

REPORT

REPORT TO: Mayor Bonnette and Members of Council

REPORT FROM: Slavica Josipovic, Chief Building Official

DATE: February 15, 2019

REPORT NO.: TPW-2019-0011

RE: 2018 Building Permit Annual Report

RECOMMENDATION:

That Report No. TPW-2019-0011, dated February 15, 2019, regarding 2018 Building Permit Annual Report, be received.

BACKGROUND:

The purpose of this report is to inform Council of the Building Permit Fees collected for the full year 2018, building permit related activities and the costs associated with the administration and enforcement of the Building Code Act in 2018.

In accordance with Section 7(4) of the Building Code Act (Act), the municipality is required to prepare an Annual Report, in order to enhance transparency and ensure that the Building Permit Fees do not exceed the anticipated reasonable costs of delivering services.

As a requirement of Article 1.9.1.1., Division C of the 2012 Ontario Building Code, the Annual Report must include the following:

- a) Total fees collected between January 1, 2017 and December 31, 2017,
- b) The direct and indirect expenses of delivering services related to the administration and enforcement of the Act within the Town of Halton Hills,
- c) Itemization of the expenses as stated in b) into the following categories:
 - Direct costs of administration and enforcement of the Act, including the review of applications for building permits and inspection of buildings;
 - Indirect costs of administration and enforcement of the Act, including support and overhead expenses;
- d) Reserve Fund, if surplus exists (Reserve Fund is required to address likely ranges in year-to-year volatility in service volumes).

COMMENTS:

Revenue

In 2018, Building Services issued 781 permits, of which 697 were building permits and the remaining 84 were pool enclosure permits. The Zoning Section issued 213 compliance letters/responses to the requests from the general public, builders, developers, real estate agents and appraisers. The Inspection Section conducted 10,448 inspections of which 9,607 were mandatory and violation inspections and 841 were proactive inspections. The purpose of the proactive inspections is to ensure that the inspection backlog of inactive (open) building permits is maintained at a level that will not jeopardize the health and safety of occupants or create a greater risk of liability for the Town. In addition, two (2) existing on-site sewage disposal systems were inspected under the Mandatory Sewage Systems Maintenance Inspection Program. Four (4) buildings were registered as two-unit houses. An itemized list of the activities in 2018 (permits & compliance letters issued and buildings registered as two-unit houses) is attached as Appendix "A" to this report.

For the full year 2018, Building Services anticipated building permit revenue of \$1,950,000. The actual revenue collected was \$1,490,833. The actuals were below the budget by \$459,167. The decrease in the 2018 projected revenue is primarily due to the decreased value of the residential permits. Out of the projected 445 building permits for the new residential units only 50 permits were issued in 2018. The major industrial projects for which the building permits were issued in 2018 include a new industrial warehouse and the completion of a recently constructed shell building within the 401 corridor and the alterations to the existing industrial building in Georgetown.

Expenses

The total budgeted (direct and indirect) expenses for the Building Services Division for the year 2018 were \$2,597,000.

The expenses, as provided below, represent the actual cost of operation for the Division in its entirety for the year 2018:

Direct Expenses:

Personnel	\$ 2,076,346
Operating	\$ 57,641
Contract Out (Lot Grading)	\$ 6,403

Indirect Expenses:

Corporate Charges	<u>\$ 171,700</u>
Total Actual Building Services Expenses	<u>\$ 2,312,090</u>

The difference between the budgeted and actual expenses is primarily attributed to staff vacancies and the operating cost related savings.

As legislated by the Building Code Act, building permit revenue can only be used to fund the expenses associated with the issuance of building permits and performing the mandatory building inspections.

Building Permit Related Expenses were as follows:

Direct Expenses:

Personnel	\$ 1,740,394
Operating	\$ 48,314
Contract Out (Lot Grading)	\$ 6,403

Indirect Expenses:

Corporate Charges	<u>\$ 171,700</u>
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Total Actual Building Permit Related Expenses \$ 1,966,811

For reporting years 2013 onwards, the building permit revenue is stated using accrual accounting methods. The revenues relating to cash received for building permits during the year have been adjusted to account for recognition of revenue collected in the prior year but earned in the current year and deferral of revenue collected in the current year but earned in future years.

