

Report to Planning and Environment Committee

To: Chair and Members
Planning and Environment Committee

From: Scott Mathers, MPA, P. Eng
Deputy City Manager, Planning and Economic Development

Subject: Amendments to Fees under the Building Code Act, Building Permit Fees By-Law B-7 Amendment

Date: June 11, 2024

Recommendation

That, on the recommendation of the Deputy City Manager, Planning and Economic Development, the following actions be taken:

- (a) the attached proposed by-law (Schedule “A”), **BE INTRODUCED** at the Municipal Council meeting to be held on June 25th, 2024, to amend Building Permit Fees By-Law B-7 by repealing and replacing Schedule “A”; and,
- (b) Civic Administration **BE DIRECTED** to continue annual inflationary increases for fees as outlined in Schedule “A”:
- (c) Civic Administration **BE DIRECTED** to restructure and phase-in the following building permit fee increases annually, in addition to annual inflationary increases noted in (b), starting in 2024:
 - a. Townhouses - 2.1%
 - b. Apartments - 5.0%
 - c. Group A (Assembly) - 1.4%
 - d. Group E (Mercantile) - 4.0% (finished) and 5.5% (shell)
- (d) Civic Administration **BE DIRECTED** to increase all minimum fees by 21%; and,
- (e) the attached report (Schedule “B”) **BE RECEIVED** for information.

Executive Summary

The City of London retained Watson & Associates Economists Ltd. to review and update its building fees. The first objective of the building permit fee review was to develop an activity-based costing (A.B.C.) model to substantiate the total costs of service (i.e., administering and enforcing the Building Code). The total cost assessment (i.e., direct, indirect, capital costs, and future anticipated costs) was used to inform recommended fees to recover the total cost of service, provide for the sustainable delivery of service, and ensure the balance in the Building Permit Revenue Stabilization Reserve Fund can absorb temporary economic downturns to mitigate the potential funding burden on property taxes. The second objective was to make fee structure recommendations to improve cost recovery and ensure the City maintains financially sustainable development review services.

The 2024 Building Permit Fees Review report summarizes the findings and recommendations related to the building permit fee services within the scope of the review. The report summarizes the legislative context for building permit fees, the building permit fee review, the methodology developed, full cost assessment, and fee recommendations of the building permit fee review.

This report seeks Council's approval to amend the Building By-Law B-7, as amended, by deleting Schedule 'A' in its entirety and by replacing it with the attached new Schedule 'A'.

Linkage to the Corporate Strategic Plan

Council's Strategic Plan for the City of London, 2023-2027, identifies Housing and Homelessness as a Strategic Area of Focus. The recommendations as outlined through the Building Fees review completed by Watson aligns with and supports the following Strategic Area's of Focus, Expected Results and Strategies:

Outcome 1: City of London demonstrates leadership and builds partnerships to increase quality, affordable, and supportive housing options.

Expected Results:

1.1: Increased access to a range of quality, affordable, and supportive housing options that meet the unique needs of Londoners.

Strategies:

- Enforce London's property, building code, and rental license by-laws through property blitzes and proactive enforcement to protect the health and safety of tenants and all residents.

Analysis

1.0 Background Information

1.1 Previous Reports

- MEMO from Planning and Economic Development, Building Services: 'Indexed Building Permit Fees/Rates effective March 01, 2024, until February 28, 2025', February 29, 2024, Planning and Environment Committee
- Contingencies/Stabilization and Risk Management Reserve Fund Rationalization Report, September 11, 2023, Corporate Services Committee
- Annual Report on Building Permit Fees, May 1, 2023, Planning and Environment Committee
- Repeal of Building By-Law B-6 and Proposed Building By-Law B-7, April 15, 2019, Planning and Environment Committee
- Building By-law Amendments, August 20, 2012, Planning and Environment Committee

2.0 Discussion and Considerations

2.1 Amendments to Fees under the Building Code Act - Background

The Ontario Building Code Act ("Act") grants municipalities with the authority to levy fees for the purpose of entirely offsetting the expenses associated with the administration and enforcement of building regulations. The regulations prescribed under the Act, outline the specifics of what can be included within these costs, including direct and indirect expenditures, as well as provisions for establishing a reserve fund. Furthermore, the Building Code Statute Law Amendment Act imposes additional requirements upon municipalities when setting fees in accordance with the Act. Specifically, the fees must not exceed the anticipated reasonable cost to enforce the Act; annual reports must be made available to the public; and the municipality must undertake a public process inclusive of a public meeting to hear the comments of the public on any proposed fees. The administration and enforcement of the City's building service should not impact the general tax levy unless needed in periods of economic decline. In these latter instances, the Building Permit Revenue Stabilization Reserve

Fund can be used to responsibly manage building related service costs at times of economic downturn.

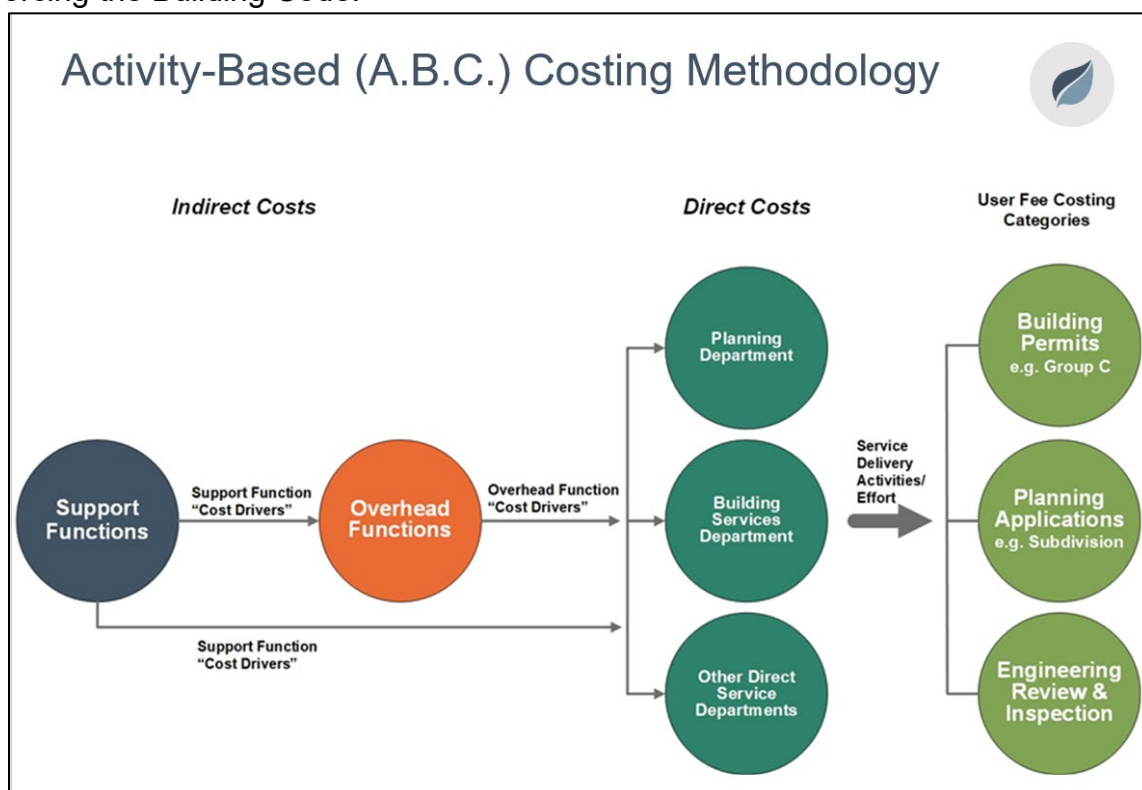
In 2019 the City undertook a building permit fee review, which looked at the Building Permit Revenue Stabilization Reserve Fund and the building permit fee structure in relation to work effort, as well as a comparison of building permit fees in London in relation to other similar jurisdictions. As a result of the review, Civic Administration recommended that the Building Permit Revenue Stabilization Reserve Fund target be increased to 100% of the annual operating costs of administration and enforcement of the prior year, as per the Annual Report on Building Permit Fees. This target, in agreement with the industry, was to be reached in a gradual manner over the span of a few years. The Building Permit Revenue Stabilization Reserve Fund closing balance for 2022 was \$3,297,988, equal to 39% of the 2022 operating costs, whereas the closing balance for 2023 was \$3,002,084, excluding annual interest, equal to 38.8% of the 2023 operating costs.

Furthermore, resulting from the 2019 review, a new fee structure was adopted by Council which included an annual indexing component based on the most recent Consumer Price Index. As of March 1, 2023, in accordance with s.7.2 of the Building By-law B-7, the previous building permit fees/rates were indexed by 6.0%. On March 1, 2024, the Building Permit Fees/Rates reflected a 3.3% increase in accordance with the most recent index. These rates came into effect on March 1, 2024 and will continue until February 28, 2025.

As a result of provincial legislation changes and targets being introduced, there was a need to grow the building departments staffing levels to accommodate the increased need to construct additional units within City of London. As such, in the fall of 2023 the City of London retained Watson & Associates Economists Ltd. (Watson) to conduct a review and update of the City's building permit fees. Their review assessed the full cost of service including direct, indirect and capital costs to formulate their final recommendations.

The Watson 2024 Building Permit Fees Review report, attached as Schedule "B" summarizes the findings and recommendations related to the building permit fee services within the scope of the review. The report summarizes the legislative context for building permit fees, the building permit fee review, the methodology developed, the full cost assessment, and fee recommendations of the building permit fee review.

The first objective of the Building Permit Fees review was to develop an activity-based costing (A.B.C.) model to substantiate the total costs of service (i.e., administering and enforcing the Building Code).



The total cost assessment (i.e., direct, indirect, and capital costs) was used to inform recommended fees to recover the total cost of service, provide for the sustainable delivery of service, and mitigate the potential funding burden on property taxes.

The second objective was to make fee structure recommendations to improve cost recovery and ensure the City maintains financially sustainable development review services.

The Watson review included three Industry meetings, where the development industry was advised of the review and provided comments and feedback on the draft recommendations. As a result, and where appropriate, the industry's comments and feedback has been reflected in the Watson recommendations.

The Watson fee recommendations have considered the following:

- recover the reasonable cost of administering and enforcing the Building Code;
 - Including providing additional resources in 2024 to process increased permits associated with the housing pledge
- provide reserve fund contributions for sustainable service delivery;
- maintain market competitiveness within similar sized and neighbouring municipalities,
- applicant affordability, and
- compliance with the governing legislation.

(Note: Please refer to 'Appendix A: Watson and Associates – Committee Presentation', as attached, for a summary of the Watson Building Permit Fees Review).

2.2 Summary of the Watson 2024 Building Permit Fees Review

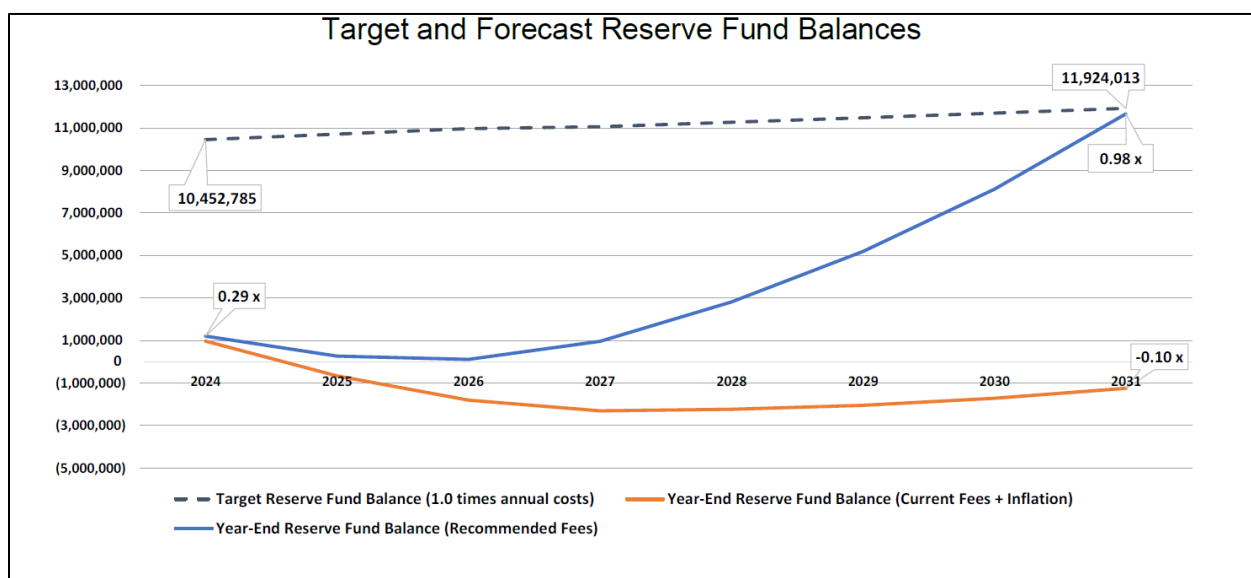
The Building Permit Fees Review prepared by the Watson includes direct costs, capital related costs, indirect support function costs directly consumed by the service provided, and corporate management costs related to the service provided, as well as provisions for future anticipated costs. The assessment of fees included staff time in each respective area (Building, Planning and other Direct Service Departments) in the processing of a building permit application. Watson's in-depth analysis offers a holistic perspective of the anticipated expenditures incurred by the City in delivering building services permits. The fee analysis includes the permit-related processing as well as the operational and capital support costs essential to provide the service.

- Direct Costs include employee costs (salaries, wages, and benefits), materials and supplies, services and rents that are typically consumed by directly involved departments or business units. These direct costs were evaluated based on departmental staff capacity in each of the respective permit types.
- Indirect costs encompass the support and corporate overhead functions across various divisions (ex. Risk Management, People Services, Information Technology Services, Clerks Services, Legal Services).
- Capital Costs pertain to the utilization of facility space and are determined based on facility replacement costs and considering space per direct department staff.

To understand the impacts of the proposed full cost recovery building permit fees, the current and proposed fees for a sample of common building permits has been compared with the fees in municipalities of similar size across Ontario as well as those municipalities within close proximity of the City. Watson reviewed the building permit fees for 17 area municipalities and the City's fees are in the mid to lower range of the comparators, while for the proposed fees the City's position relative to the comparator municipalities will remain unchanged for each permit type other than residential alterations and deck permits. For residential alterations and deck permits, the City's

relative position will increase but will remain within the range of fees imposed. (see figures 3-2 to 3-9 in Schedule “B”).

Watson further assessed the ability of current and proposed fees to recover the full cost of service and contribute to reserve fund sustainability over the 2024 to 2031 forecast period based on forecast costs and revenues. Overall, permit volumes are expected to increase over the forecast period. Watson also assumed that the number of residential units will increase from 3,975 in 2024 to 5,222 annually by 2028 to reach the average level of housing starts required by the housing pledge target. In aggregate, the total number of building permits annually is forecast to increase from 4,039 in 2024 to 4,300 in 2031. Based on the forecast development activity and costs of service, the City’s current fees would be insufficient to fund the full cost of service or make contributions to the reserve fund for service sustainability. At current fees, average annual reserve fund draws of \$520,000 would be required over the forecast period. By 2031, the City would have provided \$1.2 million tax-based funding support for the administration and enforcement of the Building Code. What is important to note, is that, if no additional fee increases were implemented by the City, Watson anticipates that the balance in the Building Permit Revenue Stabilization Reserve Fund would be reduced to below zero annually between the forecast period of 2025-2031.



As such, the proposed increase in building permit fees have been designed to ensure full cost recovery and contributions to the reserve fund for future service sustainability, by relying on the Building Permit Stabilization Reserve Fund to offset fee increases until 2027 before gradually bringing the reserve fund to target by 2031.

It is important to note that the Ontario Building Code Act permits the City to establish a reserve policy that can be used to responsibly manage building related service costs at times of economic downturn, when building permit applications are lower. The Watson 2024 Building Permit Fees Review recommends that the City continue with their current Building Permit Stabilization Reserve Fund target to achieve a multiple of 1.0 times annual costs for service stabilization, as well as continue to increase fees annually at inflationary levels. This is equivalent to 100% of annual operating costs of administration and enforcement for the prior year, as per the Annual Report on Building Permit Fees.

Furthermore, the total costs of administration and enforcement of the Building Code are \$10.5 million. Direct costs represent 87% (\$9.1 million) and indirect and capital costs represent 13% (\$1.4 million) of the total annual costs. Based on the modelled annual permit volumes, the City’s current fees recover approximately 68% (\$7.1 million) of total annual costs. In review of the cost recovery by permit type, all new construction (excluding Group E) permits are recovering the full cost of service while other permits fees are under recovering their costs. New construction permit fees are generating an annual surplus of \$1.5 million, while other permit fees are generating an annual deficit of \$4.7 million. A detailed analysis of forecast building permit activity, revenues, and Building Code Act reserve fund levels is contained in Section 3.3 of Schedule “B”, which has been used to inform recommended fee structure revisions.

As such, the fee recommendations prepared by Watson have been made to remain within the range of fees imposed by comparator municipalities of similar size across Ontario as well as those municipalities within close proximity of the City to have regard for the affordability and competitiveness of the fees. Recommended fees (beyond annual inflationary increases) have been made such that the fee increases will be phased-in over the forecast period to 2031. Watson anticipates that recommended building permit fees would be implemented mid-2024.

The key changes to the recommended fees are summarized as follows:

- Townhouses – 2.1% annual increases (above annual inflation) to 2031;
- Apartments – 5.0% annual increases (above annual inflation) to 2031;
- Group A (Assembly) – 1.4% annual increases (above annual inflation)
 - fees aligned to Group B (Care and treatment) fees by 2031;
- Group E (Mercantile) – 4.0% (finished) and 5.5% (shell) annual increases (above annual inflation)
 - fees aligned to Group D (Business and personal services) fees by 2031;
- Minimum Fees (and any other fees charged the same as the minimum, e.g., Canopy, Residential decks, etc.) increased by 21%

Current and recommended building permit fees are presented in Table 3-5 of Schedule “B”. The fees included in Table 3-5 are the 2024 fees which will subsequently be increased each year based on the proposed phasing strategy.

3.0 Financial Impact/Considerations

Charging building permit fees is an effective method of ensuring those who directly benefit from a permitting service financially contribute towards it. Building permit fees provide funds to enforce and administer the City’s building permit program.

The fee recommendations developed by Watson focus on a Building Permit Revenue Stabilization Reserve Fund strategy that will sustain operations and service capacity during economic downturns. Watson recommended that the City maintain its current reserve fund target equal to 1.0 times the annual costs of service. The reserve fund strategy and fee recommendations that have been developed assume that residential dwelling units will increase from 3,975 in 2024 to 5,222+ by 2028 to reach housing pledge levels, as well as, the total number of building permits will increase from 4,039 in 2024 to 4,300 in 2031.

It should be noted that because administration expenditures are anticipated to increase quickly, even with Watson’s recommended increases in building fees, it is projected that a draw from the Building Permit Revenue Stabilization Reserve Fund will be required in 2024, 2025 and 2026. The balance of the reserve fund will decrease each year, culminating in a balance of approximately \$100,000 in 2026. Watson’s projections anticipate contributions to the reserve fund and increasing balances starting in 2027. The projected low balances in the reserve fund prior to 2027 are a risk and could be even lower if revenues do not increase as projected. If the balance in the reserve fund ever gets below zero, Civic Administration will recommend the best way to bring it back above zero at the time. Civic Administration will monitor the situation and may slow down the increase in staff complement to lower administration expenses.

Civic Administration will monitor projected/actual revenues, expenditures, and Building Permit Revenue Stabilization Reserve Fund balances monthly, and report on the reserve fund balance annually through the ‘Annual Report on Building Permit Fees’ and the annual Reserve and Reserve Fund Housekeeping and Monitoring report. A complete and comprehensive review will be undertaken when needed.

However, a review may be triggered if any of the below noted activities occur:

- If the Building Permit Revenue Stabilization Reserve Fund target is reached.
- If the Building Permit Revenue Stabilization Reserve Fund target is either 20% above or 20% below the projected target for any particular year (2024-2031).

- If the Building Permit Revenue Stabilization Reserve Fund is reduced below zero.
- If something substantially changes in the way building permits are reviewed and processed. For example, if the Building Code was changed to require additional inspections or included more intensive plan review requirements.

Conclusion

Based on Watson's full cost recovery analysis, the recommendation to adjust current fees will effectively maintain the financial responsibility for administering and enforcing the building code. Specifically, these fees will continue to be recovered from those requiring the services thereby avoiding the subsidization building services by the general taxpayers.

The recommended full cost of recovery of fees by users, directly relates to the Council's Strategic Plan's Mission of 'Improving quality of life and building a strong and vibrant community through bold, proactive, and accountable City services'.

Prepared by:

**Cathy Parsons, MBA
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Reviewed by:

**Anna Lisa Barbon CPA, CGA
Deputy City Manager, Finance Supports**

Recommended by:

**Scott Mathers, MPA, P.Eng
Deputy City Manager, Planning and
Economic Development**

c.c: PED Directors

London Home Builders' Association

London Development Institute

London District Construction Association

Kyle Murray, Director, Financial Planning & Business Support

Alan Dunbar, Manager, Financial Planning & Policy

John Milson, Sr. Financial Business Administrator, Financial Business Support

Bill No.
2024

By-law No.

A by-law to amend By-law No. B-7 being “A By-law to provide for construction, demolition, change of use, occupancy permits, transfer of permits and inspections” to repeal and replace Schedule “A”.

WHEREAS section 7 of the *Building Code Act*, 1992, S.C. 1992, c. 23 as amended, empowers Council to pass certain by-laws respecting construction, demolition, change of use, transfer of permits, inspections and the setting and refunding of fees;

AND WHEREAS Municipal Council deems it appropriate to amend By-law No. B-7 being “A By-law to provide for construction, demolition, change of use, occupancy permits, transfer of permits and inspections” to repeal and replace Schedule A;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. By-law No. B-7 being “A By-law to provide for construction, demolition, change of use, occupancy permits, transfer of permits and inspections” is hereby amended by repealing Schedule “A” with the attached Schedule “A”.
2. This by-law comes into force on the day it is passed subject to the provisions of PART VI.1 of the *Municipal Act*, 2001.

PASSED in Open Council on June 25, 2024 subject to the provisions of PART VI.1 of the *Municipal Act*, 2001.

Josh Morgan
Mayor

Michael Schulthess
City Clerk

First Reading – , 2024
Second Reading – , 2024
Third Reading – , 2024

SCHEDULE "A"
BUILDING BY-LAW B-7

EFFECTIVE June 25, 2024 UNTIL & INCL. FEBRUARY 28, 2025

CLASSES OF PERMITS AND FEES

1.0 CALCULATION OF PERMIT FEES

Permit fees shall be calculated based on the formula given below, unless otherwise specified in this schedule:

$$\text{Permit Fee (rounded to the nearest dollar)} = \text{SI} \times \text{A}$$

Where:

SI = Service Index for Classification of the *work* proposed and,
A = floor area in m² of *work* involved

In all cases, more than one fee category may apply unless noted otherwise.

