



## **Staff Report for Committee of the Whole Meeting**

**Date of Meeting:** February 21, 2024

**Report Number:** SRPBS.24.002

**Department:** Planning and Building Services

**Division:** Building

**Subject:** **SRPBS.24.002 - Development Application Fee Review**

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### **Purpose:**

The purpose of this report is present the findings and recommendations of the Development Application Fee Review Final Report undertaken by Watson & Associates Economist Ltd. and to request approval of the associated by-law(s) to implement the proposed revised fees.

### **Recommendation(s):**

- a) That the Development Application Fee Review Final Report prepared by Watson & Associates Economists Ltd. attached hereto as Appendix 1 be received;
- b) That Tariff of Fees By-law 94-23 be amended by deleting and replacing Schedules I, J, K and L with the recommended fees as outlined in Staff Report SRPBS.24.002 and attached to By-law 20-24 attached hereto as Appendix 3;
- c) That By-law 55-19 be amended to facilitate administrative changes and to implement the recommended fees as outlined in Staff Report SRPBS.24.002 and By-law 19-24 attached hereto as Appendix 4; and,
- d) That By-laws 19-24 and 20-24 be brought forward to the February 28, 2024 Council meeting for enactment.

### **Contact Person:**

Deborah Giannetta, Acting Director, Development Planning

Nadim Khan, Director Building Division and Chief Building Official

Dan Terzievski, Director Infrastructure Planning and Development Engineering

### **Report Approval:**

**Submitted by:**

Gus Galanis, Acting Commissioner of Planning and Building Services

Paolo Masaro, Executive Director of Infrastructure and Engineering Services

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**Approved by:** Darlene Joslin, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

### Background:

In December of 2021, the City retained Watson & Associates Economists Ltd. (Watson) to conduct a comprehensive review of the City's various Development Application fees (Fee Review), including fees related to Development Planning applications, Building Permits and Development Engineering review and inspections (see Appendix 1). The last time these fees were reviewed was approximately 10 years ago.

The City's current Development application fees are intended to recover the anticipated processing cost of each step of the development approval process, including planning application approvals, related engineering reviews and approvals, and the issuance of Building Permits.

Building Permit Fees are designed to recover the costs associated with the administration and enforcement of the *Building Code Act*, and to provide sustainability with contributions to a reserve fund. Fees imposed for Infrastructure and Engineering Services review and field inspections are designed to recover the reasonable anticipated costs associated with those activities as well as providing sustainability through market fluctuations with contributions to a reserve fund.

The legislative authority for the imposition of development application fees is the *Planning Act* for Development Planning application fees, the *Building Code Act* for Building Permit fees, and the *Municipal Act* for Infrastructure and Engineering Services fees (refer to Subsection 1.3 of the Final Report).

The Fee Review determined the direct costs of the development application review process by calculating the time spent by City staff across the organization who are involved in the processing of service requests related to the review process. This includes divisional staff who are directly involved in each type of development application as well as staff from other City divisions who provide input specific to the various application types.

The Fee Review also considered the indirect costs incurred by the City in providing services to applicants such as the cost of facilities where staff work and equipment used in performing the work such as vehicles, computers, cellular telephones, etc. Indirect costs also include a portion of the costs incurred by divisions that support business processes such as Finance, Human Resources, IT, Legal Services, Legislative Services, etc.

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### Analysis:

#### Activity Based Costing (ABC) Methodology

This methodology assigns the City's resource costs, through activities, to the services provided to the public. This approach better identifies the costs associated with the processing activities for specific application types. The scope of the Fee Review included the following key objectives:

- to provide an evidence-based rationale that considers the processes involved in development review, from the initial intake of a development application to the issuance of a Building Permit;
- to review current processes, capturing overall staff effort involved in the various processes that form part of the development approval process;
- to consider revenue opportunities and develop a best practice fee-based funding model;
- to consider the impact of the recommended fee structure changes on the development industry;
- to compare Richmond Hill fees to those of other municipalities; and,
- to provide a fee structure that achieves full cost recovery, thereby reducing the burden on taxpayers, and providing a more sustainable model for the future.

The following sections provide a detailed outline with respect to the proposed changes to the City's existing fees and how these fees will better align the City's revenues to the annual costs of service.

#### Infrastructure Planning and Development Engineering

The fee structure recommendations provided by Watson are provided in Table 3-3 of their Final Report. The review of Infrastructure Planning and Development Engineering fees indicated that those divisions are generally recovering 98 percent of the cost of service. Key recommendations are set out in Subsection 3.3 of the Final Report.

