

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

**Report Date:** June 21, 2024

**Meeting Date:** July 22, 2024

**Report Number:** PBS-114-2024

**File:** 56.49.4

**Subject:** Building Services Annual Report on Revenues, Expenses, and Stabilization Reserve Fund for 2023

**Strategic Pillar:**

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



## Recommendation

That Council receive Report PBS-114-2024, regarding Building Services Annual Report on Revenues, Expenses, and Stabilization Reserve Fund for 2023, for information.

## Summary

The Building Division witnessed reduced construction activity with only 937 Building Permits issued in 2023. This volume of issued Building Permits is below the ten-year average of 1176 permits issued per year. This reduced number of permits from the previous year resulted in Building Permit fee revenues that were lower than anticipated, resulting in direct / indirect costs exceeding the Division's revenues.

Building Division revenues in 2023 totaled \$2,818,245 with expenses (direct and indirect costs) totaling \$3,812,977. \$994,732 was transferred from the Building Division Reserve Fund to compensate for the shortfall. The Reserve Fund at the end of 2023 totaled \$1,694,887 (see Appendix 1).

The Building Division continued to modernize and develop its processes and demonstrated a marked improvement in its efforts to streamline its service delivery in 2023. The fully developed electronic permitting system (the 'BuildSTC' Building Permit application portal) is now capable of receiving all permit applications for all building types. Industry response to the BuildSTC portal has been positive. To ensure the portal

continues to meet permit applicant's needs, a client 'customer service feedback' survey has been created and implemented in Q1 of 2024.

## 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 Building Division supports and demonstrates the City's continued commitment to the building industry, businesses, landowners, and the citizens of the City of St. Catharines, in providing industry leading customer service and in ensuring the public's health and safety. As construction projects are proposed, constructed, and occupied the Building Division continues to deliver services reliably and effectively while meeting the complex demands of the construction industry.

## Background

Subsection 7(4) of the *Building Code Act (BCA)*, 1992, S.O. 1992, c. 23, requires that municipalities prepare an annual report that contains:

- The total building permit fees collected.
- The direct and indirect costs of delivering services related to the administration and enforcement of the BCA.
- The balance being transferred to, or drawn from, the Building Stabilization Reserve Fund at year end.

The BCA provides municipalities with the authority to collect fees to recover the cost of administration and enforcement of the BCA and the Ontario Building Code (OBC). Certain provisions of the OBC, found in Article 1.9.1.1 of Division C, outline the details of what can be included as part of the cost of providing services. These include direct costs, indirect costs, and provisions to create and maintain a reserve fund. The BCA also states under Subsection 7(2) that permit fees collected must not exceed the anticipated reasonable costs to administer and enforce the BCA and OBC. Therefore, any excess revenue must be transferred to the Building Stabilization Reserve Fund. The purpose of this reserve fund is to:

- Support the Building Permit program during cyclical periods of reduced building and construction activity.
- Finance new initiatives that may involve capital expenditures, technology, and staffing.
- Provide for service enhancements and training.
- Cover other unexpected expenses.

The Building Division of Planning and Building Services (PBS) has attempted to balance the revenues received through permits fees with the anticipated costs of administering and enforcing the Act, while modernizing service delivery to match the needs of the development community.

It is necessary to establish and maintain a Building Stabilization Reserve Fund Policy to assist in mitigating risks associated with economic downturns, 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 amended the BCA to require all municipal Building Departments in Ontario to operate on the Enterprise Model. Moving forward, any Building Department surplus would transfer to reserve funds and could not be transferred to the general coffers, thereby restricting it from being used for any other municipal services. Reserves are used for the administration and enforcement functions related to the BCA and the OBC only. A stabilization reserve fund also manages the risk associated with possible economic downturns and is available to fund one-time capital expenditures thereby eliminating unwelcomed fee fluctuations. It is a fund isolated from other municipal reserves and is 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 Division are 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, Building Division staff are highly technical and must undergo extensive training to attain and maintain qualifications required by legislation. Therefore, staff retention is critical to Building Divisions during downturns in construction cycles. As mentioned above, the BCA requires that municipalities, on an annual basis, prepare a report indicating the value of the reserve funds set aside and how that fund relates to the administration and enforcement of the BCA and the OBC. Appendix 1 of this report is a summary of revenues and costs, in accordance with subsection 7(4) of the BCA, pursuant to Clause 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.

