



Development in Cities

September 10, 2019

What kind of development happens in cities



Fundamental question: Development or Taxpayer?

Minnesota Administrative Rules

1300.0160 FEES.

Subpart 1. **Schedule of permit fees.** The applicant for a permit for a building; structure; or electrical, gas, mechanical, or plumbing system or alterations requiring a permit shall pay the fee set forth by a fee schedule adopted by the municipality.

When submittal documents are required to be submitted by this chapter, a plan review fee shall be required. The plan review fee shall be established by the fee schedule adopted by the municipality.

Exception: The fee schedule adopted by the municipality may exempt minor work from plan review fees.

Subp. 2. **Fees commensurate with service.** Fees established by the municipality must be by legal means and must be fair, reasonable, and proportionate to the actual cost of the service for which the fee is imposed.

Subp. 3. **Building permit valuations.** The applicant for a permit shall provide an estimated permit value at time of application. Permit valuations shall include total value of all construction work, including materials and labor, for which the permit is being issued, such as electrical, gas, mechanical, plumbing equipment, and permanent systems. Building permit valuation shall be set by the building official.

Exceptions: Building permit valuations for the following structures shall be based on the valuation of on-site work only:

- A. manufactured homes containing a Housing and Urban Development (HUD) certification label;
- B. prefabricated buildings with a Department of Labor and Industry prefabrication label; and
- C. industrialized/modular buildings with an Industrialized Building Commission (IBC) label.

Subp. 4. **Building permit fees.** Building permit fees shall be based on valuation.

Exceptions:

- A. one- and two-family dwelling maintenance permits for roofing, siding, windows, doors, or other minor projects may be charged a fixed fee; and
- B. permits for plumbing, mechanical, electrical, or other building service equipment systems may be based on valuation or charged a fixed fee.

Minnesota Rules require:

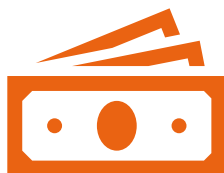
Building permit fees must be based on valuation

Who determines “valuation”?

Developers
provide estimate for valuation



Office of the Revisor of Statutes



Applicant (developer) provides estimated permit value

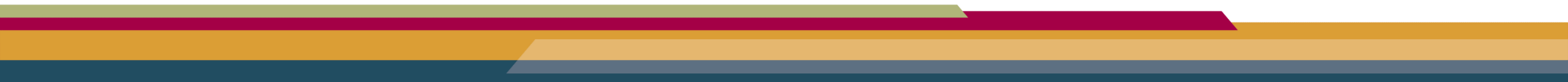
Based on total construction work – labor and materials



Building official verifies estimate



Based on city-adopted fee schedule, building permit fee is set



Who in the city helps with development applications?



