

# City of Kingston

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## Building Permit Fees Review Industry Consultation Meeting

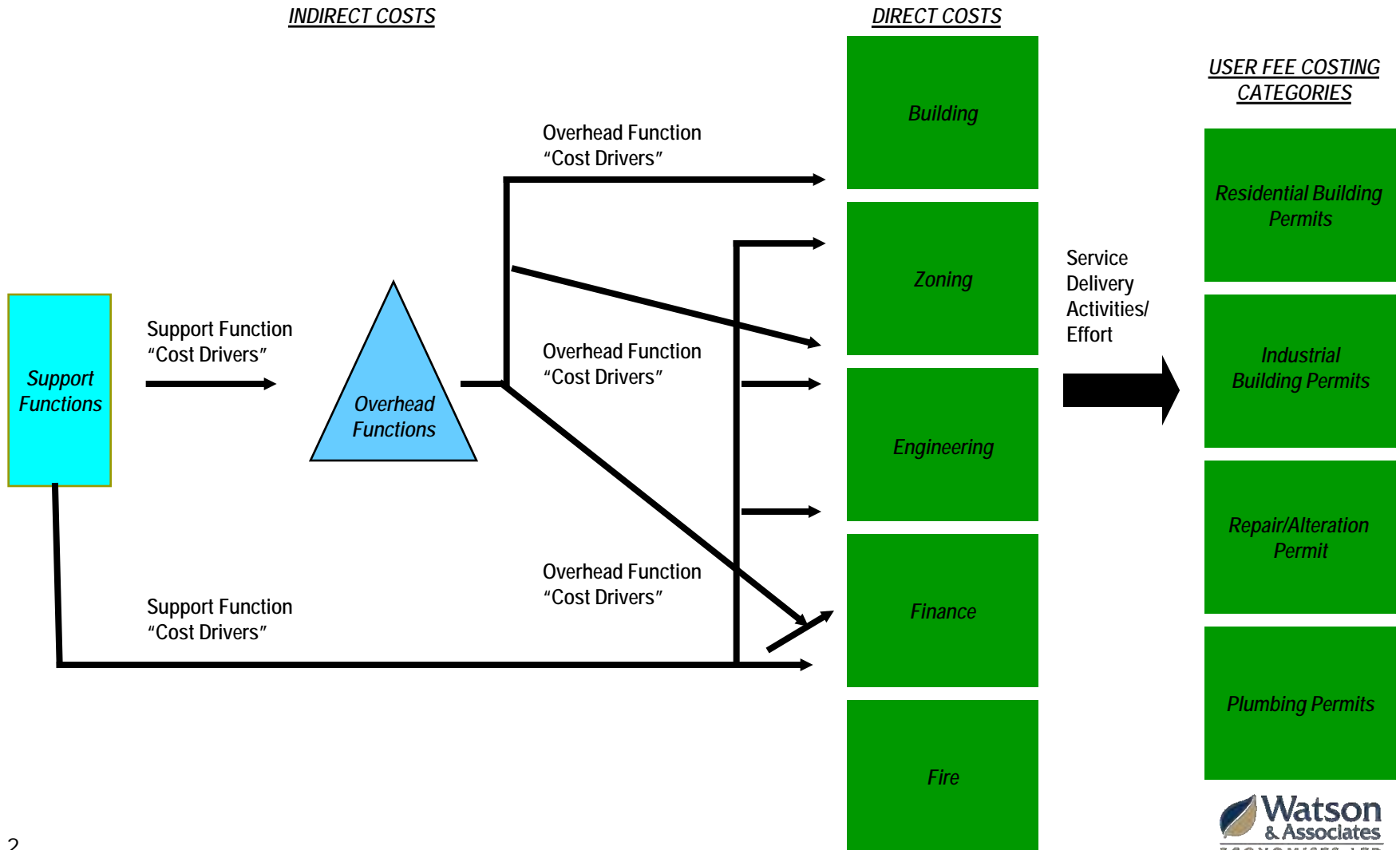
May 2, 2017

# Introduction

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- City retained Watson & Associates to undertake a comprehensive review of building permit fees that:
  - Conforms with legislation and is defensible;
  - Balances the City's need to maximize cost recovery and reserve fund sustainability with stakeholder interests, affordability and competitiveness;
  - Reflects industry best practices; and
  - Recommends fee structure improvements