The review identified that application volumes and types have evolved so that the current fee schedule doesn't accurately reflect the typical applications received, particularly as it relates to the way fees are calculated for larger projects. The City's current fee structures have generally been maintained within the new fees being proposed, with the improvements for ease of administration as follows:

- the separate engineering review and inspection fees that are imposed for draft Plan of Subdivision and Site Plan applications have been combined into one fee for ease of administration;
- for the engineering subdivision review and inspection fees, a declining block rate based on the total cost of works being reviewed is proposed in order to have regard for the economies of scale when reviewing larger applications. The result would be a reduction in fees and subdivision revenues of approximately 14% reducing the cost recovery to approximately 110%. These fees will also be applicable for

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significant municipal works that are being completed through other permit and agreement processes including Site Alteration Permits, Development Agreements, and Servicing Agreements;

- the changes to the engineering Site Plan review and inspection fees are proposed to be structured such that the applicant will pay a base fee plus a per-unit fee for residential units and a per square metre fee for non-residential gross floor area, to better align with drivers of costs incurred by the City (i.e. cost of municipal works versus the size of the development). Moreover, a maximum fee limit of \$375,000 per application is recommended for engineering Site Plan review and inspection. This would result in a 10% increase in annual revenues and result in a cost recovery of 110%;
- a new Multi-Unit Site Alteration Permit fee is proposed to be introduced for engineering review and inspection for developments of 10 units or less that are no longer subject to Site Plan review due to the legislative changes introduced by the Province. The proposed fee would be \$12,000, plus \$1,000 per unit; and,
- other fees related to single family site alterations, pool permits, agreement preparations, etc., have been adjusted to better reflect the level of review effort while maintaining them at reasonable industry levels.

Overall, the fee recommendations attempt to better align the City's revenues to the annual costs of service. The recommendations presented in the Final Report would result in Development Engineering fees increasing from 98 percent cost recovery to 100 percent in aggregate. Annual inflationary increases would also be applied to all recommended fees.

It should be noted that as part of the fee review, the Infrastructure Planning reserve balance was reviewed and deemed to be at a sufficient level to provide a sustainable funding source during market fluctuations and decreases in development application volumes.

### Building Division

The fee structure recommendations are provided in Table 3-8 of The Final Report. The Building Division permit review costs and fee recommendations are set out in Subsection 3.4 of the Final Report.

The Building Division annual costs for the administration and enforcement of the *Building Code Act* total \$6.8 million. The annual revenues based on the current fee structure and average historical activity levels are estimated at \$5.6 million or 84% of costs.

Most municipalities, including the City of Richmond Hill, have adopted a policy establishing a *Building Code Act* reserve fund for service stabilization. The City's target balance was set at a multiple of 2.0 times direct annual costs. Based on annual direct costs of approximately \$4.9 million, the 2023 target reserve fund balance would equate to \$9.8 million at the desired multiple, compared to the current reserve fund balance of \$4.2 million which is generally being depleted each year in order to fund operating

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costs. The proposed fee increases are forecasted to eliminate reliance on the reserve to fund annual operating costs and result in a modest yearly contribution to the reserve fund so as to achieve a target of 1.0 times direct annual costs by 2033. Restoring the reserve more quickly than proposed would require an increase in fees to where they are no longer competitive with surrounding municipalities.

Annual costs and revenues have been developed based on the forecast Building Permit activity from 2023 to 2033. Forecast permit activity has been derived from the City's Development Charges and Community Benefits Charges studies. Over the forecast period, annual volumes are expected to remain relatively unchanged with the exception that a greater share of residential dwelling unit construction would be through medium and high-density development as opposed to low density single and semi-detached dwelling units as seen in the 2017 to 2021 period.

The resulting reserve fund continuity based on current fees and forecast volumes is presented in Table 3-6 of The Final Report. Based on the projections, without an increase in permit fees, the reserve fund balance is forecast to be fully depleted by 2026, after which tax-based funding support would be required to deliver services that are legislated.

Fee increases have been proposed to achieve full cost recovery and to ensure the forecast reserve fund moves toward the City's target, while maintaining competitiveness with surrounding municipalities. Annual inflationary increases would also be applied to all recommended fees. Table 3-7 of The Final Report forecasts that the proposed fees would result in full cost recovery by 2025 and begin contributions to the reserve fund.

Fee recommendations are presented in Table 3-8 of The Final Report and highlights are provided below (presented in 2023 dollars to show a like for like comparison prior to 2024 inflationary increase):

- **Residential**

- new Low and Medium Density fee increasing from \$17.61 to 25.05 per square metre, improving cost recovery by 36%;
- new Multi-Residential fee increasing from \$23.10 to \$23.67 per square metre, improving cost recovery by 9%;
- garage and accessory structure permits increasing to \$350 for less than 50 square metres and \$500 for greater than 50 square metres, improving cost recovery by 11 to 17%;
- deck permits increasing from \$156 to \$200, comparable with other municipalities and improving cost recovery by 30%; and,
- Finishing Basement fees increasing from \$3.97 to \$6.00 per square metre to be in line with other municipalities.

