



**2021
BUILDING DEPARTMENT
ANNUAL REPORT**

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Presented to:

MAYOR and MEMBERS of COUNCIL
TOWNSHIP of NORWICH

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2021 ANNUAL BUILDING DEPARTMENT REPORT

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BACKGROUND

The Building Code/Act Requirements

The *Building Code Act of Ontario* requires;

- the total amount of the fees must not exceed the anticipated reasonable costs of the principal authority to administer and enforce this Act in the area of jurisdiction".
- Every 12 months, each principal authority shall prepare a report that contains such information as may be prescribed about any fees authorized under (the Building By-law) and costs of the principal authority to administer and enforce this Act in its area of jurisdiction, and
- the principal authority shall make its report available to the public in the manner required by regulation

The Ontario Building Code prescribes that the Annual Report required under the Act shall contain the following information in respect of fees authorized under a building by-law:

- **total fees collected** in the 12-month period ending no earlier than three months before the release of the report,
- the **direct and indirect costs** of delivering services related to the administration and enforcement of the Act in the area of jurisdiction of the principal authority in the 12-month period
- a **breakdown of the costs** into at least the following categories:
 - **direct costs** of administration and enforcement of the Act, including the review of applications for permits and inspection of buildings, and
 - **indirect costs** of administration and enforcement of the Act, including support and overhead costs, and
- if a **reserve fund** has been established for any purpose relating to the administration or enforcement of the Act, the **amount** of the fund at the end of the 12-month period

Purpose and Format of the Annual Report and Summary

The format of this Annual Report adheres to the Ontario Building Code Div. C, 1.9. – Fees while providing both the prescribed information as well as additional information and analytics. In providing both the prescribed information and additional analytics staff endeavour to promote understanding and awareness of the Building Department's operation in context to the Township's larger operational environment as well as the local construction and development industry in the community.

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 Summary Report 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 Building Department services to the public on a year-by-year basis.

The concurrent Analysis to the Summary Report presents council with further information and evaluation of the costs/revenue relationship in context to the services provided by the Building Department, as well as to provide statistical and historic context to the construction occurring within the community over the past calendar year.

In summary, the intent of the Report is to;

- **confirm that the “user pay” approach** to the collection and utilization of Building Permit Fee revenue in the Township is being applied,
- ensure that the **Building Permit fees collected closely reflect the true cost** of delivering the Building Permit-related services to the community, and
- verify that surplus or shortfall in Permit fees **will have minimal affect (approaching zero impact)** upon other municipal operational costs.

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 each 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 of Ontario*.

DIRECT COSTS

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

- In-person and digital application services (application intake, review and related correspondence)
- Consultation, correspondence and education of Code-related matters.
- Inspection of permitted work
- Investigation and enforcement (activities directly and indirectly related to the Act and/or Code)
- Information Reporting

INDIRECT COSTS

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. These costs are estimated via the methodology established in the 2021 Fees Study report.

In summary, the associated indirect annual operational costs incurred by the building department are calculated to constitute 11.57% of the total annual actual municipal operational costs associated to;

- Norwich Council (salary and payroll burden)
- The Municipal Office building (heat, hydro, internet, phone, etc...)
- Ancillary administrative support services (i.e. Health and Safety committee, HR, counter services, etc...)

ANNUAL REPORT SUMMARY 2021

2021 REVENUES:

Total Fees (Revenues) Direct and Indirect collected for the period January 1st, 2021 to December 31st, 2021.

<u>Indirect Revenue:</u>	\$7,350
<i>Ancillary revenue from related services such as Work Order reports, 911 signage and deposit forfeiture</i>	
<u>Direct Revenue:</u>	\$554,254
SEPTIC-Permit Related revenue	\$ 61,700
Total Fees Collected, Jan. 1 st to Dec. 31 st , 2021	\$492,554
<u>Grand Total Revenue</u>	\$561,604

2021 COSTS:

<u>Indirect Costs:</u>	
<i>Indirect Costs are deemed to include an attributable portion (11.57%) of the total municipal costs related to Council, the municipal office and health & safety/human resources-related services provided to the Building Department</i>	
	\$24,593
<u>Direct Costs:</u>	
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.	
(C發ides the reported "2021 Actual Cost" from the 2022 Operational Budget)	\$432,707
<u>Grand Total Costs</u>	\$457,300

STATEMENT OF REVENUE/COSTS - 2021:

<u>Revenues/costs</u> (December 31, 2021)	\$561,604
	-\$457,300

\$104,304

STATEMENT OF STABILIZATION RESERVE - 2021:

