



## Corporate Report City Council

**Report from:** Planning and Building Services, Building and Development

**Report Date:** April 22, 2021

**Meeting Date:** May 10, 2021

**Report Number:** PBS-069-2021

**File:** 56.49.4

**Subject:** Building Services Annual Report on Revenues, Expenses and Stabilization Reserve Fund for 2020

### **Strategic Pillar:**

This report aligns with the following St. Catharines Strategic Plan pillars: Economic



### **Recommendation**

That Report PBS-069-2021, entitled Building Services Annual Report on Revenues, Expenses, and the Building Stabilization Reserve fund for 2020, be received for information; and

That Council approve the use of the Building Stabilization Reserve in 2021 and 2022 to fund two additional permanent full-time Building Inspector II positions and one additional Building Technician position to be funded from permit revenues; and

That Council approve the use of the Building Stabilization Reserve in 2022 to fund the conversion costs of the existing long-time Administration Clerk contract position into a full-time permanent position; and

That Council approve an additional \$21,000 for support equipment for these positions, to be funded from the Building Stabilization Reserve; and

Further, that Council approve \$100,000 to be funded from the Building Stabilization Reserve, for capital costs required for the purchase and implementation of an electronic permitting process. FORTHWITH

## Summary

The Building Division of the City of St. Catharines continues to witness strong construction activity resulting in robust permit revenue, high value of construction, and surpluses transferred to the Building Stabilization Reserve.

The total revenue in 2020 was \$2,478,846 and the total expenses (direct and indirect) were \$2,258,891, resulting in \$219,955 being transferred to the Reserve Fund. The Reserve Fund at the end of 2020 totaled \$2,732,527 (see Appendix 1).

Even despite the on-going COVID-19 pandemic, construction activity remains strong and consistent. The Building Division is struggling to meet legislative timeframes and requirements for minimum service delivery. In an effort to bring the Division into compliance, as well as to enhance customer service via an electronic permitting system, staff is requesting to use the Building Stabilization Reserve Fund to increase staffing and technology in 2021 and 2022.

## Relationship to Strategic Plan

### Economic Prosperity Pillar Goal

Support the City's commitment to building and growing a diverse and resilient economy through fiscal responsibility, urban regeneration, and collaborative partnerships.

The Corporation is demonstrating a continued commitment to the building industry, businesses, landowners and the citizens of the City of St. Catharines, in providing excellent customer service and to ensure public safety. As construction projects are proposed, constructed and occupied the Building Division continues to deliver services effectively in meeting the complex demands of the construction industry.

## Background

Section 7(4) of the Building Code Act, 1992, as amended, requires that municipalities prepare an annual report on the total building permit fees collected, the direct and indirect costs of delivering services related to the administration and enforcement of the *Building Code Act* and the balance being transferred to the Building Stabilization Reserve Fund.

The Building Code Act (BCA) provides municipalities with the authority to collect fees to recover the cost of administration and enforcement of the Ontario Building Code Act, and the provisions of the Ontario Building Code (OBC). Ontario Building Code Section 1.9.1.1 of Division C outlines the details of what can be included as part of the cost including direct and indirect costs, and provisions for a reserve fund. The Act also states under Section 7(2) that the fees must not exceed the anticipated reasonable costs to administer and enforce the Act. Therefore, any excess revenue must be transferred to the Building Stabilization Reserve Fund. The purpose of the Reserve Fund is to support the building permit program to offset periods of low building and construction activity, make service enhancements, and cover unexpected expenses. The Building Division of Planning and Building Services has attempted to balance the revenues received through permits fees with the anticipated costs of administering and enforcing the Act.

It is necessary to develop a supporting reserve fund policy to assist in mitigating risks associated with economic downturns, achieving compliance, fluctuations in service demand and other potential issues. Prior to 2006, building revenue surpluses could be used corporately. When Bill 124 was passed in 2006 it requires any surpluses to be transferred to a reserve and used for administering and enforcing functions related to the Building Code Act (BCA) and Ontario Building Code (OBC) regulations only. A stabilization reserve fund also manages the risk associated with possible economic downturns and is also available to fund one-time capital requirements to avoid fluctuations in fees. Based on legislation, this reserve fund cannot be used for any other City purpose. It is a segregated fund specifically established for the delivery of a full cost recovery program for the Building Division. This is to ensure that the taxpayer is not left to pay for any deficits that should be borne by the building industry.

