

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2144

2007 SENATE POLITICAL SUBDIVISIONS

SB 2144

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2144**

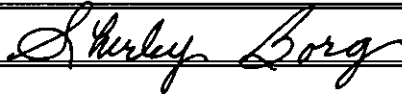
Senate Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: **January 19, 2007**

Recorder Job Number: **1431**

Committee Clerk Signature



Minutes:

**Vice Chairman Olafson** called the Senate Political Subdivisions to order. Roll Call: 4 members present. Chairman Cook was absent.

**Vice Chairman Olafson** opened the hearing on SB 2144 relating to the fees for building permits.

**Senator Holmberg** District 17, Grand Forks, ND, appeared in support of SB 2144. He put the bill in for the Home Builders Association and thinks they made a valid case.

**Representative Carlson**, District 41, Fargo, ND, introduced SB 2144. The bill is quite simple, it just says that building permits provide by ordinance and to fix the fees for the issuance of building permits but the fees may not exceed the cost to the city of reviewing building permit applications and administering building inspection services. The inspectors are doing a good job of making sure that the public is safe. The concern that his association has is that because of the escalating cost of building permits, there has been in some instances, in some cities where there has been excess revenue that has been generated by the permits that has been funded into general funds for the general operating of the cities. The concern is that if there is a full and true cost of a permit that should be a cost of operating that division within the city of

government. I think a good question for the city representatives when they come, is there any identifiable money that has gone from permits to the general fund of your city?

**Representative Boehning**, District 27, Fargo, ND, co-sponsor of the bill, is in favor of SB 2144. There are no complaints on the city inspectors. He thinks if we are overcharging for building permit we should be looking at this.

**Doreen Riedman**, Executive Officer, North Dakota Association of Builders testified in support of SB 2144. (See attachment #1)

**Kyle Bergquist**, Builder in Bismarck and owner of Bergquist Development, Bismarck/Mandan Home Builders, and Board of Directors. We have a good relationship with the Inspections Department and we want to maintain that. We want to make sure if there is building adjustment in the cost of things in building permits, that there is a rational for it. He wants to make sure the building permit thing does not take the wrong direction and we have not addressed it ahead of time. It is a lot harder to fix it later.

**Senator Hacker** asked if he seen the majority of the problem across the board or could you target the difference between single family homes and multi-commercial.

**Kyle Bergquist** answered that there could be. It is hard to say because there are so many different situations.

**Dan Lindquist**, Builder in Fargo, owns his own Business, President of the Home Builders Association of Fargo-Moorhead and member of the NDAB Board of Directors. Testified in support of SB 2144 (See attached Testimony #2)

No further testimony in support of SB 2144.

Testimony opposed.

**Connie Sprynczynatyk**, North Dakota League of Cities appeared in opposition of SB 2144. (See attachment #3)

**Senator Anderson** said he use to do budget for cities and it is true we had to transfer in from building permits and we also had to transfer out in the expenses because we didn't know at the beginning of budget period which was October the year before, what it was going to be. I hear what the people are saying and do sympathize with the cost. However, all cities are different and making a budget out for a city can be complex. There is a lot more to it then just utilizing that money that you received for the building permit. Do you see this in some of the cities? Do they need the excess money to fund those things?

**Connie Sprynczynatyk** answered budgeting can be very complicated calculation. The money in the cities general fund is the money that comes from property tax and the other sources tend to be revenues from fines, fees, permits, transfers and aids from other sources. For example aid from the state aid distribution fund or money from the highway distribution fund and cigarette tax. In Bismarck's general fund it is true that the building permit fees are going to come into the general fund but if you are curious about the make up of the fund, just split it in half. One half comes from property tax and the other half comes from the other sources she mentioned above. The amount that comes from property tax goes to Health, Safety and Welfare which funds police, fire and emergency communications and that would be all we could fund as that budget is 97%. So that would leave only a few hundred dollars to do everything else including building inspection and city administration.

**Ron Strand**, Inspections Administrator for City of Fargo, spoke in opposition of SB 2144. (See attachment #4).

**Kent Costin**, Director of Finance for the City of Fargo, testified against SB 2144. (See attachment # 5)

**Allen Grasser**, City Engineer, City of Grand Forks, ND, testified in opposition of SB 2144. (See attachment # 6

**Darrell Linnertz**, Building official for City of Minot, ND testified in opposition on SB 2144. (See attachment #7)

**Ray Ziegler**, Vice President of the ND Building Officials Association. Recommended a Do Not Pass on SB 2144 (See attachment # 8)

No further testimony in opposition of SB2144

Neutral testimony.

