

# *Town of Newmarket Building Permit Fee Review*



# Study Objectives

Establishing fees that:

- Support operational effectiveness
- Support financial sustainability
- Are fair and equitable
- Recover the full cost of service
- Mitigate potential risks and liabilities
- Are competitive



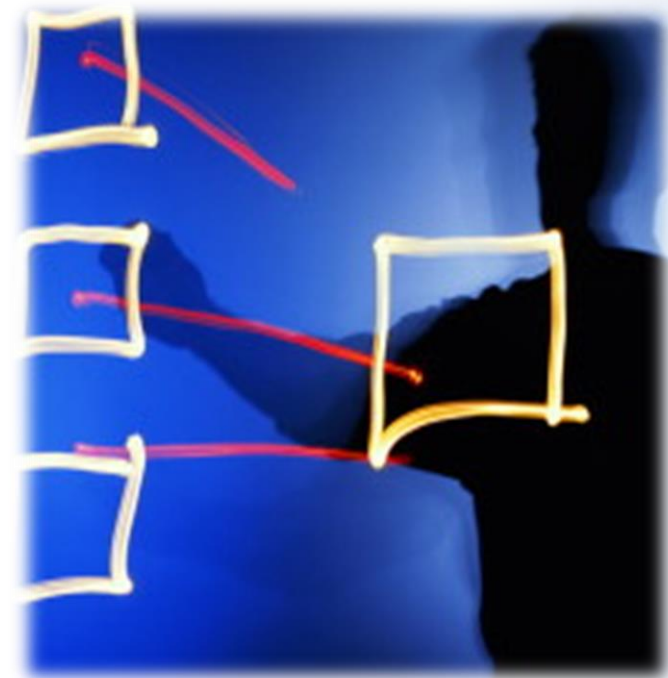
# Approach – Building Permit Fees

## Review Process

- Consider the appropriateness of the existing fee structure
- Identify budgetary costs using activity based costing and full cost accounting principles
- Process mapping
- Identify time required in each step in the process
- Calculate a per unit cost
- Calculate proposed fees and make recommendations with respect to fee structure
- Compare recommended fees to other municipalities
- Review and make recommendations on reserve requirements

## Review of Existing Information and Data

- Previous fee reports
- Policies
- Activity levels over the past 10 years
- Development Charges growth forecast
- Reserve balance and activity
- Operating Budget



