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Date: June 24, 2024**To:** George Koczwar, Village Manager
Jim Culotta, Assistant Village Manager**From:** Steve Marciani, Director of Development Services**Re:** **Proposed Concept Code Amendments – Application Fees and Fees per Square Foot**

The 2022-23 Lean Enterprise Institute (LEI) initiative in which Development Services staff participated identified opportunities to make development-related processes more efficient and effective. Two of these opportunities, application fees and fees per square foot, are addressed on a conceptual level below. Staff is requesting input from the Committee of the Whole regarding the concept now, and implementation details, such as Village Code updates, will be brought forward at a future date should the BOT be supportive of the concepts.

The purpose of this communication is twofold: (1) to discuss the potential implementation of an application fee for all permit requests; and (2) to propose transitioning to a fee calculation based on building square footage rather than our current system, which is a combination of fees per fixture, outlet, pipe diameter, etc. for new attached and detached single family homes.

Development Services aims to enhance the efficiency and effectiveness of its current processes, including covering a portion of administrative expenses when processing permit applications and minimizing staff time to calculate permit fees. The role of local government is to protect the health, safety, morals, and general welfare of the public. The proposed fee structure is intended to fully cover Village costs (application intake, plan review, permit issuance, inspections, etc.) of the improvements property owners want to make to their properties.

As of June 14, 2024, there were 716 permits¹ that had been approved, but not issued, as the permit fees have not yet been paid. Reasons for not picking up the permit may include, but not be limited to, a lack of financing by the property owner to enable the contractor to proceed with the project, the property owner just choosing to no longer pursue the project, and the department experiencing a busy permit season. This doesn't change the fact that administrative, plan review/inspection, and planning/zoning staff have taken the time to intake the permit, review the plans, estimate permit costs, and otherwise get the permit ready to be issued at the time of payment. If the applicant doesn't pay for the permit, the department does not get reimbursed for its sunk costs.

¹ 279 permits approved prior to 2023 + 123 permits approved in 2023 + 314 permits approved to-date in 2024 = 716 permits approved but not yet issued

Application Fees

Currently, the Village does not collect an application fee upon submission of permit applications. Staff expends time and resources processing and reviewing submissions without any associated income. If an applicant decides not to proceed with their permit application, the Village does not recoup the costs incurred during the initial review and processing of permits².

Development Services is advocating for the implementation of a nonrefundable application fee, especially for smaller, flat-rate projects, for the following reasons:

- **Covering Administrative Costs:** Collecting an application fee will help offset the expenses of staff time and resources dedicated to reviewing plans and applications, including the applications that are not eventually issued.
- **Serious Applicants:** Charging an up-front application fee will discourage non-serious applicants from applying for permits, potentially reducing the number of dormant permit approvals awaiting outstanding fees.

Fees per Square Foot (Single Family Residential Only)

Currently, the Village calculates permit fees based upon all the components that go into a project, including each plumbing fixture, each electrical outlet, each piece of equipment, etc. The inspectors enter quantities for their respective trades, and the building official reviews and adds the remaining fees, creating the total permit fee for a given project. Transitioning to a square-foot-based fee calculation for a new single family detached home, for instance, would enable the permitting system to automatically calculate the fee and eliminate the need for four inspectors to contribute to fee calculations, reducing the staff time needed for the fee inputs and promoting efficiency of our process outputs.

This approach continues to allow the Village to charge fees directly proportional to the size/square footage of the project, whether it is a new home, addition, or remodel. A small fee study of 6 homes, comparing existing and proposed fees, was conducted by Development Services staff. The initial comparisons suggest the total costs using a fee-per-square-foot can be made consistent with the current total permit cost calculations.

If this new fee structure concept is ultimately approved, it is suggested that a Chicago-Gary-Kenosha Consumer Price Index (CPI) multiplier be included to update the rate automatically each year to adjust for changes in prices over time, keeping pace with inflation.

Should the Board of Trustees be supportive of the concepts presented above, staff will return with proposed Village Code amendments at a future meeting date.

