



2015 BUILDING DEPARTMENT ANNUAL REPORT

Prepared by:

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Chief Building Official

March 7, 2016.

Presented to:

MAYOR and MEMBERS of COUNCIL
TOWNSHIP of NORWICH

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2015 ANNUAL BUILDING DEPARTMENT REPORT

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BACKGROUND

The Building Code Act Requirements

The Ontario Building Code requires that analysis of Building Departments operations be presented in the form of the Annual Report and that the report analyses Departmental operations as they relate to the administration and enforcement of the *Building Code Act of Ontario, 1992*.

In the past the Building Department has not produced a formalized Annual Report and as such, the report will include new information and analysis of Building Department operations to Council that is based upon recorded data from the Oxford County LRIS (Land Resource Information System) and information gathered by the Chief Building Official since my time of hire in April of 2015.

The format of this Annual Report is to adhere to the format as prescribed by the Ontario Building Code Div. C, 1.9. – Fees. It will also endeavour to promote understanding and awareness of the Building Department's operation via supplemental analysis.

The Annual Report vs. the Annual Operational Budget

The Annual Report is different in both form and purpose from the Operational Budget.

The **Operational Budget** defines the expected operational revenues and expenditures based upon the revenue and expenditures of previous year(s) - its forecasts are speculative upon the upcoming year, and are intended for the purpose of setting reasonable limitations upon expenses based upon the forecast year.

The **Annual Report** focuses upon the actual operational costs and revenues of the immediately previous year(s) for the purposes of distinguishing the Department's financial status by evaluating actual revenue and expenses at the calendar year's end. It distinguishes these expenses by separating them into two major subcategories - **Direct** and **Indirect Costs** of Building Department operations. The method of establishing and calculating the appropriate Direct costs, the Indirect Costs for the administration and enforcement of the Act in the Township was completed in coordination with the Treasurer. An explanation of the distinction between Direct and Indirect Costs is made in the explanatory appendix to this report however, the distinction is prescribed by the Ontario Building Code and as such is principally made so as to be compliant with Provincial prescriptive requirements for the Report.

The Purpose of the Annual Report

In contrast to the Operational Budget, the purpose of the Annual Report is not to forecast future expenses but rather to report on the expenses that have already occurred. For this purpose, the Annual Report acts to report upon the total annual operational costs (subdivided into direct costs and indirect costs) to deliver these Building Department services to the public on a year-by-year basis. The report also presents an opportunity to evaluate the costs as they relate to the services provided.

Operationally, the Province intends that all municipalities institute a “user pay” approach to the utilization of Permit Fee revenue – ensuring that the Building Permit fees collected closely reflect the true cost of the Building Permit-related services provided.

As an extension of the “user pay” methodology the Regulation (the Ontario Building Code) also supports the creation of Reserves - the purpose of which is to offer a method by which the Department may stabilize the year-over-year fluctuations in Permit Fee revenues collected, in anticipation of these fluctuations and future needs related to delivery of Building Permit-related services.

The Annual Report Summary offers an at-a-glance financial summarization of all the items identified above.

In accordance with the above Provincial requirements I am pleased to present to Council both the first Building Department Annual Report Summary, and the subsequent Operational Description and background analysis to the Report.

SCOPE

OPERATIONAL DESCRIPTION OF BUILDING SERVICES

Building Services consists of 2 primary departments – the Building Department and the Drainage Department - with additional corporate duties and responsibilities assigned as related to the Building Department and Drainage department services provided. For the purposes of this report work associated to the administration and enforcement of the Drainage Act of Ontario are omitted.

This report is reflective of services which are directly-related to the administration and operation of the Building Department in the delivery of services as identified by the legislated requirements of the Building Code Act.

Examples of the services delivered attributable to Direct Costs of the Building Department are:

- Building Permit-related counter services
- Permit application intake, review and related correspondence
- Meeting and correspondence with applicants, designers, contractors/builders, community partners, and industry stakeholders
- Inspection of permitted work
- Investigation and enforcement activities related to unpermitted work
- Reporting to authorities having jurisdiction and agencies having status as authorities
- etc.

Provision of the additional services are considered indirect operational costs to the services of the Building Department and are reflected as a component of the Annual Report.

Examples of the services delivered attributable to Indirect Costs of the Building Department are:

- Municipal Drain locate requests
- Counter services, communication and correspondence related to non-building permit inquires
- Zoning and Work Order reports
- Enforcement of Property Standards as prescribed by the Building Code Act
- Zoning by-law and MDS calculation administration
- Staff review and comment of Planning application and approvals
- select by-law administration and enforcement duties
- AGCO licencing, and similar event-based permit/licencing review
- Collection, calculation of municipal development charges and damage deposits
- etc.

