
HALDIMAND COUNTY

Report PED-BC-01-2018 Building By-law Modernization

For Consideration by Council in Committee on June 5, 2018



OBJECTIVE:

To obtain Council approval to enact an updated contemporary Building By-law, including new building permit fees.

RECOMMENDATIONS:

1. THAT Report PED-BC-01-2018 Building By-law Modernization be received;
2. AND THAT the Building By-law attached to Report PED-BC-01-2018 be presented for enactment;
3. AND THAT the by-law to effect the amendments outlined in Report PED-BC-01-2018 to Schedule N of the User Fees and Service Charges By-law be presented for enactment.

Prepared by: Randy Charlton, CMMIII, MLEO(c), CPSO, Manager, Building Controls and By-law Enforcement

Respectfully submitted: Craig Manley, MCIP, RPP, General Manager of Planning and Economic Development

Approved: Donald G. Boyle, Chief Administrative Officer

EXECUTIVE SUMMARY:

Staff have drafted a new modernized Building By-law (Attachment 3), which includes new updated Building permit fees and administrative fees. Haldimand County's existing Building By-law is now over 30 years old and is in need of modernization.

Ontario legislation requires that fees charged for building permits are to recover the cost of providing the service and that any surplus generated is to be put into a special reserve for this purpose only. Staff engaged the services of Watson & Associates Economists Ltd., Mississauga, to undertake a building permit fees review study based on an assessment of costs and comparable fees in nearby municipalities. Watson & Associates building permit fees review study became the basis for the Building Permit Fee Recommendations found in Attachment 4 of this report.

On May 3, 2018, as required by legislation, the Building Controls & By-law Enforcement Division hosted a Public Meeting held in the McSorley Room at the Cayuga Arena to present the proposed new Building permit fees. The public meeting was required pursuant to Ontario Regulation 332/12 which requires that at least one public meeting to inform the public of the introduction or change in a permit fee under Section 7 of the *Building Code Act*.

The notice of public meeting was provided based on County and Ministry standards, through newspaper advertising, the County's website, social media and personal invitations to 28 builders and contractors that frequently obtain permits from the County. There were 3 people in attendance. The feedback from those in attendance was neither support or opposition to the fees presented.

Staff is recommending the attached draft Building By-law and proposed building fees for years 2018 through 2022.

BACKGROUND:

Haldimand County's current Building By-law is the former Regional Municipality of Haldimand-Norfolk Building By-law which predates amalgamation in 2001. Although the By-law was amended in 2002 to provide for the transfer of septic inspections, the by-law is now over 30 years old and is in need of modernization.

Authorization for Council to pass a Building By-law is outlined in Section 7 of the *Building Code Act*. Building By-laws outline procedures for such things as the submission of building permit applications along with the documents that may be required to support the application such as:

- Plans drawn;
- Site plans;
- Architectural drawings;
- Structural drawings;
- Mechanical and electrical drawings;
- Specifications and soil report; and
- Septic site evaluation.

A Building By-law is also the mechanism to require the payment of fees and prescribe the amount of the fees for the different classes of permits. The current Building By-law is antiquated in how building permit fees are calculated and how fees for re-inspections are applied. The existing approach in calculating building permit fees is based on the construction value as provided by the applicant. Using this method of determining a building permit fee results in inconsistent permit fees being paid. The proposed updated approach establishes a standardized per floor area approach that will be fair and consistent across the County.

A more comprehensive and modernized Building By-law is also required in order to reflect the changing customer service demands, to identify relevant procedures for the different types of building permits and most importantly provide for a consistent approach to the calculation of building permit fees. On the topic of permit fees a modernized Building By-law needs to establish fees that are both comparable to the surrounding municipalities fees, while sustaining the current municipal costs for delivering building services and providing for an adequate Building fund reserve for future variations in the service demands.