**Kyle Bergquist**, Bergquist Development and Bismarck/Mandan Home Builders Association, appeared to reiterate that they were not pushing for the intense micromanagement with in the governments. If there are legitimate costs that have to go to building permits and inspections and we are basically in an increase and decrease situation, we need to have an understanding.

No further testimony.

**Vice Chairman Olafson** closed the Hearing on SB 2144

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2144**

Senate Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: **January 25, 2007** (Action)

Recorder Job Number: **1881**

Committee Clerk Signature

*Shirley Borg*

Minutes:

**Chairman Cook** called the Senate Political Subdivisions committee to order. All members (5) present.

**Chairman Cook** asked for someone to refresh him on SB 2144 as he was not there for the hearing.

**Senator Hacker** told him the builders were for the bill along with Representative Carlson, Representative Boehning and Senator Holmberg. The cities were against the bill.

**Senator Anderson** said that one of the things that were brought out was that it is probably true on the bigger ones that there is more funds being collected but it is off set when there are small improvements that they never do it. In time of emergency and there are more inspections that have to be done that is also paid for out of those departments.

**Chairman Cook** asked if there was a fund that building fees are transferred into and at the end of the year there is a transfer for that fund. A sizable amount of money in certain cities is transferred into their general fund.

**Senator Anderson** said that in some years it goes into the fund and some years it goes out of the fund.

**Senator Olafson** said there were two problems that bother him. Number one; if we are going to require an agency of a political subdivision to only charge for their fees and services based on actual cost within that agency. If we pass this bill and this may be a questions will we have a flood of other citizens groups coming in and asking for the same type of a bill. Number two; is this a local issue? Should it be decided by the citizens of the city?

**Senator Hacker** spoke with the city administrator from his town. He feels the people should no the exact cost. I don't think it is about profits being made but people are wondering where this money is going.

**Chairman Cook** asked Senator Anderson being a former City Auditor, how this would be policed.

**Senator Anderson** said it would force the cities to go into cost accounting. It would be very difficult to tract their actual costs.

**Senator Warner** pointed out that this is a cost of business to the builders who are able to pass it through to the consumers. The consumers will pay it as a fee or as a property tax. The cost of running government is what ever they are.

**Senator Hacker** said he had trouble when government is not transparent and can not project how much it is costing them to run the program. I think people ought to know what it costs the inspection department if they are claiming that they can not derive a cost to one of their departments.

**Chairman Cook** asked the committees wishes on SB 2144.

**Senator Warner** made a motion for a Do Not Pass on SB 2144.

**Senator Anderson** Seconded the motion.

Roll call vote: Yes 4 No 1 Absent 0

Carrier: **Senator Anderson**



Date: 1-25-0  
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. SB 2144

Senate \_\_\_\_\_ Political Subdivisions \_\_\_\_\_ Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Senator Warner Seconded By Senator Anderson

Senators	Yes	No	Senators	Yes	No
Senator Dwight Cook, Chairman	X		Senator Arden C. Anderson	X	
Senator Curtis Olafson, ViceChair	X		Senator John M. Warner	X	
Senator Nicholas P. Hacker		X			

Total Yes 4 No 1

Absent 0

Floor Assignment Senator Anderson

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
January 25, 2007 1:26 p.m.

**Module No: SR-17-1220**  
**Carrier: Anderson**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2144: Political Subdivisions Committee (Sen. Cook, Chairman) recommends DO NOT PASS (4 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2144 was placed on the Eleventh order on the calendar.**

2007 TESTIMONY

SB 2144



**Testimony on Senate Bill 2144**  
**Senate Political Subdivisions Committee**  
**January 19, 2007**

**Doreen Riedman, Executive Officer**  
**North Dakota Association of Builders**

- EXECUTIVE COMMITTEE**  
**PRESIDENT & ALT. BUILD-PAC TRUSTEE**  
 Lori Wilson, Bismarck  
**1ST VICE PRESIDENT**  
 Tim Rosencrans, Grand Forks  
**2ND VICE PRESIDENT**  
 John Gunkelman, Fargo  
**SECRETARY/TREASURER**  
 Ron Zeller, Dickinson  
**PAST PRESIDENT & BUILD-PAC TRUSTEE**  
 Don Dabbert Jr., Fargo  
**STATE REPRESENTATIVE**  
 Bruce Walker, Minot  
**ASSOCIATE NATIONAL DIRECTORS**  
 Ken Krajsa, Fargo  
 Mike Stenvold, Minot

