

MEMORANDUM



TO: VICTOR CARDENAS, CITY MANAGER
FROM: CHARLES BOULARD, COMMUNITY DEVELOP. DIRECTOR
SUBJECT: FEE REVIEW
DATE: JUNE 21, 2023

Mayor and Council –

Please see the analysis performed by Mr. Boulard as it relates to the City's Building and Inspection Fees. It's been several years since these rates have been modified.

- Victor

Background:

The Community Development Department provides a wide variety of services to residents, businesses, and visitors to our community. Fees are collected for many of those services where appropriate, including many Planning and Building related functions. Developers, contractors, and DIY homeowners are charged to offset Building and trade (Plumbing, Electrical, Heating and Refrigeration) related permit, review and inspection costs. These fees are set in a schedule approved by City Council. Commercial and Multi-Family Building Permit values and costs are referenced to Square Foot Construction Costs published and updated by the International Code Council (ICC) and adjust with construction costs. A number of other fees are fixed and have not been revised for a number of years. These have been reviewed for amendment. These are specifically as follows:

Construction Permit Application Fees:

These fees offset the cost of reviewing, processing, administrative follow-through, collections and return of bonds, expiration notification, issuance of Temporary and Final Certificates of Occupancy and file closeout for permits. Applications must be checked for completeness and correct information, appropriate licenses, and insurance as well as coordinated with the balance of project and related permit and Site Plan approvals. While most commercial contractors should be aware to the typical requirements, a significant number of applications and submittals are incomplete. Specific and detailed assistance is also provided for homeowners for DIY projects including an explanation of the inspection process and basic information of permit needs and submittal documentation.

Online applications for trade permits were implemented several years ago for registered contractors and allow significant efficiencies when complete and correct. The applications still require review and other approval and verification workflow by our staff. These application fees are currently \$30.00 per permit. These are proposed to be increased to \$40.00 per permit and the category clarified to include Building Permits for installation of Mobile Homes.

Residential Permit Fees:

These fees are the basic permit cost for new residential 1 and 2 family homes, townhouses and garages. Base permit costs are based on values calculated per square

foot of construction area. These values are fixed in the fee schedule and have not been increased in a number of years. Current values for new work without adjustment are as follows:

1 and 2 family homes and townhouses	\$44.20/sf
Garages (private)	\$13.40/sf
Finished basements(existing)	\$4.00/sf
Basements (unfinished)	\$13.40/sf
Decks	\$19.47-28.22/sf

It is important to note that the “values” are for the completed work and include both materials and labor. While the material cost for a homeowner may be significantly less the value of the finished product will be identical exclusive of who provided the labor. Inspections costs to the City will be the same or more for a DIY project compared to that done by a contractor. These fees are proposed to be significantly increased to more closely match market conditions referenced in the current ICC cost data tables. Lumber demand and supply chain challenges greatly increased over the past 18 months on a hopefully temporary basis. Lumber prices have already fallen. The proposed value adjustments do not include the recent “bubble” pricing.

Base, Additional and Overtime Inspection Fees:

These represent the cost for each permit Final, reinspection, and additional inspection fees as well as hourly overtime charges for contractors requesting overtime, evening weekend and holiday inspections. These are subject to staff availability and are proposed to be adjusted to match current contract amounts as and minimum call in for time where specified in the contract.

Trade (Heating, Refrigeration, Plumbing and Electrical) Permit Fees:

These fees for cover the inspections and support of contractors installing and commissioning these systems. In addition to the basic onsite inspections and documentation there are significant education and support components to this work. Energy Efficiency Code requirements apply to each of these disciplines and often requires coordination with other trades. While our team does not design solutions, we support the contractors in exploration of the potential options to meet the minimum Code requirements.

Permits costs are based on a combination of inspections and quantities of fixtures, circuits, panels, furnaces, etc. Larger projects may require multiple underground, rough or open ceiling inspections as various portions of a building are ready to move to the next stage. While this accommodation requires additional inspection visits contractors are typically not charged unless work is not ready, habitually incorrect or incomplete. Inspection efforts also include review and approval of system test results, air balance and arc-fault calculations.

