



2019 BUILDING DEPARTMENT ANNUAL REPORT

Prepared by:

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MAYOR and MEMBERS of COUNCIL
TOWNSHIP of NORWICH

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2019 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.

In conclusion, I am pleased to present to Council the Building Department's 2019 Annual Report and Summary.

Brad Smale, B. Arch. Sci., CBCO
Chief Building Official

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.

NEW SERVICES – SEPTIC SYSTEMS

In April of 2019, Township of Norwich Building Department assumed the new role of responsibility of enforcing Pt. 8 Sewage systems under the Ontario Building Code. The role of regulator was previously undertaken by the local Health Unit (Southwestern Public Health, Previously Oxford County Public Health Unit). This new role – included the issuance of permits, undertaking of inspections for permitted work as well as investigation and enforcement of unpermitted work.

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 mandatory

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 2019

2019 REVENUES:

Total Fees (Revenues) Direct and Indirect collected for the period January 1, 2019 to December 22, 2019

Indirect Revenue: **\$5,500.00**

Ancillary revenue from related services such as
Work Order reports, 911 signage and deposit forfeiture

Direct Revenue: **\$341,713.05**

SEPTIC-Permit Related revenue \$26,642.50
Total Fees Collected, Jan. 1st to Dec. 22st, 2019 \$315,070.55

Grand Total Revenue **\$347,213.05**

2019 COSTS:

Indirect Costs:

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

\$26,732.75

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.
(coincides the reported "2019 Actual Cost" from the 2020 Operational Budget)

\$402,823.35

Grand Total Costs **\$429,556.10**

STATEMENT OF REVENUE/COSTS 2019:

Revenues/costs as of December 22, 2019 **\$ -82,343.05**

STATEMENT OF REVENUE STABILIZATION RESERVES:

- Year-end Balance continuity (Status of Reserve Fund, Jan. 1st, 2019) **\$41,473.16**
- Transfers to Reserve (December 31, 2019) **\$ 0**

Grand Total Reserves (as of Jan. 1st, 2020): **\$41,473.16**

2019 CONSTRUCTION REPORT/ANALYSIS

FINANCIAL ACCOUNTABILITY

The 2019 year resulted in an operational year end that reflected a slight deficit (81% revenue neutral). Despite this deficit the overall impact upon the general levy was minimal - approximately 19.1% of the total operating cost of the department, which constituted less than 0.09% burden upon the total 2019 operating levy.

This result validates the fees study in its establishment in 2017, through the 2019 year, for 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.

Nevertheless, it should be noted that the past 2 years show a trend of slight, but increasing, deficit balances which result in an overall increasing burden upon the general levy to support Building Department Operations on a year-over-year basis.

DEPARTMENT HIGHLIGHTS

Additions/CHanges to Building Department Staffing

An additional administrative assistant position was added in late summer of 2018 to keep abreast of the increased amount of internal paperwork resulting from the dramatic increase in permits over the previous 2 years. With council's permission, these positions were made permanent in 2019 and salary/benefit adjustments were made at that time attributable to this change.

AMANDA/LRIS Database Transition

The process of transition permit tracking legacy software was initiated in 2018. The County of Oxford Information Technology Department (County IT) was the lead agency in the RFP, awarding of contract, as well system implementation coordination. Outsourced contracting services were also retained to provide additional assistance with the customized integration of the new system transition, away from the legacy system. This work was outsourced to Unisys via sub-contract with CSDC and County IT. Work on this process occurred throughout the entirety of 2018 and 2019. Full County-wide implementation has been delayed due to the emergence of the COVID 19 emergency.

CONSTRUCTION HIGHLIGHTS

Analysis provided below is broken down by each Sector (individual type of end-use occupancy) in the Township of Norwich for the 2019 building year;

- 301 building permits were issued associated to over \$39 million in construction work under permit.

Comparing these numbers to historical data, 2019 shows to be the 2nd best year on record by number of permits issued (301) and value of construction under permit. Further, the data also reflects that 2019 was the 3rd best year ever for permit fees charged in the 2019 year, (\$288,674.45), and fee revenue collected (\$315,070)

The resulting year-end cost/revenue statement is relatively neutral as a result. This cost neutral position is in keeping with the intent of the principles established by the Permit fee study and implemented funding model.

