

DS-2023-06

**Attachment 1**

Building Services Operational Review

# **BUILDING SERVICES OPERATIONAL REVIEW**

**November 22, 2022**

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## 1.0 Preamble

This review is authored by Peter Valore, Chief Building Official (“CBO”), and Dan Lunardi, Acting Chief Building Official (“Acting CBO”), and was developed with 40 years of combined experience as Building Officials, including 18 total years as CBOs. Part of this review included regular consultation with the Director Development Services and the Director People and Culture. The review was informed by the past 6 months of Mr. Lunardi filling the part-time Acting CBO role during the prior full-time CBO’s sudden medical leave followed by his retirement. This was overlapped with the hiring of Mr. Valore in mid-June as the full-time CBO.

The overlying premise recognises the forecast for a strong housing market, continued commercial and industrial growth and considers the ability for the Town of Tecumseh (“Town”) to deliver legislated obligations while focusing on customer service and community leadership.

The Building Services Division is transitioning out of a crisis mode to a sustainable operation and will need to stabilize and evolve with a clear operational model. This should include three general areas that are necessary to our success:

- Increase staffing compliment to meet present and forecasted demands;
- Develop and implement technological tools to improve service delivery; and
- Review and adjust fees schedule to cover operational expenses and establish a reserve fund.

The following review recommends:

- the need for two (2) additional technical staff that can be phased-in over the next year;
- the implementation of Cloudpermit software which is fast becoming an industry standard; and
- the raising of permit fees to a median regional level to remain self-funding and sustainable (i.e., Building Services expenses not to impact the general tax levy).

## 2.0 Industry Challenges

The province is estimating the need for 1.5 million new homes over the next 10 years and there is a severe shortage of qualified Building Officials to issue permits and perform inspections. This shortage is being recognized in our region and it poses a real threat to all anticipated development.

All municipalities are under immense pressure to perform legislated duties in a timely manner to service the development industry. The Town must be prepared to support all future development by meeting our legislated obligation and providing a simplified process for permits and inspections.

The Ontario Building Code Act (“the Act”) establishes a service model that is silent on fees other than to allow a Principal Authority (being the Town) to set the required fees and stabilization reserve necessary to administer and enforce the Act. Basically, the legislation says charge what you need to charge to deliver the standardized legislated service.

It is important to note that failure to meet legislated service requirements will negatively impact the development industry and attracts substantial risk to the municipality.

## **3.0 Need for Sufficient Staffing**

### **3.1 Legislated Obligations**

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The council of each municipality is responsible for the enforcement of the Act, which is provincial legislation that requires a municipality to perform specific functions in specific time frames. The council of each municipality shall appoint a CBO and such Inspectors as necessary for the enforcement of the Act. The legislated functions include plan review, permit issuance and site inspections, which are integral to all development and the roles of the municipality are clearly defined. Building Services shall perform these functions and owners, developers, builders, and trades rely on the municipality meeting their defined roles.

### **3.2 Customer Service**

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An important core service outside the legislated obligations is to provide education, communication, and complete service delivery in a professional and consistent manner. This is important in order to ensure Building Services fulfills Council's Strategic Priority to steward the Town's continuous improvement approach to municipal service delivery to residents and businesses.

The success of any operation should be measured in part by customer satisfaction. Building Services has unique challenges in this area as our function is largely legislated and delivering information often requires greater attention and sensitivity. It is very challenging to deliver unwelcome news in a manner that is well received. Expectations are that all communication with citizens and customers (builders, trades and contractors) will be transparent and delivered with an accountable approach. All interaction must be clear, concise, accurate and delivered in a professional, timely and helpful manner. This is achieved largely by developing staff with a clear focus on professionalism and improving the customer experience.

Equally important is the ability for the Town to deliver the core required building services (plans review, permit issuance and building inspections) in a timely manner that meets the needs of the construction industry. A simplified and seamless customer experience is essential to providing quality services.

### **3.3 Core Services**

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Building Services is required under Bylaw to enforce the Ontario Building Code (OBC) to a service level regulated by the Act. The general operation consists of:

- Receive and review applications for construction for compliance with the OBC, which includes matters listed as applicable law, including such matters as the Zoning By-law and site plan control agreements;
- Issue permits and collect fees for all construction projects;
- Perform required construction inspections to verify compliance with the OBC; and
- Issue orders as necessary to ensure compliance with the OBC.

