



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Growth Management and Planning Divisions

TO:	Chair and Members General Issues Committee
COMMITTEE DATE:	January 18, 2019
SUBJECT/REPORT NO:	2019 Proposed Tariff of Fees for Planning and Engineering Development Applications (City Wide) (PED19015) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Guy Paparella (905) 546-2424 Ext. 5807
SUBMITTED BY:	Tony Sergi Senior Director, Growth Management Planning and Economic Development Department
SUBMITTED BY:	Steve Robichaud Director, Planning and Chief Planner Planning and Economic Development Department

RECOMMENDATIONS

- (a) That 50% of the increase proposed for the 2019 Tariff of Fees for Planning and Engineering Development Applications, attached as Appendix “B” to Report PED19015 be approved and incorporated into the User Fees and Charges By-law, effective February 1, 2019;
- (b) That Planning and Economic Development staff be directed to work with Finance Division to address how the additional revenues can be used to offset levy pressures associated with the processing of development applications in the 2019 Operating Budget while sustaining an appropriate Development Fee Stabilization Reserve;
- (c) That Planning and Economic Development staff be directed to consult with the Hamilton-Halton Home Builders Association and other interested stakeholders

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until March 1, 2019, regarding the 2019 Proposed Tariff of Fees for Planning and Engineering Development Applications;

- (d) That staff report back to the Planning Committee on April 2, 2019 with recommendations for implementation of the remainder of the 2019 Proposed Tariff of Fees for Planning and Engineering Development Applications including:
 - (i) partial or full effective implementation dates;
 - (ii) possible transitional provisions and/or phasing alternatives;
 - (iii) options for use of additional revenues including levy offsets and/or service level enhancements; and,
 - (iv) sustaining an appropriate Development Fee Stabilization Reserve.
- (e) That the matter respecting 2019 Proposed Tariff of Fees for Planning and Engineering Development Applications be identified as complete and removed from the Planning Committee Outstanding Business List.

EXECUTIVE SUMMARY

In 2018, the City has undertaken a comprehensive Planning and Development Engineering Fee Review to determine if the current development application fees are reflective of Council's direction to achieve full activity-based cost recovery inclusive of overhead costs for all development application related processing. The projected number of applications by type is based on the median average intake of development applications over the last five years. Although the intention is to fully recover all costs on an annualized basis, based on the fluctuation of various types, sizes, volumes, and complexity of development applications, the actual revenue generated may not necessarily recover all costs required for the Planning, Growth Management and other development application-related Divisions. In addition, this Review is based solely on the current level of service without any enhancements. As a result of the Fee Review, staff are recommending a revised 2019 Proposed Tariff of Fees for Planning and Engineering Development Applications with a 50% phase-in on February 1, 2019. In addition, staff are recommending a consultation period with the development industry following by another report to Planning Committee which will include partial or full effective implementation dates, and possible transitional and / or phasing alternatives. Finally, staff is also recommending that the additional revenues be used to further offset levy pressures associated with the processing of development applications in the 2019 Operating Budget while sustaining the Development Fee Stabilization Reserve.

Alternatives for Consideration – See Page 9 and 10

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FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The financial impact of **full** annualized implementation of the new fees on the 2019 budget, as recommended, would be as follows:

- Planning Division – result in estimated total annual revenue of approximately \$4.41 Million (annualized) over the current budget revenue submission, based on revised activity levels. A portion of this revenue relating to development applications which have shared processing will be allocated to Growth Management Division (i.e. Site Plans) and Building Division (i.e. zoning verification); and,
- Growth Management Division – result in estimated total annual revenue of approximately \$3.05 Million (annualized) over the current budget revenue submission, based on revised activity levels;

The total revenue of \$9.1 Million (annualized) would have the effect of decreasing the amount needed to be transferred from the Development Fee Stabilization Reserve to sustain resource levels as well as having a direct net levy reduction in the Planning and Economic Development Department's overall Operating Budget.

Additional estimated total annual revenue of approximately \$359,000, \$441,000 and \$840,000 (annualized) is forecast to accrue to Public Works / Hamilton Water, Transportation Planning and Parking, and Building Divisions respectively. Legal Services receives approximately \$100,000 as part of overhead costs.

Based on the fluctuation of various types, sizes, volumes and complexity of development applications, the revenue generated may not necessarily recover all costs required by the Planning, Growth Management and other development application-related Divisions. In addition, partial, transitional or phase-in implementation of the recommended Tariff of Fees in 2019 will reduce the forecast \$9.1 Million (annualized) revenue in 2019.

(Note: the staff recommendation in this Report is for a **partial** increase with the full annualized increase to be brought to Council for consideration in April 2019.)

