman Leonard asked the elevation of the water now.

Mr. Adler said it's a little higher than 579'. He's not sure what the water level is now.

Trustee Sullivan said the owners would need to have a topographic survey for their own use.

Mr. Adler said they are going back to the way it previously had been written, though how it's been applied hasn't changed. The lot sizes aren't being altered by the normal fluctuation

of the water.

Trustee Sullivan asked how often this issue comes up. There are four new lakefront homes going on now.

Mr. Adler said there may be another three lakefront homes that could be teardowns in the near future.

Trustee Sullivan said that of the four new homes in progress, no one had complained about the lot calculation.

Mr. Adler said it's logical. Until very recently, the water was farther out, when they might argue that their lot was bigger, and nobody complained then. The lots are still huge.

Trustee Sullivan said a builder will caution from building too close anyway.

Mr. Adler said they can't build too close. They have to keep construction above 585'. The boat house at 1100 Michigan might be pushing it but it was conforming. In 2002, staff had proposed a rear yard setback of 150' instead of 50', which you generally can't build in anyway. The neighbors understood that something like the boat house at 1100 Michigan could happen but they didn't want to put that limit on themselves or their neighbors.

Chairman Leonard said this is a technical correction to clean up the text. It had been intended to be included in the changes the committee saw earlier in the year.

Mr. Adler said it's been added to "lot area" under the measurements section of the Zoning Ordinance.

Trustee Sullivan moved to recommend the proposed text amending the Zoning Ordinance. The motion was seconded by Trustee Dodd. Voting yes: Chairman Leonard, Trustee Dodd, and Trustee Sullivan. Voting no: none. **The motion carried.**

Mr. Adler said staff will be correcting the residential and commercial use tables. The tables include a reference to where the individual use standards are located elsewhere in the ordinance. In 2016 when car sharing was added, some of the numbering changed and the references in the tables were not updated. Staff has been told that this is a scrivener's error, which technically doesn't need to be brought before the committee, but they wanted to bring it up since the committee was together.

Ms. Roberts said the draft previously reviewed by the committee referenced shed dormers regarding measuring flat roof area. Corporation counsel Jeff Stein recommended that a definition of shed roof be added to the ordinance. She didn't have any text to share with the committee but could prepare something for the next meeting or email it to them for consideration.

Mr. Adler said, if the committee was agreeable, the staff could prepare something for the ordinance and if they had concerns about reviewing it, the staff and committee could discuss it in detail at another time.

Trustee Sullivan said he was in favor of the staff preparing whatever was necessary since they are the experts on dormers and other things.

Chairman Leonard said that for technical issues, he didn't see the committee second guessing staff. They are not policy issues.

Trustee Dodd asked if the committee wasn't meeting, could staff email the committee and they could just approve such these things.

Mr. Adler said that might have been a possibility but since the committee was meeting anyway, it was an opportunity to talk it through.

Ms. Roberts noted that going forward, Mr. Stein will review text amendments before they go to committee so that any issues are addressed before committee review.

The Special Zoning Committee was adjourned at 7:20 p.m.

#### **IV. Review of Permit Extension Fee**

Mr. Adler said that the committee received a confidential memo from Mr. Stein and a staff memo from Ms. Roberts.

Chairman Leonard asked for an explanation of how permit fees are calculated.

Trustee Dodd said there are a lot of smaller fees but it's generally 2% of the permit cost.

Mr. Adler agreed. He said for larger projects, the permit costs approximately 2.2% to 2.4% of the construction cost per year.

Chairman Leonard said for an 18-month permit, this could be 3.6% to 4%.

Mr. Adler said Chris Canning and Morgante-Wilson aren't the first ones to raise this issue. Morgante-Wilson has represented more than one lakefront owner. The staff have had discussions for a couple of years now with a new home owner who questioned why the fees continued to escalate. In that case, they were able to issue a certificate of occupancy, at which point the project was considered done and no further extension fees were applied. At that point, the owner didn't feel that they needed to take any further action. If they hadn't gotten as far along as they were, it likely would have become an issue.

Trustee Sullivan asked if there were reasons why they were not as far as they wanted to be. The point is to provide motivation to keep projects moving forward.

Trustee Dodd said they want this for the people who live around the projects who want them done; it is an inconvenience for them. The inconvenience was raised at a recent Village Board meeting by a neighbor.

Chairman Leonard said that since the interested party for this matter, Mr. Chris Canning, was not at the meeting yet, the item would be set aside for later in the meeting.

## **VI. New Business**

Trustee Sullivan said he mentioned at the September 12 Village Board meeting, they have been struggling to have full attendance at the Zoning Board, which is making the cases harder on everyone. He asked what can be done to resolve that.