PLANNING AND
ZONING



ENGINEERING



BUILDING
INSPECTION



FIRE
DEPARTMENT

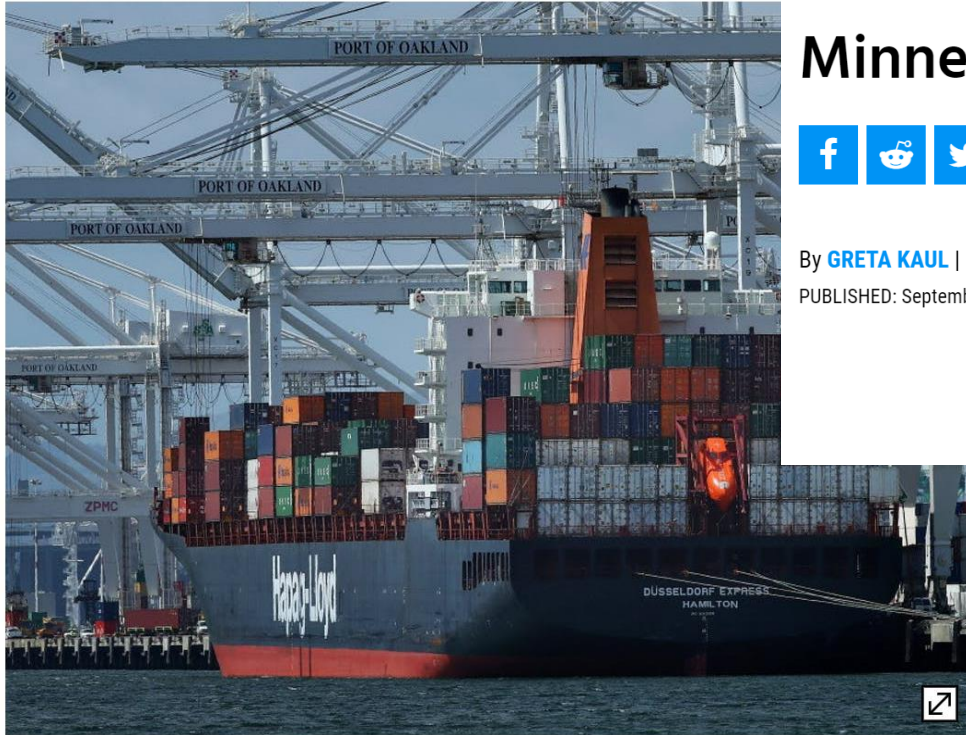


CITY
ADMINISTRATION

A recession is coming, some day. Are you prepared?

You have time to prepare your finances for a downturn.

By Chris Farrell | SEPTEMBER 3, 2019 — 10:25AM



BEN MARGOT

The U.S. economy is growing more slowly this year than it did in 2018. That doesn't mean a recession is imminent, but it's always getting closer.

NEWS > BUSINESS

Minnesota less vulnerable to recession than some states



By GRETA KAUL | Minnpost

PUBLISHED: September 7, 2019 at 2:07 pm | UPDATED: September 7, 2019 at 2:20 pm

The U.S. economy might be on its way toward a downturn.

Economy is ever-changing...

....but residential development is
needed in Minnesota



BUILDING PERMIT FEES:

Boosting the Bottom Line
for Minnesota Cities

*A Look at Disclosed Data on Minnesota
Municipality Building Permit and
Inspection Finances 2014-2018*

HOUSINGAFFORDABILITYINSTITUTE.ORG

III. Fee Revenue And Expenses Associated With Building Permits and Inspections

FEE REVENUE

EXPENSES

6.	Permit Fees	1,681,376.00	10.	Building Inspection Expenses	2,129,139.00
7.	Plan Review Fees	647,180.00			
8.	Other Fees	586,978.00			
9.	TOTAL FEE REVENUE	2,915,534.00			

