

# POLICIES & PROCEDURES



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Valuation	Adopted: June 2021
BPP 120	Last Reviewed: Future Date
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## Summary

Outlines the definition of valuation and a process for determining valuation for building permits, mechanical permits, or deferred submittals.

## Background

Building permit, mechanical permit, and deferred submittal fees are calculated on the basis of project valuation. Section 109 of the Oregon Structural Specialty Code (OSSC) and Section R108 of the Oregon Residential Specialty Code (ORSC) state that, "...building permit valuations shall be based upon the Uniform Fee Methodologies as established by OAR 918-050-0100." OAR 918-050-0100 specifically references how jurisdictions must determine permit fees and valuation.

## Discussion

### ***New Construction***

When considering the applicants stated value, it is important to clarify that valuation includes material costs, labor costs of the contractor, and profit and overhead. Valuation, therefore, includes all costs of the project and can normally be thought of as the "bid" amount from the contractor. If some work is planned but is not part of the bid, then the value of this additional work must be added to the bid amount. This includes project change orders which are captured in revisions to the plans as the project proceeds. In addition, valuation is not intended to reflect the design costs for planning, architectural or engineering fees, or the cost of land.

As established by Oregon Administrative Rule, the valuation chart published by the International Code Council (ICC) is used to establish a cost per square foot "factor" for various types of structures. This chart is revised annually on April 1 with the most current ICC data. Only the ICC table is utilized, and not the ICC methodology.

The intended purpose of the ICC valuation table is to help establish a factor to use in establishing permit fees to fund permit, inspection, enforcement, and administrative activities associated with building division operations. This factor is multiplied by the square footage of new structures to obtain the project "valuation". This determination of valuation is not to be confused with the bid amount or estimated cost of a project which can be used as the basis for the applicants stated project value. For new commercial structures, the OAR's do allow use of a valuation provided by the applicant, but in any case, OAR 918-050 requires that the valuation used to calculate

the permit fee must be the higher of the applicant's value, or value based on the ICC table. Where the valuation appears to be understated based on market rates, or where the valuation needs to be further clarified for auditing purposes, staff may request a copy of the contract document for confirmation.

### ***Remodels***

Establishing the valuation for remodels is more complex. There are several variables which influence valuation in these situations. Because of this complexity, OAR 918-050-0100 indicates:

Permit fees for an addition, alteration, or repair shall be calculated based on the fair market value as determined by the building official, and then applying the valuation to the jurisdiction's fee table.

The term Fair Market Value is defined in US tax law as:

The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

In the context of determining valuation for permit fees, fair market value should be considered in terms of the total project cost or "bid" amount. In determining the valuation, staff may request a contract document.

If the overall project scope requires a permit because the scope is to construct, enlarge, alter, repair, move, demolish, change the character or use of the occupancy, and it is a change that involves elements that may subsequently be exempt from a permit, those otherwise exempted items should be included in the total project value or "bid" in determining what is fair market value for the project.

### ***Phased Development and Deferred Submittals***

The total valuation for a project must include all phases and all deferred submittals. Each deferred submittal must have its own valuation. OAR 918-050-0170 indicates the deferred submittal review fee is in addition to the project plan review fee based on the total project value. Review fees for each deferred submittal are derived by using the value of the submittal plus a set minimum fee.

### **Policy**

Valuation is discussed in OSSC Section 109, ORSC Section R108, and OAR 918-050.

The determination of valuation shall be made by the Building Official. The valuation used in computing the permit fee and plan check fee shall be the total value of all project costs. Except as noted, project costs shall include the completion of an entire structure from start to finish including such items as structural, electrical, plumbing, mechanical, interior and exterior finish work, and normal site preparation. Valuation shall include the contractor's profit. Valuation shall not include the cost of land or design work.

For new construction, staff will utilize the higher of the applicant's stated value or ICC calculated valuation.

For remodels, additions, or alterations to buildings, the valuation chart and/or contract document shall also be used as a guide in establishing valuation. Staff will review the stated valuation for remodeling projects and calculate review fees based upon reported amounts.

Where the valuation for any construction appears to be understated based on market conditions, or needs additional clarification for auditing, staff will request a copy of the contract documents and confirm the applicant's valuation.

Valuation for deferred submittals will be as noted above.