

# COLUMBIA

## BOARD OF REALTORS®

November 28, 2017

Mayor & Members of the City Council  
City of Columbia Missouri  
P.O. Box 6015  
Columbia, MO 65202-6015

Re: Electric Connection Fee

Dear Mayor and Members of the City Council:

I am writing to you concerning the proposed electric connection fee the City of Columbia is considering adding to the cost of a building permit. As you know, the cost of an individual building permit has increased substantially over the past several years, due in large part to higher connection fees and associated inspection and administrative charges. When coupled with new requirements imposed by the adoption of our latest building code and higher fees associated with construction practices such as solid waste disposal, inconvenience fees and some energy efficiency related measures, the total impact on new home construction becomes significant. While some fees or charges may seem insignificant on an individual level, in the aggregate, permit fees and building code changes have increased cost for new construction homes to increase by over \$7,000 from 2007 to 2017, according to information provided at the City of Columbia Affordable Housing Symposium held in December of 2015. As REALTORS®, we recognize that the City has a shortage of homes for entry-level and mid-level buyers and adding additional fees will increase the cost of these homes for those buyers.

During the recent round of budget hearings, the City Council rejected a proposed electric utility rate increase, suggesting that additional revenue for the electric utility is not necessary and not justified. We concur with that decision and believe that the same logic could apply when considering the new electric connection fee. For the reasons articulated above and explained in some additional detail below, our Board of Directors opposes the proposed electric connection fee, and any other fees or increases adding to the cost of a building permit.

### Additional Information

The cost of a typical residential building permit recently increased by \$400 when the sewer connection fee alone was raised to \$2,400. Just three years ago, the sewer connection fee was \$800 – an increase of 300%. This is in addition to other fee increases and new requirements in the building code that have added to the cost of constructing a home in the City of Columbia.



Affordable housing available to homebuyers in Columbia has been in short supply the last five years, especially for first time homebuyers. Any fees or requirements added to the development/building process exacerbates our affordability problem. The months' supply of homes for sale under \$200,000 since January 1<sup>st</sup> of 2017 has averaged 1.07 months. This inventory level is extremely low when you consider that a balanced real estate market should operate with six months' worth of inventory. Adding another fee to overall building cost with the potential of more increases in coming years makes it more difficult for families to live in Columbia, and forces many families to live outside the city limits while continuing to use Columbia's infrastructure while they work, shop and play in this city.

At the Columbia City Council meeting on Monday, September 18, 2017, the Council rejected a proposal to increase the electric rates for 2018 by a vote of 8-1. The reason for the rejection of the rate increase according to Mayor Treece in an article in the Columbia Daily Tribune dated September 19, 2017 was, "revenue was up \$3 million in the electric fund cash reserve," and "like a tax increase," a rate increase, "should be very deliberate and well justified." If the City Council finds it suitable to reject an electric rate increase because the electric fund cash reserves are up \$3 million, how can the city justify adding an electric connection fee to a building permit?

The current proposal will add a new fee that would be imposed at the permitting stage. This fee is designed to offset costs incurred by the City when adding a new electric customer. First, it should be pointed out builders and property owners pay the cost of installing electric infrastructure on their own properties at NO cost to the city. For improvements constructed offsite, the consultant hired by the City to explore this issue has indicated that electric customers already pay back the cost of new construction and repairs to the system within an average of 7 years based on the current rate structure. Additionally, the consultant indicated that new customers that connect to the existing system are a net benefit to the system and continue to provide revenue to the entire system over time. They are also paying rates that HAVE increased over time for all users of the system. This shared responsibility for a network that serves the entire community seems appropriate.

For the reasons enumerated above, we believe that adding a new electrical connection fee will have a negative impact on new housing and construction in Columbia and will become one more impediment to providing affordable housing in this City. Please consider NOT implementing this proposed fee increase.

Regards,



James C. Meyer  
2017 President  
Columbia Board of REALTORS®

JM:bt