



CITY OF KINGSTON
REPORT TO COUNCIL

Report No.: 12-050

TO: Mayor and Members of Council
FROM: Cynthia Beach, Commissioner, Sustainability and Growth
RESOURCE STAFF: Terry Willing, CBO and Director, Building & Licensing
DATE OF MEETING: December 20, 2011
SUBJECT: Building Permit Fee Reduction for Industrial Buildings Over 100,000 Square Feet

EXECUTIVE SUMMARY:

Council has identified in its strategic plan the need to demonstrate that Kingston is open for business and is committed to expanding the tax base through intensification for greater economic resiliency. In reviewing the City's current policies for Building Permit fees, an opportunity has been identified to encourage large industrial expansions or recruitment of new businesses. There is a trend among Ontario cities to provide an incremental reduction in fees for buildings larger than 100,000 square feet. The reduction in building permit fees for large industrial buildings is also consistent with the costs to provide building inspection services when these buildings exceed the 100,000 square foot floor area. The reduction of fees is only being recommended for building permits for industrial buildings because these buildings are located within industrial zones and access to the public is restricted, so provisions for fire protection, occupant safety and design complexity are less onerous than for other building types. It is not recommended that fees adjustments be made on other building permit fees as institutional and commercial space can be very complex and costs of inspection would be increased based on the additional floor area.

It is therefore recommended that building permit rates for industrial buildings larger than 100,000 square feet be reduced for that component of the building greater than 100,000 square feet to reflect the reduced resource requirements for plan reviews and inspections, and to ensure that the City rates are competitive in keeping with Council's priority of Economic Sustainability. The *Building Code Act* requires 21 days notice for a public meeting dealing with permit fee changes, and the Building By-law provides that permit rates be established under the Rates & Fees By-law.

RECOMMENDATION:

- (1) **THAT** Council hold a public meeting on Tuesday January 24, 2012 pursuant to the requirements of the Building Code Act in order to obtain public comment with respect to a proposed amendment to Schedule 'A' to the Rates and Fees By-law No. 2005-10 as amended, to provide under the heading for "Building and Licensing" two new categories to be inserted below the 4th category and to read as follows:
- (a) "Permit for Industrial Use Buildings 100,000 square foot floor area and under (per \$1,000 of Construction value) = \$12";
 - (b) "Permit for Industrial Use Building in excess of 100,000 square foot floor area (per \$1,000 of Construction value) = \$6"

AUTHORIZING SIGNATURES:

ORIGINAL SIGNED BY COMMISSIONER Cynthia Beach, Commissioner, Sustainability and Growth
ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER Gerard Hunt, Chief Administrative Officer

CONSULTATION WITH THE FOLLOWING COMMISSIONERS:

Lanie Hurdle, <i>Community Services</i>	N/R
Denis Leger, <i>Transportation, Properties & Emergency Services</i>	N/R
Jim Keech, <i>President and CEO, Utilities Kingston</i>	N/R

(N/R indicates consultation not required)

OPTIONS/DISCUSSION:**Background**

Eight of the 40 large municipalities in Ontario with a population over 50,000 provide a pro-rated permit fee for large industrial buildings. The building permit fee structure for Kingston has been reviewed with respect to maintaining an appropriate Building Permit Stability Reserve with the rate reduction proposed for that component of industrial buildings over 100,000 square feet in area. It is viewed that this change in building permit fees would encourage large industrial expansions in Kingston which could contribute to the local economy by the job creation.

It has become prudent for this change to be considered to recognize the trend, and to keep local fee structures competitive while ensuring that services are properly funded to be able to fulfill the obligations imposed under Subsection 3. (1) of the *Building Code Act* which confirms that *"The council of each municipality is responsible for the enforcement of this Act...."* and under Subsection (2) that Council *"...shall appoint a chief building official and such inspectors as are necessary for the enforcement of this Act...."*

DiscussionCosts to Administer and Enforce

The cost for administering and enforcing the *Building Code Act* through the Building Inspection Section is reported on an annual basis during budget deliberations. Kingston has adopted a policy of using a Building Permit Stability Reserve to ensure that the building permit fees collected are used to recover all costs including staffing, accommodations, equipment and administrative overhead. A cost of \$2.76 M to provide building inspection services is projected in the 2012 operating budget. Indirect costs for support and overhead are \$552,000 plus \$111,500 budgeted for capital expenditures for a total cost of \$3.42 M to administer and enforce the Act. The costs related to the inspections are recovered through the permit fees collected and the stabilization fund is used to smooth out the cost requirements as the number of permits fluctuates. The change in policy for building permit fees is not anticipated to have any negative impacts to the revenue or expense streams.