Staffing: This Fee Review is based solely on the current level of service without any enhancements.

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Legal: Statutory authority to impose a tariff of fees for Planning Applications is granted to the City of Hamilton through Section 69 of the *Planning Act*. Municipalities are required to pass by-laws for the purpose of collecting fees related to the processing of Planning Applications. No notice is required to be given under the *Planning Act*, however, an applicant may pay the fee under protest and appeal to the Local Planning Area Tribunal (LPAT) formerly the Ontario Municipal Board (OMB).

HISTORICAL BACKGROUND

After amalgamation in 2000, the Development Application fees were harmonized and approved by Council on April 3, 2001. Between 2001 and 2007, there were no substantive changes to the base development application fees with the exception of minor fee increases adjusted annually to reflect the inflationary rate measured with the Consumer Price Index (CPI).

City Council, at its' meeting held on November 28, 2007, approved Report PED07282, adopting an interim fee increase for Local Official Plan Amendment Applications, Zoning By-law Amendment Applications, and Draft Plan of Subdivision Applications. In addition to the interim fee increase, Council approved a new Development Application fee to establish a pit or quarry, and amendments to the Rural Official Plan. As part of the 2008 Work Program, staff undertook a comprehensive review of the Planning and Development Engineering fees structure which resulted in some increases in user fees but still not close to full activity-based cost recovery.

In 2012, City Council directed staff to once again conduct a more comprehensive review of the Planning and Development Engineering fees structure and BMA Management Consulting Incorporated (BMA) was retained to assist in conducting the comprehensive review with the key objective to have full activity-based cost recovery. Effective January 1, 2013, a revised Tariff of Fees By-law was passed by Council which generated revenues over the last five years which moved closer to full activity-based cost recovery but still fell far short due to many factors including higher than expected development application activity, staffing issues, and numerous legislative, regulatory and process changes, which included structural changes and transfer of duties to and from other City Departments and Divisions.

As such, in late 2017 another comprehensive review of the Planning and Development Engineering fees structure was initiated, and BMA was retained again to assist in conducting the comprehensive review with the key objective again to have full activity-based cost recovery. Based on the fluctuation of various types, sizes, volumes and complexity of development applications, the revenue generated may not necessarily recover all costs required by both the Planning and Growth Management Divisions but the goal of full activity-based cost recovery inclusive of overhead costs has been strongly adhered to.

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Planning and Engineering Development Fee Review-2018, BMA Management Consulting Incorporated (BMA): (See Appendix “A” to Report PED19015 attached)

BMA was retained by the City of Hamilton to assist in the process by providing a comprehensive Review of all costs incurred either in the direct processing of development applications including administrative overhead costs, or costs incurred to support the development application process from all Planning and Economic Development Divisions (i.e. Planning, Growth Management, Building, Transportation Planning and Parking) as well as other Departments (i.e. Public Works - Hamilton Water). In addition, this Review was based solely on the current level of service without any enhancements. The following Chart outlines forecast revenue on an annualized basis for various Divisions within the City:

	Forecast Breakdown				
	2019 Planning	2019 Building	2019 Water/WW	2019 Transportation	2019 Growth Mgmt
OPA	\$ 306,000	\$ -	\$ 24,550	\$ 51,650	\$ 212,250
Zoning	\$ 929,590	\$ 127,850	\$ 110,850	\$ 85,880	\$ 486,800
Site Plan	\$ 1,434,600	\$ 356,320	\$ 196,120	\$ 220,320	\$ 1,056,730
Plans of Subdivision	\$ 249,760	\$ 26,070	\$ 27,460	\$ 67,480	\$ 455,510
Plans of Condominium	\$ 178,020	\$ 40,910	\$ -	\$ 15,290	\$ 50,650
Part Lot Control	\$ 124,490	\$ 4,860	\$ -	\$ -	\$ 28,650
Consent	\$ 310,330	\$ 24,350	\$ -	\$ -	\$ 193,150
Minor Variance	\$ 810,960	\$ 252,870	\$ -	\$ -	\$ 256,190
Other	\$ 67,890	\$ 6,400	\$ -	\$ -	\$ 3,600
Growth Management Additional Revenue					\$ 307,140
Total	\$ 4,411,640	\$ 839,630	\$ 358,980	\$ 440,620	\$ 3,050,670

The BMA Review includes a comprehensive analysis of the costs of services. Each type of development application reviewed was specifically mapped as to process steps, staff and resources involved, and staff time expended. The scope of the undertaking consisted of ensuring that the City’s fees are in compliance with current legislation and that they are fair, reasonable and reflective of the actual full cost of providing these services.