Mr. Adler said briefly reviewed with Mr. Stein the idea of having Zoning Board member alternates. Mr. Stein had some concerns about that. Another idea is to get rid of the requirement for a supermajority to overturn a negative recommendation. The previous Land Use Committee, with Carol Ducommon and Ted McKenna, wasn't interested in doing this. They felt the supermajority has a reason and a purpose. So the next question is, what about in cases where the recommendation is not a majority negative, 3-1 or 3-2, maybe in those cases, you don't need a supermajority of the Village Board. That would probably help.

Chairman Leonard asked what the issue is with not getting attendance.

Ms. Roberts said that board members have had work commitments come up, they are out of town or at meetings.

Trustee Dodd asked for the rationale for seven members on the ZBA. Could the number be reduced to five on a rotation?

Trustee Sullivan said he thinks seven is a good number because you get a good variety of opinions and feedback. He said that's where he as a trustee struggles with only getting four or five opinions, sometimes with less experienced board members, it becomes difficult. Attendance was an issue when he was on the board as well, so it's not a new issue. Though it seems lighter than in the past. It delays everyone. He said he wasn't sure what the solution is but challenged the group to think of something.

Mr. Adler said this review will require a referral because voting is provided for in the zoning code. He said the staff would present the referral to the Village Board and put something together for review by the Committee, whether it's getting rid of the supermajority or changing the way the supermajority is invoked.

Chairman Leonard said another avenue is to do something about the attendance; emphasize to members that they need to attend meetings. He would feel more comfortable doing that than changing the codes.

Ms. Roberts said that the Village Code says that three absences is deemed to be a resignation though this has not been enforced.

Trustee Sullivan acknowledged that Mr. Canning joined the meeting.

Mr. Canning said it was first a challenge to find people during the recession. People wouldn't be able to turn down work to attend meetings. There were lots of vacancies on boards and commissions from 2009 to 2012.

Trustee Sullivan asked if there was a queue to join ZBA.

Mr. Adler said he didn't think so. They've been having trouble getting Plan Commission members. For the first time in probably thirty years, there is no architect on the commission.

Mr. Canning said his goal with the ZBA was to always have at least two architects so one was always there.

Mr. Adler said there are currently three, based on education. He said he could talk to administration and to President Bielinski about the best way to do this. The staff are thankful for any people to volunteer. It causes difficulty for petitioners and puts the Village Board in a difficult position.

Mr. Adler asked if the chairman, Patrick Duffy, had stressed anything about attendance.

Ms. Roberts said not to her knowledge.

Mr. Adler said staff could also talk to Mr. Duffy about stressing to the ZBA members the importance of attendance.

Ms. Roberts said when there are only four or five expected, staff will contact the applicants and give them some guidance on whether they might want to continue, if they are able.

#### **IV. Review of Permit Extension Fee**

With Mr. Canning joining the meeting, Chairman Leonard introduced the discussion of permit fees. He asked Ms. Roberts to walk through the staff memo.

Ms. Roberts said the original point of the permit extension fee was to encourage applicants to complete their project within a timely manner since construction projects can be a nuisance for the neighborhood.

There are 10 lakefront and larger property homes that will be hitting the 18-month mark in 2017. All will need some permit extension. In advance of these applicants complaining that their permit extension fees will result in a total of fees two or three times their original permit fee, the staff raised this issue with the Committee for thoughts on how else permit extensions might be handled.

She said Mr. Canning and his clients have also been involved in this issue, doing some research and sharing it with staff. Morgante-Wilson has provided staff with one piece of research they were working on. The staff has also proposed two additional alternatives. Some research has been done but the staff was looking for feedback before getting too much further with development and testing. The staff is also happy to research other ideas if this discussion sparks other ideas of interest.

The staff memo includes some additional discussion points beyond the basic idea of modifying the permit extension fee for larger/high value construction projects. The staff is proposing that the dividing line for a different extension fee schedule apply to projects valued at \$1,000,000 million or greater and 8,000 square feet or greater in floor area. Projects with a lesser construction value and lesser floor area have generally been able to be completed within 18 months or fairly close to this.

Chairman Leonard said he had a question about the construction value. To build a new home in Wilmette is likely to cost close to \$1 million. Is \$1 million the right number? There are homes in Wilmette that are valued less than that but they tend not to be new homes.

Mr. Adler said it's the difference between construction value and market value. A spec house will have a construction value of less than \$1 million; more like the \$500,000 to \$700,000 range. This becomes a sale price of \$1.5 to \$2 million dollars, but that's including land value. The new homes on Wilmette Circle had a construction value of about \$500,000 but were sold \$1.3 million or so.

