



## Agenda Item Summary

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### **Submitted By**

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### **Reviewed By**

LKS

### **Agenda Item Title**

**Second Reading and Adoption of an Ordinance Establishing the Annual Building and Construction Permit Fees and Zoning Application Fees of the Village of Oak Park.**

### **Overview**

The First Reading of the Ordinance was held on March 16, 2015. The Building Construction Permit Fee and Zoning Application Fee Schedule has been re-formatted to be easier to read and apply. Fees have been adjusted to reflect the cost of providing plan review and construction inspection services.

### **Staff Recommendation**

Second reading and adoption of the Ordinance.

### **Fiscal Impact**

The Building Construction Permit Fees and Zoning Application Fees have been established to reflect the cost of providing plan review and construction inspection services and should, therefore, result in a revenue neutral state for the Permit Processing Division's annual budget.

### **Background**

The First Reading of the Ordinance was held on March 16, 2015. Upon review, Public Works revised the attached fee schedule and increased some fees to cover costs. Changes requested by Public Works are related to sewer connection fees and eliminating certain water meter accessory fees. The revised Fee Schedule also clarifies plan review fees for Fire Department's review of fire protection and detection systems and the plan review fees for Health Department's review of food service establishment projects. The revised restoration deposit requirements were further updated to eliminates deposit amounts being determined by the Director of Public Works on a case-by-case basis and instead sets specific fees. The Fee Schedule also now indicates plan review fees are to be established by the Department of Development Customer Services for larger projects. Currently, for larger projects we will hire a third party vendor to conduct the initial review and those fees based on time spent will be passed on to the larger projects.

In July 2009, the Village Board approved the first building permit fee schedule update which was based upon the application of a cost of living factor to all fees, some of which had not been changed for 20 years. Since that time, the only revision has been the addition of fees associated with processing permits online in March 2011. The current schedule does not accurately reflect the cost of providing services to the public. It is at

times difficult to read and cumbersome to use. The revised schedule more accurately reflects the cost of providing permitting and inspection services and to make the schedule easier to use and apply.

Currently, plan review and construction fees for new construction, alterations and additions are calculated as a percentage of the construction valuation. Basing a permit fee on a percentage of construction valuation is a process used by many communities; however, it does not guarantee that the fee has a direct relationship to the cost of providing services to our customers. Projects with similar size and scope are often assessed different permit fees due to the difference in construction valuation. Fees for construction work of smaller scope are calculated using a square foot or lump sum basis. Often, this requires multiple and confusing calculations to be performed to establish the permit fee, again, not necessarily in line with the cost of providing services.

In order to streamline the establishment of permit and application fees, the proposed schedule is based on the premise that fees should reflect the cost of providing services to our customers. As an example, by rebidding a contract for elevator inspection services, the cost of the bi-annual elevator inspections has been reduced from \$60/inspection to \$21/inspection. Fees are proposed in one of two methods.

First, fees for new construction will be established based on the Building Validation Data (“BVD”) published by the International Code Council (“ICC”) every six months although it is recommended that the fees be adjusted on an annual basis. The BVD is a square foot cost based on the national average of construction cost for projects of different construction types and provides a simplified method to determine the estimated value of a building that does not rely on the permit applicant to determine the cost of construction. The use of the ICC data provides for a fair assessment of construction valuation that is not affected by a bidding process.

The BVD is multiplied by the project square footage and then by a Permit Fee Multiplier which is established by dividing the Permit Processing Division annual budget for the previous year by the total annual construction value (averaged across the past four years). Averaging the construction valuation across multiple years helps to reduce the influence of spikes or downturns in construction valuation for a given year. Thus, the permit fee reflects the given project’s portion of the cost of the Division providing services prorated for the given project.

The second method for determining fees is based on an internal review of actual numbers of inspections and costs associated with those inspections for various project types over the past few years. Based on those costs, lump sum fees have been generated for various construction activities which reflect the cost of providing services to the public. This method ensures that projects of similar size and scope, which require the same type and level of inspections, have the same permit fee even though the project construction valuation may differ greatly.

### **Alternatives**

Alternatively, the current method of determining permit fees based on a percentage of construction valuation or lump sum fee based on work item could be continued.

### **Previous Board Action**

The Board conducting a first reading on March 16, 2015.

### **Citizen Advisory Commission Action**

NA.

**Anticipated Future Actions/Commitments**

It is recommended that the fees be reviewed annually to reflect any fluctuation in the Permit Fee Multiplier or the Building Validation Data. These two items directly tie into determining the cost of providing our services to the public. The schedule may be easily revised to reflect the current cost of providing services by applying a percentage change factor to each line item.

**Intergovernmental Cooperation Opportunities**

NA.

**Performance Management (MAP) Alignment**

This item aligns with the Development Customer Service Improve Customer Service by ensuring that the permit issuance and plan review processes are streamlined in a consistent and customer-friendly manner.