In addition to our legislated obligations, Building Services also processes and administers community services. Although not required via legislation, these tasks are typically performed by Building Services because they fit well within the established permit/inspection operation of the Building Services Division. These services include:

- Swimming Pool - application review, permit issuance, inspections, and enforcement;
- Sign Bylaw - application review, permit issuance, inspections, and enforcement;
- Fencing Bylaw - application review, permit issuance, inspections, and enforcement; and
- Grading, Filling, Dumping and Topsoil removal Bylaw - application review, permit issuance, inspections, and enforcement.

Building Services assists with the following Town Bylaws and provincial licensing requirements to provide expertise to the other Town departments (e.g., By-law Enforcement in the Community Safety department) and, when deemed necessary, issue orders under the Act:

- Land Maintenance Bylaw;
- Property Standards Bylaw;
- Tecumseh Zoning Bylaw 1746;
- St Clair Beach Zoning Bylaw 2065;
- Sandwich South Zoning Bylaw 85-18;
- Liquor Licence Review; and
- Patio Expansion applications and approvals.

In addition to the technical function of Building Services, a fundamental part of the operation is the Building Clerk. This position provides front line services including guidance and general communication to customers. Beyond the customer service role, the Building Clerk manages records, assists administration and reviews completeness of applications prior to intake. In many ways they are the face of the Building Services Division.

### **3.4 Operational Capacity**

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Building Services has a current operation that consists of the following full-time permanent staff compliment:

- 1- CBO;
- 1 – Building Inspector; and
- 1- Building Clerk.

With recent impacts to the full-time permanent staff by virtue of an extended sick leave and subsequent retirement of the CBO along with the resignation of the Building Inspector, Building Services had been unable to meet our legislated requirements which exposed our operation to substantial risk. Immediate steps were taken and supplementary technical assistance was retained to maintain minimum service levels with the following part-time temporary staff compliment:

- 1- Temporary part-time Acting CBO; and
- 2- Temporary part-time Building Inspectors.

The addition of temporary part-time staff has helped us to improve service delivery and stabilize our operation, thus bring us closer to meeting our minimum legislated Provincial obligations.

We recently completed the recruitment for our CBO and Building Inspector thus filling our established staff compliment. This recruitment process was very challenging due to the high level of technical expertise and Ministry qualifications required to legally perform the legislated duties. We have begun the process of training and gaining the required Ministry qualifications for the current Building Inspector, which is anticipated to take up to two years.

For the near-term, our current operation is based on the availability and willingness of outside contract services to meet our legislated requirements and maintain a minimum level of service. It is anticipated that over time these contract services should be reduced, provided staffing resources reflect development demands. There is a benefit to including contract services as part of the ongoing Building Services operation as this model provides greater customer service and flexibility during development spikes.

### **3..5 Anticipated Growth**

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All indications suggest that our region and the Town are entering a period of exceptional and sustained growth. This supports the need for a service delivery review to ready our operations for the anticipated increase in our workload and legislated obligations. Even just the pending new regional Hospital and under-construction NextStar Energy battery plant, both of which are located so as to have strong positive population and housing growth implications for the Town, will bring sizeable and rapid development to our community as the population grows and relocates.

It is expected that very high demands will be made of the Town and in particular the development/permit process. This will make our already deficient and stretched operation completely unable to meet our legislated requirements. This service strain in Building Services will undoubtedly create a pinch-point for the development community and prevent our operation from meeting legislated requirements and customer service standards.

The most up to date growth predictions as part of the County of Essex Official Plan Review process forecasts housing growth alone to be 37,310 units across the County over the next 30 years. This translates into an average annual housing growth forecast of 1,240 units County-wide between 2021 and 2051. Comparatively, this represents faster growth than the historical average (700 units annually) between 2001 to 2021. At the same time, employment growth across the industrial and commercial sectors is projected to increase in the County from 71,900 jobs in 2021 to 117,200 in 2051, an increase of 45,400 jobs.

Both preceding forecasts will translate into additional development and growth in Tecumseh. The Town's approved housing projections (2019 DC Background Report) project the construction of 3,500 housing units over the next 20 years in Tecumseh, creating an average of 175 housing units per year. It is already projected that more than 380 housing units will be constructed next year alone, with an additional 340 housing units in 2024. Council's approval in May of this year to advance strategic capital works projects to expedite development (4,000 housing units, 482,000 sq. ft. commercial and 3.63M sq. ft. industrial) over the next 20 years will, at a minimum, maintain this activity rate. In addition, it is anticipated that the Town's recent success with residential intensification projects will be sustained over the longer term, particularly in light of recent indications from the Provincial government towards permissive zoning.

