

Committee of the Whole (2) Report

DATE: Tuesday, April 18, 2023 **WARD(S):** ALL

**TITLE: CITY OF VAUGHAN DEVELOPMENT SERVICES FEE
STRUCTURE REVIEW
DEVELOPMENT PLANNING, DEVELOPMENT ENGINEERING
AND BUILDING STANDARDS FEES**

FROM:

Haiqing Xu, Deputy City Manager, Planning and Growth Management
Vince Musacchio, Deputy City Manager, Infrastructure Development

ACTION: DECISION

Purpose

The purpose of this report is to provide the results of the Development Fees Review Study (Fees Review) conducted by Watson & Associates Economists Ltd. and to seek Council's approval of Watson's recommendations contained in the Development Fees Review Study (Attachment 1) for Development Planning, Committee of Adjustment, Development Engineering and Building Standards applications and for general Fees and Charges related to the review and obtain Council approval to amend the current in-effect fee By-laws, as identified in the attached report to implement the Fees and Charges recommended through the Fees Review.

Report Highlights

- The City retained Watson & Associates Economists Ltd., to undertake a comprehensive review of the full costs of Development Planning, Development Engineering and Building Standards functions and to make fee structure recommendations to provide for reasonable full cost for the services.
- The recommended fee increases, and new fees will ensure that the City can continue to provide services for land development without the need for tax support.

Recommendations

1. THAT the City of Vaughan Development Services Fee Structure Review, Development Planning, Development Engineering and Building Standards Fees, included as Attachment 1, prepared by Watson & Associates Economists Ltd., BE RECEIVED.
2. THAT staff be directed to amend the City's Fees and Charges By-law 158-2021 to set the fees and charges required to recover the cost of processing a Community Infrastructure and Housing Accelerator (CIHA) request.
3. THAT the following By-laws be amended to implement the recommendations of the City of Vaughan Development Services Fee Structure Review, Development Planning and Development Engineering Fees, included as Attachment 1, prepared by Watson & Associates Economists Ltd.:
 - By-law 173-2013 the Tariff of Fees for Vaughan Planning Applications;
 - By-law 203-15 the fees and charges under the Planning Act for Committee of Adjustment applications;
 - By-law 198-2016, the general fees and charges under the Municipal Act.
 - By-law 010-2023 Schedule "K" of the Fees and Charges to implement the new Development Engineering Fees

Background

The City retained Watson & Associates Economists Ltd. to conduct a review of their planning application, building permit, and development engineering fees, i.e. development application fees. This Fees Review is an update to the review undertaken between 2016-2018 that Watson undertook on behalf of the City to assess the full cost of service (i.e., direct, indirect and capital costs) and recommend updated fees related to planning applications, building permits and development engineering reviews.

The intent of the fees currently imposed for planning applications were designed to recover the anticipated processing costs of each type of planning application. The fees imposed for development engineering review and inspections were established to recover the reasonable anticipated costs associated with the post-planning application review and inspection of these developments. Building permit fees were set to sufficiently to recover the costs related to the administration and enforcement of the Building Code Act, as well as provide sustainability in providing these services to the public with contributions to a reserve fund.

This updated study has been conducted in a similar context to past reviews, in which the development application approvals activities undertaken by staff from across the organization is considered. Contextually, this assessment considered the activities

undertaken by Planning and Growth Management Staff outside of the review of development applications, e.g., staff time spent on policy planning, time related to defending applications appeals at the Ontario Land Tribunal (OLT), and time spent related to capital projects. Further, there was an additional requirement to review and modernize the indirect (i.e., overhead) cost model to align with legislation on how fees are used.

Since the completion of the previous development application fees review study, the City has seen a continued evolution of development patterns and characteristics, including greater public consultation requirements and increase in development size, which in turn has led to changes to the development application review processes.