- BOARD OF DIRECTORS**  
**BISMARCK-MANDAN HOME BUILDERS ASSOCIATION**  
 Bill Huber, President  
 Kyle Bergquist  
 Eddy Mitzel  
 Lori Wilson

- DICKINSON AREA BUILDERS ASSOCIATION**  
 Bosch, President  
 Zeller  
 Irene Schafer, Executive Officer

- FORX BUILDERS ASSOCIATION**  
 Chad Robertson, President  
 Nate Applegren  
 Ralph Applegren, Life Director  
 Bob Klave, Life Director  
 Mario LaPlante  
 Tim Rosencrans  
 Betty McDonald, Executive Officer

- HOME BUILDERS ASSOCIATION OF FARGO-MOORHEAD**  
 Dan Lindquist, President  
 Mike Arnold  
 Bill Blixt  
 Don Dabbert Jr.  
 Gerald Eid, Senior Life Director  
 John Gunkelman  
 Ken Krajsa  
 Bryce Johnson, Executive Vice Pres.

- MINOT ASSOCIATION OF BUILDERS**  
 John Lund, President  
 Mike Stenvold  
 Steve Velk  
 Bruce Walker, Life Director  
 Vicky Flagstad, Executive Officer

- NORTH DAKOTA ASSOCIATION OF BUILDERS**  
 Doreen Riedman,  
 Executive Officer  
 Sandra Neiss,  
 Administrative Assistant

Chairman Cook and members of the Senate Political Subdivisions Committee, the North Dakota Association of Builders (NDAB) encourages your support of Senate Bill 2144, relating to building permit fees.

The NDAB represents over 2,300 members statewide with employees numbering approximately 45,000. We are affiliated with five local builders associations in Bismarck-Mandan, Dickinson, Fargo-Moorhead, Grand Forks, and Minot; and are all part of a larger federation, the National Association of Home Builders (NAHB), which has over 240,000 members.

Escalating and unregulated building permit fees charged by municipalities have become an issue of increasing concern to our association and its members. Building permit fees generally refer to the costs associated with the review of applications and inspections service. These are regulatory fees, and should be assessed based on the costs of providing the services. The concern is that local governments are imposing and increasing these fees indiscriminately as a way to fund general budgets.

Several states have already moved to tighten their statutory language to prevent this abuse on the part of local governments. Minnesota recently adopted a law, which very specifically dictates how local governments may levy and account for fees. Other states, such as Pennsylvania, Texas and Georgia have also adopted such legislation. What we are seeking is very limited and general language to hold local governments accountable.

We want to ensure that building permit fees are limited to the direct cost of providing the application review and inspection services. Extra funds should not be raised under the guise of a building permit fee to provide revenue for general public purposes.



attach:  
#1

In fairness, new homeowners should not be bearing more of the burden of funding government than others in the community.

We also want to ensure that fees aren't raised just because they haven't been raised for a period of time. There should be reasonableness attributed to any increase in such fees, and the fee should be commensurate with the anticipated direct costs of providing such services. It seems that some cities are using their inspections and building permit operations as virtual profit centers.

We respectfully ask this committee to support Senate Bill 2144, and ensure that building permit fees are limited to the direct cost of the review and inspection services.

# RESIDENTIAL BUILDING PERMIT FEES ACROSS NORTH DAKOTA

	GENERAL BUILDING PERMIT:	ELECTRICAL PERMIT:	PLUMBING PERMIT:	MECHANICAL PERMIT:	OTHER:	TOTAL:
Dickinson	\$ 612.00	\$ 154.00				\$ 766.00
Grand Forks	\$ 979.00	\$ 154.00	\$ 84.00	\$ 102.00	\$ 15.00 sidewalk permit \$ 15.00 driveway permit \$ 80.00 water/sewer permit	\$ 1,429.00
Minot	\$ 800.00	\$ 150.00	\$ 65.00	\$ 65.00		\$ 1,080.00
Mandan	\$ 1,000.00	\$ 154.00	\$ 40.00	\$ 40.00		\$ 1,234.00
Bismarck	\$ 963.45	\$ 154.00	\$ 40.00	\$ 53.20		\$ 1,210.65
Fargo	\$ 705.60	\$ 154.00	\$ 150.00	\$ 70.00		\$ 1,079.60

\* A \$200,000 home will vary from city to city, based upon the cost of the lot and other factors.