2.0 MINIMUM PERMIT FEE

Minimum fee, unless otherwise indicated, shall be charged for any work in buildings Classified under the *Building Code* as a Part 9 building.

\$250.80

For Part 3 buildings, minimum fee, unless otherwise indicated herein or listed as a flat fee

\$537.41

3.0 CLASSES OF PERMITS AND FEES

3.1 CONSTRUCTION

BUILDING CLASSIFICATION (per <i>Building Code</i>)	SERVICE INDEX (SI)
	\$/m ² , unless otherwise indicated
Group A [Assembly Occupancies]	
All Recreation Facilities, Schools, Libraries, Places of Worship, Restaurants (Finished), Theatres, Arenas, Gymnasiums, Indoor Pools	\$22.51
Restaurants (Shell)	\$17.05
Outdoor Public Swimming Pools or Public Spas	\$12.00
All other Group A Buildings	\$25.21
Group B [Institutional Occupancies]	
Institutional, Hospitals, Nursing Homes, and other Group B buildings	\$28.78
Group C [Residential Occupancies]	
Single Detached Dwellings, Semis, Duplexes	\$13.61
• with private septic system (additional fee)	flat fee \$1,065.91
• with geothermal system (additional fee)	flat fee \$497.42
Townhouses	\$11.37
• with private septic system (additional fee)	flat fee \$1,065.91
• with geothermal system (additional fee)	flat fee \$497.42

Live/Work Units, Previously approved (single detached, semis)		\$11.14
• with private septic system (additional fee)	flat fee	\$1,065.91
• with geothermal system (additional fee)	flat fee	\$497.42
Apartment Buildings		\$9.32
• with geothermal system (additional fee)	flat fee	\$639.54
Motels (greater than 2 stories) and Hotels		\$21.32
All other residential Occupancies		\$16.58

Group D [Business and Personal Service Occupancies]

Group D Buildings (Shell)		\$16.58
Group D Buildings (Finished)		\$20.13

Group E [Mercantile Occupancies]

Group E Mercantile Occupancies (Shell)		\$10.98
Group E Mercantile Occupancies (Finished)		\$14.78

Group F [Industrial Occupancies]

Industrial Buildings, Warehouses(Shell)		\$8.28
Industrial Buildings, Warehouses(Finished)		\$10.06
Gas Stations, Car Washes		\$10.19
Parking Garages (Underground, Open Air)		\$5.45
All Other Group F Buildings including self storage buildings		\$10.78

3.2 ALTERATIONS, RENOVATIONS, and REPAIRS

Group C - Dwelling units		\$3.54
Group A and B occupancies		\$6.81
All other Occupancies		\$5.94
Balcony Repairs or Guard Replacement	(per \$1,000 construction value)	\$20.13
Parking Garage Repairs	(per \$1,000 construction value)	\$20.13
Fire alarms	flat fee	\$444.14
Fire alarm annunciator panel replacement (stand alone)	flat fee	\$355.30
Electromagnetic Locks	each	\$41.45
	max. fee	\$497.42
Sprinklers (based on sprinkler coverage area)		\$0.60

3.3 DEMOLITION

Single Detached Dwellings, Semis, Duplexes	flat fee	\$414.51
All other buildings:		
• with gross floor area equal to or less than 600 m2		\$0.53
• with gross floor area greater than 600 m2		\$1.18

3.4 DESIGNATED STRUCTURES (OBC Div. A-1.3.1.1)

Communication Tower supported by a building,	per Tower	\$450.06
Crane Runway	flat fee	\$450.06
Exterior Tank and Support (not on slab on grade)	per Tank	\$450.06
Pedestrian Bridge (when applied as a separate <i>permit</i>)	per Structure	\$446.92
Retaining Wall	per linear m.	\$13.27
Stand alone structure supporting a wind turbine generator having a rated output of more than 3kW	flat fee	\$450.06

3.5 STAND ALONE AND MISCELLANEOUS WORK

Air Supported Structures		\$5.62
Canopy (with no signage/lettering)	per canopy	\$250.80
Farm Buildings, Agricultural Greenhouses		\$4.14
Manure storage facility	flat fee	\$532.96
Portable Classrooms	each	\$250.80
Residential Decks, Porches,		
• uncovered	each	\$250.80
• covered (supporting roof loads)	each	\$355.30
Shoring of excavations (stand alone <i>permit</i> application)	per lineal m.	\$13.03
Single Detached Dwelling Garages, Carports, Accessory structures:		
• equal to or less than 55 sq.m.	each	\$250.80
• over 55 sq.m.	each	\$394.10
• additional fee if plumbing is involved		\$250.80
Temporary Structures		
Tents (individual or each group)		
• from 60 sq.m to 225 sq.m.	each	\$250.80
• exceeding 225 sq.m.	each	\$358.27
<i>Temporary buildings</i>	each	\$250.80
Underpinning (stand alone permit)	per lineal m.	\$17.77
Solar Panels installed on:		
• Single detached/semi-detached buildings	per building	\$213.18
• All other buildings (per \$1,000 construction value of works excluding solar panel		\$20.13
costs)		
Underground structures (excluding fuel tanks)	per structure	\$473.74
Rack storage systems		\$2.95
	min. fee	\$592.17

3.6 STAND ALONE MECHANICAL WORK (HVAC & PLUMBING)

More than one fee category may apply per building/work proposed.

3.6.1 Heating, Ventilating and Air Conditioning (HVAC)

Group A, B, D, E, F		\$2.37
Group C – single/detached/semi-detached dwelling units	flat fee	\$250.80
– other Group C Buildings		\$2.37
Additional fee if work proposed includes Make-up Air Units, or Rooftop Units	flat fee	\$250.80
Commercial Kitchen Exhausts, Spray Booths, Dust Collectors, etc. (applies to installations on existing buildings when no other mechanical/plumbing work is proposed)		\$414.51

3.6.2 Plumbing and Drainage Systems-Fixtures-Equipment-Systems

Piping Single Detached or Semi Detached Dwellings:	flat fee	\$250.80
• Water services, Sanitary and Storm buried piping, repairs, replacements and additions of buried plumbing and drainage piping, pool drains		
Piping (All Other Buildings)	per lineal m.	\$3.54
• Inside Sanitary and Storm Piping, Outside Water Services, Sanitary and Storm Piping		

Manholes, Catchbasins, Interceptors, and Sumps complete with pumps, roof drains	each	\$14.34
Backflow prevention devices (requiring testing)	each	\$250.80
Backwater valves (sanitary)	each	\$250.80
Private <i>Sewage system</i> (new or replace):		
· Holding Tank	flat fee	\$734.30
· Septic System (complete)	flat fee	\$1006.68
· Septic Bed	flat fee	\$734.30
· Septic System Tank only	flat fee	\$426.36
Geothermal system for single/semi-detached/duplex	flat fee	\$497.42
Geothermal system for all other buildings	flat fee	\$734.30

4.0 ADMINISTRATIVE FEES

a) Additional Plan review fees (in addition to *permit* fees charged due to any increase in floor area) as a result of changes made to the original *permit* application submission.

(i) After all reviews have been completed prior to <i>permit</i> issuance or after the <i>permit</i> has been issued (excludes new model submission for single detached dwellings, duplexes, semi-detached dwellings, or row townhouses)	per hour	\$153.97
	min. fee	\$250.80

ii) New Model submission (single detached dwellings,
semi-detached dwellings, duplexes, or row townhouses) made more than five
business days after original *permit* application was submitted or
post permit issuance.

50% of
original permit fee

b) Partial Occupancy *permit* flat fee **\$663.23**

c) *Conditional Permit (as per Section 8.(3) of Building Code Act)*
in addition to fee in section 3 above,

(i) single detached dwellings, duplexes, semi- detached dwellings or row townhouses	per permit	\$325.70
(ii) all other uses	per permit	\$710.61

d) Inspection to Clear Deficient *permit* flat fee **\$592.17**

e) Inspection conducted after Order issued under the Building
Code Act where Order has not been complied with per visit **\$250.80**

f) Permission to defer permit revocation per permit **\$355.30**

g) *Permit* for Change of Use (no construction) flat fee **\$250.80**

h) Special Inspection, excluding fire protection inspection
(outside office hours-max 3 hours-upon request-based on
staff availability) flat fee **\$473.74**

i) Special inspection for fire protection items
(outside office hours-max 3 hours-upon request-based on
staff availability) flat fee **\$592.17**

j) Special inspection on holidays	Special inspection fee plus 50% of the special inspection fee	
k) Transfer of <i>Permit</i> (Ownership)	flat fee	\$250.80
l) Special Research Requests	per hour or part thereof	\$250.80
m) Certification of an additional set of drawings on the basis of which a <i>permit</i> was issued by the Chief Building Official	per set	\$250.80
n) Spatial separation (Limiting distance) agreements	per agreement	\$473.74
o) Alternative solutions review	Per alternative form submission	\$473.74
p) <i>Three day permit</i>		
• Residential use (excluding apartment buildings)	Additional fee equal to 50% of the original permit fee min. fee	\$325.70
• All other uses	Additional fee equal to 50% of the original permit fee min. fee	\$651.38
q) Occupancy <i>permit</i> (in accordance with the Ontario Building Code Div. C-1.3.3.4 & 1.3.3.5)	no fee	
• Additional copy of occupancy <i>permit</i>	flat fee	\$177.65
r) Liquor Licence Clearance Letter		
• Not Associated with a Building <i>Permit</i> or <i>Business License</i>	flat fee	\$568.40
• Associated with a Building <i>Permit</i> or Business License	flat fee	\$325.70
s) Review of proprietary systems/equipment/components for Ontario <i>Building Code</i> conformance (including Compliance letter issuance)	per item reviewed	\$355.30
t) Review of proprietary systems/equipment/components for Ontario <i>Building Code</i> conformance associated with permit or application	per item reviewed	\$236.87
u) 'Not Ready' re-inspection	flat fee	\$250.80
v) Construction Fence inspection	flat fee per inspection	\$250.80
w) Order issued pursuant to the Act, except for Stop Work Order (Payment of these fees does not relieve any person or corporation from complying with the Act, the Building Code or any applicable law.)	flat fee	\$236.87
x) Stop Work Order issued pursuant to section 14 of the Act (Payment of these fees does not relieve any person or corporation from complying with the Act, the Building Code or any applicable law.)	flat fee	\$325.70
y) Work without permit	100% of the original permit fee	

5.0 MISCELLANEOUS - CHARGES

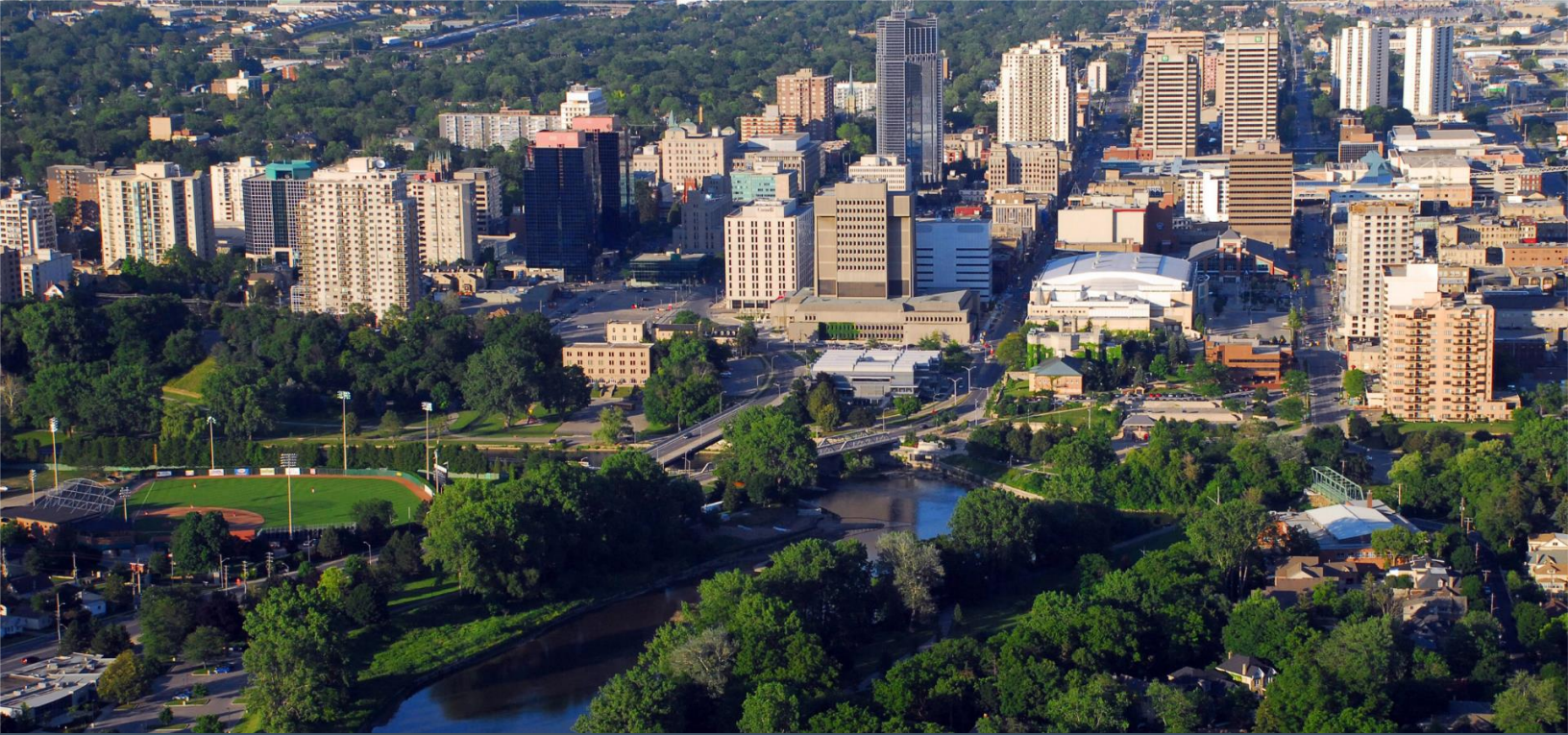
For classes of *permits* not described or included in this schedule, a reasonable *permit* fee shall be determined by the *Chief Building Official*.

6.0 REFUNDS

Pursuant to Part 7 of this By-law, the fees that may be refunded shall be a percentage of the fees payable under this By-law, calculated by the *Chief Building Official* as follows:

- (a) 90 percent if administrative functions only have commenced;
- (b) 80 percent if administrative and zoning functions only have commenced;
- (c) 60 percent if administrative, zoning and plan examination functions have commenced;
- (d) 50 percent if the *permit* has been issued and no field inspections have been conducted subsequent to *permit* issuance;
- (e) Fee to be deducted from all refunds, for each field inspection that has been conducted after the *permit* has been issued. **\$250.80**
- (f) If the calculated refund is equal to or less than the minimum fee applicable to the *work*, no refund shall be made of the fees paid.
- (g) The additional 50% fee paid in the case of a *permit* application for a *three day permit* shall not be refunded in any case.
- (h) The additional fee equal to 100% of the amount calculated as the regular *permit* fee in the case of *work* without a *permit* pursuant to Section 6.4 of this By-law, shall not be refundable in any case.
- (i) No refund shall be payable in the case where a *permit* has been revoked.
- (j) Any fee paid for alternative solution review shall not be refundable.

Payment of these fees does not relieve any person or corporation from complying with the Act, the Building Code or any applicable law.



Building Permit Fees Review

City of London

Final Report

May 31, 2024

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Report



Chapter 1

Introduction



1. Introduction

1.1 Background

The City of London (City) retained Watson & Associates Economists Ltd. (Watson) to conduct two separate reviews of their development review process (one for Building and one for Planning and Engineering) to assess the full cost of service (i.e., direct, indirect, and capital costs) and recommend updated fees and policy related items (e.g., phasing, indexing, etc.). This report addressed the building permit review only. The planning application and engineering fee review will be reported on separately.

The City imposes fees and charges for the review building permit applications. In recent years, the City has seen a continued evolution of development patterns, development characteristics, and provincially set municipal housing targets which in turn has led to changes to the review processes such as a greater emphasis on a more holistic approach when reviewing applications to improve efficiency of the entire development review process (i.e., from planning application intake through to construction of the development). Furthermore, as part of the Building Division's 2024 multi-year budget and business case, additional staff resources have been identified to deliver the foregoing objectives and meet the additional building permit demand.

This document provides the study process and an overview of legislation governing the fees within the scope of this review, the methodology utilized to calculate the full costs of service, and summarizes the results of the full cost assessment. Finally, it provides the fee recommendations, which have been developed with regard for the governing legislation, maintaining cost recovery from applicants to fund the provision of services, reducing unintended municipal property tax funding support, and applicant affordability relative to market comparators.

1.2 Development Fee Review Study Process

Set out in Table 1-1 is the project work plan that has been undertaken in the review of the City's building permit fees.



**Table 1-1
Development Fees Review Study Work Plan**

Work Plan Component	Description
1. Project Initiation and Industry Stakeholder Engagement	<ul style="list-style-type: none"> • Project initiation meeting with staff to review project scope, methodology and work plan • Review legislative context, development fee trends, Activity-Based Costing (A.B.C.) full cost methodology and refinements to fee categorization and service delivery • Review a draft engagement and communication plan at initiation meeting • Meet with Industry Partners to review the proposed methodology, study workplan and solicit feedback from stakeholders regarding any concerns they may have with the current review process/fee structures that they would like considered as part of the review
2. Receive and Review Background Information	<ul style="list-style-type: none"> • Review of A.B.C. model, City budgets, cost recovery policies, reserve fund policies and by-laws • Establish municipal comparators • Review cost recovery performance and application patterns
3. Fee Categorization and Process Review	<ul style="list-style-type: none"> • Meet with City staff to identify activities and review processes that were considered within this review • Work with staff to develop process maps for each of the activities that were identified as within scope of the review • Produce effort estimate templates in which staff provided their estimates of the total amount of time spent on each step within the application review process on a per application basis
4. Staff Capacity Utilization Analysis	<ul style="list-style-type: none"> • Review completed effort estimates for quality control to ensure no typos/incorrect estimates were provided • A staff capacity utilization analysis was then undertaken where annual historical application volumes were used to develop annual levels of effort which were then expressed as a percentage of annual staff working hours to ensure the effort estimates produced an annual level of effort that is achievable and reasonable • This analysis was reviewed with staff and further refinements were made to ensure the annual levels of involvement were reflective of additional staff resources and staffs' anticipated involved in the building permit review process
5. Construct an A.B.C. model and fee structure options	<ul style="list-style-type: none"> • Develop an A.B.C. model to ensure appropriate fee costing categories, data flows and full cost fee schedule generation • Undertake a comprehensive survey of building permit fees in comparator municipalities • Prepare an eight-year forecast of costs, revenue, and reserve fund position based on the anticipated development activity within the City • Present draft findings to staff to receive their feedback on the costing, fee recommendations, reserve fund strategies and findings before presenting to Industry Partners



Work Plan Component	Description
	<ul style="list-style-type: none">• Present the updated draft findings to Industry Partners to solicit their feedback
6. Prepare Draft Report and present findings to Industry Partners	<ul style="list-style-type: none">• Based on the feedback from previous meetings with staff and industry partners, costing and fee recommendations were updated• Updated findings were presented to staff and industry partners to receive any final feedback before finalizing the results of the study and preparation of the final report
7. Prepare Final Report and Present to Committee and Council	<ul style="list-style-type: none">• Prepare a final report summarizing the project methodology, findings and full cost recovery and proposed fee structures, and municipal comparisons and development impact analyses• Present the final report to the Planning and Environment Committee (P.E.C.) to meet the requirements of the <i>Building Code Act</i> relating to public meetings

1.3 Legislative Context for the Imposition of Building Permit Fees

Development application fees are governed by multiple statutes, each with specific requirements. The City’s statutory authority for imposing building permit fees is governed by the provisions of Section 7 under the *Ontario Building Code Act*. This section provides a summary of the legislative authority for building permit fees imposed by the City.

1.3.1 *Building Code Act, 1992*

Section 7 of the *Building Code Act* provides municipalities with general powers to impose fees through passage of a by-law. The Act provides that:

“The council of a municipality...may pass by-laws

- (c) Requiring the payment of fees on applications for and issuance of permits and prescribing the amounts thereof;
- (d) Providing for refunds of fees under such circumstances as are prescribed;”

The *Building Code Statute Law Amendment Act* imposed additional requirements on municipalities in establishing fees under the Act, in that:



“The total amount of the fees authorized under clause (1)(c) must not exceed the anticipated reasonable cost of the principal authority to administer and enforce this Act in its area of jurisdiction.”

In addition, the amendments also require municipalities to:

- Reduce fees to reflect the portion of service performed by a Registered Code Agency;
- Prepare and make available to the public annual reports with respect to the fees imposed under the Act and associated costs; and
- Undertake a public process, including notice and public meeting requirements, when a change in the fee is proposed.
- O. Reg. 305/03 is the associated regulation arising from the *Building Code Statute Law Amendment Act, 2002*. The regulation provides further details on the contents of the annual report and the public process requirements for the imposition or change in fees. With respect to the annual report, it must contain the total amount of fees collected, the direct and indirect costs of delivering the services related to administration and enforcement of the Act, and the amount of any reserve fund established for the purposes of administration and enforcement of the Act. The regulation also requires that notice of the preparation of the annual report be given to any person or organization that has requested such notice.

Relating to the public process requirements for the imposition or change in fees, the regulations require municipalities to hold at least one public meeting and that at least 21-days’ notice be provided via regular mail to all interested parties. Moreover, the regulations require that such notice include, or be made available upon request to the public, an estimate of the costs of administering and enforcing the Act, the amount of the fee or change in existing fee and the rationale for imposing or changing the fee.

The Act specifically requires that fees “must not exceed the anticipated reasonable costs” of providing the service and establishes the cost justification test at the global *Building Code Act* level. With the Act requiring municipalities to report annual direct and indirect costs related to fees, this would suggest that *Building Code Act* fees can include general corporate overhead indirect costs related to the provision of service. Moreover, the recognition of anticipated costs also suggests that municipalities could include costs related to future compliance requirements or fee stabilization reserve fund contributions.



As a result, *Building Code Act* fees modeled in this exercise include direct costs, capital related costs, indirect support function costs directly consumed by the service provided, and corporate management costs related to the service provided, as well as provisions for future anticipated costs.



