



**SUBJECT: 2018 annual building permit revenues and expenses**

**TO: Planning and Development Committee**

**FROM: Department of City Building - Planning Building and Culture**

Report Number: PB-20-19

Wards Affected: All

File Numbers: 565-05

Date to Committee: April 2, 2019

Date to Council: April 23, 2019

---

**Recommendation:**

Receive and file department of city building report PB-20-19 regarding 2018 annual building permit revenues and expenses.

**Purpose:**

Responding to Provincial legislation.

A City that Grows

- Promoting Economic Growth
- Intensification
- Focused Population Growth

---

**Background and Discussion:**

The Building Code Act amendments (through Bill 124) eliminated the practice of applying excess building permit revenues to cover the costs of non-building permit related activities. An activity-based costing model was developed at the time of the building permit fees review that took place in 2005/06. The model was used to determine costs (direct and indirect) associated with delivering services related to the administration and enforcement of the Building Code Act.

The financial model referred to above, was revisited as part of the comprehensive building permit fees review conducted in 2009/10 (report PB-13-10) and revisited again in 2016

(report PB-26-16) implemented on August 1, 2016 following approval by Council on July 4, 2016. Building permit services are based on a “Fee for Service” model that is not supported by municipal taxes and is in full compliance with legislation. The intent behind establishing a Building Permit Stabilization Reserve fund is to provide municipalities with a sustainable tool for providing and maintaining building permit and inspection services throughout a fluctuating construction industry and overall economy. The 2018 building permit fees annual financial report is required to be published before the end of the first quarter of 2019 as mandated by the Building Code Act.

### **Strategy/process**

The purpose of this report is to present Committee and Council with an annual report on building permit fees collected; direct and indirect costs of administering and enforcing the Building Code Act and Ontario Building Code, as well as the balance in the Building Permit Stabilization Reserve Fund for the period January 1 to December 31, 2018.

The reporting requirements respecting building permit activity for the year ending December 31, 2018 are provided in the attached Appendix “A”, the content of which has been provided by the Finance Department based on the financial model developed and implemented in 2006 and later revised in 2010 and 2016. The Building Code Act and its Regulations (the Ontario Building Code), require that a report be prepared annually on fees collected and costs incurred.

In the second half of 2018, the Building Section commissioned Watson and Associates, to undertake a review of the permit fee schedule within the current building and development landscape. This review was not scheduled to be commenced until 2020 but due to the drop in revenue and the changing development environment (types of buildings and their complexity), it was deemed prudent to complete this review and confirm that the financial model remains viable into the future.

It is important to point out that the financial model must be structured to accommodate costs associated with streamlining and modernizing technologies/processes, in addition to the day to day operating costs associated with running the permitting/inspection business. Currently the Building Section is investigating the electronic delivery of building permit and inspection services. This multi-year initiative will help improve and streamline customer service for building permit applications. In line with our Paper Management Strategy it will also reduce the need for paper submissions and paper waste via resubmissions. Electronic submissions will also increase customer satisfaction as the speed and transparency of communication/collaboration improves.

## **Financial Matters:**

Appendix A, attached to this report, provides the prescribed information for the period January 1 to December 31, 2018. As of December 31, 2018, the balance in the Building Permit Stabilization Reserve Fund was \$2,773,637. This amount represents about 84% of the 2018 annual direct costs, and 68% of the total 2018 costs (direct + indirect costs) of administration and enforcement of the Building Code Act and the Ontario Building Code. The target balance for the reserve fund, as established by Council, is 1.63 times the direct costs (F-46/06).

Building permit revenue was down 25% from 2017 in large part due to delays in the submission of some larger key projects. As a result, the Building Section will withdraw from the Permit Stabilization Reserve Fund in order to balance the shortfall in revenue. This revenue shortfall is a temporary deviation from the general trend and the 2019 revenue stream is expected to return to normal and provide a surplus of revenue over expenses. Revenues for the first 2 months of 2019 support this forecast.

Despite the optimistic outlook for this year, the Building Section has taken key steps in the past 6 months to address the temporary shortfall and maintain the financial viability of the fees for service model under which the Section operates.

The Chief Building Official and the senior management team monitor local and regional development and construction activity; and the associated building permit and inspections revenues on a regular basis in coordination with local and regional industry representatives and stakeholders.

## **Total Financial Impact**

The net draw from the Building Permit Stabilization Reserve Fund for the period of January 1 – December 31, 2018 is \$935,885 and the closing balance in the reserve fund as of December 31, 2018 is \$2,773,637.

## **Source of Funding**

Revenues generated by building permit fees are the sole source of funding for building permit services; including plans review and building inspections for all construction activity in Burlington, as required by legislation. The Chief Building Official is also mandated to immediately act to safeguard the health and safety of the public where buildings are damaged due to fire, vehicle collision, structural collapse or otherwise rendered unsafe including unsafe septic systems.

### **Public Engagement Matters:**

The information contained in this public report will be shared with the Burlington Housing and Development Liaison Committee (BHDLC), Hamilton Halton Home Builders Association (HHHBA) and the Hamilton Halton Construction Association (HHCA).

---

### **Conclusion:**

The Building Section experienced a substantial draw in the Building Permit Stabilization Reserve Fund for 2018 and the reserve fund remains in a healthy state. The reserve is established so that when there is a dip in revenues, the business can draw from the reserve. It is anticipated that 2019 will be a balanced year in terms of revenue, as it is expected that key large projects will be submitted.

This annual report indicates the continuation of steady construction activity in Burlington in 2018 and confirms the sustainability of the “Fees for Service” financial model for building permits and inspection services.

The annual report on building permit revenues and costs, and the status of the Building Permit Stabilization Reserve Fund for the 12-month period of January 1 to December 31, 2018 is provided for information.

---

Respectfully submitted,



Nick Anastasopoulos, P.Eng.

Chief Building Official

905-335-7600 x 7619

**Appendices:**

- A. Building Permit Fees Annual Financial Statement for 2018

**Notifications:**

Burlington Housing and Development Liaison Committee (BHDLC)

Mailing or e-mail address : [smammel@hhhba.ca](mailto:smammel@hhhba.ca)

Hamilton Halton Construction Association (HHCA)

Mailing or e-mail address : [sue@hhca.ca](mailto:sue@hhca.ca)

Hamilton-Halton Home Builder's Association (HHHBA)

Mailing or e-mail address : [smammel@hhhba.ca](mailto:smammel@hhhba.ca)

**Report Approval:**

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.