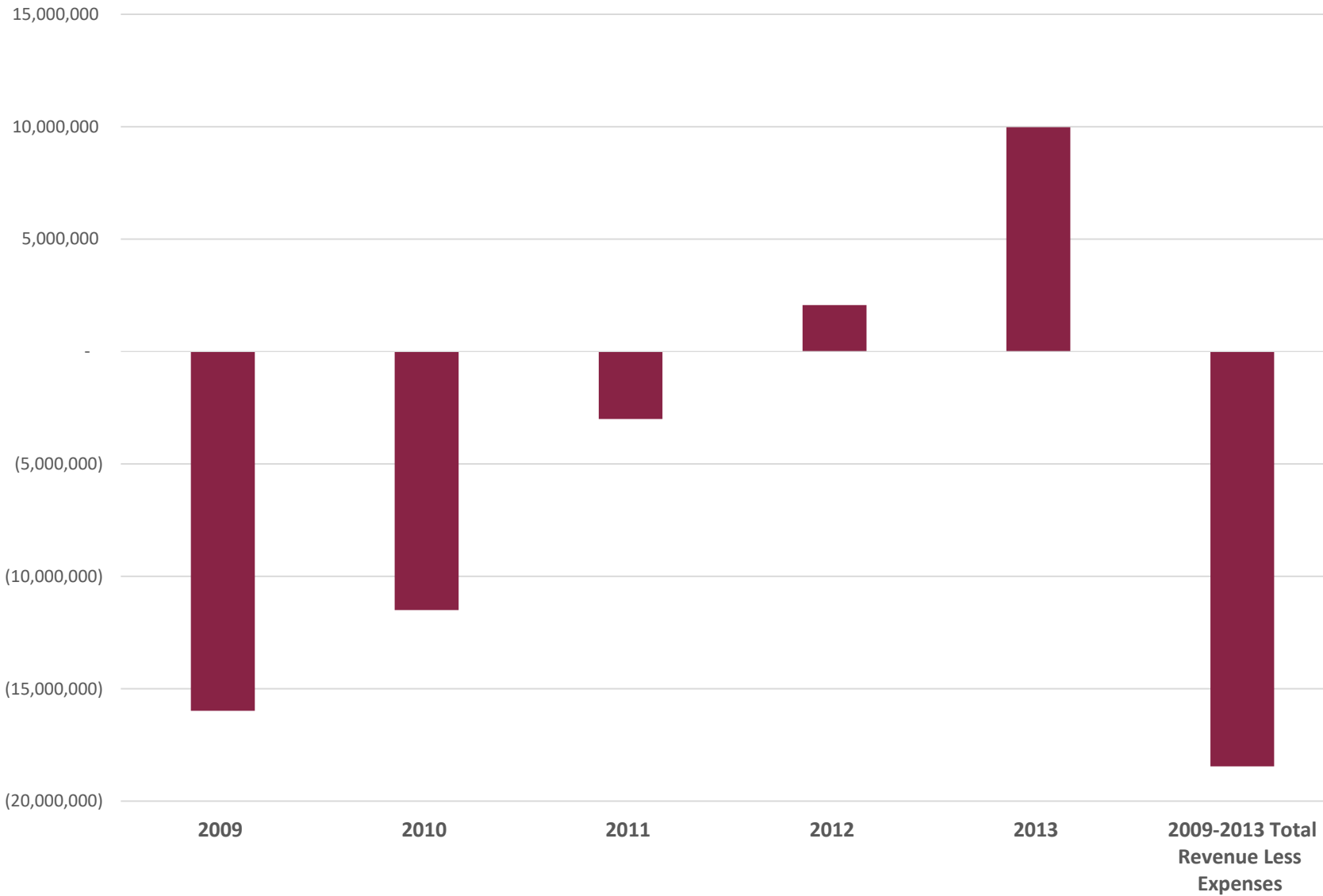
IV. Fee Revenue And Expenses Associated With Development

FEE REVENUE

EXPENSES

11.	Administrative Fees	0.00	16.	Administrative Expenses	0.00
12.	Engineering Fees	725,516.00	17.	Engineering Expenses	1,046,274.00
13.	Planning and Zoning Fees	140,898.00	18.	Planning and Zoning Expenses	958,303.00
14.	Other Fees	34,775.00	19.	Other Expenses	73,957.00
15.	TOTAL FEE REVENUE	901,189.00	20.	TOTAL EXPENSES	2,078,534.00

