Agenda – Executive Policy Committee – March 14, 2007

OPERATING BUDGET REVIEW

Item No. 8 Standing Policy Committee on Property and Development – Establishment of a Permit Reserve Fund
File FE(2007)

STANDING COMMITTEE RECOMMENDATION:

On February 27, 2007, the Standing Policy Committee on Property and Development concurred in the administrative recommendation, namely:

1. That under Section 289(1) of The City of Winnipeg Charter, a Permit Reserve Fund be established in order to:

   A. Mitigate revenue shortfalls in boom/bust cycles.
   B. Fund temporary staffing needs during busy periods during the boom/bust cycle.
   C. Provide a source of funds for service and system improvements.

2. That the Director of Planning, Property and Development be designated as the Reserve Fund Manager and thereby authorized to draw on the Reserve when the approved annual operating budget is insufficient to cover the costs of responding to the needs described above.

3. That funds be transferred from the Permit Reserve Fund to the Planning, Property and Development Department to finance:
   A. Shortfalls in actual permit revenue in the Development and Inspections Division compared to budget in any given year.
   B. The cost of additional temporary staff resources, beyond that already identified in the Department's budget, required to respond to annual fluctuations in construction activity in order to provide a consistent level of service.
   C. The cost of additional resources, outside the normal budget process, required in order to respond quickly to unanticipated opportunities for service improvements (e.g. Permits X-Press, Implementation of new Zoning By-law, Red Tape Report).

4 That the source of funds for the Permit Reserve Fund be the excess of actual permit revenue in the Development and Inspections Division compared to budget in any given year and that the transfer of any such excess to the Permit Reserve Fund be effective beginning with the 2007 fiscal year.

   Note: Attachment "B" describes the source of revenues as described in the Planning, Development and Building Fees By-law

5. That the balance in the Permit Reserve Fund be capped at $3 million and any surplus funds over and above the $3 million cap transferred to the General Revenue Fund.

6. That the Director of Planning, Property and Development provide an annual report on expenditures from and the status of the Permit Reserve Fund.

7. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On February 27, 2007, the Standing Policy Committee on Property and Development concurred in the administrative recommendation, namely:

1. That under Section 289(1) of The City of Winnipeg Charter, a Permit Reserve Fund be established in order to:

   A. Mitigate revenue shortfalls in boom/bust cycles.

   B. Fund temporary staffing needs during busy periods during the boom/bust cycle.

   C. Provide a source of funds for service and system improvements.

2. That the Director of Planning, Property and Development be designated as the Reserve Fund Manager and thereby authorized to draw on the Reserve when the approved annual operating budget is insufficient to cover the costs of responding to the needs described above.

3. That funds be transferred from the Permit Reserve Fund to the Planning, Property and Development Department to finance:
   - Shortfalls in actual permit revenue in the Development and Inspections Division compared to budget in any given year.
   - The cost of additional temporary staff resources, beyond that already identified in the Department's budget, required to respond to annual fluctuations in construction activity in order to provide a consistent level of service.
   - The cost of additional resources, outside the normal budget process, required in order to respond quickly to unanticipated opportunities for service improvements (e.g. Permits X-Press, Implementation of new Zoning By-law, Red Tape Report).

4 That the source of funds for the Permit Reserve Fund be the excess of actual permit revenue in the Development and Inspections Division compared to budget in any given year and that the transfer of any such excess to the Permit Reserve Fund be effective beginning with the 2007 fiscal year.

   Note: Attachment "B" describes the source of revenues as described in the Planning, Development and Building Fees By-law

DECISION MAKING HISTORY (continued):

STANDING COMMITTEE RECOMMENDATION (continued):

5. That the balance in the Reserve be capped at $3 million and any surplus funds over and above the $3 million cap transferred to the General Revenue Fund.

7. That the Director of Planning, Property and Development provide an annual report on expenditures from and the status of the Permit Reserve Fund.

7. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

COUNCIL DECISION:

On June 28, 2006, Council concurred in the recommendation of the Executive Policy Committee, as amended, and adopted the following:

1. That the Planning, Property and Development Department proceed immediately to implement changes through amendment of the Winnipeg Building By-law No. 4555/87 and The Winnipeg Zoning By-law No. 6400/94 and The Downtown Winnipeg Zoning By-law No. 100/2004 in order to:

    A. Eliminate the requirement for Building and Development Permits for decks two feet and under in height.

    B. Eliminate the requirement for Building and Development Permits for a temporary tent less than 901 square feet (83.7 square meters) in size.