Year-end Balance continuity (Status of Reserve Fund, December 31, 2021)	\$0
Transfers to Reserve (January 1, 2022)	\$104,304

Grand Total Reserves (as of Jan. 1st, 2022): **\$104,304**

2021 CONSTRUCTION REPORT/ANALYSIS

FINANCIAL ACCOUNTABILITY

2021 at a Glance:

- overall **operational costs were down**
- **Building Permit revenue is up** dramatically
- **\$104,304 surplus revenue** reported (transferred to reserve)
- **zero impact to municipal levy**

operational year end that reflects a \$104,304 surplus in permit revenue over the 2021 building year. This surplus represents a 23% surplus over actual costs. As a result, there was no net negative impact upon the general levy and the 2021 Operation Budget. In context to operational deficits experienced in 2019 and 2020 as well as the record-breaking year experienced in 2021 this surplus stands as reasonable and expected and where this surplus in revenue will be put to future good use to provide for future shortfalls when/if the need arises, there is no need for adjustment to the fees structure anticipated at this time.

Operational expenses did change in 2021 significantly. These changes are due principally to the market review conducted in the fall, and also the 2-month vacancy of the Plans Examiner/Counter Services Technician replaced with the Building Inspector position. Though significant, these changes had no net overall impact to the tax levy in 2021 due to the surplus in revenue generated. These surpluses are a direct result of the record-breaking year in construction local to the Township, paired with the implementation of adjustments made to the permit fee rates resulting from the 2021 Fees Study.

OPERATIONAL HIGHLIGHTS

AMANDA/Cloudpermit Transition

The process of transition from the LRIS permitting database to AMANDA was completed in 2021. Additionally, the Township engaged Cloudpermit to provide web-based Building permit application/issuance and inspection tracking capabilities, with scaled implementation occurring between May and December of 2021.

The Pandemic

The continuance of the pandemic through the 3rd, 4th and 5th waves affected the Building Department with intermittent lockdowns and work from home mandates, causing further disruption to operations. During these times, and where coinciding with the vacancy of the inspector position – the Department did briefly run in excess of the prescribed timeframes, nevertheless, once the position was filled and the lockdowns ended staff quickly caught up with the demand and the timeframes returned to normal.

2021 Fee Study/ Implementation of Fees changes

A review of the fees charged for Building Code related services was conducted in January/February and Implemented effective April 1st of 2021. As a result, the fees collected through 2021 represent a prorated summary of the effects of the fee change, and where 2022 will be the first fully (calendar) year under the new fees.

New Staff/ Job Evaluation

The vacancy of the Junior Inspector/ Plans Examiner position in April offered an opportunity to re-evaluate operational efficiencies and adjustments. A market review was also undertaken which coincided with this vacant position and the result was an adjusted position and adjusted hours of work for the person in the position.

PROJECT HIGHLIGHTS

- **265721 MAPLE DELL RD** (Stubbe's/Premiere) – Commercial Dealership/Eq. Storage and Septic system
- **35 MAIN ST E NORWICH** (NRC Bethany Care) - Retirement Home Addition
- **425076 SUBSTATION RD** – (Oxford Cattle Co.) – Calf barn facility (4 barns)

STATISTIC HIGHLIGHTS

- **351 building permits issued**
 - 12% over the 5-year average (310 permits)
 - 25% over the 10-year average (264 permits)
- **\$524,801 Permit fees**
 - 30% over the 5-year average (\$369,000)
 - 48% over the 10-year average (\$276,000)
- **\$75 million in Construction Value**
 - 23% over the 5-year average (58 million)
 - 42% over the 10-year average (44 million)

Includes;

- **38 Demo Permits Issued** (\$351,000 of Demo work value, \$4,750 permit fees)
- **56 Septic Permits issued** (\$799,000 of Const. value, \$53,000 permit fees.)
- **82 new Dwelling Units Created** (incl. 18 Retirement Home units)
- **17 New and Additions to existing Livestock Barns**

STATISTICAL COMPARISON – 2021 TO THE 5-YEAR & 10-YEAR AVERAGES

PERMITS ISSUED

Category (highest to lowest by Sector)	2021 <u>Permits Issued</u>	Avg. Permits <u>2017-2021</u>	Avg. Permits <u>2012-2021</u>
Principal Residential	181	141	115
Agricultural	76	74	68
Accessory Residential	74	69	57
Commercial	11	13	12
Institutional	6	5	5
Industrial	3	8	7
Total	351	310	264