Mr. Adler said the staff has not yet tested the idea from corporation counsel about applying the permit fee to the remaining construction value. Morgante-Wilson has a couple of projects where they could check their records to see what construction value was left after 18 months of construction to figure out what the fee would look like if applied to remaining construction value compared to what was actually charged.

Trustee Sullivan said he liked the idea of applying a permit extension fee to just the remaining construction value.

Trustee Dodd said the permit fee is based on the initial construction value but what happens if the value changes.

Mr. Adler said when the plan reviewer reviews the construction plans, he looks at the proposed construction value, and if he feels it's a fair estimation of the value, he will accept it. This is the number that is in place throughout the project; we're not going to ask for more later and the applicant isn't going to come back and request a partial refund. In one case, an applicant was adamant that their estimated \$450,000 was correct. The plan reviewer felt that it was going to be more than that. In this case, the staff arranged with the applicant to accept the original construction value but the applicant would provide a final statement of the value and pay additional fees if the value was higher. The applicant submitted the statement as agreed to and the actual construction value was about \$100,000 more than originally stated. So the applicant paid the additional permit fee before getting their certificate of occupancy.

This is not typically how construction value and fees are handled. In Evanston, we believe this is how they do it for every project, where the applicant provides a final, actual number and if the actual is less, they get a refund, and if it's more, they pay the additional fee. It's not a common way to do things because it's a lot of work. The main thing is if the plan reviewer feels comfortable with the value that is proposed.

Trustee Sullivan said they probably see this on the smaller projects. These large projects are going to know fairly accurately what the construction costs are going to be.

Mr. Adler said the plan reviewer has sat down with contractors and gone through the expected costs. In this case, the plan reviewer's number was a bit high, about \$600,000, and the applicant's number was too low at \$450,000, and the actual number was in between. It wasn't necessarily a case of someone intentionally using a low number, it was just that the two estimates were too far apart. That doesn't happen a lot.

Chairman Leonard suggested discussing the strengths and weaknesses of the alternatives discussed in the memo.

Trustee Sullivan said he would expect that the costs for big bulky items, framing and concrete, would largely be incurred by 18 months into construction.

Mr. Adler said that cabinets and other finishes could be hundreds of thousands of dollars. 516 Sheridan had extensive foundation work that was probably a substantial portion of the construction budget. He agreed that after a year and a half, the remaining portion of construction value is going to be diminished relatively significantly. Morgante-Wilson's experience should provide some idea of how that actually works out.

Trustee Dodd asked to clarify what the goal is of this review. Is the concern that permit fees are too high? Are we then trying to shift who's paying what? Or are we trying to reduce this revenue? As we look at how fees are set and the village's costs, what is the issue?

Chairman Leonard said he didn't think there is a problem with the bulk of the new home permits. He thought you could build most homes in the community in under 18 months. He doesn't think the fees are off on the typical new construction projects. From what research he's seen, Wilmette is in keeping with other communities and within the law. We're really just talking about the very lengthy, very large projects.

Trustee Dodd said she doesn't disagree. She would like to look at total costs and what it costs staff to support it. She wants to make sure whatever is done, they don't want to be too revenue generating but they need to cover the staff cost. Some of the alternatives are a significant reduction of the total amount of permit fees collected. She clarified that if they address permit fees for the large projects, they will be reducing revenue or need to make it up somewhere else.

Chairman Leonard said they have to be careful because it's about expenses not revenue.

There was agreement.

Chairman Leonard said they should focus on what is fair and appropriate for these extraordinary circumstances.

Mr. Adler said the Community Development department has other functions not directly related to building permits, including code enforcement, economic development, historic preservation, and housing. When you look at the cost to run the entire department, even during the recession when hours and staff were reduced, the cost of the building function has been covered by permit revenue. While the department wasn't generating revenue, it also wasn't costing the tax payers anything to run the department. When things are good, revenue is generated. There is recurring revenue, what is expected for typical permit activity each year. Then there are these large permits that Finance identifies as being atypical, putting these in the budget as non-recurring. You don't want to budget to collect \$2.7 million with no large projects proposed. The permit activity for projects less than 18 months isn't changing. What is proposed is not looking at recurring permits that generate income. It really gets difficult to look at permits for less than 18 months because then it

might be affecting ability to meet budget goals. If 18 months stays the same for large projects and small projects, it is still 3% of a large construction value. A \$5 million project will generate a permit fee of \$150,000, not including inspections. These projects will still be reported as non-recurring permits because they are such a large permit fee even without extensions.

Chairman Leonard said it comes down to what is appropriate for these handful of extraordinary circumstances.

Trustee Sullivan said the village wants to encourage them being built.

