



**Ontario Association of Architects**

The Honourable Charles Sousa  
Minister of Finance  
c/o Budget Secretariat  
Frost Building North, 3rd Floor  
95 Grosvenor Street  
Toronto, ON M7A 121

January 18, 2017

Dear Minister:

Please accept the following recommendations related to the upcoming 2017 Budget on behalf of the Ontario Association of Architects (OAA). As a self-regulating body, the OAA is dedicated to promoting and increasing the knowledge, skill and proficiency of its members, and to administering the *Architects Act*, in order that the public interest may be served and protected. We remain committed partners with the Government to realize the best possible outcomes for the Province, and people, of Ontario.

### **Obtaining Architectural Services**

It is with best outcomes in mind that we continue to urge the Province to ensure that it fully implements and promotes Quality Based Selection (QBS) as the method used to procure consulting services. QBS is a procurement method used to ensure the client gets a consulting team that best addresses client objectives and delivers the greatest value, by focusing on selecting the most skilled and qualified bidder, instead of the lowest bidder.

QBS is sometimes misconceived as a driver of cost, and the Government (at all levels) likes to hearken on an outdated notion that lowest price is synonymous with best value. QBS has been proven to provide better value for clients by increasing the return on investment (ROI)<sup>1</sup>. This is especially true in terms of architectural services, since the majority of the costs associated with a building are in its use and maintenance, not the initial construction<sup>2</sup>. As mentioned in previous budget submissions, the Federation of Canadian Municipalities partnered with the Government of Canada and National Research Council, finding that investing in design through QBS results in a return on investment of 11:1 when a lifecycle analysis is applied<sup>3</sup>.

Ontario is far behind other jurisdictions in implementing QBS in the procurement chain. In the United States, the federal and most state governments have legislated against lowest bid approach to procuring consultant services<sup>4</sup>. Ontario has also fallen behind other Canadian jurisdictions in implementing QBS.

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<sup>1</sup> *National Guide to Sustainable Municipal Infrastructure (InfraGuide), Selecting a Professional Consultant*. Report. Federation of Canadian Municipalities. Ottawa : Federation of Canadian Municipalities, 2006. p. 20.

<sup>2</sup> *Idem*, p. 10.

<sup>3</sup> *Idem*, p. 20.

<sup>4</sup> Harrison, Cal. "Canada's Success Within TPP Requires Change to Procurement Practices." *Report On Business Commentary*, July 22, 2016. Accessed January 17, 2017. <http://www.theglobeandmail.com/report-on->

For instance, Saskatchewan has implemented legislation requiring best value-based decision-making to be the new basis for provincial procurement<sup>5</sup>.

One of the main barriers to the implementation of QBS is misleading language within the Broader Public Service (BPS) Procurement Directive, which has caused confusion for institutions interested in using QBS in their procurement. Recently, the OAA received a legal opinion on the applicability of the BPS Procurement Directive to consulting services such as architectural services from prominent construction lawyer Glenn Ackerley. Ackerley stated that the BPS Procurement Directive requirements for lowest bid procurement methods did not apply to the selection of consulting services including architectural services. Despite this, many institutions remain confused by the language within the BPS Procurement Directive, resulting in the utilization of procurement methods that do not provide the best lifecycle value for Ontarians. The OAA hopes that the Government will endeavor to provide clarity to those institutions who fall under the BPS Procurement Directive and encourage them to implement QBS in the procurement of consulting services to ensure that all infrastructure spending is procured by means which provide the best possible outcomes for the people of Ontario.

The OAA was encouraged by the *Infrastructure for Jobs and Prosperity Act*, which requires architects to be better integrated into all infrastructure projects, but was disappointed in the watering down of the Act's language pertaining to the architectural profession, as well as the extended delays in bringing these regulations into effect. The Province must build on its recognition of the importance and value of architects by committing to a strictly QBS procurement approach for architectural services. The Province must similarly prioritize the targeted regulations associated with the architectural industry as they have the potential to significantly reshape how infrastructure is designed and delivered in Ontario.

As partners in the built form, we all have a stake in getting the best outcome and in creating the best possible Ontario. We hope you will work with the OAA to integrate QBS throughout the procurement chain, and to communicate to municipalities and other partners that they are not only free to use QBS, but should also be actively doing so.

