

# Staff Report

## Building Division



**DATE:** APRIL 6, 2022

**TO:** Kristen Van Alphen, Manager of Legislative Services

**FROM:** KEVIN LINTHORNE, CHIEF BUILDING OFFICIAL

**SUBJECT:** 2022 BUILDING DIVISION FEES AND CHARGES

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The Ontario Building Code Act requires the Council of each municipality to appoint a Chief Building Official and such inspectors as are necessary for the enforcement of the Act as detailed in the Ontario Building Code Act section 3(2).

Section 7(1)(c) of the Act states Council may pass a by-law requiring the payment of fees for:

- application for and on the issuance of permits
- For maintenance inspections;
- For providing documentation, records and other information.

The Act also states that the total amount of the fees authorized under the Act must not exceed the anticipated reasonable costs of the municipality to provide these services.

The City's Building Permit fees have not been updated or amended in more than 4 years and have not kept up with the costs to administer and provide this mandated service with increasing numbers of permits and inspections.

For the last 3 years, the City's Building Division has utilized a transfer from reserves (generated in years with surplus revenue) to ensure that the Division is funded at no cost to the taxpayer. Now that the reserve balance has been reduced, it is an appropriate time to consider an increase in the fees. Currently, Owen Sound's building permit fees are well below the provincial average. An increase in fees is required to ensure that the taxpayer is not bearing the cost for this service which is intended to be funded on a fee-for-service basis.

Table 1 shows a comparison of current building permit fees for a single-family home. Relative to our nearest municipal neighbours (Georgian Bluffs and Meaford) the City's current fee is between \$1000 and \$1,600 lower. Compared to other centers including Orangeville, Brockville, Stratford and others, the current fee is significantly lower. In the 2021 BMA Study, Owen Sound is the 12<sup>th</sup> lowest for residential permit fees in the province. The average residential permit in Ontario is \$2,394 compared to Owen Sound at \$1,611.

Table 2 shows a comparison of current building fees relating to commercial, institutional and industrial type developments (ICI). Again, compared to both our municipal neighbours as well as other comparators, the City's current fee structure (usually calculated based on building size) is lower.

Staff is also recommending a change in the way fees are calculated to a more accurate method, as well as increasing fees to more closely meet the Provincial average permit cost.

### **Proposed Fees**

The proposed building fees being recommended in the Building Fee Schedule have been determined by:

- comparing our current fees to those of our comparator municipalities, and neighbouring municipalities
- the cost of providing the service. (For each building type, the Building Code prescribes a certain number of mandatory inspections. In addition, staff time is spent on administration, plan review and follow-up).

Currently, most residential fees are charged based on construction value which is determined by the applicant with no regulating factors; we accept values "as stated" when an application is received. In addition to these fees, when applicable, there are plumbing fees, garage fees, and occupancy fees that are applied in addition to the base fee. The multiple fees sometimes create needless confusion and complexity for customers. The large majority of municipalities calculate residential fees based on size of the residential dwelling.

The proposed new fees will remove all the additional fees and roll them into one fee. The current Occupancy Fee will remain but be renamed as an "Administration Fee" which is more accurate to what the intent of the fee is. The new fee structure will be based on the gross floor area of the building,

eliminating the value of the construction estimate. This will allow for more standard and accurate fee calculations.

Table 3 shows a fee estimate using the proposed fee structure for a single-family home and a 5-storey multi-residential apartment building.

The proposed increase in residential fees would put Owen Sound above the average in the BMA study with a fee for a typical single-family home of \$3,487.58. It is proposed that the increase to the residential fee be phased in over 3 years and include a yearly 3% increase in addition to the fee increase to account for the increase in the cost of living, this is to ensure we are catching up with the rest of the municipalities fees as well as staying in line with the cost of yearly inflation. The current fee for a single-family dwelling is \$9.10 per m<sup>2</sup> of living space, the increases would put the fee at \$15.20 by 2025.

The current fees for non-residential (Industrial, Commercial, Institutional) ICI buildings are currently all determined by construction value, similar to current residential permits. The proposed fees will be based on the occupancy type as well as the gross floor area of the building. Not all ICI projects involve the same level of review and inspections for each project, which then drives the variable fees based on occupancy type. Commercial and Institutional projects are considerably more complex and have a higher fee than an Industrial building would have. The new fees are determined based on the involvement of the projects due to the occupancy and the requirements of the Ontario Building Code. Similar to the proposed residential fee structure, calculation of the fee is proposed based on size of the structure. This is the most common approach in municipalities across Ontario. Lines 8-10 in the proposed fee schedule will show the difference in fees for ICI buildings based on the building classification and the scope of work for the proposed project.

The proposed increase for ICI buildings is lower and more in line with the BMA provincial average and it is recommended to proceed. An example of the current fee VS the proposed fee for a Commercial Vet Clinic is provided in Table 4.

Currently, demolition work is being charged based on the volume of the building being demolished. The proposed new fee will be based on the area of the building instead. This fee is clearer, easier to understand and calculate. The volume of demolition does not affect the building permit or the required inspections, only the overall area is necessary to determine the scope of demolition.

Staff has calculated the projected revenue based on the proposed fee structure simulating the permits issued in 2021. Based on the anticipated building permit numbers, the proposed fee structure will result in revenue that comes close to ensuring building services are delivered on a full cost recovery basis.

Attached to this report are the following supporting documents:

1. Current Fee Comparison for a Single-Family Dwelling for each Municipality
2. Current Building Permit Fees- Owen Sound and Neighboring and Comparator Municipalities
3. Fee comparison – Sample Residential Building Permit Fees (Current VS Proposed)
4. Fee comparison – Sample Commercial Building Permit Fees (Current VS Proposed)

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