

## Building Standards – Proposed Program Fee Changes for 2024 and 2025

### ISSUE

Administration is proposing changes to fees for building, swimming pool and plumbing permit applications, to meet cost recovery objectives and maintain established service levels. The final consideration of these proposed fees will be made by City Council as part of the 2024 – 2025 Preliminary Operating Budget deliberations.

### RECOMMENDATION

That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council, that proposed fee changes outlined in the report be forwarded for consideration by City Council, at the 2024 - 2025 Preliminary Operating Budget deliberations.

### BACKGROUND

The Building Standards Department (Building Standards) is funded 100% through revenues generated from program and service fees. Building Standards is supported by the Building and Inspection Permit Stabilization Reserve (Stabilization Reserve), which was established to offset any deficits in the department's operations due to revenue shortfalls from declines in the number and/or type of building permits issued and unexpected program expenditures.

The fees for the residential building permit program are based on a cost per square foot of construction. The plumbing permit program fees are based on a per fixture and minimum permit fee. Fees for these programs require regular evaluation and adjustment to maintain cost recovery principles.

The commercial building permit program and swimming pool permit program are based on a cost per \$1,000 of construction value. These fee structures are more resilient to impacts associated with inflation.

### DISCUSSION/ANALYSIS

An increase to fees is recommended to maintain service levels and account for general program expenditure increases such as, but not limited to, salaries, fuel, banking fees and software licensing. The 2024 and 2025 proposed fee changes include the following:

- 3% increase per year to residential building permit fees;
- An increase of 2% to commercial building permit fees in 2024;
- Adjustment of the special inspection fee and swimming pool re-inspection fee to align with the re-inspection fee;
- Adjustment of \$6.00 per fixture to the plumbing permit fee in 2024;

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- 3% increase to the cost per fixture and minimum plumbing permit fee in 2025; and
- 3% increase per year to general program fees.

A complete list of proposed program fee changes for 2024 and 2025, as well as corresponding service levels are provided (see Appendix 1 and 2). A summary of annual revenues and expenses is also provided (see Appendix 3).

### Stakeholder Engagement

Three information sessions with the development industry were provided. In attendance were the Saskatoon & Region Home Builders' Association, Saskatoon Construction Association, The Greater Saskatoon Chamber of Commerce, Saskatoon Regional Economic Development Authority, Downtown Saskatoon, Riversdale Business Improvement District, Sutherland Business Improvement District, Broadway Business Improvement District, 33<sup>rd</sup> Street Business Improvement District, North Saskatoon Business Association, Tourism Saskatoon and Saskatchewan Realtors Association. The information sessions included conversations around proposed fee changes and consideration of changes to service levels.

Stakeholders from the construction industry place a high value on the level of services provided and prefer not to see a reduction in service levels. However, they also share concerns in the rising program costs and affordability of maintaining service levels associated with permit review targets.

Information was shared with the Mechanical Contractors Association of Saskatchewan. No feedback on the proposed rate changes was received at the time of writing this report.

### **FINANCIAL IMPLICATIONS**

Based on the proposed fees and permit volume forecasts, a summary of the financial implications is provided in the tables below.

<b>Building Permit Program</b>	<b>2024 Funding Gap(\$)</b>	<b>2025 Funding Gap(\$)</b>
Building Permit Revenue Forecast, prior to proposed increase	6,418,100	6,393,300
Operating Expense Budget Forecast	6,706,100	6,854,800
Funding Gap	(288,000)	(461,500)
Forecasted Revenue from Fee Increase	67,200	134,800
Other Revenue	95,300	95,300
<b>Total</b>	<b>(125,500)</b>	<b>(231,400)</b>

<b>Plumbing Permit Program</b>	<b>2024 Funding Gap(\$)</b>	<b>2025 Funding Gap(\$)</b>
Plumbing Permit Revenue Forecast, prior to proposed increase	720,200	737,200
Operating Expense Budget Forecast	839,400	857,100
Funding Gap	(119,200)	(119,900)
Forecasted Revenue from Fee Increase	114,400	149,800
Other Revenue	0	0
<b>Total</b>	<b>(4,800)</b>	<b>29,900</b>

The anticipated withdrawal from the Stabilization Reserve will be \$130,300 in 2024, and \$201,500 in 2025, resulting in a projected reserve balance of \$2,572,600 at the end of 2025.

The impacts of not changing fees while maintaining service levels will result in the program continuing to be subsidized by the Stabilization Reserve. If the proposed fees are not implemented the Stabilization Reserve balance is estimated to decrease to \$1,915,800 by 2025.

### **NEXT STEPS**

The preliminary operating budgets for 2024 and 2025 have been prepared based on the proposed fee increases outlined in the report. As part of the proposed 2024 – 2025 Business Plan and Budget deliberations, City Council will consider this report.

Administration may be directed to bring back options for further consideration. The options may consider reduction of program service levels or increased reliance on the Stabilization Reserve to fund program shortfalls.

Should City Council approve fees during Budget deliberations, amendments to the Building Bylaw, Plumbing Permit Bylaw and Swimming Pool Bylaw will be necessary to implement the proposed fee changes. If the proposed increases are not approved, the operating budgets will need to be adjusted.

### **APPENDICES**

1. Building Standards Department Proposed 2024-2025 Program Fees
2. Building Standards Department Program Service Levels
3. Building Standards Department Revenues and Expenses

### **REPORT APPROVAL**

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