As context, over the past 10 years the town has averaged 91 housing units per year, a significant contrast to the forecast of an average of 175 housing units stated above.

### NEW HOUSING UNITS CREATED

YEAR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	TOTAL	AVERAGE
TOTAL UNITS	137	34	26	109	106	50	25	21	206	193	907	91

In the past five years, the average total permit fee revenue has been \$485,000. Under the current permit fee schedule, the development anticipated over the next two years is projected to generate a total permit fee revenue of \$840,230 in 2023 and \$991,584 in 2024. It is important to note that these projections have been reduced by 30% to prevent the overestimation of growth and adjust for variables such as deferred or reduced development. This is a reasonable measure of the substantial increase in activity that is anticipated and for which the Building Services area needs to prepare.

### REVENUE PROJECTIONS (USING CURRENT PERMIT FEE SCHEDULE)

PERMIT TYPE	2023 (\$)	2024 (\$)
RESIDENTIAL	518,252	801,691
INSTITUTIONAL/COMMERCIAL/INDUSTRIAL	439,220	372,000
TOTAL	957,472	1,173,691
TOTAL WITH 30% REDUCTION	670,230	821,584
BASE DEVELOPMENT*	170,000	170,000
TOTAL PROJECTED REVENUE	840,230	991,584

\* *Base Development* - refers to smaller projects that can be relied on as an annual revenue source and include interior renovations, additions, decks, accessory structures and similar types of construction.

### 3.6 Service Delivery

Over the past 10 years, Building Services processed an average of 442 permits per year which include all permit types (residential, institutional, commercial, industrial, fences, septic systems, demolitions etc.). The following table illustrates this data.

### PERMITS HISTORY

PERMIT TYPE	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	TOTAL	AVERAGE
Res (New)	22	34	26	48	100	40	24	20	14	16	344	34
Res (Add)	125	102	101	85	292	434	221	153	155	156	1824	182
Non-Res (New)	15	11	15	13	7	12	10	7	7	9	106	11
Non-Res (Add)	93	54	61	66	51	79	88	57	26	47	622	62
Pools	32	30	33	35	41	60	35	37	39	58	400	40
Grading	2	2	10	7	3	4	10	6	1	3	48	5
Fences	30	44	36	42	46	50	39	23	35	26	371	37
Signs	61	68	48	63	51	68	56	46	52	6	519	52
Septic Systems	14	4	12	12	0	0	0	0	0	0	42	4
Demolition	7	14	24	17	5	16	17	15	16	13	144	14
TOTAL	401	363	366	388	596	763	500	364	345	334	4420	442

It should be noted that the total permits issued does not identify the total units created. An example would be an apartment building which is issued as a single permit but creates many residential units. The new housing units created was illustrated in a prior chart.

It is estimated that, with the increased activity forecasted, it would result in an average of approximately 840 permits per year over the next 10 years. This anticipated permit demand will essentially double our average number of permits for all permit types, including those for buildings (residential, institutional, commercial and industrial and smaller scale projects (including fences, septic systems, demolitions etc.)).

This anticipated growth will place considerable strain on Building Services, which is ill-equipped in our current form to support this increase in robust development and meet our legislated responsibilities.

This is primarily due to the following key factors:

- Our current staff compliment cannot review applications, issue permits and perform inspections within the legislated time periods established by the OBC;
- Our ability to attract and retain technical staff remains a challenge in the current environment; and
- Our operational technology is in need of modernization to meet customer expectations and streamline processes.

In addition to our legislated obligations, we should expect increased pressure from the development community to provide them with needed support. This will require us to improve our operation in every aspect from development planning to permit completion and every step in between. Our customers must be supported with modern services providing ease and efficiency, which is a standard expectation in our industry today.

Building Services functions within specific legislated roles under the Act. At the municipal level, these are:

*The Chief Building Official*, who is responsible for establishing operational policies for the enforcement and oversight of the Act and Building Code, and exercise powers and perform duties within the Act and Building Code assigned to him/her in an independent manner. This is a full-time 24 hour/365 day legislated position; and

*The Inspector*, who is responsible for exercising powers and perform duties under the Act and Building Code in connection with reviewing plans, inspecting construction, conducting maintenance inspections and issuing orders in respect of only those matters that he/she has the required qualifications.

Aside from the legislated roles, Building Services relies on support positions that perform necessary functions within the operation. These are:

*The Building Services Clerk*, who is responsible to follow established operational policies and procedures for the intake of applications, scheduling of inspections and data/file management as well as provide direct customer and administration support.