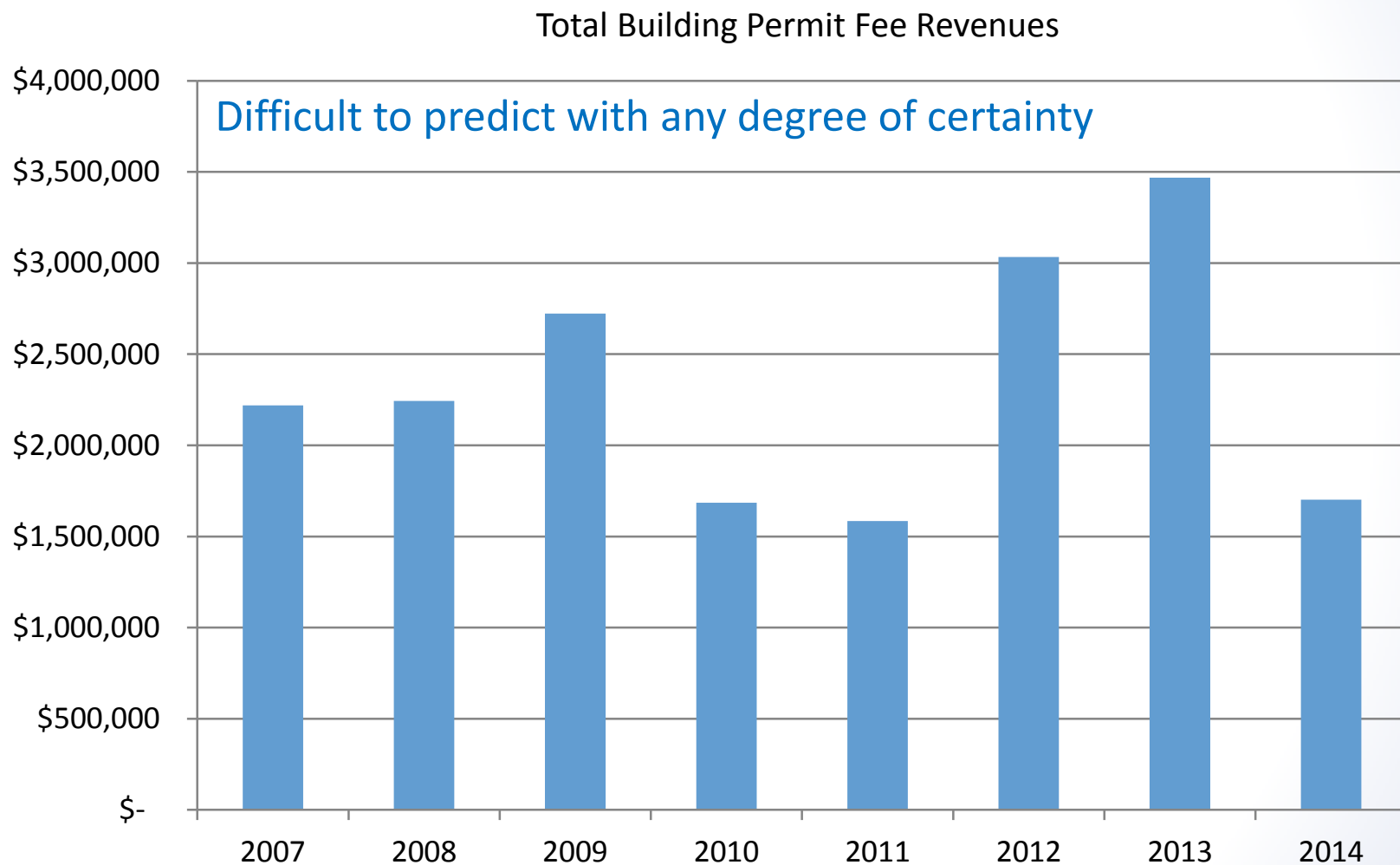
## Background Information

- Building Permit Fees have not be updated since 2010
- Approximately 10 years since the last detailed fee review was undertaken
- *Building Code Act (the Act)* requires that permit fees not exceed “the anticipated reasonable costs to administer and enforce the *Building Code* during building construction”