The costs associated with the operations of the Building Services Division are considered to be fixed costs that cannot be easily or immediately adjusted to the changes in the levels of construction activity. There is expected to be some level of fluctuation of workload from one year to another; however, the BCA / OBC enforcement staff are highly technical and must attain extensive training to meet qualifications required by legislation.

The legislation requires that municipalities report on any reserve funds and the amount of that fund that has been established relating to the administration and enforcement of the Act and its related regulations. Appendix 1 of this report is a summary of revenues and costs, in accordance with subsection 7(4) of the BCA, pursuant to Section 1.9.1.1 of Division C Part 1 of the OBC. This summary contains information in respect to fees authorized under the BCA which includes both direct and indirect costs of delivering these services.

## **Report**

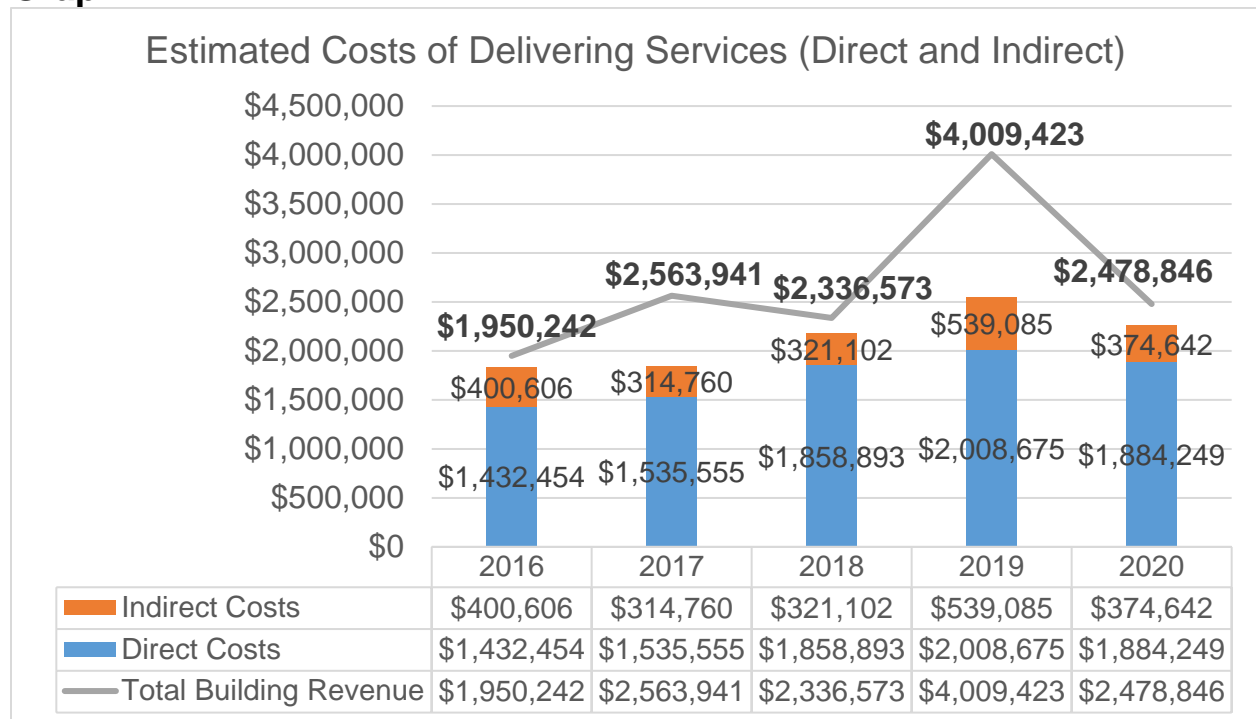
### **Financial Summary**

The revenue for building services for the year 2020 was \$2,478,846, which is down from 2019 but more respective of what 2017 / 2018 revenue totaled. The revenue for 2020 exceeded the total cost of operations (direct and indirect) by \$219,955, which was transferred to the reserve fund. At the end of 2020, the total amount available in the Reserve funds is \$2,732.527.

