

LOCAL

# Builders say cities are overcharging for permits

Report shows wide gap between fee revenue, costs of inspection service.

By Eric Roper (<http://www.startribune.com/eric-roper/62906482/>) Star Tribune |

AUGUST 22, 2019 — 11:26AM

Builders and Republican lawmakers accused local governments Tuesday of needlessly inflating the cost of housing by overcharging for building permit fees.

Their comments stemmed from [a report released by Housing Affordability Institute \(https://www.scribd.com/document/422539480/Permit-Fee-Report\)](https://www.scribd.com/document/422539480/Permit-Fee-Report), an arm of the Builders Association of the Twin Cities, showing a wide gap between what cities earn in building fees and what it costs to provide inspection services.

State rules say the fees should be “proportionate to the actual cost of service.” Instead, the report argues that cities are using the additional money to prop up their general funds, or in one case to help finance a City Hall remodeling in Corcoran.

“This is just one of dozens of potential roadblocks to affordability, and frankly it should be one of the easiest to solve,” said David Siegel, executive director of the Builders Association of the Twin Cities.

The report relied on annual filings that cities must submit to the state’s Department of Labor and Industry, outlining their fees and the costs of providing inspection services. Few cities submitted the reports until last year, when the agency pushed for better compliance with the state mandate.

Minneapolis and St. Paul, the state’s two largest cities, have still not submitted the reports.

An analysis of the filings by Housing First Minnesota showed that, in 2018, cities collected \$24 million more from building permits than their reported costs. Over the last five years, the total difference was more than \$78 million.

“This is an eye-popping number,” said Rep. Jim Nash, R-Waconia, who called on cities to refund the additional money. “Seventy-eight million dollars borne on the backs of people who are trying to buy a home and make an investment, live the American dream.”

Rep. Barb Haley, R-Red Wing, said it was “an illegal tax on housing.”

“So [it is] something that we have to address in addition to probably dozens of things in our statutes and in our codes ... in order to bring down the cost of housing,” Haley said.

Rep. Shane Mekeland, R-Clear Lake, said a municipal official reached out to him to anonymously share problems regarding these fees.

“He did reiterate more than once as to the immense pressure that is being put on them to generate more revenue for his city in particular,” Mekeland said. “And then those dollars are being used for completely unrelated things: snowplows, fire departments, mosquito control and things of that nature.”

Patricia Nauman, executive director of Metro Cities, which represents metro-area cities, said fee structures vary based on the needs of each community.

“It is difficult to extrapolate ... a sweeping conclusion based on very specific data points,” Nauman said.



David Siegel, executive director of the Builders Association of the Twin Cities, spoke to the press on Tuesday morning about a new report

Determining whether individual cities are violating state law may prove tricky. Attorney Peter Coyle, who is working with the Builders Association, said it is not “crystal clear” where the line gets drawn on whether fees are proportional.

“There’s definitely some allowance for overage, if you will,” Coyle said. “For us, we just look at what the [Department of Labor and Industry] guidance is, which is proportionality. It’s not a 100% match, but approximate.”

The number of cities submitting the mandatory reports jumped from 102 in 2017 to 262 last year, but it still does not include Minneapolis and St. Paul. In response to a Star Tribune request, a representative for St. Paul city government said that staff members are gathering the information.

**Correction:** Previous versions of this article mischaracterized a City Hall project in Corcoran. It is a remodeling.

---

**Eric Roper** is a metro reporter covering urban affairs in the Twin Cities metropolitan area. Since joining the Star Tribune in 2009, he has covered the city of Minneapolis, the state Legislature and Congress for the paper.

eric.roper@startribune.com    612-673-1732    StribRoper