Chairman Leonard said the question is, what is done for these longer term homes. They can look at it as an extension and they can talk about what is fair and appropriate. Or they can take a step back and look at it differently. He likes the idea of working with the contractor before any permit is issued, and talking about a construction schedule that everyone agrees to. You then find an appropriate fee based on the anticipated construction time; that is fair as a reflection of the costs and term. He doesn't think a 3-year construction time frame project should have the same fee per square foot or construction value as an 18-month project. There's definitely damage and the nuisance factor in the second 18 months that needs to be recognized in the fee. If everyone knows that it's going to take 30 months to be build the house and it's impossible to build it faster, why are permits done in 12 or 18 month increments? The conference survey was helpful. It was interesting that none of those communities have a construction schedule discussion.

Mr. Adler said he liked the idea but they would have to come up with a 2 year, 2.5 year permit, and 3 year permit fee. The applicant should know how long it will take to build the home. If it will fall between 2.5 and 3 years, they get a three year permit. It wouldn't be 3 times the one year permit fee, it would be something else.

Mr. Canning said to Trustee Dodd's question, in 2006 adopted the new ordinance. What they are dealing with in 2017 is the unintended consequences of the ordinance. The one Michigan Avenue case took forever and it was nowhere near the size or scope of the houses Morgante-Wilson is working on. So the unintended consequence is, this was put in as a penalty and it was never anticipated that some homes would need to take so long. John's done a great job with staff and managing the process. For example, excluding the foundation work from the permit time. It comes back to what Chairman Leonard said, what's the fair thing to do here because while it was intended to be a penalty, some new houses just take longer.

Mr. Canning said, to Mr. Adler's point about non-recurring revenue, using the per-square-foot model by Morgante-Wilson will result in some reduction in revenue. It hasn't been modeled out yet but they are willing to help with that. Similarly, the permit fees are big numbers for projects like 611 Green Bay and Loyola Academy's new natatorium. They are likely asking the same questions about their permit fees.

Mr. Canning said when he came into office in 2005, Community Development was not even breaking even. In working on the budget then, they didn't want everything to be a profit center but they wanted to make sure the fees covered the costs. He thinks they were able to right size the permit process in 2005 to 2009. Once the recession hit, everyone was

tightening their belt. Then post-recession, there is the challenge of bigger homes. It seems like a windfall when it was never intended to be that.

Trustee Sullivan said when Mr. Canning says to model out the lost revenue, couldn't one argue that the "lost" revenue of reducing extension fees on these large homes will be made up for in the increased assessed value, which is a recurring tax basis.

Mr. Canning said he called all the communities and did his own little survey. Those conversations were interesting. He was told, "we don't have that issue," or "we meet with people and just kind of decide." In doing his own modeling, he asked the director of finance Melinda Molloy, if there was a change, what would the tax levy need to increase by. Though you would see value down the road, you wouldn't see it immediately.

Trustee Dodd clarified that Mr. Canning was wondering what the impact on the tax levy would be with a reduction in permit fees?

Mr. Adler said the difficulty of having this discussion, he said the natatorium addition at Loyola Academy is a good example. He asked Mr. Canning what the estimated value of that project is.

Mr. Canning said there aren't final numbers but perhaps in the \$11- to \$15-million range.

Mr. Adler said because the project is not single-family residential, there is no extension fee that applies. At \$11 million, the permit fee is \$220,000. The Village doesn't know if this revenue will come in or not. If the Chase property at 1200 Central were to be redeveloped, that would be a substantial permit fee, say a \$40 million project with \$800,000 in permit fees. They don't know what projects will come in and how they will affect the tax levy.

Mr. Canning said taking \$700,000, 5% of the levy, over 3 years, \$233,000 per year.

Trustee Dodd said she calculated permit revenue at about 7 percent of the village's revenue.

Trustee Sullivan said this is the challenge when talking about wanting to slow down or stop development west of Ridge. It's easy to say. The loss of permit revenue at some point will result in the property taxes needing to be increased.

Mr. Canning said there are real world implications, not only for the individual home owners and their project but also for the village tax levy.

Chairman Leonard said they were not talking about revenue, they were talking about covering costs. They can't talk about permits as a revenue source. It is a permit fee, not a tax. The fee is a function of the village's costs.

Trustee Dodd said one would assume that the total fees in place across all permits is in some degree covering costs. If you reduce the permit fees and thus permit revenue by say one-third, you have an issue. There is some revenue generation because there are fluctuations in permits; it is revenue generating to some degree. It's not just Community Development, there are also the costs of inspections by Engineering. It's a legitimate issue whether the village is overcharging these projects. They want to encourage these projects

as Dan said. She asked if they were trying to make this cost neutral. It sounds like maybe not. And that will have an impact to the village budget.