    C. Increase the threshold for the exception of Building Permits for non-structural alterations or repairs from $1,000 to $10,000. (Note: Electrical and Plumbing Permits are still required).

2. That the Planning, Property and Development Department continue phasing in the introduction of additional “fast track” permits as identified through the Permits X-Press Project.

3. That the Planning, Property and Development Department continue to use and communicate clear, specific and open targets for speed of service for commercial projects and permits, through the Permits X-Press Project and in consultation with Industry utilizing clear guidelines for submission (i.e. Building Design Summary).

DECISION MAKING HISTORY (continued):

COUNCIL DECISION (continued):

4. That the Planning, Property and Development Department, through the Permits X-Press Project, phase in a 'permit clock' for display on the City of Winnipeg's website with targeted wait times for selected permits, and the current estimated average time for processing.
5. That the Planning, Property and Development Department continue its strategy of continuous service delivery improvements year over year though the Permits X-Press project and consultation with staff, industry and the general public with a commitment to transparent and accountable processes.

6. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 7, 2006, the Executive Policy Committee concurred in the administrative recommendation, as amended, and recommends to Council:

1. That the Planning, Property and Development Department proceed immediately to implement changes through amendment of the Winnipeg Building By-law No. 4555/87 and The Winnipeg Zoning By-law No. 6400/94 in order to:

    A. Eliminate the requirement for Building and Development Permits for decks two feet and under in height.

    B. Eliminate the requirement for Building and Development Permits for a temporary tent less than 901 square feet (83.7 square meters) in size.

    C. Increase the threshold for the exception of Building Permits for non-structural alterations or repairs from $1,000 to $10,000. (Note: Electrical and Plumbing Permits are still required).

2. That the Planning, Property and Development Department continue phasing in the introduction of additional "fast track" permits as identified through the Permits X-Press Project.

DECISION MAKING HISTORY: (continued)

EXECUTIVE POLICY COMMITTEE RECOMMENDATION: (continued)

3. That the Planning, Property and Development Department continue to use and communicate clear, specific and open targets for speed of service for commercial projects and permits, through the Permits X-Press Project and in consultation with Industry utilizing clear guidelines for submission (i.e. Building Design Summary).

4. That the Planning, Property and Development Department, through the Permits X-Press Project, phase in a 'permit clock' for display on the City of Winnipeg's website with targeted wait times for selected permits, and the current estimated average time for processing.

5. That the Planning, Property and Development Department continue its strategy of continuous service delivery improvements year over year though the Permits X-Press project and consultation with staff, industry and the general public with a commitment to transparent and accountable processes.

6. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Further on June 6, 2006, the Executive Policy Committee laid over the administrative recommendation pertaining to the proposed establishment of a Permit Stabilization Reserve Fund.

On March 22, 2006, the Executive Policy Committee directed the Chief Administrative Officer to prepare and forward reports on all remaining recommendations of the Red Tape Commission in an expedited manner, in a manner reflecting the following list of priorities:

A. <u>April 2006 Phase</u>
Recommendation 12 Streamline permit processing overall to expand on successes

RE: ESTABLISHMENT OF A PERMIT RESERVE FUND

FOR SUBMISSION TO: STANDING POLICY COMMITTEE ON PROPERTY AND DEVELOPMENT

ORIGINAL REPORT SIGNED BY: Jim Paterson, A/Director, Planning, Property and Development Department

REPORT DATE: February 21, 2007

RECOMMENDATION:

1. That under Section 289(1) of The City of Winnipeg Charter, a *Permit Reserve Fund* be established in order to: 1) mitigate revenue shortfalls in boom/bust cycles, 2) fund temporary staffing needs during busy periods during the boom/bust cycle, and 3) provide a source of funds for service and system improvements and, further, that:

    a. The Director of Planning, Property and Development be designated as the Reserve Fund Manager and be thereby authorized to draw on the Reserve when the approved annual operating budget is insufficient to cover the costs of responding to the needs described above;

    b. That funds be transferred from the Permit Reserve Fund to the Planning, Property and Development Department to finance:
        - Shortfalls in actual permit revenue in the Development and Inspections Division compared to budget in any given year.
        - The cost of additional temporary staff resources, beyond that already identified in the Department's budget, required to respond to annual fluctuations in construction activity in order to provide a consistent level of service.
        - The cost of additional resources, outside the normal budget process, required in order to respond quickly to unanticipated opportunities for service improvements (e.g. Permits X-Press, Implementation of new Zoning By-law , Red Tape Report).

    c. That the source of funds for the Permit Reserve Fund be the excess of actual permit revenue in the Development and Inspections Division compared to budget in any given year and that the transfer of any such excess to the Permit Reserve Fund be effective beginning with the 2007 fiscal year.

