

## Toronto Building Program Review

Date: May 6, 2021

To: Planning and Housing Committee

From: Chief Building Official and Executive Director, Toronto Building

Wards: All

### **SUMMARY**

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Toronto Building provides a critical role in the success and prosperity of Toronto. Its core services ensure that the City's built environment is safe, healthy and accessible. The Division also plays an important role in delivering many of Toronto's city-building priorities from affordable housing to the economic recovery from COVID-19. Over time, however, the Division has been impacted by record levels of construction activity, increasing regulatory complexity, technological change and evolving customer expectations. These challenges have impacted the Division and its customers in meeting service levels. The current organizational structure has contributed to inconsistencies in service delivery for clients and limited career development opportunities for staff, while at the same time, impacted the Division's ability to quickly respond to changing construction activity. There is a strong need for Toronto Building's operating model to be more resilient and sustainable.

To address these systemic challenges and their impacts, in late-2019, Toronto Building launched a comprehensive Program Review. The purpose of this report is to provide a summary of the results of the initiative, identify key outcomes and outline how the recommendations will be implemented. The Toronto Building Program Review presents a new operating model to support the Division's transformation to a modern, customer-focused building regulator.

For the permit applicants, this client-centric transformation means a clear, consistent and predictable experience and the timely processing of applications by the City. For the broader public, this includes a recognition that Toronto Building's clients also include those impacted by the construction process. Some key highlights of the new operating model are:

- Clients will receive services tailored to their needs and project complexity, aimed at reducing the overall time to receive a permit;
  - For simple projects, the Division will work directly with permit applicants to quickly move their applications through the approval process through face-to-face or virtual meetings to address any outstanding deficiencies;
  - Complex projects will be supported by facilitated approaches in order to efficiently move applications through the approval process;

- The public and permit applicants will have access to clear technical interpretations, guidelines and bulletins to strengthen transparency, reduce guesswork, improve submission quality, and help improve the efficiency of the overall process;
- The policy capacity within the Division will be expanded to proactively identify barriers with regulations and develop clear accessible options for designers and property owners to achieve compliance and support city building; and,
- Toronto Building will organize its staff, services and other resources into functional units to provide its core services city-wide, rather than by community council districts.

This new service delivery model will also facilitate the important development of a customer-focused culture amongst staff and a common understanding of the Division's purpose and priorities. A number of other changes to support Toronto Building's transformation include:

- New back office functions to enable and support modern regulatory approaches, policy development and enhance enterprise quality assurance, risk management, business intelligence and knowledge management;
- Robust training and development tools to enhance talent attraction and retention, career development opportunities, cross-functional coordination and a shared Divisional culture;
- New approaches to enhance workplace diversity, equity and inclusion and reduce service delivery barriers;
- Strong industry and stakeholder partnerships to improve customer satisfaction, reduce compliance costs and enhance application quality;
- Enhanced partnerships with the Province of Ontario to proactively address and support innovation and legislative changes; and,
- Consideration of a modern financial model to improve financial flexibility and resilience.

The Program Review implementation is already underway. A dedicated Implementation Team is being assembled to drive the change and is committed to working with Toronto Building staff and stakeholders through the implementation of the new operating model. The work is also being aligned with other transformation initiatives, such as Concept to Keys and the Customer Experience Program, intending to provide a seamless customer experience across all development approval and permitting processes.

Recognizing that the Division's transformation can also assist with recovery from COVID-19, Toronto Building is moving quickly to launch pilot programs for small business and property owners that stream applications through express permit services and provide remote video inspections.

A successful transformation will require support and ongoing partnerships with other City divisions to implement change in critical areas such as new technology and a modern financial model. It is expected that the new structure will be in place by the end of Q1 2022, followed by implementation of operational and administrative processes to support the new service delivery model.