Mr. Canning said the policy started off as a way to encourage quicker development. There was some penalty implication. With the unintended consequences, they have to revisit the policy. They can take into account revenues and expenses; it's not the driver of the decision but what is the goal of the policy.

Chairman Leonard said they can take into account the cost of providing the service; they can't take into account the revenue needs of the community and how to generate more revenue. They have to think about the cost of the private service. If what they come up with has a negative effect on the budget, that's something that needs to be talked about within the confines of that discussion.

Mr. Adler said non-recurring revenue, by its nature, is not reoccurring. One can't predict what comes the next year. In 2018 there could be no non-recurring permits.

Trustee Sullivan asked if there has ever been a year without non-recurring permits.

Mr. Adler said he didn't think so. Probably not much during the recession but even at that time, over a million dollars in permit fees were generated. Contrast that with 2007 when the department couldn't keep up with all the new homes and other permits. The current quantity of 40 to 50 new homes is manageable; not like the 80 per year before the recession or the 10 per year during the recession. Its revenue and it's helping the tax base. It's not so much that people are alarmed about the quantity of homes being demolished and replaced.

Chairman Leonard suggesting reviewing the pros and cons of each option discussed in the staff memo.

Mr. Adler said that the "remaining value assessment" is the alternative preferred by corporation counsel Jeff Stein. The permit extension fee would be based on the construction value of work remaining after 18 months of construction. We haven't run any tests on this because we don't have any information about how much value has been remaining. This is why Morgante-Wilson's input would be helpful. He thought Karen Stromholm had indicated they had this information for three of their projects. These types of homes always have an owners' statement of a payout, it's not going to be difficult to see where the project stands.

Chairman Leonard said using an example of a three-year time frame; at the end of 18 months, how much is left? Is it a straight line?

Mr. Adler said it depends on the project. 516 Sheridan had substantial foundation work, that project would have had a lot more of the construction cost being incurred in the first 18 months. Without more information, it's hard to guess.

Chairman Leonard said for the sake of discussion to assume it's a straight line. So 50% of the original construction cost remains at 18 months. For a project that is \$5 million in construction value, at the beginning of the time frame, they are charged a fee on the \$5 million, which is about 3.5%. In the 19<sup>th</sup> month, they pay 3.5% on half of that value, \$2.5

million, to extend for the same time frame of another 18 months. He proposed that if there was agreement about the construction time based on the construction schedule and it is agreed to be a 3-year project, why not charge 100% on the first 18 months, then another 50% on the second 18 months. He asked the committee members what they thought.

Trustee Dodd said the permit fees should be based on the work of the staff. Where is the time spent by staff?

Mr. Adler said most inspections will come later. There might be 40 inspections on the foundation because they are poured in a number of different sections. The rough and final inspections will be the majority. The inspections are paid for up front. When they charge another 100% for an extension, that is charging again for every inspection. If the plan reviewer is estimating the correct number of inspections, it doesn't really matter whether the inspections take place at the beginning or the end of construction since they are paid for up front. If they require 500 inspections and the first 100 are used in the first 18 months and the remaining 400 are used in the last 18 months, the village is still paid up front.

Trustee Dodd said she is looking to staff to say which of the three alternatives is most relevant to accurately describe the cost of the department relative to the alternatives.

Mr. Adler said the type and quality of construction is not necessarily built in to the square footage calculation. One house that's 7,000 square feet could be built in 4 months and another house that's 1,000 square feet could be built in 4 years. Using construction value, for example \$3 to \$5 million, there's additional work taking place by inspectors. He believes construction value is more equitable. The complexity of construction, the plan review and the inspections, for a home that is \$3 to \$5 million and 10,000 square feet is greater than a home of \$500,000 that is 10,000 square feet.

Chairman Leonard said there are costs in addition to staff time. There is wear and tear on streets. There is a nuisance factor, which is hard to quantify, and many other things that need to get paid for. He has seen the wear on his own street from the construction across from him. There are trucks that were not meant to be on the street and they are in the neighborhood for 36 months.

Trustee Sullivan asked Chairman Leonard to repeat his comment about a \$5 million home with a 3% permit fee for 18 months. What was the rest of that?

Chairman Leonard said he was talking about levying another fee for the second 18 month permit based on the percentage of the home that is still to be built. Assuming 50% has yet to be built at the 18-month mark. The original permit fee for the first 18 months is \$5 million times 3% for \$150,000. At 18 months, there's \$2.5 million construction value remaining to be built. That value times 3% is \$75,000 as opposed to 100% of the original \$150,000 fee.

