

Introduction



- The City has retained Watson & Associates Economists Ltd. (Watson) to undertake a comprehensive review of building permit fees and policies that:
 - Conforms with legislation and is defensible;
 - Balances the City's need to maximize cost recovery with stakeholder interests, affordability, and competitiveness;
 - Reflects industry best practices; and
 - Recommends fee structure improvements to provide for reasonable full cost recovery

Building Permit Fees Update Process



- Process undertaken with City staff included:
 - Review and refinement of building permit costing categories (disaggregation of apartment category and residential additions/renovations category; addition of septic system category)
 - Update and validation of permit processing time estimates
 - Prepare an operational base-line capacity analysis based on recent activity levels (2014-2018);
 - Update costing model to reflect the City's current costs
 - Prepare permit volume forecast by costing category
 - Evaluate sustainability of future operations

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Findings Activity Forecast



- Permit activity was forecast by type for the 2019-2028 period
 - Forecast of new construction permits based on the City's 2019 DC Background Study
 - Forecast of all other permit categories based on historical trend analysis and City staff input

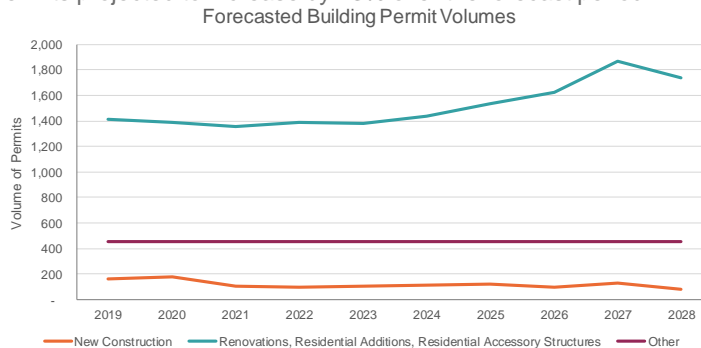
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Findings

Activity Forecast (cont.)



- Total permit volume anticipated to be relatively stable over the short-term, then increase overall by 12% by 2028
 - New Construction permits projected to decline by 53% over the forecast period
 - Renovation, Residential Addition, and Residential Accessory Structure permits projected to increase by 23% over the forecast period



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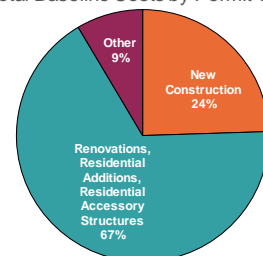
Findings

Capacity and Costs



- Baseline activity levels suggest Building Section utilization of 100% on Building Code related matters
- Annual baseline costs total \$3.98 million (2019\$)
 - Direct costs – \$3.27 million (81.6%)
 - Indirect costs – \$630,000 (15.8%)
 - Capital and technology costs – \$102,000 (2.6%)

Total Baseline Costs by Permit Type



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Findings

Cost Recovery



- Current building permit fees are recovering 92% of annual costs, based on average annual volumes from 2014-2018
- However:
 - Small New Construction ICI permits are generally operating at 62% cost recovery
 - ICI Renovation permits recover approximately 65% of total annual costs
 - Residential Addition/Renovation/Accessory Structure permits revenues generate approximately 38% cost recovery

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Findings

Financial Forecast – Baseline



- With only inflationary adjustments, current fees would be expected to recover 73% of annual costs by 2028
- This would deplete the Building Permit Reserve Fund's current balance (\$2.77 million) by 2025, with a significant deficit balance forecasted by 2028 (- \$4.25 million)

Cost and Revenue Projections	Baseline	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Annual Costs	3,978,019	4,275,140	4,198,195	4,138,731	4,221,505	4,305,935	4,392,054	4,637,414	4,930,766	5,638,924	5,165,962
Projected Revenue (2% inflation)	3,663,661	4,157,456	4,032,231	3,703,687	3,494,828	3,556,683	3,882,489	4,148,859	3,988,795	4,168,302	3,752,369
Net Position		(117,684)	(165,964)	(435,044)	(726,678)	(749,252)	(509,565)	(488,556)	(941,970)	(1,470,621)	(1,413,593)

Reserve Fund Continuity	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Starting Balance	2,773,637	2,655,953	2,489,989	2,054,945	1,328,267	579,015	69,451	(419,105)	(1,361,075)	(2,831,697)
Contribution (Draw)	(117,684)	(165,964)	(435,044)	(726,678)	(749,252)	(509,565)	(488,556)	(941,970)	(1,470,621)	(1,413,593)
Closing Balance	2,655,953	2,489,989	2,054,945	1,328,267	579,015	69,451	(419,105)	(1,361,075)	(2,831,697)	(4,245,290)
Multiple of Annual Direct Costs	0.76	0.73	0.61	0.40	0.17	0.02	(0.11)	(0.34)	(0.62)	(1.01)

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Recommendations

Recommended fee adjustments



- To provide for better cost recovery performance and greater operational stability, the following fee recommendations are provided:
 - Increase renovation/alteration permit fees to reduce the level of under-recovery;
 - Targeted fee increases to several other permit categories, relative to market levels, to improve overall financial performance;
 - Nominal increase to the Minimum Permit Fee and other minor permit categories.

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Recommendations

Impacts of recommended fee adjustments



- Building permit fee recommendations will:
 - Increase forecast annual revenues 37% by 2028 relative to baseline projections
 - Improved cost-recovery performance for alteration, minor and other building permit types
 - Provide an improved reserve fund position over the forecast period (i.e. forecast 2028 reserve fund balance equivalent to 1.59 times annual direct costs)

Cost and Revenue Projections	Baseline	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Annual Costs	3,978,019	4,275,140	4,198,195	4,138,731	4,221,505	4,305,935	4,392,054	4,637,414	4,930,766	5,638,924	5,165,962
Projected Revenue	3,663,661	4,157,456	5,219,059	4,839,647	4,565,492	4,648,088	5,056,862	5,455,368	5,297,928	5,587,000	5,026,642
Net Position		(117,684)	1,020,863	700,916	343,987	342,153	664,808	817,954	367,163	(51,924)	(139,320)

Reserve Fund Continuity	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Starting Balance	2,773,637	2,655,953	3,676,816	4,377,732	4,721,719	5,063,872	5,728,679	6,546,633	6,913,795	6,861,871
Contribution (Draw)	(117,684)	1,020,863	700,916	343,987	342,153	664,808	817,954	367,163	(51,924)	(139,320)
Closing Balance	2,655,953	3,676,816	4,377,732	4,721,719	5,063,872	5,728,679	6,546,633	6,913,795	6,861,871	6,722,552
Multiple of Annual Direct Costs	0.76	1.07	1.30	1.42	1.51	1.63	1.73	1.72	1.49	1.59

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Recommendations

Other recommendations



- Indexation of permit fees will be changed from the previous Consumer Price Index (CPI) to the overall annual increase of Human Resource expenditures for the Building Section
- Other textual changes to the Building Permit By-law (as identified on p.18-19 of staff report PB-21-19 and section 4.2 of the Watson report)
- Introduction of new fees for service based on a review of best practices in other municipalities (as identified on p.18-19 of staff report PB-21-19 and section 4.2 of the Watson report)

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Next Steps



- Receive input from the Planning & Development Committee on the proposed recommendations
- Council to consider by-law adoption

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