

# **Town of The Blue Mountains Development Services Fees Review**

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**Presentation to the Committee of  
the Whole**

**September 14, 2016**

# Introduction

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- Watson & Associates Economists Ltd. was retained by the Town to undertake a Development Services Fees Review with the following goals:
  - Determine current cost recovery levels and corresponding reserve fund strategies;
  - Develop appropriate fee structures; and
  - Make recommendations regarding the potential of moving towards a full cost recovery financial model that eliminates taxpayer subsidies

# Legislative Context and Trends

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- Planning application fees
  - Governed by s.69 of the Planning Act
  - Recovery of anticipated costs of processing by type of application
  - No public process required in setting fees
  - Fees may be paid under protest and appealed to the OMB
- OMB decision suggests fee structures should recognize marginal cost attributes of planning application processes
- Municipalities continue to develop fee structures in response and improve cost recovery levels

# Legislative Context and Trends

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- *Building Code Statute Law Amendment Act* amended the *Building Code Act* fee provisions:
  - allows municipalities to pass a bylaw requiring the payment of fees for application and issuance of building permits
  - the fees must not exceed the anticipated reasonable costs of administration and enforcement (including direct and indirect costs)
  - allows for the creation of *Building Code Act* reserve funds
- Building permit fee reviews continue to evolve beyond initial legislative changes (i.e. building permit types and strategic pricing considerations)

# Legislative Context and Trends

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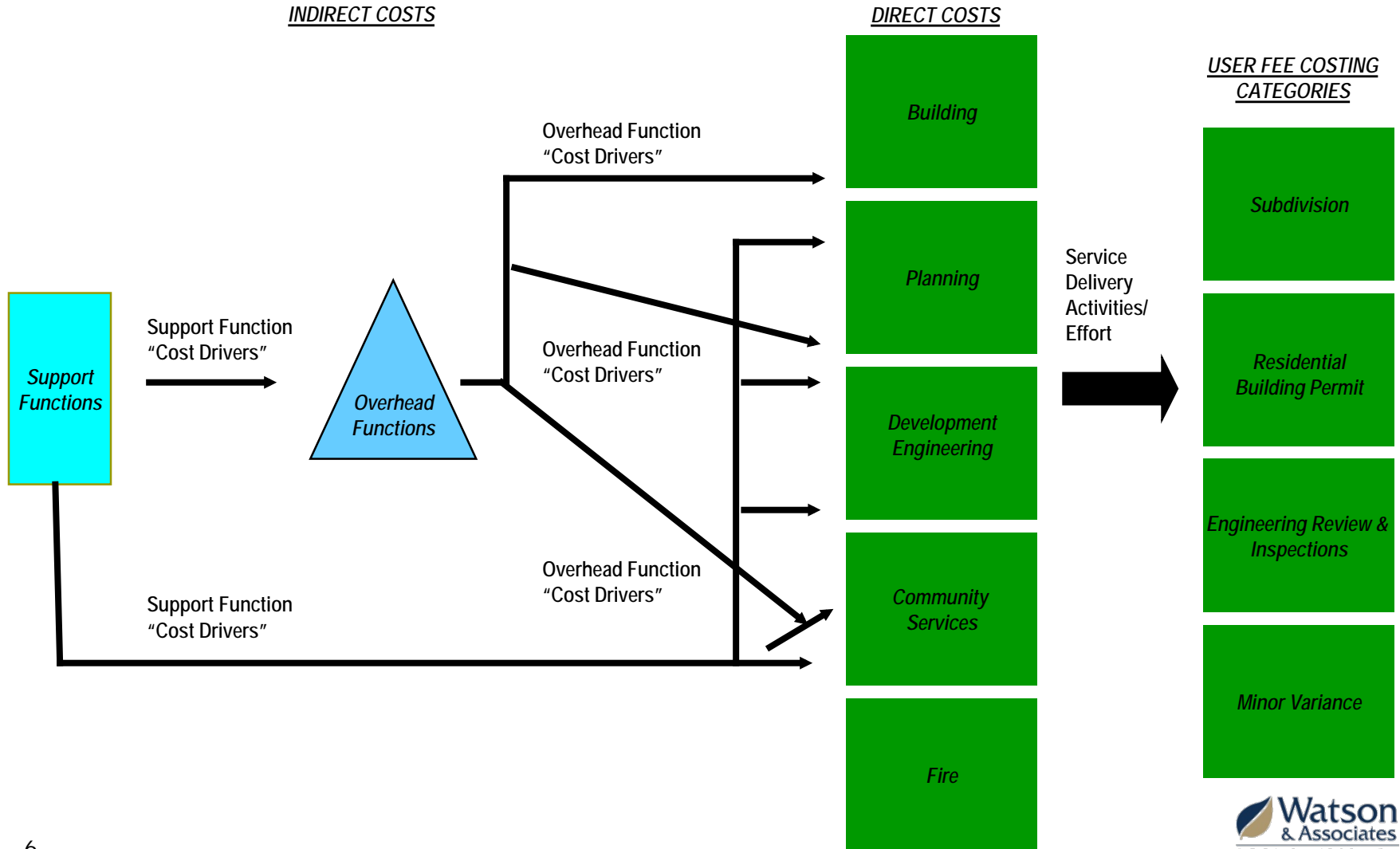
- ❑ Municipal Act, s. 391 governs fees and charges not prescribed under other acts (e.g. development engineering review and inspections, etc.)
- ❑ Fees and charges may be imposed by a municipality or local board on persons for:
  - Services or activities provided by or on its behalf;
  - Costs payable for services/activities or by other municipalities/boards; and
  - Use of municipal property
- ❑ Fees may include costs related to administration, enforcement, and capital

