

# Building Fee Review



**The Corporation of the  
City of Port Colborne**

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## *Introduction*

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### *Study Objectives*

BMA Management Consulting Inc. was engaged by the City of Port Colborne to undertake a review and make recommendations with respect to building permit fees. A comprehensive review of building permit fees in Port Colborne has not been undertaken in a number of years and as the legislative and regulatory requirements have changed during this time as well as the work processes, the City deemed it an appropriate time to undertake a fee review.

The purpose of the review is to establish the full cost of service and determine appropriate fees as permitted under Provincial legislation. The objectives were to establish fees and related policies that:

- Support financial sustainability;
- Are fair and equitable;
- Recover the full cost of service; and
- Are compliant with all relevant legislative and regulatory requirements.

### *Review Process*

The review process included:

- Reviewing resources/costs to support the programs/services;
- Identifying all costs related to the plans examination and inspection processes (full cost recovery);
- Reviewing the existing fee structure and identifying if there are opportunities to improve the current structure to support principles of fairness and equity;
- Developing process maps to identify the staff involved and the time required to complete each process;
- Developing activity based costing;
- Reviewing the historical and projected levels of construction activity, reserve balances, budgets; and
- Benchmarking fees in Port Colborne in relation to other municipalities in terms of the fees and as well as the fee structure.

### ***Legislative and Regulatory Environment***

To pay for the costs of providing *Building Code* services, municipalities are permitted to charge fees for processing building permit applications. The *Building Code Act (the Act)* requires that permit fees not exceed “the anticipated reasonable costs to administer and enforce the *Building Code* during building construction.” In addition, municipalities are required to prepare annual reports that record the amount of fees received and the costs incurred in administering the process.

Ontario Regulation 305/03 is the associated regulation arising from the *Building Code Statute Law Amendment Act, 2002*. The regulation provides details on the contents of the annual report and the public requirements for the imposition or change in fees. It specifies that annual reports must record both the direct and indirect costs of reviewing applications and conducting building inspections. In this regard:

- Direct costs include the costs of reviewing building permit applications and inspecting buildings; and,
- Indirect costs include the support and overhead costs of administering and enforcing the process.

Annual reports must also include the balance of any building permit reserve funds that municipalities may have. The regulation also sets out the requirements for a public meeting process that must accompany the setting of fees, including:

- Holding at least one public meeting;
- Providing 21 days notice of the public meeting; and,
- Providing in the notice an estimate of the costs of providing *Building Code* services, the amount of new fees, and the rationale for the new fees.



### ***Municipal Benchmarking***

The existing and proposed fees were compared with other Niagara municipalities to ensure that the cost of service in Port Colborne continues to be competitive and to further test for reasonableness. The following issues should be noted regarding the use of comparative analysis in setting fees:

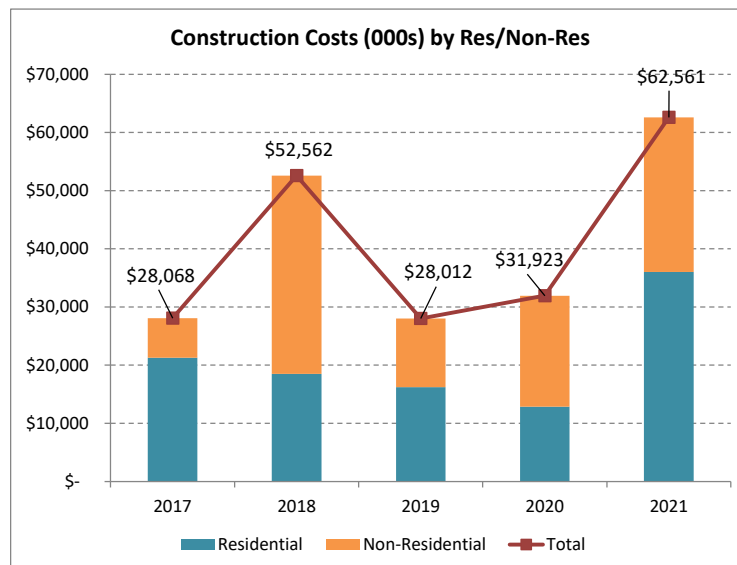
- A comparative analysis does not provide adequate or objective information of the relationship of a municipality's costs to its fees. Therefore, comparative surveys do not help make cost-based decisions.
- Municipalities provide varying levels of service and have varying levels of costs associated with providing services such as staffing levels, salary levels, the inclusion of indirect overhead costs, etc.
- Municipalities may be at different stages in terms of completing fee updates, some of which may not have been updated in a number of years.
- Because each municipality is different, it is recommended that the information contained in the comparative analysis of fees be used as a secondary decision-making tool, rather than a tool for establishing an acceptable price point for services.