HOME DESCRIPTION:	State Electrical Inspection fees (estimated \$8,000 electrical job cost)
\$200,000 home	Job Cost
1,800 square foot ranch full basement	Up to \$300.00
two full bathrooms (stool, lav, tub/shower)	\$300.00 to \$3,000.00
one gas fireplace	\$3,000.00 to \$10,000.00
basement bathroom (rough-in only)	\$10,000.00 to \$15,000.00
one kitchen	\$15,000.00 to \$100,000.00
one kitchen sink	Over \$100,000.00
garbage disposal	

Job Cost	Inspection Fee
Up to \$300.00	\$25.00 (minimum fee)
\$300.00 to \$3,000.00	\$25.00 for the first \$300.00 plus 2% on balance up to \$3,000.00
\$3,000.00 to \$10,000.00	\$79.00 for the first \$3,000.00 plus 1.5% on balance up to \$10,000.00
\$10,000.00 to \$15,000.00	\$184.00 for the first \$10,000.00 plus 1% on balance up to \$10,000.00
\$15,000.00 to \$100,000.00	\$234.00 for the first \$15,000.00 plus 1/2 of 1% on balance up to \$100,000.00
Over \$100,000.00	\$659.00 for the first \$100,000.00 plus 1/4 of 1% on balance

attach #1

4

*Black #1*

## NORTH DAKOTA BUILDING PERMIT DATA

November 2008

City	November 2008		YTD as of November 2008		November 2005		YTD as of November 2005		
	Type	Permits	Valuation	Permits	Valuation	Permits	Valuation	Permits	Valuation
<b>BISMARCK</b>									
Single Family		21	\$3,483,132.00	261	\$44,123,046.00	28	\$5,094,714.00	222	\$37,895,275.00
Twin Home/Duplex		4	\$519,039.00	12	\$2,910,963.00	3	\$953,991.00	4	\$1,176,921.00
Multi Family		1	\$750,000.00	14	\$7,678,981.00	1	\$605,400.00	10	\$5,836,377.00
Commercial		0	\$0.00	49	\$58,697,590.00	3	\$1,845,000.00	43	\$78,263,340.00
<b>TOTAL</b>		<b>26</b>	<b>\$4,752,171.00</b>	<b>336</b>	<b>\$113,410,580.00</b>	<b>35</b>	<b>\$8,499,105.00</b>	<b>279</b>	<b>\$123,171,913.00</b>
<b>4 MILE JURISDICTION OF BISMARCK</b>									
Single Family		15	\$3,077,685.00	205	\$38,936,497.00	11	\$2,037,934.00	210	\$37,489,726.00
Twin Home/Duplex		0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00
Multi Family		0	\$0.00	1	\$1,827,000.00	0	\$0.00	0	\$0.00
Commercial		0	\$0.00	11	\$2,318,048.00	0	\$0.00	9	\$3,424,830.00
<b>TOTAL</b>		<b>15</b>	<b>\$3,077,685.00</b>	<b>217</b>	<b>\$43,081,545.00</b>	<b>11</b>	<b>\$2,037,934.00</b>	<b>219</b>	<b>\$40,914,556.00</b>
<b>BURLEIGH CO.</b>									
Single Family		1	\$245,507.00	18	\$3,263,335.00	2	\$326,281.00	25	\$5,398,880.00
Twin Home/Duplex		0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00
Multi Family		0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00
Commercial		0	\$0.00	3	\$163,000.00	0	\$0.00	0	\$0.00
<b>TOTAL</b>		<b>1</b>	<b>\$245,507.00</b>	<b>21</b>	<b>\$3,426,335.00</b>	<b>2</b>	<b>\$326,281.00</b>	<b>25</b>	<b>\$5,398,880.00</b>
<b>MANDAN</b>									
Residential		5	\$706,461.00	103	\$13,376,507.00	6	\$622,216.00	85	\$14,364,315.00
Twin Home/Twnhs/Condos		0	\$0.00	55	\$6,811,508.00	0	\$0.00	62	\$8,460,043.00
Apartment Bldg		0	\$0.00	0	\$0.00	0	\$0.00	2	\$585,000.00
Commercial		0	\$0.00	9	\$4,635,695.00	1	\$243,299.00	11	\$5,152,337.00
<b>TOTAL</b>		<b>5</b>	<b>\$706,461.00</b>	<b>167</b>	<b>\$24,623,710.00</b>	<b>7</b>	<b>\$865,515.00</b>	<b>160</b>	<b>\$28,561,695.00</b>
<b>DICKINSON</b>									
Single Family		5	\$940,919.00	58	\$10,138,232.00	5	\$628,339.00	51	\$7,554,002.00