        Note: Attachment "B" describes the source of revenues as described in the Planning, Development & Building Fees By-law

d. The balance in the Reserve should be capped at $3 million, and any surplus funds over and above the $3 million cap are to be transferred to the General Revenue Fund.

e. The Director of Planning, Property and Development provide an annual report on expenditures from and the status of the Permit Reserve Fund.

Report Summary

Key Issues:

The Department has been working diligently to reduce its red tape and speed up permit processes for its customers through various initiatives.

In November of 2003, the Planning, Property and Development Department of the City of Winnipeg launched a comprehensive review of its permit processing system. Measurable improvements to permit processes have continued throughout 2004 and beyond and are ongoing. Departmental accomplishments include successful delivery of over 55 improvements to the Building Permits Process.

The Red Tape Report reinforces the commitment the Department has exercised in demonstrating accountability to staff, industry and the general public through consultation with its customers and engaging staff in much needed improvements to the City's permit process.

Further improvements may be possible but frequently require funding for pilot projects or additional temporary staff in order to implement.

Red Tape Recommendation 12 states that the City should "*Take additional steps to support the Planning, Property and Development Department as it accelerates service speed for permit approvals"*.

In exploring options to provide a more predictable and permanent solution to this issue, the Department has researched the creation of a "Permit Reserve Fund". On June 7, 2006, the Executive Policy Committee laid over the administrative recommendation pertaining to the proposed establishment of a Permit Stabilization Reserve Fund.

The establishment of a Permit Reserve Fund would enable the Department to mitigate the adverse effects of shortfalls in building permit revenue in any annual operating budget cycle.

It is proposed that one of the purposes of this Fund should be to fund the initial costs of service system improvement projects. Should the projects prove to be effective in

improving the system, they would be subsequently be factored into the operating budget for the Department.

Beyond the need for funding system improvements, the significant increase in construction activity over the last 2-3 years, combined with static inspection and enforcement resources has placed considerable pressures on the Planning, Property and Development Department. There are two problems. First, it has been difficult and cumbersome to take on additional, temporary staff in order to accommodate the increased number of permit applications. Second, when the demand for permits is reduced, the decreased revenues may make it difficult to maintain staffing levels sufficient to provide even basic mandatory levels of service.

The Department has discovered that many cities have established permit reserve funds as a reliable funding source to maintain improvements without impacting their operating budgets. Typically, a permit reserve fund is drawn upon to mitigate revenue shortfalls in building permit revenue in any annual operating budget cycle and contributions are made to the reserve when additional funds are available to smooth out future swings in building permit revenues. This use allows a city to maintain staff resources necessary to provide mandatory core services even when permit applications and revenues are significantly reduced.. This also prevents the loss of staff resources during periods of fluctuations which will impede service levels during subsequent rebounds in permit activity.

However, it is proposed that a permit reserve fund can and should also be accessed to hire additional temporary staff to accommodate increased numbers of permit applications in busy periods of the year and/or the boom/bust cycle. This is particularly important for the construction industry where service needs are critical, and where trends are difficult to forecast and prepare for.

Implications of the Recommendation(s):

General Implications

( ) None

(X) For the organization overall and/or for other departments

(X) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s):

- Maximizes human resources within the Department.
- Potential to address perceived inequities in service when changes are required for permit approval (i.e. New Building Code).

- Ability to reduce inspection volumes by allocating appropriate resources when needed.

Policy Implications

(X) No

( ) Yes

Comment(s):

Regulatory Implications

(X) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Environmental Implications

(X) No

( ) Yes

Comment(s):

Human Resources Implications

(X) No

( ) Yes

Comment(s):

Financial Implications

(X) Within approved current and/or capital budget

( ) Current and/or capital budget adjustment required

Comment(s):

- No budget adjustment is required as a result of the recommendations included in this report.
- Transfers to the Permit Reserve Fund will be accomplished through an actual (vs. budget) transfer of surplus revenues as part of the Planning, Property and Development Departments' annual year-end financial processes.
- Authority to transfer funds from the Permit Reserve Fund is to be delegated to the Director of Planning, Property and Development.
- The funds so transferred will be used to offset related expenditures pending the approval by the appropriate authority of a "Request For Over-Expenditure Authorization (Involves Increase to Revenues or Recoveries)".

