



Town of Huntsville Staff Report

Meeting Date: March 28, 2018

To: General Committee

Report Number: DEV-2018-58

Confidential: No

Author(s): Christopher Nagy, Derrick Hammond,

Subject: Building Permit Program - Overview of 2017 Revenues, Expenses and Reserve Fund

Report Highlights

This report provides an overview of the revenues, expenses and the Stabilization Reserve Fund related to the Town of Huntsville's Building Permit Program for 2017.

Recommendation

THAT: Committee approve the policy pertaining to the Building Permit Program Stabilization Reserve Fund as attached to Staff Report No. DEV-2018-58.

Background

Section 7(4) of the Building Code Act (BCA), 1992, as amended, requires municipalities to prepare an annual report on the total building permit fees collected, the direct and indirect costs of the administration and enforcement of the Building Code Act, as well as the balance of the Building Permit Program Stabilization Reserve Fund.

The BCA provides municipalities with the authority to collect fees to recover the cost of administration and enforcement of the Act and the Ontario Building Code (OBC). Article 1.9.1.1 of Division C outlines applicable direct and indirect costs, as well as provisions for a reserve fund. Section 7(2) of the Act also requires that the fees must not exceed the anticipated reasonable administration and enforcement costs. Table 1 outlines the types of direct and indirect costs of administering and enforcing the Act that the Building Department has attempted to balance against the revenues received through permits fees.

Table 1**Building Department Direct and Indirect Cost – 2017**

Direct Cost		
Salaries, Wages & Benefits	\$425,735	
Materials & supplies	\$21,354	
Contractors Service	\$26,960	
Vehicle Replacement	\$8,400	
		\$482,449
Indirect Cost		
Human Resources	\$8,527	
Training Conference and Memberships	\$6,650	
Insurance	\$67,021	
Finance	\$11,390	
Corporate Management	\$4,134	
Customer Service	\$3,738	
Corporate Information	\$4,454	
Information Technology	\$8,189	
Civic Centre	\$3,372	
		\$117,475
	Total:	\$599,924

As can be seen the largest cost factor with the Building Permit Program is the Human Resources component. BCA/OBC enforcement has become a highly technical profession and staff must complete extensive training to meet qualifications required by legislation. Interestingly, insurance costs have risen due to claims received from older building permits that were issued when the rigour of training and accreditation requirements was not at the level it is now. These costs correspond to the current level of service which can typically accommodate a minor fluctuation of work load from one year to another.

Although some municipalities use a portion of the tax levy to supplement BCA enforcement, most municipalities try to ensure that building permit fees are adequate to recover the costs associated with the administration and enforcement of the BCA. This is to ensure that the tax levy is not used to pay for any costs that should be borne by the building industry. Staff have been monitoring the workload and are reviewing the current service level model with a view to responding to the increased level of annual construction activity seen in 2017 and anticipated in 2018 and beyond.

Discussion

2017 Construction Activity

Municipalities across Muskoka noted an increase in construction activity in 2017, however Huntsville is the municipality with the largest permanent population located within the largest urban settlement area and dispersed across a large geographic waterfront and rural area. In 2017 the Building

Department received a total of 835 building applications. Of those 835 applications, 772 building permits were issued which included the construction of 166 new permanent and seasonal dwelling units.

There were 5 building permits with a project value that exceeded 1 million dollars (\$1,000,000). These include the new Armstrong Dodge automotive dealership, two (2) private residences, the new Strong house Holding Inc. commercial building and an interior alteration to the building located at 3 Crescent Rd. Seventeen (17) projects fell within the five to nine hundred thousand dollar (\$500,000 - \$900,000) construction value range. A further 190 projects had a construction value of between one to five hundred thousand dollars (\$100,000 - \$500,000). The projects within both of these construction value ranges included new residential construction and commercial alteration. Although the remaining 500+ projects each involved less than \$100,000 in construction value, their cumulative total construction value was ten million, forty one thousand and four hundred sixty seven dollars (\$10,041,467). These smaller projects were typically completed by the home owner who requires more guidance from staff in order to educate them about the minimum requirements of the Building Code and to ensure the work is completed in accordance with that Code.

Appendix I identifies the geographic location of the building permits received in 2017.

Table II below provides a comparison of the number of the building permits received between 2010 and 2017 as well as the total construction value for each year. It should be noted that other than 2013, between 2010 and 2014 the average number of building permit applications was 549. Since 2015, there has been a steady increase in the number of permit applications received. Interestingly, other than 2010 and 2014, the building permit construction value of the last two years is double that of previous years.

Table 2

2010 – 2017 Building Permits and Construction Value

Year	Total Building Permits	Total Construction Value
2010	555	\$47,720,159
2011	582	\$36,340,868
2012	547	\$34,515,165
2013	503	\$33,312,720
2014	554	\$41,488,958
2015	597	\$39,229,320
2016	633	\$80,513,118
2017	835	\$78,903,193

2017 Construction Value

Appendix II contains a summary of building permit program revenue, as well as direct and indirect costs of the administration and enforcement of the Building Code Act.

As can be seen, in 2017 the revenue was eight hundred and twenty eight thousand, six hundred and thirty three dollars (\$828,633), which is an increase of one hundred and eighty thousand and fifty four dollars, \$180,054 over the 2016 revenue which was six hundred and forty eight thousand, five hundred and seventy nine dollars (\$648,579).