Fort Erie
Grimsby
Lincoln
Niagara Falls
Niagara-on-the-Lake
Pelham
St Catharines
Thorold
Wainfleet
Welland
West Lincoln

*Construction Activity and Reserves*

## Construction Revenues

The following graph reflects the volatility of construction activity in the City of Port Colborne from 2017-2021. Building activity is cyclical in nature which has a direct impact on the revenues generated and to a lesser extent the cost of operations. As shown in the graph, construction activity varies annually from a low of \$28 million in 2019 to a high of \$63 million in 2021.



- One large project can result in a spike in revenues. As illustrated above, increases in 2018 were the result of above average industrial activity and in 2021 of residential activity respectively;
- An unanticipated economic slowdown can result in an operating deficit; and
- A number of the costs of operations are fixed or are difficult to immediately adjust to changes in the levels of construction activity.

There is considerable fluctuations in the construction activity from year to year. It is anticipated that the increased value of construction in 2021 will continue over the next few years. In years of high activity (e.g. 2018, 2021), revenues exceeded costs and the balance was transferred to the Building Stabilization Reserve which will be discussed in the next section of the report. However, in slower periods costs may exceed revenues whereby funds were transferred from the Reserve as a result of lower than anticipated revenues.



### ***Building Permit Stabilization Reserve Fund***

Building Departments are typically operated as an “Enterprise Model” which means that the building permit fees are established to recover 100% of the costs of the operations. The vast majority of municipalities surveyed operate on a full cost recovery basis, consistent with the approach undertaken in the City of Port Colborne.

Optimally, a matching of revenues and expenditures, on an annual basis, ensures that the cost of service is fully recovered from the associated fee revenues but, to balance the revenues and expenditures on an annual basis is challenging given that there is considerable fluctuation in activity, as shown previously in the report. Further, given that building operations do not have sufficient elasticity to adjust operating expenditures (which is primarily driven by staffing costs and overhead allocations), to align with the fluctuations in building activity, a best practice of municipalities is to establish a dedicated reserve fund to smooth the impact as permitted under the *Act*. The net revenues/expenditures of the Building Department operations are deposited to/drawn from the Building Permit Stabilization Reserve Fund. The stabilization reserve manages the risk associated with an economic downturn; spreads the impact of market fluctuations across an economic cycle; avoids fluctuations in fees and is available to fund one-time capital requirements.

The City currently has an estimated Building Stabilization Reserve Fund to address the fluctuations in revenues associated with annual building permit fees. The City has a Building Permit Stabilization Reserve Fund with approximately \$251,000 as of December 31, 2021. This represents 55% of expenditures.

Without reserve funds, a sustained shortfall would need to be funded from fee increases or property taxes. Legislation requires this Reserve Fund to be used only for expenditures related to Building operations (segregated fund) and cannot be used to fund tax supported programs and services. Municipalities across Ontario have typically established a ceiling for the Building Permit Stabilization Reserve Fund balance to be 100%-300% of the operating expenditures. This is required to sustain the municipality through economic downturns which can last for several years.