## RECOMMENDATIONS

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The Chief Building Official and Executive Director, Toronto Building recommends that:

1. The Planning and Housing Committee receive this report for information.

## FINANCIAL IMPACT

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The costs to implement the initial phase of Toronto Building's Program Review are included in the Division's approved 2021 Operating Budget. Any additional future costs that may arise during the implementation will be brought forward through the appropriate budget process.

## EQUITY IMPACT STATEMENT

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Toronto Building's new service delivery model described in this report is one in which the Division is committed to promoting diversity, equity and inclusion in the workplace and proactively removing barriers to services for equity-seeking people. The Division will work to ensure that its policies and practices are truly inclusive, and meet the needs of Toronto residents to live well and contribute to the city's vibrancy and prosperity.

Toronto Building's leadership has made a commitment to support staff by taking direct actions to eliminate systemic discrimination and barriers. Toronto Building is working with the Infrastructure & Development Services' Confronting Anti-Black Racism Working Group to build a framework and specific actions that Toronto Building will take to work towards eliminating systemic discrimination and barriers within the City of Toronto. The Division is also working on a Toronto Building Equity, Diversity, and Inclusion Action Plan, which includes addressing Anti-Black Racism within the Division.

Toronto Building's new service delivery model includes the capacity to support complex projects of city-wide significance such as the creation of new affordable housing. With dedicated support from Toronto Building, these applications are able to move expeditiously through the approvals process. The result is increased access for lower-income and vulnerable individuals and families, as well as Indigenous Peoples and equity-seeking groups, to access safe, healthy and adequate homes.

## DECISION HISTORY

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At its meeting of January 29, 2020, City Council considered the report, "Provincial Consultation on Ontario's Building Code Service Delivery", and requested that the Chief Building Official and Executive Director, Toronto Building report back to the Planning and Housing Committee:

- a. With an update on the implementation of the proposed changes to provincial delivery of Building Code services, at the appropriate time; and,
- b. On the results of the Toronto Building Program Review.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH12.1>

## COMMENTS

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### **Toronto Building's Ambition to be a Modern Regulator: The Case for Change**

Toronto Building is transforming the way it delivers its services. At its core, the Division is responsible for issuing building and sign permits and inspecting construction. In this role, Toronto Building delivers an important public service; it works to keep the built environment safe, accessible and sustainable. While the Ontario Building Code and *Building Code Act, 1992* uniformly apply across the province, each municipality is given the authority to most appropriately enforce the Ontario Building Code within its boundaries.

Toronto Building currently organizes its staff, services and other resources through a district-based operating model. Each district provides the Division's three core services led by a Deputy Chief Building Official (customer service, plan review and inspections). In addition to the district operations, the Division has centralized functions that include the business support section, the Dedicated Enforcement Unit and Sign Unit.

Toronto Building's organizational structure and service delivery model have largely remained static since amalgamation. At the same time, building design requirements and technology have become more complex while industry stakeholders and the public expectations have changed. A modern building regulator plays an important role in the building approvals process, but is also a partner that works alongside City Council, industry, the public and other important stakeholders to help deliver important city-building objectives, while maintaining responsibility for regulatory oversight and compliance.

The Program Review identified a number of challenges impacting the ability of Toronto Building to achieve its vision of becoming a modern regulator and the sustainability of its current business model. These challenges include:

- A district-based, flat organizational structure;
- Underdeveloped core business support functions;
- Misalignment on mandate, purpose and culture;
- Legacy technology systems that are at end of life; and,
- The need for a modern financial model that provides flexibility and resilience.

Through the Program Review, Toronto Building's staff, customers and stakeholders made it clear that these challenges were having an impact on the effectiveness, efficiency and sustainability of operations, resulting in:

- Inflexible resource and work management;
- Inconsistencies across organizational units and individuals;
- Time-consuming, manual processes;
- Short-term, operational focus; and,
- A limited capacity to invest in modernization.

