

DETERMINATION OF VALUATION

Interpretation Summary:

Outlines the definition of valuation and a process for determining valuation.

Background/Discussion:

Building permit fees are calculated on the basis of project valuation. Section 108 of the Oregon Structural Specialty Code (OSSC) and Section R108.3 of the Oregon Residential Specialty Code (ORSC) state that "building permit valuation shall be set by the building official." Because of questions from both staff and the development industry, this interpretation is provided.

For the purposes of calculating building permit fees, the OSSC and the Dwelling Code state as follows:

OSSC: *The applicant for a permit shall provide an estimated permit value at time of application. Permit valuations shall include total value of work, including materials and labor, for which the permit is being issued, such as electrical, gas, mechanical, plumbing equipment, and permanent systems. If, in the opinion of the building official, the valuation is underestimated on the application, the permit shall be denied, unless the applicant can show detailed estimates to meet the approval of the building official. Final building permit valuation shall be set by the building official.*

ORSC: *Building permit valuation shall include total value of the work for which a permit is being issued, such as electrical, gas, mechanical, plumbing equipment, and other permanent systems including materials and labor.*

In addition to the above language it is important to clarify that valuation also includes labor costs of the contractor, including 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. In addition to the cost of land, site improvement costs such as parking lots, site utilities, and landscaping are not normally considered part of the project valuation.

In cases where the homeowner is doing the work without the involvement of a contractor, labor costs must be assumed and added to the material costs. Generally doubling the costs of all materials accurately reflects typical labor costs.

Because of the difficulty in obtaining accurate bid information, a valuation chart which establishes a cost per square foot for various types of structures has been adopted by the City. This chart is normally used for all new buildings and can also be used as a guide for additions and alterations to buildings. The basis for the chart data is published by the International Code Council (ICC). This chart is typically modified annually by the Building Official as updated by the ICC.

Establishing the valuation for remodels is more complex. There are several variables which influence valuation in these situations. Because of this complexity, the Plans Examiner will have the responsibility of working with the applicant in order to establish a valuation. A contract document may be requested. Valuation is not intended to reflect the design costs of architectural or engineering fees.

Interpretation:

Valuation is defined in OSSC Section 108 and in ORSC Section R108.3 and shall include all items which are part of the project costs including labor costs and contractor profit and overhead.

Valuation for new buildings shall be established through the use of the valuation chart adopted by the City and/or the contract document as determined by the Building Official. The valuation chart and/or contract document shall also be used as a guide in establishing valuation for additions to buildings. Valuation for remodeling projects shall be established by the Plans Examiner using all available information. Accurate and all inclusive project materials price list will be multiplied by two (2) in order to cover typical labor expenses.