Building Permit Revenue (Jan. 1 – Dec. 31, 2018)	(\$ 1,490,833)
Revenue (Sep. 1 – Dec. 31, 2018) deferred to 2019	\$ 520,216
Contribution from 2017 deferred revenue (Sep. 1 – Dec. 31, 2017)	(\$ 933,256)
Total Building Permit Related Expenses	<u>\$ 1,966,811</u>
Building Permit Deficit	<u>\$ 62,938</u>

A financial summary for the year ended December 31, 2018 is attached as Appendix B to this report.

RELATIONSHIP TO STRATEGIC PLAN:

This report is for operational purposes and is not directly related to the Strategic Plan.

FINANCIAL IMPACT:

The Building Code Act requires that the total amount of Building Permit fees meets the total costs for the municipality to administer and enforce the Building Code Act and Regulations.

The actual revenue that can be used to cover the 2018 year expenses was below the 2018 building permit related expenses. The 2018 building permit revenue shortfall in the amount of \$62,938 will be covered by funding from the Building Permit Reserve Fund.

As permitted by the Building Code Act, the purpose of the Reserve Fund is to address fluctuations in year-to-year service volumes. In order to cover the building permit revenue shortfall for the years 2007 and 2010, the total amount of \$522,632 was borrowed from the Town of Halton Hills Tax Rate Stabilization Reserve. The full amount was repaid from the building permit revenue surplus in 2011. The building permit revenue surplus between 2011 and 2017 was contributed to the Building Permit Reserve Fund.

As explained in the 2017 Department Budget presentation, the Town expected that there would be a gap between the projected Building Services revenue and expenses until Vision Georgetown begins. Assumptions for building permit revenue projections were based on information supplied by Planning, Engineering and Economic Development staff and major project proponents. As predicted, the building permit revenue had decreased in 2018 and is expected to continue along the same trend until the Vision Georgetown applications start coming in. In order to maintain the current level of service and prepare for the significant increase in the workload associated with Vision Georgetown, the staff related expenses for the same period are expected to increase.

The projected revenue/expenses gap will continue to be funded from the Building Permit Reserve Fund. In addition, reserves will be used to fund expenses associated with staff positions tied to succession planning and also to cover the costs related to the introduction of the electronic plans review in 2019/20.

Appendix C attached to this report shows the number of building permits per year issued for the period between the years 2001 and 2018. The graph in Appendix D shows the Building Services Revenue & Expenses Comparison for the period between 2003 and 2018.

CONSULTATION:

The Manager of Accounting was consulted with respect to the preparation of this report.

PUBLIC ENGAGEMENT:

There is no public engagement required.

SUSTAINABILITY IMPLICATIONS:

The Town is committed to implementing our Community Sustainability Strategy, Imagine Halton Hills. Doing so will lead to a higher quality of life. The relationship between this report and the strategy is summarized below:

Do the report's recommendations advance the Strategy's implementation?

No

Which pillar(s) of sustainability does this report support?

Not Applicable

COMMUNICATIONS:

This report presents the Building Services financial summary for the full year 2018 and is prepared for information purposes.

CONCLUSION:

Reporting on Building Permit Fees and the direct and indirect costs related to the administration and enforcement of the Building Code Act, on an annual basis, is a mandatory requirement for the Municipality as imposed by the Building Code Act.

Reviewed and Approved by,

A handwritten signature in black ink, appearing to read "C. Mills", with a horizontal line drawn across the top of the signature.

Chris Mills, Commissioner of Transportation and Public Works

A handwritten signature in black ink, appearing to read "Brent Marshall", written in a cursive style.