Consistent with the practice in most Ontario municipalities, Newmarket's Building Department operates on a full cost recovery basis whereby revenues generated from fees are used to offset expenditures

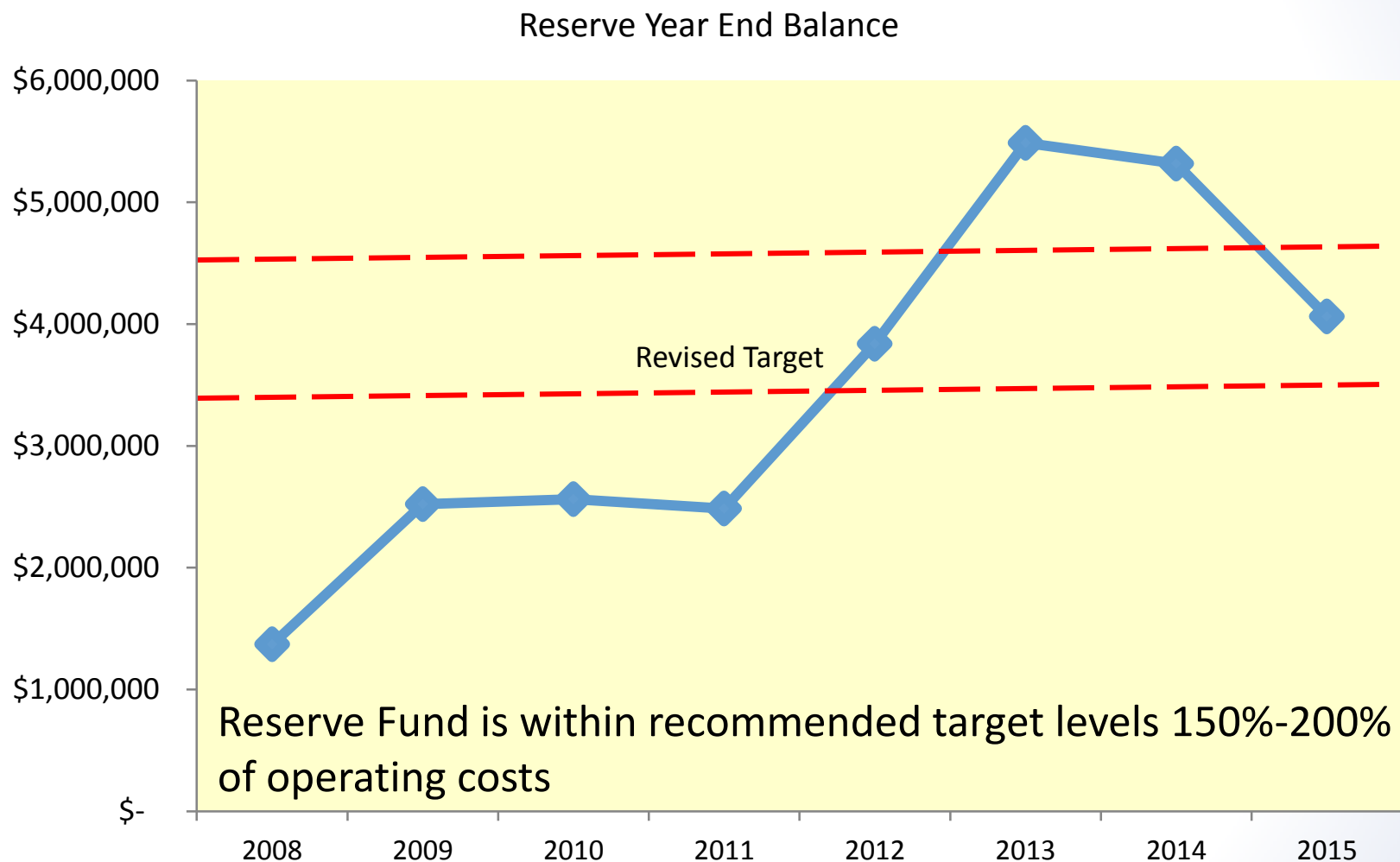
## Building Permit Fee Revenues 2007-2014



