



## 2020 BUILDING DEPARTMENT ANNUAL REPORT

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MAYOR and MEMBERS of COUNCIL  
TOWNSHIP of NORWICH

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Reo #15

# 2020 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 related 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 Building Department services to the public on a year-by-year basis. The report also presents an opportunity to evaluate the costs/revenues 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.

Implementation of this methodology via the Regulation (the Ontario Building Code) is achieved by the creation of a revenue stabilization Reserve - 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. Any additional or surplus revenue collected is set aside in this reserve. Use of these reserve funds is allocated specifically for Departmental needs, rather than the needs of general municipal operations.

I am pleased to present to Council the Building Department's 2020 Annual Report and Summary.

## 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.

The addition of this role to the regular Building Department operations attributed to a net increase in the number of permits reviewed and approved, inspection completed and related enforcement activities. The costs related to these new services were tracked throughout the operational early in order to begin to establish baseline values for the purpose of continuing to evaluate the costs to deliver this service.

#### **DIRECT COSTS**

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
- NEW delivery of the mandatory septic system reinspection program (Wellhead Protection Area)

#### **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 2017 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 2020

### 2020 REVENUES:

Total Fees (Revenues) Direct and Indirect collected for the period December 22nd, 2019 to December 22nd, 2020

<b>Indirect Revenue:</b>	<b>\$7,800.00</b>
<i>Ancillary revenue from related services such as Work Order reports, 911 signage and deposit forfeiture</i>	
<b>Direct Revenue:</b>	<b>\$377,588.48</b>
<i>SEPTIC-Permit Related revenue</i>	<i>\$ 28,700.00</i>
<i>Total Fees Collected, December 22, 2019 to December 22, 2020</i>	<i>\$348,888.00</i>
<b>Grand Total Revenue</b>	<b>\$385,388.00</b>

### 2020 COSTS:

<b>Indirect Costs:</b>	
<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 &amp; safety/human resources-related services provided to the Building Department</i>	<i>\$26,069</i>
<b>Direct Costs:</b>	
<i>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. (coincides the reported "2020 Actual Cost" from the 2021 Operational Budget)</i>	<i>\$414,733</i>
<b>Grand Total Costs</b>	<b>\$440,802</b>

### STATEMENT OF REVENUE/COSTS 2020:

Revenues/costs as of December 31, 2020 - \$ 55,414

### STATEMENT OF STABILIZATION RESERVES:

● Year-end Balance continuity (Status of Reserve Fund, January 1 <sup>st</sup> , 2020)	<b>\$0</b>
● Transfers to Reserve (December 31, 2020)	<b>\$0</b>

**Grand Total Reserves (as of January 1<sup>st</sup>, 2020):** **\$0**

## 2020 CONSTRUCTION REPORT/ANALYSIS

### FINANCIAL ACCOUNTABILITY

The 2020 year resulted in an operational year end that reflected a \$55,414 deficit (87% revenue neutral). Despite this deficit the overall impact upon the general levy was minimal - constituted less than 0.05% burden upon the total 2020 operating levy.

This result stresses the importance of the need to complete a new Fees Study – where the previous fees study was completed in 2017, and where the schedule was updated to reflect the transfer of Pt. 8 enforcement from the HU to the Building Department in the 2019 year - for the purposes of reviewing the building permit fees generated to support the operational direct and indirect operational costs to run the department.

It also verifies that the current rates as set by Schedule A to the Township's Building by-law are still largely representative of the true costing commensurate to the "User Pay" model for funding Building Code-related services by the Township but where the addition of additional staff to the department and the reorganization of the staff's roles and responsibilities is having an affect upon the true operating costs to administer and enforce the Building Code.

### DEPARTMENT HIGHLIGHTS

#### AMANDA/LRIS Database Transition

The process of transition permit tracking legacy software was completed in 2020.

#### Cloudpermit

Outsourced contracting services were also retained to provide additional assistance with the customized web accessible permitting portal and permit application interface (Cloudpermit). Work on this platform continued past the 2020 year-end, with expected implementation of Cloudpermit in late spring of 2021.

#### Job Evaluation/Review of Job Descriptions

A review of the job descriptions and the roles and responsibilities of each of the full-time salaried staff was completed in 2020. The resulting changes to the roles and responsibilities of the job descriptions and duties of each individual in the Building Department made adjustment to the salary and payroll-related component of the operational costs necessary. These changes had a significant impact upon the Direct Costs to operate the Building Department, and accounted for the bulk of the reported operational deficit. Approximately \$40,000 of the operational deficit was due to these salary and payroll burden changes.

