

CCAC Review and Comment

Legislative and/or Code Information

Bill number(s) description (if applicable) – Attach Bill language

SF 801/HF 1085; 2SS-CG001-3, Article 10 Municipalities basing of construction permit fees on a cost per square foot requirement

Subd. 1a. Building permit fees; municipalities. Beginning January 1, 2022, building permit fees for new one- and two-family dwellings and townhouses, including any inspection fees, adopted by a municipality must be based on a cost per square foot. All permit and inspection fees must be made available publicly through one or more of the following: (1) posting on the website of the municipality; (2) providing a copy by mail, if requested; or (3) keeping a copy for review at the city hall building of a municipality.

2SS-CG001-3, Article 10 Building Permit Fees

Subd. 1b. Building permit fees; municipalities. Beginning January 1, 2022, fees for building permits, including any inspection fees, adopted by a municipality must be based on a cost per square foot. All permit and inspection fees must be made available publicly through one or more of the following: (1) posting on the website of the municipality; (2) providing a copy by mail, if requested; or (3) keeping a copy for review at the city hall building of a municipality.

Subject/Building Code Section(s)

Building Code Administration
 Proposed Minnesota Statute 326B.153 Subd. 1a and 1b

Technical Advisory Group (TAG)

TAG Formed Yes No

Title of TAG: Building Code Series 1 TAG

TAG Members

Scott McKown
 Irene Kao
 Charlie Vander Aarde
 Nick Erickson
 Brian Hoffman
 Kurt Welker
 Karen Gridley
 Barry Greive
 Simona Fischer
 John Smith
 Ken Hinz

Affiliations/Representing

MN DLI/CCLD; Assistant Director
 League of Minnesota Cities
 Metro Cities
 Housing First Minnesota
 City of St. Louis Park; Association of MN Building Officials
 Welker Custom Homes; Builders Association of MN
 MN DLI/CCLD; Accessibility Specialist
 Target Corporation; Building Owners
 MSR Design; MN American Institute of Architects
 Michaud Cooley Erickson; Building Systems Design and Engineering Practices
 CBS Construction Services, Inc; Contractors

TAG Meeting Date(s)

11/9/2021; 11/23/2021; 12/7/2021; 12/21/21

TAG Comments/Recommendations – Attachment Yes No

1. There was no consensus regarding changing the calculation of permit fees, but if there are any changes to the permit fee structure, they should be limited to new one- and two-family dwellings and townhouses. Permit fees for commercial construction and residential remodels should continue to be assessed based on valuation because the variations in project complexity are more closely tied to valuation and generally reflect the complexity of services provided.
2. TAG members representing municipalities and building officials expressed concerns about assessing permit fees based on square footage because new residential construction has varying degrees of complexity. A more complex project of the same square footage may require additional inspection services. Municipalities will have to update their permit calculation systems for two different methods of assessing permit fees.
3. TAG members expressed concerns on how the state surcharge is to be calculated on permits that are not based on valuation.
4. TAG members expressed concerns about current inconsistent valuation assessments for new home construction between and within municipalities.
5. Some TAG members were uncertain if calculating permit fees based on square footage would improve housing affordability.
6. A viewpoint expressed was that homeowners are being overcharged for permit fees for new construction resulting in municipalities generating permit revenue that exceeds the cost of the service provided. However, because municipalities are not required to report permit fees collected specifically for new one- and two-family dwellings and townhouses, it is unclear if residential construction alone is generating excessive permit revenue.
7. Other TAG members described how permit fee revenue fluctuates depending on annual building permit volume. Excess revenue collected one year may offset department expenses in leaner years.
8. Some TAG members agreed that valuating construction on an established uniform cost-per-square-foot basis for new one- and two- family dwellings and townhouses provides municipalities with a simplified method of determining the valuation of residential buildings that does not rely on the permit applicant or code official to determine.
9. TAG members discussed the potential of establishing a statewide fee schedule for consistency. However, because construction costs, labor and municipal program costs vary throughout the state, a single uniform fee schedule would not be practical.
10. The TAG consensus is that because municipalities currently make their fee schedules publicly available, the proposed posting requirements are unnecessary.
11. There was no TAG consensus on either of the legislative proposals.
12. Many TAG members did not think changes to the permit fees calculation are necessary. However, if the Legislature feels that it is an issue that must be addressed, then an approach that requires DLI to establish a statewide standard valuation on a cost-per-square-foot basis is acceptable. There are several benefits of this approach: (a) the valuation factor would be uniform statewide, thus eliminating the subjective valuation process; (b) the municipality retains control over the actual fee schedule and cost of permits; (c) transparency is increased as the only variables are the size of the building and the municipality's fee schedule; (d) there would be no conflict with calculating the state surcharge based upon valuation as required.

Potential language could be similar to the following:

326B.153 Subd. 1a

The commissioner of labor and industry shall adopt rules to establish a uniform statewide valuation based on a square foot construction cost for new one- and two- family dwellings and townhouses. The commissioner may use the expedited rulemaking procedures under Minnesota Statutes, section 14.389.

Criteria Addressed (check all that apply)

- Eliminating inconsistencies Promoting coordination & consistency Making rules easier to understand & apply
 Streamlining construction regulation & construction procedures Improving procedures within and among jurisdictions
 Other: Cost of construction

CCAC Comments & Recommendations

A motion was made by Grieve, seconded by Hendricks, to approve the Technical Advisory Group Report on Residential Building Permit Fees. The roll call vote was unanimous with 17 votes in favor.

Date of CCAC Meeting: January 20, 2022

Prepared by/Name & Title

Scott McLellan, Construction Codes Advisory Council Chair

Date

January 21, 2022