Chapter 2

Activity Based Costing User Fee Methodology and Approach



2. Activity Based Costing User Fee Methodology

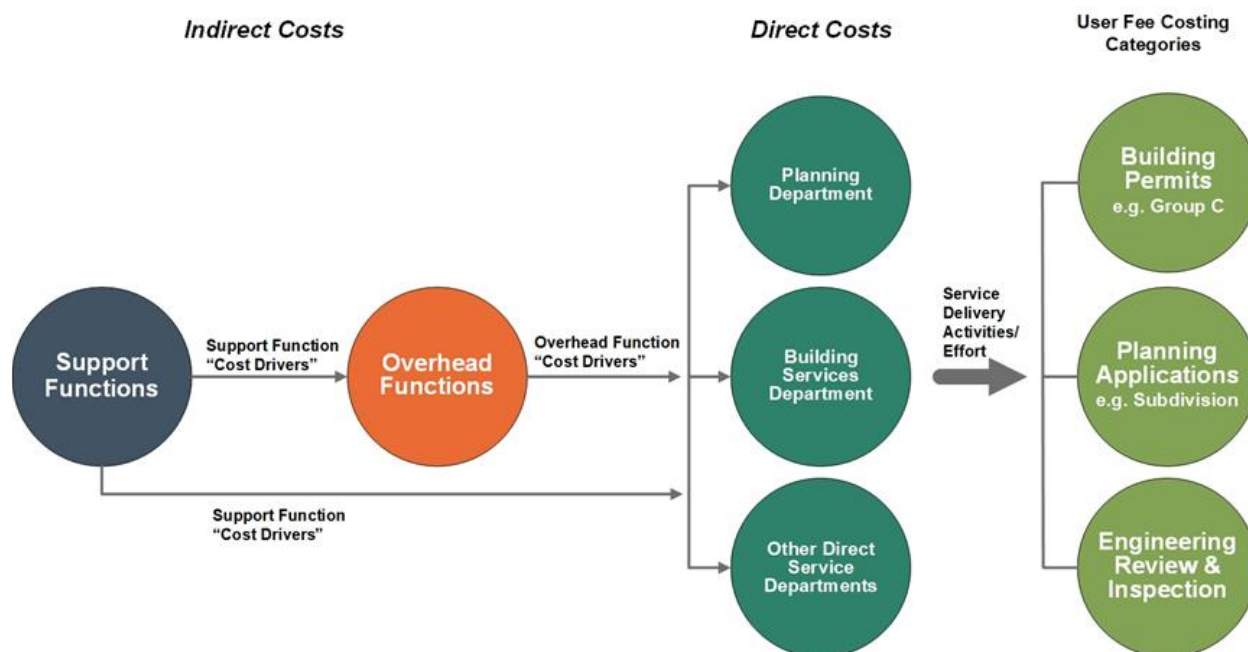
2.1 Activity Based Costing Methodology

An A.B.C. methodology, as it pertains to municipal governments, assigns an organization's resource costs through activities required to provide services to the public. Conventional municipal accounting structures are typically not well-suited to the costing challenges associated with application processing activities as these accounting structures are business unit focused and thereby inadequate for fully costing services with involvement from multiple business units. An A.B.C. approach better identifies the costs associated with the processing activities for specific application types and thus is an ideal method for determining the full cost of processing applications and other user fee activities.

As illustrated in Figure 2-1, an A.B.C. methodology attributes processing effort and associated costs from all participating municipal business units to the appropriate service categories (user fee costing categories). The definition of these user fee costing categories is further explained in Section 2.2. The resource costs attributed to processing activities and user fee costing categories include direct operating costs, indirect support costs, and capital costs. Indirect support function and corporate overhead costs are allocated to direct business units according to operational cost drivers (e.g., human resource costs costs allocated based on the relative share of full time equivalent (FTE) positions supported). Once support costs have been allocated amongst direct business units, the accumulated costs (i.e., indirect, direct, and capital costs) are then distributed across the various user fee costing categories, based on the business unit's direct involvement in the processing activities. The assessment of each business unit's direct involvement in the user fee review processes is accomplished by tracking the relative shares of staff processing efforts across the sequence of mapped process steps for each user fee category. The results of employing this costing methodology provides municipalities with a better recognition of the costs utilized in delivering user fee processes, as it acknowledges not only the direct costs of resources deployed but also the operating and capital support costs required by those resources to provide services.



Figure 2-1
Activity-Based Costing Conceptual Flow Diagram



2.2 Activity Based Costing Approach

The following sections provide a detailed description of the overall process that was proceeded through to implement the methodology described in Section 2.1.

2.2.1 User Fee Costing Category Definition

The City's business units deliver a variety of user fee related services; these services are captured in various cost objects or user fee categories. A critical component of the full cost user fees review is the selection of the costing categories. This is an important first step as the process design, effort estimation, and subsequent costing is based on these categorization decisions. Moreover, it is equally important in costing building permit fees to understand the cost/revenue relationships by type of building permit, beyond the statutory cost justification for fees established at the level of total administration and enforcement under the authority of the *Building Code Act*.

Categorization of user fees occurred during the project initiation stage of the study and through subsequent discussions with City staff. The user fee costing categories



included in the A.B.C. model were used to rationalize changes to the City's fee structure are presented in tables throughout the report. Many of the defined costing categories relate directly to the City's current fee schedule, however, some of the key categorization decisions that differed from the current fees are summarized below:

- Separating out the various forms of residential development (i.e., Single-detached, Semi-detached & Duplexes, Townhouses, Additional Residential Units and Apartments) into their own separate costing categories to understand the differences in review costs between the different types of residential developments that occur within the City.
- Differentiating between residential alteration permits for high rise buildings and all other residential development types.
- Including categories to capture staffs' efforts on enforcement activities and weekly and monthly reporting.

2.2.2 Process Map Documentation

Once the user fee costing categories have been established, the next step in the process was to create a link between the direct service departments and the costing categories. This was done through the process of documenting the City's review activities and generating process maps. The process maps were generated to capture the pre-consultation, plans examination, inspections, and administrative components of the review process .

2.2.3 Processing Effort Estimate Collection, Reasonability Check and Cost Allocations

To capture each participating City staff member's relative level of effort in processing activities related to building permit review, staff were first asked to identify which departments and individuals would be involved in each of the processes being analysed. City staff then went through the process of estimating the amount of time each individual involved spends on any of the given process steps for each costing category. The effort estimates received were then applied against average annual permit volumes for the 2019 to 2022 period to assess the average annual involvement per position on each building permit costing category and in aggregate.

Annual processing efforts per staff position were then measured against available processing capacity to determine overall service levels. The results of the initial



capacity analysis were reviewed with staff to ensure that the effort on an annual and per application basis was appropriate and to give an opportunity for any further refinements to be made. Refinements were made to reflect the additional staff resources identified in the multi-year business plan and service level improvements to meet the increased building permit activity associated with the housing pledge.

2.2.4 Full Cost of Providing Development Application Review Services

As defined in Section 2.1, the full cost of providing development application review services consists of direct, indirect, capital costs (include contributions to the *Building Code Act* reserve fund). The following sections define each of these cost objects and how each of these are allocated to the individual costing categories.

2.2.4.1 Direct Costs

Direct costs refer to the employee costs (salaries, wages, and benefits), materials and supplies, services and rents that are typically consumed by directly involved departments or business units. To identify the amount of direct costs that should be allocated to the user fee categories, cost drivers have been identified. Cost drivers are the non-financial operational data used to allocate shares of the defined costs across multiple user fee categories. Ideally, cost driver data documents the relative intensity of effort multiple employees deploy against a single cost object/fee category or the relative intensity of effort a single employee deploys against multiple cost objects/fee categories. For the purposes of a full cost user fee analysis, the cost drivers in an A.B.C. user fee model presents the need to distribute multiple employee positions (direct costs) across multiple cost objects. The cost drivers for the allocation of direct costs to the user fee categories is the annual involvement of staff as discussed in Section 2.2.3.

2.2.4.2 Indirect Costs

An A.B.C. review includes not only the direct cost of providing service activities but also the indirect support costs that allow direct service business units to perform these functions. The method of allocation employed in this analysis is referred to as a step costing approach. Under this approach, support function and general corporate overhead functions are classified separate from direct service delivery departments.



These indirect cost functions are then allocated to direct service delivery departments based on a set of cost drivers, which subsequently flow to the user fee categories according to staff effort estimates. Cost drivers are a unit of service that best represent the consumption patterns of indirect support and corporate overhead services by direct service delivery departments or business units. As such, the relative share of a cost driver (units of service consumed) for a direct department determines the relative share of support/corporate overhead costs attributed to that direct service department. An example of a cost driver commonly used to allocate human resource support costs would be a department or business unit's share of total FTEs. Cost drivers are used for allocation purposes acknowledging that these business units do not typically participate directly in the delivery of services, but that their efforts facilitate services being provided by the City's direct business units. The indirect support and corporate overhead cost drivers used in the fees model reflects accepted practices within the municipal sector.

2.2.4.3 Capital Costs

The inclusion of capital costs within the full cost user fees calculations follows a methodology similar to indirect costs. Replacement value of assets commonly utilized by direct business unit to provide services have been included to reflect the capital costs of service. The approach used in estimating these costs includes the identification of the proportion of capital assets by direct department (e.g., City Hall facility square footage occupied), the estimation of annualized capital costs by employing sinking fund replacement value or amortization, and the allocation of these annualized costs to the cost objects/user fee categories based on the respective departmental effort deployed.

The replacement value approach determines the annual asset replacement value over the expected useful life of the respective assets. This reflects the annual depreciation of the asset over its expected useful life based on current asset replacement values. This annuity is then allocated across all fee categories based on the capacity utilization of direct business units. A similar approach is utilized for the amortization method, with asset historic value used in place of replacement value.

With respect to this full cost assessment, capital costs have been identified for facilities. The annualized costs have been estimated based on current replacement values and the asset useful life assumptions. These costs have been allocated across the various



fee categories, and non-user fee activities, based on the underlying effort estimates of direct department staff.

2.2.4.4 Building Code Act Reserve Fund Policy

The *Building Code Act* recognizes the legitimacy of creating a municipal reserve fund to provide for service stability and mitigate the financial and operational risk associated with a temporary downturn in building permit activity. Specifically, a reserve fund should be maintained to reduce the staffing and budgetary challenges associated with a cyclical economic downturn and the requirement for ongoing legislative turnaround time compliance. Without such a reserve fund, reduced permit volumes during a downturn could result in severe budgetary pressures and the loss of certified building staff, which would be difficult to replace during the subsequent recovery when mandatory permit processing turnaround times apply.

Although the *Building Code Act* does not prescribe a specific methodology for determining an appropriate reserve fund, municipalities have developed building permit reserve funds with the aim of providing service stabilization. The City has previously developed the reserve fund target of maintaining 1.0 times the annual costs of service in the Building Permit Revenue Stabilization Reserve Fund.

The impact of anticipated building permit activity on costs, revenues (based on current and recommended fees), and reserve fund positions over the 2024 to 2031 period have been assessed in Section 3.3 of this report.



Chapter 3

Building Permit Review Full Cost Assessment and Fee Recommendations



3. Building Permit Review Full Cost Assessment and Fee Recommendations

3.1 Introduction

This chapter presents the full costs of building permit review, cost recovery levels of current fees, and recommended fee structure and rates for building permit fees. Furthermore, the City's ranking in comparison to other neighbouring and similar sized municipalities in Ontario has been assessed for common permit types under the current and proposed fee schedule in Section 3.4 .

A municipal fee survey for all building permit fees was undertaken for market comparison purposes. The survey results were considered in conjunction with the fee impacts summarized in Section 3.4 and discussions with City staff in determining recommended building permit fees.

3.2 Full Cost of Building Permit Fees Review

Table 3-1 presents the City's annual costs and revenues associated with providing building permit review services. The estimated annual costs and revenues based on existing fees are presented by major costing category and in aggregate. The annual costs reflect the organizational direct, indirect, and capital costs associated with the staff compliment identified in the multi-year business plan and anticipated resource utilization levels. Cost inputs are based on 2023 budget estimates that have been indexed to 2024 values, except for salary, wage and benefit costs which are reflective of updated 2024 rates. Annual revenues reflect the current fees and average historical building permit volumes and charging parameters (e.g., gross floor area) based on the average historical permit for the period 2019-2022.

The total costs of administration and enforcement of the *Building Code* are \$10.5 million. Direct costs represent 87% (\$9.1 million) and indirect and capital costs represent 13% (\$1.4 million) of the total annual costs. Based on the modelled annual permit volumes, the City's current fees recover approximately 68% (\$7.1 million) of total annual costs. In review of the cost recovery by permit type, all new construction (excluding Group E) permits are recovering the full cost of service while other permits fees are under recovering their costs. New construction permit fees are generating an



annual surplus of \$1.5 million, while other permit fees are generating an annual deficit of \$4.7 million.

A detailed analysis of forecast building permit activity, revenues, and *Building Code Act* reserve fund levels is contained in Section 3.3, which has been used to inform recommended fee structure revisions.

Further details on the cost recovery assessment, recommendations, and modelled impact on revenues is provided in the following sections.

Table 3-1
Cost Recovery Assessment of Current Building Permit Fees (2023\$)

Costing Category	Direct Costs	Indirect & Capital Costs	Total Costs	Current Fees		
				Annual Revenue	Costs Recovery (%)	Surplus/ (Deficit)
Group A - New Construction	110,108	16,484	126,593	605,717	478%	479,124
Group B - New Construction	29,599	4,556	34,154	121,993	357%	87,838
Group C - Singles, Semis & Towns	2,459,442	383,059	2,842,501	3,576,255	126%	733,755
Group C - Additional Residential Unit	268,257	35,125	303,381	50,483	17%	(252,899)
Group C - Previously approved single and semi-detached dwellings	210	31	240	240	100%	(1)
Group C - High Density	1,015,746	166,768	1,182,514	1,271,600	108%	89,086
Group D - New Construction	15,151	2,265	17,416	17,901	103%	485
Group E - New Construction	86,610	11,931	98,541	79,566	81%	(18,976)
Group F - New Construction	168,046	24,608	192,654	356,549	185%	163,895
Residential Alterations	1,700,023	248,668	1,948,691	188,796	10%	(1,759,895)
Non-Residential Alterations	2,345,331	350,651	2,695,982	531,525	20%	(2,164,457)
Miscellaneous	150,095	25,735	175,830	171,678	98%	(4,153)
Demolitions	36,844	6,634	43,477	43,725	101%	248
Minor Residential	316,361	48,341	364,702	86,363	24%	(278,339)
Enforcement Activities	362,064	51,595	413,660	-	0%	(413,660)
Reporting	12,203	246	12,449	-	0%	(12,449)
Grand Total	9,076,088	1,376,698	10,452,785	7,102,389	68%	(3,350,396)

3.3 Building Permit Fee Recommendations

As noted in Section 2.2.4 above, the recommendation is that the City continue with their current *Building Code Act* Reserve Fund target to achieve a multiple of 1.0 times annual costs for service stabilization. Based on the annual costs of service in Table 3-1, the 2024 reserve fund target balance would be \$10.5 million. The actual 2023 year-end reserve fund balance is \$3.0 million or 30% of the reserve fund target. The ability of current and proposed fees to recover the full cost of service and contribute to reserve fund sustainability was assessed over the 2024 to 2031 forecast period based on forecast costs and revenues. Overall, permit volumes are expected to increase over the forecast period. The building permit volume forecast by major permit category is



presented in Table 3-2 and was developed in discussion with staff based on average historical permit volumes, forecast development activity within the City’s 2022 Annual Development Report, and consideration of the City’s provincial housing pledge target and assumptions regarding the phase-in of how quickly the City will realize these increased volumes of units/permits. It has been assumed that the number of residential units will increase from 3,975 in 2024 to 5,222 annually by 2028 to reach the average level of housing starts required by the housing pledge target. Adjustments to the distribution of new residential dwelling permits from low to medium and high-density dwelling units was made to reflect the recent development trends the distributions contained within the City’s 2022 Development Report, and the expectations of City staff. In aggregate, the total number of building permits annually is forecast to increase from 4,039 in 2024 to 4,300 in 2031. The total number of permits is less than the forecast residential dwelling units as multiple residential dwelling units will be contained within on medium- and high-density permit.

**Table 3-2
Building Permit Volume Forecast (2024-2031)**

Description	2024	2025	2026	2027	2028	2029	2030	2031
Group C- Singles, Semis & Towns	1,197	1,221	1,265	1,288	1,312	1,312	1,312	1,312
Group C - Additional Residential Unit	210	237	265	292	319	319	319	319
Group C - Previously approved single and semi-detached dwellings	0	0	0	0	0	0	0	0
Group C - High Density	54	59	65	70	76	76	76	76
Group A - New Construction	21	22	23	24	25	25	25	25
Group D - New Construction	3	4	4	4	4	4	4	4
Group E - New Construction	21	22	23	25	26	26	26	26
Group F - New Construction	25	27	28	29	31	31	31	31
Group B - New Construction	3	3	3	3	3	3	3	3
Residential Alterations	851	851	851	851	851	851	851	851
Non-Residential Alterations	524	524	524	524	524	524	524	524
Miscellaneous	694	694	694	694	694	694	694	694
Demolitions	91	91	91	91	91	91	91	91
Minor Residential	344	344	344	344	344	344	344	344
Total	4,039	4,099	4,179	4,240	4,300	4,300	4,300	4,300

Based on the forecast development activity and costs of service, the City’s current fees would be insufficient to fund the full cost of service or make contributions to the reserve fund for service sustainability. Table 3-3 shows the reserve fund continuity over the forecast period considering the forecast costs, revenues, contributions/draws from the reserve fund, and target reserve fund balance. At current fees, average annual reserve fund draws of \$520,000 would be required over the forecast period. By 2031, the City would have provided \$1.2 million tax-based funding support for the administration and enforcement of the *Building Code*.



**Table 3-3
Reserve Fund Continuity
Current Fees**

Description	2024	2025	2026	2027	2028	2029	2030	2031
Opening Balance	3,002,084	974,047	(662,516)	(1,803,619)	(2,304,180)	(2,238,911)	(2,046,065)	(1,718,430)
Revenue	8,404,967	9,072,854	9,837,264	10,577,564	11,355,714	11,696,385	12,047,277	12,408,695
Expense	10,452,785	10,710,967	10,966,098	11,057,688	11,267,842	11,482,220	11,700,913	11,924,013
Contribution/(Draw)	(2,047,819)	(1,638,113)	(1,128,834)	(480,124)	87,871	214,165	346,363	484,681
Interest	19,782	1,550	(12,269)	(20,437)	(22,602)	(21,318)	(18,729)	(14,761)
Closing Balance	974,047	(662,516)	(1,803,619)	(2,304,180)	(2,238,911)	(2,046,065)	(1,718,430)	(1,248,510)
Reserve Fund Target (Total Cos	10,452,785	10,710,967	10,966,098	11,057,688	11,267,842	11,482,220	11,700,913	11,924,013
Reserve Fund/Expense Ratio	0.09	(0.06)	(0.16)	(0.21)	(0.20)	(0.18)	(0.15)	(0.10)

As such, fee increases have been recommended to ensure full cost recovery and contributions to the reserve fund for future service sustainability. As shown in Table 3-4, building permit fee revenue based on the recommended fees discussed herein, plus continuing to increase fees annually at inflationary levels (2.8% annual indexing beginning in 2025 has been assumed for the purpose of this report) would result in the City accumulating a reserve fund balance equal to the annual cost of service by 2031, in accordance with the City's established target.

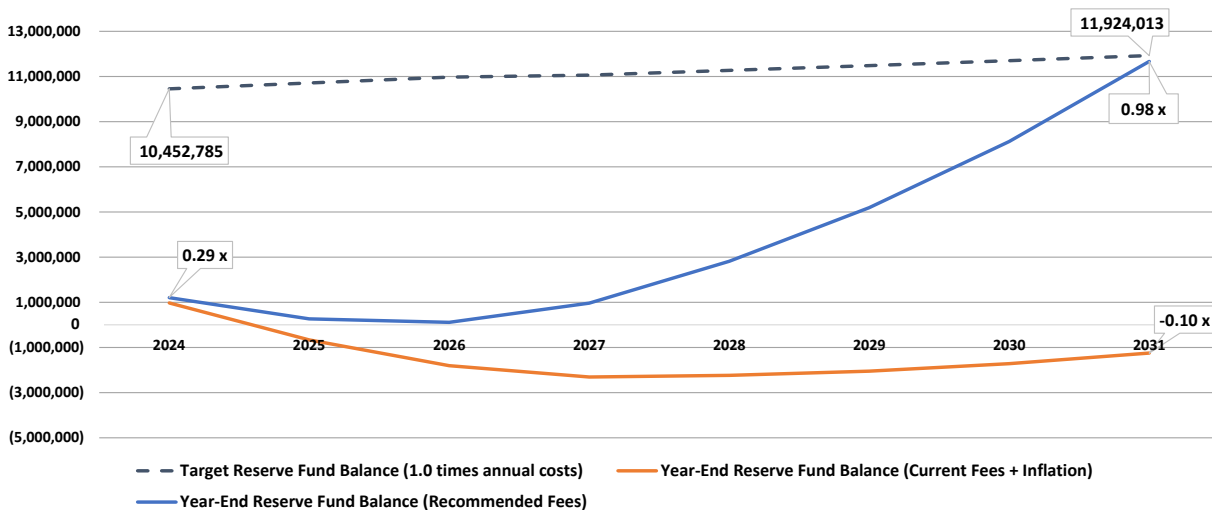
**Table 3-4
Reserve Fund Continuity
Recommended Fees (with annual inflationary increases)**

Description	2024	2025	2026	2027	2028	2029	2030	2031
Opening Balance	3,002,084	1,206,588	266,434	117,143	970,049	2,827,722	5,202,408	8,141,024
Revenue	8,636,351	9,763,485	10,814,898	11,905,185	13,106,620	13,816,955	14,573,144	15,378,505
Expense	10,452,785	10,710,967	10,966,098	11,057,688	11,267,842	11,482,220	11,700,913	11,924,013
Contribution/(Draw)	(1,816,434)	(947,483)	(151,199)	847,497	1,838,778	2,334,735	2,872,231	3,454,492
Interest	20,939	7,328	1,908	5,409	18,894	39,951	66,385	98,683
Closing Balance	1,206,588	266,434	117,143	970,049	2,827,722	5,202,408	8,141,024	11,694,198
Reserve Fund Target (Total Cos	10,452,785	10,710,967	10,966,098	11,057,688	11,267,842	11,482,220	11,700,913	11,924,013
Reserve Fund/Expense Ratio	0.12	0.02	0.01	0.09	0.25	0.45	0.70	0.98

Figure 3-1 illustrates graphically the difference in reserve positions between current (including assumed inflationary adjustments) and recommended fees and the relationship to the target reserve fund balance at 1.0 times annual costs of service.