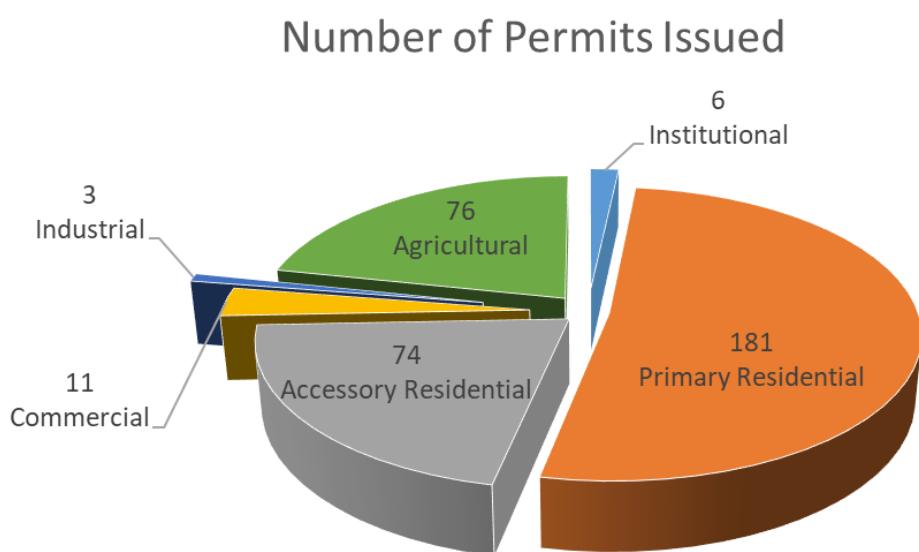
CONSTRUCTION VALUE

Category (highest to lowest by Sector)	2021 Construction Value (\$)	Avg. Const. Value 2017-2021	Avg. Const. Value 2012-2021
Principal Residential	\$32,633,256	\$26,973,199.28	\$20,101,311
Agricultural	\$21,107,750	\$17,551,030.60	\$13,473,435
Commercial	\$12,638,338.00	\$3,553,720.20	\$2,324,610
Institutional	\$4,611,150.00	\$2,215,883.20	\$2,225,951
Accessory Residential	\$3,020,561	\$1,660,652.76	\$1,306,417
Industrial	\$930,000	\$5,717,196.00	\$4,282,598
Total	\$74,951,055	\$57,671,682.00	\$43,715,321.20

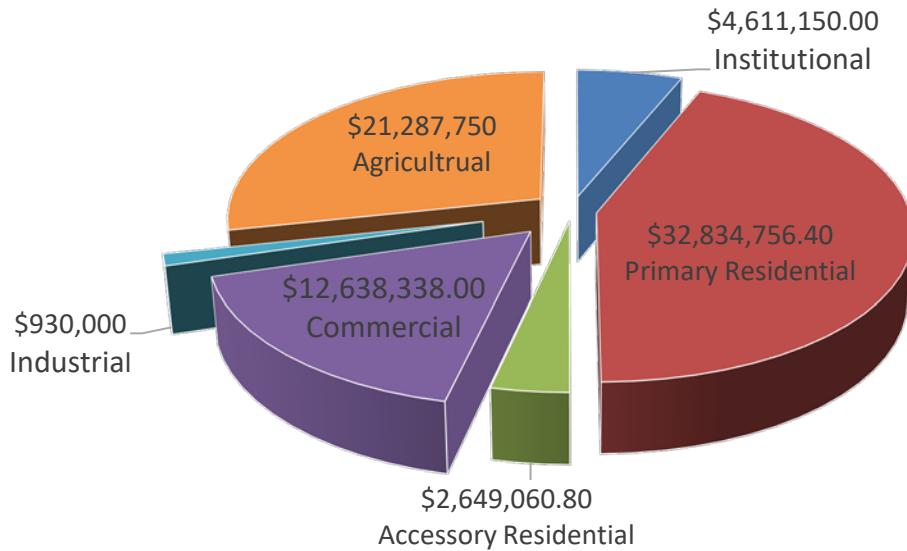
PERMIT FEES

Category (highest to lowest by Sector)	2021 Permit Fees (\$)	Avg. Permit Fees/yr. 2017-2021	Avg. Permit Fees/yr. 2012-2021
Principal Residential	\$271,605.10	\$185,345.14	\$133,628.27
Agricultural	\$159,250.40	\$113,154.58	\$81,697.61
Accessory Residential	\$32,892.55	\$21,359.43	\$16,365.61
Commercial	\$32,159.91	\$15,946.40	\$11,664.56
Institutional	\$27,253.58	\$14,192.57	\$12,829.57
Industrial	\$1,640.00	\$19,019.43	\$19,532.71
Total	\$524,801.54	\$369,017.55	\$275,718.33