- **Non-Residential**

- generally non-residential fees have been increased by 15 to 50% to move the City's fees in line with similar municipalities; and,
- these increases would result in cost recovery increasing by 19% for new non-residential construction and by 50% for non-residential alteration permits.

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Fees for *Building Code Act* enforcement are attached to the Building By-Law. If the fee recommendations contained in this report are approved by Council, the by-law will accordingly be amended with the new fee structure.

In conjunction with the Fee Review, the Building Division also undertook a project to review the City's existing Building By-Law and are recommending improvements that will serve to modernize some of the terminology and make minor changes to a number of provisions, as highlighted below:

- clarify that Demolition Permit applicants must comply with the *Building Code Act, 1992*, which requires compliance with all applicable law, including the *Ontario Heritage Act*;
- provide a simplified process for transferring a permit to a new owner;
- institute a fee for the deferral of revocation of a permit so as to recover the administrative costs and facilitate the sending of revocation notices by electronic channels as opposed to costly registered mail;
- introduce more electronic channels for submitted plans and documents, as opposed to reliance on paper documents;
- enable the Chief Building Official to require a survey at any stage of construction, primarily to establish the correct placement and height of buildings;
- set out requirements for the intake, processing and approval of alternative solutions proposed by applicants in place of the prescriptive Building Code requirements;
- allow for the use of credit cards for both payments and refunds;
- remove the provision that allows the Chief Building Official to refund amounts different than those prescribed in the by-law;
- add a provision which would enable applicants to request an inspection outside of normal working hours. This is particularly advantageous to permit holders in institutions like hospitals; and,
- enhance construction site fencing provisions so that all construction sites are required to provide safety fencing to prevent inadvertent or unauthorized access into dangerous sites.

### Development Planning Division

The recommendations for the revised development application fee structure are provided in Table 3-10 of the Final Report. The fee recommendations considered the average costs and revenues by application type as well as the average characteristics for each application (i.e. residential units, non-residential gross floor area, etc.) in order to establish fees that would improve the cost recovery related to the processing of development applications.

The City's development application fees were applied to historical application volumes and characteristics in order to model the anticipated revenue and quantify the cost recovery level by application type. In aggregate, the City's Development Planning application fees are currently recovering only 63% of annual costs (refer to Table 3-9 of the Final Report). When assessed by application type, the majority of Development

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Planning applications fall short of recovering the full processing costs. The new fees recommended in this report would increase cost recovery to 96%.

The key recommendations of the Development Planning Application Fee Review are set out in Subsection 3.5 of the Final Report. Highlights of the recommendations are outlined below:

- **Official Plan Amendment (OPA)** application fees currently recover 88% of the cost of services provided. The recommended adjustment would increase the fee for Major OPA applications by 15% and Minor OPA applications by 9% thereby increasing cost recovery to 99% for this application type. The recommended adjustment will more closely align the fees with the level of effort required from staff to review the applications.
- **Zoning By-law Amendment (ZBA)** application fees currently recover 45% of the cost of services provided. The recommended adjustment would increase cost recovery to 95% for this application type and would adjust the fee structure to more accurately reflect the effort based upon the complexity and scale of the proposal(s).
- **Draft Plan of Subdivision (SUB)** application fees currently recover 63% of the cost of services provided. The recommended increase to the base application and the per-unit fee will better align the fees to the level of effort associated with these applications. Additionally, a maximum fee would also be implemented along with a new fee for technical draft Plan of Subdivisions (where no Subdivision Agreement is required or to place the lands within a registered Plan of Subdivision for the purposes of future Part Lot Control). The proposed fees will increase cost recovery to 97%.
- **Draft Plan of Condominium (CONDO)** application fees currently recover 99% of the cost of services provided. The proposed recommendations would increase the base application fee while decreasing the variable fees per unit or per non-residential block to better align the fees with the fixed and variable costs of processing these applications. The proposed fees would recover 98% of the cost of service.
- **Site Plan (SPA)** application fees currently recover 45% of the cost of services provided. The recommended adjustment would increase the base application fee and variable fees will be charged per square metre of gross floor area to remove inequities between residential and non-residential fees. The proposed fees will increase cost recovery to 96% for these applications.
- **Committee of Adjustment** applications currently recover 99% of the cost of services provided. Minor reductions in the fees are recommended to more accurately reflect the cost of providing the service; however, the proposed fees would continue to recover 98-99% of the cost of service.
- **Collaborative Application Process (CAP)** fees were introduced in 2023 to recover the costs of the Phase 1 (Pre-Submission Fees) that were previously not being recovered, and cover a portion of Phase 2 (Pre-Application Submissions) application/submissions (where a credit towards Phase 3 applications will be provided). Those fees have been maintained at their current levels.
- **Reapplication, Revisions and Extension Fees** are recommended to be changed from a flat fee to a percentage of the original application (50 and 25% respectively)

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for draft Plan of Subdivision, draft Plan of Condominium, Site Plan and Site Plan Amendment applications in keeping with the fees of other municipalities.