Efficiencies and convenience:

The City of Novi offers walk in service 9 hours a day 5 days a week. Online trade and Sign permit application submittals and 24 hour/7 day a week construction inspection scheduling are available. Payment for most invoices is available online through credit card or e-check for the convenience of our customers. Confirmation of inspection requests and result are available following field entry of results. Complete Permit status and inspections results are also available 24/7 at bsaonline.com through the link from the City website. Inspectors have field tablets updated in real time and are available to contractors and permit holders via smart phone voice, text and email. Technology upgrades afford increased efficiencies, transparency and increased levels of service balanced with the flood of new products, construction methods and increasingly detailed construction and building performance standards.

While not all inclusive the highlights below summarize many of the proposed revisions noted on the attached draft fee schedule

Proposed Fees Schedule amendments:

Application fee: Increase from \$30.00 to \$40.00

This proposed increase is net of efficiency gains due to technology with increases in personal expenses and additional documentation requirements including energy efficiency submittals, firestopping and joint penetration submittals, increased 3rd party inspection requirements and frequent construction plan resubmittals.

Base Building Permit fee for Residential projects:

Residential Values: Based on 80% of current ICC Building Valuation Data. The proposed values would remain well under the current new construction appraisal values (exclusive of land).

1 and 2 family homes and townhouses	increase from \$44.20/sf to \$104.46/sf
Garages (private)	increase from \$13.40/sf to 41.02/sf
Finished basements(existing)	increase from \$4.00/sf to 16.00/sf
Basements (unfinished)	increase from \$13.40/sf to 18.56/sf
Decks	no change \$19.47-28.22/sf

Trade Permit fees:

Proposed amendments as noted in the attached schedule. These proposed increases are typically of 15 to 20% per unit (appliance, fixture, circuit, etc.) These include typical underground, rough and open ceiling inspections and impact the permit cost based on the scope of the project. Larger projects are typically ready for the various inspections in stages and require multiple inspections. These additional inspections are performed without additional cost unless the violations are repeated, work is not ready or the site cannot be accessed.

Clean ups/Clarification/Deletions:

Lastly, the proposed amendments include deletion of several scheduled fees that are no longer used or applicable. These include but are not limited to: Administrative Temporary Certificates of Occupancy (TCO), Administrative fee for Safety and Special Inspections, Sign change of face (no longer required) and Seasonal Outdoor Seating Inspections (no longer required) along with revisions intended to increase the clarity and reduce the complexity of the fee schedule. Also proposed is standardizing the contractor registration fee and extending the duration to match the expiration of the State Licenses.

Impact of proposed increases for sample projects:

Community Development staff calculated the impact of the proposed amendments for two typical projects. The projects were for construction of a new 2200 square foot single-family home and a Commercial building remodel valued at \$600,000. Comparison of these is as follows:

Single Family Home:

Current fee for Zoning Review, Similar/Dissimilar review, Plan Review Building and Trade Permits, and Inspections would be \$1472.13
The proposed fee for the same scope and structure would be \$2277.00
The increase represents a change of about 0.3% in the cost of a new home conservatively valued at a sales price of \$200/square foot.

Commercial Remodel/Tenant improvements:

Current fee for Zoning Review, Plan Review Building and Trade Permits and Inspections would be \$1442.13
The proposed fee for the same scope and structure would be \$2410.51
The increase represents a change of about 0.16% in the cost of alterations valued at a \$600,000.

Comparison of existing fees with similar communities:

A fee comparison and analysis was conducted by the City of Troy in the spring of 2022 included Troy, Novi, Birmingham, and Flat Rock. Fees were compared for building, deck, shed and fence projects. In the report shared Novi fees were lower than comparison communities in all categories except fences.

Novi Community Development staff made similar comparison for a sample single family residence, residential remodel, new commercial building and commercial tenant remodel. Commerce Township, Lyon Township, Meridian Township, West Bloomfield, Troy and Rochester Hills were used for the comparison.

Each project includes the cost of the building permit, including plan review and permit fees, as well as the trade permits associated with the work being performed (mechanical, electrical, plumbing, and, for commercial projects only, fire suppression). The building permit fees were calculated for each municipality based on the formulas provided on each city's website using the same square footage and valuation. The trade permits were calculated by each of our respective inspectors based on a set

rubric of work. Based on the data presented below, Novi's fees fall below the average in most categories

New Single-Family Residence

The first project comparison is based on a sample of a new 2,806 square foot single family residence with a garage and an unfinished basement.