Construction Values & Permits Issued

It is of note that the value of construction/fees collected for permits issued in 2019, accounts statistically for the 3rd highest year on record.

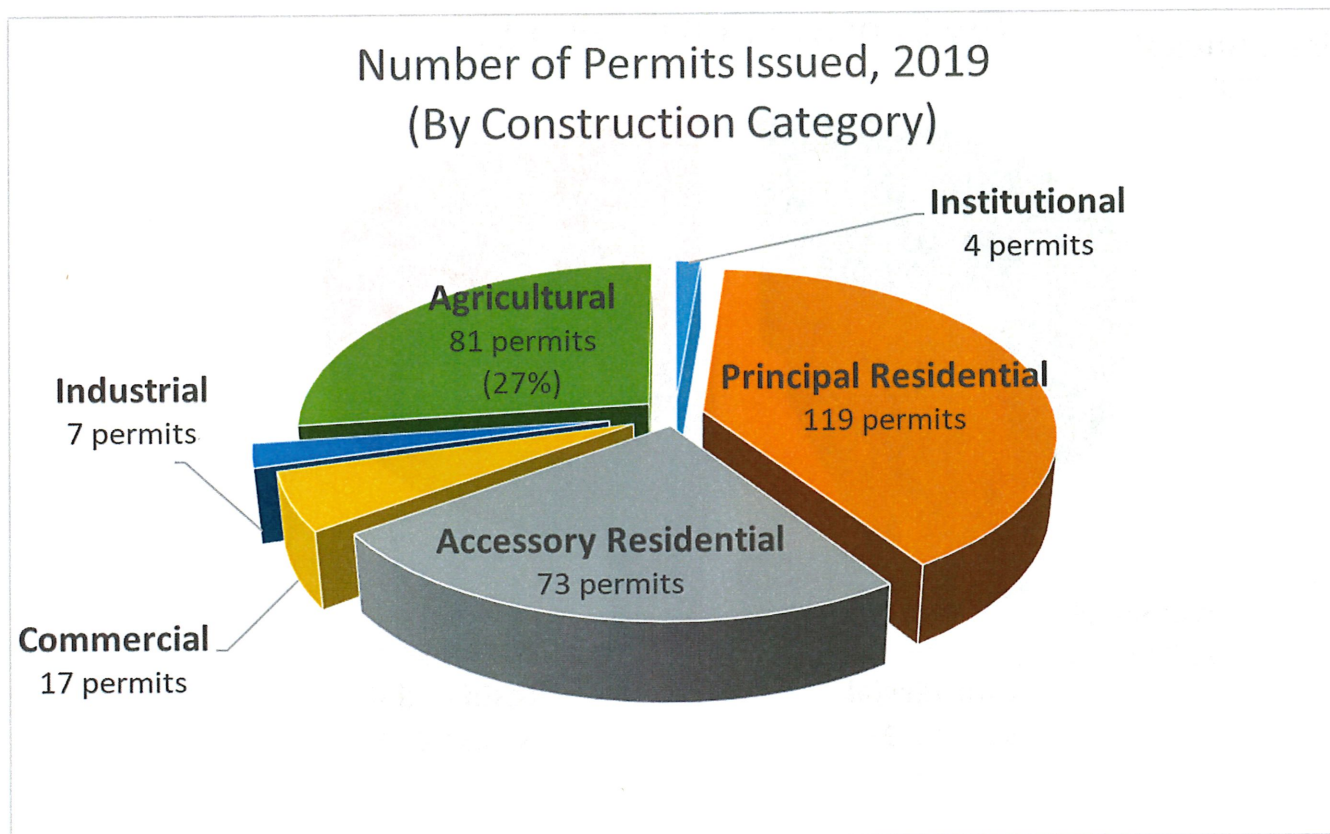
Permits issued in 2019 (301) was statistically 11% higher than the 5-year average, and 22% over the 10-year averages.

Gross value of construction reported was 10% less than the 5-year average, yet remained 20% above the 10-year average. This is largely due to the current period of substantial growth has prolonged to the point of becoming the norm on the 5-year scale.

