



The Corporation of the Town of Tecumseh

Planning & Building Services

To: Mayor and Members of Council

From: Mike Voegeli, Manager Building Services & Chief Building Official

Date to Council: March 12, 2019

Report Number: PBS-2019-06

Subject: Extension of the One-Year Moratorium on Building Permit Fees

Recommendations

It is recommended:

1. **That** Planning and Building Services Report No. 06/19, "Extension of the One-Year Moratorium on Building Permit Fees", **be received**;
2. **And that** if Council supports an additional one-year moratorium on commercial development and hotel building permit fees, Building By-law Number 2018-19 **be amended** accordingly and that any waived building permit revenue be transferred from the Tax Rate Stabilization Reserve.

Background

On March 13, 2018, Council passed Building By-law 2018-19, which in part sets out the fees charged for building permits. A special clause was included that placed a one-year moratorium on commercial building permit fees, including hotel development, to help encourage and attract new commerce.

This moratorium will end on March 13, 2019, and thereafter commercial development, including hotel development, will be charged a building permit fee rate of \$1.05 per gross square foot of building area. Given the imminent lapsing of this moratorium, this report is being provided to summarize commercial activity that has occurred in the past year and to determine if Council would like for the moratorium to be extended another year to March 13, 2020.

Comments

In 2018, two new commercial building permits were issued that were exempt from the building permit fees (see details in Table 1).

Due to the moratorium, the exempted permit fees totaled \$42,710. The associated total construction value was estimated at \$4.5 million. The loss of revenue to the Building Services Department was funded from the Town’s Tax Rate Stabilization Reserve.

Table 1
2018 Commercial Building Permit Fee Exemptions
Summary Table

Permit No.	Property Address	Owner	Area (sq.ft.)	Exempted Permit Fee	Construction Value
2018473	1655 Manning Rd	Otis Properties Ltd.	34,174	\$ 35,882.70	\$ 3,500,000
2018459	1655 Manning Rd	Otis Properties Ltd.	6,503	\$ 6,828.15	\$ 1,000,000
TOTAL			40,677	\$ 42,710.85	\$ 4,500,000

Planning and Building Services Report No. PBS-2018-05 included general observations relevant to the consideration of waiving these types of fees as well as some specific data and discussion regarding commercial development and hotel development, as follows:

- The Town has consistently followed the principle (with the exception of the Tecumseh Road Main Street CIP Area) that “development pays for development”. The notion is that the general ratepayer should not subsidize the normal and true costs of developing and that those costs should be borne by each individual development;
- On the surface, the general expectation would be that lowering commercial building permit fees would increase construction activity, thus resulting in the municipality receiving an increase in property assessment and taxation. In fact, there has been little substantive research in this area to support this expectation;
- Consultation with area municipalities indicates that reductions or phasing-in of development charges shows no correlation to increased commercial activity. In specific cases, there was actually more commercial development in the final year of a “phase-in period” than in the earlier years of the “phase-in period”. This tends to align with the notion that commercial development typically is driven by greater market forces, including demand/market conditions, access to capital, population and demographics, spending power and the adequacy of supporting municipal infrastructure (particularly transportation infrastructure);
- Building permit fees generally represent between 1.0% and 1.5% of the cost to construct a typical commercial building. This would suggest there are likely much more significant factors affecting when commercial development occurs;

- Whatever date is selected for implementing a moratorium, developers currently planning to take out a building permit in the short term may delay doing so pending a decision on an exemption being considered. This may have the unintended consequence of providing an incentive to someone to delay development simply to take advantage of the moratorium and/or providing an incentive to a development that was going to happen in any case;
- The 10-year actual commercial construction activity in Tecumseh from 2007 to 2016 is illustrated in the following table. It tends to show that commercial development has been sporadic over the 10 year period, with no identifiable pattern or particular trend;
- Notwithstanding the foregoing, it is acknowledged that hotels do not develop as regularly as other commercial development and further that hotels do have different beneficial impacts from attracting others to a community for short-term stays that can have positive impacts on other businesses. Having said that, it is uncertain if a one year exemption would be enough of an incentive to alter where or when a hotel development will occur.

COMMERCIAL CONSTRUCTION (New & Additions)											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Averages
Construction Value	\$7,139,600	\$384,000	\$1,102,000	\$2,810,000	\$0	\$8,945,000	\$309,000	\$10,200,000	\$210,000	\$0	\$3,109,960
Building Area (sq. ft.)	63,329	3,482	20,589	18,060	0	60,392	4,692	56,623	2,614	0	22,978
Square Foot Cost	\$113	\$110	\$54	\$156	\$0	\$148	\$66	\$180	\$80	\$0	\$90.66

If Council supports an additional one-year moratorium on commercial development and hotel building permit fees, Building By-law Number 2018-19 needs to be amended accordingly, and further, that any waived building permit revenue be transferred from the Tax Rate Stabilization Reserve.

Consultations

Financial Services

Financial Implications

Planning and Building Services Report No. PBS-2018-05 included some analysis with respect to the potential financial impact of a one-year moratorium on permit fees for commercial development and hotels based on the scenarios noted in that Report. The 10-year (2007-2016) average permit fee revenue (using a standard fee of \$1.05 per gross square foot) would result in a loss of approximately \$24,126 in annual permit fee revenue.

Additional analysis was provided which considered a scenario where a grocery store along with a commercial pad of approximately 45,200 square feet combined with a typical 88,000

square foot/4 storey hotel would result in a total loss of approximately \$139,000 in building permit revenue. As a frame of reference, the 2019 Council approved Building Services Budget projected total revenue of \$330,000 from building permit fees.

As previously noted, the actual loss of permit fee revenue in 2018 was \$42,710.

Any shortfall in building permit revenue that occurs if Council supports an additional one-year moratorium on building permit fees for commercial development and hotels is recommended to be off-set by transfer from the Tax Rate Stabilization Reserve.

Link to Strategic Priorities

Applicable	2017-18 Strategic Priorities
------------	------------------------------

- | | |
|-------------------------------------|---|
| <input type="checkbox"/> | Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers. |
| <input type="checkbox"/> | Ensure that the Town of Tecumseh's current and future growth is built upon the principles of sustainability and strategic decision-making. |
| <input type="checkbox"/> | Integrate the principles of health and wellness into all of the Town of Tecumseh's plans and priorities. |
| <input checked="" type="checkbox"/> | Steward the Town's "continuous improvement" approach to municipal service delivery to residents and businesses. |
| <input type="checkbox"/> | Demonstrate the Town's leadership role in the community by promoting good governance and community engagement, by bringing together organizations serving the Town and the region to pursue common goals. |

Communications

Not applicable

Website

Social Media

News Release

Local Newspaper

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Mike Voegeli
Manager Building Services & Chief Building Official

Reviewed by:

Brian Hillman, MA, MCIP, RPP
Director Planning & Building Services

Reviewed by:

Tom Kitsos, CPA, CMA, BComm
Deputy Treasurer & Tax Collector

Recommended by:

Tony Haddad, MSA, CMO, CPFA
Chief Administrative Officer

Attachment Number	Attachment Name
None	None