During the COVID-19 lockdowns in 2020, the building activities were impacted by the health and safety restrictions implemented by the Province of Ontario. The total revenues including building, plumbing and sign permits have reduced by over \$1.5 million from 2019 to 2020. On the expenditure side, the total direct administration and enforcement costs have decreased by approximately \$124,000 due to staff vacancies. The indirect cost allocated to the Building Division for indirect staff and office support was also reduced by one-third of the annual budgeted amount due to COVID-19 lockdowns.

The financial statement for 2020 is attached to this report (see Appendix 1) and illustrated in Graph 1 below.

**Graph 1**



**Building Reserve Fund**

The Building Code Act makes provision for the difference between revenues and costs to be placed in a reserve fund. Many municipalities have a strategy for establishing, maintaining and managing a Building Permit Stabilization Fund to sustain service levels and service delivery which includes a target of between 1.5 – 3 times the annual operating budget. Based on 2020 budget of total operational costs at \$2,681,290, the target reserve balance is \$4,021,935 - \$8,043,870.

The current ratio of reserve to operational costs is 1.21, which is still below industry standard with the current reserve fund balance of \$2,732,527 and 2020 actual operational costs of \$2,258,891. Therefore, a long-term strategy is required to implement a contributing formula that provides long term financial sustainability of building operations. Council, for the 2021 budget year, has approved \$75,000 for the completion of a comprehensive fee review study for development-related PBS Divisions (Planning, Building, and Development Engineering) to provide recommendations for improvement in the financial model of the division. A consulting firm will be retained to carry out a comprehensive review of the financial model of the Building Division as it relates to the operation of building services. The consultant review will determine the appropriate level of reserve funds, the ratio of operational to reserve funds, and an appropriate contributing formula that will enable a long term financially sustainable service delivery model.

## Performance Measurements

### Timelines

#### Permit Applications

Section 1.3.1.3 of the Ontario Building Code Division C Part 1 requires that permit issuance and required inspections occur within specific time periods. Subject to their complexity permits must be issued either in 10, 15, 20 or 30 days of deeming it a completed application. Certainly, higher levels of service would be welcomed by the industry as with the current staffing levels our department is struggling to achieve those timelines. Permit applications are being submitted faster than they can be processed to meet the timing windows.

The Building Technician and Administrative Clerk positions are responsible for front line customer service. They support communication with applicants, intake applications and payments, and conduct file processing and management duties. An additional Building Technician position will greatly assist the Plans Examiners and Building Inspectors in their work, creating capacity to focus on the technical applications of their roles. Furthermore, the department has an Administration Clerk position that has been in a reoccurring contract extension for the last 10 years. A permanent position in this regard is demonstrated and warranted.

#### Inspections and Building Code Complaints

Section 1.3.5.3 of the Ontario Building Code requires that, upon request for inspection, building staff shall attend to perform the inspection within 48 hours of the request. Building inspections are performed to ensure that minimum Building Code requirements are met. In addition to inspecting construction and demolition projects, staff also provide liquor licensing inspections as well as investigate building code complaints such as illegal apartments; building without permits; grow operations; and buildings damaged by fire. Building Technicians, Administrative Clerks, and Building Inspectors are challenged on a daily basis to maintain these timing windows in compliance with the legislative requirements. It has been a common theme in the yearly report submissions identifying that staff are continually stretched based on daily needs, from submission to inspection. This industry historically sees a higher demand from May to September with a slower pace from October to April, allowing staff to complete and catch up on their specific duties. However, this has not been the case for the City in the last five years and there does not appear to be a return to this type of cycle. Staff are overwhelmed with the demand for service. Furthermore, staff continuously are not meeting the minimum 48-hour inspection timeline (more commonly it is 72 – 96 hrs).

These delays have caused significant frustration to the building community who in turn deflect frustrations to Administration staff. Quite often these frustrations are further escalated to members of Council.

It is important to note the while the 48-hour time frame is a minimum requirement, many municipal building departments have raised their level of service to a 24-hour time frame in an effort to demonstrate commitment as an industry partner. City staff are not able to achieve the minimum requirement, let alone an enhanced service delivery standard.