Brent Marshall, Chief Administrative Officer

Appendix A

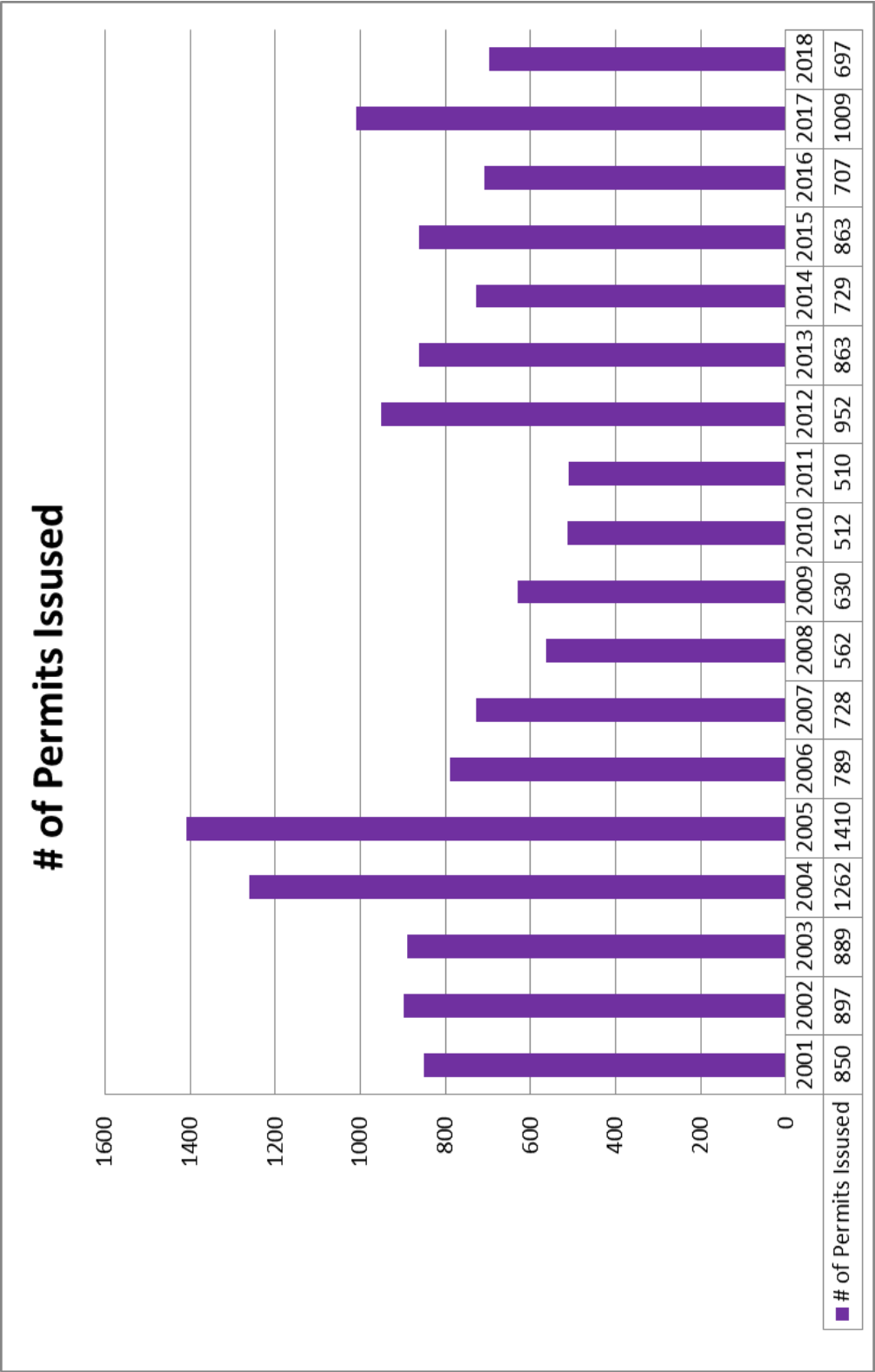
Permits Issued, January 1 - December 31, 2018