Report

REASON FOR THE REPORT:

On June 7, 2006, the Executive Policy Committee considered a report regarding Red Tape Commission, Recommendation 12 – Streamline Permit Processing Overall to expand on Successes. Executive Policy Committee laid over Recommendation No. 5 of said report, pertaining to the proposed establishment of a Permit Reserve Fund.

HISTORY:

The Planning, Property and Development Department is cognizant of and takes seriously its responsibilities as a municipal authority ensuring public safety. At the same time, the Department has been working diligently to reduce its red tape and speed up permit processes for its customers through various initiatives. Specifically, the Department has undertaken to:

- Focus on constant improvement for permit approvals – the Department is currently in the process of piloting a consistent framework for systematically reviewing all permit and approval processes, monitoring progress and maintaining improvements realized. The intent is to eliminate unnecessary steps, simplify procedures, encourage more accurate applications and provide better communication.

- Streamline processes in order to align work differently -- this will allow for more effective use of technical expertise and human resources in targeted service areas.

- Obtain reliable statistics regarding processing times for permit and inspections -- identification of realistic statistics enables the Department to effectively identify capacity and volume of workload.

- Constantly review staff resource requirements to achieve and maintain alignment between human resource requirements and service demands from the construction industry.

- Continually improve service delivery on improvements year over year though consultation with staff, industry and the general public with a commitment to transparent and accountable processes.

In November of 2003, the Planning, Property and Development Department of the City of Winnipeg launched a comprehensive review of their permit processing system. While the long-term goal of the Permits X-Press Project was to improve the permit process, it was also given the mandate to ensure shorter-term improvements were in place by March 31, 2004 – the beginning of 2004's busy construction season.

The Department believed that the successful accomplishment of this task could only be realized through a collaborative approach, with ongoing stakeholder involvement in the implementation of improvements. To facilitate this approach, an Industry Advisory Group (IAG) was established at the outset of the Project, which included representatives of the various organizations involved in Winnipeg's construction industry.

- Manitoba Home Builders Association (MHBA)
- Winnipeg Construction Association (WCA)
- Association of Professional Engineers and Geoscientists of Manitoba (APEGM)
- Consulting Engineers of Manitoba (CEM)
- Manitoba Association of Architects (MAA)
- Representatives of the development industry
- CentreVenture Development Corporation
- Destination Winnipeg

The IAG meets every second month to monitor the progress of the initiative and provide input and feedback on pilot improvements. Several members became actively involved in joint "Working Groups" to tackle some of the larger improvement initiatives.

Measurable improvements to permit processes have continued throughout 2004 and beyond and are ongoing. Departmental accomplishments include successful delivery of over 55 improvements to the Building Permits Process, balancing "quick wins" with items that require more study and consultation with stakeholders. In addition, many of these improvements were consistent with recommendations of other reports – such as the *Getting Down to Business Report* and the *Integrated Planning Model* (Fall 2002). Following is a sampling of three *long term* improvements recently introduced:

1. Creation of an ongoing series of code training courses, developed in conjunction with industry and delivered through a partnership with Red River College
2. Introduction of a pilot "Building Design Summary" documents for construction projects involving new construction and additions. Developed in conjunction with industry, the document is intended to speed up the approval process by providing a consistent and comprehensive format for all submission requirements, thereby ensuring that applicants have included all necessary information and documentation in their permit application *the first time;* thus eliminating the need for time-consuming follow-up to obtain missing information
3. Establishment of the "Development Liaison Administrator" position to act as a "file manager" to shepherd large and complex building and development projects

through the review and approval process from concept to occupancy. The position became operational on a 2-year pilot basis commencing May 1, 2006.

The Final Report of the Mayor's Red Tape Commission highlighted the work of the Permits X-Press by stating, *"The Planning, Property and Development's Permits X-Press system was frequently identified as a City best-practice. We also heard strong and positive feedback for the Department's efforts to resolve building issues in advance through "pre-meetings" with project managers. Finally, respondents to the BDO Dunwoody Consumer Experiences Study praised the Department for improved management of inspections and reduced logjams at other points of service. Examples of the Department's open-minded approach to policy reform…"*

The Red Tape Report reinforces the commitment the Department has exercised in demonstrating accountability to staff, industry and the general public through consultation with its customers and engaging staff in much needed improvements to the City's permit process. The Project is built around the principles of having transparent and accountable processes, and on measuring results. In addition, the Department has been proactive in its commitment to delivering a responsive and ongoing communication strategy, through publication and regular updating of our progress in making improvements, with the creation of the Permits X-Press Report Card, available on-line at www.winnipeg.ca/ppd/default.stm .