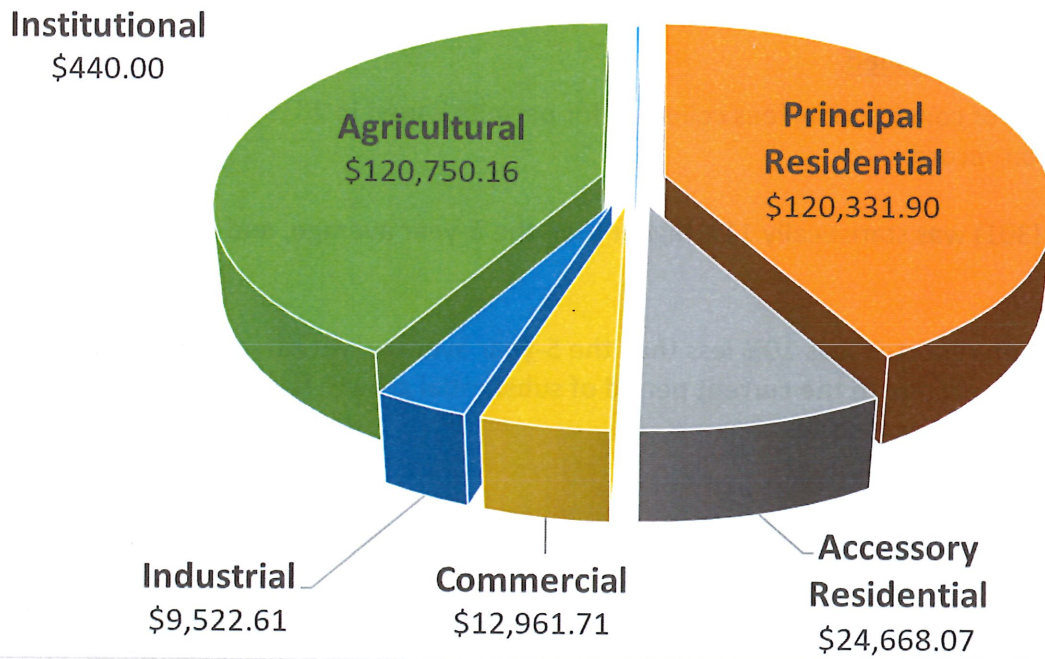
Permit Fees

The permit fees charged (288,674) is statistically 35% above the 10 yr., and 3% above the 5-yr. average.

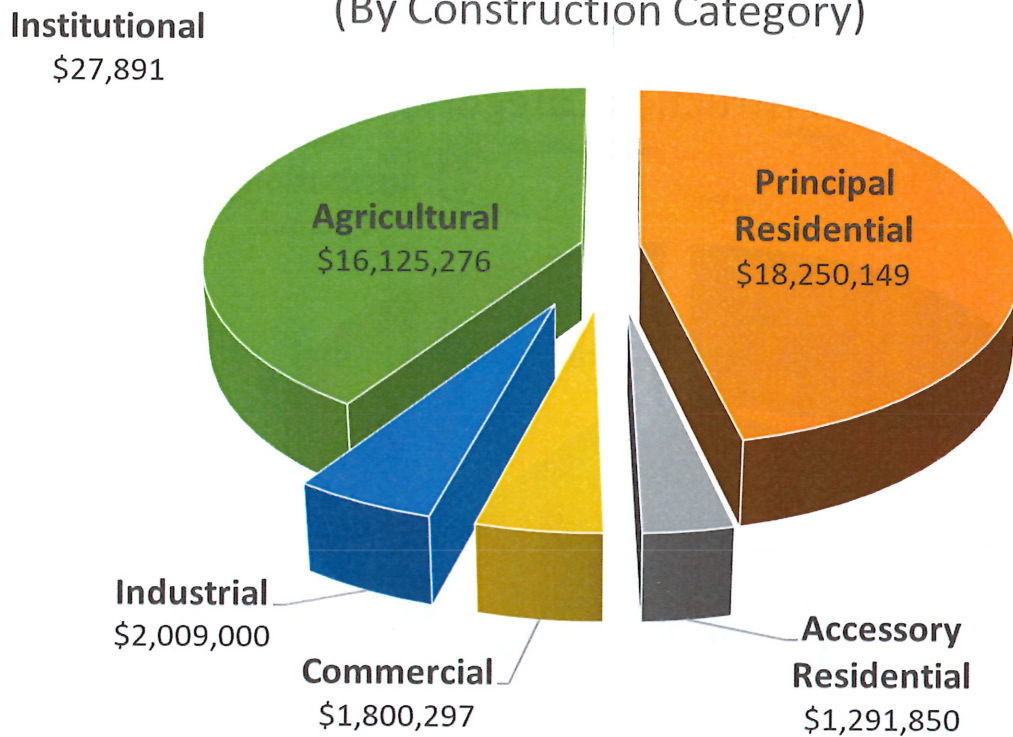
Below are graphic representations of how these three data sets (Number of Permits Issued, Gross value of construction reported, and Permit fees collected) were distributed among the 6 major sectors of construction in the Township throughout the 2019 year (Principal Residential, Accessory Residential, Agricultural, Institutional, Industrial and Commercial Construction sectors):



