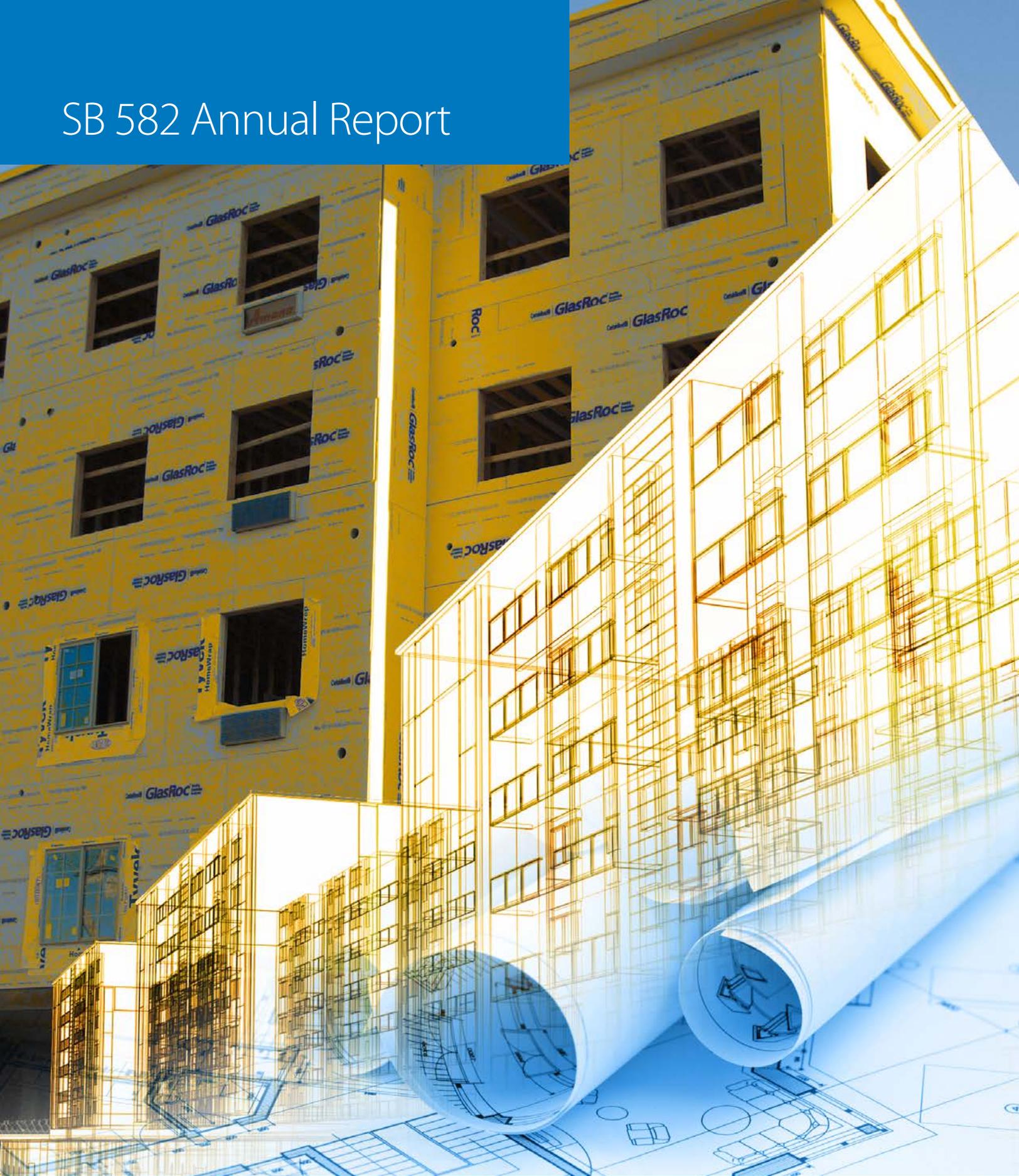


SB 582 Annual Report



Report to the Oregon Legislature, November 2014

Overview:

Recognizing that a timely and efficient regulatory system is necessary to encourage and support economic development, the Oregon Legislature unanimously passed Senate Bill 582 in 2013. SB 582 aims to help construction activity move more quickly by expediting plan reviews, providing consultative services to businesses, providing an opportunity to appeal a building inspector's decision, and improving state and local building department services, especially in rural areas.