The Planning, Property and Development Department has in the past set specific targets for various permit types through consultation with the industry representatives. The ability for the Department to meet targets requires the development of clear guidelines for submission of information as part of the permit application and a commitment to monitoring progress in order to maintain improvements realized. This type of consultation requires significant commitment of internal and external resources in order to negotiate appropriate and realistic target times.

The Department, through its commitment to producing reliable statistics regarding processing times for permits and inspections through the Permits X-Press project, has been actively working to identify capacity and volume of workload. The Department has also been working closely with the Permits X-Press Industry Advisory Group to establish clear, specific and open targets for speed of service delivery. This in turn will enable the Department to develop clear guidelines for submission of information as part of the permit application process, and a commitment to monitoring progress in order to maintain improvements realized.

The Department has continued to monitor selected critical permit approval times on a quarterly basis, and reporting the results to the Industry Advisory Group.

On March 22, 2006, the Executive Policy Committee directed the Chief Administrative Officer to prepare and forward reports on all remaining recommendations of the Red Tape Commission in an expedited manner with a list of priorities for April and May. Red

Tape Recommendation 12, “Streamline permit processing overall to expand on successes”, was requested by April 2006.

On June 7, 2006, the Executive Policy Committee received the administrative report “Red Tape Commission, Recommendation 12 – Streamline Permits Processing” and concurred with the administrative recommendations with an amendment that the recommendation pertaining to the proposed establishment of a Permit Stabilization Reserve Fund be laid over.

DISCUSSION:

Red Tape Recommendation 12 and Permit Process Improvements

Red Tape Recommendation 12 recommends to ”*Take additional steps to support the Planning, Property and Development Department as it accelerates service speed for permit approvals”*. The recommendation reinforces the commitment the Planning, Property and Development Department has exercised in demonstrating accountability to staff, industry and the general public through consultation with its customers and engaging staff in much needed improvements to the City’s permit process. In addition, the Department has been proactive in its commitment to delivering a responsive and ongoing communication strategy, through publication and regular updates in progress of improvements. The service improvements, consultation with industry and communication strategy requires a commitment of financial resources presently not available in the operating budgets of the Department. The upturn in the building and development industry has generated revenues in excess of budget, which has allowed the Department to redirect some of the revenues in order to implement improvements without increasing the operating budget of the Department. This could be considered a temporary measure as historically building permit activity has fluctuated with the economy. There is a fear that the improvements realized could be negated if the revenues associated with Building Permits begin a downturn.

Permit Fund Defined

In exploring options to provide a more predictable and permanent solution to this issue, the Department has researched the creation of a special purpose “Permit Reserve Fund". A “Special Purpose Reserve” is established to maintain specific program needs and provide budgetary stabilization by drawing upon the reserve to mitigate revenue shortfalls in building permit revenue in any annual operating budget cycle. Similarly, contribution(s) are made to the Reserve when additional funds are available to address future swings in building permit revenues.

- A reserve is another tool to fund planning and customer service improvement projects and is a more proactive approach to addressing these issues
- A reserve is a longer-term solution and would eliminate the need to make periodic, project specific requests for increases in funding.

A Permit Reserve Fund would enable Building Code related service delivery to continue at required levels during a future economic downturn. Without a reserve a significant property tax subsidy is required to fund the total costs of administering and enforcing the Building Code related services.

There are numerous examples of such "special purpose reserves" currently in use at the City; the Land Operating Reserve Fund, the Snow Clearing Reserve Fund, Assiniboine Park Enterprise, Heritage Investment and the Commitment Reserves being just a few. It is anticipated that the funds from the Permit Reserve Fund could be used to finance the following:

- Shortfalls in actual permit revenue in the Development and Inspections Division compared to budget in any given year.
- The cost of additional temporary staff resources, beyond that already identified in the Department's budget, required to respond to annual fluctuations in construction activity in order to provide a consistent level of service.
- The cost of additional resources, outside the normal budget process, required in order to respond quickly to unanticipated opportunities for service improvements (e.g. Permits X-Press, Implementation of new Zoning By-law , Red Tape Report).

Permit Reserve Funds in Other Canadian Jurisdictions

Through its research, the Department has discovered that many cities have established permit reserves/funds as a reliable funding source to maintain improvements without impacting their operating budgets. The City of Hamilton, City of Calgary, the Town of Oakville, City of Brampton, City of Ottawa, City of Kingston and the City of Saskatoon, to name a few, are using a similar reserve successfully. In the City of Hamilton surpluses are put into the reserve fund to a maximum of 1.5 times the operating cost of the Building Division. Upon reaching the maximum, the City must undertake a review of the permit fee structure to either reduce permit fees or provide refunds to applicants.