ANALYSIS:

Municipalities undertake to update their Building By-laws in order to address changes in legislative requirements, changing development requirements, application characteristics and cost-recovery levels with the intent of continuing to improve fee structures so that they more accurately reflect the *Ontario Building Code* permit processing and inspections efforts.

The current need to review the Building By-law is a result of the increased service levels and regulatory requirements under the *Ontario Building Code Act*, as well as other enhancements within the building department which require an update assessment of the cost of service delivery and the need to ensure permit fees are rationalized. Given that the County's Building By-law is over 30 years old, a review of the by-law becomes necessary to ensure that the County maintains a financially sustainable position without negatively affecting the tax base in light of these changes.

Approach:

1. Updating the By-law:

In order to develop a new proposed by-law, Staff undertook to separate the drafting of the by-law into 2 parts. The first part was to undertake a best practices and benchmarking exercise by researching those municipalities that have recently passed Building By-laws. In this regard Staff specifically focused on those best practices as they related to processes such as:

- Modernizing applicant information or the supporting information required in order to apply for a Building Permit;
- Identifying the minimum application characteristics, subsequent information required and processes for different classes of permit applications such as:
 - Residential Permits;
 - Commercial, Industrial, Institutional Permits;
 - Agricultural Permits;
 - Demolition Permits;
 - Change of Use Permit;
 - Provisions for Conditional Permits:
 - Given the increased use of conditional permits to facilitate time sensitive construction projects, provisions for conditional permits will be included in the draft by-law in order to provide a tool for Staff to streamline approvals and improve customer service.
 - Authorization for the Chief Building Official;
 - To respond to incomplete or inactive permit applications;
 - Clarifying and standardizing the requirements for plans and specifications needed to review the different submission for classes of permit application and providing for electronic submissions in support of the technology improvements being pursued by the Division; and
 - To require documentation in order to consider building code Alternative Solutions:
 - When permit fee refunds are applicable.
 - Administration fees for re-inspections.
 - Administration fees for construction started with no permits.

2. Updating the Fee Structure:

The second part of developing a new proposed Building By-law was to review the current Building Service fees. In order to respond to the current inconsistent permit fee calculation, a new approach will be recommended wherein a standardized per floor area cost will be used as the basis to calculate the applicable fee, therefore, providing consistency irrespective of size of dwelling. In this regard, Staff engaged the services of Watson & Associates Economists Ltd., Mississauga, to undertake a building permit fees review study. Watson & Associates employed a methodology for this assignment by developing an activity-based costing (ABC) building permit fees model for the County to quantify the full costs of services and recommended fees. An ABC methodology, as it pertains to municipal Building Services, assigns the County's direct and indirect resource costs through activities for the services provided to the public.

An ABC approach to setting permit, administration and user fees by category and sub-categories, will ensure that Building Inspection and Review services are funded solely from the service costs directly benefitting development interests, while ensuring that permit costs are justified relative to the real cost of providing the service. Maintaining this approach embraces "best practices" utilized by other urban and growth municipalities in Ontario. Watson & Associates building permit fees review study became the basis for the Building Permit Fee Recommendations. The complete Haldimand County Building Permit Fees Review Study can be found in Attachment 1.

Once staff received the building permit fees recommended by Watson and Associates, staff conducted an industry comparison review. The purpose of this industry comparison was to ensure that recommendations for new building permit fees kept the County competitive with surrounding municipalities and were reasonable with respect to local circumstances.

In order to provide for Building permit fee increases yearly, as done with other County User Fees and to account for inflationary cost increases, Watson and Associates has utilized the County's standard methodology for determining the annual increase required for fees using the historical average increase of 2.30%. In this regard, building permit fees have been structured in actual values for the years 2018 through 2022. The reason for outlining annualized increases for the next 4 years is under statute, every time the fees are adjusted, a public meeting is required. After 2022, the building permit fees would remain at the 2022 values until a public meeting could be held to address any proposed fee changes. The intent would be to update the fees every 5 years going forward.