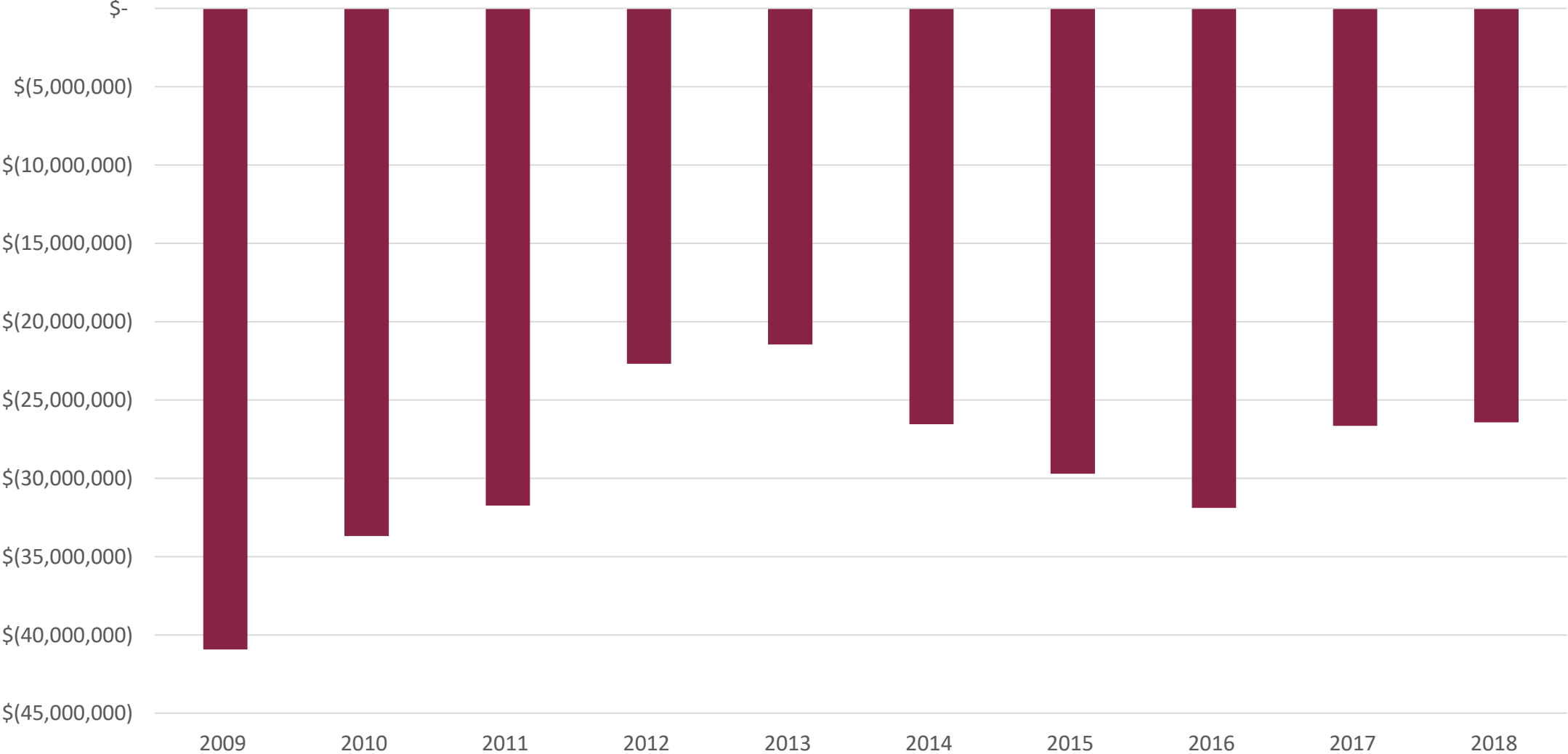
Building Inspection Permit Fees Less Expenses
2009-2013



Looking at another 5 year span (2009-2013) of only building permit fees/expenses:

Cities lost
over \$18 million

Development Fees Less Expenses 2009-2018



Most accurate picture?