Multi Family		0	\$0.00	36	\$5,372,729.00	0	\$0.00	88	\$7,615,946.00
Commercial		0	\$0.00	10	\$8,332,594.00	1	\$250,000.00	15	\$14,912,415.00
<b>TOTAL</b>		<b>5</b>	<b>\$940,919.00</b>	<b>104</b>	<b>\$21,843,555.00</b>	<b>6</b>	<b>\$878,339.00</b>	<b>154</b>	<b>\$30,082,363.00</b>
<b>FARGO</b>									
Single Family		19	\$3,384,500.00	272	\$51,812,300.00	21	\$5,088,000.00	334	\$58,335,663.00
Twin Homes		10	\$1,486,000.00	204	\$22,394,000.00	13	\$1,842,700.00	105	\$12,042,900.00
Multi Family		0	\$0.00	11	\$32,076,000.00	1	\$1,855,000.00	58	\$33,581,880.00
Commercial		5	\$5,296,000.00	66	\$76,607,707.00	4	\$1,224,500.00	56	\$74,340,215.00
<b>TOTAL</b>		<b>34</b>	<b>\$10,166,500.00</b>	<b>553</b>	<b>\$182,890,007.00</b>	<b>39</b>	<b>\$10,010,200.00</b>	<b>553</b>	<b>\$178,300,658.00</b>
<b>WEST FARGO</b>									
Single Family		5	\$904,000.00	191	\$27,480,493.00	6	\$1,609,000.00	257	\$35,393,777.00
Twin Homes		4	\$400,000.00	81	\$10,162,000.00	0	\$0.00	180	\$15,103,093.00
Multi Family		1	\$325,000.00	9	\$2,625,000.00	0	\$0.00	14	\$17,246,302.00
Commercial		0	\$0.00	3	\$1,447,000.00	0	\$0.00	7	\$5,911,000.00
<b>TOTAL</b>		<b>10</b>	<b>\$1,629,000.00</b>	<b>284</b>	<b>\$41,714,493.00</b>	<b>6</b>	<b>\$1,609,000.00</b>	<b>458</b>	<b>\$73,654,172.00</b>
<b>GRAND FORKS</b>									
Single Family		3	\$620,631.00	104	\$18,569,942.00	7	\$1,123,604.00	109	\$17,791,529.00
Townhouses		0	\$0.00	81	\$10,983,782.00	0	\$0.00	93	\$11,079,270.00
Multi Family		0	\$0.00	13	\$12,122,872.00	0	\$0.00	9	\$17,401,000.00
Commercial		3	\$1,710,000.00	26	\$43,395,018.00	2	\$184,000.00	31	\$22,548,007.00
<b>TOTAL</b>		<b>6</b>	<b>\$2,330,631.00</b>	<b>224</b>	<b>\$85,071,614.00</b>	<b>9</b>	<b>\$1,307,604.00</b>	<b>242</b>	<b>\$68,819,806.00</b>
<b>JAMESTOWN</b>									
Single Family		1	\$186,039.00	24	\$4,130,720.00	0	\$0.00	17	\$2,817,565.00
Twin Homes		0	\$0.00	2	\$458,576.00	0	\$0.00	0	\$0.00
Multi Family		0	\$0.00	1	\$1,575,000.00	0	\$0.00	1	\$825,000.00
Commercial		2	\$380,000.00	6	\$1,784,000.00	1	\$100,000.00	7	\$1,318,972.00
<b>TOTAL</b>		<b>3</b>	<b>\$566,039.00</b>	<b>33</b>	<b>\$7,948,296.00</b>	<b>1</b>	<b>\$100,000.00</b>	<b>25</b>	<b>\$4,961,537.00</b>
<b>MINOT</b>									
Single Family		4	\$393,000.00	93	\$10,576,000.00	4	\$379,000.00	123	\$13,660,000.00
Townhouses/Condos		4	\$580,000.00	100	\$8,262,000.00	0	\$0.00	70	\$5,879,000.00
Apartment Units		0	\$0.00	31	\$1,338,000.00	0	\$0.00	15	\$554,000.00
Commercial		-	\$1,228,000.00	-	\$20,954,000.00	-	\$202,000.00	-	\$26,727,000.00
<b>TOTAL</b>		<b>8</b>	<b>\$2,201,000.00</b>	<b>224</b>	<b>\$41,130,000.00</b>	<b>4</b>	<b>\$581,000.00</b>	<b>208</b>	<b>\$46,820,000.00</b>
<b>WILLISTON</b>									
Single Family		1	\$156,332.00	63	\$11,461,759.00	2	\$236,789.00	25	\$2,551,015.00
Commercial		0	\$0.00	16	\$8,081,657.00	2	\$31,047.00	21	\$11,551,282.00
<b>TOTAL</b>		<b>1</b>	<b>\$156,332.00</b>	<b>79</b>	<b>\$19,543,416.00</b>	<b>4</b>	<b>\$267,836.00</b>	<b>46</b>	<b>\$14,102,297.00</b>
<b>GRAND TOTALS</b>		<b>114</b>	<b>\$26,772,245.00</b>	<b>2242</b>	<b>\$584,683,551.00</b>	<b>124</b>	<b>\$28,482,814.00</b>	<b>2369</b>	<b>\$614,787,877.00</b>