SB 582 provides new tools allowing both state and local government greater flexibility to react to the needs of businesses and developers, with an emphasis on being timely, efficient, and predictable. These tools include the ability for state and local government to form agreements to share resources for services such as e-permitting, training, inspection, plan review, and building official services.

Services to contractors must align with the ebbs and flows of the construction industry. To ensure these services are readily available when needed and that the industry is a partner in any new approaches, SB 582 requires the Department of Consumer and Business Services' Building Codes Division to report annually on its activities to the Legislature and construction advisory boards. The first report covers BCD's progress in implementing SB 582, how it is serving the building industry, and whether additional resources from the Legislature are needed.

Construction activity:

Fees from construction activity support the Building Codes Division (BCD). No General Fund or Federal Fund dollars support BCD services. BCD sets statewide construction standards to ensure a consistent and predictable business environment.

In addition to setting policy, BCD conducts inspections and oversees permitting statewide for manufactured structures, recreational vehicles, prefabricated structures, and elevators and boilers. BCD also provides all phases of construction inspection services when local governments choose not to or when customers (either local governments or project owners) request state services.

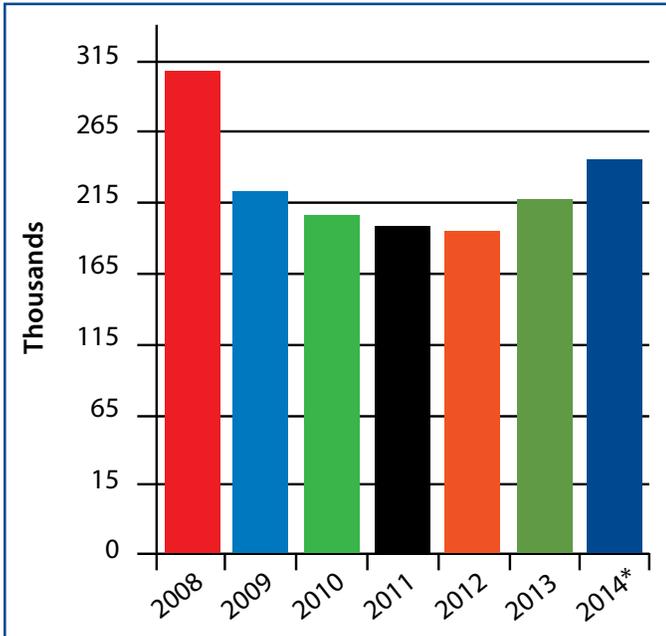
Demand for BCD's services is directly related to economic activity. After a drop that started in 2008, the construction industry leveled off and began to steadily increase in 2011.

Since 2011, construction activity has increased by approximately 10 percent, construction employment is up 13 percent, and local government permit revenue has increased 32 percent.

Tables 1, 2, and 3 show economic trends occurring in construction since 2011.

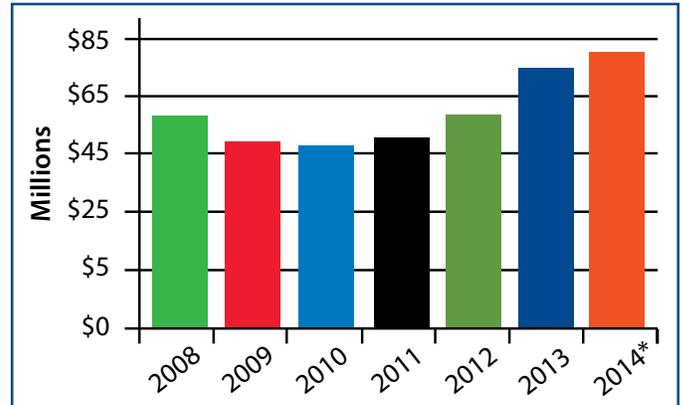
Historically, BCD has held staff vacancies when construction activity and permit revenue were slow and added staff when construction activity and revenue increased. When construction activity declined sharply in 2008, BCD reduced expenses through layoffs and holding positions vacant.