In Ontario, Bill 124 under the *Building Code Act* was adopted on July 1, 2005. In introducing the new legislation, the Ministry of Municipal Affairs and Housing highlighted one of the changes detailed under section 2.23 of the Ontario Building Code that *"a reserve fund can be established for any purpose relating to the administration or enforcement of the Act".* Generally the change was:

> **Transparency** for building permit fees will be enhanced by requiring that they not exceed the anticipated reasonable costs to administer and enforce the *Building Code Act* and regulations, and that there be public meetings before any fee changes are adopted after July. A portion of the fees would be allocated to a reserve to fund code enforcement.

In response to the new legislation, the Association of Municipalities of Ontario (AMO) reported to the Province of Ontario that the loss in permit revenues could result in an increase in municipal taxes. The AMO report also contained a recommendation which stated "*The government should not 'over regulate' what Building Permit fees are charged by municipalities. The new Municipal Act establishes a framework for determining fees, so there is no need for a second set of regulations or for provincial micro-management."*

This recommendation referred to the change under Section 7(2) of the *Building Code Act* which states that: *"the total amount of the fees authorized…must not exceed the anticipated reasonable cost…to administer and enforce this Act in its area of jurisdiction."*

This meant that the municipalities can only collect permit fees in the amount needed to cover the cost of the service. The provision refers to the total amount collected and does not prescribe that fees be cost- neutral on a permit-by-permit basis.

In many cities in Ontario a reserve fund is used to maintain staff resources to recognize that a city must maintain a core level to handle service levels, which are mandatory. New service requirements prescribed for permits and inspections under the code have resulted in municipalities recommending that sufficient reserves be established to provide a healthy level of funding. This is becoming a common practice for a number of municipalities in Ontario for code administration and enforcement to minimize the potential requirement for budget (and tax) increases to cover operating costs during fluctuations in the industry.

Most cities do not want to lose staff resources during periods of fluctuations because this will impede service levels when trying to attract development during a lull, or when struggling with subsequent rebounds. The construction industry is one where service needs are critical, and where trends are difficult to forecast and prepare for. This makes for a volatile mix, especially during a period of elevated service levels.

<u>The Current Construction and Permit Environment in Winnipeg</u>

The significant increase in construction activity over the last 2-3 years, combined with static inspection and enforcement resources has placed considerable pressures on the Planning, Property and Development Department.

Research into statistics on building activity for the years 1990 to 2005 indicate the following:

Average annual value of building permits (rounded)

1990 – 2002	$421,000,000
2003 – 2005	$712,000,000

Source: Office of the Mayor, Winnipeg City of Opportunity, 2006

- This represents an average 69% increase in value of building permits issued after 2002.

Number of Housing Starts (rounded):

1990 – 2002	1500
2003 – 2005	2500

Source: Office of the Mayor, Winnipeg City of Opportunity, 2006

- This represents an average 67% increase in housing starts since 2002.

This trend shows no sign of slowing over the short term – news reports on January 17, 2007 reported that $4 billion of mega projects are planned or under underway in Manitoba, with another $6 billion in road works planned and underway, and that construction firms are so swamped with work that they are struggling to bid on projects. This, combined with a shortage of construction workers and trades people, and escalating costs, serves to fuel the competitive market.

Improvements to the permits process continue to take place based on consultation with industry, staff and the public, and were made for both the construction industry customers and the homeowner customers. Some highlights include:

- Creation of two separate permit processing areas at the Permits Office to facilitate the different needs of the two primary customer groups
- Implementation of an appointment service for contractors and developers
- Enhancements to communications and permit information including revamped brochures and a new comprehensive website
- The ability for contractors to view the status of their permit application online
- Introduction of some online applications and the ability to pay online
- Introduction of “fast track” permits for several permits processes including Housing Master Plans, Engineered Plans,
- The elimination of the permit requirements for decks two feet and under and temporary tents under 901 square feet in size.
- Codes training for industry in partnership with Red River College
- Introduction of the *Building Design Summary Application* for commercial new construction and additions
    - In the summer of 2004 the construction industry along with the City identified that a critical factor in the timely issuance of permits is receipt of a complete and accurate application. This is particularly true for complex projects such as commercial new construction and major additions. If information is missing or code deficiencies are noted, these issues must be addressed as quickly as possible by the applicant so that the issuance of the permit is not unduly delayed.