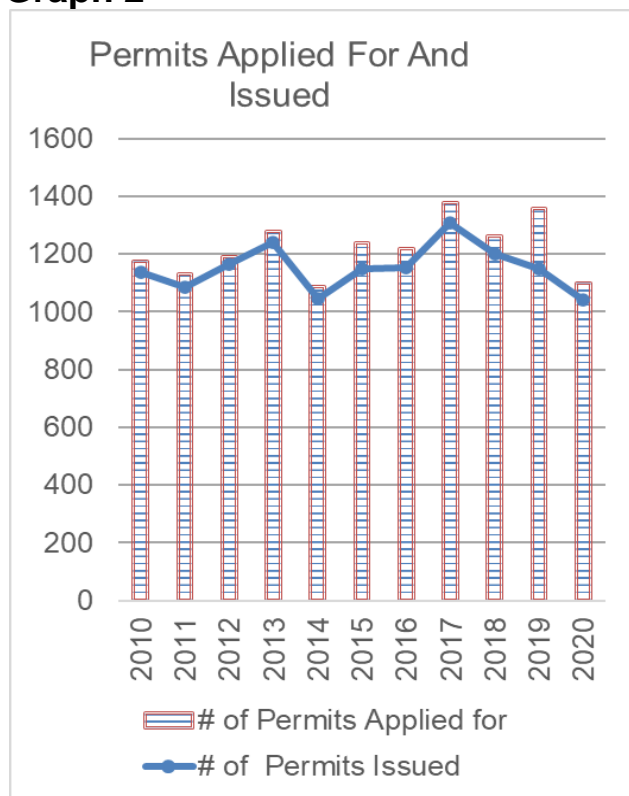
In addition to the above, staff continually are pressured to maintain the legislative timelines so other non-legislated work requirements are not being completed in an expeditious manner. For example, building code complaints which are investigated by building inspectors do not take priority over building inspections for active permits unless it is relating to structural damage or structural fires. These complaints wait until an inspector can fit them into their schedule, which can be as much as two weeks after the complaint was made. This low level of service stems from the high level of permit activity and staffing numbers that cannot maintain the demand. With the introduction of two additional Building Inspectors in this department, it is anticipated that staff will be able to deliver within the regulatory timeline.

### Building Permit and Construction Activity

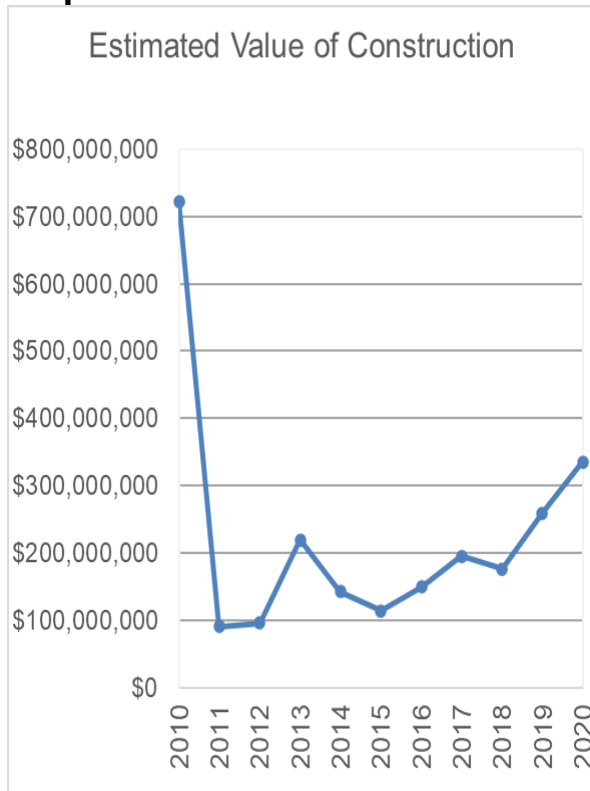
In 2020, a total of 1,098 permit applications were submitted and a total of 1,043 permits were issued. Graphs 2, 3 and 4 below provide building permit and construction activities for 2020 and preceding years for comparison.

The total estimated construction value (EVC) for 2020 was \$335,669,279 up from \$259,452,49 in 2019 (see Appendix 2). Estimated Value of Construction (EVC) are generally considered a reasonable parameter of economic activity within a geographical area. Therefore, it is evident that St. Catharines saw an increase in construction related economic activity in 2020.