## Background Information – Building Stabilization Reserve Fund

- A Building Permit Stabilization Reserve Fund exists to help smooth the impact of peaks and valleys in construction – established in 2005
- Benefits include:
  - managing the risk associated with an economic downturn
  - spreads the impact of market fluctuations across an economic cycle
  - avoids fluctuations in fees
  - available to fund one-time capital requirement
- In accordance with the Act, the Reserve Fund is segregated and cannot be used for any other Town programs or services.

## Building Stabilization Reserve Year End Balance





## Summary of Findings and Recommendations - Residential

- Newmarket is one of the few municipalities that charges a separate plumbing fee for residential new construction – most include these costs in the base per m<sup>2</sup> fee
  - Existing approach is administratively cumbersome and reduces the transparency of the cost of service
- Residential Fee is \$14.50 m<sup>2</sup> + \$24.19 per plumbing fixture
- Recommend incorporating plumbing fee into per m<sup>2</sup> fee. The following compares the residential fee for new construction building permit (2,500 ft<sup>2</sup> and 9 plumbing fixtures)

	Existing		Recommended	
Cost per m2	\$	14.50	\$	14.65
Plumbing fee per fixture	\$	24.19		
Total Cost	\$	3,585	\$	3,403
Difference			\$	(183)

Reduction of  
approx. 5%

## Summary of Findings and Recommendations– Fee Structure

- The Town charges the same fee for new construction whether it is a shell or finished construction which is a different level of effort – most municipalities have a shell and finished fee
- However, alterations are much more costly in Newmarket due to the fee structure. Alterations in Newmarket are based on a cost per \$1,000 of construction but in most municipalities this is based on a cost per m<sup>2</sup>
- Recommendations have been made to establish a different fee for shell versus finished based on the process mapping exercise and also to move to a cost per m<sup>2</sup> for alterations

