

MEMORANDUM

To: City of Seguin Mayor and Council Members
Steve Parker, City Manager

From: Oscar Arevalo, Chief Building Official

Through: Pamela Centeno, Director of Planning & Codes

Subject: **Consideration of fee reduction for Navarro High School**

Date: August 28, 2023

The Navarro Independent School District has requested a fee reduction for the building permit fees charged by the City of Seguin for the proposed high school project. Building permit fees are based on either the monetary valuation of the project or the square footage. The City of Seguin had used the valuation of a project for many years until the State of Texas required residential inspections to be charged based on square footage. The City of Seguin adopted a fee schedule based on square footage for both commercial and residential projects for consistency and to avoid the inherent issues involved with valuations of projects. Valuations for projects can vary greatly depending on what is included in the project and who does the valuation. A fee based on the square feet of a project is more consistent from one project to another.

The purpose of building permit fees and plan review fees that are charged by cities is intended to cover the cost of doing the work required for the project. The hard costs include the labor for reviews, inspections, and administrative duties. Other costs include vehicles, fuel, support staff in other city departments, etc. These extra costs usually add anywhere between 30 to 40 percent to projects. The current fees charged by the City of Seguin do a good job of reflecting the actual cost to the city. Some projects like a school can require many inspections and make it difficult to break even on the cost. The use of a contract inspection company locks in those costs with the risk of excessive inspections borne by the third party.

City staff compared the request by Navarro ISD to previous school projects by Seguin ISD. In 2015, the Seguin High School project had a reduction in permit fees. Instead of using the large fee generated by using the valuation, a fee based on actual 3rd party contract costs plus 40% for administrative fees and contingencies was charged. Other projects for Seguin ISD including a new stadium in 2015, Briesemeister Middle School remodel in 2021, and the Jefferson Elementary remodel have been charged fees based on the City's adopted fees with no reductions or waivers. The City of Seguin currently contracts with BB Inspections for third-party inspections. BB Inspections quoted a fee for inspections in the amount of \$.55 per square foot, which would amount to \$117,607.60 for the Navarro High School project. BB Inspections has an existing contract for the review of the building plans, which is in progress.

At a previous meeting, City Council gave staff direction to calculate a reduction similar to that of the Seguin High School project in 2014. Attached please find a breakdown fees for the Navarro High School Project. Staff has calculated a 20% administrative fee for the building permit fee only. Due to the upgrades in the City's processes and software, staff does not feel that an administrative fee for the building plan review is necessary. In addition, staff did not include contingency fees.