***Building Permit Fee Calculation***

### ***Building Permit Fee Calculation***

The following provides an overview of the process used to calculate the fees.

- ***Identify Cost of Service***
- ***Process Mapping and Time Estimates***
- ***Calculate Fees***

#### ***Identify Cost of Service***

Port Colborne’s Building Department Operating Budget includes both direct costs (associated with plans examination and inspection services to support the *Building Code*) and indirect costs (support and overhead costs of administering and enforcing the process). The approach is to establish the fees using a 100% cost recovery model which is consistent with the practices of the majority of municipalities surveyed, operating as an “Enterprise Model.” Further, the *Act* requires that permit fees not exceed “the anticipated reasonable costs to administer and enforce the Building Code during building construction”.

This section of the report provides an analysis of the direct and indirect costs of processing building permit applications.

- Direct Costs—This includes salaries, wages and benefits of the staff undertaking and overseeing the inspection and plans examination work.
- Indirect Department Costs—This includes the support and overhead costs related to the direct service providers such as office supplies, training, car allowance, etc. Departmental indirect costs such as an allocation of a portion of the commissioner’s salary has also been included.

- Indirect—Corporate Cost Allocations & Development Application Approval Processes— Corporate cost allocations have been attributed as overhead support. Corporate costs that have been calculated by the Finance Department related to supporting the Building Department include legal, finance, human resources, communications, accommodation expenses, clerks, information technology, accounting, customer service and insurance.

The following table reflects the 2022 adjusted budgeted cost of services related to building permit fee processing, plans review and inspections.

Expenditures	Budget 2022	% of Total
Salaries & wages	\$ 238,800	51.8%
Benefits	\$ 80,200	17.4%
Admin charges	\$ 112,770	24.5%
Misc Expenses	\$ 26,300	5.7%
Consulting Fees	\$ 2,500	0.5%
<b>Total</b>	<b>\$ 460,570</b>	<b>100.0%</b>

- The base budget for 2022 related to the provision of Building Standards services is \$460,570. The City of Port Colborne budget includes all direct, indirect and corporate cost allocations, in accordance with leading practices.
- As illustrated above, approximately 52% of the budget is related to salaries and wages. The Act allows for including anticipated costs when determining the full cost of providing building services which in 2022 is \$460,570. The total building permit fee revenue in 2021 was \$446,847.

### ***Process Mapping and Time Estimates***

A process mapping exercise was completed by staff and facilitated by BMA. This was used to identify all steps in the process and to estimate the “average” time involved as well as an identification of the staff involved in the process.

Utilization of time estimates is a reasonable and defensible approach, especially since these estimates were developed by experienced staff members who understand service levels and processes unique to the City of Port Colborne.

BMA worked with the City’s staff in developing time estimates with the following criteria:

- Estimates are representative of average times for providing service. Extremely difficult or abnormally simple projects are excluded from the analysis; and
- Estimates were reviewed by BMA for “reasonableness” against experience with other municipalities and validated against activity levels, staffing levels and available hours which are reasonable.

The analysis of the process mapping revealed the following:

- Residential new construction tends to be more consistent in terms of the level of effort required to undertake the plans examination and inspection processes. A process map was developed for a typical residential application in Port Colborne to form the basis for the recommended fees for each type of building permit.
- Residential permit fees would increase by approximately \$0.10 per square foot. On a typical 1,800 square feet house the increase would be approximately \$180.
- The fee calculations were based on the process mapping exercise and calculated to recover 100% of the cost of building operations.

### ***Summary of Recommendations***

1. That the 2022 fees be approved based on the calculated full cost of service, in accordance with Appendix A.
2. That annual inflationary increases be applied to all building permit fees to help ensure that fees keep pace with changes in the cost of service.
3. That a full analysis of Building services cost and the fees charged be conducted every five years.

