



# **Building Permit Fees/Taxes Frequently Asked Questions**

*Updated 5/20/2022*

## **Why does the City collect building permit fees?**

Permit fees are used to directly cover expenses for City services like reviewing and administering permit applications and conducting inspections throughout the rebuilding process. As the City is experiencing an influx in the number of permits issued for properties that were destroyed, permit fees from these permits will be used to hire additional staff and consultants to ensure the rebuilding process goes smoothly and as quickly as possible.

## **What is the City planning to use permit fees related to Marshall Fire rebuilding on?**

The Department of Planning & Building Safety is committed to administering the permit process quickly and efficiently. To that end, an additional Plans Examiner and an additional Building Inspector have been hired. This is in addition to 5 part-time on call plans examiners for permit review. Finally, the City has two consultant teams in place that can conduct plan reviews and inspections if demand cannot be met with full-time staff. The Public Works Department has contracted with a consultant team to provide additional inspection and monitoring staff.

## **How were the permit fees determined and what are they used for?**

The City periodically reviews all costs associated with administering building permits, including direct, indirect and overhead costs, to ensure the fee structure covers these expenses and is not a revenue generating fee. These fees go towards planning, building, and public works staff members that review plans for compliance with City-adopted codes and conduct inspections during and after the construction process. Fees also go towards overhead costs such as computers, software, safety equipment, vehicles, and office space, as well as administrative staff throughout the city that support these services.

City fees are determined following study of the cost of providing services associated with the specific fee, and are adopted by City Council annually. The Planning & Building Safety Department and the Department of Public Works do not have the authority to modify, adjust, or waive fees.

### **Why does the City collect a building use tax for materials and what is it used for?**

Use tax is a reciprocal of sales tax, which means the use tax is paid to the city up front, instead of at the point of sale when purchasing materials. Per City Code, construction materials are taxable. The total tax rate on construction materials is 3.650%. There are various restrictions on building use tax revenue, including:

- 3.000% is restricted for capital improvements or debt service on capital improvements. This is per Ordinance 1989-981, which originally taxed only non-residential building. Residential building was added when Louisville voters passed the Consumer Use Tax in November 2010.
- 0.375% is restricted for acquisition and maintenance of land in and around the city used for open space buffer zones, trails, wildlife habitats, wetlands preservation and parks. This restriction was last approved by Louisville voters in November 2012.
- 0.125% is restricted for historic preservation purposes. This restriction was last approved by Louisville voters in November 2017. Voters also authorized 20% of annual sales tax revenue to be spent on operating and maintaining the Louisville Historical Museum Campus.
- 0.150% is restricted for operating and maintaining the Louisville Recreation & Senior Center and pool facilities at Memory Square Park. This tax was approved by Louisville voters in November 2016.

### **Why does the City collect water/sewer tap fees? How were the tap fees determined and what are they used for?**

A tap fee is a one-time charge paid by customers to connect or to increase a portion of the allocated capacity to the Utility System. Tap fees are based on and used for the capital costs of the overall Utility System and includes: water resources, water supply, water storage, transmission & pipelines and treatment & distribution facilities.

### **How is it determined if an increased water/sewer tap size is needed?**

Tap size is determined by the projected capacity requirements or demand to the Utility System. This demand is calculated by the Plumbing Code which assigns a flow rate to common plumbing fixtures (sinks, showers, toilets etc.) also known as a water supply fixture unit value. The more plumbing fixtures a home or business has, the greater the portion of the Utility System that must be allocated and therefore an increase in the share of the total cost. For residential services an exceedance of 30 fixtures triggers an increase in the standard tap size of ¾-inch. As an example a typical home with 3.5 bathrooms would have a fixture total around 24. For more information, see the [Fixture Count FAQs](#).

### **What is the cost to increase the water/sewer tap size?**

The standard and smallest residential tap size is ¾-inch, which accommodates up to 30 residential fixture counts. To increase to the next size of 1-inch, the fee is calculated as the difference between these taps fees or \$41,800.

**Is the City looking into other funding sources to potentially offset building costs?**

The City is exploring all potential funding opportunities that could offset the costs of residential rebuilding and city infrastructure repairs/replacement from the Marshall Fire. This includes federal funding like FEMA assistance and the Community Development Block Grant for Disaster Recovery (CDBG-DR), state funds like those made available through [SB22-206](#), and donated funding through private organizations such as the Community Foundation Marshall Fire fund. If there are funds specifically available to reimburse or offset fees or taxes the City will determine if and how these could be applied to assist residents.

**Questions, Comments and Contact Information**

For questions on building permit fees/taxes, please contact the Planning & Building Safety Department by email [building@louisvilleco.gov](mailto:building@louisvilleco.gov) or phone 303.335.4585.

For questions on water/sewer tap fees, please contact the Public Works Department by email [pworks@louisvilleco.gov](mailto:pworks@louisvilleco.gov) or phone 303.335.4608.