BMA’s Review was based on full activity-based cost analysis for the time and resources directly related to the review of development applications. Staff time involved with general public inquiries, other administrative duties (i.e. Corporate Committees, training), office space, supplies and equipment are also reflected in the proposed fees as overhead costs.

In addition, a comparison of fees with other municipalities was included for the purpose of benchmarking to ensure that recommended fees are consistent with those of comparable size or neighbouring municipalities, and to provide financial context related

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to fee adjustments. The survey results showed that some jurisdictions have recently adjusted the Planning fees upward while others have not adjusted their fees for many years. For those municipalities that have adjusted their Planning fees, significant increases have been implemented in a number of fees as municipalities move toward full activity-based cost recovery.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

Planning Division; Growth Management Division; Building Division; Transportation Planning and Parking Division; Public Works Department-Hamilton Water and Corridor Management; Development Industry Liaison Group (DILG); and, Hamilton-Halton Home Builders' Association (HHHBA).

On November 19, 2018, staff notified the members of the DILG that the Planning and Engineering Development Fees Review, 2018 was completed by BMA that they would be given an opportunity for feedback at and / or after the January 18, 2019 General Issues Committee. In this regard, staff believes it is important to maintain an on-going dialogue with representatives of the DILG, especially the HHHBA, to review the fees and respond to their concerns.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Section 69 of the *Planning Act* allows municipalities to impose fees through by-law for the purpose of processing Planning applications. In determining the associated fees, the *Planning Act* requires that:

“The Council of a Municipality, by by-law, and a Planning Board, by resolution, may establish a tariff of fees for the processing of applications made in respect of Planning matters, which tariff shall be designed to meet only the anticipated costs to the Municipality or to a Committee of Adjustment or Land Division Committee constituted by the Council of the Municipality or to the Planning Board in respect of the processing of each type of application provided for in the tariff.”

BMA was retained to assist with the Review of Planning and Growth Management processing fees to ensure compliance with Section 69 of the *Planning Act*. The Review included an analysis of the costs of services, and a process mapping of the various stages associated with providing Planning and Growth Management related services.

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Costs of processing Planning applications and Growth Management submissions were determined using the following methodology:

1. Planning and Economic Development Department – Process Mapping of staff time and salary costs to process various Planning applications and engineering submissions. This also included Departmental staff interviews for verification; and,
2. Overhead – Corporate financial expenses were allocated based on approximately 38% for the Planning and Growth Management Divisions. Legal Services receives approximately \$100,000 as part of overhead costs.

Appendix “A” to Report PED19015 (Pages 13-15) – A Summary of Recommended Fees Table outlines the new development application fees to help ensure the City’s full cost for providing these review services are recovered. Several development application fees have decreased as a result of improved efficiency and amendments to work processes including Plans of Condominium and Part Lot Control Fees. Many development application fees have increased to more properly reflect the new drivers in the processes including:

- Hamilton is an increasingly large urban municipality, resulting in more complex issues such as transportation, noise, heritage preservation etc. requiring more time and specialized expertise to review applications and resolve issues;
- The number of resubmissions and the quality of submissions have increased review times for Zoning, Growth Management, Transportation Planning and Public Works staff;
- Increased public expectations on the development of lands which require more information from the applicants and more in-depth analysis of the applications;
- More interest groups and more stakeholder consultation relating to applications;
- Additional staff attendance at open house meetings and subsequent follow up with the public;
- Shift to more complex applications and rezonings that are tailored to specific proposals whereas before the proposal was tailored to the existing zoning regulations; and,
- There is a greater proportion of infill and intensification projects which introduces new and often more intense land uses within existing neighbourhoods and, as such, are more complex to process.

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Appendix “A” to Report PED19015 (Pages 13 - 24) – Tables provide a comparison of the recommended fee structure for other municipalities. While the increases being proposed for certain fee classifications are significant, they are modest compared to some other comparable size municipalities as illustrated in the Fees / Benchmarking survey. The proposed fees are considered appropriate in recouping the actual cost of processing and administrating development applications but not necessarily full cost recovery from user fees only.

