

**TOWNSHIP OF GILLIES
BUILDING PERMIT FEES 2009
ANNUAL FINANCIAL REPORT**

BACKGROUND:

Under Section 7(4) of the *Building Code Act (BCA)*, municipalities are required to prepare an annual report, which includes the total fees collected in the previous 12-month period. The report must identify the direct and indirect costs of delivering building inspection services, and the amount of any reserve fund that has been established. Section 7(2) of the *BCA* provides that the total amount of the permit fees collected must not exceed the anticipated reasonable costs of the municipality to administer and enforce the *BCA*. The cost of administering and enforcing the *BCA* is a “pay-for-use” service; the revenue solely comes from building permits fees and not taxation.

No reserve fund was established in 2009 for building enforcement and administration.

STATISTICS:

Permits issued in 2009: 12 (1 new dwelling, 9 renovations/additions, 2 demolition)

Permits issued in 2009 and completed to occupancy stage 2009: 4

Permits issued in 2009 that are outstanding: 8

Permits outstanding from previous years: 3

VARIANCES:

There was more administrative time involved in the enforcement of permits over prior years since there were four ratepayers who commenced construction prior to applying for a building permit. Also, some permit holders required more inspections or administrative time than was paid for due to deficient drawings and construction. The CBO was also requested by Council to investigate issues outside of regular enforcement issues (abandoned house, house to be burnt by VFD). Some applications do not “fit” into the set fee categories and often a fee based on an estimated number of minimum inspections was required to be determined which failed to meet the actual number of inspections that were required.

It is also to be noted that it depends on the time of year a permit is issued whether a not a surplus or a deficit may result. In an ideal situation, if every permit was issued on January 1st and construction completed by December 31st, revenues and expenses would balance. However, permits are issued throughout the year, and usually between the months of May and September, with construction taking anywhere from three months to one year (or more) to complete. The permit fee is collected in the year in which the permit is issued, but in many cases, some of the inspections take place in the subsequent year (or years), which does not depict a straightforward cost recovery financial report. Surplus and deficit need to be tracked and reflected year to year to ensure that the enforcing and administering the *BCA* is a “pay-for-use” service.

DISCUSSION:

Financial Summary:

The attached report shows a deficit of \$1242 which means that more money was paid for direct and indirect costs to administer and enforce the *BCA* than fees were collected. Even taking into consideration the surplus from the two prior years, there is still a deficit of \$616.

2009 was a year that some residents began construction without a permit, and therefore more administrative time had to be expended to pursue enforcement of the *BCA* for these non-compliant residents. There are also 8 permits outstanding for which fees have been collected in 2009, but inspections remain in 2010, thereby requiring expenditure in 2010 with no revenue offset. The variances listed above also contributed to the deficit.

Moving into 2010, adding to the impact of the 2009 deficit is the permit issued in 2004 that was not revoked for suspension of construction, but instead re-issued at a renewal fee at the direct of council. The permit fees collected between 2004 and 2009 for this permit were \$170, with \$175 being expended during that same time period. With the \$50 renewal paid in 2009, there has already been \$50 expended in reviewing the plans and issuing the new permit. There are at a minimum 10 inspections, at approximately \$60 each, remaining to finalize this permit, which amounts to approximately \$600 in expense with no revenue offset; this money will need to come from the general taxation levy in 2010. This one situation, combined with the other 2009 outstanding inspections, already has a negative net impact on the cost recovery of the administration and enforcement of building permits in 2010.

Revoked Permits:

Building permits which are not finalized (to occupancy stage) within one year from the date of issue, do pay an annual renewal fee. However, under section 8 (10) (b) of the *BCA*, if after six months of a permit being issued, construction has not seriously commenced, the CBO may revoke a permit. For permits revoked under this section of the *BCA*, the Municipal Building By-law allows for 60% of the building permit fee to be reimbursed, upon the request of the permit holder.

Section 8 (10) (c) of the *BCA* further provides that if the construction or demolition of a building is substantially suspended or discontinued for a period of more than one year, that the CBO may revoke the permit. The Building By-law does not have a provision for a partial refund of fees paid for permits revoked under this section.

Sections 8 (10) (b) and (c) of the *BCA* provide that a permit may be revoked if *in the opinion of the chief building official* construction has not commenced or has been suspended; the judgment is left to the professional discretion of the CBO.

