

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 17, 2015

Item 3, Report No. 4, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on February 17, 2015.

3

BUILDING PERMIT PROCESS AND FEES BY-LAW

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Commissioner of Planning and the Director of Building Standards, dated February 2, 2015:

Recommendation

The Commissioner of Planning and the Director of Building Standards, in consultation with the Financial Planning and Analytics Department, recommend:

1. That the recommended changes outlined in this report be approved (Attachment 1); and
2. That a By-law substantially in the form of Attachment 1 to this report be enacted and that By-law 232-2005 be repealed.

Contribution to Sustainability

The proposed changes will ensure the financial sustainability of the Building Standards Department so it can maintain its current levels of service with minimal impact to the tax base.

Economic Impact

Under Bill 124 municipalities were provided the opportunity to ensure that fees for services covered all costs associated with both direct and indirect costs related to Ontario Building Code services. Municipalities were also permitted to create a reserve to provide for the continued functional operation of the Building Department. The City of Vaughan Building Standards Department has operated with little, if any, impact to the tax base. However, recently increased services within the department, particularly in the mechanical plans review and inspections sections as well as enhancements within the organization have necessitated draws on the reserves in order to sustain both direct and indirect costs. The recommended changes in fees are intended to minimize future draws as well as to ensure that the department continues to function as a stand-alone, self-sufficient operation with little or no impact to the taxpayer.

The revenue increase in Building and Plumbing Permits due to the fees adjustments is estimated to be approximately 10%. Some fees in the fee schedule have not changed, while others changed by more than the 10% average. Taking into account estimated volumes of the various fees it was estimated that the overall average change was 10%. The actual impact on revenues can vary depending on the nature of the applications in a particular period. There will be no taxation impact as the increase in revenue will be fully offset by the reduction in the Building Standards reserves withdrawal for 2015 Budget and 2016-18 Plan as shown in the table below.

	2015	2016	2017	2018
Original draft budget- Building and Plumbing Permits Revenues	7,375,000	7,676,980	7,830,604	7,987,200
Revised draft budget- Building and Plumbing Permits Revenues with 10% increase in fees included	8,118,000	8,450,000	8,619,000	8,791,000
Increase in Projected Revenues with 10% increase	743,000	773,020	788,396	803,800
Original draft budget- Building Standards reserve withdrawal	2,770,000	2,797,000	2,860,000	2,809,000
Revised draft budget- Building Standards reserve withdrawal with 10% increase in fees	2,027,000	2,023,980	2,071,604	2,005,200
Decrease in Building Standards reserves transfer	743,000	773,020	788,396	803,800
Net Impact on Draft 2015 Budget and 2016-18 Plan	-	-	-	-

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 17, 2015

Item 3, Finance Report No. 4 – Page 2

With the proposed service charge increase, the revised draft budget still forecasts a withdrawal from the Building Standards Continuity reserve in each year of the four year Budget and Plan. The actual reserve impact is highly variable on volumes and can be impacted greatly if a number of large applications happen to occur in the same fiscal year. In essence, it is this year to year variance in actual revenues that necessitated the creation and use of the Building Standards Continuity reserve in the first place, as established by Bill 124. To help ensure the maintenance of the Building Standards Continuity Reserve an additional review of the Building and Plumbing Permit fees will be conducted before the end of the forecast period. The objective of the review will be to ensure that an adequate reserve level is maintained allowing for continued service provision with no impact on taxation.

Communications Plan

The department provided Notice that the bylaw will be amended in the local papers including The Thornhill Liberal and Vaughan Citizen on January 8, 2015. Discussions between the Commissioner and Building Industry and Land Development Association (BILD) representatives occurred in January 2015.

Should Council approve the proposed new Building By-law, staff will send notice to known builders through the York Chapter of BILD and work with BILD members to prepare a handout highlighting the changes. The handout will be available at the front counter of the Building Standards Department.

Purpose

To obtain approval for a new by-law which would if enacted, require the repeal of By-law 232-2005, to implement a new fee structure, and to add new clauses to the new by-law to reflect options available in the Ontario Building Code such as alternative solutions and to ensure consistency with definitions found within the Ontario Building Code.

Background - Analysis and Options

The present Building By-law was passed in 2005. Since that time there have been continuous upgrades and amendments to the Ontario Building Code, particularly related to energy efficient requirements both to residential Part 9 buildings and residential, industrial commercial and institutional Part 3 buildings. Other legislative changes such as Solar FIT programs have introduced new construction requirements associated with various installations.

Over the last few years applications have become more complex with energy modelling, complex alternative solutions for fire and life safety and new technologies being brought forward through the Building Materials Evaluation Commission. These changes have necessitated the expansion of services to include an increase in staffing to accommodate both mechanical plans review, as well as introducing a mechanical inspection component.

The City also continues to grow and has introduced an audit regime, an innovative and continuous improvement program, a strategic business review process and increased services through legal, ITM, finance and economic development departments. All of these initiatives have an impact on departmental indirect costs as these services are essential components related to departmental functions and must be appropriately managed.

There is also a growing demand on the zoning plans review department which is applicable law under the Ontario Building Code. This zoning review requirement is cost recoverable as a direct cost, and is funded through permit fee costs.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 17, 2015

Item 3, Finance Report No. 4 – Page 3

The department is also implementing a number of long term initiatives directed at providing increased service to reflect input by BILD and Stakeholders such as the AMANDA upgrade. The proposed increase in fees is commensurate with increased levels of service to address required needs.

1. Staff anticipates that a revised fee structure will: 1) better offset staffing costs 2) be more indicative of the cost to provide a service and 3) incrementally move towards a full cost recovery service to eliminate the need to continue to draw down on reserves except in critical downturns. Attachment 2 Schedule A – outlines the Current Fees and New Fees proposed.

In evaluating costs, staff reviewed the permit fees and bylaws of several municipalities including, Toronto, Mississauga, Markham, Brampton, and Richmond Hill. Staff found that in most instances permit fees for Vaughan were below those in other municipalities as noted on Attachment 3. To address concerns about the City proceeding with a significant increase in fees raised by consultation with the York Chapter of BILD representatives, staff are not recommending an increase, at this time, that reflects the top fees found in the comparators as it was felt that they may be excessive and result in unnecessarily increasing department reserves. At present, the department reserves are adequate to ensure that department securities are sustainable for the foreseeable future. Staff has adjusted current fees to reflect a mid-range of municipal fees and think this fairly represents the cost of providing enhanced services, including additional future service enhancements resulting from increased energy and accessibility requirements coming forward through 2015 amendments to the Building Code.

Relationship to Vaughan Vision 2020/Strategic Plan

While staff are proposing fee adjustments, the proposed fees will remain amongst the lower comparators but will be sufficient to maintain the financial sustainability of the department, thereby maintaining the Vaughan Vision goals of Organizational Excellence and Management Excellence, particularly Plan and Manage Growth and Economic Vitality.

Regional Implications

Not applicable.

Conclusion

Staff recommends that Council enact the proposed new Building By-law (Attachment 1) to replace by-law 232-2005 that better reflects the City and departmental costs of providing service levels, so as to ensure energy, structural, and health and life safety requirements for construction are maintained.

Attachments

1. Draft by-law to replace 232-2005
2. By-law 232-2005, Schedule A - outlining Current Fees and New Fees
3. Municipal comparators

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)