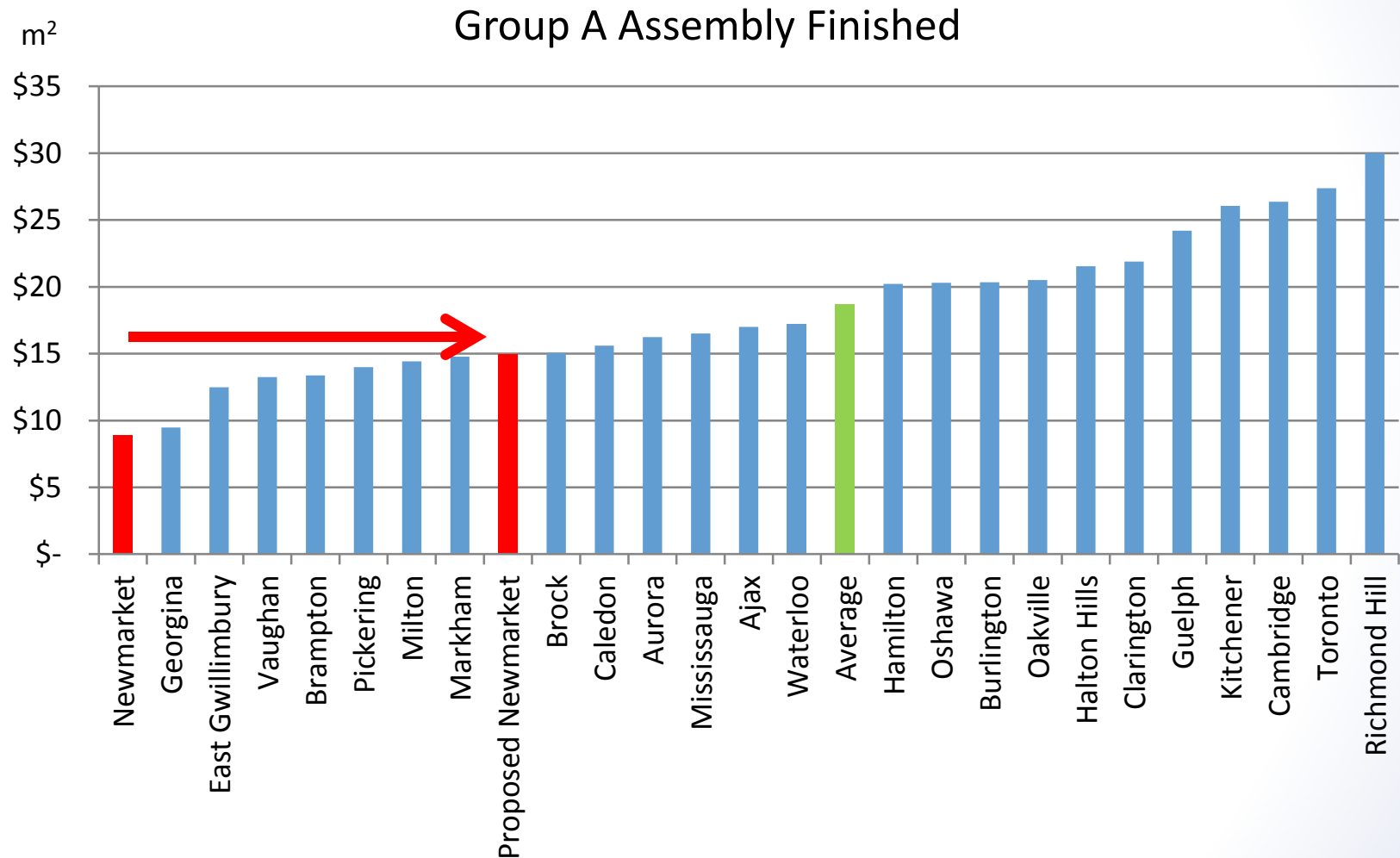


## Summary of Findings and Recommendations– Fee Structure - ICI

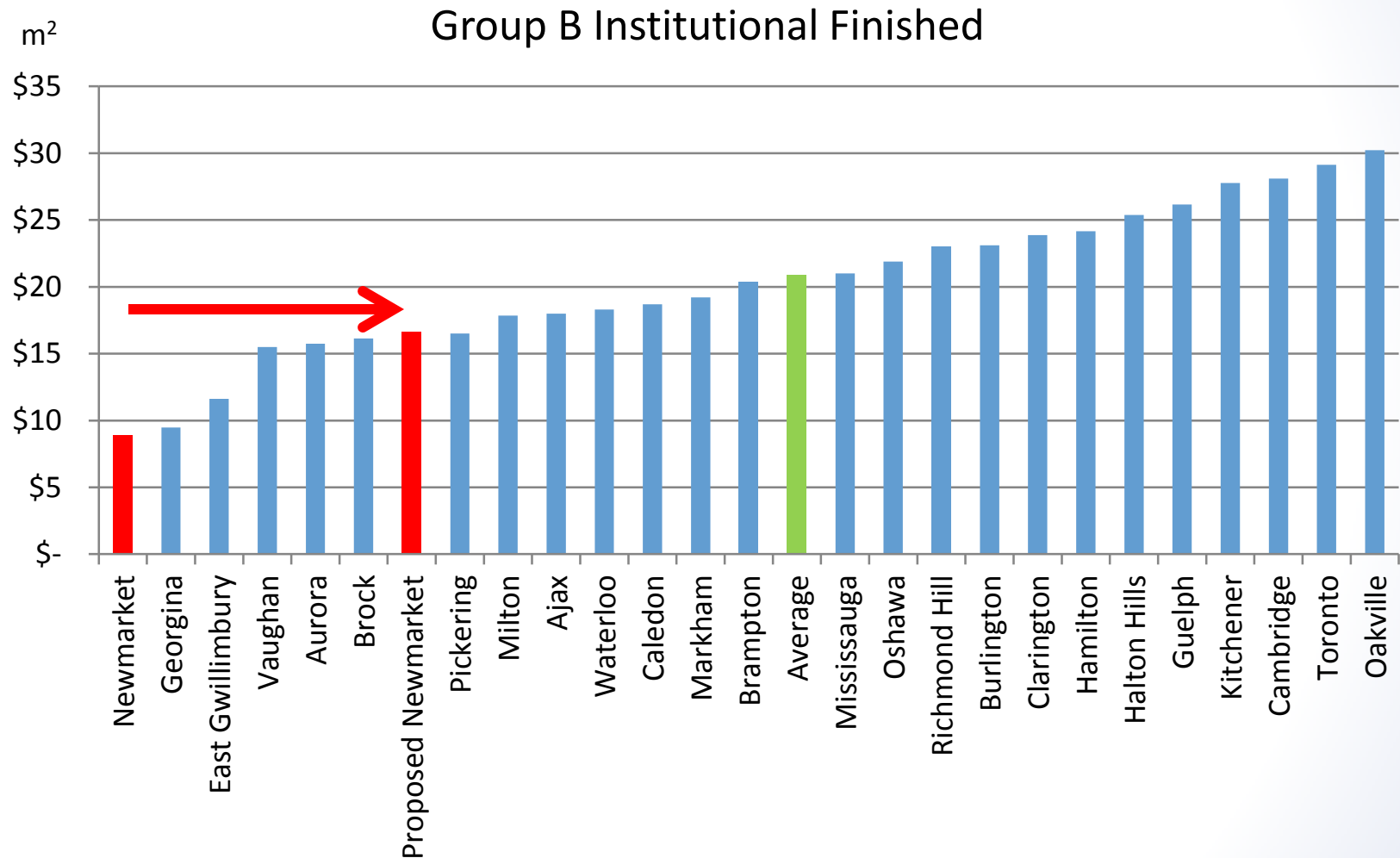
- Fees for various ICI classifications in relation to Residential fees in the Town of Newmarket is 60%-61% , well below the minimum charged by any other municipality surveyed
- Updates have been made to the fees within the ICI Groups to reflect full cost recovery