Impact of Proposed By-Law Amendments

The proposed change to the permit fee rate will reduce the usual \$12 per \$1,000 of construction fee so that only the portion of an industrial building permit in excess of 100,000 square feet in area will be subject to a new reduced rate of just \$6 per \$1,000 of construction value.

As an example, a 300,000 sf building with a construction value of roughly \$30 M would have a permit fee calculated:

- On the first 100,000 square feet or area or \$10 M value, at the rate of \$12/\$1,000 of value, for a cost of \$120 K
- On the remaining 200,000 square feet or \$20 M value at the reduced rate of \$6/\$1,000 of value, for a cost of \$120 K
- Totalling \$240 K for the proposed new permit fee

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- Compared to a total of \$360 K for the same 300,000 square feet building or \$30 M total construction value, at the current rate of \$12/\$1,000 across the board

The proposed rate would be \$120,000 lower than the current rate on a building of this size and value. The area calculations are based on total floor area of the building, and industrial use would be only those considered industrial under both the Building Code Act and the Zoning By-law under the Planning Act.

Rational for the Proposed By-Law Amendments

The rational for this change is to reflect the reduced costs for the administration and enforcement of the Building Code Act for building permits for industrial buildings over 100,000 square feet because:

1. Such buildings are mostly rectangular single story shells where structural floor design considerations are also minimized
2. Located within pure industrial neighbourhoods with reduced facade treatment and expansive yards, so that there is a fairly even and uniform standard of construction without much complexity in the exterior or interior design features
3. Public access for assembly occupancies are restricted in such uses, hence OBC Part 3 'Fire Protection, Occupant Safety and Accessibility' requirements are more straightforward, and,
4. Simple, traditional and well-established designs tend to be employed in industry requiring few new technologies or systems for review or evaluation
5. Once the initial 100,000 square feet have been evaluated, remaining areas of industrial buildings tend to repeat the same design

Permit fees are roughly relative to the resource needed to review such projects, meaning that a prorated fee is reasonable on only this type and size of projects. Fees are not required to exactly match the resources used according to the Building Code Act, but the overall fees cannot exceed the overall cost of the department as is recognized under Building Code Act s. 7 (2). This includes the costs for contributions to reserves for stability during downturns, as is provided for under reference 1.9.1.1. (1) (d) of Division C of the regulations under the 2006 Building Code.

On average there has been one project of this type and size per year. Total permit revenue for the Building Section can fluctuate but averages around \$2.7 M so the proposed fee reduction is should average around 1% of the total and is therefore not expected to have a major impact on the contributions to the Stabilization Reserve. This reserve will be monitored regularly over the coming years to confirm .

Council has identified in its strategic plan the need to demonstrate that Kingston is open for business and is committed to expanding the tax base through intensification for greater economic resiliency. In reviewing the City's current policies for Building Permit fees, an

opportunity has been identified to encourage large industrial expansions or recruitment of new businesses by permitting a building permit fee reduction for industrial buildings over 100,000 square feet. An increase in large industrial expansion or recruitment of new businesses will in turn stimulate job creation in Kingston.

EXISTING POLICY/BY LAW:

Building Code Act S.O. 1992, c. 23; which under Section 7 (a) provides Council with the authority to prescribe classes of permits, and under Section 7 (c) provides for fees, and under Section 7 (6) the authority to change fee rates.

Ontario Building Code 2006; which under Section 1.9.1.2.(1) provides details for changing fees

By-Law No. 2005-99 – A By-Law To Provide for the Construction, Demolition, Change of use and Transfer of Permits and Inspections”; which under Schedule ‘A’ Section 1 provides for permit fees to be collected as detailed under the rates & Fees By-law.

By-Law No. 2005-10 – A By-Law To Establish Fees and Charges to be Collected by the Corporation of the City Of Kingston; which provides for building permit fees under Schedule ‘A’ for Building & Licensing.

Kingston’s Strategic Plan 2011-2014

Council Priority – Kingston is open for business and is committed to expanding the tax base through intensification for greater economic resiliency. During its term, Council will:

2.2 Review and update policies and practices to emphasize economic development

2.3 Stimulate job creation

2.4 Encourage investment in housing supply and commercial and industrial development.

The Corporate commitment to this priority of Council is to “set conditions for growth in residential, commercial and industrial development

Corporate Commitment to Council Priority - With an open for business philosophy, we will respect legislative requirements, by-laws and standards. We will create flexibility in our practices, where possible, to optimize service to the customer to expand our tax base and achieve economic results.