Figure 3-1
Target and Forecast Reserve Fund Balances



The fee recommendations have been made to remain within the range of fees imposed by comparator municipalities of similar size across Ontario as well as those municipalities within close proximity of the City to have regard for the affordability and competitiveness of the fees. Recommended fees (beyond annual inflationary increases) have been made such that the fee increases will be phased-in over the forecast period to 2031. It is anticipated that recommended building permit fees would be implemented in mid-2024.

The key changes to the recommended fees are summarized as follows:

- **Townhouses** – 2.1% annual increases (above annual inflation) to 2031;
- **Apartments** – 5.0% annual increases (above annual inflation) to 2031;
- **Group A (Assembly)** – 1.4% annual increases (above annual inflation) to align fees to Group B (Care and treatment) fees by 2031;
- **Group E (Mercantile)** – 4.0% (finished) and 5.5% (shell) annual increases (above annual inflation) to aligned fees to Group D (Business and personal services) fees by 2031;
- **Minimum Fees** (and any other fees charged the same as the minimum, e.g., Canopy, Portable classrooms, Residential decks, etc.) increased by 21%.



Current and recommended building permit fees are presented in Table 3-5. The fees included in Table 3-5 are the 2024 fees which will subsequently be increased each year based on the proposed phasing strategy.

**Table 3-5
Recommended Building Permit Fees**

Fee Description	Charging Parameter	Current Building Permit Fee	Charging Parameter	Recommended Building Permit Fee	Change (\$)	Change (%)
Building						
Minimum permit fee						
Minimum fee, unless otherwise indicated, shall be charged for any work in buildings classified under the Building Code as a Part 9 Building	Minimum	\$207.27	Minimum	\$250.80	\$43.53	21.0%
For Part 3 buildings, minimum fee, unless otherwise indicated herein or listed as a flat fee	Minimum	\$444.14	Minimum	\$537.41	\$93.27	21.0%
Construction: Group A - Assembly occupancies						
All recreation facilities, schools, libraries, places of worship, theatres, arenas, gymnasiums, indoor pools, restaurants (Finished)	Per Sq. M.	\$22.20	Per Sq. M.	\$22.51	\$0.31	1.4%
Restaurants (Shell)	Per Sq. M.	\$16.82	Per Sq. M.	\$17.05	\$0.23	1.4%
Outdoor public swimming pools or public spas	Per Sq. M.	\$11.84	Per Sq. M.	\$12.00	\$0.16	1.4%
All other group A buildings	Per Sq. M.	\$24.86	Per Sq. M.	\$25.21	\$0.35	1.4%
Construction: Group B						
Institutional, hospitals, nursing homes, and other group B buildings	Per Sq. M.	\$28.78	Per Sq. M.	\$28.78	\$0.00	0.0%
Construction: Group C - Residential occupancies						
Single detached dwellings, semis, duplexes	Per Sq. M.	\$13.61	Per Sq. M.	\$13.61	\$0.00	0.0%
Townhouse	Per Sq. M.	\$11.14	Per Sq. M.	\$11.37	\$0.23	2.1%
With private septic system (additional fee)	Flat Fee	\$1,065.91	Flat Fee	\$1,065.91	\$0.00	0.0%
With geothermal system (additional fee)	Flat Fee	\$497.42	Flat Fee	\$497.42	\$0.00	0.0%
Live/work unit, previously approved (single detached, semis), Townhouses	Per Sq. M.	\$11.14	Per Sq. M.	\$11.14	\$0.00	0.0%
Live/work units, previously approved (single detached, semis), Townhouses with private septic system (additional fee)	Flat Fee	\$1,065.91	Flat Fee	\$1,065.91	\$0.00	0.0%
Live/work units, previously approved (single detached, semis), Townhouses with geothermal system (additional fee)	Flat Fee	\$497.42	Flat Fee	\$497.42	\$0.00	0.0%
Apartment buildings	Per Sq. M.	\$8.88	Per Sq. M.	\$9.32	\$0.44	5.0%
Apartment buildings with geothermal system (additional fee)	Flat Fee	\$639.54	Flat Fee	\$639.54	\$0.00	0.0%
Motels (greater than 2 stories) and hotels	Per Sq. M.	\$21.32	Per Sq. M.	\$21.32	\$0.00	0.0%
All other residential occupancies	Per Sq. M.	\$16.58	Per Sq. M.	\$16.58	\$0.00	0.0%
Construction: Group D - Business and personal service occupancies						
Buildings (Shell)	Per Sq. M.	\$16.58	Per Sq. M.	\$16.58	\$0.00	0.0%
Buildings (Finished)	Per Sq. M.	\$20.13	Per Sq. M.	\$20.13	\$0.00	0.0%
Construction: Group E - Mercantile occupancies						
Mercantile occupancies (Shell)	Per Sq. M.	\$10.41	Per Sq. M.	\$10.98	\$0.56	5.5%
Mercantile occupancies (Finished)	Per Sq. M.	\$14.21	Per Sq. M.	\$14.78	\$0.57	4.0%
Construction: Group F - Industrial occupancies						
Industrial buildings, warehouses (Shell)	Per Sq. M.	\$8.28	Per Sq. M.	\$8.28	\$0.00	0.0%
Industrial buildings, warehouses (Finished)	Per Sq. M.	\$10.06	Per Sq. M.	\$10.06	\$0.00	0.0%
Gas stations, car washes	Per Sq. M.	\$10.19	Per Sq. M.	\$10.19	\$0.00	0.0%
Parking garages (underground, open air)	Per Sq. M.	\$5.45	Per Sq. M.	\$5.45	\$0.00	0.0%
All other group F buildings including self storage buildings	Per Sq. M.	\$10.78	Per Sq. M.	\$10.78	\$0.00	0.0%
Alterations, renovations and repairs						
Group C - Dwelling units	Per Sq. M.	\$3.54	Per Sq. M.	\$3.54	\$0.00	0.0%
Group A and B occupancies	Per Sq. M.	\$6.81	Per Sq. M.	\$6.81	\$0.00	0.0%
All other occupancies	Per Sq. M.	\$5.94	Per Sq. M.	\$5.94	\$0.00	0.0%
Balcony repairs or guard replacement (per \$1,000 construction value)	Per Sq. M.	\$20.13	Per Sq. M.	\$20.13	\$0.00	0.0%
Parking garage repairs (per \$1,000 construction value)	Per Sq. M.	\$20.13	Per Sq. M.	\$20.13	\$0.00	0.0%
Fire alarms	Flat Fee	\$444.14	Flat Fee	\$444.14	\$0.00	0.0%
Fire alarm annunciator panel replacement (stand alone)	Flat Fee	\$355.30	Flat Fee	\$355.30	\$0.00	0.0%
Electromagnetic locks	Each	\$41.45	Each	\$41.45	\$0.00	0.0%
Sprinklers (based on sprinkler coverage area)	Per Sq. M.	\$0.60	Per Sq. M.	\$0.60	\$0.00	0.0%
Demolition						
Single detached dwellings, semis, duplexes	Flat Fee	\$414.51	Flat Fee	\$414.51	\$0.00	0.0%
All other buildings: with gross floor area equal to or less than 600 m ²	Per Sq. M.	\$0.53	Per Sq. M.	\$0.53	\$0.00	0.0%
All other buildings: with gross floor area greater than 600 m ²	Per Sq. M.	\$1.18	Per Sq. M.	\$1.18	\$0.00	0.0%
Designated structures (OBC Div. A - 1.3.1.1)						
Communication tower supported by a building	Per Tower	\$450.06	Per Tower	\$450.06	\$0.00	0.0%
Crane runway	Flat Fee	\$450.06	Flat Fee	\$450.06	\$0.00	0.0%
Exterior tank and support (not on slab on grade)	Per Tank	\$450.06	Per Tank	\$450.06	\$0.00	0.0%
Pedestrian bridge (when applied as a separate permit)	Per Structure	\$446.92	Per Structure	\$446.92	\$0.00	0.0%
Retaining wall	Per Linear Meter	\$13.27	Per Linear Meter	\$13.27	\$0.00	0.0%
Stand alone structure supporting a wind turbine generator having a rated output of n	Flat Fee	\$450.06	Flat Fee	\$450.06	\$0.00	0.0%
Stand alone and miscellaneous work						
Air supported structures	Per Sq. M.	\$5.62	Per Sq. M.	\$5.62	\$0.00	0.0%
Canopy (with no signage/lettering)	Per Canopy	\$207.27	Per Canopy	\$250.80	\$43.53	21.0%
Farm buildings, agricultural green houses	Per Sq. M.	\$4.14	Per Sq. M.	\$4.14	\$0.00	0.0%
Manure storage facility	Flat Fee	\$532.96	Flat Fee	\$532.96	\$0.00	0.0%
Portable classrooms	Each	\$236.87	Each	\$250.80	\$13.93	5.9%
Residential decks, porches Uncovered	Each	\$207.27	Each	\$250.80	\$43.53	21.0%
Residential decks, porches Covered (supporting roof loads)	Each	\$355.30	Each	\$355.30	\$0.00	0.0%
Shoring of excavations (stand alone permit application)	Per Linear Meter	\$13.03	Per Linear Meter	\$13.03	\$0.00	0.0%
Single detached dwelling garages, carports, accessory structures: Equal to or less than 55 sq.m.	Each	\$207.27	Each	\$250.80	\$43.53	21.0%
Single detached dwelling garages, carports, accessory structures: Over 55 sq.m.	Each	\$325.70	Each	\$394.10	\$68.39	21.0%
Single detached dwelling garages, carports, accessory structures: Additional fee if plumbing is involved		\$207.27		\$250.80	\$43.53	21.0%



Table 3-5 (Cont'd)
Recommended Building Permit Fees

Fee Description	Charging Parameter	Current Building Permit Fee	Charging Parameter	Recommended Building Permit Fee	Change (\$)	Change (%)
Building						
Temporary Structures						
Temporary structures Tents (individual or group) From 60 sq.m to 225 sq.m	Each	\$207.27	Each	\$250.80	\$43.53	21.0%
Temporary structures Tents (individual or group) Exceeding 225 sq.m	Each	\$296.09	Each	\$358.27	\$62.18	21.0%
Temporary buildings	Each	\$207.27	Each	\$250.80	\$43.53	21.0%
Underpinning (stand alone permit)	Per Linear Meter	\$17.77	Per Linear Meter	\$17.77	\$0.00	0.0%
Solar panels installed on: Single/detached/semi-detached buildings	Per Building	\$213.18	Per Building	\$213.18	\$0.00	0.0%
Solar panels installed on: All other buildings (per \$1,000 construction value of works excluding solar panel costs)per building	Per Sq. M.	\$20.13	Per Sq. M.	\$20.13	\$0.00	0.0%
Underground structures (excluding fuel tanks)	Per Structure	\$473.74	Per Structure	\$473.74	\$0.00	0.0%
	Per Sq. M.		Per Sq. M.			
Rack storage systems	Minimum \$592.17	\$2.95	Minimum \$592.17	\$2.95	\$0.00	0.0%
Stand alone mechanical work (HVAC & Plumbing)						
Heating, Ventilating and Air Conditioning (HVAC)						
Group A, B, D, E, F	Per Sq. M.	\$2.37	Per Sq. M.	\$2.37	\$0.00	0.0%
Group C - single/detached/semi-detached dwelling units	Flat Fee	\$207.27	Flat Fee	\$250.80	\$43.53	21.0%
Other Group C Buildings	Per Sq. M.	\$2.37	Per Sq. M.	\$2.37	\$0.00	0.0%
Additional fee if work proposed includes make-up air units, or rooftop units (Group C)	Flat Fee	\$207.27	Flat Fee	\$250.80	\$43.53	21.0%
Commercial kitchen exhausts, spray booths, dust collectors, etc. (applies to installations on existing buildings when no other mechanical/plumbing work is proposed)		\$414.51		\$414.51	\$0.00	0.0%
Plumbing and drainage systems-Fixtures-Equipment-Systems						
Piping single detached or semi detached dwellings: Water services, sanitary and storm buried piping, repairs, replacements and additions of buried plumbing and drainage piping, pool drains	Flat Fee	\$207.27	Flat Fee	\$250.80	\$43.53	21.0%
Piping (All other buildings) Inside sanitary and storm piping, outside water services, sanitary and storm piping	Per Linear Meter	\$3.54	Per Linear Meter	\$3.54	\$0.00	0.0%
Manholes, catch basins, interceptors, and sumps, complete with pumps, roof drain	Each	\$14.34	Each	\$14.34	\$0.00	0.0%
Backflow prevention devices (requiring testing)	Each	\$207.27	Each	\$250.80	\$43.53	21.0%
Backwater valves (sanitary)	Each	\$207.27	Each	\$250.80	\$43.53	21.0%
Private Sewage system (new or replace): Holding tank	Flat Fee	\$734.30	Flat Fee	\$734.30	\$0.00	0.0%
Private Sewage system (new or replace): Septic system (complete)	Flat Fee	\$1,006.68	Flat Fee	\$1,006.68	\$0.00	0.0%
Private Sewage system (new or replace): Septic bed	Flat Fee	\$734.30	Flat Fee	\$734.30	\$0.00	0.0%
Private Sewage system (new or replace): Septic system tank only	Flat Fee	\$426.36	Flat Fee	\$426.36	\$0.00	0.0%
Geothermal system for single/semi detached/duplex	Flat Fee	\$497.42	Flat Fee	\$497.42	\$0.00	0.0%
Geothermal system for all other buildings	Flat Fee	\$734.30	Flat Fee	\$734.30	\$0.00	0.0%
Administrative fees						
Additional plan review fees (in addition to permit fees charged due to any increase in floor area) as a result of changes made to the original permit application submission 1. After all reviews have been completed prior to permit issuance or after the permit has been issued (excludes new model submissions for single detached dwellings, duplexes, semi-detached dwellings, or row townhouses)	Per Hour Minimum \$207.93	\$153.97	Per Hour Minimum \$250.80	\$153.97	\$0.00	0.0%
Additional plan review fees (in addition to permit fees charged due to any increase in floor area) as a result of changes made to the original permit application submission 2. New model submission (single detached dwellings, semi-detached dwellings, duplexes, or row townhouses) made more than five business days after original permit application was submitted or post permit issuance	% Of Original Permit Fee	50%	% Of Original Permit Fee	50%	0%	0.0%
Partial occupancy permit	Flat Fee	\$663.23	Flat Fee	\$663.23	\$0.00	0.0%
Conditional permit (as per Section 8.(3) of Building Code Act) in addition to fee in section 3 above Single detached dwellings, duplexes, semi-detached dwellings or row townhouses	Per Permit	\$325.70	Per Permit	\$325.70	\$0.00	0.0%
Conditional permit (as per Section 8.(3) of Building Code Act) in addition to fee in section 3 above All other uses	Per Permit	\$710.61	Per Permit	\$710.61	\$0.00	0.0%
Inspection to clear deficient permit	Flat Fee	\$592.17	Flat Fee	\$592.17	\$0.00	0.0%
Inspection conducted after order issued under the Building Code Act where order has not ben complied with	Per Visit	\$207.27	Per Visit	\$250.80	\$43.53	21.0%
Permission to defer permit revocation	Per Permit	\$355.30	Per Permit	\$355.30	\$0.00	0.0%
Permit for change of use (no construction)	Flat Fee	\$207.27	Flat Fee	\$250.80	\$43.53	21.0%
Special inspection, excluding fire protection inspection	Flat Fee (outside of office hours-max 3 hours-upon request-based on staff availability)	\$473.74	Flat Fee (outside of office hours-max 3 hours-upon request-based on staff availability)	\$473.74	\$0.00	0.0%
Special inspection for fire protection items	Flat Fee (outside of office hours-max 3 hours-upon request-based on staff availability)	\$592.17	Flat Fee (outside of office hours-max 3 hours-upon request-based on staff availability)	\$592.17	\$0.00	0.0%



**Table 3-5 (Cont'd)
Recommended Building Permit Fees**

Fee Description	Charging Parameter	Current Building Permit Fee	Charging Parameter	Recommended Building Permit Fee	Change (\$)	Change (%)
Building						
Special inspection on holidays	Special Inspection Fee Plus % of the Special Inspection Fee	50%	Special Inspection Fee Plus % of the Special Inspection Fee	50%	0%	0.0%
Transfer of permit (Ownership)	Flat Fee	\$207.27	Flat Fee	\$250.80	\$43.53	21.0%
Special research requests	Per Hour (or part thereof)	\$207.27	Per Hour (or part thereof)	\$250.80	\$43.53	21.0%
Certification of an additional set of drawings on the basis of which a permit was issued by the Chief Building Official	Per Set	\$207.27	Per Set	\$250.80	\$43.53	21.0%
Special separation (Limiting distance) agreements	Per Agreement	\$473.74	Per Agreement	\$473.74	\$0.00	0.0%
Alternative solutions review	Per Alternative Form Submission	\$473.74	Per Alternative Form Submission	\$473.74	\$0.00	0.0%
Three day permit Residential use (excluding apartment buildings)	% Additional Fee of Original Permit Minimum \$325.70	50%	% Additional Fee of Original Permit Minimum \$325.70	50%	0%	0.0%
Three day permit All other uses	% Additional Fee of Original Permit Minimum \$651.38	50%	% Additional Fee of Original Permit Minimum \$651.38	50%	0%	0.0%
Occupancy permit (in accordance with the Ontario Building Code Div. C - 1.3.3.4 & 1.3.3.5)	Flat Fee	No fee	Flat Fee	No fee	\$0.00	0.0%
Additional copy of occupancy permit	Flat Fee	\$177.65	Flat Fee	\$177.65		
Liquor license clearance letter Not associated with a building permit or business license	Flat Fee	\$568.40	Flat Fee	\$568.40	\$0.00	0.0%
Liquor license clearance letter Associated with a building permit or business license	Flat Fee	\$325.70	Flat Fee	\$325.70	\$0.00	0.0%
Review of proprietary systems/equipment/components for Ontario Building Code conformance (including Compliance letter insurance)	Per Item Reviewed	\$355.30	Per Item Reviewed	\$355.30	\$0.00	0.0%
Review of proprietary systems/equipment/components for Ontario Building Code conformance associated with permit or application	Per Item Reviewed	\$236.87	Per Item Reviewed	\$236.87	\$0.00	0.0%
Not Ready/ re-inspection	Flat Fee	\$207.27	Flat Fee	\$250.80	\$43.53	21.0%
Construction fence inspection	Flat fee per inspection	\$207.27	Flat fee per inspection	\$250.80	\$43.53	21.0%
Order issued pursuant to the Act, except for Stop Work Order (Payment of these fees does not relieve any person or corporation from complying with the Act, the Building Code or any applicable law.)	Flat Fee	\$236.87	Flat Fee	\$236.87	\$0.00	0.0%
Stop Work Order issued pursuant to section 14 of the Act (Payment of these fees does not relieve any person or corporation from complying with the Act, the Building Code or any applicable law.)	Flat Fee	\$325.70	Flat Fee	\$325.70	\$0.00	0.0%
Work without permit	% of Original Permit Maximum \$9,649.05	100%	% of Original Permit Maximum \$9,649.05	100%	0%	0.0%
Additional Categories:						
Drainlayer Exam Fees	Flat Fee	\$100.00	Flat Fee	\$100.00	\$0.00	0.0%
Building and Plumbing Information Requests	First Request	95.00	First Request	95.00	\$0.00	0.0%
	Each Additional	15.00	Each Additional	15.00	\$0.00	0.0%
Information Requests	First Request	95.00	First Request	95.00	\$0.00	0.0%
	Each Additional	15.00	Each Additional	15.00	\$0.00	0.0%
Special Research Requests	per hour or part of Building Division thereof	\$207.27	per hour or part of Building Division thereof Minimum \$250.80	\$153.97	-\$53.30	-25.7%
Building Code Order Registration	Flat Fee	\$125.00	Flat Fee	\$125.00	\$0.00	0.0%
Building Code Order Deregistration	Flat Fee	\$125.00	Flat Fee	\$125.00	\$0.00	0.0%
Weekly Report	Flat Fee	\$7.00	Flat Fee	\$7.00	\$0.00	0.0%
Weekly Report - per year	Flat Fee	\$275.00	Flat Fee	\$275.00	\$0.00	0.0%
Monthly Report - per year	Flat Fee	\$50.00	Flat Fee	\$50.00	\$0.00	0.0%

3.4 Building Permit Fee Impacts

To understand the impacts of the proposed full cost recovery building permit fees, the current and proposed fees for a sample of common building permits has been compared with the fees in municipalities of similar size across Ontario as well as those municipalities within close proximity of the City. Figures 3-2 to 3-9 summarize the building permit fees for the following permit types:

- 200 sq.m. single detached home permit;
- 150 sq.m. Townhouse permit;
- 5,000 sq.m (60 unit). high density residential building;
- 5,000 sq.m. retail building permit;
- 10,000 sq.m. industrial building permit;



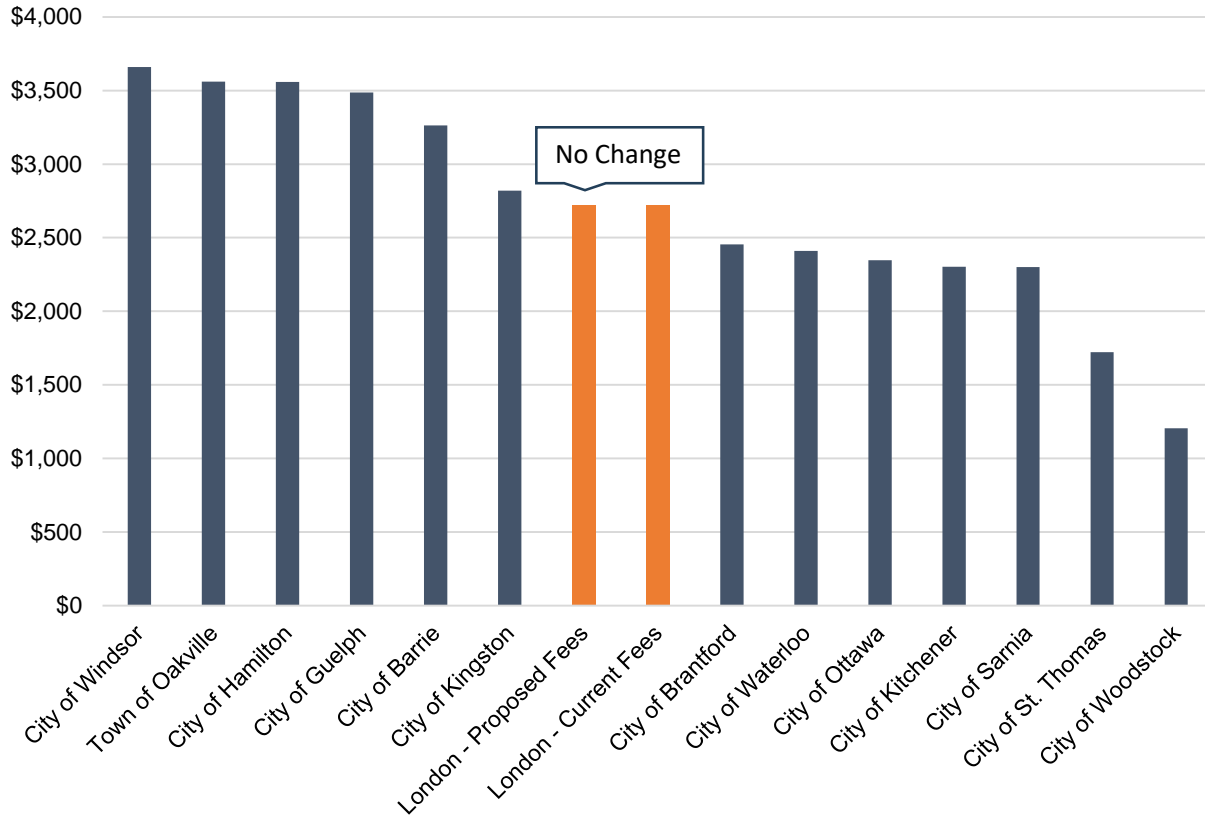
- Non-residential alteration permit;
- Residential alteration permit; and
- Residential deck permit.