ANNUAL REPORT SUMMARY 2015

Year-end Balance continuity (Reserve Fund, 2015) **\$ 0**

REVENUES:

Total Fees (Revenues) collected for the period January 1, 2015 to December 31, 2015
under Bylaw No. 13-96 as amended by By-law No. 98-2002, of the Township of Norwich **\$ 239,341.69**

COSTS:

Indirect Costs:

Indirect Costs are deemed to include the costs for support and overhead services provided to the Building Department including utilities, facility costs and extra-departmental administration and support costs.

- Total Administration Costs	\$ 52,730.52
- Total Enforcement Costs	\$ 1,004.88
Sub-Total - Indirect Costs	\$ 53,735.40

Direct Costs:

Direct Costs are deemed to include the costs of the Building Department directly related to Building Permit application review, construction inspections and building-related enforcement duties.

Total Administration Costs	\$ 98,706.93
Total Enforcement Costs	\$ 120,803.39
Sub-Total - Direct Costs	\$ 219,510.32

Grand Total Indirect and Direct Costs **\$ 273,245.59**

STATEMENT OF REVENUE:

Revenues over costs as of December 31, 2015 **\$ -33,903.90**

STATEMENT OF RESERVES:

Building Department Reserve Fund (to December 31, 2016) **\$ 25,000**

ANALYSIS

HIGHLIGHTS

Total Permitted Construction/Permit Fees Collected

In 2015, a total of 226 building permits were issued – the second highest recorded total in the previous 10 year sample. Total Building Permit fees collected amounted to \$239,341.69. This total exceeded the budgetary expectation for the year by more than \$79,000 (or approximately the value of the GHWT permit fees + 10% on top). When these 2015 totals are compared to the 10-year average permit fees collected (\$147,441.37) it clearly reflects that 2015 was an extraordinarily good year for the Township from a Building Department revenue standpoint.

Total Declared Construction Values

In general overview of the construction industry in the Township, the total declared gross construction value in 2015 was 74% above the 10-year average including the GHWT. Even when the GHWT numbers are deducted, the Township showed a very healthy 29% increase in 2015 over the 10-year average. These numbers indicate a very financially healthy local construction industry, and bode well for all sectors of construction growth through the 2016 construction season.

Gunn's Hill Wind Turbine Project (GHWT)

The permits have been issued for the Gunn's Hill Wind Turbine Project (GHWT) and construction is expected to commence in the early to mid-months of 2016. The 10 tower permits alone represent a substantial portion of the Industrial-related permit numbers, construction values and fees collected in 2015. Industrial projects of this scale and magnitude happen very rarely in Norwich, for this reason this project is considered by staff to be a "one in 10 year event".

The additional departmental revenue and construction values in 2015 generated by the GHWT project create a disproportionate relationship in 2015 when considering an average year. The effect of this disproportion creates distortion in the analysis methods used for the purposes of this report. For this reason, a subline has been created which enables the deduction of the GHWT project from the analysis – this allows the 2015 numbers to be considered both inclusively and exclusively of the GHWT project as they relate to comparative values.

Agricultural Livestock Facilities

In 2015, 61 Permits were issued for Agricultural-related construction projects in Norwich (approximately %27 of the annual total), 23 of those permits were issued either for new livestock housing facilities, or for substantial additions to existing housing facilities. By comparison, the 2014 totals by the same categories totalled 51 permits, but with only 12

permits issued for new or additions to livestock facilities. The 10-year average reflects 54 permits issued, with only 11 permits for new or additions to livestock facilities. In addition 2015 Construction Values for Agricultural permits showed a sharp increase against the 10-year average where the Construction values in 2015 were 54% above the 10-year average.

It is particularly important to note that Agricultural construction accounted for the second most Permits issued, the third most Gross Construction Value, and the second most in Permit Fees collected in 2015 – this is including the GHWT numbers. When the GHWT project are deducted from the 2015 totals, Agricultural Construction becomes even more important (first in Gross Value, second in Fees and number of Permits).

Zoning Reports & Work Order Reports

During 2015 the Building Services responded to 89 requests for Zoning and Work Order confirmations (clearance letters) compared to 59 in 2014. This represents a 33% increase in requests over a period of one year and the correlating revenue generated from these reports has risen sharply. As the demand for zoning and work order reports has risen, so has the demand on Township staffing for timely reports.

