



2017 BUILDING DEPARTMENT ANNUAL REPORT

Prepared by:

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March 13, 2018.

Presented to:

MAYOR and MEMBERS of COUNCIL
TOWNSHIP of NORWICH

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2017 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*.

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 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.

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 and use of these funds is allocated specifically for Departmental needs, rather than the needs of general municipal operations.

I am pleased to present to Council both the Building Department's 2017 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:

- locate requests
- Municipal counter services, communication and correspondence
- Zoning and Work Order reports
- Joint enforcement of Property Standards as prescribed by the Building Code Act
- Zoning by-law and MDS calculation administration for proposed construction of Livestock or Manure Storage facilities
- 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

ANNUAL REPORT SUMMARY 2017

2017 REVENUES:

Total Fees (Revenues) Direct and Indirect collected *for the period January 1, 2017 to December 31, 2017 under Bylaw No. 52-2005 and By-law No. 48-2017*

- **Indirect** (*ancillary revenue generated from related services*) **\$6,625.00**
- **Direct** (*Total Fees Collected, Jan. 1st to Dec. 31st, 2017*) **\$341,834.50**
-

Grand Total Revenue **\$ 348,459.50**

2017 COSTS:

- **Indirect Costs:**

Indirect Costs are deemed to include the costs associated to payroll related benefits (Payroll Burden), as well as support and overhead services provided to the Building Department

- **Total Administration & Enforcement Costs** **\$ 24,015.24**

- **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 & Enforcement Costs **\$ 308,756.40**

Grand Total Costs **\$332,771.64**

STATEMENT OF REVENUE/COSTS 2017:

Revenue/costs – Jan. 1st to December 31st, 2017 **\$ 15,687.86**

STATEMENT OF REVENUE STABILIZATION RESERVES:

- **Year-end Balance continuity** (*Status of Reserve Fund, Jan. 1st, 2017*) **\$ 21,852.10**
- **Transfers to Reserve** (*December 31, 2017*) **\$ 15,687.86**

Grand Total Reserves (*as of Jan. 1st, 2018*): **\$ 37,539.96**

ANALYSIS

STATISTICAL COMPARISON – 2017 TO THE 10-YEAR AVERAGE

PERMITS ISSUED

| <u>Category</u> <i>(highest to lowest by Sector)</i> | <u>2017</u> <u># of Permits</u> <u>Issued</u> | <u>Avg. # of</u> <u>Permits/yr. (10 yr.)</u> | <u>% against Average year</u> <u>(2017 /10 yr. average)</u> |
|---|---|---|--|
| Residential | 144 | 87 | 66% |
| Agricultural | 82 | 58 | 41% |
| Residential Accessory | 64 | 43 | 49% |
| Commercial | 12 | 11 | 9% |
| Industrial | 11 | 4 | 175% |
| Institutional | 6 | 5 | 20% |
| Total | 319 | 209 | 53% |

CONSTRUCTION VALUE

| <u>Category</u> <i>(highest to lowest by Sector)</i> | <u>2017 Construction</u> <u>Value (\$)</u> | <u>Avg. Const.</u> <u>Value/yr. (10 yr.)</u> | <u>% against Average year</u> <u>(2017/10 yr. average)</u> |
|---|---|---|---|
| Agricultural | \$24,844,777 | \$9,243,497.00 | 169% |
| Residential | \$24,638,472 | \$11,994,268.20 | 105% |
| Industrial | \$2,345,680 | \$886,768.00 | 165% |
| Institutional | \$3,829,000 | \$2,254,109.40 | 70% |
| Accessory Residential | \$1,284,700 | \$783,438.00 | 64% |
| Commercial | \$450,518 | \$1,009,301.30 | -55% |
| Total | 57,393,147 | \$27,295,181.90 | |

PERMIT FEES

| <u>Category</u> <i>(highest to lowest by Sector)</i> | <u>2017 Permit Fees (\$)</u> | <u>Avg. Permit Fees/yr.</u> <u>(10 yr. average)</u> | <u>% Change (2017/</u> <u>10 yr. average)</u> |
|---|------------------------------|--|--|
| Residential | \$151,446.54 | \$77,578.35 | 95% |
| Agricultural | \$119,360.76 | \$50,554.65 | 136% |
| Institutional | \$27,448.50 | \$13,259.43 | 107% |
| Industrial | \$20,131.23 | \$13,795.38 | 46% |
| Accessory Residential | \$13,633.48 | \$9,694.88 | 41% |
| Commercial | \$4,514.81 | \$6,641.35 | -32% |
| Total | \$336,535.32 | \$171,912.18 | 96% |

HIGHLIGHTS

Total Permitted Construction/Permit Fees Collected

2017 fee totals compared to both the 10-year averages, and to the 2016 totals reflect an extraordinarily good year for both the community and the Township from a Building Department perspective.

