



CITY COUNCIL ACTION REPORT

February 13, 2008

TO: Phillip L. Nelson, City Manager

FROM: Brian Murphy, Assistant City Manager/ Economic Development Services
Mark Stimac, Director of Building and Zoning

SUBJECT: Adjustment to Building Permit Fees

Background:

- In the Zucker report on the development approval/permit process, one of their highest priority recommendations was to adjust fees for services to cover expenses. In reviewing the budget of the Building Department we find that in recent years the revenues generated by permit and inspection fees have not met the expenditures of the department. This shortfall was \$825,000 in the 2006/2007 fiscal year, and is estimated to be \$500,000 in the fiscal year ending July 2008. We have reviewed the fee structure for building permits and propose that they be increased. The proposed fee increases have been structured so that the small projects (\$0 - \$10,000 in construction value) will not be affected by the change. On those projects above \$10,000 in construction value, the fees are proposed to be increased by \$3 per \$1,000 value. On very large projects (over \$1,000,000) the fee per \$1,000 is proposed to be increased by \$2. This "price break" does two things. First, it recognizes the efficiency of providing inspection services to a very large size project. Second, it encourages developers to submit full permits rather than piecing projects into smaller submissions causing duplication of work.

Financial Considerations:

- We have estimated that these fee increases will generate an additional \$285,000 in permit fees based upon the amount of work that was permitted in the 2007 calendar year. While this additional revenue will not by itself offset the current shortfall compared with expenditures, we believe that as the economy returns to a more robust condition, the revenues will balance out with expenditures. In addition, we are also looking at other adjustments in trade permit fees that will balance expenditures in those areas. We will bring those forward for your consideration when that analysis is complete.

Legal Considerations:

- Permit fees are allowed to be set by City Council to cover expenditures per Public Act 230 of 1972

Policy Considerations:

- Increasing the permit fees to cover expenses will reduce the burden of the Building Department's activities on the general taxpayer. (Goal II)

Options:

- City Council can increase fees to more closely cover expenditures.
- City Council can deny the increase in fees.

CITY OF TROY BUILDING PERMIT FEES

VALUATION OF WORK

Under \$1,000 -----	\$35.00
\$1,000.00 to \$10,000.00 -----	\$35.00 Plus \$20.00 for each additional \$1,000 or part thereof over \$1,001
\$10,001.00 to \$1,000,000.00	\$215.00 Plus \$7.00 <u>10.00</u> for each additional \$1,000 or part thereof over \$10,001
\$1,000,001.00 and Over	\$7145.00 <u>10,115.00</u> Plus \$5.00 <u>7.00</u> for each additional \$1,000 or part thereof over \$1,000,001.00