STATISTICAL COMPARISON – 2015 TO THE 10-YEAR AVERAGE

PERMITS ISSUED

<u>Category</u> <i>(highest to lowest by Sector)</i>	<u>2015 # of Permits Issued</u>	<u>Avg. # of Permits/yr. (10 yr.)</u>	% against Average year (2015 total against 10 yr. average)
Residential	85	80	+ 6%
Agricultural	61	54.6	+ 11%
Accessory Residential	56	40	+40%
Industrial *	15	4.4	+ 341%
* Less GHWT	5	3.4	+47%
Commercial	8	12.1	- 33%
Institutional	1	4.4	- 75%
Total	226	195	+ 15%
*Less GHWT	216	194.5	+ 11%

CONSTRUCTION VALUE

<u>Category</u> <i>(highest to lowest by Sector)</i>	<u>2015 Construction Value (\$)</u>	<u>Avg. Const. Value/yr. (10 yr.)</u>	<u>% against Average year (2015 total against 10 yr. average)</u>
Industrial *	12,472,000	\$1,765,220	+ 706%
* Less GHWT	\$1,102,000	\$628,220	+75%
Agricultural	\$10,849,475	\$6,902,839.3	+ 57%
Residential	\$10,726,350	\$9,791,778.4	+ 10%
Commercial	\$1,393,000	\$1,244,989.5	+ 11%
Accessory Residential	\$921,753	\$708,458	+ 30%
Institutional	\$50,000	\$1,730,048.4	- 3460%
Total	\$38,487,578	\$22,143,333.30	+ 74%
Less GHWT	\$27,117,578	\$21,006,333.30	+29%

PERMIT FEES

<u>Category</u> <i>(highest to lowest by Sector)</i>	<u>2015 Permit Fees (\$)</u>	<u>Avg. Permit Fees/yr. (10 yr.)</u>	<u>% Change (2015 vs. 10 yr. average)</u>
Industrial*	\$87,914	\$12,187.3	+721%
*Less GHWT	\$8324	\$4,228.30	+96%
Residential	\$72,911.07	\$63,149.64	+ 13%
Agricultural	\$50,777.78	\$41,179.30	+ 23%
Accessory Residential	\$10,624.40	\$8,892.65	+20%
Commercial	\$10,185.64	\$7,474.76	+36%
Institutional	\$450.00	\$8,738.40	-95%
Total	\$232,862.89	\$147,441.37	+ 58%
Less GHWT	\$153,272.89	\$139,482.37	+10%

ANALYSIS OF TABLES

Agricultural

As identified in the highlights the 2015 surge in agricultural construction is predominately driven by new and additions to livestock housing facilities. This is a very important to note, as 2015 was the first year in which Agricultural permits surpassed the residential construction sector in total annual construction values. Where both the cost of the average building, and the number of major barns constructed per year have increased at a such a dramatic rate, staff expect agricultural projects to increase in both priority and risk to department operations.

Operationally, this reflects an overall increase in demand for Building Departmental services relating to Nutrient Management and Minimum Distance Separation (MDS)-related reviews

by department staff. These types of projects have added an additional load to the regular plans examination and application review duties associated to the regular permit issuance process. In essence, a livestock housing expansion and the related facilities to the expansion take significantly more time to review and issue permits for, then do other types of non-livestock related permits for facilities and accessory structures of equivalent size. As Agricultural construction continues to increase in value (as average barn and herd sizes continue to grow dramatically) the risk of liability to the municipality per project increases proportionally.

Given the above, and in consideration of recent events within the Township and in other neighbouring municipalities, where multiple major fires and emergencies have occurred in very large agricultural facilities, joint several liability operations now poses a real concern for rural municipalities as related to permits issued for large agricultural buildings. For this reason it is staff's opinion that agricultural construction is a primary concern from a departmental operation perspective. Further, staff recommends that members of council pay particular attention to issues related to barn fires and on-farm related emergencies in upcoming months in the community, and also in regular correspondence from industry stakeholders and regulatory authorities.

Commercial/Industrial

As noted in the Highlights section, the GHWT does account for a substantial portion of the 2015 permit fees collected, construction values and industrial permits issued. The unknown component of this project is the operational costs incurred by the Building Department. The project's anticipated structural inspections and review to be conducted by the Building Department has necessitated the contracted services of an out-sourced consulting engineering firm (Spriet and Associates) to assist with these duties and responsibilities. The full final cost to the Department to conduct these inspections and review services will be known upon the project's completion, but can be expected to run in the \$20,000 to \$30,000 range. For this reason and as noted in the operational budget, adequate operational reserves have been established for the 2016 operational budget year, and an according amount of the 2015 fees collected should be allocated to this reserve for the purpose of covering these costs.

