



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

TO:	Chair and Members General Issues Committee
COMMITTEE DATE:	March 22, 2019
SUBJECT/REPORT NO:	2019 Proposed Tariff of Fees for Planning and Engineering Development Applications (City Wide) (PED19015(a)) (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) The 2019 Tariff of Fees for Planning and Engineering Development Applications, attached as Appendix “B” to Report PED19015(a) be approved and incorporated into the User Fees and Charges By-law, effective May 1, 2019 and January 1, 2020 respectively; and,
- (b) 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

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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 60% of the new fee increase for 2019 as a phase-in on May 1, 2019. In addition, staff are recommending another partial effective implementation date of January 1, 2020 with a 90% of the new fee increase for 2020 increase as a phase-in. Subsequent Tariff of Fees increases will be on an annual basis the first of every January based on the Consumer Price Index (CPI).

Alternatives for Consideration – See Page 10 and 11

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The financial impact of the proposed phased in approach to the fee increase would be as follows:

- Planning Division – result in estimated total annual revenue of approximately \$1.076 Million 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). It should be noted that if the revised activity levels are not achieved than the revenues would be lower than this amount. In addition, the phased in approach and the development applications with special rates and discounts would require levy contributions and / or short-term transfer from the Development Fee Stabilization Reserve.
- Growth Management Division – resulting share of estimated total annual revenue generated from the \$1.076 Million is approximately \$338,000 over the current budget revenue submission, based on revised activity levels. It should be noted that if the revised activity levels are not achieved and the special rates and discounts are imposed, than this would require levy contribution and / or short-term transfer from the Development Fee Stabilization Reserve.

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- Additional estimated total annual revenue of approximately \$190,000, \$176,000 and \$336,000 is forecast to accrue to Public Works / Hamilton Water, Transportation Planning and Parking, and Building Divisions respectively. Legal Services receives approximately \$40,000 as part of overhead costs.

Staffing: This Fee Review is based solely on the current level of service without any enhancements. However, the Planning and Economic Development Department is recommending to 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 report back.

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

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 reduced rates for certain types of development applications, higher than expected development application activity, non-cost recovery for certain development related services, and numerous legislative, regulatory and process changes.

In late 2017, City Council directed staff to conduct another 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 again to have full activity-based cost recovery.

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

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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. On February 28, 2019, the General Issues Committee considered and deferred report PED19066 regarding operating budget offsets to the levy from proposed Planning and Development Fees.

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.

As such, General Issues Committee deferred report PED19015 to a Special General Issues Committee meeting, to take place after the 30-day consultation period with the public and interested stakeholders. On February 11 and 22, 2019, staff met with members of the DILG and there were a number of suggestions regarding the proposed Tariff of Fees including:

- Discussion was had regarding the application process on both the City side and the Applicant side needing refinement for increased efficiency;

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- Concerns were raised over the value of fees compared to the level of service received;
- The principle of 100% activity based cost recovery neglects to take into account the public benefit which staff provide that is not always directly related to development applications including general inquiries, provision of land use planning process and policy advice and information;
- Consideration should be given to a cap for high cost anomalies in development applications;
- Additional Fee for expedited service;
- Phasing in of proposed fees possibly tied to grandfathering based on date of Formal Consultations which have occurred;
- Concerns over the calculation of staff time and overhead costs included in the fee calculation;
- Clearer definitions and / or more liberal discretion of staff to use less expensive and less time consuming “routine” or “minor” type applications for zoning, site plan and variance submissions; and,
- Concern over marketability of higher fees and the impact on affordability of housing in particular.

There is also an Agriculture and Rural Affairs Advisory Committee scheduled for March 18, 2019, to which staff is attending to obtain input regarding the impact of these Tariff of Fees on the Agricultural community. Currently, there is a policy to discount rural development applications by 50%. Since this Report will be already published, staff intends to report any findings to the GIC on March 22, 2019.

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. ***Planning and Engineering Development Fee Review - 2018, BMA Management***

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Consulting Incorporated (BMA): (See Appendix “A” to report PED19015 on March 22, 2019 GIC Agenda)

The Review recommended the following:

1. Establishment of several new fees for a number of processes, services and inspections that were not captured previously. The same methodology was used to calculate the fee required. See Appendix “B” to Report PED19015(a) for a full list.
2. Maintaining current fees for large scale developments (i.e. Plans of Subdivision) – currently the City is charging a sliding 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 revising 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.

Phasing-in

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 60% phase-in as of May 1, 2019 to help smooth the transition to the new fee changes over time. This option would allow for the development industry to adjust current operations to reflect

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financial impacts together with still providing the City increased revenues. In addition, staff are recommending another partial effective implementation date of January 1, 2020 with a 90% of the new 2019 increase as a phase-in. Subsequent Tariff of Fees increases will be on an annual basis the first of every January based on the Consumer Price Index (CPI).

This would result in lower revenues proportionately across all PED Divisions. As an example, an Official Plan Amendment Application (OPA) would have the following new fees and cost recoveries:

2019 Activity Based Costing Fee	2019 Activity Based Costing Increase over 2019 Fee	Phased in Fee 60% Increase	Phased in Fee 90% Increase	Percentage Cost Recovery 60% Increase	Percentage Cost Recovery 90% Increase
\$34,680	\$15,710	\$28,504	\$33,271	82.19%	95.94%

Each type of development application would have varying impacts on cost recoveries for all PED Divisions.

Appendix “A” to Report PED19015(a) outlines past and new Tariff of Fees for comparison purposes. It also outlines calculations for 60% and 90% of the new fee increase for 2019 and 2020.

Special Rates and Discounts

Through the consultations with GIC, the development industry and the public, there were a number of very specific concerns related to different types of development applications or forms of development including:

- an alternative fee for secondary suites in basements or laneways;
- continuing the policy of discounting agricultural / rural development applications by 50%;
- create a reduced sign variance fee for more minor variances;
- create definitions for more “Minor” Minor Variance application fee to address more routine adjustments; and,
- Clearer definitions and / or more liberal discretion of staff to use less expensive and less time consuming “routine” or “minor” type applications for zoning, site plan and variance submissions.

As such, staff are recommending the following special rates and discounts:

Development applications related to secondary suites be discounted by 75% of the proposed fee until such time as the Revised Residential Zones of the Comprehensive Zoning By-law are adopted by Council. In the city's efforts to improve housing affordability, secondary suites should be encouraged where possible. If the new fee was imposed in full on secondary suites than the charge would \$19,996 (as of May 1, 2019). However, staff sees this fee as a barrier to increasing affordable housing and as such are recommending a 75% discount to \$4,999 (as of May 1, 2019).

Also staff recommends continuing the policy of discounting agricultural / rural development applications by 50%, with the exception of those proposed developments related to the cannabis industry.

Minor Variances which are considered "Minor" such as sign variances, residential variances for decks, sheds and pools will be discounted by 50% of the proposed development application fee.

The current tariff of fee by-law has a definition of "Routine" for zoning application purposes. Based on the criteria for "Routine", the current definitions are appropriate and no changes are warranted or proposed.

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.
2. Phasing in proposed fee increases based on some other percentage of the proposed fee increase by some other date in 2019. Although this would provide for the development industry to adjust current operations to reflect financial impacts, it would have a negative impact on the City in decreased revenues.
3. Full implementation of proposed fee increases by May 1, 2019. This option would maximize revenue generation for the city but could have a negative impact on developments that are already planned.

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" - Past and Proposed Tariff of Fees Comparison

Appendix "B" - Proposed 2019 Tariff of Fees for Planning and Engineering Development Applications Effective May 1, 2019 and January 1, 2020.

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