The comparisons demonstrate that under the current fees, the City's fees are in the mid to lower range of the comparators, while for the proposed fees the City's position relative to the comparator municipalities will remain unchanged for each permit type other than residential alterations and deck permits. For residential alterations and deck permits, the City's relative position will increase but will remain within the range of fees imposed.



Figure 3-2
Municipal Comparison

Low Density Residential (1, Unit, 200 m2) Permit Fee



Low Density Residential (1, Unit, 200 m2) Permit Fee

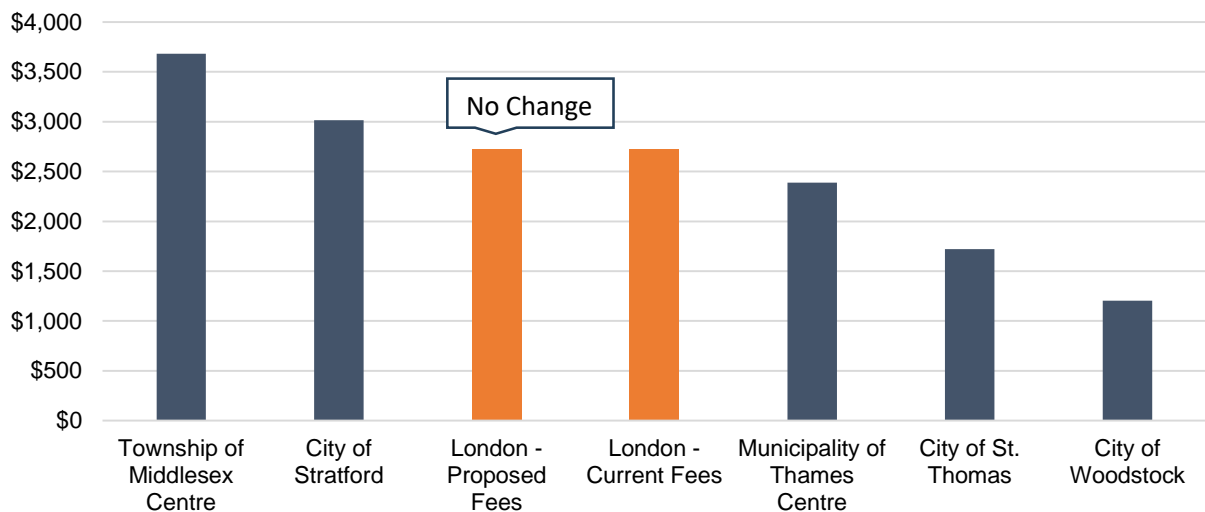
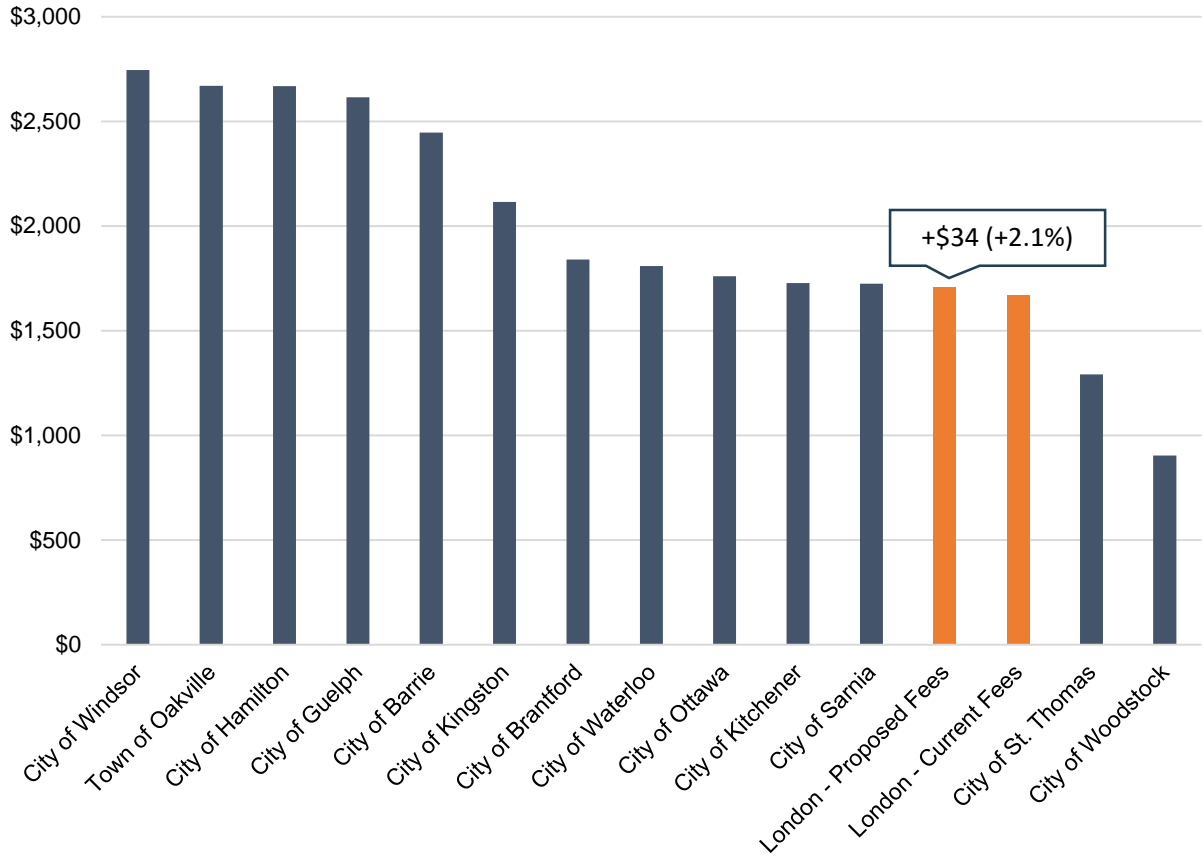




Figure 3-3
Municipal Comparison

Medium Density Residential (1 Unit, 150 m2) Permit Fee



Medium Density Residential (1 Unit, 150 m2) Permit Fee

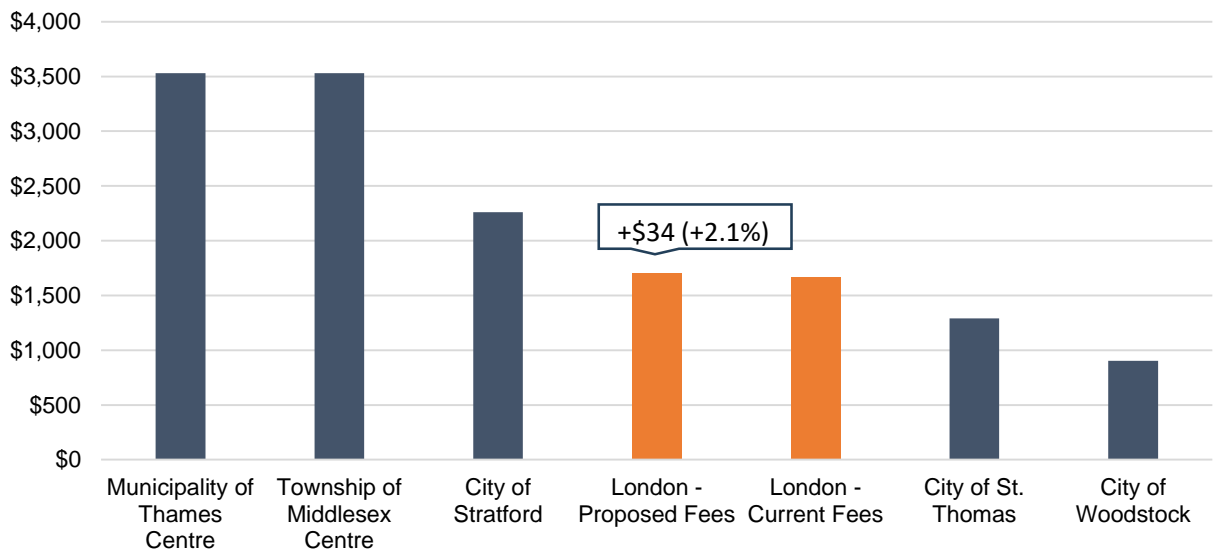
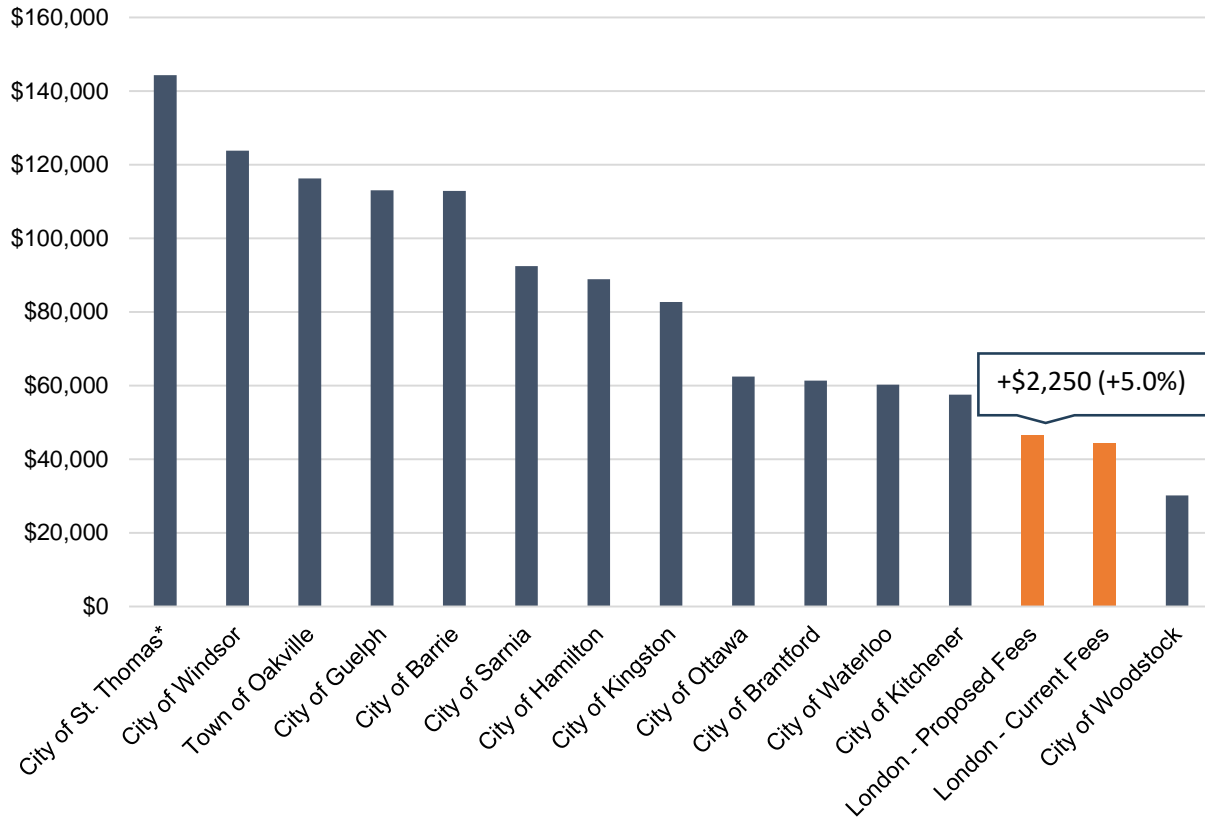




Figure 3-4
Municipal Comparison

High Density Residential (60 Units, 5,000 m2) Permit Fee



High Density Residential (60 Units, 5,000 m2) Permit Fee

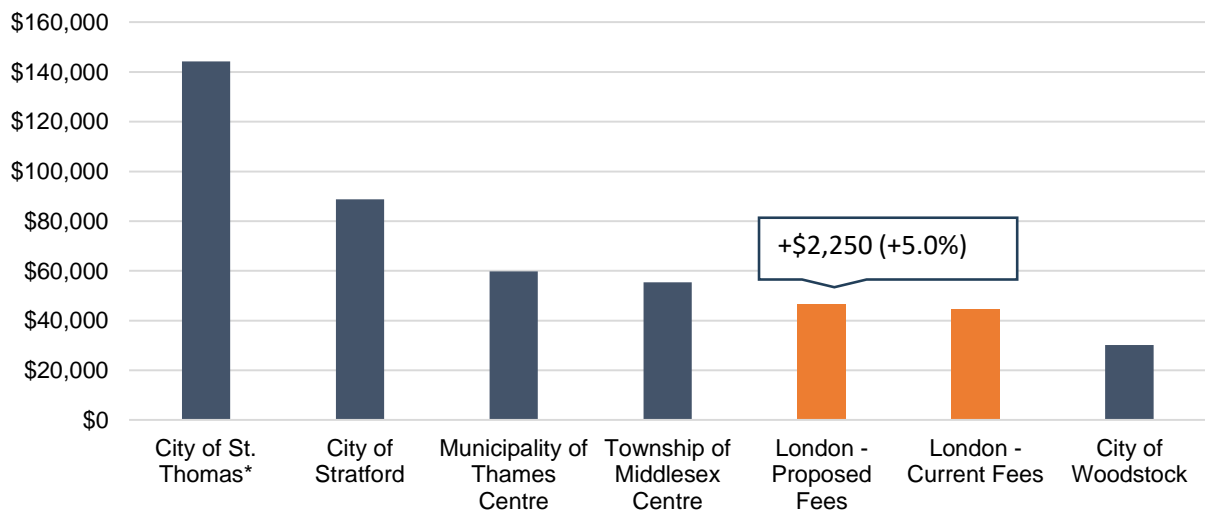
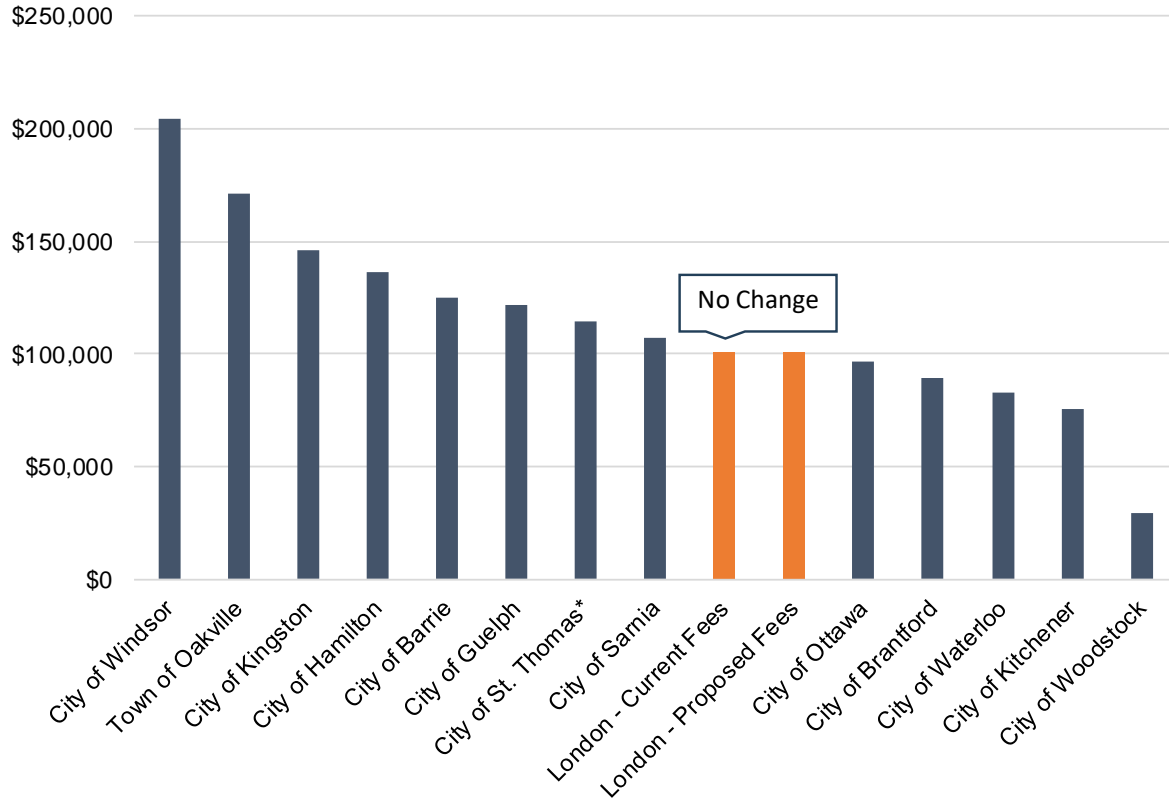




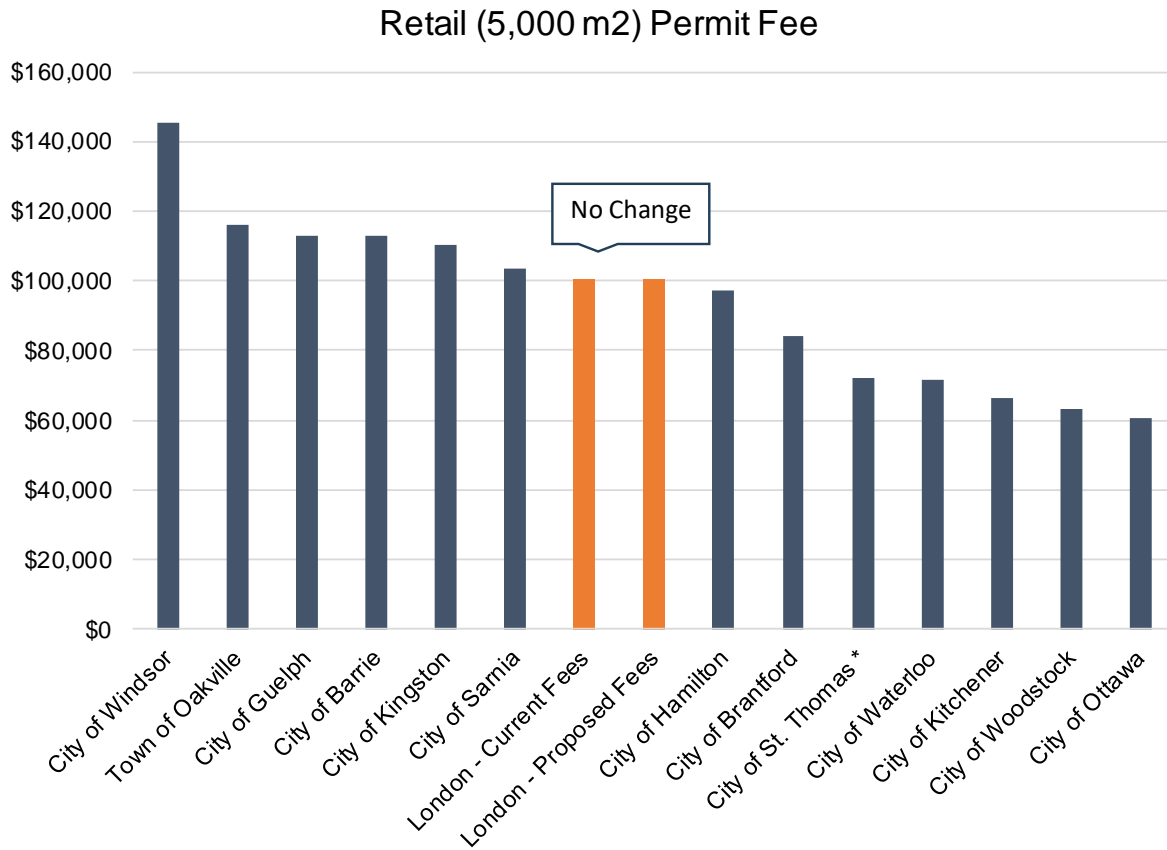
Figure 3-5
Municipal Comparison
Industrial (10,000 m²) Permit Fee



*Fees Imposed based building construction value
Construction values derived from the Altus Group 2023 Canadian Cost Guide



