



## Memorandum

To: David Vehaun, City Manager

From: Bill Meyer, Planning & Development Director

**Subject: Proposed Building Permit Fee Modifications**

Date: November 21, 2011

At a recent meeting with members of the development community, it was noted that the City's building permit fees were significantly higher than other similar jurisdictions, especially for larger projects. Staff has surveyed a representative sample of cities across the metropolitan area and state. That research revealed that in fact the City's commercial fees were near the high end of the range, while residential fees were solidly in the middle of the sample.

### Current Permit Fee Analysis

Building permit fees for new construction are almost always calculated from the value of the proposed work. A majority of the jurisdictions use a standard construction value table issued by the International Code Congress (ICC), which helps avoid questions about equity that can arise from self-reported numbers. Some jurisdictions will take self-reported values or use the ICC table as a check on self-reported values. We still feel that the use of this table is the best way to ensure that fees are applied equitably.

The second part of the building permit fee equation is how much is charged per \$1000 of construction value. In this area, most jurisdictions use a 3- or 4-tiered system of decreasing rates where the first increment is charged the highest rate, with decreasing rates as projects get larger. This reflects the fact that any size building requires a base level of inspection and oversight, while those costs are not linear as a project gets larger.

In Rock Hill's case, the current fee system had only two rate tiers, and this clearly had much to do with the larger commercial project permit fees in Rock Hill being higher than our peers. In addition, the second tier was a relatively high rate compared with the middle tiers of the other jurisdictions' schedules. This suggests that we add at least third tier to our rate schedule, and evaluate our current second tier rate.

The final component in the calculation of a building permit fee is the plan review fee. Historically, most jurisdictions have charged an additional amount equal to 50% of the

building permit valuation-based fee for plan review. This is still the most common rate amongst the jurisdictions polled, however a growing number of jurisdictions have reduced these fees to approximately 15-25% of the valuation based fee. In addition, some jurisdictions place a cap on the plan review fee based on the redundant design features of most large projects. This suggests that in order to be competitive with this peer group that a reduction in the plan review fee rate should be considered.

### **Proposed Fee Schedule**

Based on the above analysis, staff is recommending the attached amendments to the building permit fees rates. They include ending the current second tier at valuations of \$1 million, and reducing the rate for that tier from \$3.50 per \$1000 valuation to \$3.00 per \$1000. It then creates a third tier over \$1 million that has a reduced rate of \$2.00 per \$1000. The first tier of valuation up to \$200,000 would remain the same at a rate of \$5.00 per \$1000.

In addition, we propose that the plan review fee be reduced from 50% of the valuation based fee to 25%, with a maximum plan review fee of \$16,000.

The attached charts show both the existing and proposed Rock Hill fees for various projects, and how they relate to the peer group of jurisdictions.

### **Fiscal Impact of Proposal**

The impact of the proposed fees is dependant on the mix of projects in a given year, as the changes will affect large projects more than smaller ones. However, based on historical data, it appears that the impact will be a reduction of approximately 10-15% in building permit revenues. This equates to approximately \$60,000-\$70,000 in the years since the economic slow down.

### **Summary**

In the continuing quest to make Rock Hill's development process a leader in the region, we feel that the proposed fee schedule will make the City competitive in this important area of building permit fees.

It should be noted that the overall development process includes many fees and charges on various other permits that vary between jurisdictions. While Rock Hill was high on a segment of its building permit rates, there are other fees where the City is low or even does not charge for certain items compared to our peers. We will continue to review all of these fees to make sure that the City is competitive, but realistic in its charges for these services to the development community.