Mr. Canning said this contrasts with the current practice of being charged 1/5<sup>th</sup> of the original fee. He said Mr. Adler said that he doesn't care whether the inspections are in the first 18 months or the second 18 months. If a project includes 500 inspections, to be fair, do you really need to be charged for 1,000 inspections?

Trustee Sullivan used another example of a \$5 million home with only \$1 million worth of construction remaining at month 19. They would be charged 3% on the \$1 million?

Trustee Dodd said they've been assuming a project is only half finished at 18 months. They could have only 2 months left.

Chairman Leonard said that they don't know what that curve is, if it's a straight line or not. It's just an assumption for the discussion.

Trustee Dodd asked if the idea was to allow for a shorter permit period after the first 18 months; for example for a 6 month permit.

There was agreement.

Mr. Adler said he likes the idea of sitting down with the applicant to review the construction schedule. If they know it's going to be three years, the fees for the first 18 months are set; the second 18 months depends on how far along the project is.

Trustee Sullivan said projects of this size will have a construction schedule, unlike small projects like his current remodel. So the contractor should be able to model out what to expect.

Chairman Leonard said we should require the applicant to submit a schedule and not just accept it. So the in-house person should be able to look at this critically, whether it makes sense.

Mr. Adler suggested that if a project goes past their expected 3 years, they should be charged monthly. When they are paying \$4,000 a month, that's an incentive to get things done.

Trustee Sullivan said he would expect the contract between the owner and the builder will already have penalties built in for exceeding the expected delivery date. The builders are incented to complete on time.

Chairman Leonard said he didn't think there should be a penalty for small errors, a month or two. But there are lots of reasons to be punitive for other situations.

Chairman Leonard asked the committee members what they thought about evaluating at the end of 18 months and charging the same rate on the remaining on the construction value.

Trustee Dodd asked if this was only applying to over \$1 million in value and over 8,000 square footage projects.

Chairman Leonard said there is a relationship between the value of construction and the time it takes to build. The current 18 month schedule works. This will only apply to new home projects that will take longer than 18 months.

Mr. Adler suggested for the extension fee for these projects to only charge the base fee

again, just the \$20.16 per \$1,000. The inspections have already been included, the fixtures have already been included; these don't need to be double counted. If additional inspections are necessary beyond what was original planned, the fee for these can always be added.

There was agreement.

Chairman Leonard said what was the downside.

Trustee Sullivan said the down side is lost revenue of non-recurring projects.

Ms. Roberts said this alternative is dependent upon the applicant providing the information at the end of 18 months and it's dependent upon the plan reviewer being able to assess that information.

Chairman Leonard said if the applicant didn't provide the information, the project would be stopped.

Mr. Adler said that if an applicant didn't want to provide this information, they could continue to pay the extension fees at the calculated monthly rate. The Village is fortunate to currently have a very good plan reviewer who is comfortable making these types of assessments. If this person leaves, we'll find someone just a qualified. These types of homes will have that kind of tracking.

Chairman Leonard moved on to the square foot calculations.

Mr. Canning said the impetus behind this was inspired by the fact that the Village is always checking the proposed FAR. One can play games with the cost numbers but you can't really do that with the FAR. Using the FAR and apply a dollar amount, it becomes a straight-forward calculation right from the beginning. This alternative hasn't been modeled out.

Trustee Dodd asked if this concept would affect current permit fees.

Chairman Leonard clarified Trustee Dodd was referring the original 12-month permit fee.

Trustee Dodd said yes, this proposal seems to be changing how permit fees are calculated. The other option only changes the calculation of the extension. Does this change recurring revenue?

Mr. Adler said a new community might start off calculating this way and some places do this. The staff's concern is that it would be very difficult to determine how this method would impact recurring fees. Morgante-Wilson may have been proposing this for only those projects over a certain size or construction time frame.

Trustee Sullivan said he didn't think this could be written into the code to only apply to new homes over a certain value. Perhaps Mr. Canning as lawyer would have some idea about that.

Mr. Canning said this proposal was also tied to project duration. You pay more per square foot if the work is taking longer.

Chairman Leonard said he is not a fan of this alternative from a fairness perspective. If someone wants to build a 2,000 s.f. addition as a ballroom compared to 2,000 s.f. for a six-bedroom house, that's two very different processes of inspection and staff involvement and time.

Trustee Dodd said that ties in with her earlier point about fees being commensurate with staff costs. Square footage doesn't necessarily get at that. On the other hand, it is easy; FAR is already calculated. Having a skilled person who can evaluate the construction schedule as discussed with option 1 is great but if there isn't that person on staff, there are some challenges.

Chairman Leonard said that if we lose that skilled person, that skill can be hired from the outside.