Compiled by the North Dakota Association of Builders from local building inspection department reports

## Senate Bill 2144 – Limiting of Building Permit Fees

Mr. Chairman and members of the Senate Political Subdivisions Committee, my name is Dan Lindquist. I am a builder in Fargo, own my own business, and am currently serving as the President of the Home Builders Association of Fargo-Moorhead. *and member of N S A B Board of Directors*

- > I feel building permit fees should be limited to the cost of providing the service, and I don't believe that excesses in building permit fees should provide revenue for general public purposes.
- > In 2005, permit fees generated \$2,008,815 for the City of Fargo. The Inspections Department budget was \$1,186,068. The excess amount of \$822,747 was contributed to the city's general fund. *- This is also the year the Fargo City Commission approved a 10% increase*
- > I don't think building permit fees should not be raised indiscriminately, *in permit fees.* for reasons like they haven't been raised in a number of years or fees are higher in other communities.
- > Permit fees should be based upon reliable, factual statistics/~~showing~~ the fee is commensurate with the costs of reviewing the applications/~~and~~ administering the inspections services.
- > We are simply asking for accountability in how such fees are established/~~and~~ want to ensure that such fees are never used for purposes other than which they are intended.
- > In Fargo, I think the Building contractors have a great relationship with Ron Strand and the staff in his Inspections department. He has made himself available and been helpful in addressing concerns raised by people in the Building Industry. It is important to keep that excellent working environment in tact. It is also imperative we make every effort to keep housing affordable. In 2005 and 2006 my company has closed over 70 addresses under \$150,000. For a large number of these buyers, even a small increase in their purchase price would eliminate them from homeownership. People buying homes benefits everyone, and it's in the best interest of all, to keep costs manageable.

Thank you, Mr. Chairman. I'd be happy to answer any questions you may have.





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(State Relay)

CITY OF *Williston* NORTH DAKOTA

January 16, 2007

Senate Political Subdivisions Committee  
State Capitol  
Bismarck, North Dakota

Dear Senator Cook and Committee Members:

The City of Williston opposes the limitations on building permit fees that are imposed in SB 2144. We have many costs that are currently covered by our basic fee schedule. It would be an added burden to track each inspection and bill each project based on the actual costs of each project. Our current rate schedule provides some consistency to each project based on the estimated construction costs and does not differ based on each project, making it a lot easier to administer. We presently use a fee schedule set up in 1988 using the Building Safety Journal to come up with values and continue to use a 1988 uniform building fee schedule set by the Uniform Building Code at 75% of the fee in 1988. We have not adjusted our fee schedule since 1988 and believe we are certainly not out of line in our current schedule.

We urge a "Do Not Pass" recommendation for SB 2144.

Sincerely,

E. Ward Koeser  
President of the Board of Commissioners

TESTIMONY IN OPPOSITION TO SENATE BILL 2144

RON C STRAND

INSPECTIONS ADMINISTRATOR

CITY OF FARGO

JANUARY 18, 2007

GOOD MORNING, CHAIRMAN COOK AND MEMBERS OF THE SENATE POLITICAL  
SUBDIVISIONS COMMITTEE.

I AM RON STRAND AND I AM THE INSPECTIONS ADMINISTRATOR FOR THE CITY OF  
FARGO. I AM REPRESENTING THE CITY OF FARGO. I AM HERE THIS MORNING TO  
SPEAK IN OPPOSITION TO SB 2144 AND ITS PREMISE WHICH WOULD REQUIRE A  
SUBJECTIVE AND NONSPECIFIC LIMITATION ON BUILDING PERMIT FEES. SPECIFICALLY  
WE OBJECT TO THE PREMISE THAT ANY REGULATION OF BUILDING PERMIT FEE  
AMOUNTS IS NECESSARY AND THAT AMOUNTS REPRESENTED ARE EXCESSIVE WITH  
RESPECT TO THE COSTS OF PROVIDING THESE SERVICES.

