



City of
Peterborough

To: Members of the Budget Committee

From: Malcolm Hunt, Director of Planning and Development Services

Meeting Date: January 12, 2015

Subject: Report PLBD15-001
Building Permit Fee Increase

Purpose

A report to recommend that all Building Permit fees be increased by twenty percent (20%) phased in over Budget Years 2015 and 2016.

Recommendations

That Council approve the recommendations outlined in Report PLBD15-001 dated January 12, 2015, of the Director of Planning and Development Services, as follows:

- a) That the Building Permit Fee increase be the subject of a Public Meeting on January 21, 2015 pursuant to the **Building Code Act**;
- b) That, subject to the submissions made at the Public Meeting,
 - I. the Building Permit fees for 2015 be increased by 10% as presented in the 2015 Draft Budget;
 - II. That Building Permit fees be increased by a further 10% in the 2016 Draft Budget; and
 - III. That commencing January 1, 2017, the Building Permit fees be adjusted annually by the most recent annual change in the Statistics Canada Quarterly, Construction Price Statistics.

Budget and Financial Implications

The 2015 Building Permit fee increase, as proposed, will minimize the adverse impact on the Building Division Reserve Fund that is projected due to new and significant cost pressures facing the Building Division. Assuming a moderately above-average building construction year, the 10% fee increase will minimize the required draw from the reserve, maintaining a balance of approximately \$240,000.

It is anticipated that the proposed 2016 Building Permit fee increase will return the Building Division to the position of contributing to the Reserve Fund in higher activity years and mitigating the draw on the Reserve Fund during years of lesser activity. It is anticipated that at the end of 2016, the reserve fund balance will be \$360,000.

Background

The last major adjustment to Building Permit fees was the subject of Report PLBD07-003 dated December 03, 2007 and a presentation during the 2008 Budget Review. The increase was significant, and upon approval was phased in over 3 years from 2008 to 2010. The rationale behind the increase was a result of a number of changes within the Building Regulatory industry; the mandatory provincial registration of Building Officials, mandatory technical training and provincial examinations and the addition of staffing positions to cover new areas of technical review and inspection. In addition, major changes were being made to the business operation of the Division and its administrative/financial dealings with other City departments in terms of cost recovery.

The current financial pressures facing the Building Division, driving the need for the recommended Building Permit fee increase, are not quite as complex as those in 2008. In the last 2 years, the Division has lost 40% of its qualified and experienced Building Official staff, owing mostly to retirement. Recruitment attempts were not successful on a number of occasions and the level of service provided to the contractors, property owners and development industry in general started to decline. To address the situation, changes were made in terms of compensation and the extent of training and professional development that would be provided. This has resulted in the resolution of the staffing challenge, but also establishes an ongoing increased expenditure that can not be supported on an ongoing basis with the current fee structure.

The last two years have seen a modest above-average level of construction in the City of Peterborough. However the current fees are not able to cover the increased cost to operate the Building Division. Without the proposed fee increase, by the end of 2016, the Building Division reserve would be fully utilized, leaving the City in the undesirable position to fund future Building Division deficiencies with tax revenues. The forecasted revenue from Building Permit fees for 2014 was \$1,300,000, representing what is seen to be revenue from above-average building and construction activity.

That level of activity has again been predicted for 2015 Budget purposes. If Building Permit fees remain unchanged, that \$1,300,000 revenue (in addition to other minor revenues of \$6,000) would be insufficient to cover forecasted 2015 expenditures of \$1,444,000. The result would be a draw on the Building Division Reserve Fund in the amount of \$138,000, reducing the balance of the reserve from approximately \$250,000 to \$112,000. Further, no increase in Building Permit fees in 2016 would result in a predicted zero balance in the reserve fund and a \$26,000 shortfall for Building Division operations at 2016 year end.

A 20% increase in Building Permit fees would return the Building Division to a position of contributing to the reserve fund in above average or exceptional construction activity years, to a break-even position in average activity years and necessary draws on the reserve fund in years of below average activity. This cycle of growth in the reserve fund and draw-down is critical to maintain Building Division services as “user funded” and avoid any burden to the tax base, which is supported by the Building Code Act. It has been the Building Division experience that a multi-year phase-in of Building Permit fee increases beyond that of standard “cost of living or indexed” adjustments are better suited to the cost-sensitive construction industry and are better supported and/or requested by the local construction industry.

A phased-in fee increase is being recommended. The proposed phase-in of a 10% increase in 2015 and 10% in 2016 would result in a modest draw on the reserve fund of \$8,100 in 2015, leaving a balance of approximately \$240,000 in the reserve. In 2016, a budget surplus would result in a contribution to the reserve fund of \$120,000, resulting in a reserve fund balance of \$360,000.

If the 2015 Building Permit fee increase was 20%, the projected total revenue would be \$1,566,000. The result would be a contribution to the reserve fund of \$120,000 in each of 2015 and 2016, resulting in a new balance of approximately \$490,000 at 2016 year end. The phase-in of the proposed increase over two years as opposed to the full 20% increase in 2015 will present an overall “cost” to the reserve fund of \$130,000.

The cycle of more substantial building fee adjustments arises in part due to the inflationary pressures of the Division’s activities not being reflected in smaller inflationary adjustments to the Building Division fee structure. It is therefore recommended that commencing January 1, 2017, the Building Permit fees be adjusted annually by the most recent annual change in the Statistics Canada Quarterly, Construction Price Statistics.

Any fees increases must be the subject of a Public Meeting according to Section 7(6) of the Building Code Act. It is recommended that a Public Meeting be held on January 21, 2015 at 6:30, just prior to the 2015 Budget Public Meeting. In addition, staff will be meeting with the Peterborough Kawartha Home Builders Association (PLHBA) the week of January 12, 2015 to review the increase.

Summary

Given the sensitivity of the local construction and development industry and the need to promote continued growth in Peterborough it is recommended that the Building Permit Fee increase is phased-in over two years and commencing January 1, 2017, fees are adjusted annually based on inflation.

Submitted by,

Malcolm Hunt, Director
Planning and Development Services Department

Contact Name:

Dean Findlay
Manager of Building Division / Chief Building Official
Phone: 705-742-7777 Ext. 1791
Toll Free: 1-855-738-3755
Fax: 705-742-5218
E-Mail: dfindlay@peterborough.ca

Contact Name:

Erica Arkell
Financial Analyst, Special Projects
Phone: 705-742-7777 Ext. 1628
Tool Free: 1-855-738-3755
Fax: 705-742-5218
E-Mail: earkell@peterborough.ca