# Full Cost Recognition

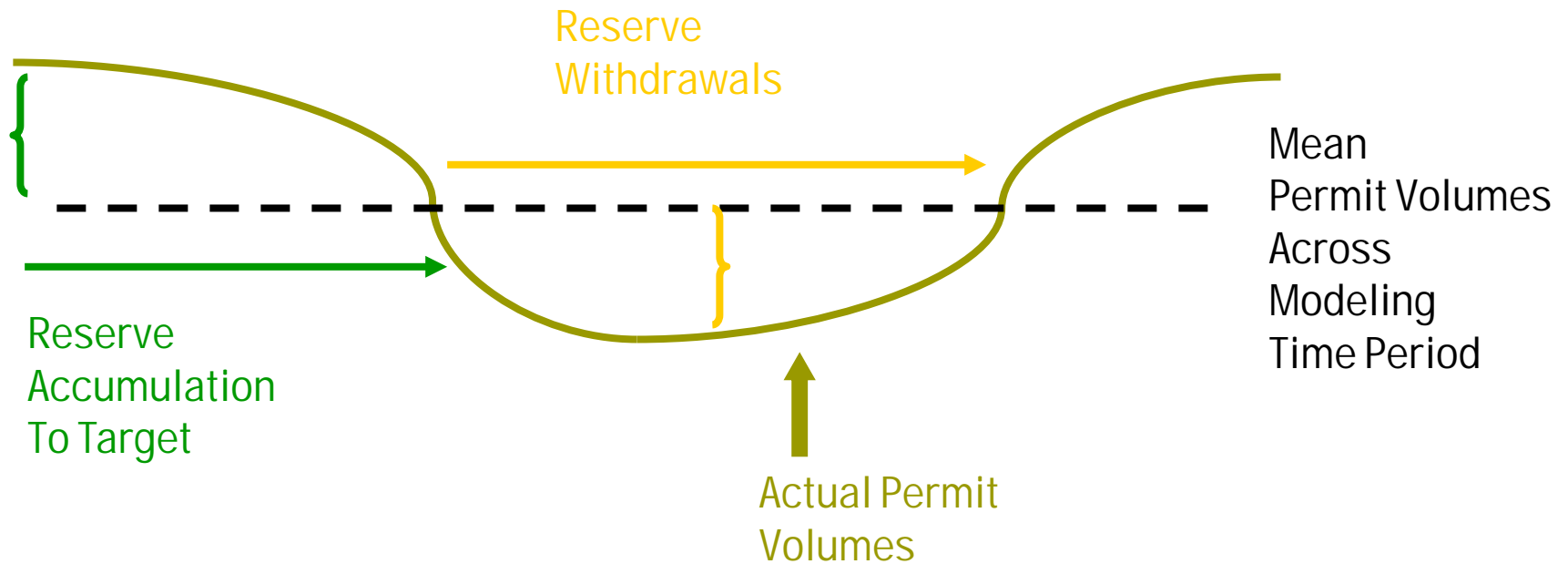
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- Full cost recovery activity-based costing definition includes:
  - Direct costs – operating and capital asset replacement costs associated with individuals directly participating in the service delivery activities.
  - Indirect costs – operating costs associated with individuals supporting direct service departments. Typically involves support functions (e.g. HR, IT, facility maintenance) and corporate overhead functions (e.g. Council, CAO, financial planning and budgets, etc.)