Although most of Building Services' functions are performed during normal business hours, the CBO duties exist as a 24 hour/365-day operation to react to public safety needs and apply specific enforcement that is only available to the CBO or Deputy CBO. Attention must be given to ensure this 24 hour/365-day operation is established because there is always a risk of immediate crisis that can involve the CBO and are usually attributed to our built environment and public safety. Recent examples are the 2016 tornado and the 2021 Wheatly explosion. Maintaining a consistent mobilized response is commonly achieved by the establishing a Deputy CBO position which carries the full responsibility of the CBO. This will allow the 24 hour/365 day operational response to any emergency that requires the authority of the CBO.

In addition to the required technical positions, a support network, including clerical support, is needed for processing, communication and data management, which are essential in order to meet the legislated operational requirements.

## **4.0 Technological Tools**

### **4.1 Digital Transformation**

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In recent years, many municipalities have overhauled their records management and retention systems to a fully paperless environment that integrates with all stakeholders. A majority of the municipalities in our region as well as a significant share of municipalities across the province have chosen Cloudpermit as their preferred system. In addition, in early 2022 the Association of Municipalities of Ontario ("AMO") partnered with Cloudpermit to offer municipalities a digital platform to manage building permits more efficiently and effectively. This partnership was arrived at after a competitive bidding process that included input from the Ontario Building Officials' Association ("OBOA"), the Municipal Information Systems Association of Ontario ("MISA ON"), the Municipal Property Assessment Corporation ("MPAC") as well as AMO and Local Authority Services ("LAS") staff.

Cloudpermit is a new online cloud-based, user-friendly and cost-effective software solution that can be used by all stakeholders (Town staff, residents, consultants, designers, contractors, builders, trades, and sub-trades) for any building projects. All users can access and track their project details from any computer and smart phone at any time. Cloudpermit is a development focused system and in a relatively short period of time this software has been a catalyst for development improvements across the province.

Some of the positive changes Cloudpermit has made for municipalities are:

- Faster permit approval process;
- Shared service and standardized processes;
- Productive work in the office, field and at home;
- Stronger organization, reporting and archives;
- Instantaneous reporting of inspection results; and
- Simplified collaboration tailored to specific projects.

While Cloudpermit is realizing the customer service benefits, there are many advantages still being created as the development community integrates into this online cloud-based digital environment.

## 4.2 Implementation

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Building Services anticipates a digital transformation in 2023 with Cloudpermit being the selected system. Cloudpermit can be expanded to the remainder of Development Services as it can provide a Planning module to create a one-point portal for all development applications. Cloudpermit will remain an exclusive tool for Development Services and will not expand throughout the organization other than to integrate with other systems.

Once implemented, the development community will see an immediate impact and benefit from Cloudpermit which includes:

- Familiarity with using the system as many regional municipalities are using Cloudpermit and others are poised to implement it;
- Paperless digital environment allows for contactless operation and remote work capability;
- Ease of tracking projects through the design and approval process;
- Clear communication for all project participants;
- Real-time inspection results and construction status; and
- Tracking changes as project progresses.

Aside from the listed benefits, a regional advantage is that we are better positioned in Essex County to implement reciprocal service agreements with neighbouring municipalities that have transitioned to Cloudpermit.

This transformation will come with cost implications in both dollars and redirected resources, particularly during the first year of implementation when dedicated staff time will be required. It is anticipated that this work will be performed by staff as part of their daily tasks and may require support from contract serviced during times of high demands from the development community. In addition to staff resources, there is an initial start-up and integration cost of \$10,500 and an annual subscription cost of \$32,000 for the Cloudpermit module and support. This should be budgeted through the operating cost for Building Services and full cost recovery will be achieved through permit fees with no impact to the tax levy.

