



SUBJECT: 2022 Annual building permit revenues and expenses

TO: Community Planning, Regulation & Mobility Cttee.

FROM: Building and By-law Department

Report Number: BB-02-23

Wards Affected: All

File Numbers: 565-05

Date to Committee: March 28, 2023

Date to Council: April 18, 2023

Recommendation:

Receive and file building and by-law department report BB-02-23 providing related information for the 2022 annual building permit revenues and expenses.

PURPOSE:

Vision to Focus Alignment:

- Increase economic prosperity and community responsive city growth
- Deliver customer centric services with a focus on efficiency and technology transformation

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, 2016 and 2019. 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 2022 building permit fees annual financial report is required to be published before the end of the first quarter of 2023 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, 2022.

The reporting requirements respecting building permit activity for the year ending December 31, 2022 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, 2016 and 2019. The Building Code Act and its Regulations (the Ontario Building Code), require that a report be prepared annually on fees collected and costs incurred.

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. Building Services is looking into the future for ways to improve our current service delivery to our customers. When Bluebeam software was implemented in 2021 to accommodate the electronic review of applications during the COVID pandemic, we were aware this software was a temporary solution. Bluebeam software is not integrated with the City’s current land management database software and provides no mechanism or portal for customers to apply for their permits in one easy step. The current process to apply for a building permit is a multi-step process. This causes our customers frustration through lost time and duplication and provides little to no transparency to the customer on the status of their permit application. Building Services needs to invest in the future of electronic permit applications through an integrated portal system that will accommodate customers submitting an application, initiating code compliance reviews (negating application status reports) and booking building inspections – all through one user-friendly web-based application.

Building Services has also initiated a fee review in 2023 with Watson & Associates Ltd. A review of the current fee structure, including a close review of direct/indirect costs, will be conducted to determine refinements to building permit fees. This cyclical review is necessary to ensure Building Services covers all its operating costs and ensures a healthy Building Permit Stabilization Reserve Fund. The services provided have changed since 2019 with the reorganization of the department that same year and most recently

in 2023. A time-based analysis will be conducted on all related services which will form the basis for any changes to the permit fee schedule.

Options Considered

Not applicable.

Financial Matters:

Appendix A, attached to this report, provides the prescribed information for the period January 1 to December 31, 2022. As of December 31, 2022, the balance in the Building Permit Stabilization Reserve Fund was \$5,201,986. This amount represents approximately 1.29 times the 2022 annual direct 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). The target balance was established to ensure the Building Permit Stabilization Reserve Fund has an upper limit to cover direct/indirect costs and any fluctuations in the construction industry but also to ensure the “Fee for Service” model is viable and not constituted as an additional tax to permit applicants. The target balance will be reviewed and potentially adjusted through the 2023 building permit fee review analysis.

Building permit revenue for 2022 was \$6,997,304 which is a 47.6% increase in permit revenues from 2021. The revenue increase in 2022 was due to the influx of several large industrial buildings, multi-residential mid/high-rise buildings and continued investment by homeowners. The following list captures some of the significant permit applications in 2022:

- 2075 Lakeshore Road (Beau Soleil), new 30 storey residential building
- 4130 Harvester Road (Sobey's Voila), new single storey food distribution warehouse
- 3227 Appleby Line (CRU6), new single storey commercial building
- 3100 Mainway, new single storey industrial building

Our overall revenues for 2022 saw record highs and we anticipate seeing more significant projects in 2023. The Building Services Section was able to contribute \$2,237,519 into the Building Permit Stabilization Reserve Fund due to increased permit activity in 2022.

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

Total Financial Impact

The contribution to the Building Permit Stabilization Reserve Fund for the period of January 1 – December 31, 2022 was \$2,237,519 and the closing balance in the reserve fund as of December 31, 2022 is \$5,201,986.

Source of Funding

Revenues generated by building permit fees and other related administration fees are the sole sources of funding for Building Services; which includes plans review, building inspections and policy & regulatory services.

Other Resource Impacts

Not applicable.

Climate Implications

Not applicable.

Engagement Matters:

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

Conclusion:

Building Services experienced a positive year for permit revenues with a substantial amount contributed to the Building Permit Stabilization Reserve Fund for 2022. The reserve is established so that when there are economic downturns, the business can draw from the reserve. It is anticipated that we will see an upswing in permit applications and revenues in 2023 which could result in another contribution to the Building Permit Stabilization Reserve Fund.

This annual report represents the state of construction activity in Burlington for 2022 and confirms the sustainability of the “Fees for Service” financial model for Building Services.

The annual report on building permit revenues and expenditures, and the annual financial statement for the 12-month period of January 1 to December 31, 2022 is provided for information.

Respectfully submitted,



Nick Anastasopoulos, P.Eng.

Chief Building Official

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Appendices:

A. Building Permit Fees Annual Financial Statement for 2022

Notifications:

Burlington Housing and Development Liaison Committee (BHDLC)

Mailing or e-mail address : [BHDLC distribution list](#)

Hamilton Halton Construction Association (HHCA)

Mailing or e-mail address : sue@hhca.ca

West End Home Builder's Association (WEHBA)

Mailing or e-mail address : mikecw@westendhba.ca

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.