

Audit of Building Permit Fees

Mike Macdonell, Auditor General

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- The OAG's first performance audit report
- Building Permit Fees topic from 2022 audit plan
- Five recommendations to improve the administration of building permit fees
- Action plan on the recommendations provided to OAG by the Development, Buildings and Licensing department (DBL)
- We received full cooperation from the DBL team throughout the course of the audit

- Purpose of building permits is to ensure projects comply with the *Vancouver Building By-law* (*Building By-law*) to meet life safety, livability, accessibility and sustainability requirements
- Fees are charged to recover expenses incurred in processing permit applications

- Permits for new buildings administered by DBL, in the:
 - Housing Review Branch (HRB)
 - Building Review Branch (BRB)
- The *Building By-law* requires that:
 - Fees are charged in accordance with the City's Schedule of Fees
 - Fees are based on the value of the proposed work

Audit Objective:

- To determine whether the City of Vancouver's Development, Buildings and Licensing department implemented processes to accurately and consistently assess building permit fees in compliance with the *Building By-law*

Audit Scope and Period:

- Building permit fees for new buildings administered by HRB and BRB
- January 1, 2021 to June 30, 2022

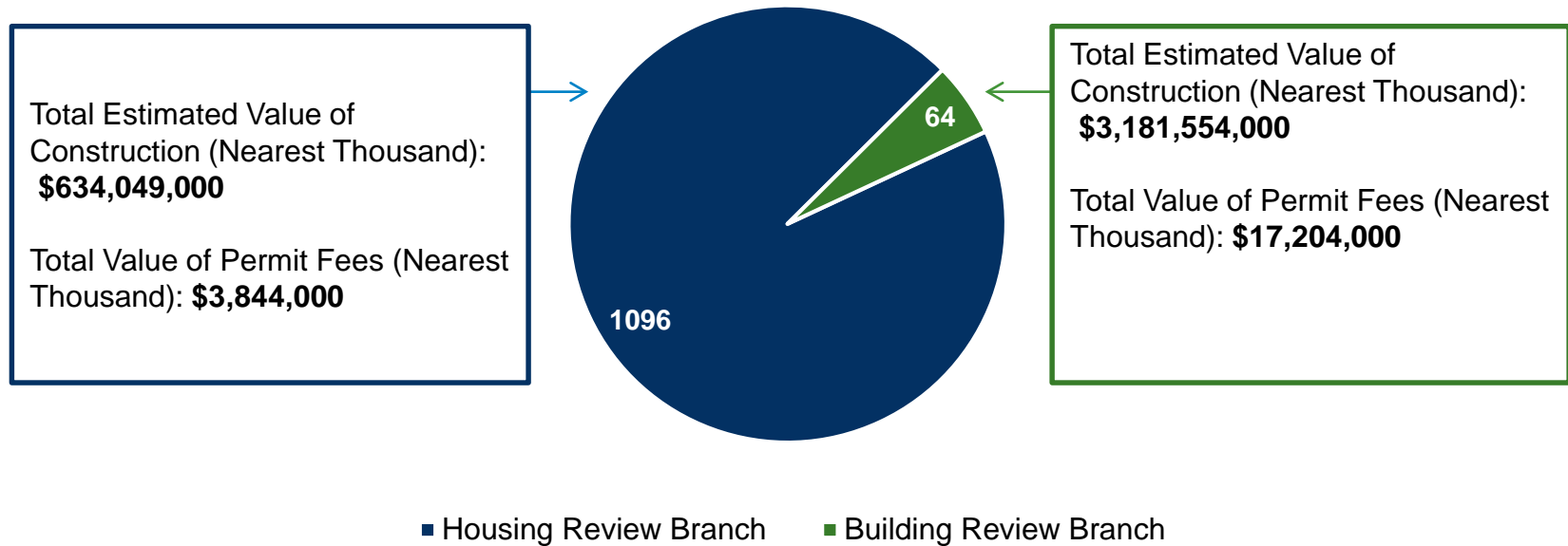
What We Examined:

