

Commercial Building Permit Program - Proposed Fee Changes

ISSUE

The Administration is proposing changes to the fees for commercial building permits in order to support the goal of being a national leader in building and development permit turnaround times.

City Council will consider a report to adjust fees for commercial building permits, as part of the proposed 2020/2021 Budget Deliberations.

RECOMMENDATION

That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council that the proposed fee changes and policy changes for the Commercial Building Permit Program be forwarded for consideration by City Council at the 2020/2021 Budget Deliberations.

BACKGROUND

The Building Standards Division and Planning and Development Division conducted a Building and Development Operational Review in 2018. The goal of the review was to identify methods to establish the City of Saskatoon (City) of as a national leader in building and development permit turnaround times. The goal of making such improvements is to create faster, timelier reviews, improved service and communications during the review process, assistance with problem-solving and alternative solutions, and overall streamlined operations. Results of the Operational Review were presented to the Standing Policy Committee on Planning, Development and Community Services on August 12, 2019.

Building Standards is funded 100% through revenues generated from associated programs and services offered. The program is also supported by the Building and Inspection Permit Stabilization Reserve, which was established to offset any deficits in the division's operations due to revenue shortfalls from the decline in the number and/or type of building permits issued and unexpected program expenditures.

Commercial building permit fees were last increased in 2014.

DISCUSSION/ANALYSIS

Service Level Improvements

A continuous improvement project was formally started in July 2019 in order to achieve a new service level of 2 to 5 weeks for the review of typical commercial permits by December 31, 2020 for commercial permits. This would represent up to a 50% improvement in performance. Target service levels are provided in Appendix 1.

Over the next 12 months, industry can expect implementation of the following key improvements:

1. **Electronic Plan Review** – to change the linear permit application review process to cut-down permit turnaround time by up to 50% for the typical commercial permit project;
2. **Online Submission of Permit Applications** – to improve the application process by clearly defining the submission requirements for each project type, implementing a permit tracking and status update feature and accepting online payment. The work in this area will build on the success of the new process for Residential Building Permits, introduced in January 2018; and
3. **Improved Customer Service and Process Transparency** – to improve the way we deliver service to customers at the front-end of the permitting process and implementation. Included in this initiative is the Commercial Complete Application Project, which will reduce the time spent on collecting missing application information.

The first phase of improvements was rolled out October 1, 2019 with the introduction of Commercial Complete Applications. Customers can expect up to a 3-week reduction in commercial review time associated with their permit application.

Commercial Fee Review

To become a national leader, changes are needed to processes, technology and staffing levels that support the commercial building and development permit program. A review of the commercial building permit fees, based on planned program improvements, established program cost recovery objectives and financially sustainable reserve practices was completed.

Findings of the review indicate fee increases are needed to achieve targeted service level improvements. Funding from the Building and Inspection Permit Stabilization Reserve is available to complete the 2020 improvements. Fee increases are proposed beginning in 2021 and 2022 to support the program cost recovery objectives and long-term sustainability of the Reserve. The recommended commercial fee increases are outlined below in Table 1.