# Activity Based Costing Methodology



# Activity Based Costing Methodology

## USER FEE COSTING CATEGORIES

Residential Building Permits

Industrial Building Permits

Plumbing Permits

## CHARGING CHARACTERISTICS

Total Annual Processing Cost +  
Reserve Fund Stabilization  
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Applications/Characteristics

Total Annual Processing Cost +  
Reserve Fund Stabilization  
-----  
Applications/Characteristics

Total Annual Program Cost +  
Reserve Fund Stabilization  
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Annual Plumbing Fixtures

Full Cost  
Recovery  
Residential  
Building  
Permit Fee

Full Cost  
Recovery  
Industrial  
Building  
Permit Fee

Full Cost  
Recovery  
Plumbing  
Permit Fee

User Fee Policy  
Considerations and  
Recommendations

# Activity Based Costing

## Approach and Findings

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- ❑ Met with City staff to define categories for costing analysis and to inform fee structure design decisions
- ❑ Costing categories established to identify costing difference between:
  - Building Code Group, e.g. Assembly, Institutional, Residential, Business Personal Service, Mercantile, Industrial & Farm
  - New/Addition vs. Alterations/Renovation permits
  - Residential differentiated between “Single, Semi-Detached and Row Dwellings”; “Multi-unit buildings, Motels, Hotels” and “Secondary Suites”
  - Other categories , e.g. Demolition, Plumbing, Decks/Patios, Pools, Residential Accessory Structures, Signs, etc.

# Activity Based Costing Approach and Findings

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- Process maps were developed and one-time processing effort estimates established
- Processing effort estimates were measured against historic and forecast permit volumes to ensure reasonable levels of services
  - Base-line activity levels suggest Building Department utilization of approximately 94% on Building Code related matters
  - Minor involvement from other service areas (e.g. zoning, engineering, fire)

# Activity Based Costing Approach and Findings

- Activity based costing model to calculate average cost per costing category/permit type (direct, indirect and capital costs)
  - Major Permit Types

Costing Category Description	Annual Costs	Total Annual Revenue	Net Position - Profit/(Loss)
	Total		
Group A (Assembly) - New & Additions - FULL PERMIT	\$ 16,917	\$ 196,052	\$ 179,135
Group A (Assembly) – Alterations & Renovations	\$ 201,316	\$ 139,967	\$ (61,349)
Group B (Institutional) - New & Additions - FULL PERMIT	\$ 58,120	\$ 540,053	\$ 481,933
Group B (Institutional) – Alterations & Renovations	\$ 82,005	\$ 34,261	\$ (47,744)
Group C (Residential) - New & Additions (Detached, Semi-detached, Row House)	\$ 638,551	\$ 745,310	\$ 106,759
Group C (Residential) - New & Additions (Multi-unit Buildings, Motels, Hotels) - FULL PERMIT	\$ 308,110	\$ 381,649	\$ 73,540
Group C (Residential) – Alterations & Renovations	\$ 268,743	\$ 122,056	\$ (146,687)
Group C (Residential) – Secondary Suites	\$ 15,495	\$ 6,018	\$ (9,477)
Group D (Business & Personal) - New & Additions - FULL PERMIT	\$ 9,179	\$ 40,480	\$ 31,301
Group E (Mercantile) - New & Additions - FULL PERMIT	\$ 15,634	\$ 40,760	\$ 25,126
Group F (Industrial) - New & Additions - FULL PERMIT	\$ 80,162	\$ 149,491	\$ 69,329
Group D, E & F – Alterations & Renovations	\$ 420,545	\$ 306,460	\$ (114,085)