Mr. Canning said to the question of the village covering its costs, you should be able to figure out what your costs are then determine what fees are appropriate. The numbers prepared by Morgante-Wilson were for discussion. These can be calculated and adjusted.

Mr. Adler said the research to do this would still be difficult. For remodeling, the square footage is more difficult to determine than for an addition.

Mr. Canning asked if square footage is tracked in Munis.

Mr. Adler said one would have to review the actual plans.

Mr. Canning said a simplistic way to look at it would be to figure out how much square footage is being constructed/remodeled in a year and then divide that by the department costs, you would know the dollar per square foot to cover per cost. He's not suggesting if that's the right way or the wrong way but it's a solvable number.

Chairman Leonard said it has to be a cost accounting exercise; it's not just the Community Development department. Other departments, Tim Frenzer's time, overhead, are just some of the considerations. It's a big number.

Trustee Dodd said if they were starting from the very beginning, they could be looking at true FTE costs that would take into account these things. The reason she likes construction cost over square footage is because construction cost drives the time and department involvement. It's the most direct correlation without doing a full FTE analysis, which would take time.

Mr. Canning said the Community Development department's budget for 2017 is \$1.3 million. Assume the village cost is \$2.6 million including all other allocations divided by 40 homes times 3,500 square feet.  $\$2.6 \text{ million} \div 140,000 = \$18.57$  cost per square foot. This excludes additions and remodeling.

Trustee Dodd said another advantage to the first alternative is that it is consistent across all projects and fees.

Mr. Adler said a permit fee per square foot for typical new construction wouldn't be

difficult. The construction cost per square foot isn't varying much. A typical spec home has a stated construction value of \$500,000.

Mr. Adler said the village has a fee structure that people accept and that covers the department's costs. The exercise was to look at extension fees for large projects; this expands the exercise. If the committee wants to look at permit fees in general, then there's a lot more work that would need to take place.

Chairman Leonard moved on to the graduated percentage. After the first 18 months, the next 6 months might be charged at 30% of the original permit fee instead of the current 50%. The following 6 months might be 20%. He asked the committee what they thought.

Mr. Adler said if Morgante-Wilson had a few examples and they all showed that construction is typically 50% finished after 18 months, then we might just have a set percentage instead of asking each applicant to provide a statement at that point.

Chairman Leonard said it comes back to modeling all these options out.

Trustee Sullivan suggested modeling just alternatives 1 and 3. Both are going to reduce the cost to the homeowner.

Chairman Leonard said he wanted to offer a fourth alternative of the concept of mutual agreement on a term. For example, for a 3 year project, 150% of the 18 month permit value will be charged up front for the entire 3-year project. It's done upfront, everyone agrees to it, it's straight-forward, it's revenue negative because right now it's 200%. One challenge is that the applicant needs to have a construction schedule and the staff has to be able to evaluate it.

Trustee Dodd asked what happens when the project takes longer than the agreed-upon 3 years. Is there a fee?

There was general agreement that there should be a fee.

Chairman Leonard suggested two 1-month extensions for 1/36<sup>th</sup> of the original fee. After that, it could be more punitive. The number of homes that will take more than 18 months is very small. The number of homes that will take more than 36 months would be even smaller.

Mr. Canning said he wouldn't say it will be de minimus. If there are 40 new homes each year, say 10 per year are over several million dollars, that 25% of the homes.

Chairman Leonard said a 37-month home is once every 20 years.

Mr. Adler said the longest ones so far have been 41 months, then 32 months, then 27 months.

Trustee Dodd clarified that Chairman Leonard was using 3 years as an example but the agreed-upon construction schedule could be 24 months or 30 months or whatever.

Mr. Adler said this is why it would be beneficial to know how long construction projects are expected to take.

Mr. Canning referenced what Mr. Adler does with footings.

Mr. Adler clarified that some of the properties have to do extraordinary site work before they can even put in footings. This work is on a separate permit with a fee based on just that portion. It is also based on the value of the construction. One project had \$1,000,000 of site work just so they could start putting in the basement.

Mr. Canning said the question he would have then is how do you define construction. What is the first act of construction?

Mr. Adler said if there is no site work necessary, it's when you get your permit and start working on the foundation. For projects like these with site work, it's when the site work is done and they are ready to start the foundation work. For one of Mr. Canning's clients, some foundation work was permitted during the site preparation because it was such an extensive foundation.

Mr. Canning asked if it would be better to include such site work in the new construction permit.

Mr. Adler said many of the homes don't need that so it's not equitable for those properties that do.

Mr. Canning said this approach has been well received but if the various options are going to be modeled, we want to be consistent and complete.

