



SUBJECT: Indexation of Building Permit Fees 2024

TO: Committee of the Whole

FROM: Building and By-law Department

Report Number: BB-01-24

Wards Affected: All

Date to Committee: February 5, 2024

Date to Council: February 13, 2024

Recommendation:

Enact By-law XX-2024 as attached as appendix A to building and by-law department report BB-01-24 to amend By-law 66-2019, the Building Permit By-law, to adopt the annual indexation of building permit fees for 2024.

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:

In 2019, Watson & Associates Economists Ltd. performed a full review of the Building Services Section and provided an approach to capture costs by using an activity-based costing methodology (time-based analysis) and tied the methodology to anticipated development (PB-21-19).

In 2019 the City of Burlington Building Permit By-law 66-2019 was updated to state:

6.11.1. Compliance with Div. C, 1.9.1.2. of the *OBC*

Prior to passing a By-law to change any fees listed under Schedule "A" attached to this By-law, the *City* shall comply with the requirements set under Div. C, 1.9.1.2. of the *OBC*.

6.11.2. Indexing of *Permit Fees*

Upon passing of a By-law as set out in 6.11.1 above, the fee rates within Schedule “A” attached to this By-law are to be indexed to the overall % increase for the total Human Resource expenditures as approved in the annual budget in relation to the Building Section and are to be adjusted annually on February 1. Flat fee rates shall be rounded to the nearest dollar amount (increments of half dollar shall be rounded up). All other fees shall be rounded to the nearest cent.

As provided by the City’s Finance Department, the overall % increase for the total Human Resource expenditures as approved in the 2024 annual budget in relation to the Building Department is 24.9%. This increase is the result of three primary factors, each contributing to the overall adjustment:

1. City of Burlington Job Evaluation (JE) adjustments (approximately 12%):

The City implemented a JE of all non-union job roles across the corporation in 2022/23. These adjustments constitute approximately 12% of the total fee adjustment. This modification is essential to accurately reflect the progressive responsibilities, required technical qualifications, risk and complexities associated with the job roles identified in the Building Department.

2. Salary increases for 2024 (approximately 3%):

Another component of the fee increase is tied to salary adjustment for 2024, incorporating a blend of market and performance-based increases. This contributes to roughly 3% of the overall fee adjustment and is crucial for retaining and attracting skilled professionals necessary for effective building permit administration and enforcement.

3. Additional Staff Approval in 2024 Budget (remaining 9.9%):

The 2024 budget includes the approval of four (4) additional staff positions directly funded by building permit revenues, including a Supervisor of Building Permits, Supervisor of Building Inspections, Building Engineer and Application Analyst. Collaboratively, these roles enhance the customer support experience by ensuring a streamlined and efficient process within the Building Department. These roles collectively contribute to the remaining 9.9% increase in human resource costs. Budgeted revenues have been proportionally increased to offset the salary expenses associated with these new positions, ensuring that the fee adjustment aligns with the goal of enhancing the efficiency and capacity of administering and enforcing the Building Code Act and Ontario Building Code.

The Building Department acknowledges that imposing a 24.9% permit fee indexation is significant. Therefore, we are proposing to phase this increase over two (2) years to demonstrate our commitment to balancing the financial impact on the community. The breakdown of the increase will be as follows:

1. 16.6% increase in 2024:

In recognition of the current economic climate and the financial pressures faced by our permit customers, we have decided to implement a scalable increase in 2024. The initial adjustment of 16.6% is designed to phase the immediate burden on stakeholders while still allowing the department the ability to financially address the impact of the human resources increase to the Building Department.

2. Remaining 8.3% increase in 2025 (+ expected 3.0% annual salary adjustment):

Following the initial adjustment, the remaining 8.3% increase will be implemented in 2025 along with an expected annual salary adjustment of 3.0%, resulting in an anticipated overall increase in 2025 of 11.3%. This staggered approach is intended to provide permit customers with additional time to adapt to the changes and to align the fee adjustment with a more gradual economic recovery.