# Activity Based Costing Approach and Findings

## ■ Other/Minor Permit Types

Costing Category Description	Annual Costs	Total Annual Revenue	Net Position - Profit/(Loss)
	Total		
Demolition	\$ 27,828	\$ 5,957	\$ (21,871)
Mechanical & Fire Protection Systems	\$ 22,594	\$ 9,937	\$ (12,657)
Plumbing (Residential) - New & Alterations	\$ 55,714	\$ 5,411	\$ (50,303)
Plumbing (Non-Residential) - New & Alterations	\$ 23,562	\$ 4,534	\$ (19,028)
Plumbing - Backflow Preventer	\$ 54,808	\$ 8,375	\$ (46,433)
Plumbing - Sewer Lateral	\$ 42,996	\$ 12,004	\$ (30,992)
Plumbing - Backwater Valve	\$ 20,249	\$ 2,845	\$ (17,404)
Solar Panels (Residential)	\$ 15,765	\$ 1,167	\$ (14,598)
Solar Panels (Non-residential)	\$ 2,747	\$ 226	\$ (2,521)
Decks/Patios	\$ 245,627	\$ 18,407	\$ (227,221)
Residential Pools	\$ 52,207	\$ 8,734	\$ (43,474)
Wood Burning Appliances	\$ 17,935	\$ 2,082	\$ (15,853)
Residential Accessory Structures	\$ 58,119	\$ 14,673	\$ (43,446)
Signs	\$ 91,258	\$ 12,588	\$ (78,670)
Approval of Equivalents - Alternative Solution	\$ 1,740	\$ 60	\$ (1,680)
Temporary Structures	\$ 29,564	\$ 1,132	\$ (28,432)
Designated Structures	\$ 1,695	\$ 1,023	\$ (672)
Commercial Exhaust Hood	\$ 4,309	\$ 1,152	\$ (3,157)



# Activity Based Costing Approach and Findings

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- 10-year forecast of building revenue and reserve fund continuity to inform annual funding target
  - City's current building reserve fund balance is approximately \$3.8 million
  - To maintain service levels through an economic downturn the City should target a reserve fund multiple of 2.07x annual direct costs
  - To accumulate the target balance over the 5-year forecast period, approximately \$185,000 and annual contributions would be required

# Activity Based Costing Approach and Findings

- Average annual revenues, based on current building permit fees, recovering approximately 91% of costs (i.e. \$2.8 million annually)

	<b>Annual Costs</b>
<u>Direct Costs</u>	
Salaries, Wages & Benefits	\$ 2,128,021
Other Direct Costs (incl. contracted services)	\$ 140,676
Sub-total Direct Costs	\$ 2,268,696
Indirect Costs	\$ 532,972
Sub-total Direct & Indirect Costs	\$ 2,801,668
Capital Replacement Costs	\$ 81,826
Sub-total Direct, Indirect, and Capital Costs	\$ 2,883,494
Reserve Fund Policy	\$ 185,769
<b>Total Costs</b>	<b>\$ 3,069,264</b>

# Activity Based Costing Approach and Findings

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- Prepared a municipal market survey to inform fee structure and pricing recommendations
  - Most municipalities impose building permit fees based on size of application (i.e. sq.mt., sq.ft.)
- Derived full cost permit fees based on underlying permit fee size characteristics and compared to market
  - Residential, Commercial and Institutional permit fees for new construction are slightly higher than market average, less than market maximum
  - Industrial permit fees for new construction currently approximate market maximums

# Activity Based Costing Approach and Findings

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- Fees for alteration permits and other/minor permits under recover processing costs and are below market maximum levels

# Comparison of Current Building Permit Fees

## Single Detached Dwelling\*

Municipality	New and Additions \$/Sq.mt.
Oakville	\$16.30
Mississauga	\$15.97
Guelph	\$13.45
Kingston (Current Fee)	\$11.79
South Frontenac	\$10.34
London	\$8.80
Waterloo	\$8.61
Ottawa	\$8.29
Loyalist Township	\$8.12
Belleville	\$7.38

\*Assuming floor area of 170 sq.m. and \$129,996

Municipality	Alterations \$/Sq.mt.
Mississauga	\$5.75
Oakville	\$5.60
Guelph	\$3.77
Waterloo	\$3.77
Kingston (Current Fee)	\$3.47
London	\$2.30
South Frontenac	\$1.56
Loyalist Township	\$1.23
Belleville	\$1.12
Ottawa	\$0.89

\*Assuming \$18,362 construction value alterations.