Previous Reports/Authority

[City Of Vaughan Development Services Fee Structure Review Phase 3 – Building Permit Fees](#)

[City Of Vaughan Development Services Fee Structure Review Phase 2 – Planning Application Fees](#)

[Development Services Fee Structure Review Phase 1 - Development Engineering Fees](#)

Analysis and Options

Watson & Associates was retained by the City to complete a comprehensive review of the development related fees and charges. The scope of the review had the following key objectives:

- Provide an evidence-based rationale that considers the processes involved in development engineering and level of staff effort
- Review current processes and capturing current overall staff effort involved in development review
- Consider new revenue opportunities and best practice fee-based funding model options
- Consider the impact of the recommended fee structure changes on the development industry
- Consider Vaughan's fees compared to other municipalities

Development Planning application fee structure recommendations are provided in Table 3-9 of Attachment 1. Fee recommendations have considered the average costs and revenues by application type and sub type. Moreover, the average characteristics per application (e.g., residential units and non-residential gross floor area) were also considered in designing full cost recovery fees. To inform fee structure changes, the

costs of various application sub-types were assessed for applications of various sizes across different locations within the City (i.e., VMC, infill, heritage, and other areas of the City).

The City's current fees were applied to average historical application characteristics to model the anticipated revenue and quantify the cost recovery level by type. In aggregate, the City's planning application fees are recovering 115% of annual costs (\$12.1 million). When assessed by application type, all applications with the exception of Condominium, Committee of Adjustment, Pre-Application Consultation (PAC) processes, Design Review Panel (DRP), and miscellaneous processes like addressing and Part Lot Control are generating more than their respective annual costs of service.

The key recommendations of the Development Planning Fees Review include and are listed in Table 3-9 of the Watson report:

1) Decreases to:

- Variable fees for Zoning By-law applications
- Variable fees for Subdivision applications
- Variable residential per unit fees for Site Development applications
- Official Plan Amendments applications
- Part Lot Control applications
- Public Art Agreement applications
- Stratified Title Agreement applications
- Cash in Lieu of Parking Agreement applications
- Street Name Changes applications
- Address Changes applications

2) Increases to:

- Site Development applications
- Variable per sq.m. fees for non-residential development applications
- Draft Plan of Condominium applications
- Draft Plan of Subdivision application
- Pre-Application Consultation costs
- Committee of Adjustment applications

3) New fees for:

- Design Review Panel costs

Bill 109 amends Section 34.1 of the Planning Act to provide for the use of the Community Infrastructure and Housing Accelerator (CIHA). Similar to the existing provisions for a Minister's Zoning Order ('MZO'), wherein the Province is able to issue a zoning order outside of the development review process as required under the Planning Act, the CIHA enables the Minister of MMAH to issue a zoning order to establish the permitted land uses and built form on a given site, at the request of a municipality. The CIHA legislation and Provincial Guidelines provide municipalities the opportunity to determine components of the process by which development applications will be reviewed and submitted to MMAH.

To enable the processing of CIHA requests, an amendment to the Fees and Charges By-law 158-2021 is required to recover the fees associated with the review and processing of selected proposals. CIHA request will be equivalent to the combined fees charged for the processing of an Official Plan and Zoning By-law Amendment. Staff retain the ability to determine whether an Official Plan and/or Zoning By-law Amendment is deemed major or minor in nature.

Continuous financial monitoring of the Development Engineering (DE) reserve since the last fee review done by Watson on behalf of DE identified that the evolution of intensification applications and increased volumes have identified a funding gap in the revenue stream that is created through fees collected by DE. The split in volumes between development agreement review and site plan review has changed such that they are almost even when staff time utilization is considered. This being said the development agreement fee structure could be maintained while other minor agreement types as well as grading reviews, the costs of site plan review, namely that of the complex variety needed to be revisited to ensure full cost recovery. The ongoing review of the DE reserve supports our response to the planned shift in development forms which are expected in the City's official plan.

The current DE reserve is made up off 7.5% Engineering Fees charged as a one-time fee that is collected through provisions in the related subdivision, development or service agreements. The balance of the fees collected by DE are made up of fees as itemized in the Schedule K of fees which include site plan review fees and other engineering-based fees for services. These Development Engineering Fees when combined must be sufficient to fund staff and overhead throughout the complete development process (Application to assumption), which has a typical timeframe of between 3 to 7 years.