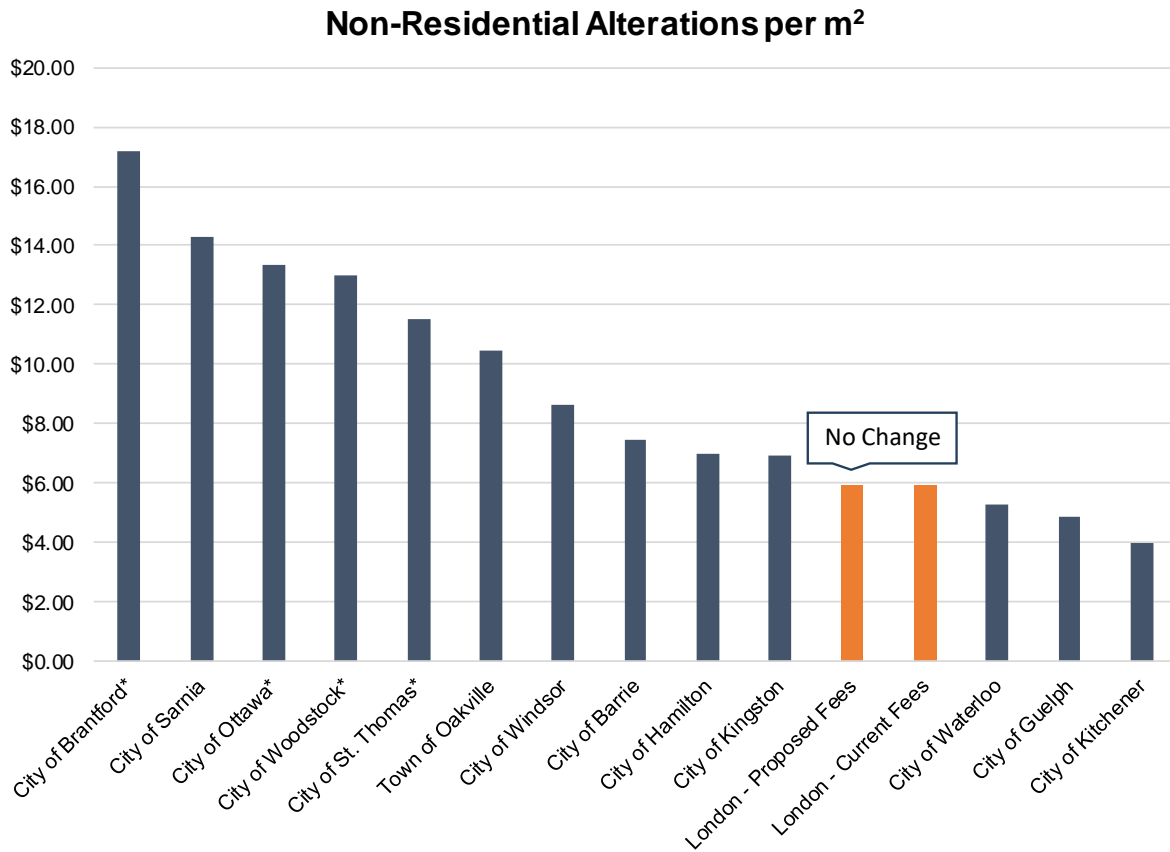
Figure 3-6
Municipal Comparison



*Fees Imposed based building construction value
Construction values derived from the Altus Group 2023 Canadian Cost Guide



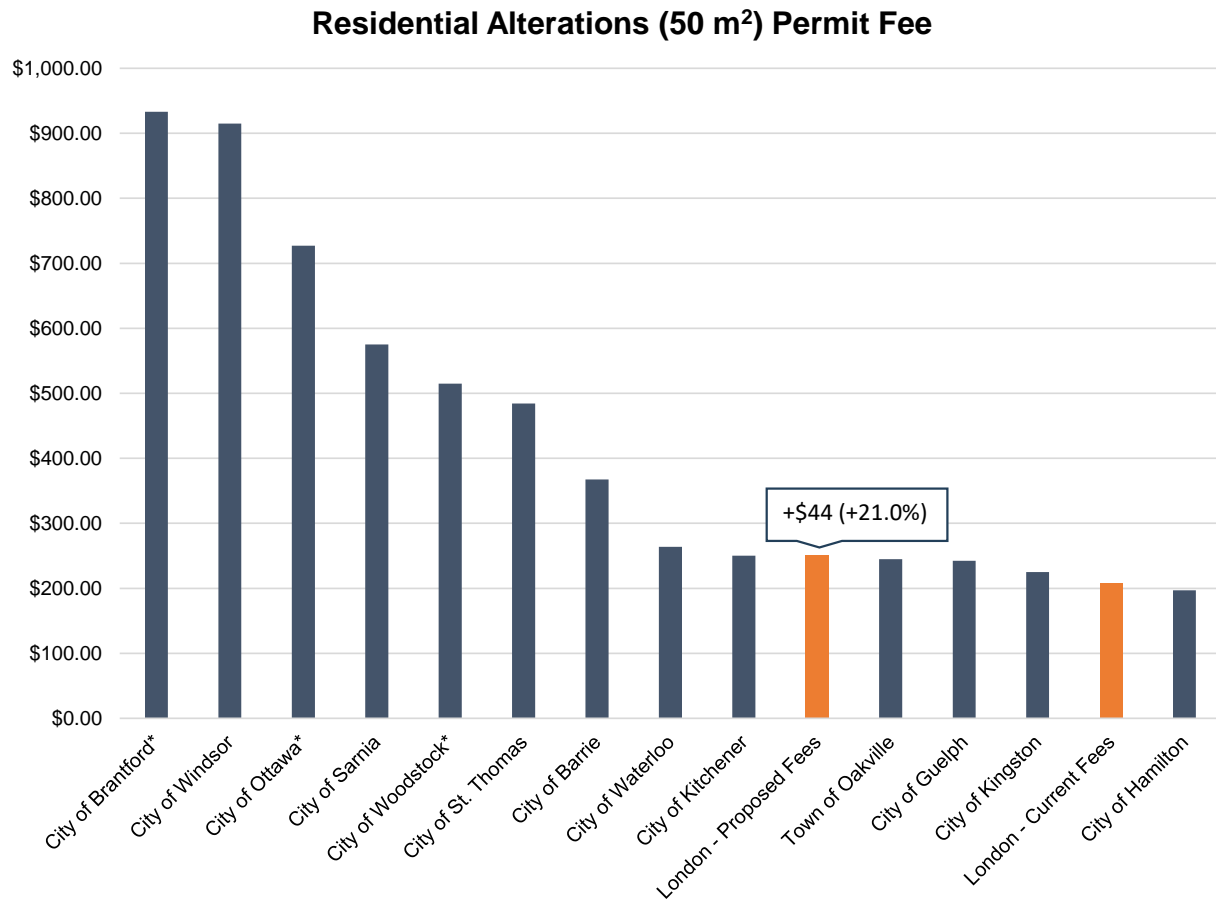
Figure 3-7
Municipal Comparison



*Fees Imposed based building construction value
Construction values derived from the Altus Group 2023 Canadian Cost Guide



Figure 3-8
Municipal Comparison

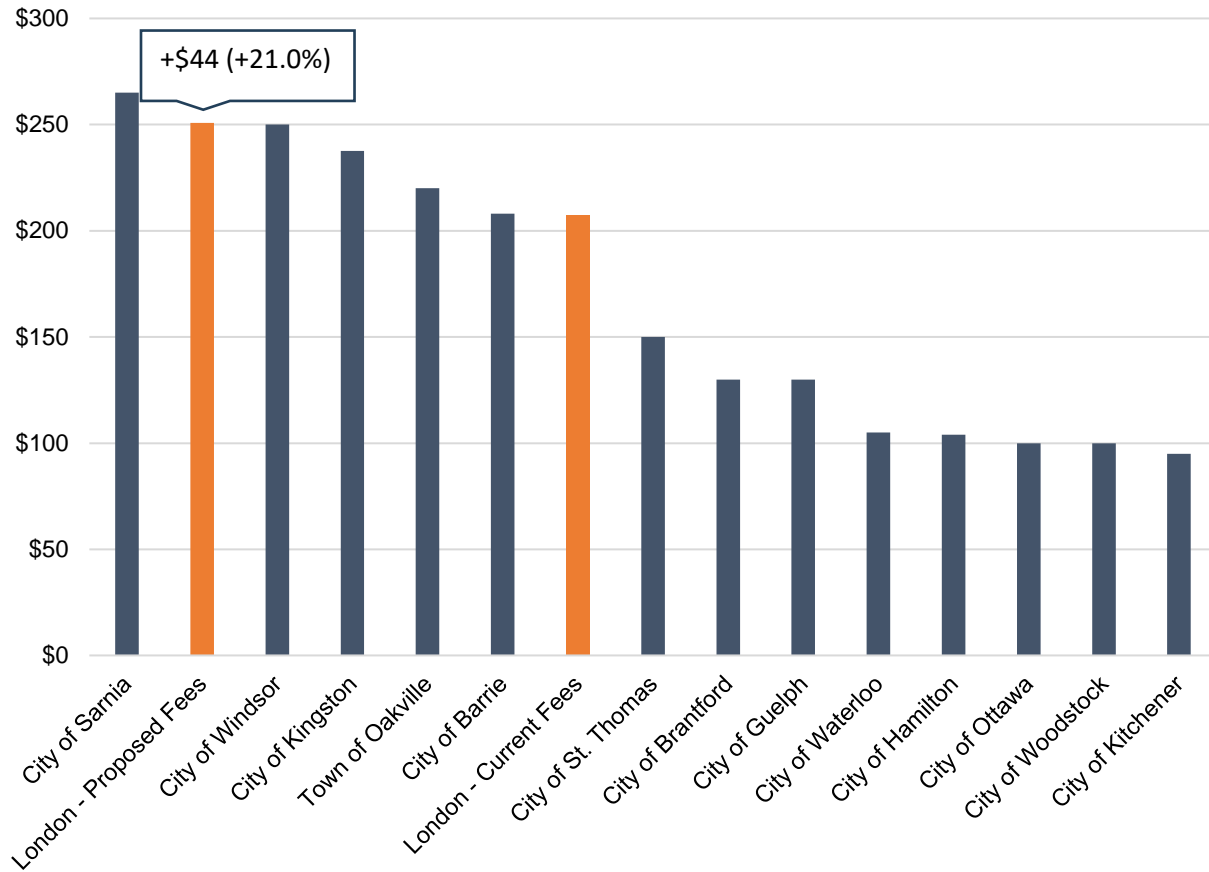


*Fees Imposed based building construction value
Construction values derived from the Altus Group 2023 Canadian Cost Guide



Figure 3-9
Municipal Comparison

Decks (20 m²) Permit Fee





Chapter 4

Conclusion



4. Conclusion

Summarized in this technical report is the legislative context for the building permit fee review, the methodology undertaken, A.B.C. results and full cost of service, and fee structure recommendations. In developing the recommended fee structure, careful consideration was given to affordability, market competitiveness, and to the recent trends pertaining to building permit fees.

The full cost of administration and enforcement of the *Building Code* has been analyzed as well as current cost recovery levels and cost recovery levels based on the recommended fees. Furthermore, the impacts that the recommended fees would have on the City's building permit reserve fund have also been assessed. The fee recommendations have been made while having regard for applicant affordability, market competitiveness and compliance with the governing legislation.

The intent of the fees review is to provide the City with a recommended fee structure for Council's consideration to appropriately recover the service costs and contributions to reserve funds from benefiting parties. The City will ultimately determine the level of cost recovery and implementation strategy that is suitable for their objectives. In administering the fees annually, it is recommended that they City closely monitors the relationship of costs and revenues with respect to the building permit reserve fund strategy. Interim adjustments to fees or the annual indexing policy may be required before comprehensively updating the user fee review as needed. Furthermore, if there are other significant changes impacting the development review process or annual permit activity, a comprehensive review of the fees may be triggered at an earlier date.



City of London Building Permit Fees Review

Committee Presentation
June 11, 2024

Introduction



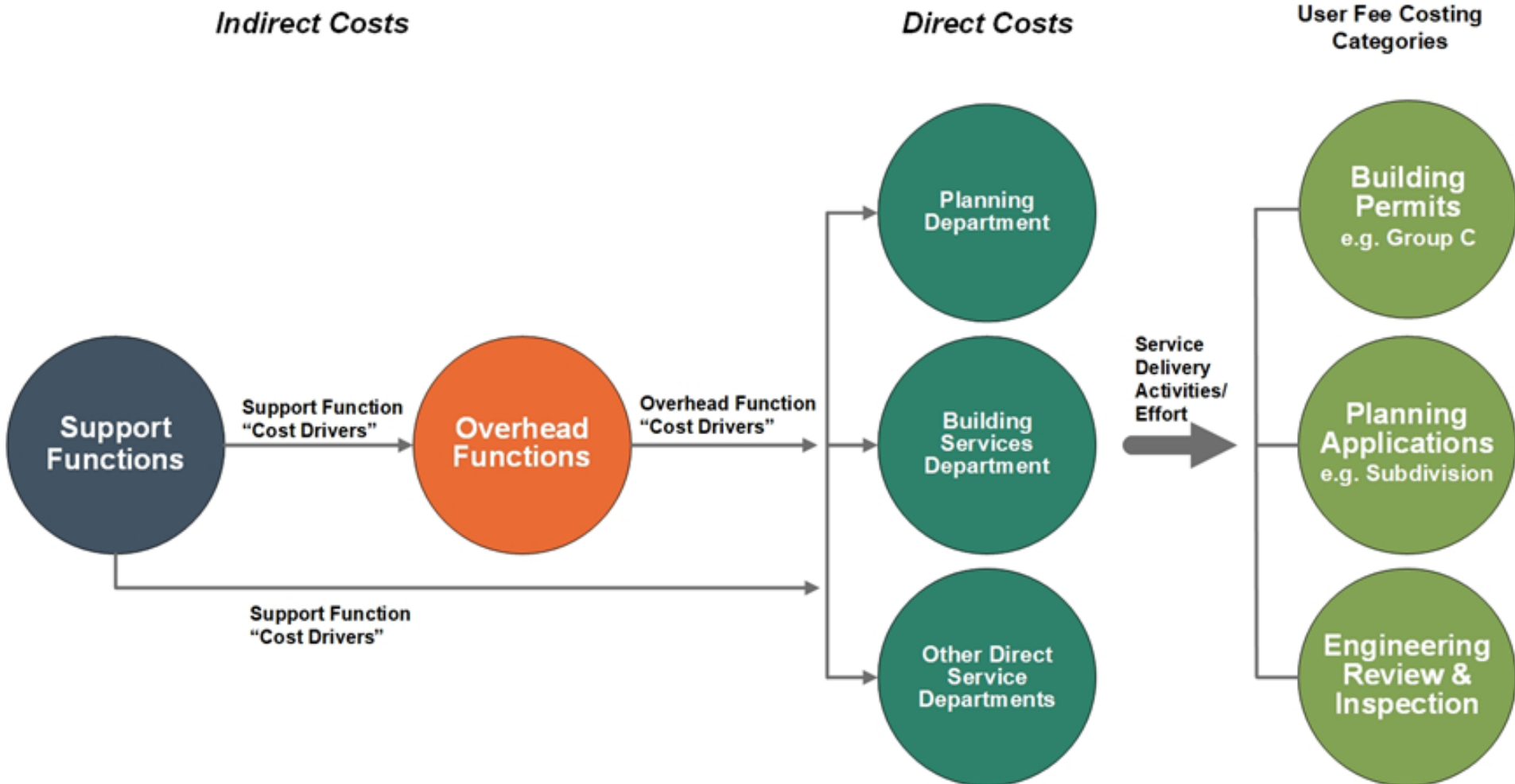
- The City of London (City) has retained Watson & Associates Economists Ltd. to undertake a review of their Planning Application and Building Permit fees, including:
 - Develop an activity-based costing model that will include direct and indirect costs of service to assess the full cost of service; and
 - Make fee structure recommendations to improve cost recovery and ensure the City maintains financially sustainable development review services

Legislative Context and Trends



- *Building Code Act* fee provisions:
 - municipalities may pass a by-law requiring the payment of fees for application and issuance of building permits
 - the fees must not exceed the anticipated reasonable costs of administration and enforcement (including direct and indirect costs)
 - allows for the creation of *Building Code Act* reserve funds

Activity-Based (A.B.C.) Costing Methodology

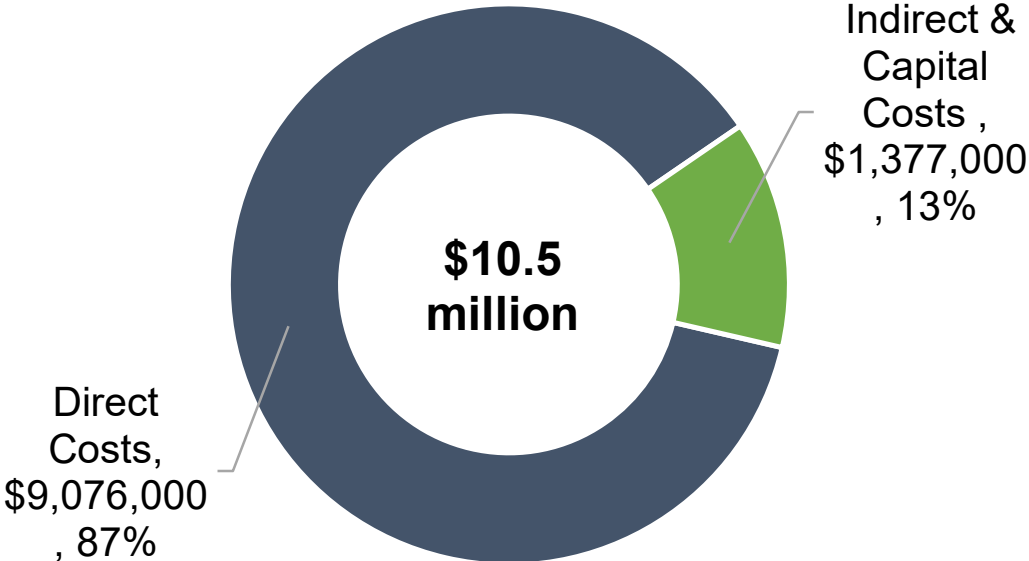


Building Permit Review Full Cost Assessment



- The City is expecting annual building permit activity to continue to increase to achieve the required number of new homes identified in their Provincial Housing Pledge
- Full cost assessment includes additional staff resources required to meet the increased permit activity

Annual Cost of Service



Fee Recommendations

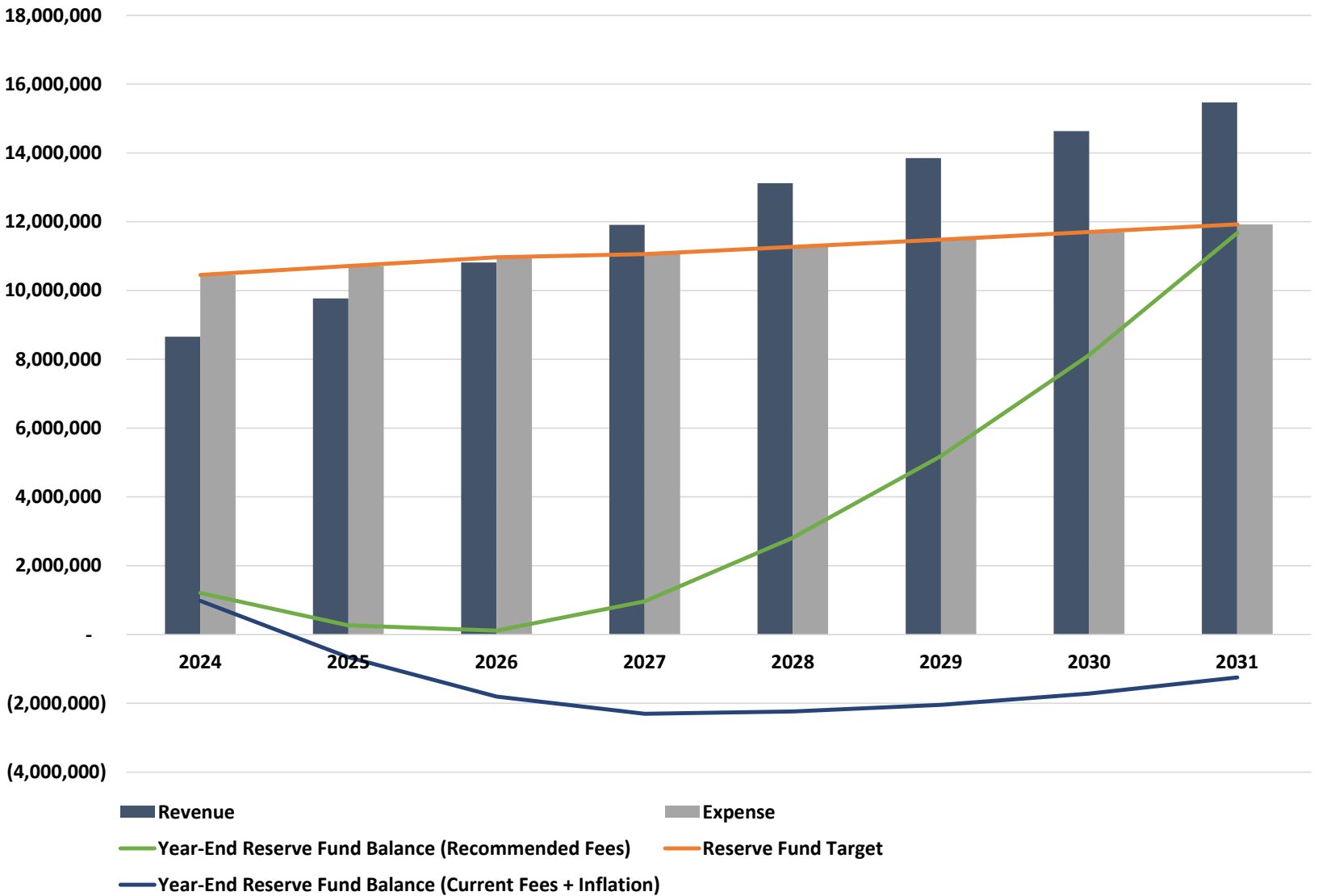
Overview



- Fee recommendations made to:
 - recover the reasonable cost of administering and enforcing the Building Code;
 - Including providing additional resources in 2024 to process increased permits associated with the housing pledge
 - provide reserve fund contributions for sustainable service delivery;
 - Reserve fund strategy has been developed to achieve accumulate 1.0 times the annual cost of service to sustain operations and service capacity during economic downturns
 - maintain market competitiveness within similar sized and neighbouring municipalities

Reserve Fund Forecast

Recommended and Current Fees (+ Inflation)