## **Program Review Work Plan**

The COVID-19 pandemic has provided a unique opportunity to consider what it means for Toronto Building to be a modern regulator during a time of tremendous change across the City of Toronto.

KPMG LLP (KPMG) was hired through a competitive process to conduct the Program Review. The work had two integrated parts: the development of a new, customer-focused operating model and a comprehensive review of the Division's cost allocation methodology and reserve fund strategy.

The consultant supported Toronto Building by engaging with a wide range of people throughout the process. More than 300 staff from all levels of five divisions who support the permitting process and more than 250 customers, including developers, architects, engineers and first-time applicants were consulted. Feedback from more than 120 residents' association members provided input in identifying the existing challenges as well as members of City Council's Planning and Housing Committee. The consultants also conducted broad jurisdictional research with representatives from large municipalities across North America to identify leading practices in modern, customer-focused building services.

In addition to direct engagement with internal and external partners, KPMG conducted extensive data and document analysis including the review of approximately 450,000 applications over a ten-year period, reflecting the Division's experience over a time of unprecedented growth in the city. The attached report provides a full description of the consultant's research and engagement activities.

The team identified early on in its work that Toronto Building is a high-performing organization despite increasing application volumes and regulatory complexity. Over the last ten years, building permit applications increased 33 percent while approved full-time equivalents (FTEs) have increased by four percent. The gap has created workload pressures, particularly for frontline and manager-level staff who undertake additional roles and responsibilities in training, knowledge management and policy work on the sides of their desks. Workload impacts are also compounded by the increasing complexity of buildings, regulations and sites. Toronto Building's electronic service delivery program was introduced a number of years ago to help alleviate the administrative burden on staff, improve the customer experience and introduce efficiencies. While this program was initially successful, the benefits of the program have now been exhausted and a longer-term solution is necessary. These pressures have highlighted the need for the Program Review and to modernize and transform the Division's service delivery model.

## **Final Report: Recommendations**

The Program Review concluded that Toronto Building's core challenges are complex, and interconnected; however, Toronto Building has the opportunity to begin implementing its new operating model and, at the same time, help with the City's recovery from COVID-19. The final report identifies a series of recommendations to help Toronto Building become a modern, client-centric building regulator that is consistent and predictable, efficient, collaborative, accountable and resilient.

Highlights of the report's recommendations to be implemented by Toronto Building are summarized below:

### **Functional Organizational Structure**

Toronto Building will move from its current district-based geographic operating model to a functional model in order to improve flexibility, resilience and consistency. In this functional operating model, Toronto Building will organize its staff, services and other resources into functional units to provide its core services city-wide, rather than by community council districts. Each functional unit will be led by a Deputy Chief Building Official and/or Director responsible for centralized functions, rather than a community council district.

A primary finding of the Program Review is that the current district-based model is a significant barrier to modernization, and resilience is needed in the operating model. The challenges associated with the district-based organizational structure were consistent in feedback from both stakeholders and staff. Customers, for example, identified frustration with inconsistent service delivery and interpretations of technical requirements.

The new operating model is supported by an integrated city-wide structure and new functions: The Operations Group will deliver streams of work aligned to application and customer type on a city-wide basis. In addition, a Strategic Support Services Group will provide back-office support to the operational functions.

### **Modern Business Capabilities**

The new organization will include additional support within the Division to improve performance and enable modern regulatory approaches while driving consistency across all services.

The consultants found that Toronto Building needs to strengthen its capacity for analyzing and presenting data to guide service delivery, planning and management. A Business Intelligence function will be introduced to monitor, analyze and report on trends so that the Division can proactively address issues. Quality Assurance and Risk Management functions are essential to mitigate against operational and other risks. That group will also manage compliance processes to ensure that Toronto Building meets its regulatory requirements and monitor the implementation of recommendations from the Auditor General (and similar reviews).