# Activity Based Costing Methodology



# Building Reserve Fund Policy



Reserve Fund Balance Target Expressed as  
# of "Mean Permit Years" Lost During Downturn



# Process Undertaken To Date

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- Met with the Town's project team to document costing categories, process steps, and participating Town staff positions
  - Costing categories defined by distinguishable characteristics that influence processing efforts (e.g. application type)
- Established staff processing effort estimates for each costing category
- Quality-tested the effort estimates through capacity utilization assessment and benchmarked estimates against comparator municipalities

# Process Undertaken To Date

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- Constructed an activity-based costing model to determine the full costs of the various application processes
  - Costing analysis based on the Town's 2016 Budget, including indirect and capital replacement costs
- Met with the Town's project team to review outcomes of the costing analysis and financial impact analysis.
- Prepared potential user fees rate structure options to be further studied and reviewed with development industry stakeholders

# Staff Utilization

Staff member position	FTEs	Unadjusted Utilization				Adjusted Utilization			
		Planning	Engineering	Building	Total	Planning	Engineering	Building	Total
Director, Planning & Development Services	1	9.84%	14.55%	10.00%	34.38%	40.00%	14.55%	10.00%	64.55%
Administrative Assistant	1	4.74%	17.14%	5.00%	26.88%	30.00%	17.14%	5.00%	52.14%
Agreement Coordinator / Secretary - Treasurer of CofA	1	12.63%	22.86%		35.49%	35.00%	22.86%		57.86%
<b>Subtotal Planning &amp; Development Admin. FTE</b>	<b>3</b>	<b>0.27</b>	<b>0.55</b>	<b>0.15</b>	<b>0.97</b>	<b>1.05</b>	<b>0.55</b>	<b>0.15</b>	<b>1.75</b>
Senior Policy Planner	1	38.96%	3.38%		42.34%	55.00%	3.38%		58.38%
Planner II	1	36.72%			36.72%	85.00%			85.00%
Planner I	1	30.62%			30.62%	85.00%			85.00%
GIS/Planning	1	9.74%			9.74%	60.00%			60.00%
<b>Subtotal Planning FTE</b>	<b>4</b>	<b>1.16</b>	<b>0.03</b>	<b>0.00</b>	<b>1.19</b>	<b>2.85</b>	<b>0.03</b>	<b>0.00</b>	<b>2.88</b>
Manager, Building & By-law Services	1	1.95%	5.71%	50.00%	57.66%	1.95%	5.71%	50.00%	57.66%
Deputy Chief Building Official	1			80.00%	80.00%			80.00%	80.00%
Permits & Inspection Assistant	1			75.00%	75.00%			75.00%	75.00%
Municipal Law Enforcement Officer / Prosecutor	1				0.00%				0.00%
Municipal Licensing Officer	2				0.00%				0.00%
Building Inspector	2			90.00%	90.00%			90.00%	90.00%
Plans Examiner	1			100.00%	100.00%			100.00%	100.00%
Security Alarm coordinator / By-law Clerk	1			20.00%	20.00%			20.00%	20.00%
Municipal Law Enforcement Officers	2				0.00%				0.00%
<b>Subtotal Building &amp; By-law FTE</b>	<b>12</b>	<b>0.02</b>	<b>0.06</b>	<b>5.05</b>	<b>5.13</b>	<b>0.02</b>	<b>0.06</b>	<b>5.05</b>	<b>5.13</b>
Manager, Development Engineering	1	4.42%	49.48%		53.90%	15.00%	49.48%		64.48%
Development Engineering Technician	1	8.02%	91.98%		100.00%	13.10%	86.90%		100.00%
<b>Subtotal Development Engineering FTE</b>	<b>2</b>	<b>0.12</b>	<b>1.41</b>	<b>0.00</b>	<b>1.54</b>	<b>0.28</b>	<b>1.36</b>	<b>0.00</b>	<b>1.64</b>
Fire Department									
Fire Prevention Officer	1	0.36%	5.19%		5.55%	0.36%	5.19%		5.55%
Director of Finance and IT Services	1	1.88%	16.36%		18.25%	1.88%	16.36%		18.25%
Director, Community Services	1	2.82%	12.99%		15.81%	10.00%	12.99%		22.99%
Town Solicitor	1	8.18%			8.18%	25.00%			25.00%
<b>Subtotal Other Departments FTE</b>	<b>4</b>	<b>0.13</b>	<b>0.35</b>	<b>0.00</b>	<b>0.48</b>	<b>0.37</b>	<b>0.35</b>	<b>0.00</b>	<b>0.72</b>
<b>Total FTE</b>	<b>25</b>	<b>1.71</b>	<b>2.40</b>	<b>5.20</b>	<b>9.31</b>	<b>4.57</b>	<b>2.35</b>	<b>5.20</b>	<b>12.12</b>