### **Regulatory Burden**

The OAA has been actively following the Government's efforts to reduce the regulatory burden on businesses while better protecting consumers, employees and the environment through the Red Tape Challenge. The OAA has been impressed by the progress of the Red Tape Challenge as well as the goal of \$100 million reduction by the end of 2017. We are excited to see that the program has had such a large and positive impact on the industries that have been focused on thus far.

The OAA has been in regular communication with various Ministries including the Ministry of Economic Development and Growth to encourage the Ministry to consider focusing a sector of the Red Tape Challenge on Site Plan Approval (SPA), either directly or as a key component of a larger sector analysis. We are pleased to see Land Use Planning as a subtopic in the current sector review and we are hopeful that this is indicative of a larger interest in improving land use planning and approvals as part of the Red Tape Challenge.

SPA should be of particular interest to the Government as it continues to seek to reduce the regulatory burden, and the OAA has continued to advocate for a streamlined or expedited SPA process. An independent *Review of the Site Plan Approval Process in Ontario*, commissioned in October 2013, found substantial costs and delays on homeowners, businesses, and governments alike across the Province (a concise statistics matrix from the report is attached as an Appendix).

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business/rob-commentary/canadas-success-within-tpp-requires-change-to-procurement-practices/article31057954/

<sup>5</sup> Canada. Government of Saskatchewan. SaskBuilds. *Priority Saskatchewan*. Accessed January 17, 2017 <http://www.saskbuilds.ca/PrioritySK/index1.html>.

These findings were recently echoed in a report by the Fraser Institute, which noted restrictive and burdensome Residential Land-Use Policies including the SPA Process in many Ontario municipalities. The World Bank Group ranked Canada 53<sup>rd</sup>, putting us in league with Costa Rica (#49), St. Lucia (#50), Paraguay (#55) and the Solomon Islands (#58). Our approval process has more procedures, and takes 2-10 times longer than the top performing economies yet our building quality is no better. Not surprisingly, SPA was a major factor in this ranking, contributing to 72% of the time (delays) and 25% of the total procedural cost.

Using findings from the 2013 Report, notably that SPA adds “between 6-7% to the total overall construction cost” for an office building, the OAA was able to extrapolate larger costs to the Province and economy based on Statistics Canada figures on building permits.

### **Estimated costs to the economy from inefficient Site Plan Approval processes**

Data Source: Statistics Canada, Table 026-0003 Building permits, values by activity sector, Commercial Activity Sector, Year: 2015

<b>Geography</b>	<b>Total Value, Commercial Building Permits</b>	<b>SPA Cost at 6%</b>	<b>SPA Cost at 7%</b>
<b>Ontario</b>	<b>\$5,965,696,000</b>	<b>\$357,941,760.00</b>	<b>\$417,598,720.00</b>
Barrie, Ontario	\$173,840,000	\$10,430,400.00	\$12,168,800.00
Brantford, Ontario	\$15,903,000	\$954,180.00	\$1,113,210.00
Greater Sudbury, Ontario	\$56,596,000	\$3,395,760.00	\$3,961,720.00
Guelph, Ontario	\$65,911,000	\$3,954,660.00	\$4,613,770.00
Hamilton, Ontario	\$204,498,000	\$12,269,880.00	\$14,314,860.00
Kingston, Ontario	\$33,118,000	\$1,987,080.00	\$2,318,260.00
Kitchener-Cambridge-Waterloo, Ontario	\$237,340,000	\$14,240,400.00	\$16,613,800.00
London, Ontario	\$153,077,000	\$9,184,620.00	\$10,715,390.00
Oshawa, Ontario	\$76,116,000	\$4,566,960.00	\$5,328,120.00
Ottawa-Gatineau, Ontario part, Ontario/Quebec	\$643,436,000	\$38,606,160.00	\$45,040,520.00
Peterborough, Ontario	\$16,949,000	\$1,016,940.00	\$1,186,430.00
St. Catharines-Niagara, Ontario	\$107,774,000	\$6,466,440.00	\$7,544,180.00
Thunder Bay, Ontario	\$46,141,000	\$2,768,460.00	\$3,229,870.00
Toronto, Ontario	\$3,631,337,000	\$217,880,220.00	\$254,193,590.00
Windsor, Ontario	\$63,992,000	\$3,839,520.00	\$4,479,440.00

In Toronto alone, and on commercial buildings alone, reducing the costs and delays associated with SPA could save the economy \$217.8 - \$254.2 million. For the Province, that number jumps to an astronomical \$357.9 - \$417.6 million. And the numbers will grow significantly larger as similar cost savings are realized from Residential (\$21.2 billion in permits), Industrial (\$2.6 billion in permits), and Institutional/Governmental (\$3.4 billion in permits) building projects.

