



# **2018 BUILDING DEPARTMENT ANNUAL REPORT**

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**Presented to:**

MAYOR and MEMBERS of COUNCIL  
TOWNSHIP of NORWICH

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## 2018 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 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 2018 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. 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 (ie. Health and Safety committee, HR, counter services, etc...)



## ANNUAL REPORT SUMMARY 2018

### 2018 REVENUES:

Total Fees (Revenues) Direct and Indirect collected for the period January 1, 2018 to December 31, 2018

**Indirect Revenue:**

**\$5,785.00**

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

**Direct Revenue:**

**\$366,526.26**

Total Fees Collected, Jan. 1<sup>st</sup> to Dec. 31<sup>st</sup>, 2018

**Grand Total Revenue**

**\$372,311.26**

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### 2018 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

**\$23,788.50**

**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 "2018 Actual Cost" from the 2019 Operational Budget)

**\$353,014.24**

**Grand Total Costs**

**\$376,802.74**

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### STATEMENT OF REVENUE/COSTS 2018:

Revenues/costs as of December 31, 2018

**\$ -4,491.48**

### STATEMENT OF REVENUE STABILIZATION RESERVES:

- |   |                     |
|---|---------------------|
| - Year-end Balance continuity (Status of Reserve Fund, Jan. 1 <sup>st</sup> , 2018) | <b>\$ 38,593.80</b> |
| - Transfers to Reserve (December 31, 2018)  | <b>\$ 0</b>         |

**Grand Total Reserves (as of Jan. 1<sup>st</sup>, 2019):**

**\$38,593.80**

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## ANALYSIS

## **FINANCIAL ACCOUNTABILITY**

The 2018 year resulted in a 99% revenue neutral operational year end – the impact upon the general levy was approximately 1% of the total operating cost of the department, and constituted less than .08% burden upon the total 2018 operating tax levy. This result validates the fees study in its establishment of the 2018 building permit fees in Norwich.

As a result, it is my opinion that that the current rates as set by Schedule A to the Townships Building by-law need no further review or evaluation for the remainder of the 2019 construction season.

## **DEPARTMENT HIGHLIGHTS**

### Additions 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.

## 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, with full implementation of the new software database anticipated to occur in late April 2019.

## ***CONSTRUCTION HIGHLIGHTS***

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

## Residential

- Overall, 2018 statistically consistent with 2017
  - New records were set in 2018 for;
    - New dwelling units created (new house starts) 72 new houses
    - Residential accessory buildings (permits issued)  
(value of construction) 71 permits issued  
\$1.35 million construction value
- 
- Total Residential Permit Fees collected - \$209,197 in fees

### **Agricultural**

- total construction value, number of permits and fees collected are all down significantly from previous year (2017 was a record setting year)
- despite 2017 statistical comparison, 2018 was still the 2<sup>nd</sup> best year on record

### **Institutional**

- statistically below average year on all counts
- 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 value of construction and fees collected
- near average year in number of permits issued - reflecting larger than average projects

### **Industrial**

- near record year (2<sup>nd</sup> to 2015 with Gunn's Hill Wind Turbine Projects)
- due to in large part to the Township's Airport Road Industrial development projects

### **Total Permitted Construction Value/Permit Fees Collected/Number of Permits Issued**

In 2018, a total of 290 building permits were issued and fees collected totalling \$353,975 associated to over \$51 million in Total Value of the work under permit.

Comparing these numbers to historical data, 2018 shows to be the 2<sup>nd</sup> best year on record by number of permits issued (290) and value of construction under permit. Further, the data also reflects that 2018 was best year ever for permit fee revenue collected (\$353,975).

Also of particular note, total permit fee revenues exceeded the budgetary expectations for the 2018 year by nearly \$100,000 however, the addition of unbudgeted staff positions accounts for nearly all of the surplus generated. The resulting year-end cost/revenue statement is relatively neutral as a result.