Permit Fees Collected, 2019 (By Construction Category)



Gross Construction Values, 2019 (By Construction Category)



STATISTICAL COMPARISON – 2019 TO THE 10-YEAR AVERAGE

PERMITS ISSUED

<u>Category</u> <i>(highest to lowest by Sector)</i>	<u>2019</u> <u>Permits Issued</u>	<u>Avg. Permits</u> <u>5 yr. period</u>	<u>Avg. Permits</u> <u>10 yr. period</u>
Principle Residential	119	111	97
Agricultural	81	70	64
Accessory Residential	73	58	51
Industrial	7	11	6
Commercial	17	12	12
Institutional	4	5	5
Averaged Total	301	267	235

CONSTRUCTION VALUE

<u>Category</u> <i>(highest to lowest by Sector)</i>	<u>2019 Construction</u> <u>Value (\$)</u>	<u>Avg. Const. Value</u> <u>(5yr. period)</u>	<u>Avg. Const. Value</u> <u>(10 yr. period)</u>
Principle Residential	\$18,250,149	\$18,972,817	\$14,901,666
Agricultural	\$16,125,276	\$14,938,481	\$10,769,212
Industrial	\$2,009,000	\$5,443,536	\$2,924,268
Commercial	\$1,800,297	\$1,377,263	\$1,199,481
Accessory Residential	\$1,291,850	\$1,082,167	\$930,677
Institutional	\$27,891	\$2,306,341	\$2,367,619
Averaged Total	\$39,504,463.00	\$44,120,604.00	\$33,092,922.20

PERMIT FEES

<u>Category</u> <i>(highest to lowest by Sector)</i>	<u>2019 Permit Fees (\$)</u>	<u>Avg. Permit Fees/yr.</u> <u>(5 yr. period)</u>	<u>Avg. Permit Fees/yr.</u> <u>(10 yr. period)</u>
Agricultural	\$120,750.16	\$82,503.62	\$62,353.35
Principle Residential	\$120,331.90	\$122,680.65	\$98,312.88
Accessory Residential	\$24,668.07	\$15,346.08	\$13,106.17
Commercial	\$12,961.71	\$10,963.40	\$8,688.40
Industrial	\$9,522.61	\$33,070.85	\$18,506.93
Institutional	\$440.00	\$15,153.65	\$13,255.62
Averaged Total	\$288,674.45	\$279,718	\$214,223

Zoning Reports & Work Order Reports

The Building Department responded to 51 requests for Zoning and Work Order confirmations (clearance letters) and 8 requests for septic information. The total (indirect) revenue attributable to this service was \$5,500 in 2019. In comparison the department responded to 64 requests in 2018 for \$5,200 in revenue.

Highlights Summary

In the overall, these numbers reflect sustained levels of construction activity in all sectors of the industry except for Institutional, which remains in a sustained depressed trend starting from the 2018 year forward.

Nevertheless, the growth trend that began in 2016/2017, remains very strong and sustained into 2020 for both the local construction industry and our community.

COUNTY WIDE/ REGIONAL COMPARITIVE STATISTICS

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 2018 statistics for Norwich are compared against the County-wide averages it gives an indication of where Norwich stands in relation to the other municipalities in both in County and regionally.