A Building Policy group will be responsible for supporting innovation in building and working to support designers and applicants in developing options for compliance with the Building Code. An example of this type of work is the Division's recent work in developing compliance options for property owners to meet fire access requirements of the Building Code for Laneway Suites, while also meeting health and safety goals.

### **Partnerships and Public Education**

Partnerships are critical to the success of Toronto Building's new service delivery model. Toronto Building is committed to establishing dedicated industry and residents' roundtables to collaboratively identify issues and work to develop collaborative

solutions. The complexity of issues will require that partner divisions, that play a role in the development and construction processes, are also engaged in identifying and implementing strategic solutions. Often construction-related issues cross multiple City divisions.

A Town Hall with residents' associations and ongoing work with the Building Industry and Land Development Associations' (BILD) Renovators' Council has shown the importance of sustained dialogue with all stakeholders to refine programs and develop impactful responses to emerging issues. Through this process, Toronto Building can build trust, foster collaboration and address common issues to improve transparency, consistency and application quality. A Partnerships and Public Education Unit will take on this role.

### **Council Liaisons**









These new dedicated positions will help Councillors and their staff manage the resolution of complex construction and demolition issues from beginning to end.

The Council liaison will act as a single point of contact for City Councillors for Toronto Building-related constituent and policy issues. Located in the Office of the Chief Building Official, the liaison function will be organized geographically and run by experienced staff.

### **Streaming Building Services by Complexity and Customer Need**

Toronto Building's current service model assigns work based on geography (Community Council Districts), rather than by application complexity or customers' needs. With this model, all applicants are provided the same customer service experience regardless of the type of permit. The new service delivery model for Toronto Building recognizes that the Division serves a diverse group of customers with different needs. When looking for solutions to the current challenges, it made sense to design the organization from the outside-in; a client-centred approach. As illustrated in Figure 1 (Building Services Streaming Matrix), Toronto Building will stream services by complexity and customer type to improve customer service, application quality and overall performance.

Figure 1: Building Services Streaming Matrix

 Small Residential Projects	 Small Commercial Projects	 New Homes	 Major Additions and Renovations	 Complex Projects	 Strategic City-wide Priorities
<ul style="list-style-type: none"> <li>• Decks, sheds, porches</li> <li>• Garages and carports</li> <li>• Minor interior alterations</li> </ul>	<ul style="list-style-type: none"> <li>• Tenant fit-ups for new businesses</li> <li>• Interior alterations</li> <li>• Sign permits</li> </ul>	<ul style="list-style-type: none"> <li>• New houses</li> </ul>	<ul style="list-style-type: none"> <li>• Significant renovations and additions to existing buildings</li> <li>• Adding or removing walls</li> </ul>	<ul style="list-style-type: none"> <li>• High-rise, mid-rise and mixed-use</li> <li>• Tall wood structures</li> </ul>	<ul style="list-style-type: none"> <li>• Modular Housing</li> <li>• Housing Now Initiative</li> <li>• Transit projects</li> <li>• Toronto Green Standard</li> </ul>
Simple		Application Type		Complex	
Homeowners		Customer Type		Professional Consultant Teams	
Express		Service Delivery Model		Facilitated	
 Stakeholders 					

For example, an express model for simple projects (sometimes undertaken by less experienced applicants) will move these applications quickly through a streamlined process. Through the implementation process, the Division will build opportunities for applicants to interact directly with Toronto Building staff in order to review and resolve issues with their application, rather than applicants waiting for the issuance of a notice itemizing where their application is deficient. The objective is to address minor issues with applicants directly and minimize the overall time that it takes to receive a building permit. A facilitated model will stream complex projects (submitted by more experienced customers) with dedicated project management and other supports in order to efficiently move applications through the approval process. Work would progress through similar teams at the plan review and inspection stages to ensure continuity.

Streaming services enables Toronto Building to provide support in the delivery of strategic city-wide priorities (e.g., modular housing) through dedicated plan review and inspection teams. Toronto Building is also exploring, in partnership with other divisions, how approvals can be "bundled" to provide one-window service.