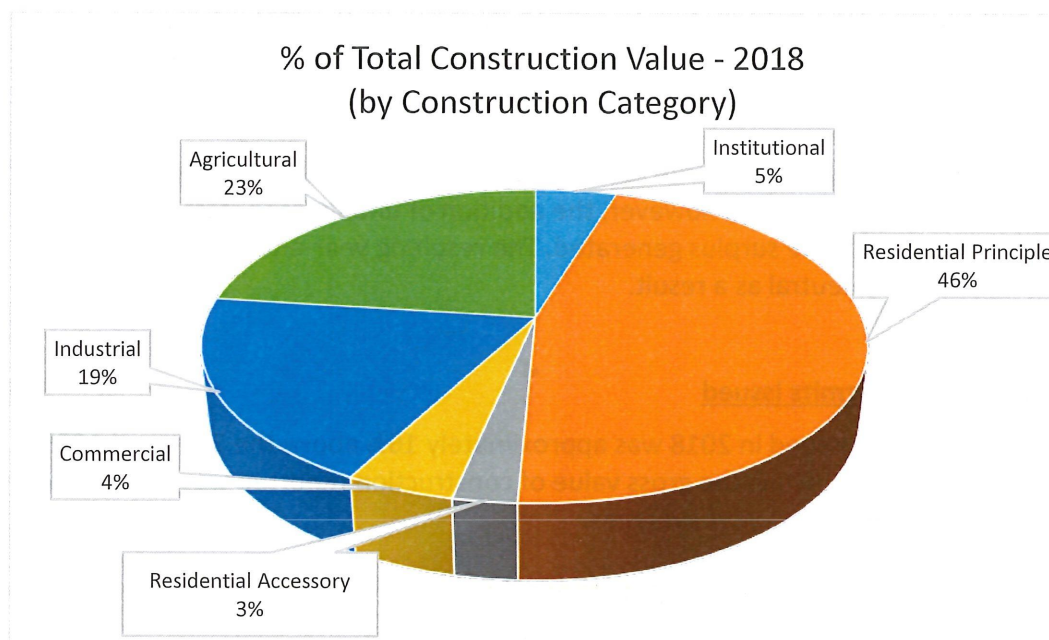
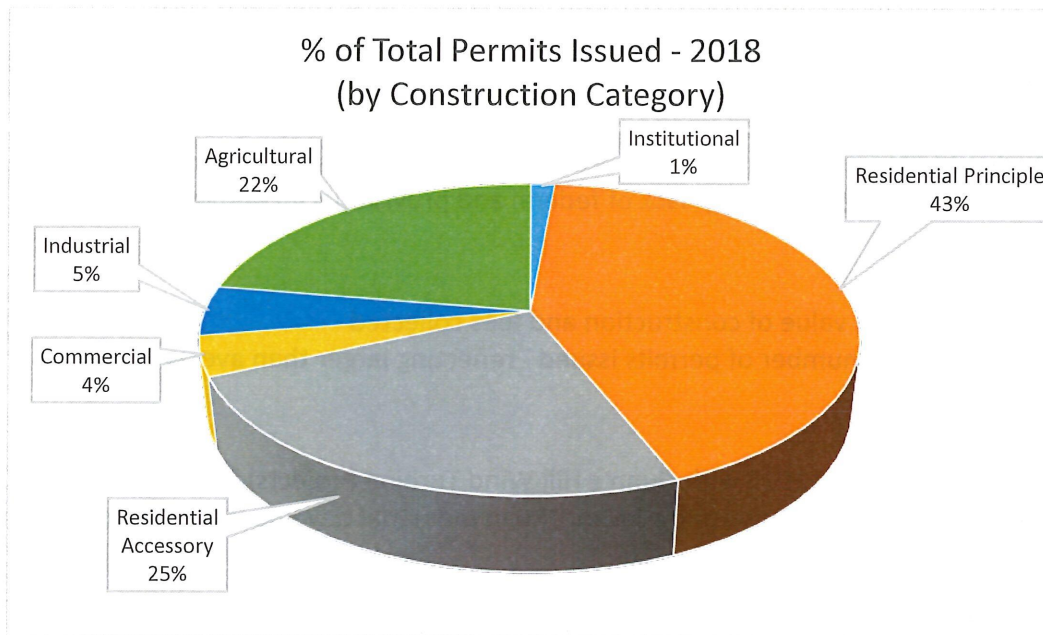
### **Construction Values & Permits Issued**