## 5.0 Operational Expenses

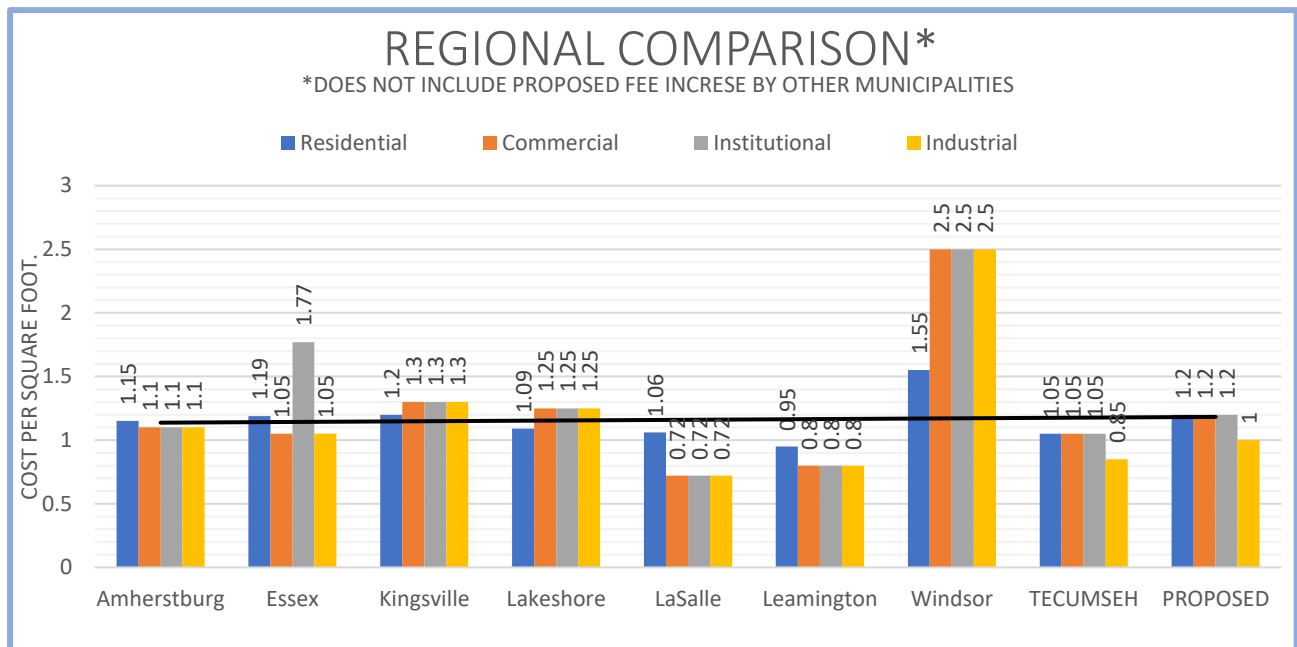
### 5.1 Fee Review

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It is important to remember that Building Services must provide the legislated function established in the Act and the OBC while collecting sufficient fees to be self-funded, with no impact on the tax base. In addition to collecting fees for services, the Act provides provisions to establish a stabilization reserve fund. Our regional economic condition warrants a 2-year stabilization reserve to self-fund the Building Services operation during drops in development and economic downturns.

Many regional Building Departments have undergone a comprehensive review of their service costs and fee schedules. The Town of Tecumseh is at the lower end regarding permit fees. With this in mind, we need to capture sufficient funds to provide our legislated service without causing delays on projects. This will improve our customer service and allow builders to rely on established timelines and improve the development processes in our community.

By performing a simplified comparison, we can easily realize an increase in fees while remaining in the mid-range within Essex County. Most neighbouring municipalities have indicated that they will be increasing their fees for 2023, which is not accounted for in the following comparison graph.



In addition to the regional comparisons, an inflationary review indicates that fees would have reached the proposed rate with a simplified annual CPI increase from 2018. This is illustrated in the following chart.

#### PROJECTED FEES INCREASES BASED ON ANNUAL CPI

YEAR		2018	2019	2020	2021	2022	PROPOSED
CPI	CURRENT	2.20%	1.90%	0.60%	4.00%	6.90%	2023 FEES
RESIDENTIAL	\$1.05/s.f.	\$1.07/s.f.	\$1.09/s.f.	1.10/s.f.	\$1.14/s.f.	\$1.22/s.f.	\$1.20/s.f.
INSTITUTIONAL	\$1.05/s.f.	\$1.07/s.f.	\$1.09/s.f.	1.10/s.f.	\$1.14/s.f.	\$1.22/s.f.	\$1.20/s.f.
COMMERCIAL	\$1.05/s.f.	\$1.07/s.f.	\$1.09/s.f.	1.10/s.f.	\$1.14/s.f.	\$1.22/s.f.	\$1.20/s.f.
INDUSTRIAL	\$0.85/s.f.	\$0.87/s.f.	\$0.89/s.f.	\$0.89/s.f.	\$0.92/s.f.	\$0.99/s.f.	\$1.00/s.f.

