



**SUBJECT: 2023 annual building permit revenues and expenses**

**TO: Committee of the Whole**

**FROM: Building and By-law Department**

Report Number: BB-02-24

Wards Affected: All

Date to Committee: March 4, 2024

Date to Council: March 19, 2024

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### **Recommendation:**

Receive and file building and by-law department report BB-02-24 providing related information for the 2023 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

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### **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 2023 building permit fees annual financial report is required to be published before the end of the first quarter of 2024 as mandated by the Building Code Act.

### **Strategy/process/risk**

This report aims to deliver an annual overview of building permit fee collections, along with the associated direct and indirect costs related to administering and enforcing the Building Code Act and Ontario Building Code. Additionally, it provides insights into the status of the Building Permit Stabilization Reserve Fund for the period from January 1 to December 31, 2023.

The detailed reporting requirements for building permit activity during the year ending December 31, 2023, are outlined in the attached Appendix "A." The content of this appendix is furnished by the Finance Department, utilizing a financial model established in 2006 and subsequently revised in 2010, 2016, and 2019. Compliance with the Building Code Act and its Regulations mandates the annual preparation of a report on fees collected and costs incurred.

It is essential to note that the financial model must be adaptable to encompass not only day-to-day operational costs but also those associated with streamlining and modernizing technologies and processes. In 2023, the Building Department initiated a fee review in collaboration with Watson & Associates Ltd., evaluating the current fee structure and scrutinizing direct and indirect costs to refine building permit fees. This periodic assessment ensures that the Building Department covers all operating costs and maintains a viable Building Permit Stabilization Reserve Fund.

The services provided by the Building Department have undergone significant transformations since the onset of the COVID-19 pandemic in 2020. The department transitioned from accepting only paper submissions to exclusively processing electronic building permit submissions. While efforts have been made to embrace a fully digital work environment, the existing tools lack cohesion.

To meet the evolving needs, the Building Department recognizes the necessity to invest in an integrated portal system for electronic building permit applications. This system aims to facilitate customers in submitting applications, initiating code compliance reviews, and scheduling building inspections through a unified, user-friendly web-based application.

Consequently, the ongoing fee review, incorporating a time-based analysis, will comprehensively evaluate all related services. The findings will serve as the foundation for potential adjustments to the permit fee schedule and the procurement of critical integrated digital solutions.

### **Options Considered**

Not applicable.

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### **Financial Matters:**

Appendix A, attached to this report, provides the prescribed information for the period January 1 to December 31, 2023. As of December 31, 2023, the balance in the Building Permit Stabilization Reserve Fund was \$6,355,211. The Building Permit Stabilization Reserve Fund must cover direct/indirect costs and any fluctuations in the construction industry but also ensure the “Fee for Service” model is viable and not constituted as an additional tax to permit applicants.

Building permit revenue for 2023 was \$6,985,360 which is a 0.17% decrease in permit revenues from 2022. The decrease in 2023 revenues is considered marginal compared to 2022 and this minimal fluctuation is considered normal within the industry. The Building Department was able to contribute \$1,073,397 into the Building Permit Stabilization Reserve Fund due to sustained permit activity in 2023.

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, 2023, was \$1,073,397 and the closing balance in the reserve fund as of December 31, 2023, is \$6,355,211.

### **Source of Funding**

Revenues generated by building permit fees and other related administration fees are the sole sources of funding for the Building Department.

### **Other Resource Impacts**

Not applicable.

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### **Climate Implications:**

Not applicable.

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## **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), Hamilton Halton Construction Association (HHCA) and Building Industry and Land Development Association (BILD).

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## **Conclusion:**

The Building Department experienced a sustainable year of permit activity with a contribution to the Building Permit Stabilization Reserve Fund for 2023. The reserve is established so that when there are economic downturns, the business can draw from the reserve. This allows the department to continue to provide the regulatory services of permit issuance, building inspections, enforcement, and address unsafe buildings to ensure the health and safety of residents.

This annual report represents permit activity in Burlington for 2023 and confirms the sustainability of the “Fees for Service” financial model for the Building Department.

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, 2023, is provided for information.

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Respectfully submitted,

Nick Anastasopoulos, P.Eng.

Chief Building Official

905-335-7731 ext. 7619

## **Appendices:**

- A. Building Permit Fees Annual Financial Statement for 2023

## **Notifications:**

Burlington Housing and Development Liaison Committee (BHDLC)

Mailing or e-mail address : BHDLC email distribution list

Hamilton Halton Construction Association (HHCA)

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

West End Home Builder's Association (WEHBA)

Mailing or e-mail address : [mikecw@westendhba.ca](mailto:mikecw@westendhba.ca)

Building Industry and Land Development Association (BILD)

Mailing or e-mail address : [info@bildgta.ca](mailto:info@bildgta.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.