## ANALYSIS

### PROJECT HIGHLIGHTS:

- Phase 1 Apartment building – Stillwaters Retirement Community – 4 Storey, 43 unit mid-rise
- New Oxford Pallet Plant (5200 sq. m. wood processing plant)
- 91 new Dwelling Units Created
- 37 Septic system permits issued
- 2 Livestock Barns – each >4800 Sq. m. (51,666 sq. ft.)

### STATISTIC HIGHLIGHTS (by major construction Group)

#### Residential

- Collectively, 2020 was the best year on record for Permit fees collected (\$199,690.83) and gross value of construction under permit (\$35,807,705.00)
- The 2020 value of construction was nearly double the 10-year annual average value (\$17,667,325.00)
- 2020 was the best year on record for new dwelling unit creation (93) due mostly to the Stillwaters apartment building
- 2020 was the 2<sup>rd</sup> best year on record in number of permits issued (141)
- New records were also set in 2020 for residential accessory building value of construction (\$1,728,023.00)

#### Agricultural

- Slightly below average year for construction value (\$16,125,276.00) and in number of permits issued (66)
- 3<sup>rd</sup> Best year on record for fees collected (\$95,083.17)
- Large fees despite below average construction values and permit numbers mostly due to 2-3 very large barn projects started in 2020

#### Institutional

- Generally, below average year
- 3<sup>rd</sup> worst year on record in value of permit fees collected (\$1,797.50)
- Continuing a depressed trend starting 2017-2018

#### Commercial

- Generally average year with below average Cost of construction under permit (\$557,488.00)

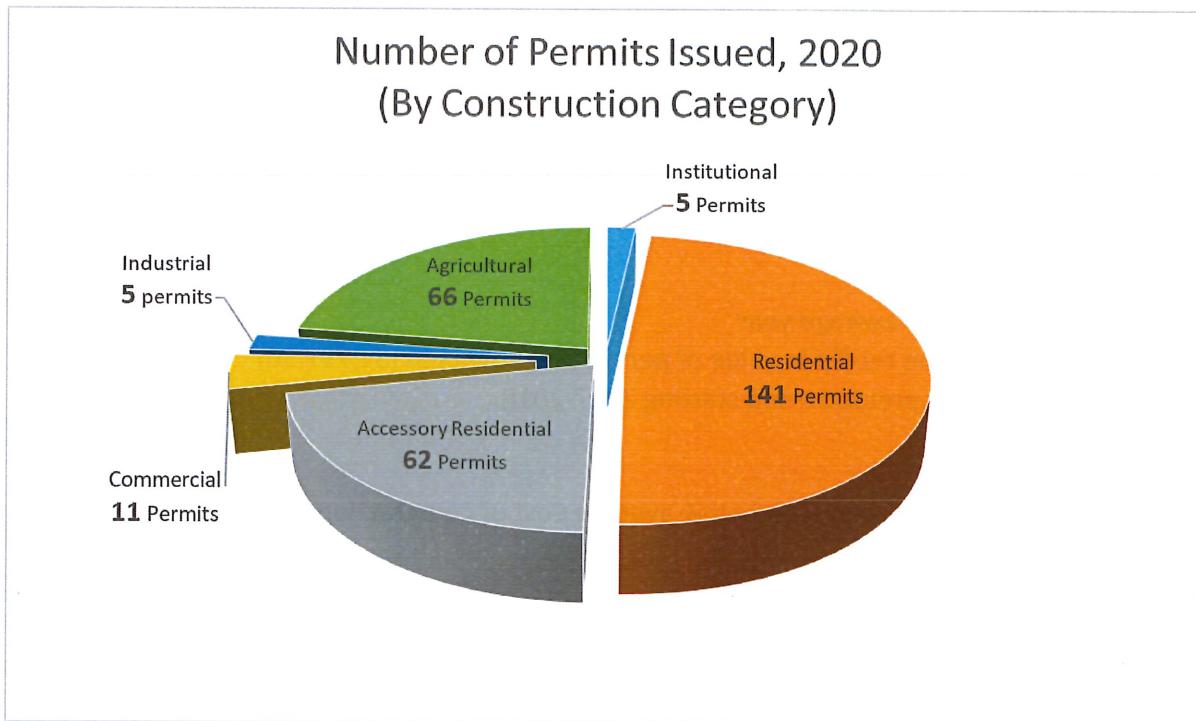
#### Industrial

- Slightly below 5-year average in number of permit and fees collected
- Best year on record for value of construction under permit (\$13,363,300.00)
- due in large part to the New Oxford Pallet project