This would enable the Government to reach their entire burden reduction target by targeting a single regulatory process. If the Province wants to hit and even exceed its target, there appears to be no better opportunity than working with the OAA and industry partners to improve the SPA. The OAA hopes to partner with the Government to reduce regulatory burden and build Ontario up.

## **Infrastructure Investment**

The OAA recognizes that the Province has committed to making infrastructure a key component of their budgetary expenditures. With the announcement of increased federal partnership in 2016, the Government is now better positioned to make investments in key infrastructure projects to build Ontario up and invest in our future.

Infrastructure was a key element of the 2016 budget. As with the 2015 budget, many of the announcements in the 2016 Ontario Budget were focused on civil infrastructure to the detriment of the built environment.

According to MPP Vic Fedeli, approximately 60% of infrastructure is buildings<sup>6</sup>. Yet \$8.3 billion in the 2016 Budget, representing 51.1% of total infrastructure expenditures, was dedicated to the transportation sector. This includes \$2.2 billion in provincial highways alone, which is larger than the infrastructure investment for education (\$2 billion), and dwarfs investment for Postsecondary (\$800 million), Social (\$312 million) and Justice (\$255 million).

During the OAA's deputation to the Standing Committee on Good Government on the *Infrastructure for Jobs and Prosperity Act*, the OAA cautioned MPPs against getting "caught in a discourse focused specifically on roads, bridges and transit" arguing "we must all work together to get back to a more balanced conversation about infrastructure". OAA President Toon Dreessen argued that "architects must play a major role in that discussion, because it is architects who make the majority of infrastructure possible."

With the government's focus on sustainability and the environment in 2016, it is timely to refocus more of Ontario's infrastructure priorities towards the Province's building stock. According to the Province's 2015 Climate Change Discussion Paper, buildings directly account for 17% of greenhouse gas emissions and if you consider the impact buildings have on lifestyle choices (e.g. driving to work) the impact is far greater. Buildings have the potential to significantly outlast most other infrastructure projects and it has been suggested that as much as 70% of the buildings which exist today will still be here in 2050 or beyond. It is critical that Ontario continue to focus on the creation of sustainable buildings and deep energy retrofits of existing buildings to ensure that the Province meets its environmental targets.

While the OAA both supports and recognizes the significant need to invest in transit, transportation, and other civil areas, the OAA would again strongly urge the Government to focus more of its time, attention, and infrastructure investment on buildings within the built environment in the 2017 budget.

## **Investment in Greener Buildings**

In the 2016 budget the Government dedicated \$100 million of its \$325 million Green Investment Fund to help homeowners conduct audits to reduce their energy bills by identifying energy-saving opportunities and completing retrofits. While the home energy retrofit credits were certainly beneficial to those seeking to save energy, they mostly applied to superficial energy-saving opportunities and retrofits. The OAA would like to reiterate a number of recommendations previously made in relation to the Climate Action Plan for consideration in the 2017 budget.

The Province should establish a Deep Energy Retrofit (DER) program to significantly reduce the energy use of existing buildings. A DER program should aim to reduce the total energy use of the existing building stock by 50%-70% by 2050, excluding renewable energy. To this end, the Province should consider funding low or zero cost loans to cover deep energy efficiency measures or retrofits. Tax credits,

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<sup>6</sup> Canada. Ontario. Legislative Assembly of Ontario. Hansard Transcripts. Infrastructure For Jobs and Prosperity Act, 2015. Victor Fedeli. May 06, 2016. Toronto. [http://www.ontla.on.ca/web/house-proceedings/house\\_detail.do?Date=2015-05-06&Parl=41&Sess=1&locale=en#P914\\_204470](http://www.ontla.on.ca/web/house-proceedings/house_detail.do?Date=2015-05-06&Parl=41&Sess=1&locale=en#P914_204470)

subsidies, or grants could be directed towards new or renovated buildings that meet aggressive energy use targets—subsidies that could taper off as the market adapts and low/no-emissions buildings become the norm. To speed up improvement in our building stock, renovation incentives for improvements in energy efficiency could also be specifically targeted towards homeowners. Deep energy retrofits enable far greater energy savings than superficial measures and will allow the province to ensure that our existing building stock contributes to overall emissions reduction, thus having a larger impact on consumers' energy bills and helping to ensure that Ontario can meet its emissions reductions targets more readily.