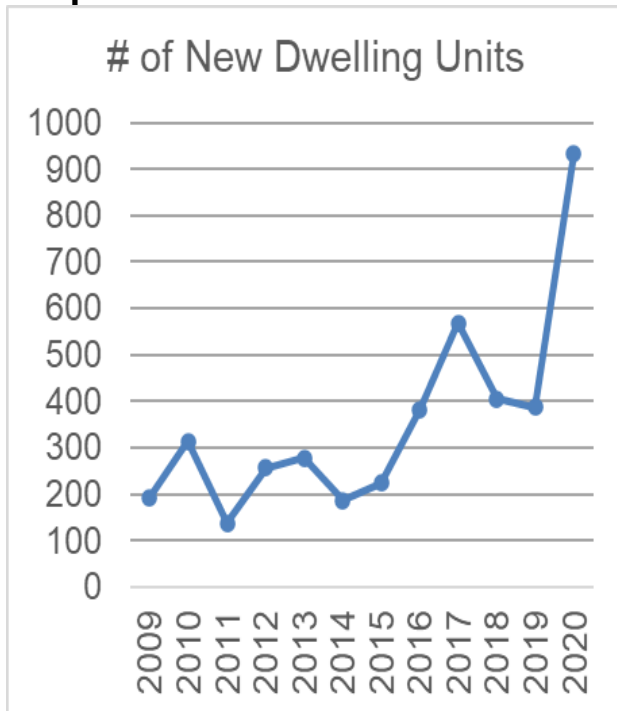
Graph 2



**Graph 3**



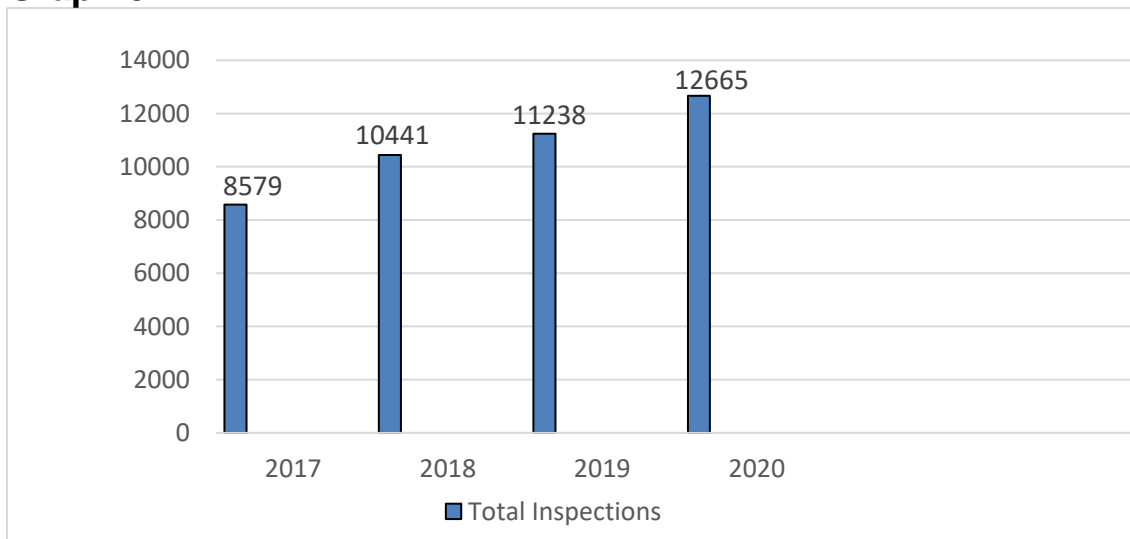
**Graph 4**



## Building Inspection Activity

The volume of building inspections continues to grow every year. Graph 5 below provides the total number of inspections across different disciplines (architectural, plumbing and HVAC) for the last four years. In 2020, the total number of such inspections carried out was 12,665, which was 12.7% above 2019 and a 21.3% increase over 2018 inspections. The increase in the number of inspections relates to the increase in construction activities. In addition, increased inspections are also a result of increased construction complexity and repeat inspections required on sites where compliance from owners and contractors are not readily forthcoming.

**Graph 5**



## Electronic Permitting Technology

Even prior to the COVID-19 pandemic, the Building Division has explored opportunities to use technology as a customer service enhancement. Staff have previously investigated the necessary steps to allow for online building permit application submission, payment, plans review, and permit issuance.

An electronic permit process enhances customer service by allowing permit holders, builders, and home owners to submit their applications and payment online, from their own homes, offices, and/or places of business without the cost and time associated with having paper prints made, travel to the office for out-of-town users, parking, etc. Furthermore, an electronic permit process allows staff to work remotely, including from home and/or a job site and reduces the need for paper storage.