In addition, the direct and indirect costs to administer the program also increased by one hundred and eleven thousand and nine hundred and seventy eight dollars (\$111,978) to six hundred and twenty two thousand, one hundred and twenty dollars (\$622,120) over 2016 expenses, which were five hundred and ten thousand , one hundred and forty two dollars (\$510,142). Generally, seventy-nine percent (79%) of the cost of the building permit program is salary based. The increased costs were primarily the result of the Plans Examiner position and mandatory qualification training for staff.

Reserve:

During years of heightened growth, a building permit program can generate a revenue surplus. Prior to 2006, these funds could be used corporately. However, legislative updates introduced in 2006 now require that any surplus revenue be transferred into a Building Permit Program Stabilization Reserve Fund. This fund may only be used to support the building permit program during periods of economic decline, or with funding one-time capital requirements to avoid fluctuations in fees. Most municipalities target the reserve to include a minimum of 1.5 to 3 times the annual operating budget.

With a view to Council's desire for the building permit program to continue to be revenue neutral, it would be reasonable for the reserve to cover 2 years of direct and indirect department expenses, as well as the purchase or development of software to enable the completion of an online building permit application and tracking process. It is estimated that in order to cover these costs, the reserve would need to be approximately one million and seven hundred thousand dollars (\$1,700,000).

The increase in the number of building permits and associated value in 2017 has provided the opportunity to add three hundred and two thousand, nine hundred and sixteen dollars (\$302,916.00) to the Building Permit Program Stabilization Reserve Fund. As at December 31, 2017 the balance of the Building Permit Program Stabilization Reserve Fund is \$798,905.

Reserve Policy:

The procedure and guidelines within the Corporate Policy – Reserve and Reserve Funds requires a resolution of Council to utilize funds from any reserve for any purpose. To ensure that the intent of Article 1.9.1.1 of Division C of the BCA as it relates to reserve funds is met, Staff would recommend that the attached policy be approved. This policy would add clarification to Corporate Policy - Reserve and Reserve funds respecting the matters to which Building Permit Program Stabilization Reserve Fund resources should be used.

Going Forward:

To ensure that the Building Permit Program service levels continue to be responsive to anticipated construction activity levels in 2018 and beyond, a further report will be prepared for Committee's consideration. It will be important that the approach is responsive to service needs and ensures that Building Permit Program Stabilization Reserve Fund continues to grow to the projected amount to cover 2 years of anticipated costs.

Options

Option 1: Committee approve the policy pertaining to the Building Permit Program Stabilization Reserve Fund as attached to Staff Report No. DEV-2018-58 (**recommended**)

Option 2: Committee not approve the policy pertaining to the Building Permit Program Stabilization Reserve Fund as attached to Staff Report No. DEV-2018-58 (**not recommended**)

Capital

None at this time.

Operational

None at this time

Council Strategic Direction / Relevant Policies / Legislation / Resolutions

Although this is a mandated report by the BCA, the content of this report falls in line with the following Strategic Priorities:

Financial Management and Governance – Goal #1

Financial Management and Governance – Goal #2

Communications – Goal #2

Attachments

[Building Permit Program Stabilization Reserve Fund
Appendix I](#)

Consultations

Julia McKenzie, Manager of Finance/Treasurer

Respectfully Submitted: Christopher Nagy, Derrick Hammond,

Manager Approval (if required): Christopher Nagy, Chief Building Official

Director Approval: Derrick Hammond, Director of Development Services

CAO Approval: Denise Corry, Chief Administrative Officer



BUILDING DEPARTMENT

Building Permit Program Stabilization Reserve Fund

SECTION: Reserve Fund	EFFECTIVE DATE:
SUBJECT: Building Permit Program Stabilization Reserve Fund	POLICY NUMBER:
<p>Purpose:</p> <p>1.1 The Reserve & Reserve Funds (CORP-13) and associated procedure require a supportive Council resolution to finance capital or operating expenditures from a reserve or reserve funds. The purpose of this policy is to provide direction as to how the Building Permit Program Stabilization Reserve Fund shall be used.</p> <p>POLICY:</p> <p>2.1 The Town Treasurer shall have the authority to transfer any budget surplus relating to the Building Department to the Building Permit Program Stabilization Reserve at the end of the year based on audited financial results.</p> <p>2.2 The Building Permit Program Stabilization Reserve Fund shall not exceed 2 x of the Building Department’s annual Operating Budget gross expenses.</p> <p>2.3 The Building Permit Program Stabilization Reserve Funds may only be utilized for the administration and enforcement of the Building Code Act to address:</p> <ul style="list-style-type: none"> ➤ Shortfall in anticipated revenue to cover Operating Budget expenses; ➤ Administrative Capital expenditures, such as: <ul style="list-style-type: none"> ○ increasing office space; ○ computer purchase; ○ increasing storage area; ○ purchase of new furniture; ○ software upgrades/ electronic business software; ○ file maintenance/scanning; ➤ Unbudgeted legal; and ➤ Unbudgeted emergency items. <p>2.4 Proposed expenditures not listed in Section 2.3 require approval by Council explicitly, either by approval of the annual budget or by council motion.</p>	

OBJECTIVE:

To establish guidelines for the use of the Building Permit Program Stabilization Reserve Funds.

RESPONSIBILITY:

All staff shall consider and follow this policy.