HOPEFULLY I CAN PROVIDE YOU WITH SOME INSIGHT INTO BUILDING PERMITS, PLAN  
REVIEWS AND THEIR PROVISION AS SERVICES TO OUR CITIZENS. I WOULD ALSO LIKE  
TO PROVIDE YOU WITH MY THOUGHTS ON THE COSTS OF PROVIDING SUCH SERVICES.

SINCE 1975 I HAVE BEEN THE BUILDING OFFICIAL FOR TWO COMMUNITIES OF  
SIGNIFICANTLY DIFFERENT SIZE. I BELIEVE THAT MY EXPERIENCE SHOULD LEND A  
CONSIDERABLE AMOUNT OF INSIGHT ON THE SUBJECT AT HAND. I NOT ONLY  
UNDERSTAND THE INTRICACIES OF PROVIDING PLAN REVIEW AND BUILDING  
INSPECTIONS SERVICES TO OUR PUBLIC BUT HAVE ALSO BEEN INVOLVED IN

PREPARING AND ADHERING TO BUDGETS IN BOTH SMALL AND LARGE COMMUNITIES WITH STAFFING LEVELS AND SERVICE DEMANDS COMMENSURATE TO THEIR SIZE.

REGARDLESS OF SIZE OUR COMMUNITIES FACE THE SAME CHALLENGE, PROVIDING NECESSARY SERVICE TO THE BEST POSSIBLE CONCLUSION FOR A REASONABLE COST AND WITHIN A SUSTAINABLE BUDGET. THIS HAS BECOME MORE COMPLEX IN TODAY'S ENVIRONMENT. IN ADDITION TO THE MORE TRADITIONAL ASPECTS OF BUDGETING, COMMUNITIES NOW HAVE TO TRY TO ANTICIPATE FACTORS THAT, WERE THE BILL YOU ARE BEING ASKED TO CONSIDER BE APPROVED, CAUSE JURISDICTIONS TO INCLUDE ALL OF THEIR COSTS TO ARRIVE AT AN ITEMIZATION OF ALL COSTS THAT SHOULD BE ASSOCIATED WITH PLAN REVIEW AND PERMIT SERVICES.

PERMIT FEES WOULD NOT GO DOWN. OUR FEES ARE SET TO COVER OUR EXPENSES. THE PERCEPTION OF FEES EXCEEDING THE COST OF PROVIDING PERMIT, PLAN REVIEW AND INSPECTION SERVICES IS MISGUIDED. SOME COSTS ARE OBVIOUS AND SELF-EVIDENT OTHERS ARE NOT READILY APPARENT BUT ARE NONE THE LESS REAL. THOSE NOT READILY APPARENT COSTS INCLUDE ADMINISTRATIVE SUPPORT FROM THE AUDITOR'S DEPARTMENT FOR PROVIDING ALL OF OUR ACCOUNTING AND BILLING SERVICES; PLAN REVIEW SERVICES FROM FIRE, ENGINEERING AND PLANNING DEPARTMENTS; COMPUTERS, SOFTWARE, AND TECHNICAL SUPPORT FROM OUR INFORMATION TECHNOLOGY DEPARTMENT; VEHICLE SERVICES FROM OUR CENTRAL GARAGE; AND, LEGAL SERVICES FROM OUR ATTORNEY'S OFFICE AND THERE ARE DOUBTLESS MORE. ALSO NOT READILY APPARENT BUT JUST AS REAL ARE COSTS FOR OFFICE SPACE (PRESENTLY RUNNING FROM \$.50 TO \$1.00 PER SQUARE FOOT IN DOWNTOWN FARGO), ELECTRICITY, HEAT, PARKING, AND INSURANCE.

ADDITIONAL COSTS WOULD ALSO HAVE TO BE CALCULATED TO INCLUDE THE ANTICIPATED COSTS OF LONG TERM RECORDKEEPING, UNUSUAL NUMBERS OF

REINSPECTIONS, AND LENGTHIER THAN NORMAL INSPECTION TIMES. ALL OF THESE CONSIDERATIONS WOULD DRIVE THE PERMIT FEES UPWARD. PREVIOUSLY UNANTICIPATED COSTS, FOR EXAMPLE UNSTABLE AND SOMETIMES RUNAWAY FUEL PRICES, SUDDEN CHANGES IN SERVICE DEMAND AND THE POTENTIAL FOR UNFAVORABLE LITIGATION RESULTS WOULD ALSO HAVE TO BE INCLUDED.