- A joint City and Industry task group was established in the fall of 2004 to create an application format for commercial new construction and additions that would assist the applicant in ensuring that they include ALL required information and documents at the initial application stage. The Task Group predicted that complete and accurate applications should move through the permit review and approval process more quickly than incomplete applications, when volume is held constant.
- In the fall of 2005 the task group presented two draft documents to help in the submission of building permit applications:
- *A Guide to Building Permit Submissions for Commercial Project* that specifically defines the requirements for a complete permit submission and explains the building permit process
- *A Building Design Summary* comprehensive checklist and application form that provides clear information on the building permit application requirements for commercial projects and ensures that applicants include all necessary information in their application the first time
- A 6- month ***voluntary*** pilot program utilizing the Building Design Summary was initiated on January 17, 2006.

o Industry was encouraged to participate, and 22 voluntary submissions were received.

o The pilot provided an opportunity for industry and the City to "test drive" and identify bugs. A feedback mechanism was built in to the process and excellent feedback was received from both industry and City staff on the application itself and the process. Revisions were made on an ongoing basis throughout the pilot, with updated versions of the Building Design Summary and Guide posted to the website.

o Although the voluntary pilot was a learning experience and most of the submissions were still not complete, the results in terms of permit processing time showed that those applications submitted with a completed Building Design Summary were processed more quickly than their counterpart applications submitted during the same time period.

o Based on the pilot experience, steps are being taken jointly by industry and the City to introduce the Building Design Summary as a mandatory document for commercial new construction and additions for the 2007 peak construction season.

o Establishment of the "Development Liaison Administrator" position to act as a "file manager" to shepherd large and complex building and development projects through the review and approval process from concept to occupancy. The position has been operational on a 2-year pilot basis commencing May 1, 2006.

The above improvements in service delivery including the establishment of the Development Liaison Administrator and the Permits X-Press Project have been completed as non-budgeted initiatives but still accommodated within the existing operating budget of the Department. The recent upturn in the building and development industry has generated excess permit revenues, which has allowed the Department to offset the costs to implement these improvements without increasing the operating budget.

Although permit activity for 2007 is predicted to continue to be similar as the last few years, it is anticipated that there will be a future economic downturn. Without a reserve a significant property tax subsidy may be required to fund the total costs of administering and enforcing the Building Permit related services. Otherwise the Department will be faced with the possibility of losing any service improvements in order to meet future budget constraints. Attachment "A" shows budgeted revenues, expenses and actual revenues in the Planning, Property and Development Department.

<u>Sustaining and Improving Permit Service into the Future</u>
Based on the foregoing, the Planning, Property and Development Department recommends that
under Section 289(1) of The City of Winnipeg Charter, a *Permit Reserve Fund* be established in order to: 1) mitigate revenue shortfalls in boom/bust cycles, 2) fund temporary staffing needs during busy periods during the boom/bust cycle, and 3) provide a source of funds for service and system improvements and, further, that:

a. The Director of Planning, Property and Development be designated as the Reserve Fund Manager and be thereby authorized to draw on the Reserve when the approved annual operating budget is insufficient to cover the costs of responding to the needs described above;

b. That funds be transferred from the Permit Reserve Fund to the Planning, Property and Development Department to finance:
   - Shortfalls in actual permit revenue in the Development and Inspections Division compared to budget in any given year.
   - The cost of additional temporary staff resources, beyond that already identified in the Department's budget, required to respond to annual fluctuations in construction activity in order to provide a consistent level of service.
   - The cost of additional resources, outside the normal budget process, required in order to respond quickly to unanticipated opportunities for service improvements (e.g. Permits X-Press, Implementation of new Zoning By-law , Red Tape Report).

c. That the source of funds for the Permit Reserve Fund be the excess of actual permit revenue in the Development and Inspections Division compared to budget

in any given year and that the transfer of any such excess to the Permit Reserve Fund be effective beginning with the 2007 fiscal year.

Note: Attachment “B” describes the source of revenues as described in the Planning, Development & Building Fees By-law

d. The balance in the Reserve should be capped at $3 million, and any surplus funds over and above the $3 million cap are to be transferred to the General Revenue Fund.

e. The Director of Planning, Property and Development provide an annual report on expenditures from and the status of the Permit Reserve Fund.

The Reserve would allow the Department to reduce or eliminate repeated requests to Senior Administration and Council committees for approvals of tax-supported funding for system improvements (processes, policies, procedures, studies), thereby speeding up that implementation process.