It was determined at that time that AMANDA, the database software used for permit tracking and property information was antiquated and unable to support new software technologies to conduct electronic permits. The update to the AMANDA software would be required prior to the implementation of an electronic permitting processing software. IT staff initiated the upgrade to AMANDA 7 in 2019 and as of December 2020, the AMANDA 7 software went live.



It would now be appropriate for staff from IT and PBS to investigate electronic permitting software that would integrate with AMANDA 7 and the existing MobilInspect software to fulfil the expectation of electronic service delivery. Through networking with other municipal building departments, the estimate of a software solution is \$100,000. Staff recommend this amount be allocated from the Building Services Stabilization Fund to fund the capital costs required for the purchase and implementation of an electronic permitting system.

## **Financial Implications**

### **Year 2021**

The current Building Stabilization Reserve Fund at the end of 2020 totaled \$2,732,527. While currently lower than the industry standard, it provides adequate funding for the following in 2021:

- Two Additional Building Inspector II at an upper limit of \$134,400
- One additional Building Technician at an upper limit of \$51,800
- Computers, mobile devices, AMANDA licenses \$21,000
- Electronic permitting software \$100,000

Total funding required from the reserve in 2021 is estimated at an upper limit of \$307,200. Should the 2021 building revenues trend higher than budget, the favourable variance will help alleviate the reliance on the reserve to fund these initiatives. These additional resources will also help share the workload and reduce overtime occurred.

### **Year 2022**

- Two Building Inspector II at an upper limit of \$224,000
- One Building Technician at an upper limit of \$86,400
- Conversion of Administrative Clerk to Permanent Full-Time \$9,500

Total additional staffing cost is estimated at an upper limit of \$319,900, although there is the potential for additional revenues to be generated as a result of the comprehensive fee review. Until such time as these fees are identified and approved by Council, the additional costs for these staffing positions will be funded from the Building Stabilization Reserve in 2022.

## **Conclusion**

The 2020 Building Services Annual Report demonstrates that even despite the COVID-19 pandemic, the City continues to experience robust construction activity. The annual financial report is required by the Building Code Act and provides information on revenue, expenditure and the status of the Building Reserve fund. The current staff compliment is unable to keep up with legislated timeframes and requirements for minimum service delivery. Staff recommend moving forward with the next stage of technology improvements to bring building permit processing online.

**Prepared and Submitted by:**

Brian Thiessen, M.A.A.T.O., CBCO

Acting Chief Building Official and Senior Manager of Building and Development

**Approved by:**

Tami Kitay, MPA, MCIP, RPP

Director of Planning and Building Services

**Appendixes**

- Appendix 1: Summary of Revenues and Costs
- Appendix 2: Ten Year Estimated Construction Value
- Appendix 3: Largest projects of 2020

## Appendix 1 - Annual Summary of Revenues and Costs

City of St. Catharines  
 Annual Report of Fees and Costs, Pursuant to  
 Ontario Building Code Act Section 7 (4)

Estimated Costs of Delivering Services (Direct and Indirect)

	2020	2019	2018	2017
Opening Balance of Reserve Fund	\$ 2,487,536	\$1,011,114	\$845,400	\$158,257
<b>Direct Administration and Enforcement Costs</b>				
Staffing Costs (Direct Support Staff)	\$1,795,423	\$1,907,092	\$1,718,641	\$1,404,924
Direct Office Expenditures	\$88,826	\$101,583	\$140,252	\$130,631
<b>Total Direct Administration and Enforcement Costs</b>	<b>\$1,884,249</b>	<b>\$2,008,675</b>	<b>\$1,858,893</b>	<b>\$1,535,555</b>
<b>Indirect Administration and Enforcement Costs</b>				
Staffing Costs (Indirect Support Staff)	\$48,763	\$70,064	\$77,914	\$69,048
Indirect Office Support Costs	\$325,879	\$469,021	\$243,188	\$245,712
<b>Total Indirect Administration and Enforcement Costs</b>	<b>\$374,642</b>	<b>\$539,085</b>	<b>\$321,102</b>	<b>\$314,760</b>
<b>Total Direct and Indirect Costs</b>	<b>\$2,258,891</b>	<b>\$2,547,760</b>	<b>\$2,179,995</b>	<b>\$1,850,315</b>
<b>Total Building Revenue</b>	<b>\$2,478,846</b>	<b>\$4,009,423</b>	<b>\$2,336,573</b>	<b>\$2,536,941</b>
<b>Revenue/(Deficit) for current year of</b>	<b>\$219,955</b>	<b>\$1,461,663</b>	<b>\$156,578</b>	<b>\$686,626</b>
<b>Interest Earned</b>	<b>\$25,037</b>	<b>\$14,759</b>	<b>\$9,136</b>	<b>\$517</b>
<b>Balance to be transferred to/(from Reserve Fund)</b>	<b>\$219,955</b>	<b>\$1,461,663</b>	<b>\$156,578</b>	<b>\$686,626</b>
<b>Balance of Reserve Fund</b>	<b>\$2,732,528</b>	<b>\$2,487,536</b>	<b>\$1,011,114</b>	<b>\$845,400</b>