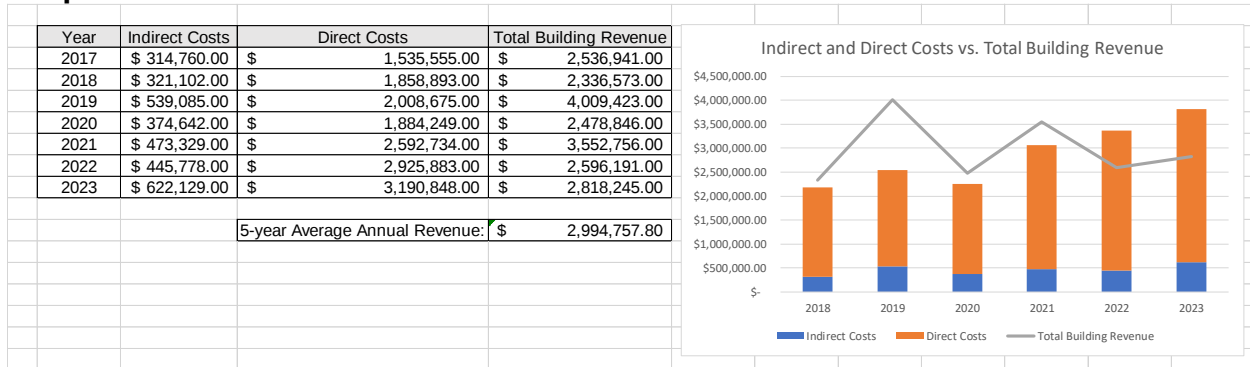
## **Report**

### **Financial Summary**

Revenues generated by the Building Division for the year 2023 was \$2,818,245; an 8.5% increase from revenues generated in 2022 (\$2,596,191). The total cost of operations (direct and indirect costs) for 2023 exceeded the Building Division's revenue by \$994,732, which was transferred from the Reserve Fund at year end. The total amount available in the Reserve funds at the end of 2022 was \$1,694,887.

The financial statement for 2023 is attached to this report (see Appendix 1) and illustrated in Graph 1 below.

**Graph 1**



## Building Reserve Fund

The BCA makes provision for the difference between revenues and costs to be placed in a reserve fund. Many municipalities have a policy for establishing, maintaining, and managing a Building Permit Stabilization Fund to sustain service levels and service delivery which includes a target ranging between one-and-a-half to three times the annual operating budget. Based on the 2023 budget of total operating costs (\$3,812,977), if the City had a similar Policy, the target reserve balance should be between \$5,719,465 and \$11,438,931.

The current ratio of reserve to operational costs is significantly below this industry standard, at less than half of the annual operating budget. This value has been trending downward for several years and continues to be significantly below industry standards.

As the result of high interest rates in 2023 construction and permit values trended to extremely low levels. With little evidence that mortgage rates will drop significantly within the first half of 2024, forecasts are predicting the sluggishness to continue well into the year. An anticipated uptick in construction in Q3 and Q4 of 2024 should result in more typical revenues for the Building Division. However, until market conditions and interest rates improve, the City does not expect to meet five-year averages.

## Performance Measurements

### Timelines:

#### Permit Applications

Article 1.3.1.3 of Division C the OBC mandates specific timeframes for Building Permit issuance and required inspections. Depending on their complexity, Building Permits must be issued in either 10, 15, 20, or 30 days. These timeframes commence once a permit application has been deemed 'complete'. The 'completeness' of permit applications must be determined within two days of submission. Intermittently, the Building Division continues to experience periods where permit applications are being submitted faster than they can be assessed and processed.

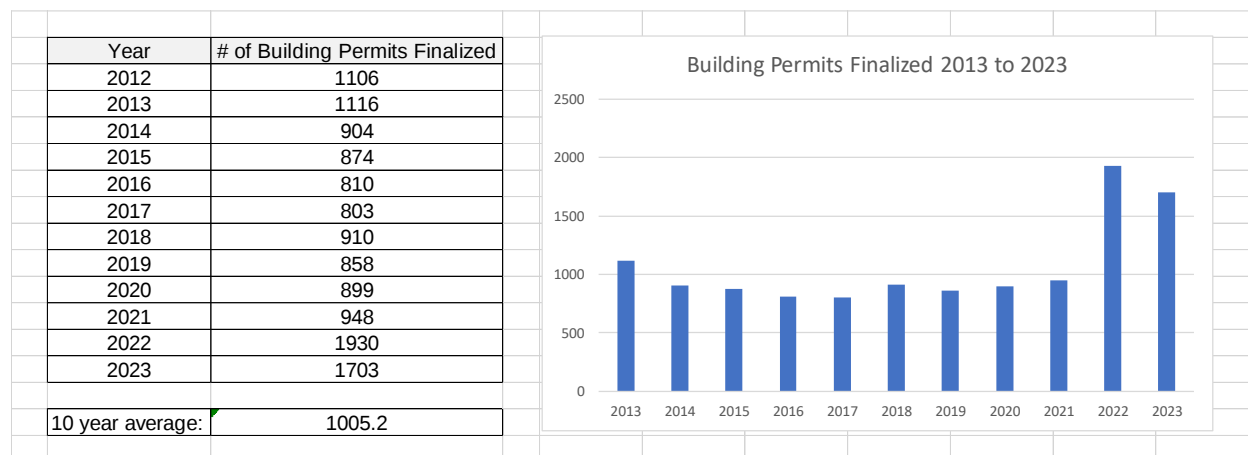
Building Technicians and Administrative Clerks are responsible for frontline customer service. They meet and greet permit applicants at the customer service desk, intake