No permits were revoked in 2009. One permit issued in 2004 that was to be revoked due to suspension of construction, was instead renewed for one more year, upon a recommendation by council. [Note: this permit was re-issued on January 1, 2010]

RECOMMENDATION:

Administration recommends a review of the Building Permit Fees due to the substantial deficit in 2009 and anticipated deficit in 2010.

Fee change recommendations and rationales are:

1. Set a minimum fee of \$175 for a construction permit.

Rationale – this fee includes review of plans, issuing permit and up to 3 inspections. Just the review of plans and the issue of the permit is worth approximately \$60 to \$100. Tracking of permit enforcement costs have shown that \$175 is the minimum expense for a minor construction permit.

2. Increase the demolition permit to \$120 from \$100.

Rationale- in most situations two inspections are required; a site inspection and a final inspection.

3. Create a new fee category for additions that fall between “new construction” and “minor renovations” that do not include one or more of the following: insulation, plumbing, or HVAC.

Rationale – these types of construction require fewer inspections than a “new construction”, but more than a “minor renovation”.

4. Create new fee categories for commercial/industrial/institutional new construction, major renovations and minor renovations.

Rationale – this type of construction requires additional inspections due to being a commercial/industrial/institutional building (example – additional fire code requirements, accessibility, etc.)

5. Set up a schedule of deposit fees for each type of permit. This deposit would be refunded to the permit holder once the occupancy inspection is completed within one year of the permit being issued.

Rationale – this will encourage permit holders to call the CBO for the occupancy inspection prior to occupying the new construction, and to more efficiently enforce permits in a timely manner.

With each recommendation above, it is more efficient to collect the money up front for a permit than trying to collect later if it is found that more inspections are required.

In order to change the Building Permit Fees, Section 7(6) of the *BCA* provides that a public meeting be held prior to introducing or changing a fee imposed for applications for a permit. A minimum of 21 days notice must be given prior to the holding of the public meeting, with information of the estimate of costs, the amount of fee or change to fee and the rationale for imposing or changing the fee made available to the public.

Reserve Fund:

Council may wish to consider establishing a Building Permit Reserve Fund to transfer any yearly surpluses. This fund can be drawn from in years where there may be minimum revenue, but there is still the expense of finalizing outstanding permits from previous years. Without such a fund, any deficits would be drawn from taxation revenue. This may be considered in a year where a surplus does occur, but is not applicable to 2009.

Report prepared and submitted by:

Karen Caren, Clerk-Treasurer
May 25, 2010

NOTE TO READER: This report is a *financial summary only* presenting the revenue collected for permit application fees and the direct and indirect costs to enforce and administer the *Building Code Act (BCA)*. This report does not address administrative or enforcement procedures relating to the *BCA*.

**TOWNSHIP OF GILLIES
BUILDING DEPARTMENT
FINANCIAL REPORT
FOR THE YEAR ENDING DECEMBER 31, 2009**

| | 2009 | 2008 | 2007 | 2006 |
|-----------------------------|---------|-------|-------|---------|
| PERMITS ISSUED | 12 | 6 | 9 | 8 |
| REVENUE | | | | |
| Building Permit Fees | 2,325 | 2,320 | 2,460 | 1,015 |
| DIRECT COSTS | | | | |
| CBO Wage | 2,343 | 1,035 | 1,266 | 1,263 |
| CBO Mileage | 538 | 358 | 301 | 248 |
| Permit Supplies | 0 | 43 | 112 | 177 |
| | 2,881 | 1,435 | 1,679 | 1,688 |
| INDIRECT COSTS | | | | |
| Salaries & Benefits - Admin | 540 | 360 | 540 | 400 |
| Education/Training | 76 | 0 | 0 | 401 |
| Resources | 0 | 0 | 0 | 261 |
| Publications & Advertising | 20 | 20 | 20 | 20 |
| Office Equipment Use | 50 | 50 | 50 | 50 |
| | 686 | 430 | 610 | 1,132 |
| TOTAL EXPENDITURES | 3,567 | 1,865 | 2,289 | 2,820 |
| SURPLUS/(DEFICIT) | (1,242) | 455 | 171 | (1,805) |
| RESERVE FUND BALANCE | 0 | 0 | 0 | 0 |

Reader's Notes:

Figures based on preliminary unaudited financial statements for 2009

Indirect administrative time based on 2 hours of administrative time per permit at \$30/hour (2006-2008)

Indirect administrative time based on 1.5 hours of administrative time per permit at \$30/hour (2009)

Publications and advertising include building information in quarterly newsletters