

## **Appendix 6**

### **Backgrounder: Building Permits and Development Fees**

#### **Issue**

The City of Saskatoon regulates building and development activities through *Bylaw No. 8770, the Zoning Bylaw* and *Bylaw 9455, the Building Bylaw*. The bylaws also set out the fee structure that the City charges for the development, construction, and use of all commercial, industrial, institutional, or residential properties and buildings. These regulatory fees, through permits and licenses, ensure that the public costs of monitoring quality of life, health and safety standards are recovered from the individual or business generating the cost. Recently, a proponent has requested that such fees be waived for the proponent's project located at 410 - 5<sup>th</sup> Avenue North. The City estimates that the value of the request is \$795,000.

#### **Background/Discussion/Analysis**

##### Approach to Building Permit and Development Fees

- Building permit and development permit fees are based on 100% cost recovery program objectives set by City Council. This means that the building permit and development permit programs do not receive any subsidy from the property tax.
- Activity based accounting principles, municipal benchmarking, and economic analysis is used during each fee assessment to determine a sustainable fee structure for the delivery of these services. Fees are reviewed every four years to maintain cost recovery objectives.
- The Building Permit Program is 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.
- In 2020, the Development Review Program Stabilization Reserve was created to accumulate funds to offset deficits in the Development Review Program due to revenue shortfalls from the decline in the number of development permit and land use applications, and to stabilize the effect annual fluctuations in development applications have on the mill rate.
- Provisions related to fees are administered through *the Zoning Bylaw, No. 8770* and *the Building Bylaw, No. 9455*. To maintain cost recovery program objectives, neither bylaw includes provisions for the consideration to grant the waiver of fees.
- The City has never waived building permit or development fees for any applicant or proponent.

##### Financial Implications - Building Permit Program

- Based on the 2020 established fee structure and the proposed value of construction for the proponent's project, the request to waive permit fees will result in a projected opportunity loss of \$750,000 in Building Permit Program revenue.
- As of April 30, 2020, Building Standards is projecting a revenue shortfall of \$600,000, which will result in an overall deficit of \$534,000. This will increase the anticipated draw on the Building and Inspection Permit Stabilization Reserve to \$1.80 million in 2020, resulting in a projected reserve balance of \$1.80 million at the end of 2020.
- Any further reduction in revenues would increase the draw on the Stabilization Reserve.

#### Financial Implications - Development Permit Program

- The projected financial impact associated with the proponent's request is a reduction of \$45,000 in Development Permit Program revenue.
- As of April 30, 2020, Development Review is projecting a revenue shortfall of \$176,000, offset by a \$137,000 reduction of expenses. This will result in a projected transfer and year-end balance of \$19,000 in the newly-established Development Review Program Stabilization Reserve. Further reduction in revenues will reduce the transfer to the Development Review Program Stabilization Reserve, with program deficits adding to the City's overall anticipated year-end deficit.