

Town of Whitby

Staff Report

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Report Title: Building Permit Fees Annual Financial Report 2023

Report to: Committee of the Whole

Date of meeting: June 10, 2024

Report Number: FS 11-24

Department(s) Responsible:

Financial Services Department

Submitted by:

Fuwing Wong, Commissioner, Financial Services & Treasurer

**Acknowledged by M. Gaskell,
Chief Administrative Officer**

For additional information, contact:

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1. Recommendation:

That Report No. FS 11-24 on Building Permit Fees Annual Financial Report 2023 be received as information.

2. Highlights:

- As required by the *Building Code Act 1992*, this report contains the Town's annual reporting, for the year ended December 31, 2023, of building permit fees, related costs, and the Building Permit Reserve Fund related to the Town's administration and enforcement of the Ontario *Building Code Act*.

3. Background:

In accordance with the Ontario Building Code Division C Part 1, Article 1.9.1.1 which specifies what is to be included in the annual report, attached is a summary of the building permit fees and related costs and Statement of Reserve Fund for the year ended December 31, 2023.

4. Discussion:

- The Town regularly reviews its fees for planning applications, building permit applications and engineering review and inspection to help offset the cost of development related services.

- The most recent Development Related Fee Study completed for building permit applications was undertaken by staff in 2018 in conjunction with Watson & Associates Economics Ltd. The objective of the Development Related Fee Study was to provide a comprehensive Development Fee review resulting in new Building Permit Fees and Planning Application Fees and their related By-laws.
- The revised fees came into force on October 1, 2018, and are to be indexed by 2.5 per cent on October 1 of each year. The next Development Related Fee Study for building permit applications is currently in progress at the time of this report and is scheduled for completion in the Summer of 2024.
- The Building Permit Fees Annual Financial Report 2023, (Attachment 1), outlines the fees and costs that are directly and indirectly attributable to the costs and associated fees permitted in accordance with the *Building Code Act*.
- The annual report includes information regarding the revenues and total costs and Building Permit Reserve Fund transactions/balances.

5. Financial Considerations:

Building permit fees were established to fully recover the Town's cost of providing building permit services, including an allocation of administrative overhead/indirect costs. Any surplus of revenue from building permit fees is transferred to the Building Permit Reserve Fund.

This reserve fund is used to ensure continued building permit service delivery during an economic downturn (e.g., building permit inspections that may take place year(s) after a building permit is pulled/permit revenues have been received).

The Building Permit Reserve Fund was used to offset costs for building code enforcement for approximately 10 years (from 2009 to 2018) following the 2008/2009 economic downturn. During those 10 years, draws from the Building Permit Reserve Fund were necessary as Building Department expenses exceeded annual Building Permit Fee revenues. Around 2012, the Building Permit Reserve Fund did not have sufficient cash to offset Building department operations and the reserve fund ran into a negative position (with internal borrowing from the Town's Long-Term Finance (also known as the "One-Time") Reserve Fund). By 2019, all remaining funds loaned to the Building Permit Reserve Fund were repaid to the Long Term Finance Reserve as a result of increased development activity and there have been regular contributions to the reserve since.

As shown in Attachment 1, the unaudited balance in the Building Permit Reserve Fund, as of December 31, 2023 is \$16,515,583.

Based on the 2018 study, the target reserve fund balance is 2.07 times the annual total Building Department costs (i.e., direct, indirect, and capital costs). This means that the Building Permit Reserve Fund has a target balance to keep the Building Department operational (e.g., inspections and other work related to building permits already issued and still open) for just over 2 years if there is an

economic downturn and no new building permit applications/revenues are received.

The current balance of the reserve fund, at approximately 4.6 times/years, which exceeds target and is more reflective of the years of required draws to fund the Building Department operations during the last economic downturn (noted above). As part of the Development Related Fee Study in 2024, Town staff are in the process of completing a fulsome assessment of building permit service delivery and adequacy of the reserve fund target balance going forward. Initial results of this study have indicated that the Town should consider increasing the target to 3.0 times total costs, which would reflect broader industry practice. In addition, the recent decline in development activity in Whitby may be an indication that the Town is entering a period of reduced building permit activity/revenues and reserve draws may be required as a result. Staff will continue to monitor the balance and target.

6. Communication and Public Engagement:

The *Building Code Act* requires that the Town of Whitby 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 Town of Whitby provide the person or organization with such notice and has provided an address for the notice. To date, no person or organization has requested for such notice.

7. Input from Departments/Sources:

The report was reviewed with the Building Services division within the Planning and Development Department

8. Strategic Priorities:

This report supports Strategic Objective 4.4 – Ensure fiscal accountability and responsibly plan for growth of the Town of Whitby's Community Strategic Plan.

9. Attachments:

Attachment 1: Building Permit Fees Annual Financial Report, December 31, 2023