

## 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:** MAY 1, 2023

## Recommendation

That, on the recommendation of the Deputy City Manager, Planning and Economic Development, the attached report on building permit fees collected and costs of administration and enforcement of the Building Code Act and Regulation for the year 2022, **BE RECEIVED** for information purposes.

## Previous Reports Related to this Matter

April 25, 2022 – 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 Regulation. Specifically, Division C, Section 1.9.1.1., of the Regulation states:

- (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 2022 totalled \$7,022,622. However, consistent with revenue recognition principles governed by generally accepted accounting principles (GAAP), Building fee revenue recognized by the City of London for 2022 equated to \$8,105,583 on an accrual basis.

As shown below, subject to completion of the 2022 year-end financial statement audit, the net revenue of building permit fees for 2022 was:

Deferred Revenue from 2021 - permits issued in 2022	\$2,831,297
2022 Building Permit Fees	\$7,022,622
Deferred Revenues to 2022 - permits not issued in 2022 but will be issued in 2023	\$1,748,336

<b>2022 NET REVENUE</b>	<b>\$8,105,583</b>
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Deferred Revenue is revenue collected in a given year, at the time of building permit application, and reallocated towards the subsequent year whereupon permit issuance and building inspections are anticipated.

## **Costs Incurred**

The total costs, both direct and indirect, incurred during 2022 were \$8,509,974, as shown in the Table below (subject to completion of the 2022 year-end financial statement audit).

	<b>Costs (\$)</b>	<b>Positions</b>
<b><u>DIRECT COSTS</u></b>		
Administration	\$155,811	3
Permit Issuance	\$1,473,554	18
Inspection	\$2,125,428	24
Zoning Review & Code Compliance	\$991,756	9
Operational Support	\$938,442	16
Operating Expenses (supplies, equipment, etc.)	\$1,097,074	
<b>TOTAL DIRECT COSTS</b>	<b>\$6,782,065</b>	<b>70</b>
<b><u>INDIRECT COSTS</u></b>		
Corporate Management and Support	\$1,381,597	
Risk Management	\$148,312	
Office Space	\$198,000	
<b>TOTAL INDIRECT COSTS</b>	<b>\$1,727,909</b>	
<b>TOTAL COSTS</b>	<b>\$8,509,974</b>	

## **Net Financial Position**

At 2022 year-end, the net revenue was \$8,105,583. By deducting the total direct and indirect costs of \$8,509,974 for administration and enforcement of the Building Code Act and the Building Code Regulation, this results in a \$404,392 withdrawal from the Building Permit Stabilization Reserve Fund.

Total Net Revenue	\$ 8,105,583
Total Cost of Enforcement	\$ 8,509,974
<b>YEAR END CONTRIBUTION (withdrawal if negative)</b>	<b>\$ - 404,391</b>

## **Building Permit Stabilization Reserve Fund (BPSRF)**

During the building permit fee review in 2019, consultations occurred with industry and the BPSRF target was increased to 100% of the annual operating costs. As agreed upon with industry, this target is to be reached in a gradual manner over the span of a few years.

The BPSRF 2022 opening balance was \$3,702,379 after interest allocations (\$66,678) and any year-end adjustments. Considering a 2022 withdrawal of \$404,391, the revised closing balance is \$3,297,988 in the reserve fund, which equates to 39% of the annual operating costs. In 2022, increase in costs were observed as a result of staff overtime, training requirements and the introduction of new Senior Plan/Building Inspector positions. A review of the BPSRF will be undertaken to assess whether further Building Division staff can be funded, in the short term, to provide additional capacity in 2023 and whether permit fee rates will need to be adjusted to reach the 100% target.

## **Building Permit Fees**

In 2019, a review was completed of the building permit fee structure in relation to work 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. As of March 01, 2023, in accordance with the Building By-law provisions, the previous building permit fee rates were indexed by 6.0% (Consumer Price Index change). However, with the passing of Bill 23 (More Homes Built Faster Act, 2022) staffing levels are expected to increase in response to the anticipated demand for housing units. The additional costs incurred will be monitored while permit fee rates will also be further reviewed.

## **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 and Building Code Regulation. The balance of \$3,297,988 in the Building Permit Stabilization Reserve Fund equates to 39% of annual operating costs. The Building Division will be carrying out a cost analysis based on an anticipated staff level increase to accommodate the requirements of Bill 23 (More Homes Built Faster Act, 2022) and further review any need for permit fee rate adjustments.

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Planning and Economic Development

**Recommended by:** Scott Mathers, MPA, P. Eng.  
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**cc: Kyle Murray, Director, Financial Planning & Business Support**  
**Nathan Asare-Bediako, Financial Business Administrator**