### ***Building Permit Fee Summary***

The *Ontario Building Code (OBC)* is the provincial regulation that sets the uniform and minimum standards required to be adhered to in the construction of buildings and structures. The main purpose of the *Building Code* is to protect public health, safety and general welfare as it relates to the construction and occupancy of building and structures. Municipalities are responsible for the enforcement of the *OBC* through designated officials. Municipalities recover the cost of service through building permit fees from those who are the direct beneficiary of the services, the applicant.

The recommended building permit fees will continue to be competitive with Niagara municipalities as shown in Appendix B. It should be noted that building permit fees are one-time in nature and comprise a very small percentage of the overall cost of construction.

Based on projected activity levels, the projected revenues will move the City to full cost recovery.

*Appendix A—Summary of Fees*

## City of Port Colborne—Building Permit Fee Review

New Building Construction and Additions <sup>6,8</sup>	2021 Fee	2022 Fee	Proposed Fee
Minimum Fee for all Building Permits <sup>9</sup>	\$120.00	\$125.00	\$130.00

Major Occupancy <sup>7</sup>	Permit Fee Details <sup>1-16</sup>	2021 Fee	2022 Fee	Proposed Fee
<b>Group A – Assembly Occupancies</b> <i>Examples: School, church, restaurant, daycare, hall, transit, recreation facility, other</i>	Per sq. ft.	\$1.63	\$1.66	\$1.93
<b>Group B – Institutional Occupancies</b> <i>Examples: Hospital, retention facility, nursing home, other</i>	Per sq. ft.	\$1.84	\$1.87	\$2.10
<b>Group C – Residential Occupancies</b> <i>Single detached dwelling, Semi-detached dwelling, duplex dwelling Townhouse, Multiple unit dwellings, apartment building, townhouse Hotels, motels, Other residential</i>	Per sq. ft.	\$1.31	\$1.33	\$1.43
<b>Group D – Business/Personal Services Occupancies</b> <i>Examples: Office, bank, medical, police station, other</i>	Per sq. ft.	\$1.31	\$1.33	\$1.78
<b>Group E – Mercantile Occupancies</b> <i>Examples: Store, shopping mall/plaza, shop, market, retail, other</i>	Per sq. ft.	\$1.31	\$1.33	\$1.66
<b>Group F – Industrial Occupancies</b> <i>Examples: Industrial mall/plaza/garage, plant, factory, warehouse, other Industrial buildings with no partitions, no plumbing and no mechanical</i>	Per sq. ft.	\$1.02	\$1.04	\$1.22
	Per sq. ft.	\$0.76	\$0.78	\$0.94

New Building Construction and Additions <sup>6,8 (continued)</sup>	Permit Fee Details <sup>1-16</sup>	2021 Fee	2022 Fee	Proposed Fee
<b>Special Categories/Occupancies</b>				
Farm building, greenhouse	Per sq. ft.	\$0.30	\$0.30	\$0.33
Park Model Trailer		\$200.00	\$200.00	\$218.27
Tent, temporary fabric structure	Each	\$200.00	\$200.00	\$218.27
Renewable Energy Projects		See note 12	See note 12	See note 12
<b>Houses and Accessory to Houses:<sup>14</sup></b>				
Garage, carport	Per sq. ft.	\$0.71	\$0.73	\$0.80
Covered deck/porch	Per sq. ft.	\$0.46	\$0.47	\$0.51
Uncovered deck/porch	Per sq. ft.	\$0.46	\$0.47	\$0.51
Sunroom/solarium, 3-Season Room, Add-A-Room (on Park Model Trailers)	Per sq. ft.	\$0.71	\$0.73	\$0.80
Shed/accessory building	Per sq. ft.	\$0.71	\$0.73	\$0.80