Mr. Adler said requiring a separate site permit eliminates confusion on what the scope is and what project the inspections are for. When the new home construction starts, the site preparation permit is completed and closed. These generally take less than a year.

Trustee Dodd said in the fourth alternative, the example has been to agree to 36 months. So if a project has a 24-month timeline, is the fee something different? Is it a flat percentage for anything between 18 months and three years or does it vary?

Chairman Leonard said 1.5% if it's more than 18 months. It would have to be explored and see what makes sense. If a project takes 19 months, is it fair to charge 1.5%? That seems punitive. They will have to think about what makes sense. It should be more than 100%.

Trustee Dodd said there have been a lot of projects that are in between 20 and 30 months. This might best be addressed with a sliding scale.

There was general agreement for a sliding scale. The goal is to be reasonable and fair.

Trustee Dodd said some residents might ask why is the Village encouraging these really large homes. Some people don't like these homes. They have to be a little careful if they reduce the amount that these projects will pay but not for other projects.

Mr. Adler said he thinks most people's complaints are going to be for those homes built under the 18-month timeframe. Since 1990, almost every new home has been built up to the maximum floor area. There's probably 600 of them.

Trustee Dodd said a negative to this concept is that the village is giving larger development homes a relative break on their permit fees.

Mr. Adler said with homes this size, the floor area is limited to 30% of the lot area. That's important because on smaller and more typical lots, those may be permitted 40% to 50% floor area because of the way the formula works. Lots over around 18,000 square feet are capped at 30%. On these huge lots, they are not covering as much as on smaller lots.

Chairman Leonard clarified that the permit fee extension proposals were not affecting floor area rights in any way.

Chairman Leonard suggested discussing the five alternatives. The first one is to do nothing. On a 36 month project, the applicant is paying 200% of the permit cost. The positive of this option is the revenue generation. The negative is fairness and appropriateness.

Trustee Sullivan said for new projects that have not yet been issued. Any project already underway knew what they were getting into.

Chairman Leonard agreed. He said the village would not be refunding current projects that would qualify under the revised extension fees. It would apply to new projects being issued.

Mr. Adler said the plan was for the projects that are currently underway to pay through the 18 months and by that time, the committee would have figured out the rest of their extension fees. This was brought forward by Mr. Canning and others on behalf of their clients, who knew what the fees were going to be if there is no change made to the extension fees.

Chairman Leonard asked for any other comments on this option. There were no additional comments.

Chairman Leonard said the next option to discuss is calculating an extension fee based on the remaining value. This was Mr. Stein's preference. The positive is that this seems most fair. The negative is that the applicant must provide the value information. This will be more work on the part of the applicant and more work on the part of staff to evaluate it. It will have a negative impact on non-recurring revenue.

Chairman Leonard said regarding the per square foot option, it's the simplest and most straight-forward. It does require a change in the overall permit fee calculation so not just the timeframe after 18 months, it's reinventing the entire process. He said he's not sure if that's a positive or a negative. As a negative, he thought there was a fairness problem because 1,000 square feet may not be the same between homes.

Trustee Dodd said as a negative, for options 2, 3, 4, and 5, all have a negative impact on non-recurring revenue.

Chairman Leonard said regarding the graduated fees, they can't really talk about it until it is modeled, to determine whether it is revenue negative or positive.

Chairman Leonard said regarding the concept of having a construction schedule up front, it requires a construction schedule to be presented. This shouldn't be an additional burden on the applicant since they should already have a schedule. It will require staff expertise and time to evaluate. The positives are it's easy and the applicant knows upfront what the fees will be, which is a benefit.

Trustee Dodd thanks Chairman Leonard for the summary of the options and their impacts.

Chairman Leonard said next step is to wait for the models. He thought it was a good conversation. He asked if there were any other comments on this item. There were no other comments.

#### **V. Status of Pending Committee Items**

Mr. Adler said that there are a couple of items that will need to be referred to the Land Use Committee. One is the review of Michigan Avenue fence requirements, which was discussed briefly by the Village Board. Another item that would need to be referred, if the committee wants to take it up, is looking at the supermajority requirement for Zoning Board cases.

Mr. Canning asked when Boys Hope/Girls Hope will be before the Land Use Committee.

Mr. Adler said the amendments that the committee finished at the meeting need to be approved by the Village Board to correct the notification process. Once that's done, they can be scheduled and give notice.

#### **VI. New Business**

There was no new business.

#### **VII. Public Comment**

There was no public comment.

#### **VIII. Adjournment**

Trustee Sullivan moved to adjourn the meeting, Trustee Dodd seconded the motion and **the motion carried unanimously**. The meeting was adjourned at 8:58 p.m.

Respectfully Submitted,

Lisa Roberts, Assistant  
Community Development