Table 1 - Statewide Building Permits



Source: Local Government Surcharge Reports, as reported to the State of Oregon by local jurisdictions
*2014 data as of July 1, 2014.

Table 3 - Local Government Permit Revenue



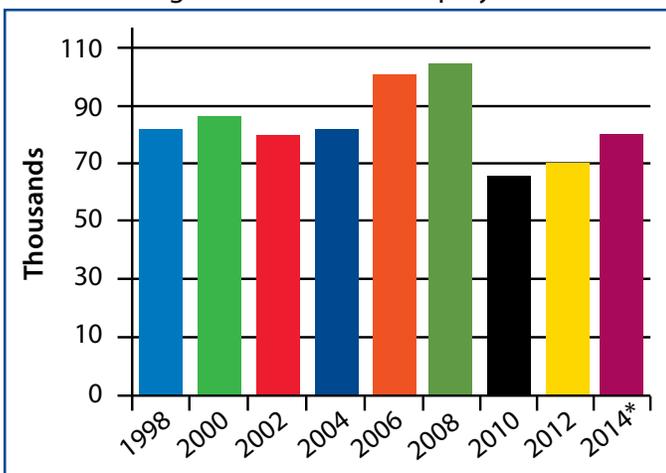
Source: Local Government Surcharge Reports, as reported to the State of Oregon by local jurisdictions
*2014 data as of July 1, 2014.

In 2011, a total of 33 positions, of which 21 were inspectors, were eliminated permanently in 2011 as a result of declining revenue.

About the same time as the construction economy declined, local and state governments began experiencing a shortage of available inspectors. The shortages were especially acute in rural Oregon. A recent national survey identified the same dynamics Oregon is experiencing. Nearly 85 percent of building inspectors are older than 45, with 80 percent retiring or leaving the workforce in 15 years and more than 30 percent leaving in the next five years. The shortage of available inspectors has placed hardships on many building departments that are already challenged to cover a large area with limited resources.

Anticipating the return of the construction industry and the shortage of available inspectors, BCD,

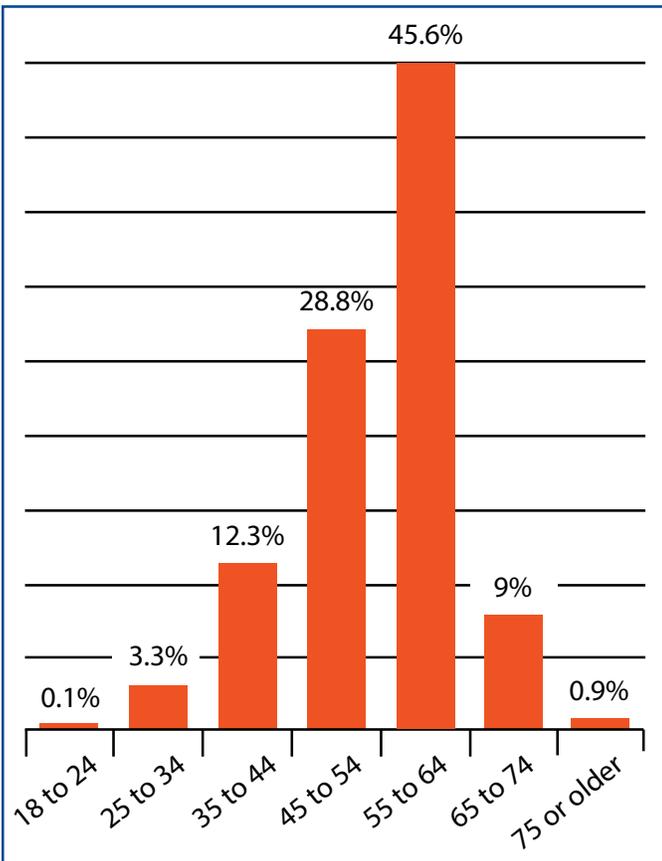
Table 2 - Oregon Construction Employment



Source: Oregon Employment Department (seasonally adjusted)
*2014 data as of July 1, 2014.