## High Density Residential Dwelling\*

Municipality	New and Additions \$/Sq.mt.
Oakville	\$21.30
Guelph	\$21.20
Mississauga	\$17.25
Kingston (Current Fee)	\$13.83
South Frontenac	\$12.77
London	\$11.00
Ottawa	\$10.76
Belleville	\$9.12
Waterloo	\$8.61
Loyalist Township	\$6.12

\*Assuming 3,833 sq.m. GFA and \$3,494,751

Municipality	Alterations \$/Sq.mt.
Belleville	\$9.12
Mississauga	\$5.75
Oakville	\$5.60
Guelph	\$3.77
Waterloo	\$3.77
Kingston (Current Fee)	\$3.47
South Frontenac	\$3.09
Loyalist Township	\$2.43
London	\$2.30
Ottawa	\$1.75

\*Assuming \$18,362

**Note:** South Frontenac, Loyalist, and Belleville charge based on construction value. Fees have been converted to \$/m<sup>2</sup> based on construction value and GFA assumptions identified above.

# Comparison of Current Building Permit Fees

## Institutional Building\*

Municipality	New and Additions \$/Sq.mt.
South Frontenac	\$38.22
Oakville	\$34.45
Belleville	\$27.30
Guelph	\$27.23
Kingston (Current Fee)	\$26.53
Mississauga	\$25.00
London	\$20.20
Ottawa	\$19.59
Waterloo	\$18.29
Loyalist Township	\$16.40

\*Assuming 2,184 sq.m.

Municipality	Alterations \$/Sq.mt.
Kingston (Current Fee)	\$5.75
Mississauga	\$5.75
Oakville	\$5.60
London	\$4.80
Guelph	\$3.77
Waterloo	\$3.77
South Frontenac	\$0.60
Loyalist Township	\$0.47
Belleville	\$0.42
Ottawa	\$0.34

\*Assuming \$92,437

## Commercial Building\*

Municipality	New and Additions \$/Sq.mt.
Guelph	\$21.20
Mississauga	\$20.50
Kingston (Current Fee)	\$18.52
South Frontenac	\$17.55
Oakville	\$17.05
Waterloo	\$14.53
London	\$13.90
Belleville	\$12.54
Loyalist Township	\$11.80
Ottawa	\$10.33

\*Assuming 1,085 sq.m.

Municipality	Alterations \$/Sq.mt.
Mississauga	\$5.75
Oakville	\$5.60
Kingston (Current Fee)	\$3.89
Guelph	\$3.77
Waterloo	\$3.77
London	\$3.50
South Frontenac	\$1.42
Loyalist Township	\$1.12
Belleville	\$1.01
Ottawa	\$0.80

\*Assuming \$109,460

## Industrial Building\*

Municipality	New and Additions \$/Sq.mt.
Oakville	\$19.80
Kingston (Current Fee)	\$16.01
Mississauga	\$12.50
South Frontenac	\$12.45
Loyalist Township	\$9.78
Guelph	\$9.36
Belleville	\$8.89
London	\$7.00
Ottawa	\$6.89
Waterloo	\$5.92

\*Assuming 530 sq.m. GFA

Municipality	Alterations \$/Sq.mt.
Mississauga	\$5.75
Oakville	\$5.60
Kingston (Current Fee)	\$3.89
Guelph	\$3.77
Waterloo	\$3.77
London	\$3.50
South Frontenac	\$2.91
Loyalist Township	\$2.28
Belleville	\$2.08
Ottawa	\$1.64

\*Assuming \$109,460

**Note:** South Frontenac, Loyalist, and Belleville charge based on construction value. Fees have been converted to \$/m<sup>2</sup> based on construction value and GFA assumptions identified above.