- **Heritage Property Fees** currently recover 10% of the cost of services provided. The increases being proposed were kept moderate to ensure that compliance with the Heritage Permit process is not discouraged. The proposed revised fees would recover 25% of the cost of services provided.
- **Parks and Natural Heritage Planning Fees** currently recover 73% of the cost of services provided. The proposed tree replacement fees would be increased over a three year period from \$700 in 2024 to \$900 in 2026, plus inflationary increases and will achieve full cost recovery.
- **Urban Forestry and Natural Environment Fees** currently recover 86% of the cost of services provided. Similar to the tree replacement fees above, the boulevard tree planting fees are recommended to be increased at the same rate and timeframe and will achieve full cost recovery.

### External Stakeholder Consultation

The development industry has been engaged in the City's Development Fee Review project through the Building Industry and Land Development Association (BILD). In this regard, BILD and the York Chapter members were invited to a meeting held on January 23, 2024, to review the methodology that was utilized to develop the proposed new fee structure and to present the fees that are recommended in this report. No comments were received at or following the stakeholder meeting. It is noted that notification of this report proceeding to this Committee Meeting was provided to BILD.

### Recommendations:

The Development Application Fee Review Final Report undertaken by Watson & Associates Economist Ltd. recommends that the City implement revised fee structures related to Development Planning applications, Building Permits and Development Engineering review and inspections. The revised fees will increase cost recovery for development related services provided by the City to ensure that the costs of processing of development applications are borne by the applicant and not the taxpayer.

On the basis of the preceding, staff have prepared revised versions of the applicable by-laws and associated schedules to give effect to the recommendations of the Fee Review (refer to Appendices 3 and 4). Should Council approve the revised fee structures as proposed, it is recommended that the revised fees become effective April 1, 2024 in order to allow for all related City platforms to be updated with the revised fees as recommended in this report.

### Financial/Staffing/Other Implications:

The recommendations of the Fee Review as outlined in this report will generate increased revenues related to fees for services that will provide a more sustainable fee model and reduce reliance on the tax base to support development in the City.



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### **Relationship to Council's Strategic Priorities 2020-2022:**

The primary objective of the Fee Review project was to examine the fees being charged for the various development services and to recommend a fee structure that provides cost recovery and a sustainable model for the future. This relates directly to Council's Fiscal Responsibility priority. The cost recovery model ensures that development does not place a burden on municipal taxpayers to support development application costs.

### **Climate Change Considerations:**

Climate change considerations are not applicable to this report.

### **Conclusion:**

The City retained Watson & Associates Economists Ltd. to undertake a development application fee review. The objective of the Fee Review was to determine the direct and indirect costs of the various services the City provides to applicants in order to develop a fee structure that will provide a sustainable model for the future and reduce or eliminate reliance on the tax base to support development application review services. The recommendations in this report will increase cost recovery from 63% to 96% for the Development Planning Division and achieve full cost recovery for both Infrastructure Planning and Development Engineering Services and the Building Division.

### **Attachments:**

The following attached documents may include scanned images of appendixes, maps and photographs. All attachments have been reviewed and made accessible. If you require an alternative format please call the contact person listed in this document.

- Appendix 1 – Watson & Associates Economists Ltd. Development Application Fee Review Final Report
- Appendix 2 – Proposed Fee
- Appendix 3 – Draft By-law 20-24
- Appendix 4 – Draft Building By-Law 19-24

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### Report Approval Details

Document Title:	SRPBS.24.002 Development Application Fee Review.docx
Attachments:	<ul style="list-style-type: none"><li>- SRPBS.24.002- Appendix 1- Watson and Associates Economists Ltd Development Application Fee Review Final Report.pdf</li><li>- SRPBS.24.002- Appendix 2- Proposed Fee Recommendations (Watson).pdf</li><li>- SRPBS.24.002 - Appendix 3 - Draft By-law 20-24 .pdf</li><li>- SRPBS.24.002-Appendix 4- Draft By-Law 19-24 .pdf</li></ul>
Final Approval Date:	Feb 2, 2024

This report and all of its attachments were approved and signed as outlined below:

**Gus Galanis - Feb 2, 2024 - 4:35 PM**

**Darlene Joslin - Feb 2, 2024 - 4:55 PM**