10-year timeframe

+

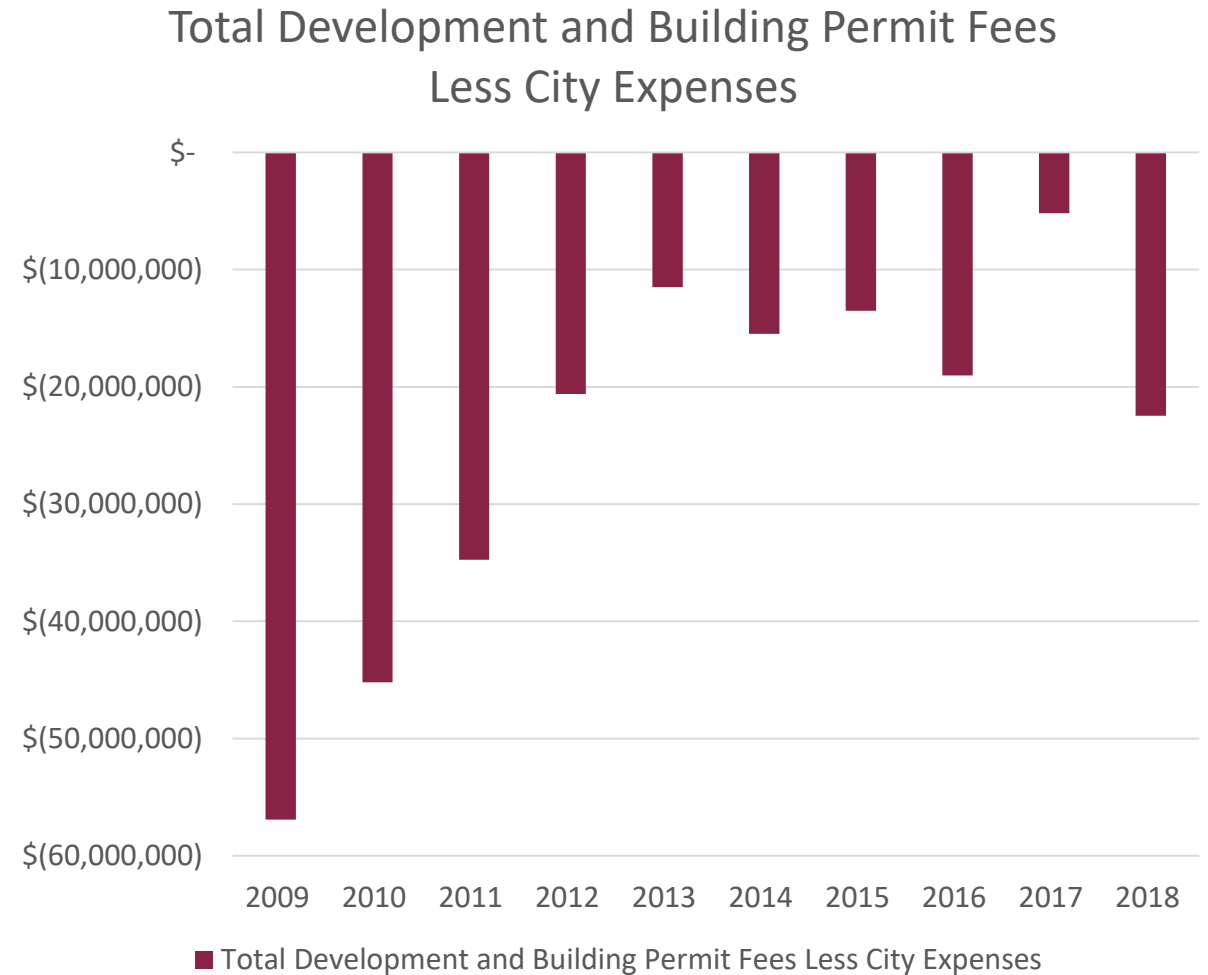
All development related fees/expenses

(building permit, city administrative, engineering, planning and zoning, other)




Full picture: 2009-2018 (statewide) = **-\$244M**

Year	Development Fees Less Expenses	Bldg. Permit Fees Less Expenses	Total Development/Permit Fees Less Expenses
2009	\$(40,932,470)	\$(15,985,657)	\$(56,918,127)
2010	\$(33,682,931)	\$(11,507,319)	\$(45,190,250)
2011	\$(31,735,303)	\$(2,999,968)	\$(34,735,271)
2012	\$(22,682,700)	\$2,061,468)	\$(20,621,232)
2013	\$(21,461,412)	\$9,975,368	\$(11,486,044)
2014	\$(26,550,666)	\$11,064,654	\$(15,486,012)
2015	\$(29,708,140)	\$16,186,841	\$(13,521,299)
2016	\$(31,889,552)	\$12,853,801	\$(19,035,751)
2017	\$(26,652,993)	\$21,449,561	\$(5,203,432)
2018	\$(48,902,714)	\$26,429,761	\$(22,472,953)



Bottom line:
City-collected development fees don't
always cover all city-related expenses

Local Considerations & Decision Making

- Development should pay for development. New pipes and streets would not be built **but for** the new homes and new residents moving in.
 - Cities may be choosing to use taxpayer money to pay for development-related costs
 - Cities may choose to not include inflation when adopting a building permit fee schedule in a given year (despite material and labor costs going up every year)
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Lakeville

Cambridge



Affordable Housing & Cities

City Initiatives to Engage Affordability

City Initiatives to Support Developers



City Initiatives to Achieve Housing Affordability