The construction value of new Greenfield subdivision infrastructure and the corresponding revenue collected from fees is falling as the City evolves into a more

urban form through intensification. In addition, it is apparent that there continues to be greater work effort associated with review of intensification/infill development projects due to complexities of site plan development reviews. Many intensification/infill site plan developments require additional engineering review, increased public consultation and multiple meetings with the applicant and agencies to address site specific development matters, such as servicing, environmental, access and traffic issues. The current fee structure was established based on a Greenfield development scenario and increasing intensification, but it does not account for this additional staff effort. Accordingly, the current fee structure is no longer sustainable to cover the costs of the engineering review.

The key recommendations of the Development Engineering Fees Review include and are listed in Table 3-3 of the Watson report:

1) Increases to:

- Site alteration permits
- Pool enclosure permits
- Residential and Subdivision grading permits
- Pre-development Servicing agreements
- Agreement amendments
- Site plan application review

The City adopted a policy establishing a Building Code Act Reserve Fund for service stabilization. The reserve fund target balance has been set at a multiple of 1.5 times annual costs. Based on annual costs of \$15.2 million, the 2022 reserve fund target balance would equate to \$22.8 million at the desired multiple, compared to the current reserve fund balance of \$21.0 million. Based on these projections, the reserve fund balance would increase to 1.57 times annual direct costs by 2026 with annual inflationary increases of 3% would be also applied to all recommended fees for the 2024 to 2026 period.

The key recommendations of the Building Standards Fees Review include and are listed in Table 3-7 of the Watson report.

Adopted fees for 2023 were generally proposed to increase by 3% with the following exceptions:

- Non-residential interior alteration fees to increase by 8% from \$6.50 per sq.m. to \$7.00;
- Residential garages/carports: Increase from \$249 to \$540;

- Residential accessory buildings without plumbing (less than 20 sq.m.): Decrease from \$249 to \$180; and
- Residential accessory buildings (greater than 20 sq.m.): Increase from \$249 to \$540

The development industry has been engaged in the Fees Review through the Building Industry and Land Development Association (BILD). BILD and the York Chapter members were engaged at the following stages of the review process.

An introduction forum was held on November 24, 2021, to introduce Watson, and meet with representatives of the development industry to present the proposed methodology, project timeline, receive initial feedback on the current development application user fees and discuss the development industry's involvement in the process.

A meeting was held on December 14, 2022, to present the study findings and the recommended fee structure to development industry stakeholders for the Development Engineering and Building Standards fees and charges review and to receive comments from the development industry. Subsequently, a meeting was held on March 17, 2023, to present the study findings and the recommended fee structure to development industry stakeholders for the Development Planning fees and charges review and to receive comments.

The input and comments received from BILD and development industry representatives were considered in the Fees Review process and the final recommendations.

A Notice of this Committee meeting was sent to BILD and distributed to the York Chapter of BILD.

Financial Impact

Overall, across the three development application service channels annual costs total \$35.3 million. In total, direct service costs represent 80% of annual costs (\$28.1 million). Indirect and capital costs constitute 19% (\$6.8 million) and 1% (\$0.4 million) of total costs, respectively.

Annual processing costs for development engineering fees total \$9.7 million, with annual revenues of approximately \$8.3 million, achieving 86% cost recovery. Annual costs of building administration and enforcement account for \$15.2 million. Based on the modelled permit volumes, the City's current building permit fees recover approximately 103% of total costs annually. This level of cost recovery reflects the need to fund not only the full cost of service but also make contributions to the building permit

reserve fund for future service stabilization. A detailed analysis of forecast building permit activity, revenues and Building Code Act reserve fund levels is contained in Attachment 1, which has been used to inform decisions for potential fee structure changes. The annual cost of processing planning applications totals \$10.5 million, with estimated annual revenues of \$12.1 million, or 115% of the annual processing costs.

