



**2016
BUILDING DEPARTMENT
ANNUAL REPORT**

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March 17, 2017.

Presented to:

MAYOR and MEMBERS of COUNCIL
TOWNSHIP of NORWICH

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2016 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*.

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 Purpose of the Annual Report and Summary

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.

The Annual Report Summary offers an at-a-glance financial summarization of the total annual operational costs (subdivided into direct costs and indirect costs) and revenues necessary 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/revenue relationship to the services provided.

The User Pay Method

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.

I am pleased to present to Council both the Building Department's 2016 Annual Summary 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 2016

Year-end Balance continuity (Reserve Fund, 2016) **\$ 25,000.00**

REVENUES:

Total Fees (Revenues) Direct and Indirect collected
for the period January 1, 2016 to December 31, 2016 under Bylaw No. 13-96 and By-law No. 98-2002

Direct	\$ 193,661.77
Indirect	<u>\$ 10,847.90</u>
	\$ 204,509.67

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	\$ 47,278.31
- Total Enforcement Costs	<u>\$ 1,406.83</u>
Sub-Total - Indirect Costs	\$ 48,685.14

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	\$ 293,665.78
Total Enforcement Costs	<u>\$ 13,766.95</u>
Sub-Total - Direct Costs	\$ 307,432.73

Grand Total Indirect and Direct Costs **\$ 356,117.87**

STATEMENT OF REVENUE:

Revenues over costs as of December 31, 2016 **\$ -102,923.06**

STATEMENT OF RESERVES:

Building Department Reserve Fund (to December 31, 2016) **\$ 21,852.10**

ADDITIONAL ANALYSIS

HIGHLIGHTS

Total Permitted Construction/Permit Fees Collected

In 2016, a total of 198 building permits were issued and fees collected amounted to \$190,407.20. This total exceeded the budgetary expectation for revenue on the year by more than \$10,000. Operational expenses are also over-budget by approximately the same amount.

The operational overruns in both revenue and expense draw attention to the fact that the Department is increasing its services provided in reaction to the community demand for permits and enforcement.

Total Declared Construction Values

In general overview of the construction industry in the Township, the total declared gross construction value in 2016 was \$33,927,213.00 which is 46% above the 10-year average. This makes 2016 the 2nd best year on record for construction value - 1st when 2015's GHWT project is removed from the 2015 value totals.

These numbers indicate a very financially healthy local construction industry, and also corroborate to the above noted operational overruns in revenue and expense. Looking forward, we expect these numbers to continue for all sectors of construction growth through the 2017 construction season.

Residential

The Town of Norwich appears to be experiencing a marked increase in residential construction permits, primarily lead by new single detached dwellings. The total number of new residential dwelling units increased in 2016 to 36. This was only slightly greater than 2015's total of 34, but well above the 10-year average.

Agricultural

Agricultural permits and related construction work continues to represent approximately one third of the construction commenced in Norwich.

For the second year in a row, Agricultural Construction Values, Permit values and Number of Permits Issued showed a sharp increase against the 10-year average - 46% increase in Construction Value, 20% in Permit Value, and a 13% increase in Number of Permits Issued.

Institutional

Institutional permit issuance experienced a dramatic rise in 2016 due to the new Retirement Home and Independent Living Complex at the NRCC site also accounted for 12 new dwelling units in 3 multi-unit buildings being built on the site. The below tables show these % increases in red.

Other Revenue - Zoning Reports & Work Order Reports

During 2016 the Department responded to 68 requests for Zoning and Work Order confirmations (clearance letters) compared to 89 in 2014. Even though demand for reports has gone down in the past year the demand for timely zoning and work order reports has risen steadily over the past 6-year interval, as has the demand on Township staffing to complete reports in a timely manner.

STATISTICAL COMPARISONS

2016 TO THE 10-YEAR AVERAGE

PERMITS ISSUED

<u>Category</u> (highest to lowest by Sector)	<u>2016 # of Permits Issued</u>	<u>Avg. # of Permits/yr. (10 yr.)</u>	<u>% Against Average Year</u> (2015 total against 10 yr. average)
Residential	87	81	+7%
Agricultural	63	55.6	+13%
Res. Accessory	26	39.4	-33%
Commercial	9	11.1	-19%
Institutional	8	4.7	+70%
Industrial	5	4.4	+11%
Total	198	196.2	+1%

CONSTRUCTION VALUE

<u>Category</u> (highest to lowest by Sector)	<u>2016 Construction Value (\$)</u>	<u>Avg. Const. Value/yr. (10 yr.)</u>	<u>% against Average year</u> (2016/10 yr. average)
Residential	\$15,839,200.00	\$10,645,228.40	+49%
Agricultural	\$10,939,000.00	7,494,289.30	+46%
Institutional	\$5,212,613.00	\$2,089,409.40	+149%
Commercial	\$920,500.00	\$1,176,419.50	-22%
Accessory Residential	\$562,900.00	\$697,178.00	-19%
Industrial	\$453,000.00	\$1,780,020.00	-74%
Total	\$33,927,213.00	\$23,882,544.60	+42.5%