This model is intended to create a clear, consistent and predictable experience for permit applicants and enable the timely processing of applications by the City. Clear and accessible information tools and technologies will strengthen transparency and help improve the efficiency of the overall process.

### People and Culture

The consultant identified a package of recommendations to strengthen staff engagement, professional development, attraction and retention and the Division's organizational culture. These recommendations were based on a number of engagement sessions with staff and managers from all areas of Toronto Building. Recommendations include a formalized job rotation program, dedicated staff training



and development program and improved consistency in onboarding staff. Taken together, this package of recommendations underlies the importance of supporting Toronto Building staff so that they have the appropriate tools and support to do their jobs effectively and reduce frustration. A new Workforce Planning and Development Unit will be established to enable and support the implementation of these recommendations aimed specifically at Toronto Building staff.

Toronto Building will also take steps to articulate and communicate its regulatory role and responsibilities to facilitate the development of a shared Divisional culture. Actions will be taken through implementation to help the Division align and promote the new vision of a shared customer-focused culture and understand its purpose and priorities.

### **Technology**

Toronto Building needs to accelerate the modernization of the business management system used to manage and issue building permits.

The consultant identified the modernization of Toronto Building's workflow management system (internally referred to as IBMS) as one of critical success factors to successfully achieve this transformation. The report notes that the system, shared by other divisions, was characterized by some as slow, obsolete, inefficient and highly manual. Nearly all staff and management identified technology as a major pain point.

Many of the consultant's recommendations are dependent on having a current technology system that is capable of managing high quality data, automating business processes, integrated with other divisions and allows for a customer-facing portal. However, modernizing Toronto Building's technology depends on partnerships and collaboration with other areas of the City.

### **Modern Financial Model**

KPMG was also tasked with conducting a review of the Division's financial model, including the cost allocation methodology, financial reporting practices and reserve funding approach. A primary conclusion of this work is that key changes to Toronto Building's financial model are critical to the successful transformation of the Division into a modern, customer-focused regulator. The report recommends that Toronto Building:

- Explore shifting to the rate-based budget process to improve operational flexibility and resilience.
- Implement a leading practice cost allocation methodology to improve transparency and support enhanced performance management.
- Formally document the basis for corporate charges to improve transparency and support the Division's financial reporting processes.

The implementation of recommendations to modernize the budget process, cost allocation methodology and corporate charges cannot be accomplished by Toronto Building alone. This work must be done in collaborative partnership with the Office of the Chief Financial Officer and Treasurer and the Policy, Planning, Finance & Administration Division. Toronto Building has already initiated these discussions in an effort to move quickly to enable the implementation of the Program Review.

Toronto Building's legislatively mandated reserve provides the Division with the ability to manage fluctuations in permit volumes and make investments in service improvements. As detailed in the Program Review's final report, the new operating model will result in significant service improvements for customers and stakeholders, but will require operating and capital investments, including the modernization of technology.

## **Implementation**

Implementing the suite of recommendations resulting from Toronto Building's Program Review for Toronto Building is a complex business transformation process. It will require strengthened stakeholder partnerships, improved staff training and development and accelerated modernization of old technology systems to improve capacity and capabilities required by modern regulators.

A dedicated Implementation Team is being created in the Office of the Chief Building Official to manage the implementation activities and the transformation roadmap. The Project Director is in place and hiring is underway for dedicated staff with capabilities and experience in change management, business process improvement and organizational design. Together, the Team will begin to implement the consultant's recommendations. It is expected that the new structure will be in place by the end of Q1 2022, followed by implementation of operational and administrative processes to support the new service delivery model.

The Implementation Team will be assisted by subject matter expertise from Toronto Building management and staff. The Program Review Engagement Team, established at the beginning of the initiative to provide change management support, will continue its work. It is important that Toronto Building staff are supported and involved in the implementation.