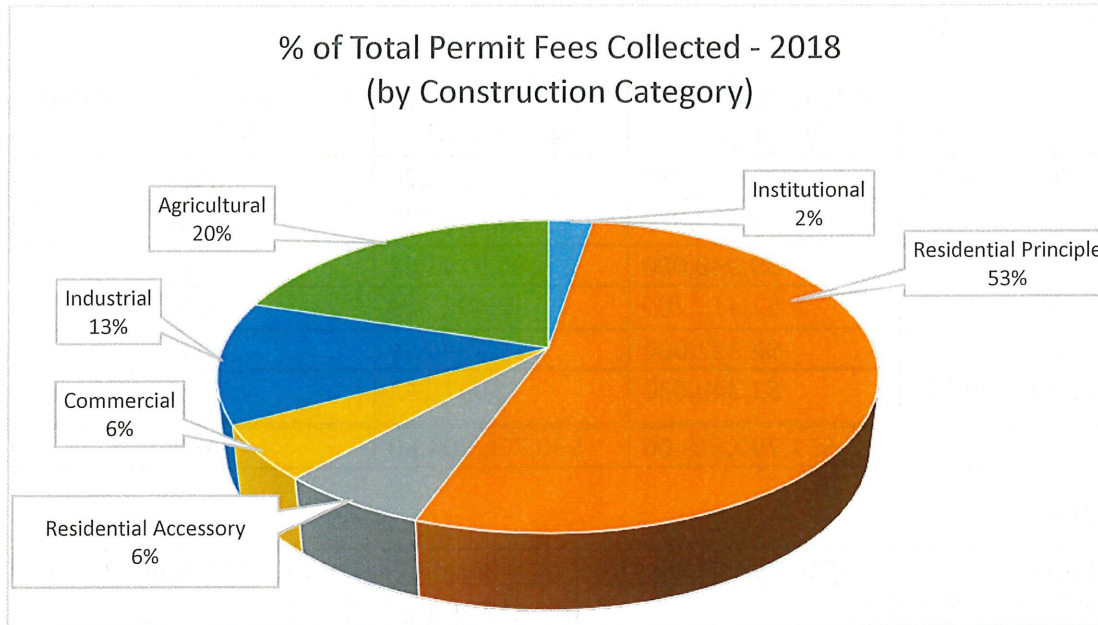
The number of permits issued in 2018 was approximately 16% above the 5-year and 32% over the 10-year average, while the gross value of construction reported was 24% above the 5-year, and 68% above the 10-year averages.

The \$353,975 in permit fees collected is 81% above the 10 yr., and 39% above the 5-year average, and 6% above the otherwise record setting 2017 year.



In the overall, these numbers reflect sustained increases throughout all sectors of construction in 2018 except Institutional, and generally summarize a very strong, positive growth year for the local construction sector in our community.





#### **Zoning Reports & Work Order Reports**

During 2018 the Building Services responded to 64 requests for Zoning and Work Order confirmations (clearance letters). The total (indirect) revenue attributable to this service was \$5,200 in 2018. In comparison the department responded to 77 request in 2017 for \$5,800 in revenue.

#### **STATISTICAL COMPARISON – 2017 TO THE 10-YEAR AVERAGE**

##### **PERMITS ISSUED**

<b><u>Category</u></b> <i>(highest to lowest by Sector)</i>	<b><u>2018</u></b> <b><u>Permits Issued</u></b>	<b><u>Avg. Permits/yr.</u></b> <i>(10 yr. period)</i>	<b><u>% Against 10-yr. Average</u></b> <i>(2018/10 yr. average)</i>
Principle Residential	123	91	+35%
Agricultural	65	60	+8%
Accessory Residential	71	47	+51%
Industrial	15	6	+250%
Commercial	12	11	9%
<b>Institutional</b>	<b>4</b>	<b>5</b>	<b>-20%</b>
<b>Total</b>	<b>290</b>	<b>220</b>	<b>32%</b>