	Group A Assembly	Group B Institutional	Group D Business and Personal	Group E Mercantile	Group F Industrial
Min	81%	160%	124%	108%	79%
Average	145%	162%	126%	108%	79%
Median	135%	161%	127%	110%	78%
Max	213%	218%	174%	143%	121%
Newmarket	61%	61%	60%	61%	60%

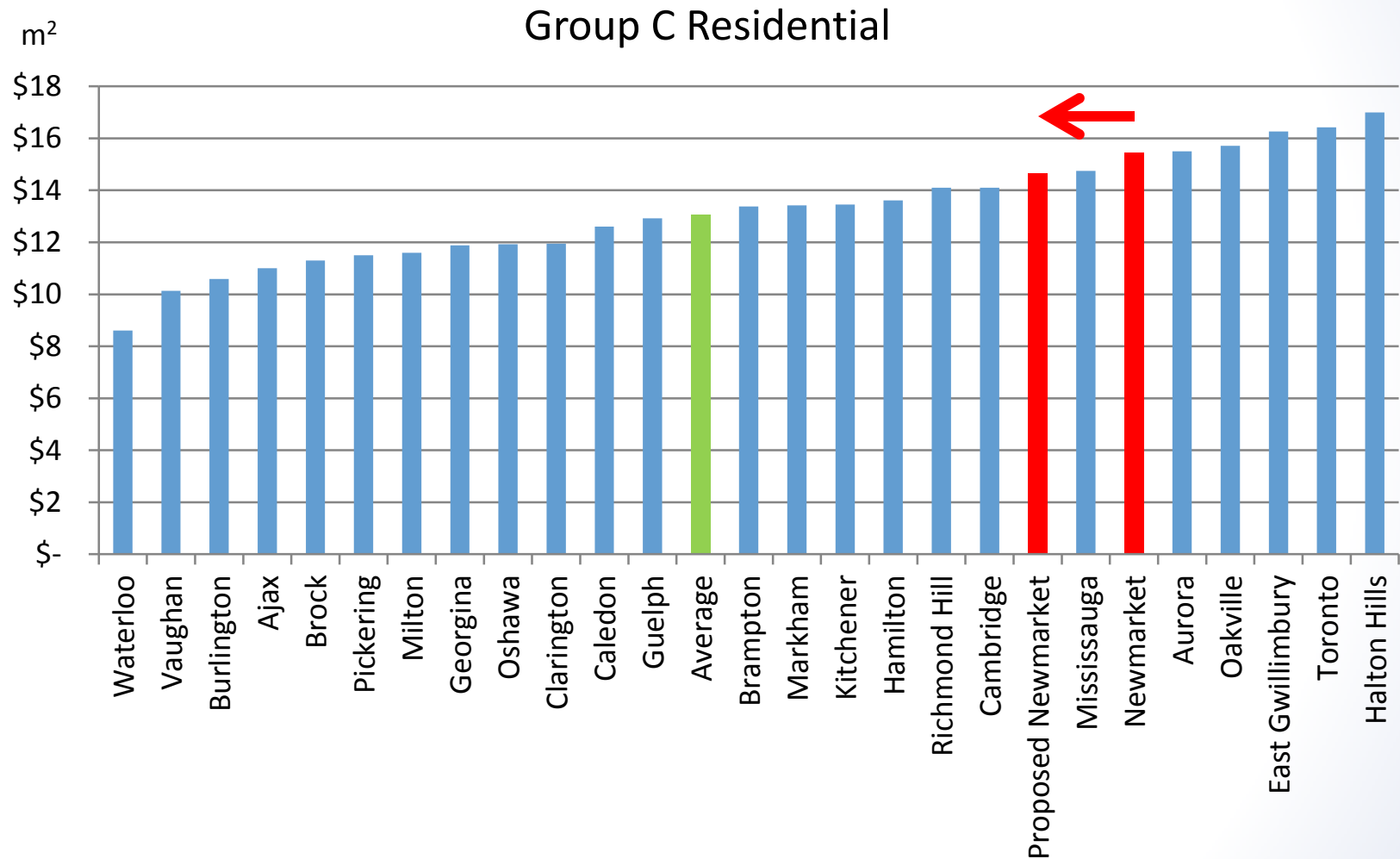
## Benchmarking - New Construction Cost Per m<sup>2</sup>