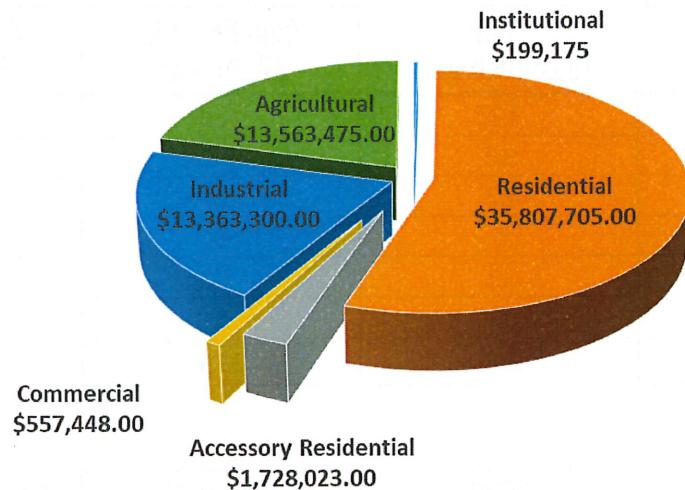
## **OVERALL**

- **290 building permits issued**
  - tied with 2018 for 3<sup>rd</sup> highest total recorded
  - 3.6% over the 5-year average (279 permits)
  - 15% over the 10-year average (247 permits)
- **\$344,314.67 Permit fees**
  - 2<sup>nd</sup> highest total recorded
  - 13% over the 5-year average (\$302,008.00)
  - 38% over the 10-year average (\$214,223.00)
- **\$65 million in Construction Value**
  - Highest value total recorded
  - 24% over the 5-year average (49.5 million)
  - 41% over the 10-year average (38.3 million)
- **Permit fees collected were \$16,000.00 over 2020 budget**
- **Building Department Operational costs of were \$5800.00 under 2020 budget**

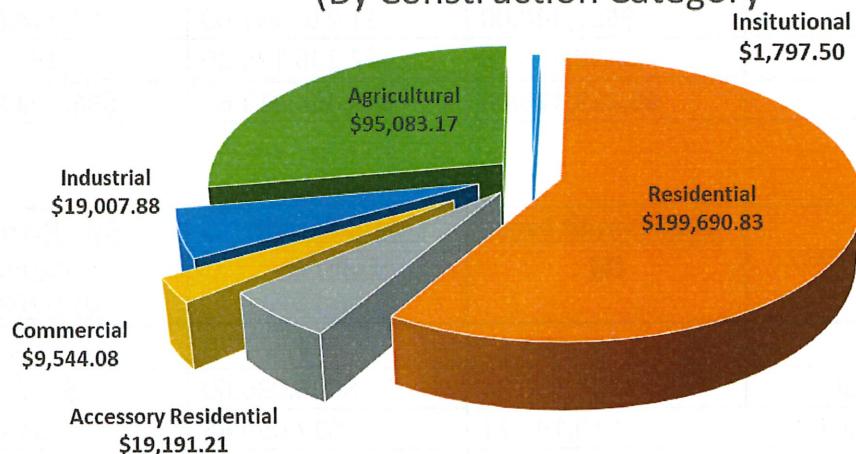
Below are graphic representations of how these three data sets (Number of Permits Issued, Gross Value of Construction, and Permit Fees Collected) were distributed among the 6 major sectors of construction in the Township throughout the 2020 year (Principal Residential, Accessory Residential, Agricultural, Institutional, Industrial and Commercial Construction sectors):



### Gross Construction Values, 2020 (By Construction Category)



### Permit Fees Collected, 2020 (By Construction Category)



## STATISTICAL COMPARISON – 2020 TO THE 5-YEAR & 10-YEAR AVERAGES

### PERMITS ISSUED

<u>Category</u> (highest to lowest by Sector)	<u>2020</u> <u>Permits Issued</u>	<u>Avg. Permits</u> <u>2016-2020</u>	<u>Avg. Permits</u> <u>2011-2020</u>
Principle Residential	141	123	103
Agricultural	66	71	66
Accessory Residential	62	59	54
Industrial	5	9	7
Commercial	11	12	11
Institutional	5	5	6
Total	<b>290</b>	<b>279</b>	<b>247</b>