## **CONSTRUCTION VALUE**

<b><u>Category</u></b> <i>(highest to lowest by Sector)</i>	<b><u>2018 Construction Value (\$)</u></b>	<b><u>Avg. Const. Value</u></b> <i>(10 yr. period)</i>	<b><u>% Against 10-yr. Average</u></b> <i>(2018/10 yr. average)</i>
Principle Residential	\$23,834,914	\$13,568,670	76%
Agricultural	\$11,933,875	\$9,786,045	22%
Industrial	\$9,938,000	\$2,914,368	341%
<b>Institutional</b>	<b>\$2,412,200</b>	<b>\$2,492,329</b>	<b>-3%</b>
Commercial	\$2,322,000	\$1,159,651	100%
Accessory Residential	\$1,349,630	\$857,242	57%
Total	\$51,790,619.00	\$30,778,304.80	68%

## **PERMIT FEES**

<b><u>Category</u></b> <i>(highest to lowest by Sector)</i>	<b><u>2018 Permit Fees (\$)</u></b>	<b><u>Avg. Permit Fees/yr.</u></b> <i>(10 yr. period)</i>	<b><u>% Change (2018/10 yr. average)</u></b>
Principle Residential	\$187,147.05	\$90,318.49	107%
Agricultural	\$71,045.79	\$53,632.14	132%
Industrial	\$44,795.41	\$17,998.06	149%
Accessory Residential	\$22,050.82	\$11,197.86	97%
Commercial	\$19,818.84	\$7,888.73	151%
<b>Institutional</b>	<b>\$9,116.95</b>	<b>\$14,124.12</b>	<b>-35%</b>
Total	\$353,975	\$195,159	81%

## **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 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 - 2018

Municipality (Ordered by # of permits)	# of Permits	Gross Construction Value	Permit Fees Collected	Gross Const. Value/Permit	Total Fees Collected/Permit
Woodstock	702	\$213,373,894	\$957,800	\$303,951.42	\$1,364.39
Tillsonburg	436	\$43,449,870	\$516,535.00	\$99,655.67	\$1,184.71
Norwich	290	\$51,790,619.00	\$353,974.86	\$178,588.34	\$1,220.60
Zorra	225	\$38,710,235	\$243,988.00	\$172,045.49	\$1,084.39
Ingersoll	189	\$15,436,719.00	\$168,981.27	\$81,675.76	\$894.08
SWOX	178	\$28,147,695	\$176,217.66	\$158,133.12	\$989.99
EZT *	177	\$39,571,231	\$291,476.79	\$223,566.28	\$1,646.76
Blan/Blen	124	\$15,543,771	\$153,089.00	\$125,352.99	\$1,234.59

\*NOT: EZT statistics are unconfirmed and incomplete at the time of this report filing. Included statistics are year-to-date totals up to and including November 2018. Sourced from minutes of the EZT CBO staff report to Council Jan. 16<sup>th</sup>, 2019.

## COUNTY-WIDE COMPARITIVE ANALYSIS - 2018

	Gross Const. Value/Permit	Fees Collected/Permit
County-wide 2018 Average	\$167,871.13	\$1,202.44
Norwich 2018	\$178,588.34	\$1,220.60
% Difference (Norwich 2018/County-wide average)	6.6%	1.5%

## ANALYSIS

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 has remained steady in comparison to the 2017 the Fees collected/ permit, and consistent with the County wide averages.

The statistics reflect that Norwich gross construction value per permit and the fees collected per permit value remain consistent with (slightly above) the County-wide averages. Of note, Norwich remains the third in permits issued and fees collected (behind Woodstock and Tillsonburg), but is second only to the City of Woodstock in value of construction under permit.

## RECOMMENDATIONS

1. It is recommended that Council receive this Report BB 2019-07, 2018 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 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.