A total of 319 building permits were issued and fees collected in 2017 amounting to \$341,834.50. The total number of permits issued in 2017 was 62% more than the 2016 totals, and 53% over the statistical 10-year average.

The 2017 Building Department cost/revenue statement directly reflects these statistical increases. The actual year-end totals exceeded the budgetary expectations for the year by more than \$140,000 and, despite increases to the budgeted operating costs related to new additions to full-time staffing levels, resulted in the Department reporting its first ever a surplus revenue position (approximately \$16,000).

Creation of a New FTC Staff Position (Plans examiner/Counter Services Technician)

Operational forecasts early on in 2017 reflected an unprecedented departmental work load increase due in large part to the opening of a new plan of subdivision and various other site plan control and development application approvals. Township staff identified this problem early and reacted quickly to address this problem with Council. By April a new position was approved/created and filled. Both council and staff are to be commended for their prompt and timely action to address the staffing shortfall in such a timely manner as it is my opinion that at our previous staff capacity - without the additional plans examiner/counter services staff - the Department would not have been able to fulfil its statutory duties and responsibilities as prescribed by the Act.

Construction Values & Number of Projects

The 2017 building year was remarkable in many ways but principle among them was the total declared gross construction value. Gross construction values were 58% above the 5-year, and 108% above the 10-year averages. Similarly, the number of permits issued in 2017 was approximately 36% above the 5-year, and 53% above the 10-year averages.

When these statistics are measured against the previous year (2016) they reflect an increase in Departmental work load of almost 40% over a period of less than one year. These numbers indicate a very financially healthy local construction industry; however, they also indicate operational concerns that may need to be readdressed if these statistical growth trends continue.

Agricultural Construction

In 2017, a record number of Permits (82) were issued for Agricultural-related construction projects in Norwich. As a sector, Agricultural construction values were reported at \$25 million with \$119,360 in permit fees collected. Agricultural construction is second only to Residential construction in number and value of permits issued but individually comprises approximately 43% of the annual total value of construction commenced in the Township in 2017.

In comparison, the 10-year average for Agricultural construction is 9 million in Construction Value, with 58 permits issued and \$50,000 in fees collected.

To better illustrate the importance and scale of the recent growth experienced in the agricultural construction sector – the total value of all types of construction (Residential, Industrial, Commercial and Institutional) combined was estimated to be worth \$13 million in the 2010 – or approximately half of the reported Agricultural construction values in 2017 alone.

Residential Construction

2017 also set new all-time highs in Residential construction levels as well.

Most notably the estimated value of all types of residential construction in 2017 topped \$25 million, and the number of permits issued exceeded 200; including 63 new residential dwelling units.

In comparison, the 10-year average is \$13 million in value, with 130 residential permits issued, and approximately 30 new dwelling units created. The 5-year average is \$16 million, with 145 permits, and 35 dwelling units created.

At these numbers the residential growth in the Township within the 2017 calendar year hovered around 50% to 100% above both the 5-year and 10-year averages, depending upon the statistics compared.

Zoning Reports & Work Order Reports

During 2017 the Building Services responded to 74 requests for Zoning and Work Order confirmations (clearance letters) compared to 75 in 2016. Demand for this tertiary service remains strong and the fees recovered remain equitable in recovering expenses.

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 2017 statistics for Norwich are compared against the County-wide averages and other neighbouring regions it gives an indication of where Norwich stands locally, in relation to the other municipalities regionally.

COUNTY-WIDE STATISTICS - 2017

| Municipality (Ordered highest to lowest) | # of Permits | Gross Construction Value | Permit Fees Collected | Gross Const. Value/Permit | Total Fees Collected/Permit |
|---|-------------------------|---|----------------------------------|--------------------------------------|--|
| Woodstock | 845 | \$184,000,000 | \$729,000 | \$217,751.48 | \$862.72 |
| Tillsonburg | 438 | \$26,886,106 | \$346,781.00 | \$61,383.80 | \$791.74 |
| Norwich | 319 | \$57,393,147 | \$336,535.32 | \$179,915.82 | \$1,054.97 |
| Ingersoll | 250 | \$29,010,416 | \$336,044.09 | \$116,041.66 | \$1,344.18 |
| EZT | 236 | \$48,716,261 | \$313,077.12 | \$206,424.83 | \$1,326.60 |
| Zorra | 210 | \$44,793,951 | \$285,173.40 | \$213,304.53 | \$1,357.97 |
| SWOX | 158 | \$21,040,619 | \$165,661.30 | \$133,168.47 | \$1,048.49 |
| Blan/Blen | 118 | \$16,911,491 | \$180,856.26 | \$143,317.72 | \$1,532.68 |
| | 2574 | \$428,751,991 | \$2,693,128 | | |