Comparison Chart:

Staff has created a comparison chart which provides for a contrast between the County's annual cost, the County's current permit fees (which has its base in construction value), the market average, the proposed fees and the comparators current Building Permit Fees which include Norfolk County, Brant County, City of Hamilton and Township of West Lincoln. The comparison chart can be viewed in Attachment 2. The proposed fees align with those that exist in the nearby communities.

Building Permit Category	Existing Fee	Proposed Per m ² Fee	Proposed Permit Fee	Comparator Municipality Fee Range
New Residential Based on a 3,000 sq./ft. (278.71 m ²) dwelling	\$3,993	\$15.15	\$4,222	\$3,336 - \$4,248
Accessory Structure Based on a 400 sq./ft. (37.16 m ²) garage or Shed	\$129	\$3.50	\$130	\$111 - \$200
Decks Based on a 200 sq./ft. (18.6 m ²) deck	\$75	Flat rate	\$75	No comparators No fee change
Agricultural Based on a 6,000 sq./ft. (558 m ²) Farm Building	\$937	\$2.00	\$1,116	\$937 - \$1,534
Industrial Based on a 11,400 sq./ft. (1059 m ²) Machine Shop	\$11,437	\$10.80	\$11,437	\$9,160 - \$12,242
Restaurants and Office Buildings Based on a 2,500 sq./ft. (232 m ²) Restaurant	\$4,141	\$17.99	\$4,173	\$2,694 - \$4,445
Assembly Occupancies (example Library) Based on a 6,400 sq./ft. (600 m ²) Library	\$5,520	\$15.77	\$9,462	\$5,520 - \$13,398

Open House/Meeting:

The *Ontario Building Code* provides that if the County proposes to change any fee imposed under a Building by-law passed pursuant to the *Act*, the County shall:

- give notice of the proposed changes in fees to such persons as may be prescribed; and
- hold a public meeting concerning the proposed changes.

In order to satisfy the requirements within the *Building Code Act* Staff, for the weeks of April 11 and 18, 2018, advertised in the *Sachem*, a “Notice of Public Meeting Amendments to fees under the *Building Code Act*”. This notice was also posted on the County Web site and social media sites.

The notice advised that the Corporation of the Haldimand County would be considering amendments to the current user fee by-law for building services. Moreover, Ontario Regulation 332/12 requires the County to hold at least one public meeting to inform the public of the introduction or change in a permit fee under Section 7 of the *Building Code Act*. Further, the notice advised that the public meeting would include a presentation by Watson and Associates Ltd., the findings related to the building permit fee amendments.

In addition to the Public Notice, a personal invitation to attend the Public Meeting was extended to the Builders and Contractors of Haldimand County by the Chief Building Official representing 28 invites.

On May 3, 2018, the Building Controls & By-law Enforcement Division hosted a Public Meeting held in the McSorley Room at the Cayuga Arena to present the proposed new Building permit fees.

The meeting’s purpose was to present the Building Permit fee analysis undertaken by Watson & Associates Economists Ltd. Although, notice of the meeting was adequately provided there were only 3 people in attendance. The feedback from those in attendance was neither support or opposition to the fees presented.

Following the Public Meeting Staff forwarded onto the stakeholders that were invited to the Public Meeting the proposed permit fees structure and associated recommendations for fees.

FINANCIAL/LEGAL IMPLICATIONS:

The *Building Code Act* provides for the ability to recover the full cost of building code activities through established fees. As outlined in the consultant’s report, the various current building permit fees imposed by the County vary significantly in terms of full cost recovery levels. The consultant’s report has evaluated the required fees to recover the full underlying costs to perform the identified services. The fee recommendations have been made in the first instance to increase underperforming fees to meet the full cost recovery and to move fees to witnessed market levels where full cost fees would be beyond market levels.