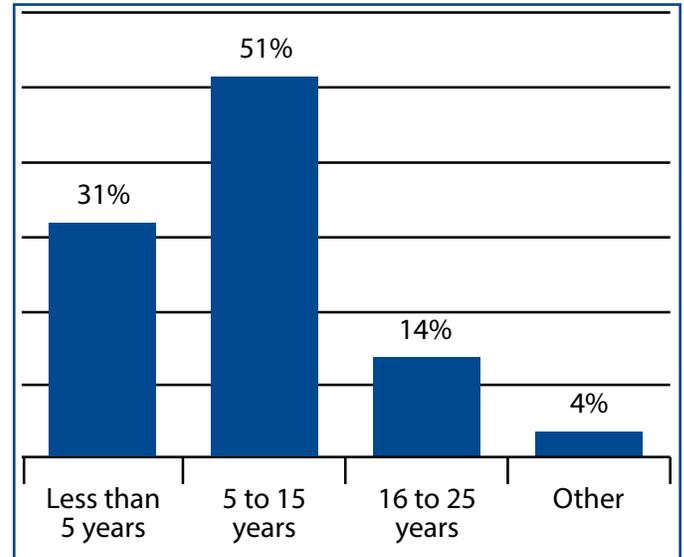
the construction industry, and local governments worked to pass House Bill 2698, which encourages greater experimentation and innovation for training and certifying building inspectors. Tables 4 and 5 show inspector demographics.

Table 4 - Average Age of Building Inspectors



Source: International Code Council (ICC), *The Future of Code Officials – Results and Recommendations from a Demographic Survey*, 2014

Table 5 - Average Timeframe to Leave Building Inspection Profession

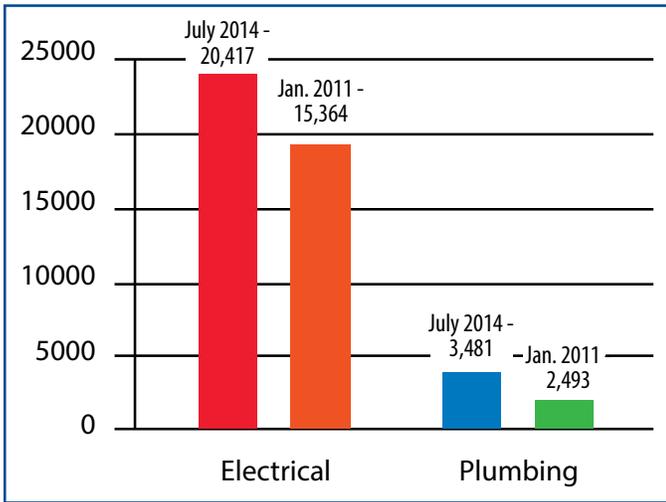


Source: International Code Council (ICC), *The Future of Code Officials – Results and Recommendations from a Demographic Survey*, 2014

Other industry activity

The number of new electricians and plumbers working in Oregon has increased since 2011. Generally, licenses administered by BCD, unlike agencies such as the Construction Contractors Board (CCB), do not vary significantly during economic cycles. Because Oregon electrical and plumbing licensees must complete an apprenticeship program and pass a technical exam, applicants retain this license even during down cycles in the industry. The growth of licenses over the past several years is attributed to large industrial/institutional (Intel, etc.) projects. See Table 6.