The Province could also help facilitate “green” mortgages which provide better financing for energy efficient buildings due to their reduced operating costs. The Province could work with realtors, banks, credit unions, the CMHC, and others in an era of increased energy benchmarking and disclosure to ensure that lower operating costs resulting from low/no-emission design and/or deep energy retrofits are reflected in financing. This would increase the perceived value of energy efficient buildings.

With that said, research and development is obviously a necessary part of innovation and critical to finding effective strategies to reduce the overall energy consumption resulting from the built environment. We frequently read of Government investments in the automotive, manufacturing and extractive industries, yet rarely hear of investments into building science. We would argue that building science should have more prominence, given the central role buildings play in our society and their interconnectivity with virtually all other aspects at hand and particularly their critical role in preventing and responding to the effects of climate change.

#### **FSCO Exemption**

Of particular note, the OAA has been studying the Financial Services Commission of Ontario (FSCO) Review which has considered moving some professional liability insurance companies—including Pro-Demnity, the professional liability insurer for Ontario's architects—to federal jurisdiction under the Office of the Superintendent of Financial Institutions (OSFI). The OAA continues to maintain that moving Pro-Demnity to federal regulation may cause significant financial burden and risk to an organization that was established with the intention of protecting the public, a situation other regulators with captive insurers have also found themselves in. Liability insurers associated with Ontario legislation and professional regulation should continue to be provincially regulated and should not be subjected to what amounts to an unnecessary and bureaucratic change.

#### **Partnering with the OAA**

The OAA hopes that these recommendations will be taken under advisement and acted upon with the urgency many of these issues rightly suggest. We remain available and willing to work with our Government partners on any of the items we have identified.

Sincerely,

A handwritten signature in black ink, appearing to read 'Toon Dreessen', with a long horizontal line extending to the right.

Toon Dreessen, Architect  
OAA, FRAIC, AIA, LEED AP  
President

Statistics Matrix From Report: **A Review of the Site Plan Approval Process in Ontario**

100-UNIT CONDOMINIUM	
Page #	Statistic
29	Huge regional variability of \$31/unit to \$1,386 per unit
Site Plan Approval Fees Per Unit	
34	227 person years of employment
Delay of construction related jobs	
37	\$44,255 total per month
<b>Cost to homebuyer (end user)</b>	<b>\$443 per unit per month</b> (divided by 100 units)
37	\$192,384-193,907 per month
Cost to applicant	(likely to get passed on to homebuyer)
<b>37</b>	<b>\$159,879-\$241,637 per month</b>
<b>Cost to municipality</b>	- Delayed tax revenue \$14,710-23,884 per month - Lost Retail Spending \$145,169-\$217,753 per month
<b>37</b>	<b>\$396,500-\$479,800 per month</b>
<b>Total cost to all stakeholders</b>	
<b>37-8</b>	<b>"The combined impact...on new home buyers amounts to roughly \$2,375 per unit, per month."</b>
<b>Total cost to homebuyer (various factors combined)</b>	

50,000 SQ FT OFFICE BUILDING	
Page #	Statistic
29	Huge regional variability of \$0.06/sqft to \$1.02/sqft
Site Plan Approval Fees Per Sq Ft	
34	139 person years of employment
Delay of construction related jobs	
34	250 (50,000 sqft office development)
Delay of permanent jobs	300 (150,000 sqft office development)
<b>37</b>	<b>\$7,019 per month</b>
<b>Cost to business (end user)</b>	
37	\$112,292-\$113,815 per month
Cost to applicant	(likely to get passed on to the business)
37	\$4,126-15,993 per month
Cost to municipality	
<b>38</b>	<b>\$123,400-\$136,800 per month</b>
<b>Total cost to all stakeholders</b>	
<b>38</b>	<b>"If we assume a 6-month site plan review process, these costs would add between 6%-7% to the overall construction cost of the building."</b>
<b>Effect on construction cost</b>	