applications, payments, and conduct file processing and administrative duties. The staff in these positions are critical in maintaining good customer service and to assisting in ensuring legislated deadlines for permit issuance are regularly achieved.

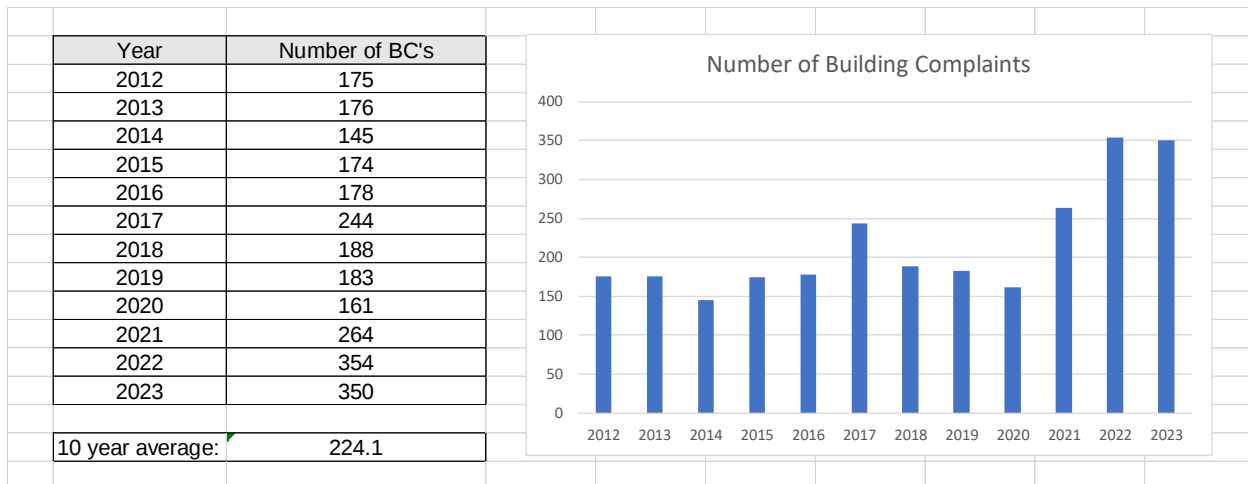
### Inspections and Building Code Complaints

Article 1.3.5.3 of Division C of the OBC requires that, upon request for an inspection, Building Inspectors shall attend to perform the inspection within 48 hours (commencing the day after the request). Building inspections are primarily conducted to determine compliance with the regulations. Building Inspectors are also tasked to take enforcement action when OBC deficiencies are discovered. In addition to inspecting new construction / demolition projects, Building Inspectors also investigate potentially unsafe buildings, provide liquor licensing inspections as well as investigate building code complaints such as illegal apartments, building without permits, and buildings damaged by fire. Generally Building Inspectors are meeting legislated requirements for regular, day-to-day inspection requests.

The City of St. Catharines Building Division continued in its efforts to investigate and finalize old / outstanding permits. Municipalities in Ontario are expected to take all necessary steps, including unprompted inspections and permit revocation where necessary, to finalize Building Permits. Each old / outstanding Building Permit in our system is a potential liability to the Corporation, and every effort should be made to resolve them. St. Catharines Building Inspectors continued in their efforts in 2023 to sign-off old / outstanding Building Permits. Some of these Building Permits were issued more than two decades ago. In 2023, **1703 Building Permits** were finalized, exceeding the 10-year average of only 1005 Building Permits signed-off per year. The chart below highlights the progress the Building Inspectors made in 2023:

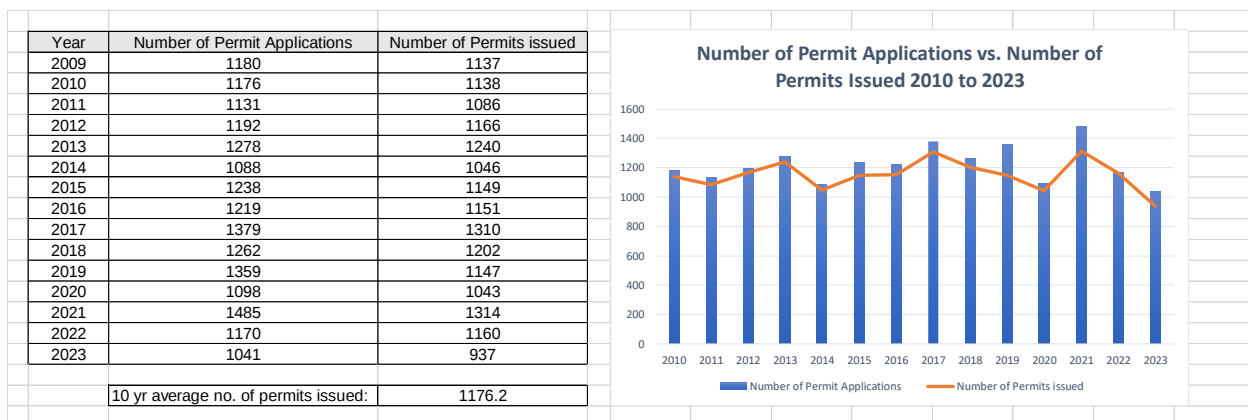


The number of Building Complaints (BC's) remained high in 2023. As depicted in the chart and graph below, the Building Division received 350 building related complaints, substantially higher than the 10-year average number of complaints received per year (224 complaints):

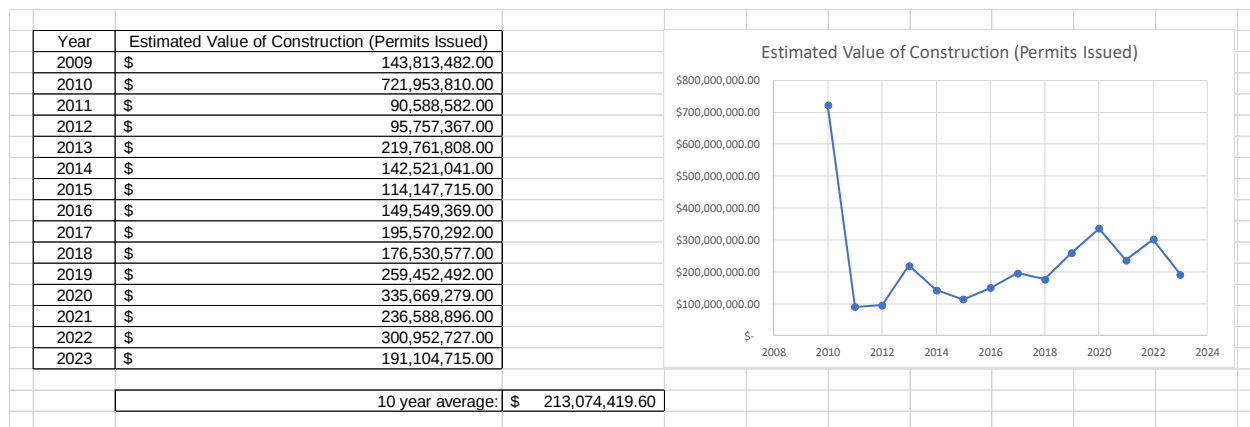


## Building Permit and Construction Activity

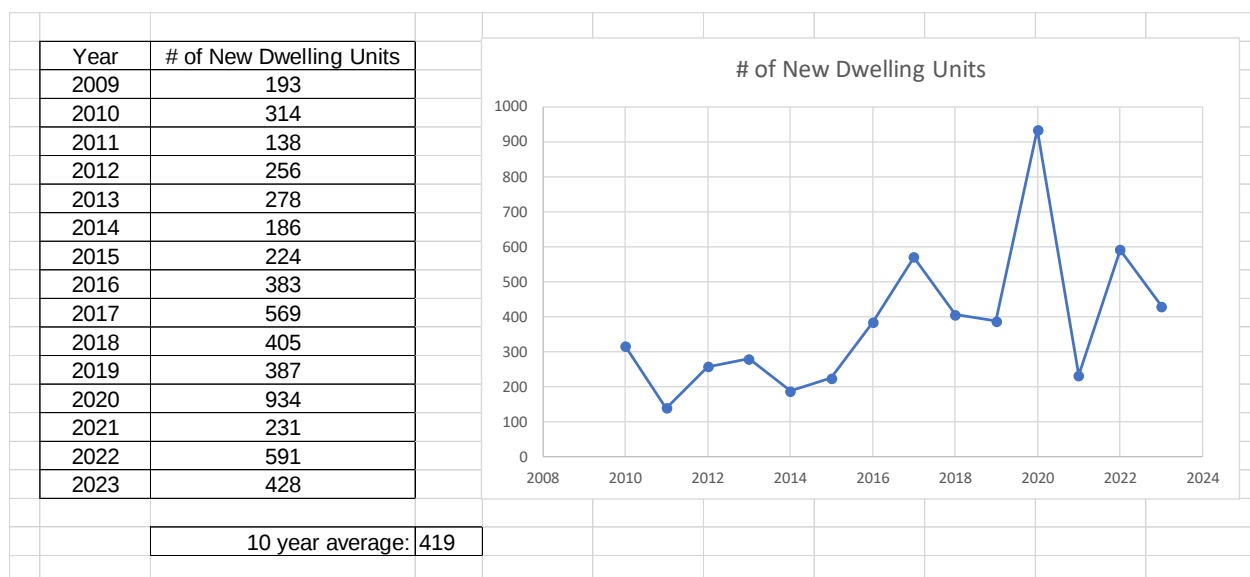
In 2023, **937** Building Permits were issued (of the **1,041** Building Permit applications that were submitted), as depicted in the chart and graph below:



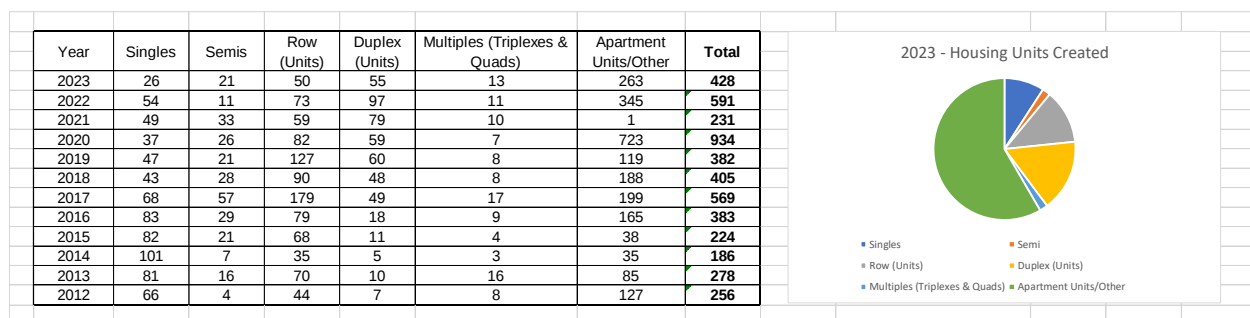
The total estimated construction value (EVC) for 2023 was **\$191,104,715**, down from **\$300,952,727** in 2022 (see Appendix 2 for a break-down of EVC values). EVC's are generally considered to be a reasonable indicator of economic activity within a geographical area. Building Permits representing projects with estimated costs of construction exceeding 1 million dollars can be found Appendix 3. It is evident that St. Catharines' construction related economic activity in 2023 continues to be sluggish, as depicted in the chart and graph below:



The number of new dwellings created in St. Catharines in 2023 was **428**, slightly higher than the 10 year average, as depicted in the chart and graph below:

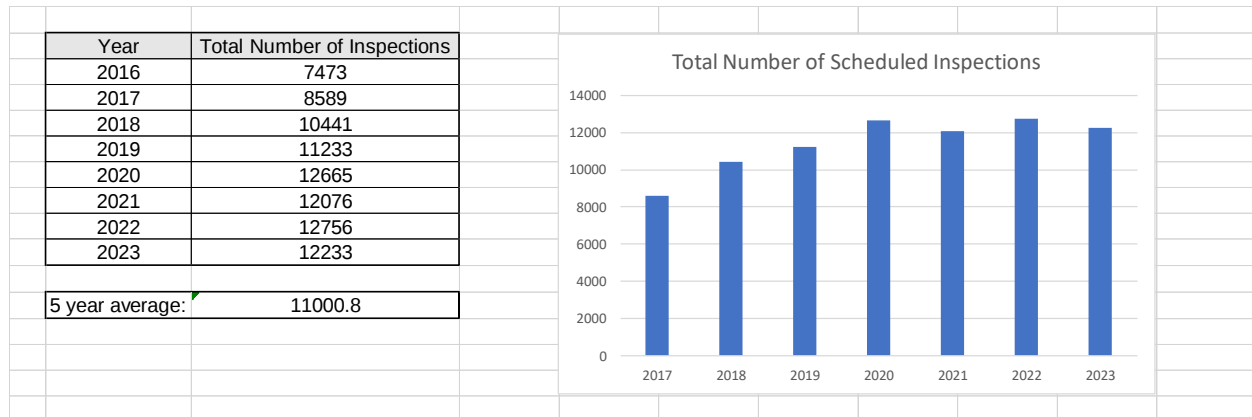


At a more granular level, apartment units were the highest category of new housing units created in 2023 in St. Catharines with 263 approved through the Building Permit process. Duplexes were the next highest with 55 units created, as depicted in the following chart and graph:



## Building Inspection Activity

The graph and chart below provide the total number of building inspections across different disciplines (architectural, plumbing and HVAC) for the last six years. In 2023, the total number of inspections carried out was **12,233**, well above the 5-year average of 11,000 building inspections per year:



## Work Plan for 2024

As part of the Building Division's efforts to modernize its service delivery, the current Building By-law, By-law 2011-334, will require significant revamping or repeal / replacement. The Large Municipality Chief Building Officials (LMCBO) have provided a standardized 'building by-law template' for large municipalities to use to modernize their Building By-laws. Significant updates include the following:

- A requirement to obtain and provide Zoning Certificates as part of 'complete permit applications.'
- To provide lot grading, drainage and servicing plans as part of all residential permit applications, (up to and including 10 residential lots).
- To provide specific documents as part of Conditional Permit and Alternative Solution applications.
- Notice requirements for inspections.
- Improved permit fee calculations (in instances where a fee cannot be calculated in accordance with the Rates and Fees By-law).
- Improved administrative fee calculation formulas.
- Convert the By-law to Metric from Imperial measurements.

## Electronic Permitting Technology

The electronic permit application portal 'BuildSTC' has been fully developed for permit applications for houses. This portal will enhance customer service by allowing permit-holders, contractors, and homeowners to submit their Building Permit applications and payments online from their homes, offices, and / or places of business. Saving the cost, effort and time associated with having blueprints made, travel to the office for out-of-town users, parking, etc., the 'BuildSTC' portal will prove to be a significant enhancement to PBS customer satisfaction. Furthermore, this electronic permit process

will allow staff to continue to work remotely, including from home and / or job sites and will reduce the need for paper storage.

The 'BuildSTC' portal requires ongoing inhouse technical support to deal with any unforeseen issues that arise and to ensure it is operating at optimal efficiency. To perform this function, an Amanda Business and Applications Analyst has been created within existing complement and cost-shared with the Fire Department to assist them in their ongoing AMANDA updates and maintenance.

## **Zoning Verifications and Property Reports**

Zoning Technicians play an integral role in supporting development. Currently, St. Catharines has two Zoning Technicians who contribute to the processing of the following:

- Zoning amendments
- Minor Variances
- Land Division applications
- Deeming By-laws
- Niagara Escarpment development applications
- Site Plan Control and Site Plan Agreements
- Pre-consultations
- Official Plan and Zoning Amendments
- Part Lot Control
- Subdivision Agreement and Condominium Approvals
- Development Agreements
- Heritage Permits
- Lawyers' enquiries related to real estate transactions and
- Liquor License applications

In addition to the above, and most recently, Zoning Technicians have been tasked with reviewing Zoning permissions in a supporting role to Short Term Rental application processes.

According to data collected from the AMANDA tracking system, the work volume for the two Zoning Technicians has shown a steady increase. The driving factors for the increase in the number of files handled by the Zoning Technicians are:

- An increase in the number of Committee of Adjustment applications for Minor Variances (primarily the result in applications by homeowners to create Accessory Dwelling Units in their basements).
- An increase in applications and renewals for Short Term Rental Licences.
- An increase in Zoning Verification / Property Report letters indicative of the recent bullish real estate market.

As the result of these mounting and impending pressures, the Zoning Technicians will continue to fall behind in their day-to-day duties. An additional Zoning Technician

(bringing the number to three) is required to meet acceptable timelines for responses for information and to continue to support economic development in an expedient way.

It is anticipated that when the new Building By-law is enacted, that requires permit applicants to obtain and provide Zoning Certificates as part of 'complete permit applications', the work volume for the Zoning Technicians will spike even higher. Based on the 10-year average of 1176 Building Permits issued per year, at the fee of \$204 per Zoning Certificate, projected revenues of approximately \$239,000 will self-fund an additional Zoning Technician, starting in 2025, to be considered at a future budget discussion.

## **Development Engineering**

Development Engineering Technologists play a critical role in the majority of new developments in the City. They provide Engineering support to consultants / applicants, review, comment on and provide conditions to related development proposals such as:

- Building
- Servicing
- Pool Permits,
- Committee of Adjustment applications (Land Divisions & Minor Variances)
- Official Plan Applications & Zoning Amendment Applications
- Site Plan Applications
- Plan of Subdivision Applications

Among their varied duties, they complete detailed engineering review and approvals of development proposals which include, civil and other design drawings, civil reports (geotechnical, drainage, stormwater management, functional servicing, noise, lighting studies, etc.), and civil cost estimates related to both on and off-site lands, during the detailed design review stage for all types of development applications. They also track and manage development-related accounts, securities, fees, and deposits.

