



STAFF REPORT TO COMMITTEE

DATE OF REPORT November 2, 2023
MEETING TYPE & DATE Electoral Area Services Committee of December 6, 2023
FROM: Inspection & Enforcement Division
Land Use Services Department
SUBJECT: Building Permit Fees
FILE: 3900-30

PURPOSE/INTRODUCTION

The purpose of this report is to inform the Electoral Area Services Committee of proposed Building Permit fees associated with the new Building Regulation Bylaw No. 4433 and to detail how the fees compare to neighboring Districts and Municipalities.

RECOMMENDED RESOLUTION

For information.

BACKGROUND

At the October 18, 2023, Committee meeting, direction was given to staff to report back and inform the Committee on proposed Building Permit fees and how they compare to neighbouring Districts and Municipalities.

ANALYSIS

Regional Districts and Municipalities across Vancouver Island and BC charge and administer fees differently. After a thorough review of the fee structures used by other local governments, three distinct methods were discerned.

Method 1: Valuing the Building Permit based on the total cost of construction, typically charging the building permit out at 1% of the total declared construction cost. For example; \$800,000 worth of construction would equate to a \$8,000 permit.

Method 2: Valuing the Building Permit using a tiered system based on the overall cost of construction. For example; the Building Permit will cost 'X' for the first \$100,000 of total value, and then an additional 'Y' for every \$1,000 of additional declared cost or part thereof.

Method 3: Valuing the Building Permit based on an established set of values that relate to typical building features and overall floor area. For example:

$$(\text{floor area} \times 'Y') + (\text{number of plumbing fixtures} \times 'Z') = \text{Cost of Building Permit}$$

Method 3 is currently how the CVRD values Building Permits and is the same method that Staff are recommending to continue with.

As observed throughout the construction industry near the end of 2019 and at the beginning of 2020, the cost of building materials skyrocketed, largely due to the impact of forestry legislation, the COVID-19 pandemic and supply chain challenges. Subsequently, the cost of real estate and existing homes also began to inflate. Although building materials have come down in price since 2019-2021, the cost remains much higher than pre-pandemic levels. In addition, the cost of a complete home that is capable of supporting occupancy remains higher than the raw costs to construct a home which is compounded by recent interest rate hikes and inventory shortages.

When considering methods 1-3 versus the current economic conditions and inflation, it is clear that the cost of Building Permits becomes relative to the cost of construction under methods 1 and 2. This means that an already inflated construction cost will result in an inflated Building Permit fee. Further, applicants in pursuit of a Building Permit will pay additional fees for a higher level of finish than a neighbour who builds the identical dwelling unit with standard or economical levels of finish. Staff have also recently observed a larger number of applicants taking a DIY approach to labor in addition to utilizing recycled materials to keep costs down.

Method 3, on the other hand, provides for a consistent set of fees which promotes equality amongst a broad spectrum of permits, and is less affected by economic variables, such as interest rates, rapid home price escalation, supply chain disruptions or driving building costs.

For the purposes of this report, staff compared CVRD fees to neighboring local governments. As most organizations charge and apply fees differently, staff have chosen to also price Building Permit fees for the same dwelling unit under the conditions of each organization. Staff will be using sample house plans found under Attachment A, the home contains a 422 sq. ft. garage, a secondary suite, a 128 sq. ft. deck, 13 plumbing fixtures and has approximately 1,291 sq. ft. of habitable living space upstairs, and 1,011 sq. ft. of habitable living space downstairs. Staff will assume the cost to construct a home by the square foot at \$300/sq. ft. which will result in this home costing approximately \$815,000 to construct. However, staff will also synthesize building permit fees using a \$200/sq. ft. value as well to demonstrate how Building Permit fees can fluctuate under certain methods. The identical house constructed at \$200/sq. ft. would cost \$545,000. Note these values do not reflect additional fees with regard to utility or other service connections which may be applied simultaneously with the Building Permit fees.

Municipality of North Cowichan:

The Municipality of North Cowichan utilizes method 3 and applies fees on a cost per square foot basis. The fees are unaffected by the differences in construction costs.