The Department believes that a Permit Reserve Fund would allow the Department to accelerate service speed for permit approvals, commitments made through the Permits X-Press project, and assist the Department in the implementation of other Red Tape Recommendations identified by Council.

Financial Impact Statement Date: February 21, 2007

Project Name:

ESTABLISHMENT OF A PERMIT RESERVE FUND

COMMENTS:

The recommendations in this report include, among others, that under Section 289(1) of The City of Winnipeg Charter, a Permit Reserve Fund be established in order to: 1) mitigate revenue shortfalls in boom/bust cycles, and 2) provide a source of funds for service and system improvements and that the source of funds for the Permit Reserve Fund be the excess of actual permit revenue in the Development and Inspections Division of the Planning, Property and Development Department compared to budget in any given year. Also, transfers to the Reserve will be accomplished through an actual (vs. budget) transfer of surplus revenues as part of the Departments' annual year-end financial processes.and that the transfer of any such excess to the Reserve be effective beginning with the 2007 fiscal year.

As such, no budget adjustment is required and there are no direct financial implications related to the recommendations contained in this report.

"Original Signed By"
Mike McGinn, CA
Manager of Finance

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

External Consultation With:

Corporate Services Department – Legal Services Division

Corporate Finance Department

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Development & Inspections Division
Prepared by: Deepak Joshi, Manager of Development & Inspections
PPD File No. N/A

O:\Reports Directive\Development and Inspections\Manager of D&I\2007 Reports\Permit Stabilization Reserve 5.doc

ATTACHMENT "A"

	1998	1999	2000	2001	2002	2003	2004	2005	2006
PP&D Operating Revenue Budget	15,847,985	16,590,660	20,337,597	21,333,408	21,693,225	17,283,534	17,695,104	19,178,142	17,593,783
PP&D Operating Expense Budget	30,149,625	33,456,497	33,832,227	37,839,222	36,657,629	36,765,667	37,896,996	38,729,974	35,145,620
Mill Rate Contribution (Support)	(14,301,640)	(16,865,837)	(13,494,630)	(16,505,814)	(14,964,404)	(19,482,133)	(20,201,892)	(19,551,832)	(17,551,837)
Development & Inspections Revenue Budget	5,350,000	5,303,000	6,205,261	6,635,000	6,685,000	6,696,825	7,055,225	8,368,341	8,472,120
Development & Inspections Expense Budget	9,032,652	9,249,184	9,190,237	9,513,432	9,223,080	9,715,200	10,375,519	10,714,896	10,995,596
Mill Rate Contribution (Support)	(3,682,652)	(3,946,184)	(2,984,976)	(2,878,432)	(2,538,080)	(3,018,375)	(3,320,294)	(2,346,555)	(2,523,476)
% Divisional Expenses Covered by Revenue	59%	57%	68%	70%	72%	69%	68%	78%	77%
Development & Inspections Revenue Actuals	6,358,334.54	6,769,139.46	6,580,345.11	5,735,641.19	6,081,636.00	7,372,774.00	8,569,771.00	8,801,135.00	9,943,033.00

ATTACHMENT "B"

That under Section 289(1) of The City of Winnipeg Charter, a *Permit Reserve Fund* be established in order to:

1) mitigate revenue shortfalls in boom/bust cycles,

2) fund temporary staffing needs during busy periods during the boom/bust cycle,

3) provide a source of funds for service and system improvements

All fees identified in The Planning, Development & Building Fees By-Law #166/2004 should be used as the source of revenue with the exception of fees associated with the sections of City Plans and Waterways.

The following is a list of sections containing fees in the Planning, Development & Building Fees By-law to be used but is not intended as a complete all inclusive list of fees in the by-law as fees may be removed or added in the future.

Part 2 - Subdivisions
Part 3 - Zoning Fees
Part 5 - Encroachments
Part 6 - Miscellaneous
Part 7 - Documents
Part 9 - Signs
Part 10 - Occupancy Permits
Part 11 - Commercial Building Permits
Part 12 - Demolition Permits
Part 13 - Plumbing Permits – Licensed Contractors
Part 14 - Electrical Permits – Licensed Contractors
Part 15 - Plan Review Services
Part 16 - Contractor & Installer License Fees
Part 17 - Residential Building Permits
Part 18 - Residential Plumbing Permits
Part 19 - Residential Electrical Permits
Part 20 - Multi-Trade Permits – Residential New Homes
Part 21 - Inspections
Part 22 - Administration Fees