COUNTY-WIDE COMPARITIVE ANALYSIS - 2017

| | Gross Const. Value/Permit | Fees Collected/Permit |
|--|--------------------------------------|------------------------------|
| County-wide 2017 Average | \$158,913.54 | \$1,164.92 |
| Norwich 2017 | \$179,915.82 | \$1,054.97 |
| % Difference (Norwich 2016/County-wide average) | <u>12%</u> | <u>-10%</u> |

ANALYSIS

The Construction Value/Permit and the Fees Collected/Permit for Norwich are still very comparable to the County-wide averages. The ratio of Fees Collected/Permit in Norwich have improved greatly in comparison to other years (in 2016 the Township's Fees Collected/Permit were 22% below the County average, as compared to only 10% in 2017).

This relationship reflects that Norwich construction values are consistent with (slightly above) the County-wide averages, but where Norwich's Permit fees were slightly undervalued in comparison to the other municipalities in Oxford County. I expect this ratio to continue to improve throughout the 2018 calendar year due to the amendment to the fees schedule of the Building By-law last year.

When this relationship is considered in combination with the number of permits issued in Norwich (3rd highest behind only Woodstock and Tillsonburg) it continues to be cause for significant concern relative to staffing levels in relationship with regulatory requirements for enforcement including; prescriptive timelines permit review, issuance and/or refusal, prescribed inspections and related enforcement in accordance with OBC and BCA.

RECOMMENDATIONS

It is recommended that Council receive this Report **BB 2018-04**, 2017 Building Department Annual Report, as information.

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.

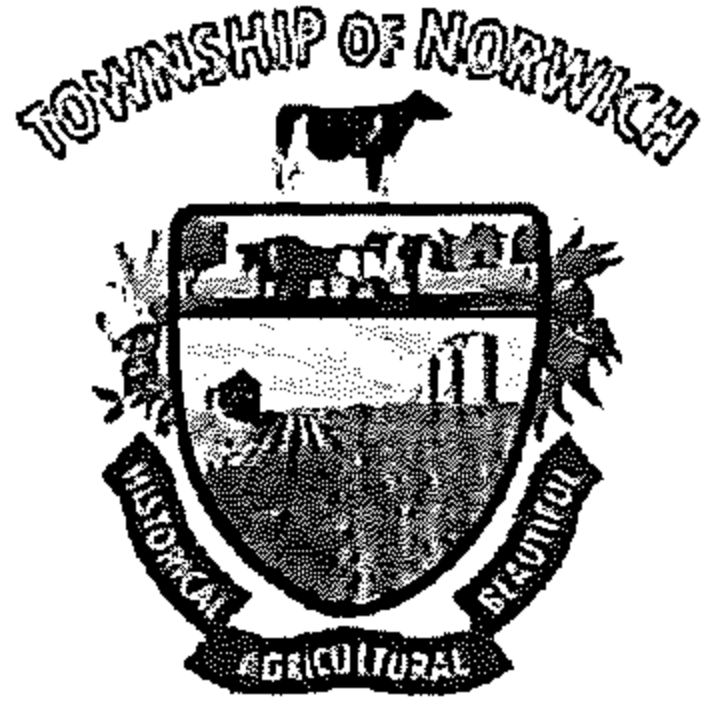
Indirect Costs are costs related principally to the overhead and support of Building Department operations. These costs mostly relate to support services provided within the Municipality by other Departments which are necessary to the operation of the Building Department but not necessarily directly 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. 16

Date: March 13, 2018

Moved by: *Lynne DePlancke*

Seconded by: *J. Scholten*

That Report BB 2018-04, 2017 Building Department Annual Report, be received as information.

Recorded Vote Requested by:

Disposition:

_____ Yea Nay

Carried *LM*

Lost _____

Councillor Buchanan: _____

Deferred _____

Councillor DePlancke: _____

Mayor Martin: _____

Councillor Palmer: _____

Lynne S. Martin
Mayor

Councillor Scholten: _____

