



**Request for City Council Committee Action
from the Department of Community Planning & Economic Development –
Development Services Division**

Date: April 21, 2015

To: Council Member Lisa Goodman, Chair,
Community Development and Regulatory Services Committee

Council Member John Quincy, Chair
Ways and Means Committee

Subject: Permit Fees Ordinance Amending Title 5, Chapter 91 of the Minneapolis Code of Ordinances relating to Building Code: Permit Fees

Recommendation: The Department of Community Planning and Economic Development recommends that the City Council adopt the proposed amendments to Title 5, Chapter 91 to discontinue the practice of having the refund processing fee tied to an annual rate increase and to establish the director's fee schedule with adjusted fees effective April 1, 2015 and remove the automatic annual minimum adjustment of three percent. No increase in permit fees for 2015.

Introduction, 1st Reading and Referral from City Council: March 20, 2015, by Council Member John Quincy

Previous Directives: Previously, the City Council and Finance Department requested staff to review and simplify department fees.

In 2010, the City Council adopted changes to Minneapolis City Ordinance 91.70 to ensure a minimum annual increase of three (3) percent.

Prepared by: Steve Poor, Interim Director Development Services, (612) 673-5837 Approved by: D. Craig Taylor, Executive Director, (612) 673-2785 Presenters in Committee: Steve Poor, Interim Director Development Services, (612) 673-5837
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Financial Impact

- Action is within current budget.

Community Impact

- City Goals: Implements and is consistent with the following City Goals: Living Well, Great Places
- Comprehensive Plan: Implements and is consistent with *The Minneapolis Plan for Sustainable Growth*

Background/Supporting Information: Section 91.15 Fee refunds

Minneapolis City Ordinance 91.15 defines the refunds associated to the Director's Fee Schedule (MCO 91.70). The amount retained by the City increases annually based upon the prior year Construction Cost Index (CCI). Previously, the City Council and Finance Department requested staff to review and simplify department fees.

The refund policy as defined in MCO 91.15 is summarized below.

- No refund can be made for any permit or plan check fee on a minimum fee permit (2014 rate = \$80.90).
- If the work has not started, 50% of the permit fee amount over the minimum fee minus a processing fee (2014 rate = \$31.10) may be refunded. However, the total retained by the city may not exceed the maximum retained fee set in the Director's Fee Schedule (2014 rate = \$153.60).
- If authorized work has been started, the department may retain an appropriate portion of the permit fee in addition to the maximum retained fee of \$153.60.
- A full refund will be made if the department is in error.
- Refund requests must be made within 180 days of payment of the permit fee.

Refund Analysis:

Less than 1% of our customers request a permit refund on an annual basis. In 2014, 245 customers requested refunds on permits with a total fee amount of \$103,789. Staff refunded \$48,042 to the customers. Seventy-two (72) requests were minimum fee permits with no refund given to the customer.

Staff Recommendation:

Permit fees are in place to cover city costs associated with permit fees including processing time, inspections, and city overhead. The current ordinance is difficult for our customers to understand and time consuming for staff to manage. Staff recommends the following refund policy. The processing fee would no longer be tied to an annual rate increase. See attached document for the changes to MCO 91.15.

- If the work has not started, a fifty dollar (\$50) processing fee will be retained by the city.
- If authorized work has been started, the department will retain a percentage of the fees in additional to the processing fee.
- A full refund will be made if the department is in error.
- Refund requests must be made within 180 days of payment of the permit fee.

Background/Supporting Information: Section 91.70 Fee schedule

The Director's Fee Schedule was adopted by the City Council in 2004. The fee schedule includes unit based fees and valuation fees using a valuation category. The unit based fees are subject to an automatic adjustment based on the annual increase in the construction cost index (CCI) for the City of Minneapolis. The valuation fees are subject to an automatic adjustment equal to the annual increase in the consumer price index (CPI). Adjustments are effective April 1st of each year. In 2010, the City Council adopted changes to Minneapolis City Ordinance 91.70 to ensure a minimum annual increase of three (3) percent.

A variety of construction related permit fees are included in the fee schedule including fees from the following departments: CPED-Construction Code Services, Environmental Health, and Regulatory Services. Examples of the fees include building, plumbing, mechanical, elevator, street use, sign, environmental and soil erosion permits. Vacant Building Registration is also included in the fee schedule. All fees in the Director's Fee Schedule are included in the attached document.

Historical Rate Increases:

Since 2010, the fees associated with the Director's Fee Schedule increased 15% while the CPI and CCI Minneapolis increased 8.0% and 11.4% respectively. The historical rate increases are identified in the Table A. The table also includes the proposed rate increase for 2015.

Table A: Inflationary Indexes and Fee History

Year	CPI Prior Year (1)	CCI Prior Year National (2)	CCI Prior Year Minneapolis (2)	Actual Rate Increase
2010	-.4%	3.1%	-.2%	3.0%
2011	1.6%	2.7%	4.0%	3.0%
2012	3.2%	3.1%	1.8%	3.0%
2013	2.1%	2.6%	5.1%	3.0%
2014	1.5%	2.6%	.7%	3.0%
Five Years	8.0%	14.1%	11.4%	15.0%
2015	.8%	2.8%	8.2%	3.0% & 8.0%

(1)www.bls.gov

(2)www.enr.com