

Report to Planning & Environment Committee

To: Planning & Environment Committee
From: George Kotsifas, P. Eng
Managing Director, Development & Compliance Services & Chief Building Official
Subject: Annual Report on Building Permit Fees
Date: April 19, 2021

Recommendation

That, on the recommendation of the Managing Director, Development & Compliance Services & Chief Building Official, the attached report on building permit fees collected and costs of administration and enforcement of the *Building Code Act* and regulations for the year 2020, **BE RECEIVED** for information purposes.

Previous Reports Related to this Matter

March 9, 2020 – Planning & Environment Committee

Background

The *Building Code Act* (“Act”) and the regulations made thereunder (*Ontario’s Building Code*) require that a report be prepared annually on building permit fees collected, and the costs incurred in the administration and enforcement of the *Building Code Act* and regulations. Specifically, Division C, Section 1.9.1.1., of the regulations state:

- (1) The report referred to in subsection 7(4) of the Act shall contain the following information in respect of fees authorized under clause 7(1)(c) of the Act:
 - (a) total fees collected in the 12-month period ending no earlier than three months before the release of the report,
 - (b) the direct and indirect costs of delivering services related to the administration and enforcement of the Act in the area of jurisdiction of the *principal authority* in the 12-month period referred to in Clause (a),
 - (c) a breakdown of the costs described in Clause (b) into at least the following categories:
 - (i) direct costs of administration and enforcement of the Act, including the review of applications for permits and inspection of *buildings*, and
 - (ii) indirect costs of administration and enforcement of the Act, including support and overhead costs, and
 - (d) if a reserve fund has been established for any purpose relating to the administration or enforcement of the Act, the amount of the fund at the end of the 12-month period referred to in Clause (a).
- (2) The *principal authority* shall give notice of the preparation of a report under subsection 7(4) of the Act to every person and organization that has requested that the *principal authority* provide the person or organization with such notice and has provided an address for the notice.

Revenues Collected

Building permit fees collected during 2020 totalled \$7,604,281. However, consistent with revenue recognition principles governed by generally accepted accounting principles (GAAP), Building fee revenue recognized by the City of London for 2020 equated to \$8,485,018 on an accrual basis.

As shown below, subject to completion of the 2020 year-end financial statement audit, the net revenue of building permit fees for 2020 was:

Deferred Revenue from 2019 [permits issued in 2020]	\$2,298,795
2020 Building Permit Fees	\$7,604,281
Deferred Revenues to 2021 [permits not issued in 2020]	<u>\$(1,418,058)</u>
2020 NET REVENUE	\$8,485,018

Costs Incurred

The total costs, both direct and indirect, incurred during 2020 were \$6,747,480, as shown in the Table below (subject to completion of the 2020 year-end financial statement audit).

	Costs (\$)	Positions
<u>DIRECT COSTS</u>		
Administration	\$328,312	2
Permit Issuance	\$1,571,932	14
Inspection	\$1,910,248	23
Zoning Review	\$553,059	6
Operational Support	\$500,149	12
Operating Expenses (supplies, equipment, etc.)	\$437,081	
TOTAL DIRECT COSTS	\$5,300,781	57
<u>INDIRECT COSTS</u>		
Corporate Management and Support	\$1,113,103	
Risk Management	\$135,596	
Office Space	\$198,000	
TOTAL INDIRECT COSTS	\$1,446,699	
TOTAL COSTS	\$6,747,480	

Net Financial Position

At 2020 year end, the net revenue was \$8,485,018. By deducting the total direct and indirect costs of \$6,747,480 for administration and enforcement of the *Building Code Act* and the *Building Code*, results in a \$1,737,538 contribution to the Building Permit Stabilization Reserve Fund.

Total Net Revenue	\$8,485,018
Total Cost of Enforcement	<u>\$-</u>
YEAR END CONTRIBUTION (withdrawal if negative)	\$1,737,538

Building Permit Stabilization Reserve Fund (BPSRF)

In 2006, the BPSRF target was set at 40% of the annual operating costs following discussions with the London Home Builders' Association (a key industry stakeholder). Additionally, a lower and upper limit of 30% and 50% respectively was also set at that time.

During the building permit fee review in 2019, further consultations occurred with industry stakeholders and the BPSRF target was increased to 100% of the annual operating costs.

The BPSRF 2020 opening balance was \$1,992,637 after interest allocations and any year-end adjustments. Considering a 2020 contribution of \$1,737,538 and 2020 interest income of \$46,824, the revised closing balance is \$3,777,000 in the reserve fund, which equates to 56.0% of the annual operating cost.

Building Permit Fees

In 2019, a review was completed of the building permit fee structure in relation to volumes and effort, as well as a comparison of London fees in relation to other similar jurisdictions. Consequently, a new fee structure was adopted by Council which includes an annual indexing component. Considering that building permit fees were recently increased in August 2019, a further increase is not recommended at this time.

Conclusion

In accordance with the legislation, building permit revenues are to be used for the cost of administration and enforcement of the *Building Code Act*. The balance of \$3,777,000 in the BPSRF equates to 56.0% of annual operating costs.

Prepared & recommended by:

**George Kotsifas, P. Eng
Managing Director, Development &
Compliance Services & Chief Building
Official**

cc:

**Kyle Murray, Director, Financial Planning &
Business Support
Nathan Asare-Bediako, Financial Business
Administrator**