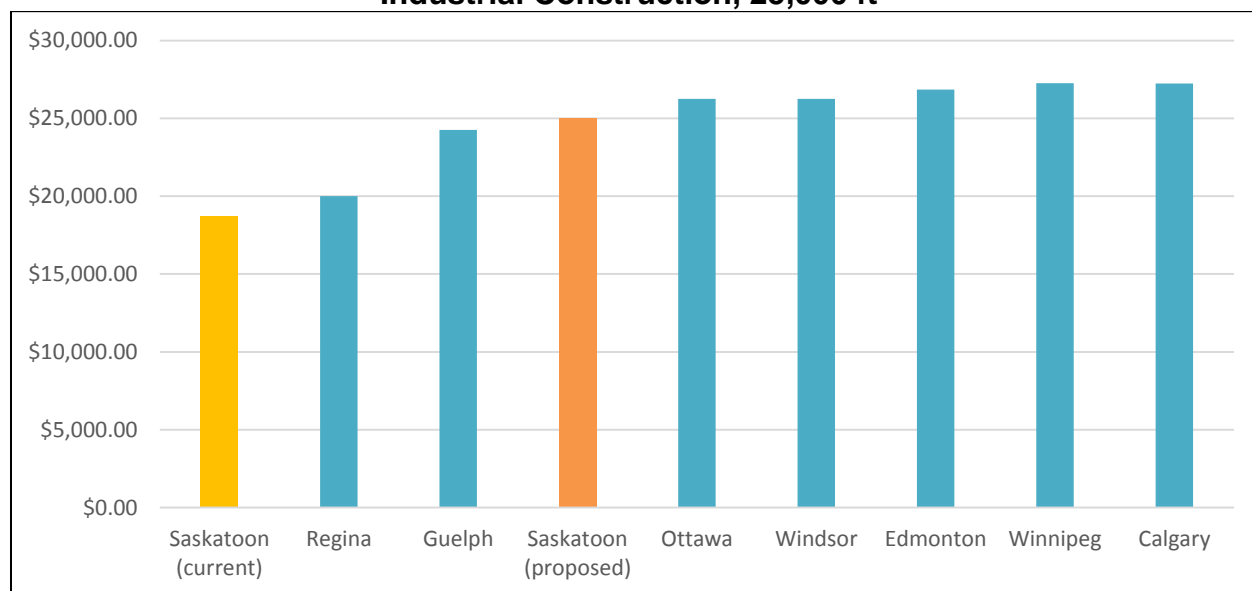
Table 1 – Recommended Commercial Building Permit Fee Increases

	2019 Rate	Proposed 2020 Rate	Proposed 2021 Rate	Proposed 2022 Rate
Commercial Building Permit				
Cost per \$1,000 of Construction Value	\$7.50	\$7.50	\$10.00	\$10.50

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Saskatoon's commercial building permit fees are currently below the industry average when compared to peer municipalities surveyed across Canada. The net impact of the recommended fee increases will support the goal of being a national leader and support the cost recovery objectives associated with the commercial building permit program. The proposed fees would be on par with the industry average when compared to other municipalities surveyed, as demonstrated in the graph below:

**Building Permit Fee Comparison - ICI \$2.5 Million
Industrial Construction, 25,000 ft²**



Stakeholder Engagement Has Occurred

Engagement with the development industry on the proposed fee increases and service level improvements occurred from August to October 2019. This included conversations with The Saskatoon & Region Home Builders' Association, Saskatoon Construction Association, Association of Professional Engineers and Geoscientists of Saskatchewan, Association of Consulting Engineering Companies - Saskatchewan, Saskatchewan Association of Architects, Saskatoon and Region Association of Realtors, North Saskatoon Business Association, SREDA, and the Developers Liaison Committee.

While the industry recognizes process improvements are already underway and that fee increases will be necessary to achieve the goal of being leaders in this area, there was feedback on allowing industry time to appropriately prepare and to allow the improvements to be implemented in advance of a fee increase. As a result, timing of the proposed fee changes was adjusted to be phased in over two years, beginning in 2021, after the improvements are implemented.

IMPLICATIONS

An amendment to Bylaw No. 9455 – Building Bylaw, 2017 (Building Bylaw) is required to support implementation of the proposed fee changes.

Financial Implications

Based on the proposed fees, the Building Permit Program revenue for 2020 will reflect the current industry trends and will be a decrease over 2019 of \$532,900. In 2021, with the fee increase, revenues will increase by \$1,248,500 and, the anticipated draw on the Plan Review and Inspection Service Stabilization Reserve will be \$1,264,900 in 2020 and \$174,600 in 2021, resulting in a projected reserve balance of \$2,844,000 at the end of 2021.

The impact of not changing the fees will result in the program continuing to be subsidized by the stabilization reserve. According to the projected permit volumes, if the proposed fee increases are not implemented and the current fee structure remains, it is anticipated that the reserve balance will decrease to \$524,900 by December 31, 2022, and is projected to be fully depleted in 2023.

NEXT STEPS

City Council will consider a report to adjust fees for commercial building permits, as part of the proposed 2020/2021 Budget Deliberations. Should City Council approve the fee adjustments during Budget Deliberations, amendments to the Building Bylaw will be undertaken.

Confirmation of the fee changes would be provided to the key stakeholders directly. In addition, all marketing material and application forms would be updated and a notice will be placed on the City's website.

APPENDICES

1. Building and Development Permit Application Target Turnaround Times

REPORT APPROVAL

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