

Report to Planning & Environment Committee

**To: CHAIR AND MEMBERS
PLANNING & ENVIRONMENT COMMITTEE**
**From: SCOTT MATHERS, MPA, P. ENG.,
DEPUTY CITY MANAGER, PLANNING AND ECONOMIC
DEVELOPMENT**
Subject: ANNUAL REPORT ON BUILDING PERMIT FEES
Date: APRIL 25, 2022

Recommendation

That, on the recommendation of the Director, Building & 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 2021, **BE RECEIVED** for information purposes.

Previous Reports Related to this Matter

April 19, 2021 – 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 2021 totalled \$8,155,312. However, consistent with revenue recognition principles governed by generally accepted accounting principles (GAAP), Building fee revenue recognized by the City of London for 2021 equated to \$6,742,073 on an accrual basis.

As shown below, subject to completion of the 2021 year-end financial statement audit, the net revenue of building permit fees for 2021 was:

Deferred Revenue from 2020 - permits issued in 2021	\$1,418,058
2021 Building Permit Fees	\$8,155,312
Deferred Revenues to 2022 - permits not issued in 2021	<u>\$(2,831,297)</u>
2021 NET REVENUE	\$6,742,073

Costs Incurred

The total costs, both direct and indirect, incurred during 2021 were \$6,898,887, as shown in the Table below (subject to completion of the 2021 year-end financial statement audit).

	Costs (\$)	Positions
<u>DIRECT COSTS</u>		
Administration	\$390,367	2
Permit Issuance	\$1,304,645	15
Inspection	\$1,282,468	24
Zoning Review & Code Compliance	\$721,384	9
Operational Support	\$727,878	14
Operating Expenses (supplies, equipment, etc.)	\$992,662	
TOTAL DIRECT COSTS	\$5,419,404	64
<u>INDIRECT COSTS</u>		
Corporate Management and Support	\$1,188,467	
Risk Management	\$102,016	
Office Space	\$189,000	
TOTAL INDIRECT COSTS	\$1,479,483	
TOTAL COSTS	\$6,898,887	

Net Financial Position

At 2021 year-end, the net revenue was \$6,742,073. By deducting the total direct and indirect costs of \$6,898,887 for administration and enforcement of the Building Code Act and the Building Code, this results in a \$156,814 withdrawal from the Building Permit Stabilization Reserve Fund.

Total Net Revenue	\$6,742,073
Total Cost of Enforcement	<u>\$-6,898,887</u>
YEAR END CONTRIBUTION (withdrawal if negative)	(\$156,814)

It should be noted that a contributing factor resulting in a withdrawal from the BPSRF, was the fact that the deferred revenue amount to 2022 was rather high (double)

compared to the previous year. For the month of December alone, based on building permit applications received, the building permit fee revenue amounted to \$1.6 million of the total \$2.8 million that was deferred.

Building Permit Stabilization Reserve Fund (BPSRF)

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

The BPSRF 2021 opening balance was \$3,792,515 after interest allocations and any year-end adjustments. Considering a 2021 withdrawal of \$156,814 and 2021 interest income of \$74,761.32 included, the revised closing balance is \$3,635,701 in the reserve fund, which equates to 52.7% 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 included an annual indexing component. Considering that base building permit fees were 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 \$3,635,701 in the BPSRF equates to 52.7% of annual operating costs. As such, there is no recommendation to increase base permit fees at this time.

**Prepared & recommended by: Peter Kokkoros, P. Eng.
Director, Building & Chief Building Official**

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