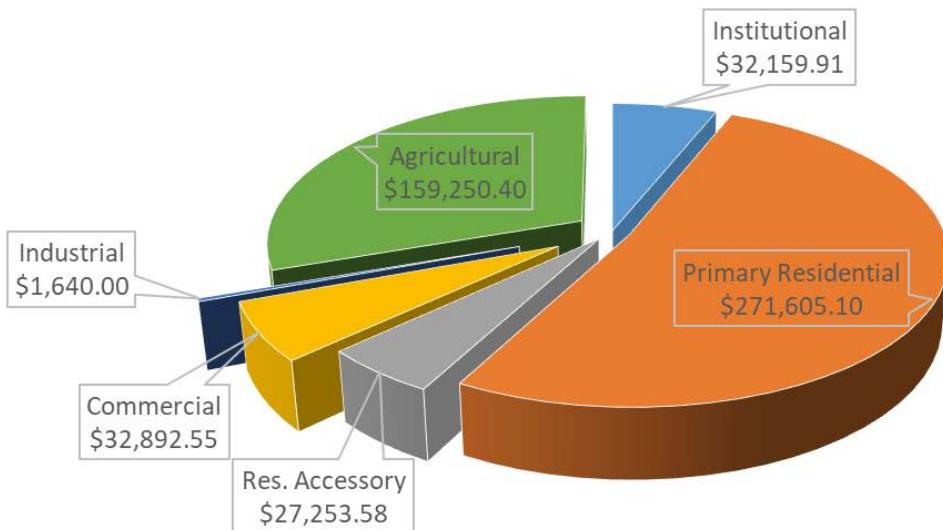
Below are graphic representations of how these three major indices (Number of Permits Issued, Gross Value of Construction, and Permit Fees Collected) were distributed among the 6 major sectors of construction – being Primary Residential, Accessory Residential, Agricultural, Institutional, Industrial and Commercial Construction sectors - within the Township throughout the 2021 year:



Gross Construction Values



Permit Fees Collected



Zoning Reports & Work Order Reports

The Building Department responded to 81 requests for Zoning and Work Order confirmations (clearance letters) and 1 request for septic information. The total (indirect) revenue attributable to this service was \$7,350 in 2021.

FINAL ANALYSIS

2021 was an extraordinary year for the Construction Sector in Norwich. In final analysis of the 2021 numbers against the 5 and 10-year averages reveals continued growth overall in construction activity in nearly every sector.

In the overall the Township carried an annual permitted construction growth rate of approximately **4.3%/year** when calculated over the 5-year period, and around **3.8%/year** rate when measured against the 10-year average. More specifically;

- Primary Residential construction in 2021 set new record numbers for the third consecutive year. Of particular note was the number new dwelling units created (80) value of construction (over 32 million) and permit fees collected (approximately \$271,000).
- Residential accessory construction had a record setting year as well. Value of construction over 2.6 million, and \$27,000 in permit fees collected (up 65% and 70% respectively)
- Agricultural, construction showed above average totals for value of construction and fees collected. Approximately 17% to 28% above the 5-year average
- Commercial construction showed continued significant growth carrying over from 2020, and set new record numbers in construction value (12.6 million) and in fees collected (approx. \$33,000) due largely to the Premiere Dealership project. Value of construction was 71% over the 5-year average in 2021
- Institutional construction activity rebounded in 2021 from a 3-year downward trend – up 50% in construction value measured over the 5-year average.
- Industrial construction showed weak numbers - construction value was under a million for the first time in nearly 10 years - however, these numbers are likely due to pandemic-related factors and are expected to rebound significantly through the 2022 construction year.

Financially the surplus revenue accumulated in 2021 explainable and justified by the decrease to operational costs incurred during the 2-month inspector position vacancy, and the fees adjustments implemented in April. Overall, the \$104,000 surplus in 2021 aligns with the \$103,000 deficit from the 2020 year.

Looking forward to the 2022 construction year the overall sector-by-sector growth appears to remain very strong throughout the region, and sustained growth can continue to be expected into the 2022 building year.

In summary it is the opinion of staff that the financial position of the Township Building Department is stable and in a financially accountable position, and in general adherence to the prescriptive requirements of the *Building Code Act of Ontario*.

RECOMMENDATIONS

It is recommended that;

1. Council receive Report **BB 2021-04**, Titled; “2021 Building Department Annual Report” as information

ATTACHMENTS

Appendix A

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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 resulting 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.