Currently, there are three Development Engineering Technologists who are providing excellent service to the industry and the City but are falling more and more behind. The number of development applications has increased significantly in 2023. Planning Division staff predict that this marked increase in Site Plan Applications will continue into 2024 and beyond. Planners are mandated to execute Site Plan Agreements in legislated timelines and are highly dependent on the services the Development Engineering Technologists provide.

## **Financial Implications**

The current Building Stabilization Reserve Fund at the end of 2023 totaled **\$1,694,887**. While currently lower than the industry standard, it should provide adequate funding for the Building Division in 2024.

## **Conclusion**

The annual financial report is required by the Building Code Act and provides information on revenues, expenditures, and the status of the Building Reserve fund. The number of Building Permits issued by the Building Division in 2023 may have been below the 10-year average, but revenues remained stable. As the result of high interest rates, construction activity in St. Catharines remained sluggish in 2023 and into 2024. With the anticipated interest rate reduction later on in 2024, the number of permits (and revenues) could result in more typical averages.

### **Prepared and Submitted by:**

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## **Appendices**

1. Summary of Revenues and Costs
2. Ten Year Estimated Construction Value
3. Largest projects of 2023

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

| <u>Estimated Costs of Delivering Services (Direct and Indirect)</u> | <u>Actual<br/>2023</u> | <u>Actual<br/>2022</u> | <u>Actual<br/>2021</u> | <u>Actual<br/>2020*</u> | <u>Actual<br/>2019</u> |
|---------------------------------------------------------------------|------------------------|------------------------|------------------------|-------------------------|------------------------|
| Opening Balance of Reserve Fund                                     | \$2,550,007            | \$3,242,537            | \$2,732,527            | \$2,487,536             | \$1,011,114            |
| Interest                                                            |                        |                        |                        |                         |                        |
| Direct Administration and Enforcement Costs                         |                        |                        |                        |                         |                        |
| Staffing Costs (Direct Support Staff)                               | \$3,079,661            | \$2,848,358            | \$2,408,460            | \$1,795,423             | \$1,907,092            |
| Direct Office Expenditures                                          | \$111,187              | \$77,525               | \$184,274              | \$88,826                | \$101,583              |
| <b>Total Direct Administration and Enforcement Costs</b>            | <b>\$3,190,848</b>     | <b>\$2,925,883</b>     | <b>\$2,592,734</b>     | <b>\$1,884,249</b>      | <b>\$2,008,675</b>     |
| Indirect Administration and Enforcement Costs                       |                        |                        |                        |                         |                        |
| Staffing Costs (Indirect Support Staff)                             | \$63,852               | \$40,573               | \$94,473               | \$48,763                | \$70,064               |
| Indirect Office Support Costs                                       | \$558,277              | \$405,206              | \$378,856              | \$325,879               | \$469,021              |
| <b>Total Indirect Administration and Enforcement Costs</b>          | <b>\$622,129</b>       | <b>\$445,778</b>       | <b>\$473,329</b>       | <b>\$374,642</b>        | <b>\$539,085</b>       |
| <b>Total Direct and Indirect Costs</b>                              | <b>\$3,812,977</b>     | <b>\$3,371,661</b>     | <b>\$3,066,064</b>     | <b>\$2,258,892</b>      | <b>\$2,547,760</b>     |
| <b>Total Building Revenue</b>                                       | <b>\$2,818,245</b>     | <b>\$2,596,191</b>     | <b>\$3,552,756</b>     | <b>\$2,478,846</b>      | <b>\$4,009,423</b>     |
| <b>Revenue/(Deficit) for current year of</b>                        | <b>-\$994,732</b>      | <b>-\$775,470</b>      | <b>\$486,692</b>       | <b>\$219,954</b>        | <b>\$1,461,663</b>     |
| Interest Earned                                                     | \$139,611              | \$82,941               | \$23,318               | \$25,037                | \$14,759               |
| <b>Balance to be transferred to/(from) Reserve Fund</b>             | <b>-\$994,732</b>      | <b>-\$775,470</b>      | <b>\$486,692</b>       | <b>\$219,954</b>        | <b>\$1,461,663</b>     |
| <b>Balance of Reserve Fund</b>                                      | <b>\$1,694,887</b>     | <b>\$2,550,007</b>     | <b>\$3,242,537</b>     | <b>\$2,732,527</b>      | <b>\$2,487,536</b>     |