The Watson and Associates report details the recommended building permit fees schedule and the respective charging parameters. One major change with respect to how the majority of fees are applied is moving from construction value based to fees based on building size (i.e. floor area) which is in line with municipal best practice. Based on the recommendations, it is anticipated the County will increase cost recovery performance to an estimated 84% cost recovery from a current estimated cost recovery of 75%. It is important to note that, given the significant changes to the fee methodology to recover costs, future monitoring of actual recovery rates will be important to ensure fees are performing as expected.

The proposed fee schedule also incorporates an annual indexing factor to ensure that revenues keep pace with inflationary cost increases. The County has a standard methodology for determining the annual increase required for fees and charges, generally based on an analysis of the underlying costs. The historical average increase has been 2.30% annually, and this rate has been applied to the fee

schedule in Table 3-4 which can be found in Watson and Associates report. As required under the *Building Code Act*, any changes to building permit fees requires a public meeting, therefore implementing a five year fee schedule as noted above allows for the associated fees to be increased annually for the next five years. It is standard County practice to attempt to review all user fees and service charges on a five year rotation.

The proposed fees are being recommended to be implemented with an effective date of August 1st, 2018, as per Attachment 4. Any related annual surpluses or deficits are transferred to or from the Building Permit Cost Stabilization Reserve Fund. As per the consultant's report included in Attachment 1, the purpose of the reserve fund is to reduce the staffing and budgetary challenges associated with a cyclical economic downturn and the requirement for ongoing legislative turnaround time compliance. The consultant has proposed that in order to manage the risk associated with a downturn in building activity at some unspecified point in the future the County should accumulate a reserve balance equivalent to 2.39 years of total building permit costs. Based on the consultant's analysis, this would put the County's current target reserve fund balance at approximately \$4.3 million. The unaudited balance of this reserve fund as at December 31, 2017 is \$5.3 million. The current Reserve surplus of approximately \$1 million, which has been largely influenced by one-time permit revenues from wind turbine permit applications which are not anticipated to occur in the future. The current reserve fund position has been taken in to account with the recommended fees.

The approved 2018 Tax Supported Operating Budget is currently based on a surplus being generated from fees at the current rates. Based on the estimated costs at the proposed full staffing compliment, the proposed fees would generate an 84% recovery rate which could potentially require funds from the current reserve fund balance. As indicated above, there are sufficient funds to cover any anticipated shortfalls while the impacts of the proposed fees are analyzed/monitored on a go-forward basis. Any impacts as a result of these changes will flow through this reserve fund and will have no impact on the 2018 Tax Supported Operating Budget. The County presents the Building Division Statement of Activities, including a Continuity of the Building Permit Cost Stabilization Reserve Fund on an annual basis with the Audit Financial Statement, which is then subsequently posted on the County's website.

Any future operating budget impacts, such as additional staffing requirements, will need to be included as a new initiative in the appropriate Tax Supported Operating Budget and ranked and evaluated during the budget process.

Related to the Building Fees update, please note that Schedule N of Attachment 4 also includes a fee related to sign permits. As these fees do not fall under the *Building Code Act*, they are not being indexed at 2.30% until 2022. These fees will be subject to the annual inflationary adjustment as a result of the annual increase in underlying costs as determined through the annual user fee update usually presented to Council in the fall of each year for the upcoming year.

STAKEHOLDER IMPACTS:

The recommended fees produce Building permit fees greater than those provided under the current fee structure for residential single family dwelling developments and agricultural buildings.

REPORT IMPACTS:

Agreement: No

By-law: Yes

Budget Amendment: Yes

Policy: No

ATTACHMENTS:

1. Building Permit Fees Review Study – Watson & Associates Economists Ltd., Mississauga, ON.
2. Comparison Chart for Current, Proposed and Comparators Building Permit Fees.
3. Draft Building By-law.
4. Draft Amendment to the User Fees and Service Charges By-law.