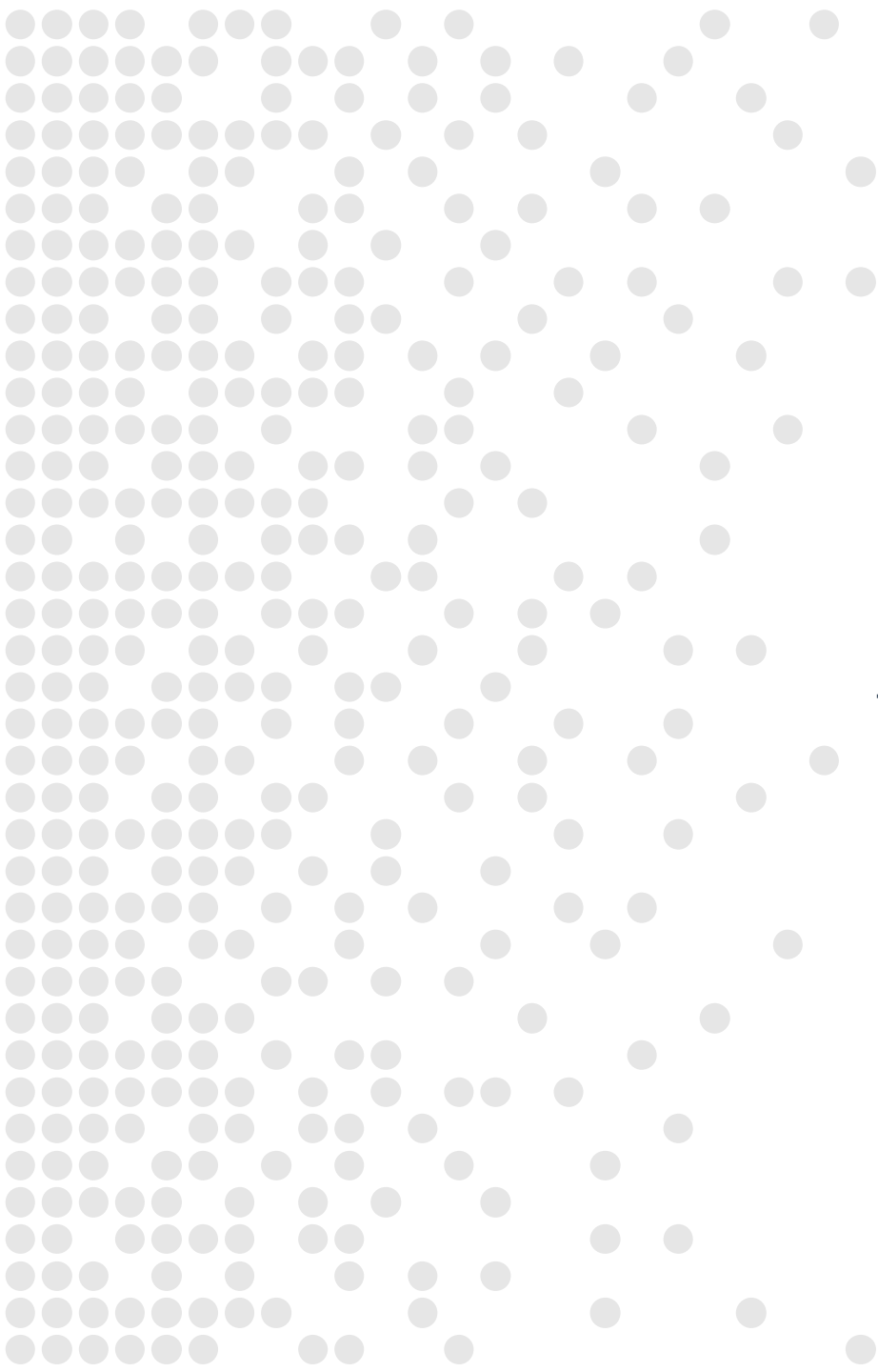


Fee Recommendations

Summary



- Restructuring and phase-in of the following fees to 2031:
 - **Townhouses** – 2.1% annual increases (above annual inflation) to 2031 (+\$34 per unit, 2024)
 - **Apartments** – 5.0% annual increases (above annual inflation) to 2031 (approx. +\$37.50 per unit, 2024)
 - **Group A (Assembly)** – 1.4% annual increases (above annual inflation) to align with Group B (Care and treatment) fees by 2031
 - **Group E (Mercantile)** – 4.0% (finished) and 5.5% (shell) annual increases (above annual inflation) to align with Group D (Business and personal services) fees by 2031
- Minimum fees increased by 21%
- All other fees to increase at inflationary levels (current policy) beginning in 2025



Fee Comparison Survey



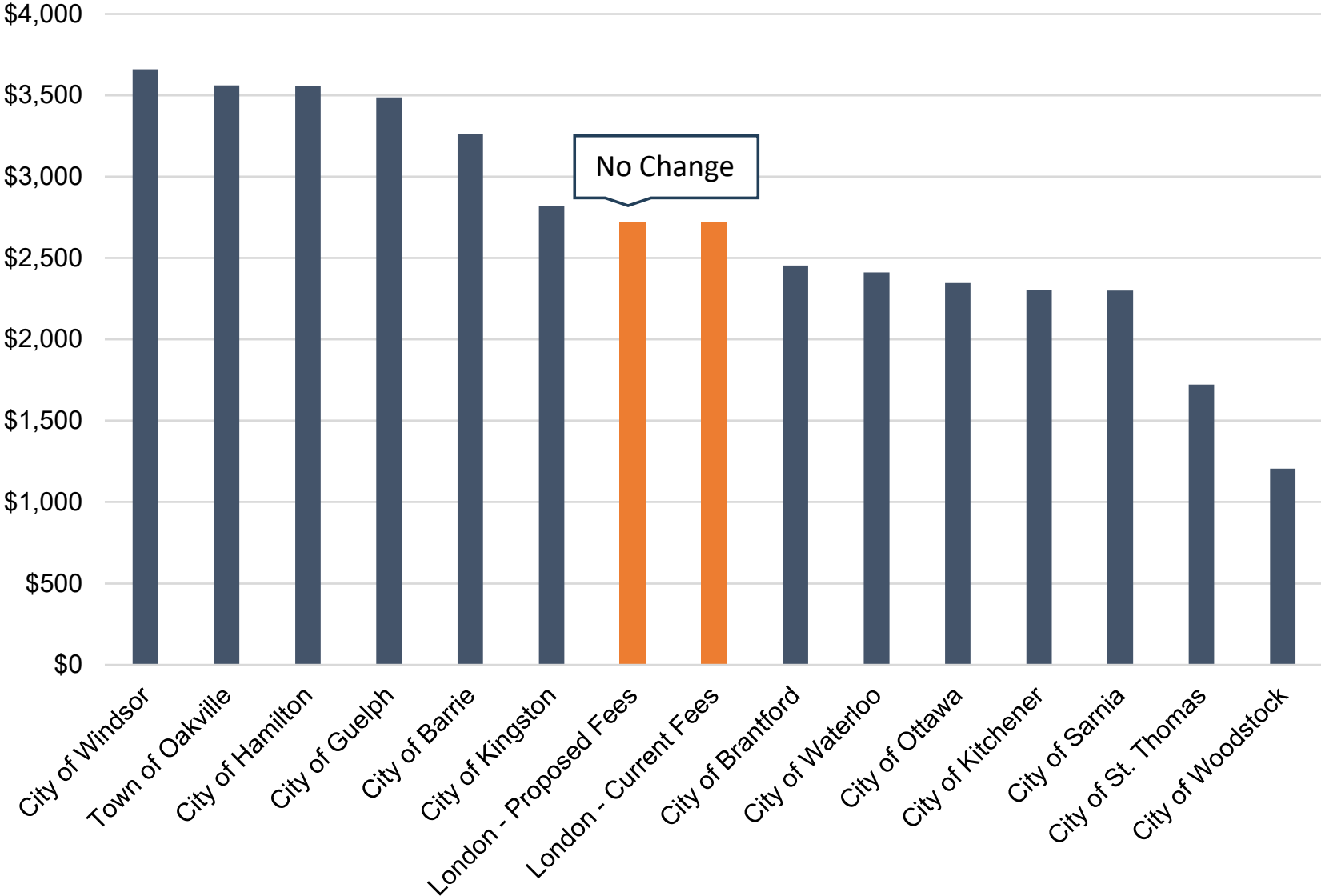
Fee Comparison Survey Summary

- Fees compared against neighboring municipalities and larger comparator group of municipalities with similar size and growth rates
- The City's relative position would remain unchanged in the lower half of the municipalities with the proposed increases

Fee Comparison Survey



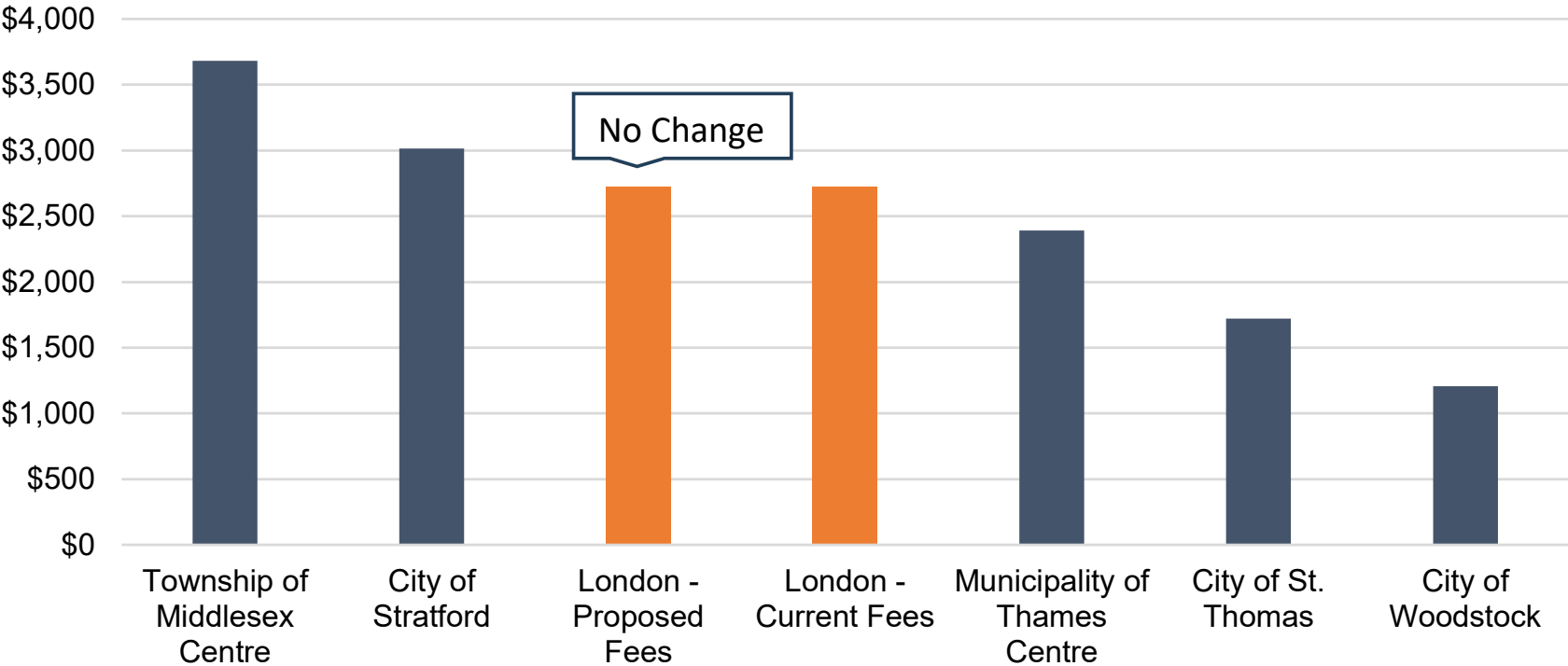
Low Density Residential (1, Unit, 200 m2) Permit Fee



Fee Comparison Survey



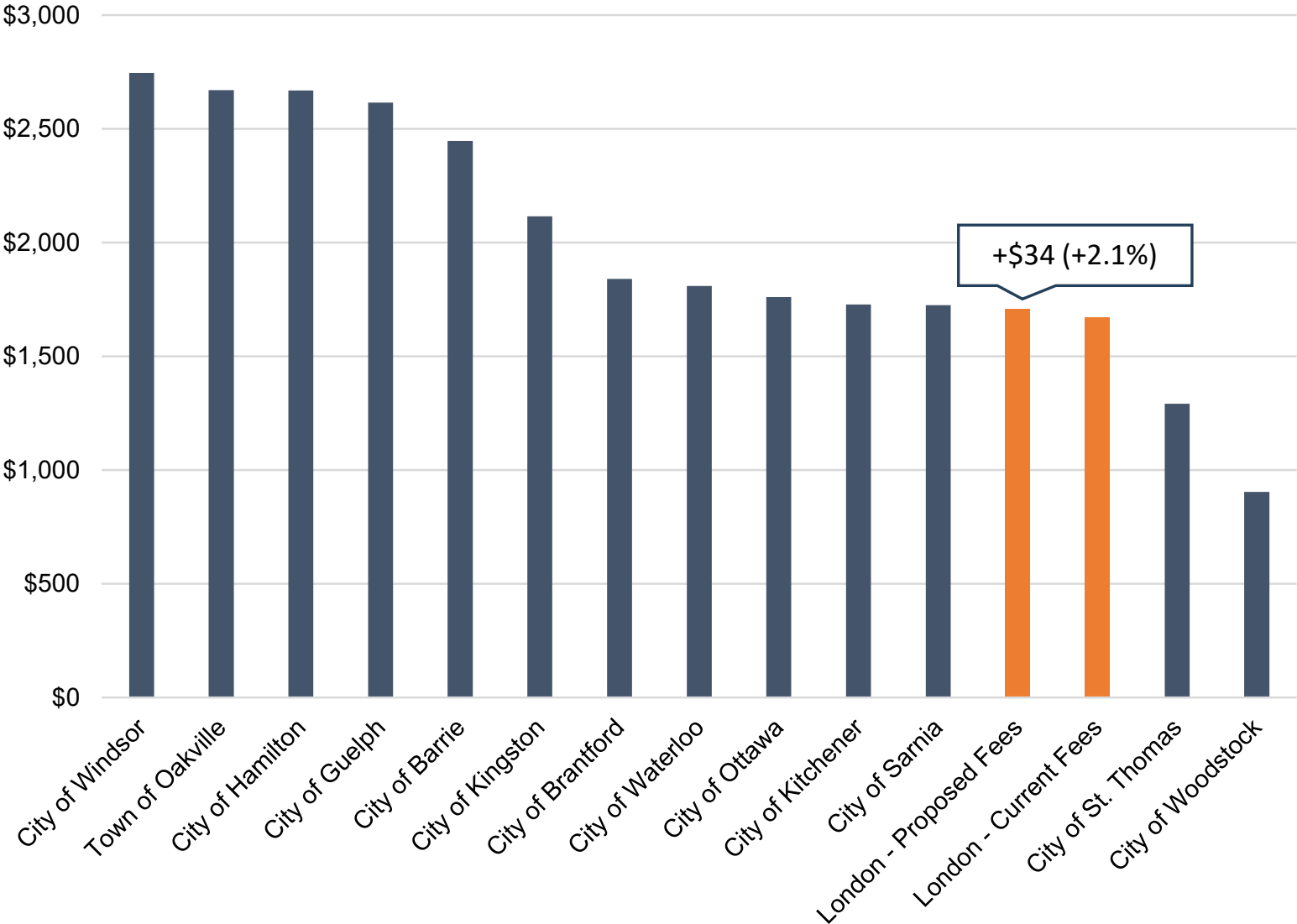
Low Density Residential (1, Unit, 200 m2) Permit Fee



Fee Comparison Survey



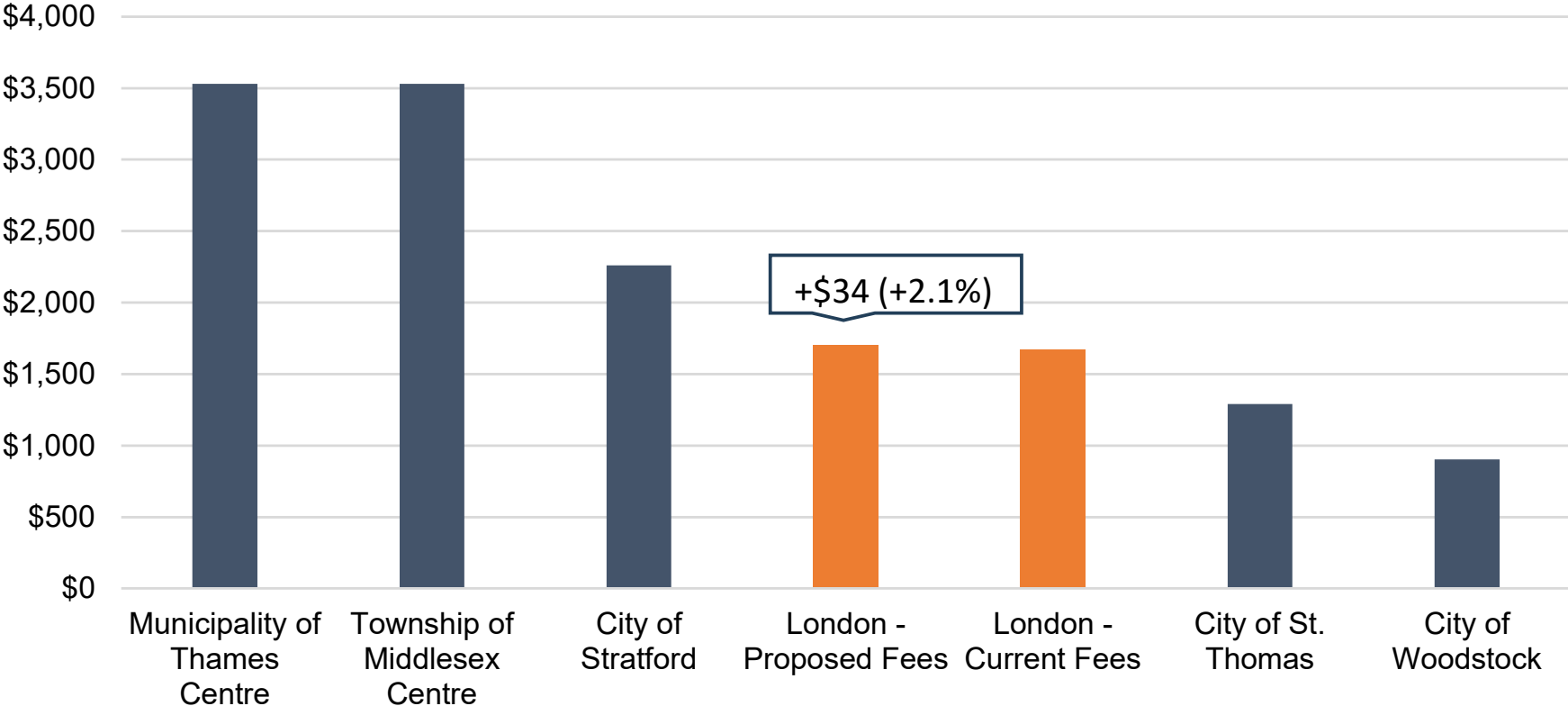
Medium Density Residential (1 Unit, 150 m2) Permit Fee



Fee Comparison Survey



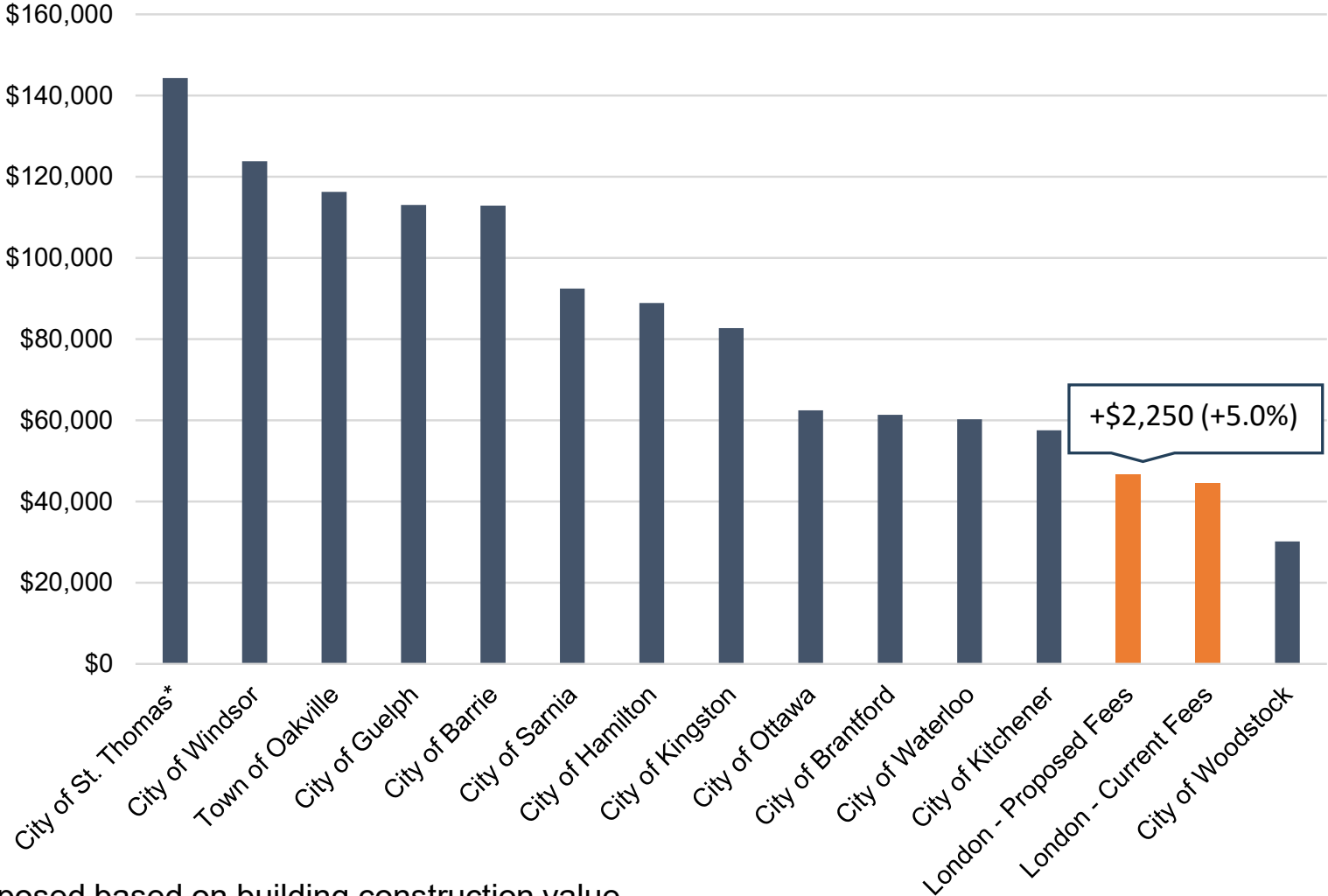
Medium Density Residential (1 Unit, 150 m2) Permit Fee