COUNTY-WIDE STATISTICS - 2019

Municipality (Ordered by # of permits)	# of Permits	Gross Construction Value	Permit Fees Collected	Gross Const. Value/Permit	Total Fees Collected/Permit
Woodstock*	*	*	\$1,634,000.	*	*
Ingersoll	258	\$32,307,808.58	\$1,503,607.98	\$125,224.06	\$5,827.94
Tillsonburg	469	\$56,599,583.00	\$704,613	\$120,681.41	\$1,502.37
EZT	186	\$43,521,801	\$295,736.07	\$233,988.18	\$1,589.98
Norwich	301	\$39,504,463.00	\$288,674	\$131,244.06	\$959.05
Zorra	262	\$41,319,987.00	\$220,067.28	\$157,709.87	\$839.95
SWOX	Not reported				
Blan/Blen	157	\$24,069,104	\$256,367.15	\$153,306.39	\$1,632.91

**NOTE: Due to the cyber-attack, Woodstock has not completed a summary for 2019.*

COUNTY-WIDE COMPARITIVE ANALYSIS - 2019

	Gross Const. Value/Permit	Fees Collected/Permit
County-wide 2019 Average	\$153,692.33	\$2,058.7
Norwich 2019	\$131,244.06	\$959.05
<u>% Difference</u> (Norwich 2018/County-wide average)	-14%	-53%

ANALYSIS

Norwich Data

In General, 2019 was another above average year for the Construction Sector in Norwich statistically. Though residential construction dipped slightly, Agricultural and Commercial construction showed record high numbers and values. Institutional work continues on a downward trend however statistically, this cycling is expected in this sector.

Operationally staff have consistently continued to meet both the mandatory prescribed timeframes for permit review, issuance and inspection timeframes under the Building Code. Statistically it is of concern that the operation is tending towards a deficit based financial status. As such, it is recommended that the current Permit Fee schedule be re-evaluated within the next 24 months to ensure that fees for service continue to reflect the user pay methodology outlined by the province.

Of note;

Residential

- Collectively 2019 was the third best year overall for all forms of residential construction
- Overall, 2019 saw a 50% reduction in new dwelling units created from 2018
- Despite the reduction 2019 was the 3rd best year on record in permits issued (119), fees collected (\$120,331.90) and dwelling units created (37)
- New records were set in 2019 for residential accessory building permits issued (73) and fees taken (\$24,688.07)

Agricultural

- second best year on record for total construction value (\$16,125,276) and in number of permits issued (81)
- Best year on record for fees collected (\$120,750.16)

Institutional

- worst year on record in Construction value (\$27,89) and value of permit fees (\$440)
- Possibly due to volume of work in other sectors and cost of construction for institutional projects (market correcting itself), lack of federal and provisional incentives

Commercial

- Record setting year in number of permits issued (17)
- Second best year on record for fees collected (\$12, 961.71)
- Value of construction well above 5 and 10-year averages (\$1,800,297)

Industrial

- Slightly below 5-year average on all counts
- Mostly in line with 10-year averages for number of permits issued and value of construction (7 permits, 2,009,000 value)
- due in large part to the completion of the Airport Road Industrial development projects

County-Wide Data

The Construction Value/Permit and the Fees Collected/Permit for Norwich are still very comparable to the County-wide averages. The Fees Collected/Permit in Norwich in 2019 have remained steady in comparison to the 2018 values however, the County wide averages have increased significantly.

Of note;

- At the time of the completion of this report Woodstock was able to submit only partial data and SWOX has not submitted data.
- The increase in permit fee-related county-wide data is largely attributable to a lack of data submitted from Woodstock (cyberattack) and an extraordinarily high value of fees collected in Ingersoll during the 2019 year.
- The statistics reflect that Norwich gross construction value per permit rate has remained relatively consistent with (slightly below) the County-wide average (-15%) however, the Township's fees collected per permit value has dipped substantially below the County-wide averages (-53%).
- Norwich remains the third highest in permits issued County-wide, behind Tillsonburg and Woodstock (Woodstock totals assumed higher despite absence of confirmed data), but has dropped to 3rd lowest if fees collected and fees/permit values.

RECOMMENDATIONS

It is recommended that;

1. Council receive this Report BB 2020-07, 2019 Building Department Annual Report, as information,
2. In accordance with the intent for the creation of the Revenue Stabilization Reserve, the funds totalling **\$41,473.16** as reported in the 2019 Report, be drawn upon and accounted for within the 2020 financial year of the Building Department operational budget,
3. No further review or evaluation of the Permit fees structure is needed for the remainder 2020 construction season, and
4. A review in update to the 2017 Fees Study be conducted with respect to the Building Permit Fees prescribed in SCHEDULE "A" to BY-LAW 16-2019 (the "Building By-law") be conducted within the next two years.

ATTACHMENTS

Appendix A

Prepared by:

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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.

