



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Growth Management Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	February 28, 2019
SUBJECT/REPORT NO:	2019 Operating Budget Offsets from Planning and Development Fees (PED19066) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Guy Paparella (905) 546-2424 Ext. 5807
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the levy contribution to the 2019 Operating Budget for the Planning and Economic Development Department, that is directly related to the processing of development applications, be reduced by \$500K (\$750K annualized), with these levy funds to be offset by any additional revenues resulting from the General Issues Committee’s consideration of potential planning and development fee increases at its March 22, 2019 meeting;
- (b) That if planning and development fees in 2019 are not increased at an amount sufficient to cover the \$500K (\$750K annualized) levy reduction in (a), that the difference be offset by a contribution from the Tax Stabilization Reserve (Reserve No. 110046);
- (c) That if planning and development fees in 2019 are increased at an amount that generates revenues that are greater than the \$500K (\$750K annualized) levy reduction in (a), that the difference be contributed to the Development Fee Stabilization Reserve (Reserve No. 110086);
- (d) That the Planning and Economic Development Department report back to the Planning Committee at the beginning of Q3 2019 with recommendations for the

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

utilization of any revenues contributed to the Development Fee Stabilization Reserve from (c) above; and,

- (e) That the Planning and Economic Development Department undertake a workforce attraction and retention strategy focussed on the Department's development approvals function, that includes a salary competitiveness survey, a review of staff workloads, and a review of the applicability of the Building Enterprise model to the Department's development approvals function, and that the results and any recommendations be incorporated into the report back in (d) above.

EXECUTIVE SUMMARY

The Planning and Economic Development Department (PED) presented report PED19015 on January 18, 2019 to the General Issues Committee outlining the results of the Department's review of planning and development fees and recommending a phased increase to planning and development fees, with an initial increase to begin effective February 1, 2019. The General Issues Committee directed that:

- (a) That report PED19015, respecting the 2019 Proposed Tariff of Fees for Planning and Engineering Development Applications, be deferred to a Special General Issues Committee meeting, to take place after the 30-day consultation period with the public and interested stakeholders; and,
- (b) That staff be directed to report back to the General Issues Committee respecting an alternate rate for Secondary Suites, as an interim measure until such time as the new residential zoning has been adopted, which will implement the Official Plan policies that permit Secondary Suites in all residential areas of the City. Staff have been undertaking the requested consultations, and will be reporting back to General Issues Committee with recommendations on March 22, 2019.

During the presentation of the Planning and Economic Development Department proposed 2019 Operating Budget on January 30, 2019, the General Issues Committee requested that PED staff work with Finance staff to review the PED operating budget, and the pending increases to the planning and development fees, and report back as part of the 2019 Budget process with recommendations for how the fee increases could be used to offset the PED levy impact.

This Report is in response to that General Issues Committee direction of January 30, 2019.

Alternatives for Consideration – See page six

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: On January 30, 2019 the Planning and Economic Development Department presented its proposed 2019 Operating Budget with a net levy impact of 2.7%. A reduction of \$500K (\$750K annualized) in levy contribution would reduce the PED 2019 Operating Budget to a net levy impact of approximately 1%. It would also reduce the overall City-wide 2019 Operating Budget by approximately 0.1%.

Staffing: There are no staffing implications associated with the staff recommendation.

Legal: *Planning Act* Section 69 stipulates that planning and development fees can cover “only the anticipated cost ... in respect of the processing of each type of application”. Therefore planning and development fees cannot be used to offset other levy pressures or to fund other City services or programs.

HISTORICAL BACKGROUND

The Planning and Economic Development Department presented report PED19015 on January 18, 2019 to the General Issues Committee outlining the results of the Department’s review of planning and development fees and recommending a phased increase to planning and development fees, with an initial increase to begin February 1, 2019. General Issues Committee did not approve any fee increase at that time, and instead directed that:

- (a) That report PED19015, respecting the 2019 Proposed Tariff of Fees for Planning and Engineering Development Applications, be deferred to a Special General Issues Committee meeting, to take place after the 30-day consultation period with the public and interested stakeholders; and,
- (b) That staff be directed to report back to the General Issues Committee respecting an alternate rate for Secondary Suites, as an interim measure until such time as the new residential zoning has been adopted, which will implement the Official Plan policies that permit Secondary Suites in all residential areas of the City. Staff have been undertaking the requested consultations, and will be reporting back to General Issues Committee with recommendations on March 22, 2019.

Staff have been undertaking the requested consultations, and will be reporting back to General Issues Committee with recommendations on March 22, 2019.

During the presentation of the Planning and Economic Development Department proposed 2019 Operating Budget on January 30, 2019, the General Issues Committee requested that PED staff work with Finance staff to review the PED Operating Budget, and the pending increases to the planning and development fees, and report back as

part of the 2019 Budget process with recommendations for how the fee increases could be used to offset the PED levy impact.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Planning Act Section 69 stipulates that planning and development fees can cover “only the anticipated cost ... in respect of the processing of each type of application”. Therefore planning and development fees cannot be used to offset other levy pressures or to fund other City services or programs.