COUNTY WIDE/ REGIONAL COMPARITIVE STATISTICS

SUMMARY

The following comparative analysis gives indication of the rough value of Building Permits issued and also Fees collected/Permit issued in each municipality in Oxford County. The values are total values for all types of construction (Agricultural, Residential, Institutional, Commercial and Industrial). When the 2015 statistics for Norwich are compared against the County-wide averages and other neighbouring regions it gives an indication of where Norwich stands in relation to the other municipalities in both in County and regionally. As in the Norwich stats comparisons, a sub-line was created in the County-wide grid so that the GHWT factor may be separately evaluated.

COUNTY-WIDE STATISTICS - 2015

Municipality (Ordered by # of permits highest to lowest)	# of Permit s	Gross Construction Value	Permit Fees Collected	Gross Const. Value/Permit	Total Fees Collected/Permit
Woodstock	713	\$140,598,373	\$566,700	\$197,192.67	\$794.81
Tillsonburg	317	\$19,569,694	\$219,321	\$61,734.05	\$691.86
Norwich *	226	\$38,487,578	\$232,862.89	\$170,299.02	\$1,030.37
Ingersoll	186	\$15,753,730	\$191,862.89	\$84,697.47	\$1,031.52
Zorra	182	\$25,093,238	\$176,892.60	\$137,874.93	\$971.94
SWOX	178	\$17,800,613	\$127,500	\$100,003.44	\$716.29
EZT	162	\$19,631,918	\$128,818.49	\$121,184.68	\$795.18
Blan/Blen	113	\$14,555,335	\$171,886	\$128,808.27	\$1,521.12
*Norwich w/o GHWT	216	\$27,117,578	\$153,272.89	\$125,544.34	\$709.60

COUNTY-WIDE COMPARITIVE ANALYSIS - 2015

	Gross Const. Value/Permit	Fees Collected/Permit
County-wide 2015 Average (w/ GHWT)	\$125,224.32	\$944.14
County-wide 2015 Average (w/o GHWT)	\$119,629.98	\$904.04
Norwich 2015 with GHWT (% difference from County-wide average)	\$170,299.02 (36%)	\$1,030.37 (9%)
Norwich 2015 w/o GHWT (% Difference from County-wide average)	\$125,544.34 (5%)	\$709.60 (-22%)

REGIONAL COMPARITIVE STATISTICS AND ANALYSIS - 2015

	# of Permits	Gross Construction Value	Permit Fees Collected	Gross Const. Value/Permit	Total Fees Collected/Permit
Brant	538	\$74,995,000	\$1,052,352	\$139,395.91	\$1,956.04
Norfolk	1100	\$95,000,000	na	\$86,363.64	na
Norwich w/ GHWT	226	\$38,487,578	\$232,863	\$170,299.02	\$1,030.37
Norwich w/o GHWT	216	\$27,117,578	\$153,273	\$125,544.34	\$709.60

ANALYSIS

When the GHWT is included Norwich Fees Collected/Permit is well above the County-wide average, as are the Gross Construction Values/Permit (36% above the County average). Where GHWT is excluded, the Construction Value for Norwich are still very comparable to the County-wide averages (Norwich is still 5% above the average). However, the Fees Collected/Permit in Norwich are well below the County-wide average when the GHWT project is removed (22% below the County average).

This relationship reflects that Norwich construction values are consistent with (slightly above) the County-wide averages, but where Norwich's Permit fees are undervalued in comparison to the other municipalities in Oxford County. When this relationship is considered in combination with the number of permits issued in Norwich (3rd highest behind only Woodstock and Tillsonburg) it is cause for significant concern for the department, both financially and operationally, in the upcoming years.

RECOMMENDATIONS

1. It is recommended that Council receive this Report **BB 2016-04**, 2015 Building Department Annual Report, as information

2. **Building By-law and Fees Schedule Review**

It is further recommended that a review of the Townships' current Building By-law and its Schedule of fees for Permits and operational services be initiated immediately. The review should focus upon the Provinces model of "user pay" cost recovery method – where permit fees should target the appropriate direct and indirect costs associated to the operational services provided by the Building Department, and also paying regard to the comparative relationships to County-wide and Regional permitting statistics.

ATTACHMENTS

Appendix A

Prepared by:

Brad Smale B. Arch. Sci, CBCO
Manager, Building Services/Chief Building Official

Approved by:

Kyle Kruger
CAO / Clerk

APPENDIX A

DIRECT COSTS, INDIRECT COSTS and RESERVE FUNDS

As outlined in the Background, below is a brief explanation of the distinctions between Direct Costs, Indirect Costs and Building Reserve funds as related to the administration and enforcement of the Ontario Building Code Act.