THE BUILDING PERMIT FEE FOR A \$200,000 HOME IN FARGO IS A ONE-TIME FEE OF \$705.50. \$705.50 TO OFFSET THE COST OF: REVIEW OF THE PLANS (INCLUDING RESUBMITTALS); ISSUANCE OF THE BUILDING PERMIT; DISTRIBUTION OF THE PLANS AND PERMIT COPIES TO OTHER AFFECTED DEPARTMENTS; FIVE TO FIFTEEN INSPECTIONS OF THE SITE AND CONSTRUCTION (INCLUDING FUEL, VEHICLE MAINTENANCE, INSURANCE); ADMINISTRATION OF CORRECTION NOTICES; ISSUANCE OF THE CERTIFICATE OF OCCUPANCY; STORAGE OF PERMIT AND PLAN RECORDS; RESPONSE TO INQUIRIES; AND, POTENTIAL COST OF DEFENSE AGAINST FUTURE LITIGATION.

IN ANY EVENT, THE EFFECT OF THIS LEGISLATION WOULD BE TO FORCE JURISDICTIONS TO OPERATE ON A POTENTIALLY VERY CLOSE MARGIN. IF PERMIT CONSTRUCTION ACTIVITY DROPS, DOWNSIZING OF DEPARTMENTS COULD WELL BE THE RESULT. DOWNSIZING WOULD BE CRIPPLING. LAYOFFS OF TRAINED AND EXPERIENCED INSPECTORS WOULD COST US THOSE TRAINED PERSONNEL THAT WE HAVE WORKED SO HARD TO ACQUIRE, TRAIN AND RETAIN. THE OBVIOUS RESULT WOULD BE LESS EFFICIENT, LESS CONSISTENT, LESS ACCURATE SERVICE WITH THE FURTHER RESULT OF INCREASED EXPOSURE TO LAWSUITS AND AN INCREASE IN COSTS THAT WOULD HAVE TO BE PASSED ON TO USERS. THIS WOULD SEEM TO ME TO ACCOMPLISH JUST THE OPPOSITE OF ITS INTENDED PURPOSE. ONCE DONE THIS WOULD BE DIFFICULT TO UNDO. OUR TRAINED INSPECTORS WOULD NOT BE ABLE

TO SIT AROUND AND WAIT FOR A RECALL TO SERVICE WITH US. THEY WOULD HAVE TO PURSUE OTHER POSITIONS AND BE LOST TO US.

IN FARGO, AND I SUSPECT IN OTHERS OF THE STATE'S JURISDICTIONS, FEES ARE ALREADY BASED ON ANTICIPATED COSTS OF PROVIDING THE NECESSARY SERVICE. SOME CLASSES OF BUILDING PERMIT FEES HAVE BEEN KEPT LOW IN ORDER TO STIMULATE DEVELOPMENT IN CERTAIN AREAS OF CONSTRUCTION OR IN CERTAIN AREAS OF THE COMMUNITY. AS AN EXAMPLE, COMMERCIAL PERMIT FEES ARE PRESENTLY A GOOD DEAL HIGHER THAN RESIDENTIAL FEES. THIS EFFECTIVELY SUBSIDIZES SOME OF THE COST FOR THE PROVISION OF RESIDENTIAL INSPECTIONS SERVICES. IN WAKE OF THIS PROPOSED LEGISLATION IT WOULD BE NECESSARY TO ELIMINATE THIS DISPARITY AND EQUALIZE RESIDENTIAL TO COMMERCIAL FEES BASED ON NUMBERS OF INSPECTIONS OR SOME OTHER CRITERIA.

A RECENT LAWSUIT RESULTED IN A JUDGMENT AGAINST THE CITY OF \$167,000 FOR WORK AUTHORIZED UNDER A PERMIT FOR WHICH THE FEE WAS \$116. THIS SORT OF RESULT CERTAINLY POINTS OUT THAT THE MINIMAL COST OF PERMITS CAUSED US A GREAT DEAL OF CONCERN ABOUT POTENTIAL LIABILITY ON ANY OR ALL OF OUR PERMITTED PROJECTS. LEGISLATION FROM THE 2005 SESSION GAVE JURISDICTIONS SOME HELP WITH PARTIAL LIMITS ON LIABILITY BUT WE ARE STILL OPEN TO LITIGATION THE COSTS OF WHICH MUST BE CONSIDERED WITHIN OUR FEE STRUCTURES.

WHAT IS THE MOTIVATION? I HAVE BEEN TOLD THAT THIS IS AN EFFORT TO AVOID A DOWNTURN IN HOME CONSTRUCTION. OF ALL THE THINGS THAT ARE LIKELY TO HAVE SUCH AN EFFECT I WOULD DOUBT THAT THE BUILDING PERMIT FEE, A ONE TIME COST, HAS MUCH OF AN EFFECT.