An Executive Steering Committee will provide strategic direction and oversight and ensure that the implementation aligns with other City transformation initiatives, such as Concept to Keys and the Customer Experience Program. The Committee will be chaired by the Chief Building Official and Executive Director, Toronto Building and membership will include the Deputy City Manager, Infrastructure & Development Services, the Chief Technology Officer and Division Heads from City Planning, Toronto Water, Transportation Services and Concept to Keys.

Partnerships with Toronto Building's external stakeholders are critical to a successful implementation and an integral component of this transformation. Toronto Building will continue to work in consultation with the building and design industries and residents' associations to refine and implement the new service delivery model so that it functions as it is designed.

The Review has also recommended partnerships with other levels of government on potential legislative and regulatory changes that will support and enhance Toronto Building's new operating model. Toronto Building will engage with the Ministry of Municipal Affairs and Housing as the Province continues its consideration of modernizing Ontario's Building Code service delivery framework.

The Implementation Team will work to complete the transition to the new organizational structure by the end of Q1 2022. The Team will undertake analysis to inform the organizational design below the Director level, appropriately assign Supervisors and Managers to service areas and match staff to their position in the new structure. The Divisional Management Team will be providing direction in this important area. Change management guidance is an integral component of this work so that staff are supported and informed through the implementation process.

### **Supporting COVID-19 Recovery: Piloting Express Services**

In an effort to support COVID-19 recovery, the Division will be launching two pilot express services this summer aimed at minimizing the waiting time for building approvals for small business owners and homeowners.

Small business owners will be able to take advantage of an alternative permit-issuing process for minor renovation projects that do not require a change of use, such as moving walls, tenant fit-ups and sign permits. Homeowners and builders applying for permits to build small projects (e.g., decks, minor interior alterations) and new houses with confirmed zoning and applicable law will be assisted by dedicated Toronto Building staff focused on moving permits out quickly. The Division will also be piloting the use of remote visual inspections to make the inspection process more convenient for these permit holders.

### **Alignment with Concept to Keys (C2K) & Customer Experience Program (CXi)**

In the spring of 2020, the City launched Concept to Keys (C2K) to accelerate and expand on the improvements to the development review process, identified through City Planning's End-to-End Review to ensure a more collaborative development system between the City, City Council and the development industry. Building approvals under the purview of Toronto Building and development approvals, are both critical to the City's economic recovery and rebuild following the COVID-19 pandemic.

In an effort to support C2K's focus on customer service, predictability and transparency, Toronto Building has developed its new operating model so that it can link into the development approvals process at the appropriate points. As the Division's new service delivery model is set up, Toronto Building is working with City Planning and C2K so that the right teams in Toronto Building are able to support the development process at the appropriate points. Early issue identification will help to accelerate the building permit and inspection process, supported by data and information sharing. As part of C2K's Customer Experience and Technology team, Toronto Building is also working with Customer Experience Transformation and Innovation (CXi) staff to apply a more outside-in approach to the design and delivery of its services and outcomes across the city. Together, these divisions and City programs are working to establish a development approvals and permitting process which is both integrated and seamless for the customer.

### **Conclusion**

The attached report on the Toronto Building Program Review is the result of 18 months of work led by the Division and its consultant team. The recommendations are the result of close collaboration with Toronto Building leadership, staff and stakeholders to design a new, dynamic operating model for the Division. This initiative is Toronto Building-led,

but a successful transformation will require support and ongoing partnerships with other City divisions to implement change in critical areas such as new technology and implementing a modern financial model.

Toronto Building has already begun to implement the Program Review so that it can continue to play a critical role in the success and prosperity of Toronto and ensure that the city's built environment is safe, healthy and accessible.

## CONTACT

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## SIGNATURE

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## ATTACHMENTS

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Appendix 1: Toronto Building Program Review: Final Report