PERMIT FEES

<u>Category</u> <i>(highest to lowest by Sector)</i>	<u>2016 Permit Fees</u> <u>(\$)</u>	<u>Avg. Permit</u> <u>Fees/yr.</u> <u>(10 yr. average)</u>	<u>% Change (2016/</u> <u>10 yr. average)</u>
Residential	\$85,062.41	\$66,171.42	+29%
Agricultural	\$50,301.02	\$42,724.97	+20%
Institutional	\$38,312.79	\$11,201.48	+236%
Commercial	\$7,336.00	\$6,927.36	+1%
Accessory Residential	\$5,753.65	\$8,822.53	-35%
Industrial	\$2,991.00	\$12,231.40	-76%
Total	\$190,407.20	\$148,079.16	+28.6%

NORWICH 2015/NORWICH 2016

Norwich Totals – 2015 to 2016

	# of Permits	Gross Const. Value	Permit Fees Collected	Gross Const. Value/Permit	Total Fees Collected/Permit
Norwich 2015	226	\$38,487,578	\$232,863	\$170,299.02	\$1,030.37
Norwich 2016	198	\$34,021,313	\$190,407.20	\$171,824.81	\$961.65
% Difference 2016/2015	-12%	-12%	-18%	+1%	-7%

Norwich Totals – 2015 to 2016 (GHWT Effect)

	# of Permits	Gross Construction Value	Permit Fees Collected	Gross Const. Value/Permit	Total Fees Collected/Permit
Norwich 2015 <u>w/o GHWT</u>	216	\$27,117,578	\$153,272.89	\$125,544.34	\$709.60
Norwich 2016	198	\$33,927,213	\$190,407.20	\$171,824.81	\$961.65
% Difference 2016/2015	-8%	+25%	+24%	+37%	+35%

COUNTY-WIDE 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 2016 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 the County and regionally.

Construction Values/Permit gives an indication of the general size and complexity of the average permit issued. Higher values indicate more valuable and complex projects (such as major livestock facilities, new houses large industrial, commercial or institutional projects on a per-permit basis. Lower values means more lesser-valued less complex permits issued (such as decks sheds, garages, renovation permits and other minor accessory structures).

The analytic value of this comparison is in its ability to provide an indication of the nature of majority of permits issued within the municipality are – more complex and time consuming projects, or less complex and time consuming.

Total Fees Collected/ Permit provides a comparative of the average value of permits issued. Higher Fees Collected per permit reflects a higher percentage of large projects per permit, while lower fees may reflect a lower percentage of large projects. The revenue generated by the department on a per permit basis is a key indication of valuation of permit work.

When the above two comparative statistics are evaluated together with statistics from other municipalities, it can give insight as to whether the Permit Fees in Norwich are out of line with other Oxford County Building Permit Fee Structures.

COUNTY-WIDE STATISTICS - 2016

Municipality (Ordered by # of permits - highest to lowest)	# of Permits	Gross Construction Value	Permit Fees Collected	Gross Const. Value/Permit	Total Fees Collected/Permit
Woodstock	792	143,329,363	\$607,000	\$180,971.42	\$766.41
Tillsonburg	426	\$35,819,258	\$396,771	\$84,082.77	\$931.39
Ingersoll	223	25,444,055	\$374,333.94	\$114,098.90	\$1678.63
EZT	218	\$31,359,942	\$153,703.15	\$143,852.94	\$705.06
Norwich	198	\$33,927,213	\$190,407.20	\$171,349.56	\$961.65
Zorra	182	29,052,309	\$187,576.00	\$159,628.07	\$1030.63
Blan/Blen	176	\$39,599,713	\$274,865.19	\$224,998.36	\$1561.73
SWOX	173	\$25,961,625	\$181,432.27	\$150,067.19	\$1048.74

COUNTY-WIDE/NORWICH - COMPARITIVE ANALYSIS - 2016

	Gross Const. Value/Permit	Fees Collected/Permit
County-wide 2016 Average	\$153,690.56	\$1,085.53
Norwich 2016	\$171,349.56	\$961.65
% Difference (Norwich 2016/County-wide average)	(11%)	(-13%)

SUMMARY OF COUNTY-WIDE STATISTICAL ANALYSIS

Norwich Construction Values per permit are considerably higher than the County-wide averages (+11%) - indicating a higher percentage of larger, more complex permits are issued in Norwich than most other Oxford municipalities.

The analysis also shows that Norwich Permit Fees charged/Permit are below the County average (-13%). This would indicate that Norwich's Permit fees are undervalued in comparison to the other municipalities in Oxford County.

When compared against the reported totals from other Oxford County municipal building department, the Norwich Building Department deals with significantly larger/more complicated projects on the average for a substantially lower rate of Permit Fees collected/project than many of the other Oxford County Building Departments.

RECOMMENDATIONS

1. It is recommended that Council receive this Report **BB 2017-05**, 2016 Building Department Annual Report, as information.

ATTACHMENTS

Appendix A – Explanation of Key Concepts

Prepared by:

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

Approved by:

Kyle Kruger
CAO / Clerk

APPENDIX A – EXPLANATION OF KEY CONCEPTS

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. 9

Date: April 11, 2017

Moved by: Lynne DePlancke

Seconded by: J. Scholten

That Report BB 2017-05, 2016 Annual Report, be received as information.

Recorded Vote Requested by:	Disposition:
	Carried <u>LM</u>
Yea Nay	
Councillor Buchanan:	Lost _____
Councillor DePlancke:	Deferred _____
Mayor Martin:	<u>Lynne DePlancke</u>
Councillor Palmer:	
Councillor Scholten:	