### CONSTRUCTION VALUE

<u>Category</u> (highest to lowest by Sector)	<u>2020</u> <u>Construction Value</u> <u>(\\$)</u>	<u>Avg. Const. Value</u> <u>2016-2020</u>	<u>Avg. Const. Value</u> <u>2011-2020</u>
Principle Residential	\$35,807,705.00	\$23,574,088.00	\$17,667,325.50
Agricultural	\$13,563,475.00	\$15,481,280.60	\$11,832,059.60
Industrial	\$13,363,300.00	\$5,621,796.00	\$4,250,598.00
Accessory Residential	\$1,728,023.00	\$1,243,420.60	\$1,057,825.80
Commercial	\$557,448.00	\$1,210,152.60	\$1,114,005.80
Institutional	\$199,175.00	\$2,336,175.80	\$2,382,136.00
Total	<b>\$65,219,126.00</b>	<b>\$49,466,913.60</b>	<b>\$38,303,950.70</b>

### PERMIT FEES

<u>Category</u> (highest to lowest by Sector)	<u>2020 Permit Fees</u> <u>(\\$)</u>	<u>Avg. Permit</u> <u>Fees/yr.</u> <u>2016-2020</u>	<u>Avg. Permit</u> <u>Fees/yr.</u> <u>2011-2020</u>
Agricultural	\$95,083.17	\$91,364.70	\$69,313.87
Principle Residential	\$199,690.83	\$148,036.60	\$112,081.66
Accessory Residential	\$19,191.21	\$17,059.45	\$14,479.95
Industrial	\$19,007.88	\$19,289.63	\$19,837.71
Commercial	\$9,544.08	\$10,835.09	\$8,854.21
Institutional	\$1,797.50	\$15,423.148.00	\$13,380.57
Total	<b>\$344,314.67</b>	<b>\$302,008.61</b>	<b>\$214,223.35</b>

### Zoning Reports & Work Order Reports

The Building Department responded to 60 requests for Zoning and Work Order confirmations (clearance letters) and 7 requests for septic information. The total (indirect) revenue attributable to this service was \$7,800 in 2020.

## **ANALYSIS**

In general, 2020 was another above average year for the Construction Sector in Norwich statistically.

Residential construction showed record high numbers of new dwelling units created, construction values and permit fees collected. The creation of a new 4 storey mid-rise apartment building in the Village – the first of its size and class in the Township – is testament to the record-breaking year for residential construction in the Township. Accessory Residential Construction was also above-average in 2020.

Conversely Agricultural, Industrial and Commercial sectors showed slightly below average totals for permits issued and fees collected despite the fact that Industrial construction value set a new record (\$13,363,000) – this was due largely to the New Oxford Pallet Plant Construction. Institutional work also continued its downward trend from the previous 3-4 years.

Analysis of the 2020 numbers against the 5 and 10-year averages reveals sustained levels of construction activity in all sectors except for Institutional, and Commercial - both experiencing below average years in 2020 (likely due to COVID). Nevertheless, the 2020 year showed general growth against both the 5 and 10-year averages in all aspects save in the number of permits issued permits. In the Overall, Construction sector growth remains very strong and sustained growth is to be expected into the 2021 building year, for both the local construction industry and within the larger community of Oxford County.

It is concerning that the operational revenue/cost reflects a deficit year in context to these types of bullish growth numbers. As such, and as per the recommendation from the 2019 Annual Report, staff have conducted a Fees Study to analyse and provide council with options for fees schedule changes. The results of the 2021 Fees Study will be discussed in further detail at the Public Meeting to be held on March 23, 2021.

## **RECOMMENDATIONS**

It is recommended that;

1. Council receive Report **BB 2021-04**, Titled; “2020 Building Department Annual Report”, as information, and
2. Direct staff to proceed with undertaking a Fees Study, to be conducted with respect to the Building Permit Fees prescribed in SCHEDULE “A” to BY-LAW 16-2019 (the “Building By-law”) forthwith.

## **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 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.