## City of Port Colborne—Building Permit Fee Review

Alterations	Permit Fee Details <sup>1-16</sup>	2021 Fee	2022 Fee	Proposed Fee
Unfinished basement (new or replaced foundation)	Per sq. ft.	\$0.28	\$0.28	\$0.31
Under pinning foundation		See note 12	See note 12	See note 12
Roof structure	Per sq. ft.	\$0.15	\$0.16	\$0.17
Fireplace, woodstove, chimney		\$122.40	\$124.85	\$136.26
<b>Interior Alterations:</b>				
Interior alterations, all occupancies, except finished basements	Per sq. ft.	\$0.61	\$0.62	\$0.68
Finishing basement	Per sq. ft.	\$0.61	\$0.62	\$0.68
Other minor alteration		See note 12	See note 12	See note 12
<b>Partial Permit/Staged Construction<sup>11</sup></b>		<b>2021 Fee</b>	<b>2022 Fee</b>	<b>Proposed Fee</b>
All partial permits subject to a surcharge applied to the stage permit value		50%	50%	50%
<b>Foundation Stage<sup>11</sup></b>				
Complete to grade including or excluding underground services within building		15%	15%	15%
<b>Building Shell Stage<sup>11</sup></b>				
Completed structural shell stage		40%	40%	40%
Completed architectural shell stage		80%	80%	80%
<b>Building Completion Stage<sup>11</sup></b>				
Includes completed building stage		100%	100%	100%
<b>Plumbing Only</b>		<b>2021 Fee</b>	<b>2022 Fee</b>	<b>Proposed Fee</b>
Fixture; plumbing appliance; stack; interceptor; tank; floor drain; sewage ejector; sump; manhole; catchbasin; rain water leader; other	Each	\$9.09	\$9.28	\$10.13
All buried piping including building drain and sewer; building storm drain and sewer; storm drainage piping; water service pipe	Per linear foot	\$1.22	\$1.25	\$1.36
Water distribution pipe inside a building	Each	\$122.40	\$124.85	\$136.26
<b>Residential<sup>14</sup></b>				
Replace buried water service, sanitary drains or storm drains (single fee applies if multiple services are replaced at the same time)	Each	\$200.00	\$200.00	\$218.00

## City of Port Colborne—Building Permit Fee Review

Mechanical HVAC Only		2021 Fee	2022 Fee	Proposed Fee
Group A, B, C (except houses), D E	Per sq. ft.	\$0.10	\$0.10	\$0.11
Houses		\$122.40	\$124.85	\$136.26
Group F	Per sq. ft.	\$0.10	\$0.10	\$0.11
Commercial type Kitchen Exhaust		See note 12	See note 12	See note 12
Pool		2021 Fee	2022 Fee	Proposed Fee
Public pool		\$337.62	\$344.37	\$375.83
Private pool		\$142.80	\$145.66	\$158.97
Designated Structure		2021 Fee	2022 Fee	Proposed Fee
As defined in the Ontario Building Code		See note 12	See note 12	See note 12
Demolition		2021 Fee	2022 Fee	Proposed Fee
Houses <sup>14</sup> and buildings less than 3,000 square feet (gross area)	Each	\$153.00	\$156.06	\$170.32
Other demolitions	Per sq. ft.	\$0.10	\$0.10	\$0.11
Conditional <sup>15</sup>		2021 Fee	2022 Fee	Proposed Fee
Surcharge		50%	50%	50%
Change of Use		2021 Fee	2022 Fee	Proposed Fee
Permit for the change of use of a building or part thereof		\$120.00	\$120.00	\$150.00

