



SUBJECT: Building Permit By-law fee review

TO: Planning and Development Committee

FROM: Department of City Building - Planning Building and Culture

Report Number: PB-21-19

Wards Affected: All

File Numbers: 565-05

Date to Committee: December 3, 2019

Date to Council: December 16, 2019

Recommendation:

Approve the proposed fee adjustments represented by Option 2 of the consultant's report contained in Appendix A to department of city building report PB-21-19; and

Approve the text amendments to the Building Permit By-law recommended in department of city building report PB-21-19; and

Repeal Building Permit By-law 13-2018 and all its amendments effective December 31, 2019; and

Enact the proposed By-law XX-2020 attached as Appendix B to department of city building report PB-21-19, containing the proposed revised fee schedule and text amendments on January 1, 2020.

Purpose:

The purpose of this report is to provide Council with the results of the building permit fees review study undertaken by Building, Finance and the external consultant - Watson & Associates Economists Ltd. (Watson & Associates). A presentation will be made by Watson & Associates, to the Planning & Development Committee which will provide the background, methodology and results of the fees review. The financial analysis undertaken in support of the recommendations is similar to the analysis performed during the last review in 2016 and is both detailed and comprehensive. Included in the presentation will be the analysis and findings of the review.

The proposed fee adjustments align with the following Strategic Plan objectives:

A City that Grows

- Promoting Economic Growth
 - Intensification
 - Focused Population Growth
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Background and Discussion:

In 2006, Council voted to implement the current funding model in the Building Section as a result of the changes in the Building Code Act (BCA) and the Ontario Building Code (OBC) enacted under Bill 124. The changes to the BCA, 1992 provided municipalities with the authority to collect fees to fully recover the cost of administration and enforcement of the BCA and the OBC. Regulations made under the BCA/OBC outline the details of what can be included as part of the cost including direct and indirect costs, and provisions for a reserve fund. The basic principle for providing building permit and inspection services is: “Fees for Service”.

In defining the direct and indirect costs that can be recovered from building permit fees, the amendments to the BCA had the effect of ending the previously accepted practice of subsidizing front-end planning application process costs from surplus building permit revenues.

A review of the building funding model was undertaken by Finance, Planning and Building staff with the assistance of an external consultant in 2016. As a result of this review, certain targeted fees were increased in order to ensure full recovery of the anticipated costs to administer and enforce the BCA and OBC over the 5-year time horizon of the consultant’s study.

The current permit fee review was undertaken to study development trends in Burlington to the year 2028 and adjust the permit fees in the Fees for Service model in order to reflect anticipated changes in the projected mix of development types.

To assist with the fees review, the City retained the services of Watson & Associates. This consultant has completed several building permit fee reviews for municipalities throughout Ontario using an activity-based costing model. This firm is familiar with the City of Burlington having been involved in the original implementation of the Fees for Service model in 2006 and the subsequent reviews in 2010 & 2016.

Strategy/process

The approach to capturing costs is by using an activity-based costing methodology as will be demonstrated in the presentation by the consultant. This methodology captures:

- Direct costs (staff time/cost involved directly with administration and enforcement of the BCA)
- Indirect costs (support functions, overhead and capital replacement costs)
- Building permit reserve fund stabilization (recognizing the cyclical nature of construction it allows for stabilization during economic swings which can be up or down, temporary staffing due to spikes in construction volume and process re-engineering and technology improvements).

As noted in the consultant's report, the number of permits for new construction (e.g. low-density greenfield subdivisions) are projected to decrease over the study period with a corresponding increase in the number of permits for renovations, additions and accessory structures. This projected shift in development types is significant since the permits for renovations, additions and accessory structures have historically been subsidized by the permit fees for new construction.

With the decline in new development, the consultant has projected that the building stabilization reserve fund, which currently resides at approximately \$2.7 million will be fully depleted by the year 2025, if the existing fee structure is not adjusted.

Proposed Text Changes to the Building Permit By-law

In addition to the proposed Permit Fee Changes, the following minor changes are being proposed to ensure that accurate and consistent fees are being captured for the services being provided:

- Indexation of permit fees will be changed from the previous Consumer Price Index (CPI) of Ontario to the overall annual increase of Human Resource expenditures for the Building Section
- Additional Plan Review (Resubmission) - Where a non-compliant resubmission is submitted above and beyond the first resubmission
- Additional Permit Fee (Revision) - Where an applicant makes a material change to a plan, specification, document, or other information, following the issuance of a building permit

In addition to the minor changes, it is being proposed that fees should be captured for the following services:

- Fire Watch/Fire Plan Review and approval of Fire Watch/Fire Plans during construction
- Order to Comply is issued pursuant to section 12 or 13 of the *Act*, to offset additional investigative and administrative costs
- Stop Work Order is issued pursuant to section 14 of the *Act*, to offset additional investigative and administrative costs

- Unsafe Order is issued pursuant to section 15.9 of the *Act*, to offset additional costs associated with the investigation, inspection, administration and rectification of unsafe buildings
- Registration and Discharge of Order on Title

Similar provisions have been implemented in nearby communities, notably Hamilton Milton, Mississauga and Oakville.

Options considered

The consultant has proposed 2 options for consideration:

Option 1 – Targeted fee increases in under-recovered permit categories

Under this option there will be projected deficits every year and the reserve fund balance would decline to a deficit position, representing approximately 0.70 times annual direct costs by 2028.

Option 2 – Option 1 complete with a 15% increase on most other permit categories

This option improves the overall financial performance with deficits being minimized and limited to 2027 & 2028. The building stabilization reserve would remain relatively stable over the forecast period, increasing to 1.59 times of the annual direct costs by 2028.

Financial Matters:

The Building Section of the Department of City Building was converted in 2006 to a “Fees for Service” model where the direct and indirect costs for operations were fully funded from building permit fees. Built into the fee structure was a provision to allow for a building stabilization reserve fund which is funded from excess building fee revenue. The Reserve Fund is capped at a multiple of 1.63 times the direct costs and currently resides at \$2.77million (0.84 times the 2018 direct costs).

Total Financial Impact

Adoption of the permit fee changes recommended as Option 2 of the consultant’s report will assure the continued viability of the Fees for Service model in the Building Section of the Department of City Building with provision for a healthy Building Permit Stabilization Reserve to the year 2028.

Source of Funding

Not applicable

Other Resource Impacts

Not applicable

Public Engagement Matters:

Burlington Housing and Development Liaison Committee (BHDLC) meeting and distribution of draft consultant's report

Conclusion:

Approval of the proposed fee increases represented in Option 2 of the consultant's report will ensure the financial viability of the fees for service model in the Building Section.

Respectfully submitted,

Nick Anastasopoulos, P.Eng.
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Appendices:

- A. Report from Watson & Associates Economists Ltd., 2019 Building Permit Fees Review Study, City of Burlington
- B. Proposed new Building Permit By-law XX-2020

Notifications:

Burlington Housing and Development Liaison Committee (BHDLC)

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Report Approval:

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