Permit Type/Category		Q1	Q2	Q3	Q4	2018 Total	2017 Total
Agricultural Buildings	AG	1	1	2	3	7	4
Group A - Assembly Uses	AP	1	5	5	5	16	14
Group D - Business & Personal	BP	2	5	2	4	13	18
Conversion	CO	1	2	0	4	7	7
Group E - Commercial	CP	5	11	34	14	64	18
Change of Use	CU	0	0	0	0	0	44
Demolition Permit	DP	4	11	13	11	39	39
Plumbing Only	DR	20	15	11	10	56	72
Designated structures	DS	25	2	8	1	36	18
Heating/Air Conditioning	HE	0	2	0	2	4	6
Group B - Institutional Uses	IP	0	0	0	0	0	4
Multiple Occupancy	MO	0	1	1	0	2	0
Group F - Industrial	MP	7	7	4	11	29	50
Miscellaneous	MS	2	0	0	2	4	9
Group C - Residential - Add/Alt/Imp	RA	30	74	99	59	262	316
Group C - Residential - New Construction	RP	12	14	11	13	50	290
Septic Only	SE	7	11	17	11	46	51
Signs	SP	5	3	14	29	51	32
Tents	TP	1	3	6	1	11	17
Total Building Permits		123	167	227	180	697	1009
Pool Enclosure	PP	8	39	30	7	84	96
Total Permits		131	206	257	187	781	1105
Zoning Certification		31	62	62	58	213	207
Registration of Two-Unit Houses	RH	3	0	0	1	4	8

Appendix B

Building Services Financial Summary for the Year Ending December 31, 2018	Full Year Analysis		
	Actuals	Budget	% of Budget
Revenue			
<u>Building Permit</u>			
Residential - New Construction	\$ 539,227.00	\$ 1,480,000.00	36%
Industrial/Commercial/Institutional	\$ 564,311.00	\$ 160,000.00	353%
Other	\$ 387,295.00	\$ 310,000.00	125%
Building Permit Revenue	\$ 1,490,833.00	\$ 1,950,000.00	76%
<u>Non-Building Permit</u>			
Mandatory Sewage Systems Maintenance Inspections	\$ 540.00	\$ 500.00	108%
Pool Enclosure	\$ 21,457.00	\$ 24,200.00	89%
General Recoveries (Compliance Letters)	\$ 37,574.00	\$ 37,800.00	99%
Two-Unit House Registration	\$ 11,825.00	\$ 8,500.00	139%
Non-Building Permit Revenue	\$ 71,396.00	\$ 71,000.00	101%
Total Building Services - Revenue	\$ 1,562,229.00	\$ 2,021,000.00	77%
Expenses			
<u>Building Services - Expenses</u>			
Personnel - Direct Expenses	\$ 2,076,346.00	\$ 2,306,400.00	90%
Operating - Direct Expenses	\$ 57,641.00	\$ 87,900.00	67%
Contract Out - (Lot Grading) - Direct Expenses	\$ 6,403.00	\$ 31,000.00	21%
Corporate Charges - Indirect Expenses	\$ 171,700.00	\$ 171,700.00	100%
Total Building Services - Expenses	\$ 2,312,090.00	\$ 2,597,000.00	89%
<u>Building Permit Related Expenses</u>			
Personnel - Direct Expenses	\$ 1,740,394.00		
Operating - Direct Expenses	\$ 48,314.00		
Contract Out - (Lot Grading) - Direct Expenses	\$ 6,403.00		
Corporate Charge - Indirect Expenses	\$ 171,700.00		
Total Building Permit Related Net Expenses	\$ 1,966,811.00		
Building Permit Revenue	\$ (1,490,833.00)		
Deferred revenue from 2017	\$ (933,256.00)		
Revenue deferred to 2018	\$ 520,216.00		
Building Permit Related Expenses	\$ 1,966,811.00		
Net(Surplus)/Deficit	\$ 62,938.00		

Appendix C



Appendix D