	Permit Fee	Plan Review Fee	Trade Permit Fees	Total
Commerce Twp	3,420	474	1,246	5,140
Lyon Twp	1,208	185	1,125	2,518
Meridian Twp	3,775	na	1,302	5,077
West Bloomfield Twp	2,393	350	1,473	4,216
Troy	3,650	405	783	4,838
Rochester Hills	3,083	608	1,355	5,046
Average	2,922	337	1,214	4,473
Novi	702	484	934	2,120
Difference (dollars)	(2,220)	147	(280)	(2,353)
Difference (percent)	-76%	44%	-23%	-53%

The total cost of permit fees and plan reviews for building a new single-family residence in the City of Novi is currently 53% below the average of the 5 other municipalities selected.

Residential Remodel

The second sample project is based on a remodel of an existing single-family residence with a valuation of \$95,000.

	Permit Fee	Plan Review Fee	Trade Permit Fees	Total
Commerce Twp	874	114	325	1,313
Lyon Twp	380	80	354	814
Meridian Twp	900	na	653	1,553
West Bloomfield Twp	540	285	422	1,247
Troy	1,065	90	176	1,331
Rochester Hills	978	231	451	1,660
Average	790	133	397	1,320
Novi	513	25	259	797
Difference (dollars)	(277)	(108)	(138)	(523)
Difference (percent)	-35%	-81%	-35%	-40%

The total building permit fee, plan review fee, and cost of trade permits for Novi is currently an average of 40% less than the comparable municipalities.

New Commercial Building

The comparison for this project is based on a new 20,000 square foot building for mixed use (factory/warehouse and office space) and the construction type used was 2B. Trade permits now include fire suppression permits.

	Permit Fee	Plan Review Fee	Trade Permit Fees	Total
Commerce Twp	25,293	14,436	5,936	45,665
Lyon Twp	27,104	2,737	4,254	34,095
Meridian Twp	35,450	na	6,185	41,635
West Bloomfield Twp	21,222	10,642	8,515	40,379
Troy	27,944	3,547	4,886	36,377
Rochester Hills	25,509	4,888	10,705	41,102
Average	27,087	6,042	6,747	39,876
Novi	16,875	8,844	5,072	30,791
Difference (dollars)	(10,212)	2,802	(1,675)	(9,085)
Difference (percent)	-38%	46%	-25%	-23%

While the overall difference of -23% for this type of project is accurate, it is important to that the fees for Fire Alarm and Fire Suppression permits in Novi are typically higher as we require a third-party review prior to submittal to our office (third party review fees were included in Novi's fee calculations). The incorporation of fire suppression permit fees accounted for a 10% reduction in the difference between total Trade Permit Fees in Novi and the average of the comparable municipalities. This only impacts the difference for the total project cost by 1%.

Commercial Remodel

The final project comparison was based on a mixed used (factory/warehouse and office space) commercial remodel with a valuation of \$600,000 and the construction type used was 2B. Trade permits include fire suppression permits as well.

	Permit Fee	Plan Review Fee	Trade Permit Fees	Total
Commerce Twp	5,167	1,440	886	7,493
Lyon Twp	4,584	1,190	1,273	7,047
Meridian Twp	5,950	na	897	6,847
West Bloomfield Twp	3,540	1,800	1,425	6,765
Troy	6,115	630	534	7,279
Rochester Hills	4,413	1,464	1,338	7,215
Average	4,962	1,087	1,059	7,108
Novi	3,025	1,575	1,358	5,958
Difference (dollars)	(1,937)	488	299	(1,150)
Difference (percent)	-39%	45%	28%	-16%

As seen with the New Commercial Building comparison, the fire suppression permit fees impact the difference between Novi and the comparable municipality average for the Total Trade Permit Fees. The incorporation of the Fire Suppression Permit fees brought the Trade Permit Fees from -18% to 30% and the difference for the Total project cost from -22% to -16%.

While significant, the proposed adjustments would more accurately reflect the current cost of services provided as well as the value to the community. Please let me know if I can provide any additional information.