A few exhibits are attached to provide further information regarding the proposed fee concepts.

The details within the concepts are subject to change.

² Pre-permit issuance staff time for a complete, straightforward, and properly applied for fence permit for a corner lot on the first try includes: Administration/Intake (0.25 hours * \$23.21/hour) + Plan Review (0.25 hours * \$32.14/hour) + Planning/Zoning (0.25 hours * \$35.34/hour) + Administration/Permit Card Prep (0.25 hours * \$23.21/hour) = Sunk Costs (1.0 hour; \$28.47). A fence permit fee is \$100, including administration and one inspection. Any requests for revised information increase staffing costs. The follow-up costs depend on the quality and quantity of the resubmittal(s).

Exhibit A – Fee Concepts

Application Fees

Goal: Charge a non-refundable fee to cover staff processing and review costs in case a permit is never paid for by the applicant.

The proposed application fee concept is not intended to increase the fee amount owed but collect most or all of the permit fee up front. Many of the Village's basic permits have fees of \$75. For permits in which the fees are greater than the application fee, it is recommended the balance will be paid prior to permit issuance.

If the Committee of the Whole supports the application fee concept, staff will return with specific proposed Village Code amendments at a future meeting.

Fees per Square Foot (Single Family Residential Only)

Goal: Charge a per square foot fee that covers costs associated with application intake, plan review, permit issuance, and project inspections.

The proposed fee per square foot includes the home's gross square footage (livable, basement, and garage floor area) and with suggested categories from which to base the fee calculation:

- 2,000 SF or less
- 2,001 – 4,000 SF
- 4,001 SF or more

In addition, a Consumer Price Index (CPI) factor is suggested to be automatically applied to the fees each year to include adjustments for inflation.

If the Committee of the Whole supports the fees per square foot for single family residential (detached and attached), staff will return with specific proposed Village Code amendments at a future meeting.

Exhibit B – Chapter 2: Building Permits and Fees

- [5-2-1:](#) Permit Required
- [5-2-2:](#) Application for Permits
- [5-2-3:](#) Plans and Specifications
- [5-2-4:](#) Permit and Inspection Fees Required
- [5-2-5:](#) Plan Review Fees
 - [5-2-5-1:](#) Preliminary Plan Review
 - [5-2-5-2:](#) Final Plan Review Fees
 - [5-2-5-3:](#) Re-review Fees
 - [5-2-5-4:](#) Applicable Plan
 - [5-2-5-5:](#) Additional and/or Exceptional Plan Reviews
- [5-2-6:](#) Zoning Permit Fees
- [5-2-7:](#) Building Permit and Inspection Fees
 - [5-2-7-1:](#) Fixed Fee Permits (small improvements)
 - [5-2-7-2:](#) Fees for Repair or Remodeling by an existing tenant (deleted by 5293, 4-16-18)
 - [5-2-7-3:](#) Building Inspection Fees for Construction, Additions and Alterations of Residential or Commercial Buildings or Structures
 - [5-2-7-4:](#) State of Illinois Mandated Code Inspection Fees
 - [5-2-7-5:](#) Additional Fees
 - [5-2-7-6:](#) Electrical Inspection Fees
 - [5-2-7-7:](#) Plumbing Inspections Fees
 - [5-2-7-8:](#) Mechanical Inspection Fees
 - [5-2-7-9:](#) Health Inspection Fees
 - [5-2-7-10:](#) Miscellaneous Fees
- [5-2-8:](#) Water and Sewer Tap-on Fees
 - [5-2-8-1:](#) Water Fees
 - [5-2-8-2:](#) Sewer Fees
- [5-2-9:](#) Certificate of Occupancy Fees
- [5-2-10:](#) Refunds
- [5-2-11:](#) Compliance to Permit
- [5-2-12:](#) Termination of Permits
- [5-2-13:](#) Renewal of Permits
- [5-2-14:](#) Work Begun Without a Permit