

Information Report Summary

SUBJECT: Annual building permit revenues and expenses
TO: Committee of the Whole
FROM: Development and Growth Management
Building

Report Number: DGM-05-25

Wards Affected: All

Date to Committee: April 7, 2025

Date to Council: April 15, 2025

CIP date: N/A

Recommendation:

Receive for information development and growth management report DGM-05-25 regarding 2024 annual building permit revenues and expenses.

Executive Summary

This report provides an annual overview of building permit fee collections for 2024, alongside the direct and indirect costs. It ensures transparency in the financial and operational aspects of the administration and enforcement of the Building Code Act and Ontario Building Code.

The report also reviews the Building Permit Stabilization Reserve Fund status from January 1 to December 31, 2024, assessing its capacity to manage revenue fluctuations and sustain service delivery.

Purpose of report:

- To provide 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.
- To provide insight into the status of the Building Permit Stabilization Reserve Fund for the period from January 1 to December 31, 2024.

Key findings:

- Appendix A, attached to this report, provides the prescribed information for the period January 1 to December 31, 2024. As of December 31, 2024, the balance in the Building Permit Stabilization Reserve Fund is \$4,246,429. 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 2024 was \$4,599,232, reflecting a 34% decrease from 2023. This decline is primarily due to a significant drop in building permit applications, likely driven by inflation-related factors such as rising construction costs, higher interest rates, and economic uncertainty. Increased material and labor expenses have made projects more costly, while higher borrowing costs have discouraged new developments. Additionally, cautious market conditions have reduced construction demand. If permit fees do not keep pace with inflation and operational expenditures, revenues will continue to be impacted.
- To cover the Building Department’s operating costs, a draw from the Building Permit Stabilization Reserve Fund was necessary. The draw from the reserve fund for the period of January 1 – December 31, 2024, was \$2,241,330 and the closing balance in the reserve fund as of December 31, 2024, is \$4,246,429.

Implications:

- Revenues generated by building permit fees and other related administration fees are the sole sources of funding for the Building Department.
- The draw from the Building Permit Stabilization Reserve Fund has reduced the overall balance, which may impact future operating costs, service delivery and customer experience.
- The 2024 building permit fees annual financial report is required to be published before the end of the first quarter of 2025 as mandated by the Building Code Act.

Information Report

Background

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 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 most recently in 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 building departments with a sustainable tool for providing and maintaining building permit and inspection services throughout a fluctuating construction industry and overall economy.

Status

A \$2,241,330 draw from the Building Permit Stabilization Reserve Fund has reduced its balance to \$4,246,429. Building departments should aim to maintain a minimum reserve fund equivalent to 1.5 times their annual operating costs. If the downturn in building permit applications continues through 2025, the reserve may be further depleted heading into 2026.

Key Dates & Milestones

Reporting of the 2024 building permit revenues and expenses is required to be reported annually as per the Building Code Act.

Implications

- Revenues generated by building permit fees and other related administration fees are the sole sources of funding for the Building Department.
- A \$2,241,330 draw from the Building Permit Stabilization Reserve Fund has reduced its balance to \$4,246,429. Building departments should aim to maintain a minimum reserve fund equivalent to 1.5 times their annual operating costs. If the downturn in building permit applications continues through 2025, the reserve may be further depleted heading into 2026.

References

Report DGM-06-2024 "Indexation of Building Permit Fees 2025" (to be submitted as a recommendation report to COW on April 7, 2025)

Strategic Alignment

- ☐ Designing and delivering complete communities
 - ☒ Providing the best services and experiences
 - ☐ Protecting and improving the natural environment and taking action on climate change
 - ☒ Driving organizational performance
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Report Details

Author:

Nick Anastasopoulos, P. Eng.
Chief Building Official / Director, Building Department
Nick.anastasopoulos@burlington.ca
(905) 335-7731 ext. 7619

Appendices:

A. Building Permit Fees Annual Financial Statement for 2024

Notifications:

Burlington Housing and Development Liaison Committee (BHDLC):
BHDLC email distribution list

Hamilton Halton Construction Association (HHCA):
sue@hhca.ca

West End Home Builder's Association (WEHBA):
mikecw@westendhba.ca

Building Industry and Land Development Association (BILD):
info@bildgta.ca

Report Approval:

All reports are reviewed and approved by the Head of Corporate Affairs, Commissioner, the Chief Financial Officer, and the Commissioner of Legal Services & Legislative Services/City Solicitor.