The total building permit fee in North Cowichan for this home would be \$3,500.

Town of Ladysmith:

The Town of Ladysmith applies fees using a hybrid system of both methods 1 and method 3. For method 3; they apply a cost on a square foot basis, and those values are slightly lower than others, but they take a higher percentage value (1.1%). However; the Town reserves the right to request an appraisal of the construction which may push the fee towards a 1.1% overall value, more in line with method 1.

The total building permit fee in the Town would be \$3,350 when applying method 3.

City of Duncan:

The City of Duncan applies method 2 basing the fee on fractions of the construction value using a tiered system. The City requires a strong application fee, but credits it towards the total permit fee unless multiple submissions are required.

The total building permit fee in the City for an \$815,000 home would be \$4,500.
The total building permit fee in the City for a \$545,000 home would be \$3,200.

Town of Lake Cowichan:

The Town of Lake Cowichan applies fees on a cost per square foot basis using method 3. The fees are unaffected by the differences in construction costs.

The total building permit fee in the Town for this home would be \$3,750.

City of Nanaimo:

The City of Nanaimo applies fees using method 2.

The total building permit fee in the City for an \$815,000 home would be: \$6,100.
The total building permit fee in the City for a \$545,000 home would be: \$4,210.

Alberni Clayoquot Regional District (ACRD):

The ACRD utilizes method 2 by applying fees on a “tiered” or “stepped” system by requiring certain fees to be paid based on fractions of the estimated construction costs.

The total building permit fee in the ACRD for an \$815,000 home would be \$5,400.
The total building permit fee in the ACRD for a \$545,000 home would be \$3,770.

Capital Regional District (CRD):

The CRD utilizes method 3 by applying an application fee and assigns overall fees on a cost per square foot basis. The fees are unaffected by the differences in construction costs.

The total building permit fee in the CRD for this home valued at both \$815,000 and \$545,000 would be \$4,750.

Regional District of Nanaimo (RDN):

The RDN utilizes “Marshall and Swift” technology to cost many of their permits. However, using information on their website; the application fee would be \$1,000 and credited towards the overall fee, a base fee of \$250 would be applied, and the remainder of the fee would be assigned based on 1% of the construction value. When adding plumbing fixtures, the cost of the permit could be as high as \$8,500. Feedback received from builders and developers is that these fees are exorbitant and disproportionate. Using the lesser value; the permit would cost just under \$6,000.

Cowichan Valley Regional District (CVRD):

The CVRD applies fees using method 3.

Cost of Permit under Bylaw 3422: \$3,160

Cost of Permit under Bylaw 4433: \$3,550 + \$250 Application Fee = \$3,800

Cost of Permit using \$815,000 Value: \$3,800

Cost of Permit using \$545,000 Value: \$3,800

Fees have increased roughly 15-20% under proposed Bylaw No. 4433 from the previous fees prescribed by Bylaw No. 3422, recognizing that the cost to deliver building inspection services has increased and these services are funded in large part by permit fees. Building inspection services include physical site inspections, plan reviews, permit intake, records management, fleet management, bylaw enforcement, administrative tasks and responding to a large volume of correspondence or inquiries. In addition, the Building Inspection Division must maintain compliance with provincial legislation respecting certification and continued professional development.

Realtor Request Fees:

The CVRD is proposing to charge \$25 for the routine release of building permit records after previously providing the service for free. These requests are most typically made by realtors and home owners. Information most often requested and permitted to be released without a Freedom of Information request includes copies of issued Building Permits, private property land surveys and septic system records. The above documents have been digitized and are readily available.

On average, it takes a staff member 15-30 minutes to receive a request, determine what information can be released, print the information and inform the requester that they may pick up the information. Current challenges include repeat requests of the same property having been made by multiple interested buyers and requested information not being picked up.

Staff believe that the nominal \$25 fee is appropriate and anticipate that the fee will prevent repeated or insincere requests. Staff are concerned that significantly higher fees will deter the public from performing due diligence as well as creating a cause for negative backlash.