- The accuracy of building permit fees and associated administrative processes and practices
- Whether the branches' processes were designed to comply with relevant sections of the *Building By-law*

What We Didn't Examine:

- Renovation project permit fees
- Other permits such as zoning and development
- Financial processes and controls administered by the Finance, Risk and Supply Chain Management department (FRS)
- Building permit processing times

Permits for New Buildings Examined During the Audit Period



- We concluded that DBL implemented processes to consistently and accurately assess building permit fees in substantial compliance with most of the relevant requirements of the *Building By-law*
- However, we found some significant exceptions related to processes administered by HRB and identified areas for improvement in HRB and BRB

Housing Review Branch

- Simplified process for assessing fees (\$250/square footage multiplier)
- Process was not authorized by the *Building By-law*
- Inconsistencies in application of the process resulted in under-collected, and some over-collected, permit revenue

Housing Review Branch

- Sampled 64 of 1,096 permits
- Approx. 20% of the time the multiplier was used instead of the higher value provided by applicant, resulting in under-collection of \$27,394 (11.4%)
- The fee for net floor area of garages was built into the multiplier; however the same multiplier was used for projects with no garage

Building Review Branch

- Processes to assess fees complied with the *Building By-law*
- No formal guidance on when to seek supplementary cost information
- Detailed cost information not often requested from applicants

The Development, Buildings and Licensing department should address discrepancies between the *Building By-law* and the administrative design of the City of Vancouver's building permit fee assessment process by either:

- Redesigning processes to more explicitly comply with the *Building By-law* and address risks of under-charging or over-charging fees, or
- Researching and recommending to council amendments to the *Building By-law* to include a different method for charging building permit fees that is consistent, reliable, equitable and more efficient than using the value of the proposed work submitted by applicants as a basis for charging fees, taking the following into consideration:
 - The alignment of the selected method with the purpose of charging fees in order to recover the full cost of providing the service of issuing permits; and,
 - Developing a transparent method for calculating fees that can be consistently and accurately applied, with administrative efficiency (which may be unique to different types of buildings).

Housing Review Branch & Building Review Branch

- Neither branch had written procedures or guidance for the building permit fee assessment processes
- No evidence that other administrative processes, as described by management and staff, were not followed

Recommendation 2

The Development, Buildings and Licensing department should develop written guidelines or standard operating procedures for staff to follow when administering processes to determine building permit fees, and provide training to staff on the processes.

Housing Review Branch & Building Review Branch

- Detailed guidance for applicants on the value of proposed work was not included in application materials

Recommendation 3

The Development, Buildings and Licensing department should enhance the guidance provided to building permit applicants in order to support applicants' inclusion of complete and accurate information in their application forms.

Housing Review Branch & Building Review Branch

- Fees were accurately calculated using the City's Schedule of Fees
- No formalized permit fee assessment reports or monitoring

Recommendation 4

The Development, Buildings and Licensing department should develop a process, utilizing information available in POSSE, to monitor for administrative consistency of the building permit fee process to ensure that fees are being assessed correctly.

Housing Review Branch & Building Review Branch

- Value of proposed work used to assess fees was reasonable
 - Multiplier used by HRB in reasonable range of Marshall & Swift assessment, during the audit period
 - Multiplier has been in place for many years - likely higher than Marshall & Swift in the past and will likely soon be lower if not adjusted
 - BRB projects we reviewed in reasonable range of Marshall & Swift assessment

Building Review Branch

- Discrepancies noted between construction estimates submitted to the City for the same project, at the rezoning and building stages

Recommendation 5

The Building Review Branch should review the value of the proposed work submitted for projects that have provided estimates during rezoning applications (for Community Amenity Contribution requirements) to determine if they would assist in assessing the reasonability of the values provided in building permit applications.

- Auditor General Committee to receive the Auditor General's report on Building Permit Fees and endorse the report's five recommendations
- Auditor General Committee to recommend to Council to receive the report and endorse the Auditor General's recommendations

DBL Comments