It is important to note that our proposed fee increase is an inclusive fee. Most regional municipalities add additional fees such as an administration fee, a charge for the number of bathrooms or plumbing fixtures and a charge for HVAC units. It is recommended that Building Services continue to operate with a simplified fee schedule, which includes all typical elements. Conservative estimates will bring the square foot fee of neighbouring municipalities in line with our proposed fees without considering any 2023 increase by those municipalities.

With the preceding fee enhancement, we can expect a conservative annual increase of approximately \$93K based on 2023 and 2024 development forecasts, as illustrated in the following table.

## REVENUE PROJECTIONS COMPARISON (CURRENT vs PROPOSED FEES)

PERMIT TYPE	2023 FEES (\$)		2024 FEES (\$)	
	CURRENT	PROPOSED	CURRENT	PROPOSED
RESIDENTIAL	518,252	590,807	801,691	913,928
ICI	439,220	500,711	372,000	424,080
TOTAL	957,472	1,091,518	1,173,691	1,338,008
TOTAL WITH 30% REDUCTION	670,230	764,063	821,584	936,606
BASE DEVELOPMENT	170,000	170,000	170,000	170,000
<b>TOTAL PROJECTED REVENUE</b>	<b>840,230</b>	<b>934,063</b>	<b>991,584</b>	<b>1,106,606</b>

The development community has been very clear in communicating its primary need for timely service and is willing to pay the associated permit fees required to ensure this service. The potential delay to construction schedules is a far greater concern than permit fees. The effort involved with scheduling workers, trades and material delivery to maintain a schedule cannot be impacted by an overwhelmed Building Services Division.

## 6.0 Summary and Recommendations

### 6.1 Overview

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Municipalities are under immense pressure to provide legislated service to development industry customers and stakeholders. This pressure is intensified during times when the building industry is actively developing in order to meet the growth needs of the community and region. This pressure comes from the development/construction industry, public, municipal councils, and internal staff. This creates the need to improve services from both the intake/review operation and the inspection/enforcement operations of the Building Services Division.

The Town's permanent Building Services staff complement currently comprises three full time staff. The three positions are one CBO, one Building Inspector and one Building Clerk. This review illustrates that the current and anticipated workflow cannot be managed nor can the customer service needs be met by the existing staffing levels. We are at constant risk of not meeting our legislated time frames for permit applications and inspections.

### 6.2 Staffing Projections

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In order to manage the projected development increase and fulfil all duties prescribed in the Act, Building Services will require an increase in technical staff. The following staffing additions are being recommended:

## RECOMMENDED STAFFING INCREASE

QUANTITY	POSITION TITLE	DUTIES
1	Deputy Chief Building Official	Perform the full duties of the Chief Building Official during his/her absence and as delegated. Issuing all Orders dedicated to the Chief Building Official including Emergency Order, Order to Uncover, Stop Work Order Perform plan examination. Perform site inspections. Direct Building Services staff.
1	Senior Inspector	Perform plan examination for all building types, include complex buildings. Perform inspections for all building types, including complex buildings. Issue all orders dedicated to the Senior Inspector including Unsafe Order, Order to Comply and Order to Obtain Permit.

This preceding recommended staffing increase will result in a fully capable operation able to provide all legislated and community services while being funded by Building Permits and not have an impact on the tax levy. Once recruited and trained the Building Services operation will comprise:

## PROPOSED BUILDING SERVICES DIVISION

QUANTITY	POSITION TITLE
1	Chief Building Official
1	Deputy Chief Building Official
1	Senior Inspector
1	Inspector
1	Permit Services Clerk

This onboarding of staff will be undertaken by a staggered approach through 2023 to allow us to monitor economic conditions and compare actuals to forecasted development projections thus allowing us to make responsible adjustments to reflect economic realities. We will continue to benefit from the ongoing support provided from contract services to ensure our legislated obligations are met.

### 6.3 Recommendations

With the preceding review and analysis, we are recommending the following:

- Increase staff compliment to enable us to meet current and future demands made on the Building Serviced Division. This increase of staff will consist or the addition of one Deputy CBO and one Senior Inspector;
- Implement an electronic permitting and inspection system to better serve our citizens and the development community. Cloudpermit has been selected due to a variety of factors including its customization, fluid integration, AMO affiliation and that it is becoming a standard tool in our industry, both regionally and provincially;
- Increase fees to better align with neighbouring municipalities while remaining competitive. The square foot cost of development will be increase to \$1.20 for residential, institutional, and commercial, and \$1.00 for industrial. This will allow the ability to address growth in our community in a responsible manner while remaining self-funded and completely independent of the tax base.