Sustainable Kingston Plan

Under the Economic Sustainability Pillar, the stated goal is “*The City will conduct itself in a manner that is affordable for taxpayers and purchasers of goods and services while not allowing*

future generations to be burdened by debts or deficits that they cannot afford to bear or from which they derive no benefit”

NOTICE PROVISIONS:

In accordance with the provisions of the 2006 Building Code, Council is required to host a public meeting respecting any change to building permit fees as prescribed under Section 1.9.1.2(1) (b). Notice of the Public Meeting must be given in accordance with the Regulations at least 21 days in advance of the meeting. A copy of the draft By-Law and any supporting information will be made available to the public before the public meeting. Any person who attends the public meeting may make representations relating to the proposed amendment.

ACCESSIBILITY CONSIDERATIONS:

None.

FINANCIAL CONSIDERATIONS:

The impact of this fee change would be a less than 1% reduction in overall permit revenues based on past trends. This will be monitored over the coming years to insure that there is no significant impact on the Building Permit Stabilization Reserve.

CONTACTS:

Cynthia Beach, Commissioner, Sustainability & Growth Group 613-546-4291, ext. 1150
Terry Willing, Chief Building Official, Director, Building & Licensing 613-546-4291, ext. 3240

OTHER CITY OF KINGSTON STAFF CONSULTED:

Gerard Hunt, Chief Administrative Officer
Hal Linscott, City Solicitor and Director of Legal Services
John Bolognone, City Clerk
Desiree Kennedy, City Treasurer and Director of Financial Services
Steve Murphy, Manager of Building & Property Standards, Building & Licensing
Del Stowe, Supervisor of Permits, Building & Licensing

EXHIBITS ATTACHED:

Exhibit A – Draft By-Law

BY-LAW NO. 2012-

A BY-LAW TO AMEND BY-LAW NO. 2005-10, "A BY-LAW TO ESTABLISH FEES AND CHARGES TO BE COLLECTED BY THE CORPORATION OF THE CITY OF KINGSTON", AS AMENDED – Building Permit Fee Reduction For Construction Of Industrial Buildings With a Floor Area Larger Than 100,000 Square Feet

PASSED: _____

WHEREAS Council is authorized by Section 7 (6) of the Building Code Act, S.O. 1992 c. 23, as amended, to change fee rates;

AND WHEREAS Section 1.9.1.2.(1) of the Building Code 2006, as amended, prescribes the process for changing such fees;

AND WHEREAS By-Law No. 2005-99, passed by Council to provide for the construction, demolition, change of use and transfer of permits and inspections; provides for building permit fees under Section 1 of Schedule "A" to be as detailed under the Rates & Fees By-law;

AND WHEREAS By-Law No. 2005-10, passed by Council to establish fees and charges, provides for building permit fees to be collected by the Building & Licensing Department under Schedule "A";

AND WHEREAS Council has determined that it is appropriate to provide a reduced building permit fee for the construction of industrial buildings over 100,000 square feet;

AND WHEREAS the Council of the Corporation of the City of Kingston has given Notice in accordance with Section 1.9.1.2.(1) (b) of the Building Code 2006, of its intention to amend the Building Permit Fees;

AND WHEREAS a Public Meeting was held on January 24, 2012 with respect to the proposed amendments;

NOW THEREFORE, the Council of the Corporation of the City of Kingston hereby enacts as follows:

1. By-Law No. 2005-10, "A By-Law To Establish Fees and Charges To Be Collected by the Corporation of the City of Kingston", be amended as follows:
 - 1.1 By adding the following as a new category in Schedule "A" to provide under the heading for "Building and Licensing" two new categories to be inserted below the 4th category and to read:

"Permit for Industrial Use Buildings 100,000 square foot floor area and under (per \$1,000 of Construction value) = \$12 ";

"Permit for Industrial Use Building in excess of 100,000 square foot floor area (per \$1,000 of Construction value) = \$ 6"
2. This By-Law shall be deemed to have come into force and take effect on the day that the By-Law was passed.

GIVEN ALL THREE READINGS AND FINALLY PASSED _____, 2012

CITY CLERK

MAYOR