Note \* 2020 - due to COVID shutdown in building industry, assume only 2/3 indirect staffing & office support cost was occurred

## Appendix 2

### Estimated Value of Construction for the years 2012-2023

|      | All Construction | Residential   | Industrial, Commercial and Institutional | Other Permit Types | Three year average |
|------|------------------|---------------|------------------------------------------|--------------------|--------------------|
| 2023 | \$191,104,715    | \$118,976,059 | \$66,057,337                             | \$6,071,319        | \$242,844,478      |
| 2022 | \$300,952,727    | \$205,206,320 | \$87,300,513                             | \$10,112,775       | \$291,032,666      |
| 2021 | \$236,475,993    | \$75,781,996  | \$150,581,222                            | \$10,112,775       | \$276,865,921      |
| 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        |                    |

### Appendix 3 - Major Building Projects Over \$1,000,000:

|                                                                                                                                         |                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Construct super structure only Apartment Building<br><b>\$45,750,000</b><br>57 Carlisle Street                                          | Repair Curtain Walls and Exterior Punched Windows of Bus Terminal and Offices<br><b>\$9,000,000</b><br>301 St. Paul Street                                 |
| 'Construct Manufacturing Facility and Warehouse for 'Sun Country Leisure'<br><b>\$6,000,000</b><br>40 Benfield Drive                    | Construct New Fire Hall<br><b>\$6,000,000</b><br>192 Linwell Road                                                                                          |
| Construct 154.78 m2 addition to existing Mezzanine, Alteration of Gyms and Changerooms<br><b>\$4,500,000.00</b><br>40 Glen Morris Drive | Construct a foundation only for a residential apartment building<br><b>\$4,200,000.00</b><br>1024 Vansickle Road N                                         |
| 'Construct a 3 Storey 28 Unit Apartment Building - 'The Essentialist'<br><b>\$3,800,000</b><br>268 Oakdale Ave                          | Alterations/Renovations to Interior and Exterior for Tepperman's<br><b>\$2,100,000.00</b><br>399 Louth Street                                              |
| Alterations to chemical storage building and containment area HVAC system.<br><b>\$1,700,000</b><br>27 Lombardy Avenue                  | Replacement of dehumidification system, including piping and ductwork<br><b>\$1,641,471.00</b><br>240 St. Paul Street W                                    |
| Construct "Shell" building for 'Starbucks'.<br><b>\$1,500,000.00</b><br>350 Ontario Street                                              | Alterations to Gillian's place<br><b>\$1,500,000</b><br>15 Gibson Place                                                                                    |
| Interior alterations to store for 'Ashley Homestore'<br><b>\$1,400,000</b><br>1 North Service Road                                      | Installation of sprinkler and standpipe system for entire building for 40 Towering Heights-Shipman2<br><b>\$1,369,000</b><br>32 Towering Heights Boulevard |
| Alterations of Carport Entrance and Parapets for Best Western<br><b>\$1,300,000.00</b><br>2 North Service Road                          | Construct Block of 5, Townhouses w/ Unfinished Basements (Blk #4, Units 8-12)<br><b>\$1,250,000</b><br>1076 Vansickle Road                                 |
| Construction Three Unit Rowhouse w/ Ground Floor Accessory Dwelling Units<br><b>\$1,200,000</b><br>25 Oakdale Ave                       | Alterations to 'Prince Philip Elementary School' for HVAC Upgrades and BAS Work<br><b>\$1,150,000.00</b><br>600 Vine Street                                |
| Interior Renovation for 'Huntington Animal Hospital'<br><b>\$1,100,000</b><br>235 Martindale Road                                       | Tenant Fit-Out for Glenridge Animal Hospital<br><b>\$1,100,000</b><br>224 Glenridge Avenue                                                                 |
| Construct new 3-unit townhouse block 2<br><b>\$1,050,000</b><br>83 Louth St.                                                            | Construct Semi Detached Dwellings with 3 ADUs<br><b>\$1,000,000</b><br>234A/234B Vansickle Road                                                            |
| Construct block of 3 Townhouses w/ Finished Basement (Blk#4, Units 5,6,&7)<br><b>\$1,000,000</b><br>1076 Vansickle Road                 | Alterations to replace doors and adding security system in Alan Earp Residence<br><b>\$1,000,000</b><br>1812 Sir Isaac Brock Way                           |
| Construct Superstructure 2 Story Mixed Use Building<br><b>\$1,000,000</b><br>401 Ontario Street                                         | 'Removal of Interior Finishes, Alterations to West Entrance, Replace Rooftop Units'<br><b>\$1,000,000</b><br>285 Geneva Street                             |