The Review recommended the following:

1. Establishment of several new fees for a number of processes, services and inspections that were not captured previously in Growth Management. The same methodology was used to calculate the fee required. See Page 13 of Appendix “A” to Report PED19015 for a full list.
2. Maintaining current fees for large scale developments (i.e. Plans of Subdivision) – currently the City is charging a sliding fee scale fee on construction cost for engineering construction supervision and agreement preparation. This approach recognizes the economies of scale for the larger developments and as such staff have not proposed refining or revised the sliding fee scale:

<i>Current Fee</i>
<i>Percentage of construction value of service installed under the subdivision agreement at:</i>
<i>6% - for the first \$1,000,000</i>
<i>5% - for the next \$1,000,001 to \$2,000,000</i>
<i>4% - for construction value over \$2,000,000</i>

3. Joint applications – the current fee structure provides a “discount” for simultaneous applications where more than one application is made at the same time to recognize there is overlap in the process and efficiencies with processing related applications. However, the discount provision is not extended to multiple applications which include plans of condominium. Accordingly, it is proposed to implement the following fee reduction structure:

<i>Current Fee Reduction</i>	<i>Proposed Fee Reduction</i>
Where applications are made for an Official Plan Amendment, Zoning Amendment, Plan of Subdivision or any combination thereof, the total fees will be reduced by 25%	Maintain the current fee reduction and to include Plans of Condominium.

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Staff is recommending the proposed fees would apply to new applications and to revisions and resubmissions of applications received after the passing of the User Fees and Charges By-law. Due to the significant increase for some of the fees (i.e. Zoning By-law Amendments, Site Plan Control), Staff is recommending a 50% phase-in as of February 1, 2019 to help smooth the transition to the proposed fee changes over time (See Appendix “C” to Report PED19015 for 50% Forecast Revenue calculations).

Phasing-in proposed fee increases based on 50% of the proposed fee increase by February 1, 2019 (See Appendix “C” to Report PED19015 for 50% Forecast Revenue calculations). This option would allow for the development industry to adjust current operations to reflect financial impacts together with still providing the City increased revenues. This would result in lower revenues. The impact on our 2019 budget submission for a 50% phase in would be as follows:

- Planning – revised revenue would result in a decrease in revenue of approximately \$250,000 between February 1 and May 1 over the current budgeted revenue submission;
- Growth Management – revised revenue would result in a decrease in revenue of approximately \$120,000 between February 1 and May 1 over the current budget revenue submission; and,
- Other Departments / Divisions - revised revenue would result in a proportional decrease in revenue over the current budget revenue submission.

In future years, it is proposed to maintain the current practice of applying the Consumer Price Index annually to account for regular increases.

ALTERNATIVES FOR CONSIDERATION

1. Maintain the current practice of adjusting the fees on an annual basis in accordance with the CPI. This would result in revenues being lower than the anticipated cost to process applications given the annualized increase in salaries. As such, the annual percentage increase in union and non-union labour costs could be added to the User Fees and Charges By-law on January 1 annually if it was indeed higher than the CPI.
2. Phasing in proposed fee increases based on 75% of the proposed fee increase by April 1, 2019 (See Appendix “C” to Report PED19015 for 75% Forecast Revenue calculations). This option would allow for the development industry to adjust current operations to reflect financial impacts together with still providing the City increased revenues. This would result in lower revenues. The impact on our 2019 budget submission for a 75% phase in would be as follows:
 - Planning – revised revenue would result in a decrease in revenue of approximately \$600,000 over the current budgeted revenue submission;

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- Growth Management – revised revenue would result in a decrease in revenue of approximately \$380,000 over the current budget revenue submission; and,
 - Other Departments / Divisions - revised revenue would result in a proportional decrease in revenue over the current budget revenue submission.
3. Full implementation of proposed fee increases by July 1, 2019. This option would allow for the development industry to adjust current operations to reflect financial impacts together with still providing the City increased revenues. This would result in lower revenues. The impact on our 2019 current budget submission would be as follows:
- Planning – revised revenue would result in a decrease in revenue of approximately \$1.2 Million over the current budgeted revenue;
 - Growth Management – revenue would result in a decrease in revenue of approximately \$750,000 over the current budget revenue submission; and,
 - Other Departments / Divisions - revised revenue would result in a proportional decrease in revenue over the current budget revenue submission.
4. Full implementation of proposed fee increases by February 1, 2019 (See Appendix “C” to Report PED19015 for 100% Forecast Revenue calculations). This option would not allow for the development industry to adjust current operations to reflect financial impacts.

However, this would provide the City with increased revenues and proportionate reductions in the levy immediately. The impact on our 2019 budget submission would be as follows:

- Planning – revised revenue would result in an increase in revenue of approximately \$1.85 Million over the current budgeted revenue;
- Growth Management – revenue would result in an increase in revenue of approximately \$850,000 over the current budget revenue submission; and,
- Other Departments / Divisions - revised revenue would result in a proportional increase in revenue over the current budget revenue submission.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

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Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" - Planning and Engineering Development Fee Review - 2018, BMA Management Consulting Incorporated

Appendix "B" - Proposed 2019 Tariff of Fees for Planning and Engineering Development Applications Effective February 1, 2019

Appendix "C" - Forecast Revenue for 2019 by Application Type

GP:as:sd