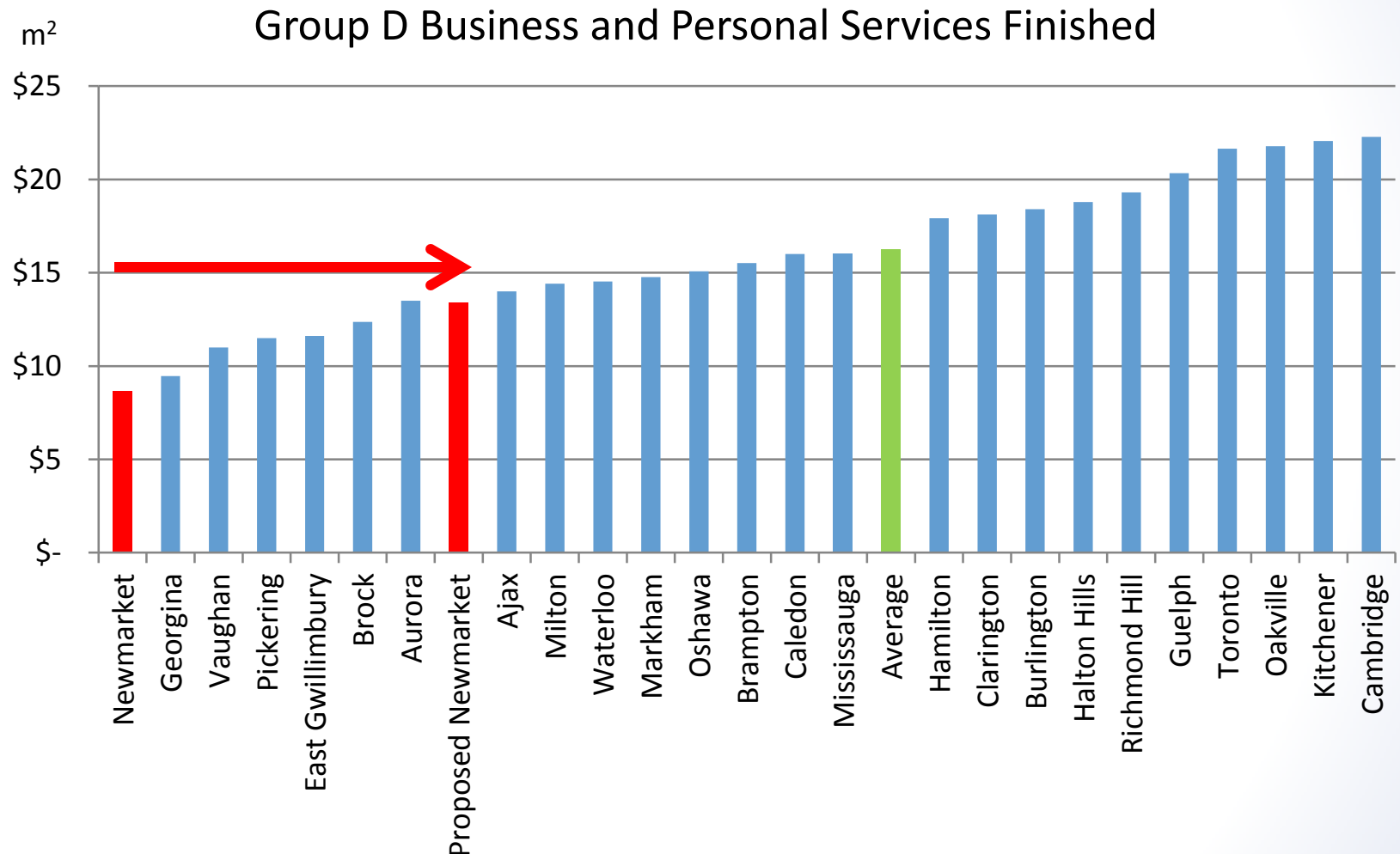
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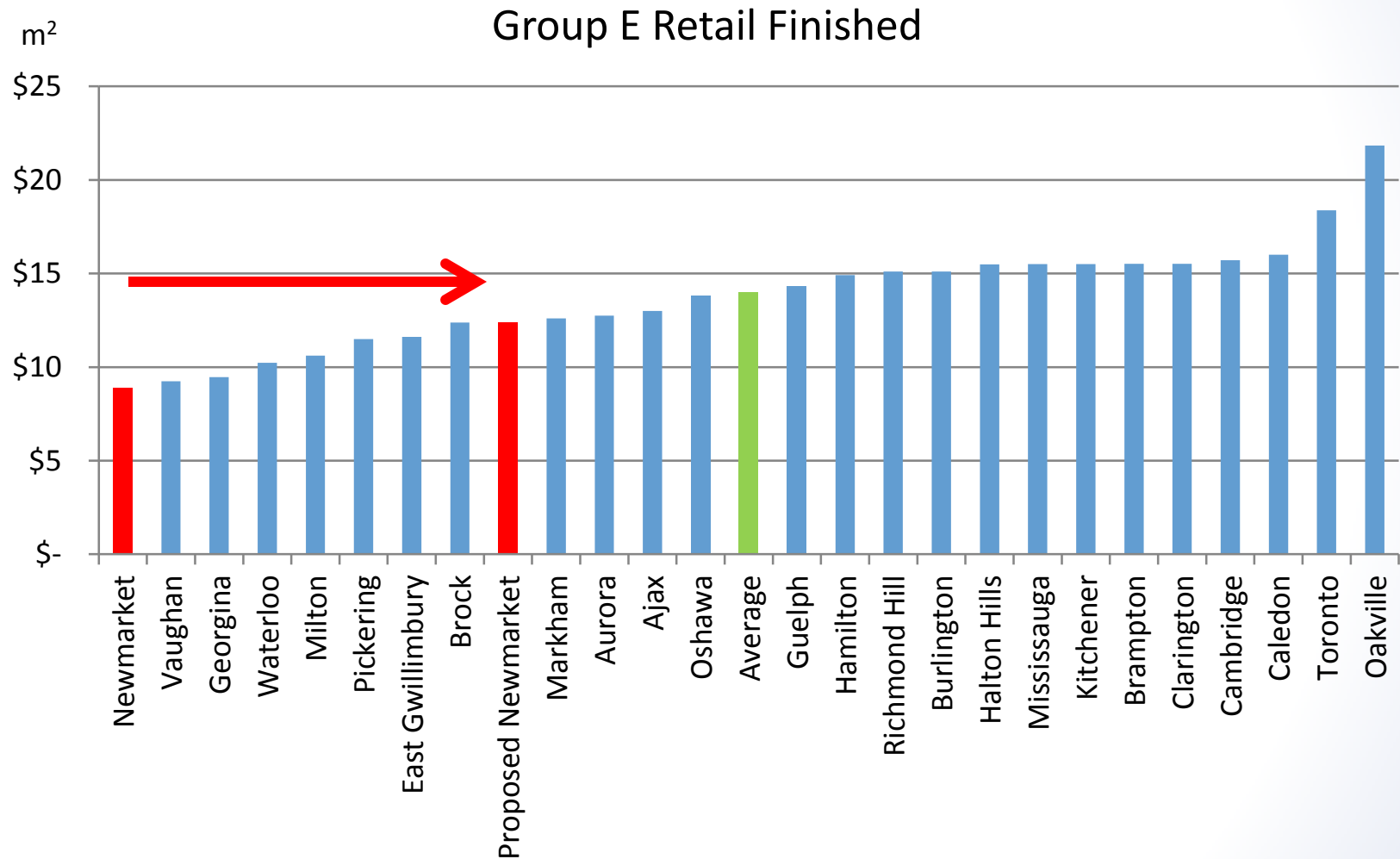
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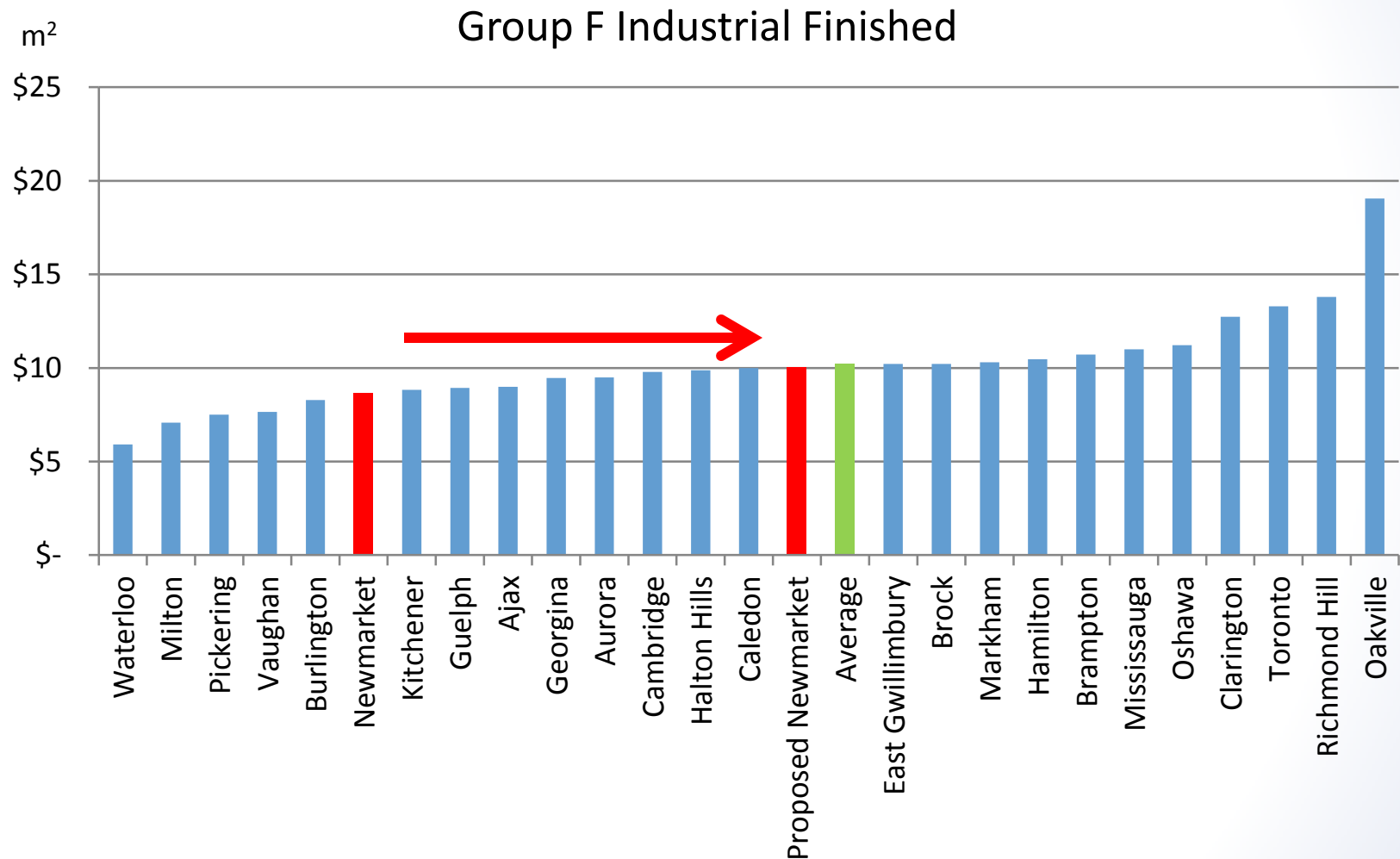


## Benchmarking - New Construction Cost Per m<sup>2</sup>





## Benchmarking - New Construction Cost Per m<sup>2</sup>



## Summary & Next Steps

- A proposed updated fee schedule has been included in the report
- It is recommended that the Town review the development application approval process cost allocations



# Questions & Answers

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