



**COMMUNITY DEVELOPMENT & PLANNING  
Analysis of Permit Fee Calculations**

**October 16, 2008**

The *International Code Council* (ICC) publishes *Building Valuation Data* (BVD) which is updated every six months. The following is excerpted from the ICC BVD tables verbatim:

ICC has developed this data to aid jurisdictions in determining permit fees. It is important to note that while this BVD table does determine an estimated value of a building (i.e., Gross Area x Square Foot Construction Cost), this data is only intended to assist jurisdictions in determining their permit fees. This data table is not intended to be used as an estimating guide because the data only reflects average costs and is not representative of specific construction.

This degree of precision is sufficient for the intended purpose, which is to help establish permit fees so as to fund code compliance activities. This BVD table provides jurisdictions with a simplified way to determine the estimated value of a building that does not rely on the permit applicant to determine the cost of construction. Therefore, the bidding process for a particular job and other associated factors do not affect the value of a building for determining the permit fee. Whether a specific project is bid at a cost above or below the computed value of construction does not affect the permit fee because the cost of related code enforcement activities is not directly affected by the bid process and results.

The City's challenge is providing an equitable way to determine permit fees in order to recover the cost of services at some level. It's readily apparent that the practice of accepting a stated construction costs without any empirical basis is not a process that will result in the same fee for the same project, regardless of the contractor.

Using ICC's approach to determine a permit fee using the BVD

1. Calculate PERMIT FEE MULTIPLIER:

$$\frac{\text{DEPARTMENT BUDGET}}{\text{PREVIOUS YEARS ANNUAL CONSTRUCTION VALUE}} \times \% \text{ of COST RECOVERY} = \text{PERMIT FEE MULTIPLIER}$$

$$\frac{\$4,576,110}{\$329,357,005 \text{ (last FY value)}} \times 50\% \text{ Cost Recovery} = 0.007$$

2. Calculate permit fee using BVD:

$$\text{AREA} \times \text{COST PER SQ FT} \times \text{MULTIPLIER} = \text{PERMIT FEE}$$

For this example, the project is a 1,565 square foot tenant finish out for a "B" occupancy in a type IIB building:

$$1,565 \text{ Sq Ft} \times (\$136.34 \times 0.8) \times .007 = \$1,195 \text{ PERMIT FEE}$$

Since the City of Arlington (COA) has an established fee schedule to compute permit fees, the next step is to integrate the ICC with the COA FEE SCHEDULE. Since the COA uses **estimated valuation** from the ICC BVD table with COA FEE SCHEDULE, then the permit fee for the above:

$$1,565 \text{ Sq Ft} \times (\$136.34 \times 0.8) = \$170,698 \text{ estimated valuation}$$

Using \$170,272 to determine the permit fee with COA FEE SCHEDULE = \$1,677.

1. The permit fee using COA FEE SCHEDULE with the ICC BVD is about 70% of the permit fee based only on the ICC BVD approach.

2. So, in order to integrate COA FEE SCHEDULE with the ICC BVD table to assess a permit fee that is estimated to approach 50% cost recovery, the ICC BVD table must be subject to a LOCAL MULTIPLIER of approximately 0.50.

3. The formula then for the permit fee is:

CALCULATED VALUATION FROM ICC BVD X LOCAL MULTIPLIER = Valuation for permit fee purposes

$$\$170,698 \times 0.60 = \$102,419; \text{ then permit fee using our schedule} = \$1,218$$

$$\$170,698 \times 0.55 = \$110,354; \text{ then permit fee using our schedule} = \$1,272$$

$$\$170,698 \times 0.50 = \$85,349; \text{ then permit fee using our schedule} = \$1,080$$

(Using 50% cost recovery approach; ICC Permit Fee is \$1,195)

## **SUMMARY**

The ICC BVD table is updated every six months. The City will modified the ICC BVD table to reflect the cost per square foot value to 50% of ICC's value. This reduction in the cost per square foot value will result in an estimated valuation to be used with the COA FEE SCHEDULE to compute permit fees. This approach provides for an estimated recovery of about 50% of the cost of service delivery. Additionally, this approach provides a methodology that will provide a permit fee that is independent of the cash outlay of the contractor, builder/owner, etc. so that the permit fee then does not introduce variables resulting form various business models and approaches. The same project will result in the same fee regardless of the business model.