RELEVANT CONSULTATION

- Building Division, Planning Division, Growth Management Division, Transportation Planning & Parking Division of the Planning and Economic Development Department; General Manager’s Office, Finance and Administration
- City Manager’s Office

ANALYSIS AND RATIONALE FOR RECOMMENDATION

While Council has not yet made a decision on the extent and timing of any planning and development fee increases, Table 1 provides a summary of the estimated increase in revenues in 2019 (beyond what has already been budgeted in the 2019 PED Operating Budget) under the following two scenarios:

Scenario 1 – 50% of the full-cost recovery fee is implemented as of April 1, 2019; and,

Scenario 2 – 100% of the full-cost recovery fee is implemented as of April 1, 2019.

It should be noted that these are revenue estimates based on 2019 forecast activity levels. There is risk in achieving these revenues, should development activity in the city slow.

These revenue estimates also assume that all fees are increased to either 50% or 100% of the full cost recovery level. Following its consultation with stakeholders, PED staff is considering bringing forward a recommendation to General Issues Committee on March 22 that would provide different levels of levy “subsidy” to different types of applications.

SUBJECT: 2019 Operating Budget Offsets from Planning and Development Fees (PED19066) (City Wide) - Page 5 of 7

Table 1 – Additional 2019 Revenues Associated with Varying Planning and Development Fee Increases

Scenario	Additional 2019 Revenues
Scenario 1 – 50% of the full-cost recovery fee is implemented as of April 1, 2019	\$1.849M*
Scenario 2 – 100% of the full-cost recovery fee is implemented as of April 1, 2019	\$3.654M*
Each increment of 10% of the full-cost recovery fee is implemented as of April 1, 2019	\$360K*

*Note: This revenue would include transfer to rates for Public Works component and liabilities for staff cost carried forward into future years which is held in Reserve.

The proposed 2019 PED Operating Budget that was presented to General Issues Committee indicated the following net levy impact by Division:

	2018	2019	2019	2019 vs. 2018	
	Restated Net	Preliminary Gross	Preliminary Net	Change	
				\$	%
General Manager	1,074,800	1,281,840	1,109,890	35,090	3.3%
Transportation, Planning and Parking	1,992,060	16,051,520	1,956,440	-35,620	(1.8%)
Building	1,334,080	14,065,550	1,394,540	60,460	4.5%
Economic Development	5,478,590	8,211,330	5,533,280	54,690	1.0%
Growth Management	176,940	6,524,080	542,860	365,920	206.8%
Licensing & By-Law Services	6,696,140	12,589,970	6,774,260	78,120	1.2%
LRT Office	-	8,606,550	-	-	-
Planning	3,747,150	8,819,400	3,742,010	-5,140	(0.1%)
Tourism & Culture	8,886,320	10,461,670	9,131,720	245,400	2.8%
Total Planning & Economic Development	29,386,080	86,611,910	30,185,000	798,920	2.7%

It is important to note that only a portion of PED’s activities relate to the review of development applications, and any fees collected for development review can only be used for that purpose. Therefore, only the levy dollars that are currently allocated for PED’s development review activities can be offset by an increase in fee revenues. These activities are primarily in the Planning Division and Growth Management Division,

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

and to a lesser extent in the Building Division and Transportation Planning & Parking Division. Overall, the current levy contribution to the PED Operating Budget for activities related to the review of development applications is approximately \$1.557M. Therefore that is the maximum amount of levy reduction that can be applied to the PED budget.

Depending on the fee increase that is endorsed by General Issues Committee when it considers the matter on March 22, 2019, the actual 2019 revenue increase may exceed the amount being recommended in (a) of this report. If that is the case, there would be five broad options available to Council which are itemized in the Alternatives for Consideration section of this Report.

Staff are recommending that, on an interim basis, any excess revenues be allocated to the Development Fee Stabilization Reserve. Staff would then report back at the beginning of Q3 2019 with recommendations for how any additional revenues should be utilized.

ALTERNATIVES FOR CONSIDERATION

Council could immediately allocate the full projected revenue increase to one of the following five options:

Option (i) – Do nothing and maintain existing operating budget;

Option (ii) – Use additional revenues to further reduce the overall levy impact of the Planning and Economic Development Department;

Option (iii) – Use additional revenues to increase staffing levels, or fund other departmental enhancements, to increase service levels provided to the development industry;

Option (iv) – Use additional revenues to further build the Development Fee Stabilization Reserve; or,

Option (v) – Use additional revenues for some combination of (ii), (iii) and (iv) above.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

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

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

N/A

GP:as