Table 6 - Active Licensees



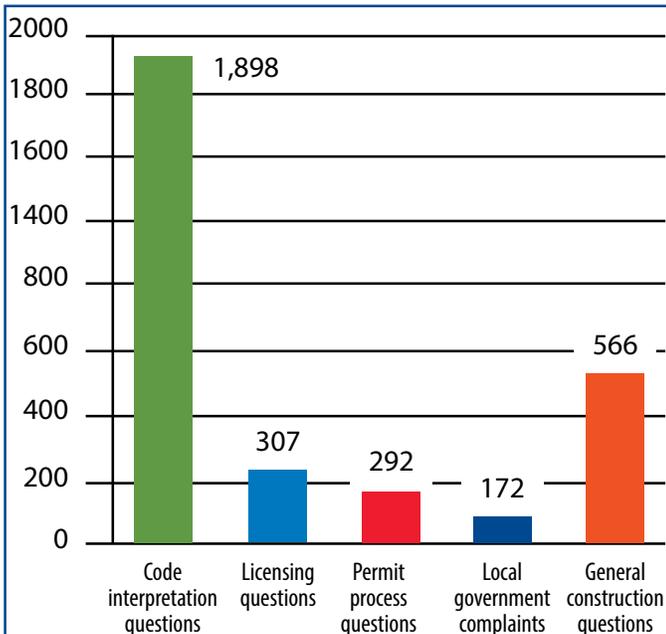
Source: Data from BCD's license database, License 2000

Other activity tracked by BCD, although more of a snapshot, is help to contractors and local governments to resolve disputes. BCD does not have historical data for this activity but is beginning to track it to establish reasonable expectations for service timeframes and to identify patterns in how local governments are applying codes. Table 7 shows typical services provided to industry to support a consistent and predictable building environment.

Partnerships

BCD has also entered into several partnerships with local governments, using the tools provided in SB 582. These partnerships allow each party to deliver building inspection services in a more innovative manner and maximize the use of scarce resources. Through these partnerships, BCD is providing services such as the following:

Table 7- Contractor Assistance and Dispute Resolution Activity (Calls) – Jan. 1 – July 1, 2014



Source: Data BCD tracks on calls to the division

- Use of a building official or supervisory services
- Consultation
- Building inspections
- Plan reviews
- Building inspector training
- Use of technology to improve efficiency, including e-permitting

The following partnerships are in place since the passage of SB 582:

- Silvie Valley Ranch – July 2013
- Harney County – October 2013
- Grant County – December 2013
- Confederated Tribes of the Umatilla Indian Reservation – February 2014

E-permitting

Increasing the use of technology is another area that can improve the timeliness and efficiency of building inspection services. Although e-permitting legislation passed in 2007, SB 582 and its focus on efficiency and innovation align with those efforts. For example, when BCD and Harney County entered into a partnership to support the county's services, an important component to allow for greater paperwork flow and customer access to services was to implement e-permitting as part of a suite of services provided by the state. Customers in Harney County can now apply for building permits online, saving drive time, and Harney County has an electronic permitting system that can align with the services provided by the state. For example, Harney County can accept plans locally and have these plans reviewed electronically by the state in Salem.

Training

House Bill 2698, passed in the 2013 legislative session, encourages greater experimentation and innovation for training and certifying building inspectors. The bill allows BCD to provide customized training programs unique to a region or particular jurisdiction, as well as to develop multi-discipline training that allows inspectors to cover more than one area of work.

Again, looking at the service needs of Harney County, training of local staff was necessary to make the SB 582 partnership work. Using the new tools available under HB 2698 and through a partnership under SB 582, local county staff were trained and certified to augment the services provided by the state, reducing overall costs for business and meeting the needs of the local communities. Training and availability of qualified customer-service-oriented inspectors will be a major focus for BCD over the next five years.

Projected need for increase in department resources

SB 582 provides the tools BCD needs to be flexible and respond to the needs of the construction industry. With the economic growth, shortage of inspectors, and need for specialized training, BCD must have the ability to adjust its staffing and services level.

BCD will return to the Legislature in 2015 to seek restoration of some of the positions that were eliminated in 2011. The May 2014 Emergency Board approved temporary or limited-duration positions, but the division has found it difficult to recruit from a limited inspection pool offering only limited-duration employment. BCD will be adjusting its request to restore inspection positions as the need to serve industry and local government grew since 2011. No fee increase or additional revenue request will be necessary to support the restoration of inspectors.

Additionally, BCD will work with its industry partners to develop a system, if possible, to avoid the built-in delays and seek authorization from the Legislature to hire construction inspectors necessary to serve industry in a timely manner.



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