By phasing the 24.9% increase over two years, we aim to strike a balance between ensuring the sustainability of our expanded human resources infrastructure and minimizing the impact on our valued customers.

This phased implementation reflects our commitment to transparency, responsiveness, and understanding the economic challenges faced by our community. We remain dedicated to facilitating responsible and sustainable growth while actively working to alleviate the immediate financial strain on those who rely on building permit services.

The fee indexation of 16.6% is anticipated to take effect on March 4, 2024 following enactment of the amending by-law by Council.

Strategy/process/risk

The purpose of this report is to present Council with an annual report on the indexation of building permit fees for administering and enforcing the Building Code Act and Ontario Building Code.

The 2006 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. These amendments confirmed that the fees must cover the direct and indirect costs of delivering services related to the administration and enforcement of the Act. 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 and Ontario Building Code.

It is important to point out that a viable financial model must be structured to accommodate annual costs associated with staffing, streamlining processes and modernizing technologies, in addition to the day-to-day expenditures (direct and indirect) associated with the administration and operation of the permitting, inspection and enforcement services.

Options Considered

The City of Burlington's Building Department could contemplate not implementing any noted indexing to building permit fees. This decision would place the Building Department in a precarious position where it may struggle to cover both its direct and indirect operating costs, necessitating a reliance on the building permit stabilization reserve fund.

Considering the current budgeted increase to the department's human resource costs, coupled with the inherent volatility of the construction industry and an unstable economic climate, tapping into the stabilization reserve fund presents several challenges. Depleting the reserve could adversely impact the department's workforce of building officials, affecting their ability to issue building permits in a timely manner and address illegal construction activities. This, in turn, may lead to lower customer expectations and increased legal matters. Additionally, it might impede the progress of key initiatives, such as investment in advanced technology (e.g., building permit portal, virtual field inspection applications, etc.) aimed at enhancing our building permit processes and the implementation of green initiatives (e.g., green fleet, virtual inspections).

Financial Matters:

The Building Department is based on a "Fee for Service" model that is not supported by municipal taxes and is in full compliance with legislation. Built into the fee structure is a provision to allow for a building stabilization reserve fund which is funded from excess building permit fee revenue. The intent behind establishing a fund is to provide

municipalities with a sustainable tool for providing and maintaining building permit and inspection/enforcement services throughout a fluctuating construction industry and overall economic climate.

The Chief Building Official and the Building 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

Approval of the indexation of building permit fees per Building Permit By-law 66-2019 will assure the continued viability of the “Fees for Service” model in the Building Department with provision for a healthy Building Permit Stabilization Reserve moving forward.

Source of Funding

Revenues generated by building permit fees are the sole source of funding for the Building Department; including plans review, building inspections/enforcement and policy/regulatory services, 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 (including septic systems) are damaged due to fire, vehicle collision, structural collapse or otherwise rendered unsafe.

Other Resource Impacts

Not applicable.

Climate Implications:

Not applicable.

Engagement Matters:

The building permit fee indexation increase contained in this report was posted on the City’s website and also shared with lead representatives from the Burlington Housing and Development Liaison Committee (BHDLC), West End Home Builders Association (WEHBA) and the Hamilton Halton Construction Association (HHCA) through the Notice of Public Meeting announcement emailed and posted a minimum 21 days prior to the public meeting, in accordance with the Ontario Building Code.

Conclusion:

To ensure the Building Department is aligned with the “Fees for Service” model and is financially stable to cover all direct/indirect costs the noted indexing of 16.6% should be approved.

Respectfully submitted,

Nick Anastasopoulos, P. Eng.

Chief Building Official

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Appendices:

- A. Amending By-law (Indexation) 2024
- B. Schedule ‘A’ to Building Permit By-law 66-2019 (fees indexed accordingly)

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 Ramsay sue@hhca.ca

West End Home Builder’s Association (WEHBA)
Mailing or e-mail address : Mike Collins-Williams 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.