For clarity, the \$25 fee does not include time spent with a Building Official to review the information – it is simply the release of the information. An actual file review with a Building Official is listed at \$50/hr., or part thereof which is in line with the proposed fee for time spent on plan revisions, or special inspections. Complex or large files are delegated to a Building Official to review or are otherwise forwarded to Freedom of Information.

Fees applied by other organizations are as follows, assuming the task takes no longer than 30 minutes:

- North Cowichan: Free, \$50 to review with Building Official.
- Town of Ladysmith: \$50, includes review with Building Official.
- City of Duncan: \$50, includes review with Building Official.
- Town of Lake Cowichan: \$50
- City of Nanaimo: \$50, includes review with Building Official.
- Regional District of Nanaimo: \$40
- Alberni Clayoquot: Free. Currently meeting to discuss a fee.

When discussing the matter with neighboring jurisdictions; many have yet to contemplate a fee for simply just the release of the information and typically avoid charging \$50 when a discussion with a Building Official is not requested. That said, most organizations are feeling the same strain as CVRD staff by not charging for this service and are planning on considering a separate specific fee moving forward.

Conclusion:

Although the Cowichan Valley Regional District has increased fees; the trend of current inflation and interest rates appear to be a driver of fewer Building Permits applications and subsequently less construction being undertaken in the area.

Staff have carefully considered the proposed changes by weighing all factors including inflation, the cost of construction, the cost of living, fees applied by neighboring jurisdictions as well as the total percentage of increase given that fees have not been increased in approximately a decade.

It was the conclusion of staff that a modest increase utilizing the same and familiar method of applying fees would be best received by the public given the current economic climate and that consistent and yet affordable fees would continue to promote the construction of needed dwelling units in the region.

FINANCIAL CONSIDERATIONS

It is anticipated that the new bylaw will increase Building Permit revenue by 15-20%, provided a consistent number of Building Permits are received.

COMMUNICATION CONSIDERATIONS

Staff will inform local contractors of changes to the Building Bylaw.

STRATEGIC/BUSINESS PLAN CONSIDERATIONS

N/A

GENERAL MANAGER COMMENTS

The CVRD has legislative authority to, by bylaw, impose fees and charges for the purpose of recovering the costs of its services (*s. 378 Local Government Act*). Such a bylaw may also include a fee for obtaining copies of records that are available for public inspection.

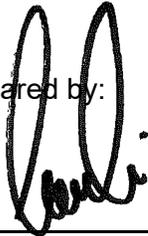
CVRD building inspection service fees and changes have been determined in consideration of the level of staff effort and other costs associated with various permit types (e.g. single detached dwelling construction may require 10 separate inspections), and with consideration for neighboring local government fee structures.

Local government imposition of fees and charges, based on a cost recovery model, is intended to generate revenue to offset service costs but cannot legally generate profit (unlike a private business).

Referred to (upon completion):

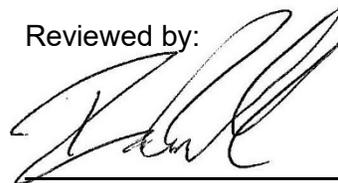
- Community Services (*Cowichan Community Centre, Cowichan Lake Recreation, South Cowichan Recreation, Arts & Culture, Facilities & Transit*)
- Corporate Services (*Finance, Human Resources, Information Technology, Legislative Services*)
- Operations (*Utilities, Parks & Trails, Recycling & Waste Management*)
- Land Use Services (*Community Planning, Strategic Initiatives, Development Services, Building Inspection & Bylaw Enforcement*)
- Strategic Services (*Communications & Engagement, Economic Development, Emergency Management, Environmental Services*)

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Reviewed for form and content and approved for submission to the Committee:

Resolution:

Corporate Officer

Financial Considerations:

Chief Financial Officer

ATTACHMENTS:

Attachment A – Sample Building Plans

Attachment B – Building Fee Table

Attachment C – Building Regulation Bylaw No. 4433