Development Planning

When applying the recommended planning application fees to the underlying annual application volumes, annual revenues would decrease by \$1.5 million (-13%) from 115% to 100% of annual costs. As with development engineering applications, modelled revenue increases may differ from budgeted increases due to differences in future volume assumptions. Specifically, the modelled revenues reflect historical averages while the budget is prepared based on forward-looking projections.

The costing results indicated that the size an application is, is the major driver of processing complexity and effort, and as such, it is proposed to remove the application surcharges that currently existing for applications in the VMC, infill areas, and heritage districts of the City. Furthermore, maximum application fees have also been introduced for Zoning By-law Amendment, Subdivision, and Site Development applications in response to the average size of development applications having increased in comparison to the City's prior development fee review. For Zoning By-law Amendment, Subdivision, and Site Development applications, the current practice of imposing the residential or non-residential variable fees (i.e., per unit or per sq.m.) to the residential and non-residential components of mixed-use applications has been maintained.

Development Engineering

An Engineering Reserve has been established to fund the development engineering costs associated with growth development from application to assumption. The Reserve is largely funded from the terms set out in the subdivision and other development agreements and is typically 7.5% of the construction value for new municipal servicing infrastructure and remains unchanged from the previous fee review.

Annual processing costs for development engineering fees total \$9.7 million with annual revenues of approximately \$8.3 million, achieving 86% cost recovery. The fee recommendations proposed are based on the average application costs and revenues, as well as the application characteristics (e.g., residential units and non-residential gross floor area). The current fee structures have been maintained within the recommended fees. Within the fee recommendations, the most significant change is

related to Site Plan engineering review fees which are proposed to increase by 31% while fees for engineering review under a Subdivision, Development and/or Servicing agreement would remain unchanged at 7.5% of construction costs. The modelled revenue increase would be \$1.4 million increasing Development Engineering revenue to \$9.7 million or 100% of the anticipated yearly incurred costs. Volumes associated with this revenue increase are based on historical averages.

The Reserve ensures the department will continue to function and provide the necessary service to process development applications regardless of the cyclical nature of the development industry. The proposed fees and reserve forecasts are based on market and growth projections so staff will monitor the reserve balances on an annual basis and recommend adjustments to the fee schedule as necessary. In addition, the proposed fee structure will allow continued funding of development activities from development applications with no impact on property tax rates.

Building Standards

Annual costs for the administration and enforcement of the Building Code total \$15.2 million. Costs are compared with revenues derived from the application of current permit fees to average permit charging parameters (e.g., average permit size). Annual costs and revenues have been forecast based on the forecast building permit activity from 2022 to 2026. Over the forecast period, annual building permit volumes are expected to be approximately 9% greater than the average historical building permit activity over the 2017- 2021 period.

Fee increases have been adopted for 2023, to ensure the forecast reserve fund balance achieves the City's target at the end of the forecast period while maintaining competitiveness with surrounding municipalities.

Operational Impact

None.

Broader Regional Impacts/Considerations

There are no Regional implications associated with this report.

Conclusion

The City retained Watson & Associates Economists Ltd., to undertake a comprehensive review of the full costs of Development Planning, Development Engineering and Building Standards functions and to make fee structure recommendations to provide for

reasonable full cost for the services. Based on this review, staff is recommending that various new and amended fees be adopted as presented in Attachment 1.

In developing the recommended cost recovery fee structure, consideration was given to anticipated development in the City over the next five-year period based on the City's Development Charges Background Study, including the mix of building permit application activity, affordability concerns, and service demands in addressing current under-recovery of service costs and provisions for sustainable reserves.

The intent of this review is to provide the City with a recommended fee structure, for Council's consideration, to appropriately recover the service costs from benefiting parties. The recommended fee increases, and new fees will ensure that the City can continue to provide services for land development without the need for tax support.

Attachment

1. Development Fees Review Study – Final Report

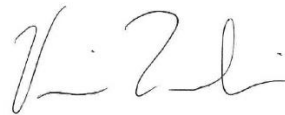
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A handwritten signature in black ink, appearing to read 'Nick Spensieri', with a long horizontal line extending to the right.

Nick Spensieri, City Manager