The differences between Direct Costs and the Indirect Costs of administration and enforcement of the Act are essentially drawn between costs associated to the administration and enforcement of the Building Code and Act, and the costs for services that facilitate the administration and enforcement of the Act and Code.

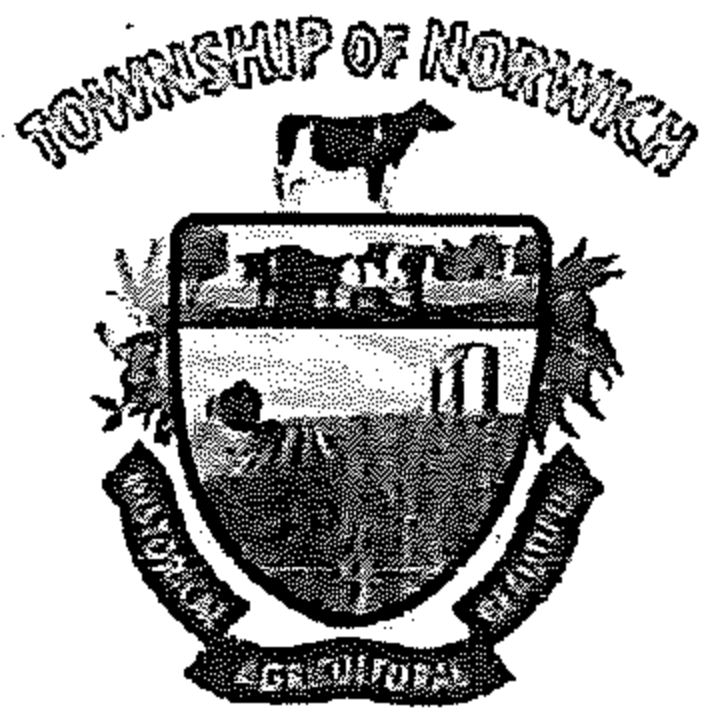
Indirect Costs are costs related principally to the overhead and support of Building Department operations. These costs mostly relate to support services provided within the Municipality by other Departments which are necessary to the operation of the Building Department but not necessarily directly related to the review of permit application or the inspection of work under permit. These costs predominately consist of utilities, maintenance, phones, and insurance as well as consulting costs for legal and professional services. **As such, Indirect Costs are predominately considered to be overhead costs that tend to remain relatively steady on a year-over-year basis.** For this reason indirect costs are not generally adjusted or re-evaluated on an annual basis except where they may be tied or related to factored macroeconomic indicators; such as fuel cost indexing or inflationary indexing.

Direct Costs are the costs associated with the delivery of the Building Department related services – principally, the provision of permit review and construction inspection services to the public. Examples of Direct Costs are considered to be costs directly related to the delivery of permitting, inspection and enforcement such as building permit application intake, plans review, field inspections, and the issuance of orders and related court costs.

Direct Costs are often extremely variable, as they mostly consist of operational staffing costs and are tied most closely with the relative permitting activity relating from the permitted construction. The calculation of these costs are predominately salaried costs and are meant to account for the time and resources required to review, issue, inspect and enforce the construction under permit by qualified personnel.

BUILDING RESERVE FUND

As with other types of reserve funds, Building Reserves are intended to be used in order to set aside adequate money in years of surplus building permit fee revenue in order to offset cost in years where building permit fee revenues are less than the costs of delivering the building services. The Code prescribes that a Building Reserve may be created for the purpose of offsetting the cost of operational administration and enforcement of the Building Code. It does not prescribe that this reserve may be used for any other purpose.



**The Corporation of
The Township of Norwich**

Resolution No. 21

Date: April 12, 2016

Moved by: Lynne DePlanche

Seconded by: J. Scholten

That Report BB 2016-04, 2015 Annual Building Report, be received as information.

*And further that a review of the current Building
By-law and schedule of fees be initiated.*

Recorded Vote Requested by:			Disposition:	
<hr/>			Carried	<u>LM</u>
	Yea	Nay	Lost	<hr/>
Councillor Buchanan:	<hr/>	<hr/>	Deferred	<hr/>
Councillor DePlanche:	<hr/>	<hr/>		
Mayor Martin:	<hr/>	<hr/>		
Councillor Palmer:	<hr/>	<hr/>		
Councillor Scholten:	<hr/>	<hr/>		
			Mayor	<u>Larry Martin</u>