**Estimated Value of Construction for the years 2012-2020**

	All Construction	Residential	Industrial, Commercial and Institutional	Other Permit Types	Three year average
2020	\$335,669,279	\$263,337,510	\$56,065,835	\$16,265,934	\$256,884,116
2019	\$258,452,492	\$148,257,928	\$104,506,685	\$5,687,879	\$210,184,454
2018	\$176,530,577	\$116,544,373	\$54,665,322	\$5,320,882	\$173,883,413
2017	\$195,570,292	\$127,991,061	\$60,338,081	\$7,241,150	\$153,086,792
2016	\$149,549,369	\$89,429,721	\$55,200,829	\$4,918,819	\$135,403,708
2015	\$114,140,715	\$64,969,417	\$43,887,599	\$5,283,699	\$158,819,522
2014	\$142,521,041	\$55,568,194	\$78,385,372	\$8,567,475	\$152,691,739
2013	\$219,796,809	\$66,361,449	\$146,042,840	\$7,392,520	\$157,777,088
2012	\$95,757,367	\$47,935,329	\$40,170,554	\$7,651,484	

	Total 2020	ICI	Other
AG	\$11,372,000.00		\$11,372,000.00
AM	\$29,805,000.00	\$29,805,000.00	
BP	\$9,210,035.00	\$9,210,035.00	
BS	\$4,421,434.00		\$4,421,434.00
CU	\$0.00		\$0.00
DS	\$35,000.00		\$35,000.00
HV	\$400,000.00		\$400,000.00
IL	\$6,576,000.00	\$6,576,000.00	
IS	\$200,000.00	\$200,000.00	
ME	\$10,274,800.00	\$10,274,800.00	
PO	\$0.00		\$0.00
RN	\$263,337,510.00		
TS	\$37,500.00		\$37,500.00
	\$335,669,279.00	\$56,065,835.00	\$16,265,934.00

## Top Ten Projects in 2020

Address	Project Description	Estimated Construction Value
32 Towering Heights Boulevard	Construct Superstructure Only for 20 Story Apartment Building (South Tower) Homestead Shipman 2– 178 units	\$48,000,000
32 Towering Heights Boulevard	Construct Superstructure Only for 20 Storey Apartment Building (North Tower) Homestead Shipman 1 – 178 units	\$48,000,000
155 Ontario Street	Construct a 6 Storey Retirement Residence for Seasons -143 Units	\$35,000,000
1812 Sir Isaac Brock Way	Construct Superstructure Only for Residence 8 – Brock University	\$33,100,000
57 Lakeport Road	Construct Superstructure Only + Separate Shell permit for 8 Storey Apartment Building – Royal Port Condominiums -51 Units	\$15,000,000 +\$10,000,000
1900 Seventh Street	Construct Superstructure Only for Warehouse for Pioneer Farms	\$7,000,000
72 Henley Island Drive	Construct a Building for Henley Rowing Centre	\$6,900,000
1 St. Paul Street	Alter Interior of Office Building and Convert Floor Levels 2 through 10 to Residential Apartments – 137 Units	\$5,200,000
176 Oakdale Avenue	Construct Three Storey Apartment Building for YWCA Supportive Housing – 24 units	\$5,000,000
1812 Sir Isaac Brock Way	Modify Existing Sprinkler System at Walker Sports Complex – Brock University	\$4,000,000