Fee Comparison Survey



High Density Residential (60 Units, 5,000 m2) Permit Fee

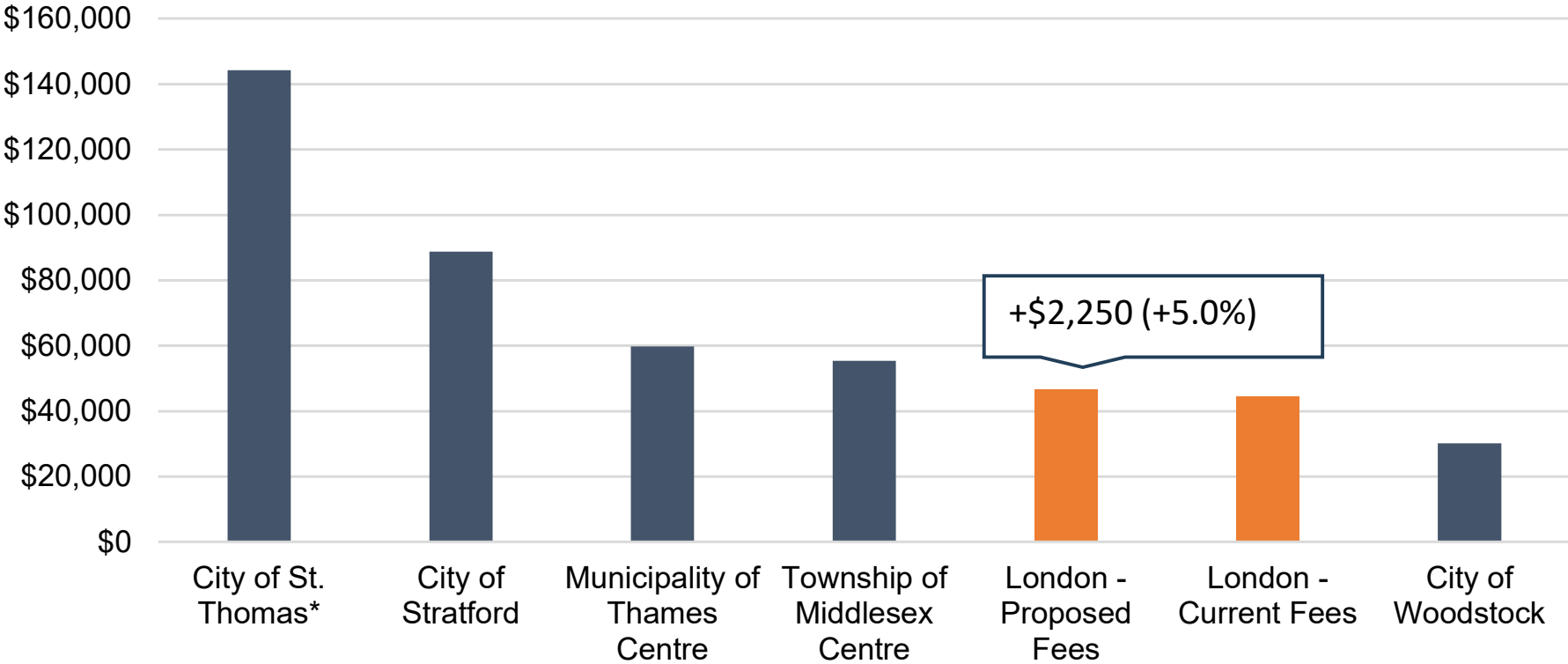


* Fees Imposed based on building construction value
 Construction values derived from the Altus Group 2023 Canadian Cost Guide

Fee Comparison Survey



High Density Residential (60 Units, 5,000 m2) Permit Fee

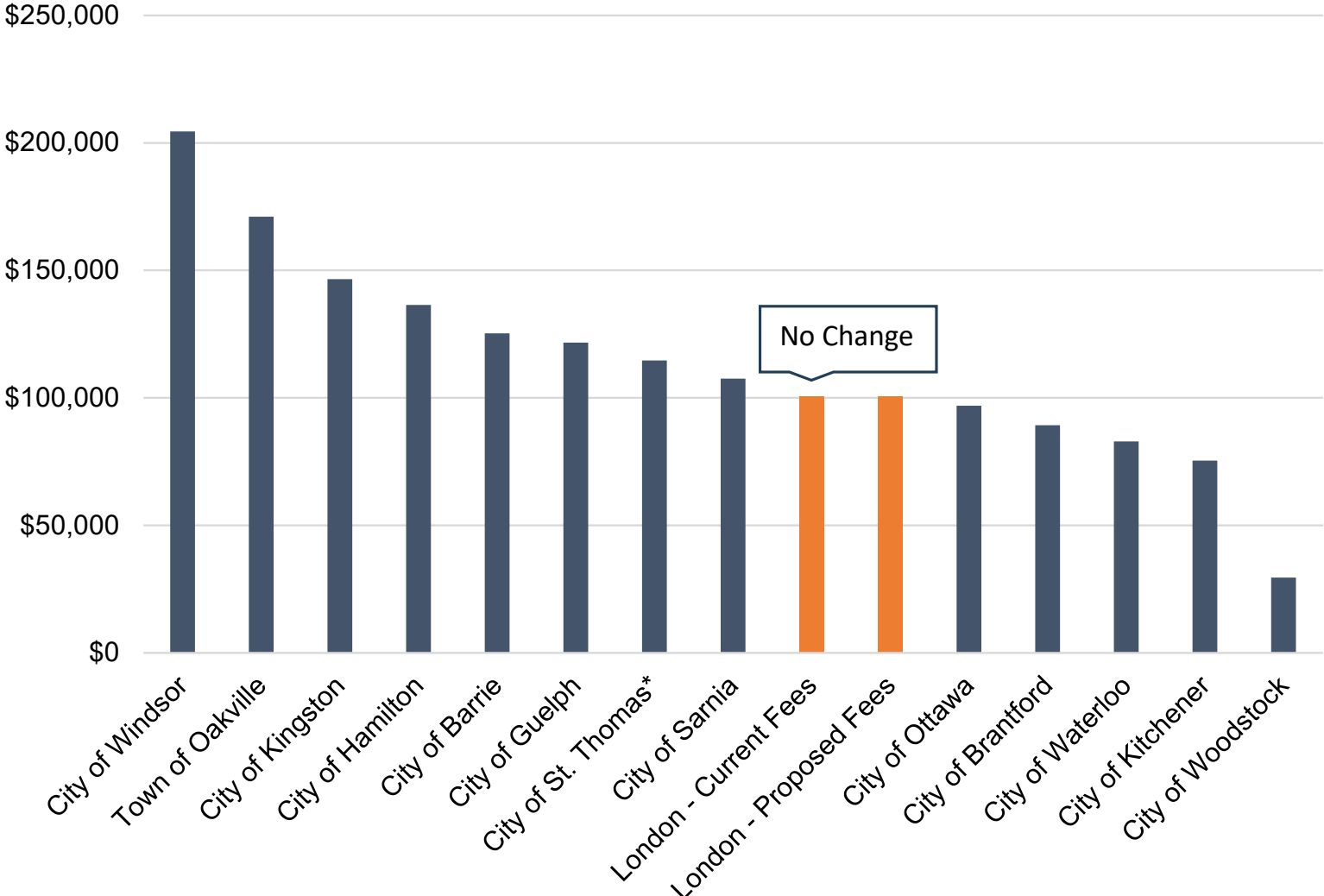


* Fees Imposed based on building construction value
Construction values derived from the Altus Group 2023 Canadian Cost Guide

Fee Comparison Survey



Industrial (10,000 m²) Permit Fee

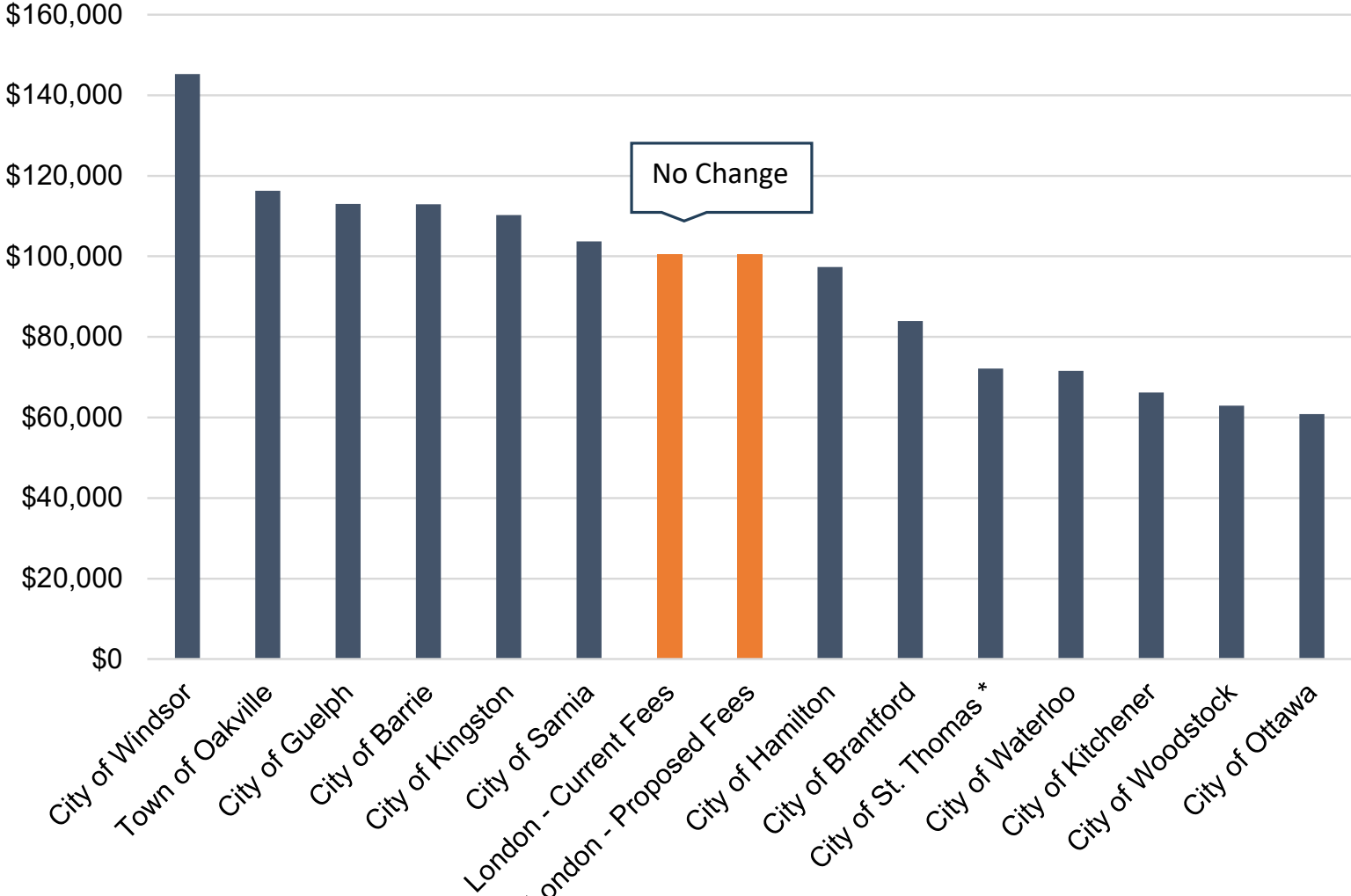


* Fees Imposed based on building construction value
Construction values derived from the Altus Group 2023 Canadian Cost Guide

Fee Comparison Survey



Retail (5,000 m2) Permit Fee

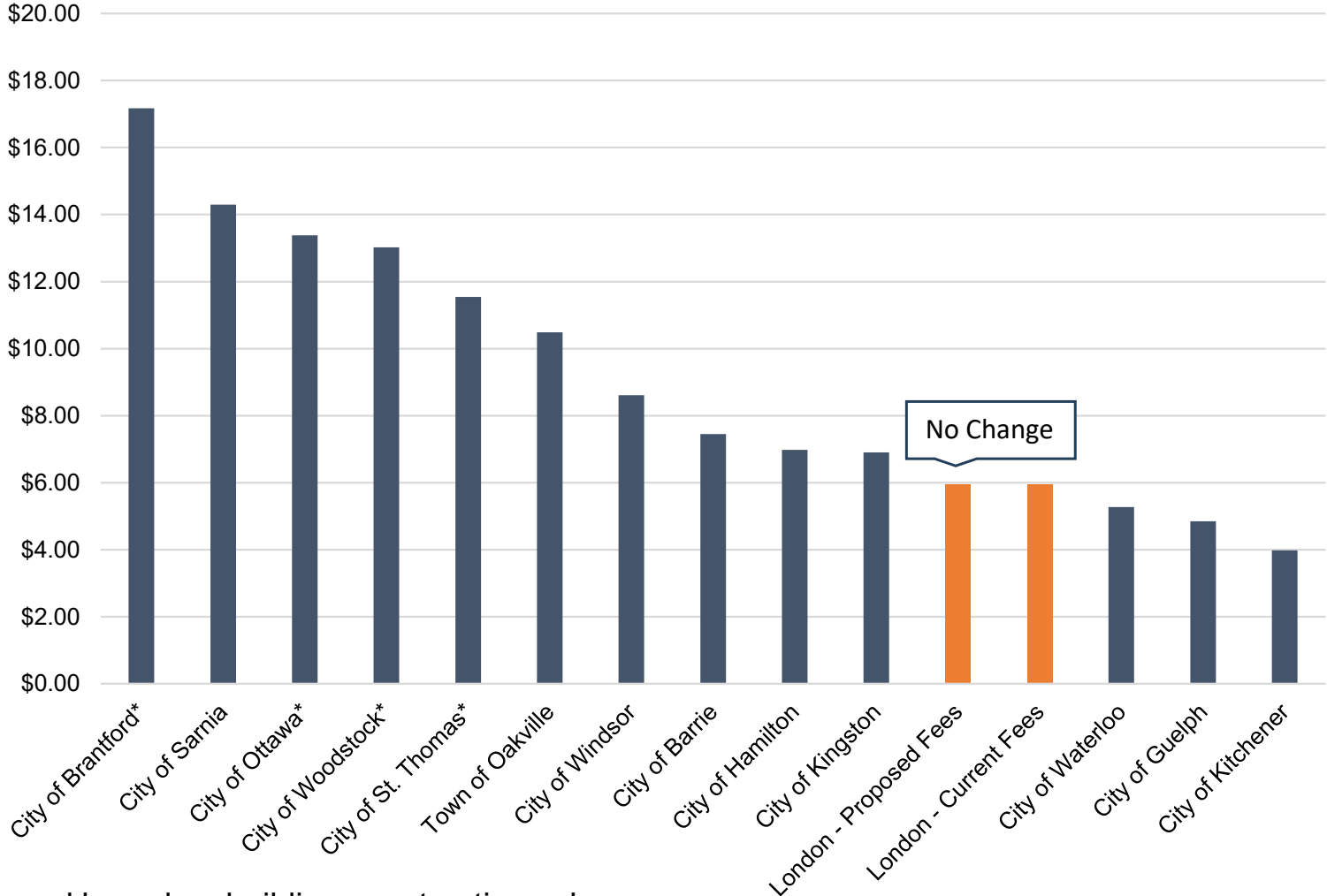


* Fees Imposed based on building construction value
Construction values derived from the Altus Group 2023 Canadian Cost Guide

Fee Comparison Survey



Non-Residential Alterations per m²

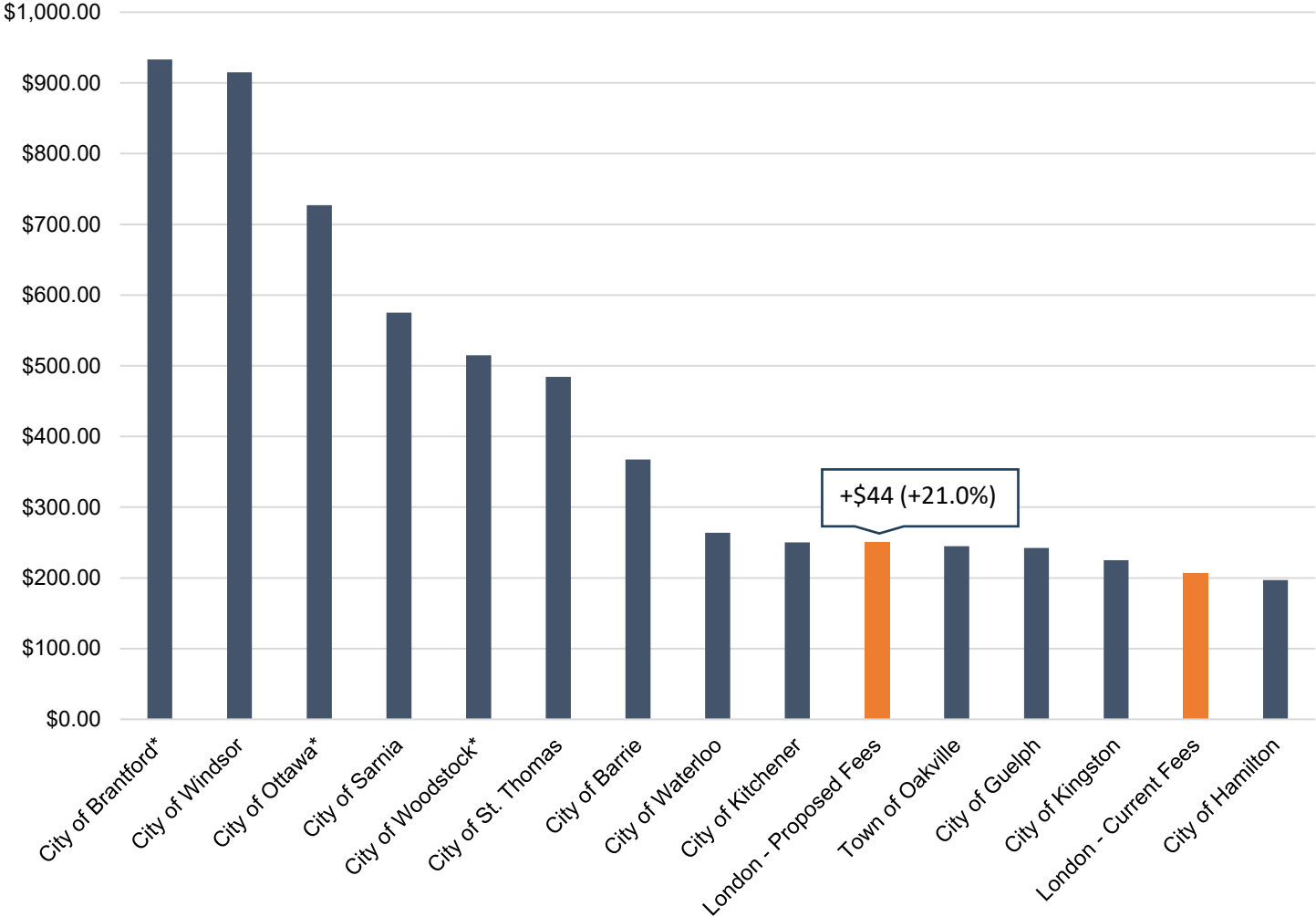


* Fees Imposed based on building construction value
Construction values derived from the Altus Group 2023 Canadian Cost Guide

Fee Comparison Survey



Residential Alterations (50 m²) Permit Fee

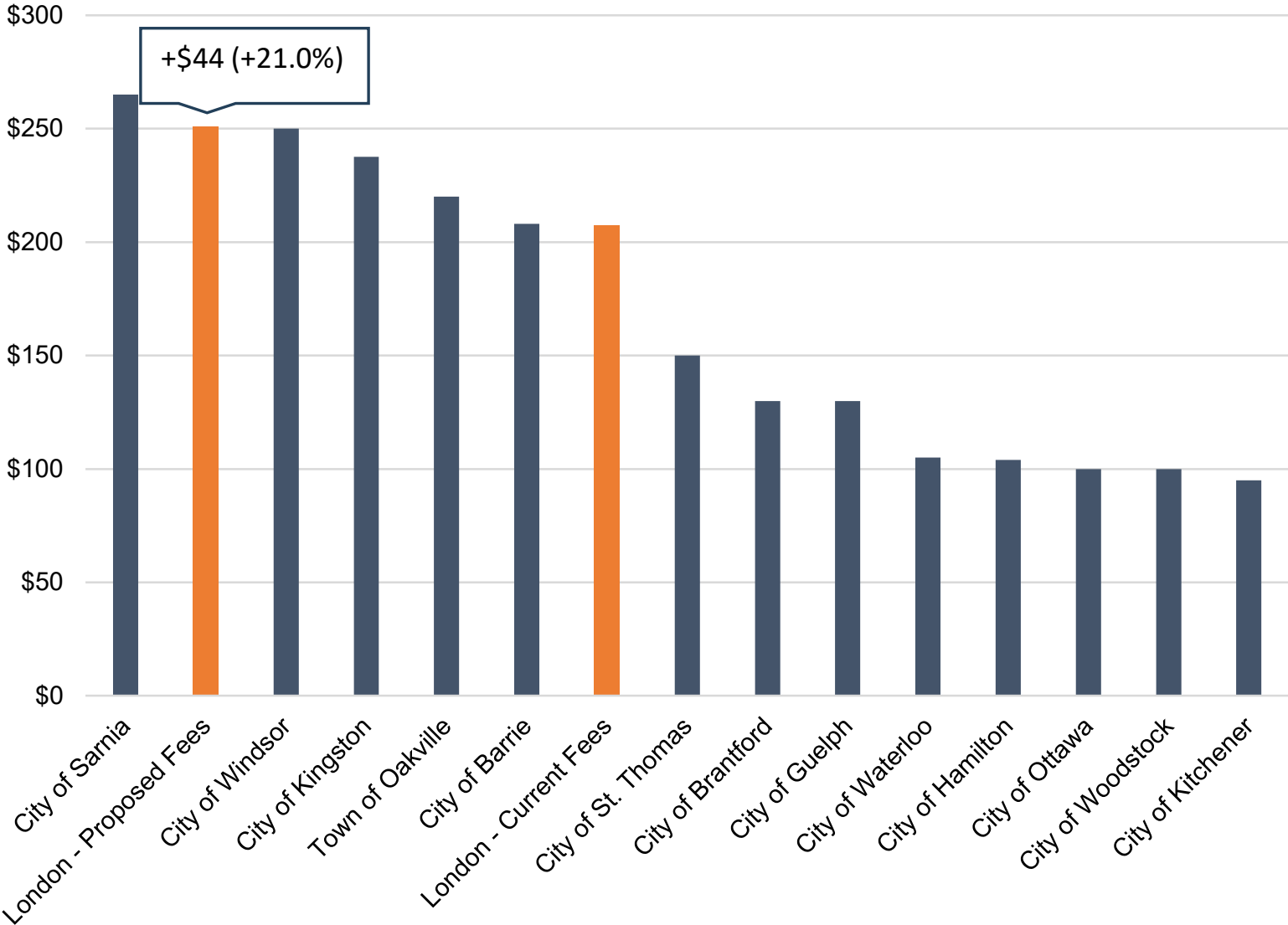


* Fees Imposed based on building construction value
Construction values derived from the Altus Group 2023 Canadian Cost Guide

Fee Comparison Survey



Decks (20 m²) Permit Fee



Next Steps



- Council to consider by-law for adoption and implementation
- Anticipated implementation of new fees in mid 2024
- City to monitor annual costs, revenues, and reserve fund strategy and adjust recommendations if required
- Update building permit fee review as needed