## City of Port Colborne—Building Permit Fee Review

Occupancy		2021 Fee	2022 Fee	Proposed Fee
<b>Permit to allow occupancy</b>				
Houses, semi-detached dwellings, townhouses	Each	\$120.00	\$125.00	\$150.00
Other buildings	Each	\$120.00	\$125.00	\$150.00
<b>Permit to allow partial occupancy</b>				
For area of building to be occupied	Per sq. ft. gross floor space to be occupied	\$0.07	\$0.07	\$0.08
Review of proposed application	Per hour	\$100.00	\$100.00	\$110.00
Transfer		2021 Fee	2022 Fee	Proposed Fee
Transfer of permit to a new owner		\$120.00	\$120.00	\$150.00
Additional Fees and Charges		2021 Fee	2022 Fee	Proposed Fee
Discharge of an Order from property title		\$788.00	\$788.00	\$859.99
Submitting an application for Permit				
Minimum non-refundable fee for submitting all permit applications. This fee is discounted against the final Permit fee.		\$120.00	\$120.00	\$130.00
Work Without Permit - Percentage increase in applicable fees from this schedule will apply where commencement of construction or demolition has occurred prior to the issuance of the required permit. Refer to Section 4.4 of The Building By-law.		100%	100%	100%
Alternative Solution application (per hour, minimum 4 hours)		\$100.00	\$100.00	\$150.00
Refund of Permit Fees		2021 Fee	2022 Fee	Proposed Fee
Permit Issued. Administration functions only have been performed. No field inspections have been performed.		50%	50%	50%
Additional deduction from eligible refund for each field inspection that had been		\$50.00	\$50.00	\$55.00
<b>Notes for Refunds:</b>				
1. No refund will apply one year after date of permit issuance.				
2. If the calculated refund is less than the minimum fee applicable to any permit, no refund shall be made of the fees paid.				
3. No permit fee shall be refunded where the permit has been revoked by the Chief Building Official in accordance with the Act.				

**General Notes:**

1. Permit fee is \$/square foot, \$/linear foot, or \$ (flat rate).
2. Square foot is gross of all floors above grade measured from the outer face of exterior walls, unless noted otherwise. Mezzanines, lofts, habitable attics and dwelling units below grade are included as floor areas for permit fee calculations.
3. Where there is no floor or exterior walls for the project, square foot is the greatest horizontal area of the structure. For example, buildings or structures supported by posts or columns.
4. \$130.00 paid at time of application plus \$55.00 for each additional inspection in excess of one where the building is not ready for occupancy and which must be paid prior to issuance of Occupancy Permit.
5. There are no deductions from the gross floor area for openings such as stairs, elevators, shafts, etc.
6. Cellars, unfinished basements and crawl spaces are not used in the fee calculation for new construction.
7. Major occupancy is based upon the Ontario Building Code.
8. New construction and additions include plumbing, HVAC and all other regulated building services/components.
9. Minimum permit fee is \$130.00
10. Revision or amendment to an open permit is a minimum \$55.00 fee plus \$55.00 per hour of administration time.
11. For a Partial Permit, the percentage shown for the applicable stage of construction (minus the percentage for any previous Partial Permits) must be multiplied by the applicable permit application fee shown for new construction and then increased by a 50% administrative surcharge to obtain the required total fee for that stage.
12. If the work regulated by the permit cannot be described otherwise, the permit application fee shall be \$15.40 for each \$1,000.00 value of work proposed.
13. Houses in Special Categories and Alterations includes semi-detached, duplexes, triplexes, and townhouses.
14. See "Deposits Required for Permits" for applicable deposits.
15. The fee for a Conditional Permit is equal to the regular permit fee described above plus an additional administrative surcharge of 50% of the regular permit fee. If the Conditional Permit also happens to be a Partial Permit, the Partial Permit fee already increased by 50% must be increased by an additional 50% to obtain the required total fee.
16. A 50% reduction in the fees payable will be applicable to all properties that are located within the project area boundaries of the Olde Humberstone Main Street Community Improvement Plan, the Downtown Central Business District Community Improvement Plan, Brownfield Community Improvement Plan and East Waterfront Community Improvement Plan. No fee reduction will be applied where the 'Work Without Permit' fee is applicable.
17. Third Party Review of applications are undertaken at the discretion of the Chief Building Official and may be required for very large or complex developments. The Chief Building Official may require that the estimated or actual costs associated with the third party review be payable at any time prior to permit issuance.

***Appendix B—Building Fee Municipal Peer Comparison***

The following provides a comparison of building permit fees with other Niagara municipalities.