# Comparison of Current Building Permit Fees

## Decks and Patios

City	Cost per Permit
Oakville	\$199
Mississauga	\$149
London	\$110
Loyalist Township	\$100
Guelph	\$95
Kingston (Current Fee)	\$85
Waterloo	\$75
South Frontenac	\$70
Belleville	\$50
Ottawa	\$45

\*Assuming 25 sq.m. GFA and \$4,400 Construction

## Demolition Permit

City	Cost per Permit
Oakville	\$768
London	\$347
Mississauga	\$252
Guelph	\$222
Loyalist Township	\$150
Kingston (Current Fee)	\$128
Ottawa	\$102
South Frontenac	\$92
Waterloo	\$75
Belleville	\$50

\*Assuming 693 sq.m. GFA.

## Pools

City	Cost per Permit
Mississauga	\$265
Oakville	\$264
Ottawa	\$200
Guelph	\$190
Waterloo	\$159
Kingston (Current Fee)	\$151
South Frontenac	\$126
Loyalist Township	\$100
Belleville	\$90
London	\$81

\*Assuming \$8,600 Construction Value.

## Plumbing

Municipality	Residential Cost Per Fixture
Oakville	\$37.00
Mississauga	\$36.00
Guelph	\$15.00
London	\$11.00
Loyalist Township	\$10.00
South Frontenac	\$8.00
Belleville	\$7.00
Ottawa*	\$5.33
Kingston (Current Fee)	\$4.00
Waterloo**	\$4.00

\*Assuming 15 fixtures.

\*\* \$10 per \$1,000 of construction cost if independent

## Plumbing

Municipality	Non-Residential Cost Per Fixture
Oakville	\$37.00
Mississauga	\$36.00
Guelph	\$15.00
London	\$11.00
Loyalist Township	\$10.00
South Frontenac	\$8.00
Belleville	\$7.00
Ottawa*	\$5.33
Kingston (Current Fee)	\$6.00
Waterloo**	\$4.00

\*Assuming 15 fixtures.

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# Recommendations

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- Implement a fee structure based on application size (i.e. \$/sq.mt.), consistent with peer municipalities
- To provide for better cost recovery performance and greater operational stability, the following fee recommendations are provided:
  - Increase alterations and minor permits relative to market levels
  - Maintain fees for new construction at the City's current levels (except industrial)
  - Reduce permit fees for industrial new construction to similar market position as other ICI permits



# Recommendations

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- Building permit fee recommendations will:
  - Increase average forecast annual revenues by approximately 10% (or \$270,000 annually)
  - Improved cost-recovery performance for alteration, minor and other building permit types
  - Maintain competitiveness with comparator municipalities and mitigate the risks associated with individuals avoiding building permit regulatory processes
  - Provide a service level sustainability through improved reserve fund position over the forecast period

# Comparison of Proposed Building Permit Fees

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South Frontenac	\$3.09
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City	Cost per Permit
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Guelph	\$190
Waterloo	\$159
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Loyalist Township	\$100
Belleville	\$90
London	\$81

\*Assuming \$8,600 Construction Value.

## Plumbing

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Belleville	\$7.00
Ottawa*	\$5.33
Kingston (Current Fee)	\$4.00
Waterloo**	\$4.00

\*Assuming 15 fixtures.

\*\* \$10 per \$1,000 of construction cost if independent

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Municipality	Non-Residential Cost Per Fixture
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South Frontenac	\$8.00
Belleville	\$7.00
Ottawa*	\$5.33
Kingston (Current Fee)	\$6.00
Waterloo**	\$4.00

\*Assuming 15 fixtures.

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# Next Steps

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- Receive input on the proposed building permit fee recommendations from industry stakeholders
- Prepare final report with proposed fees for Council consideration
- Council by-law adoption