# Processing Effort Assessment

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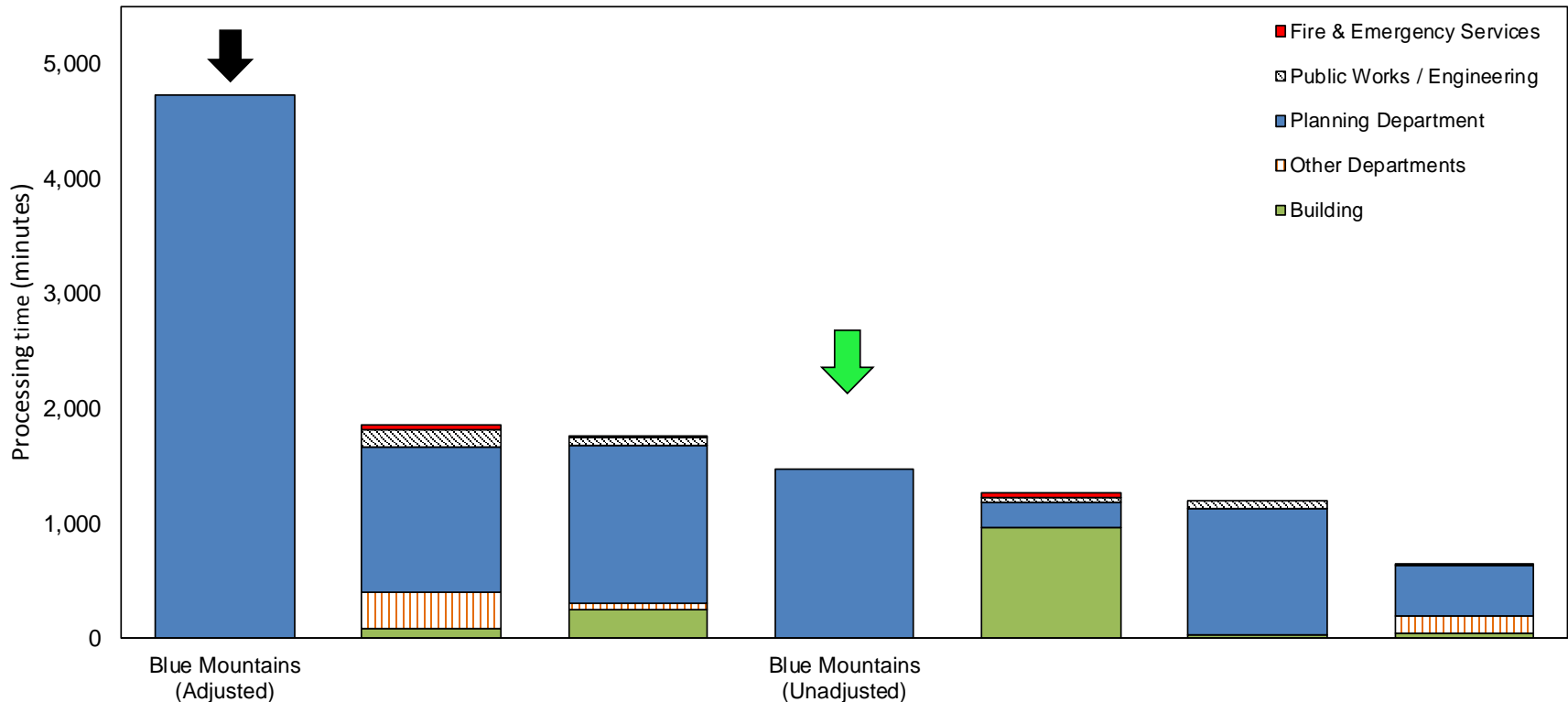
- ❑ Initial staff processing effort estimates resulted in lower than expected overall staff utilization levels
- ❑ These estimates were subsequently adjusted to achieve overall staff utilization levels closer to expected levels
- ❑ Both sets of effort estimates were quality-control tested by benchmarking against comparator municipalities

# Processing Effort Assessment

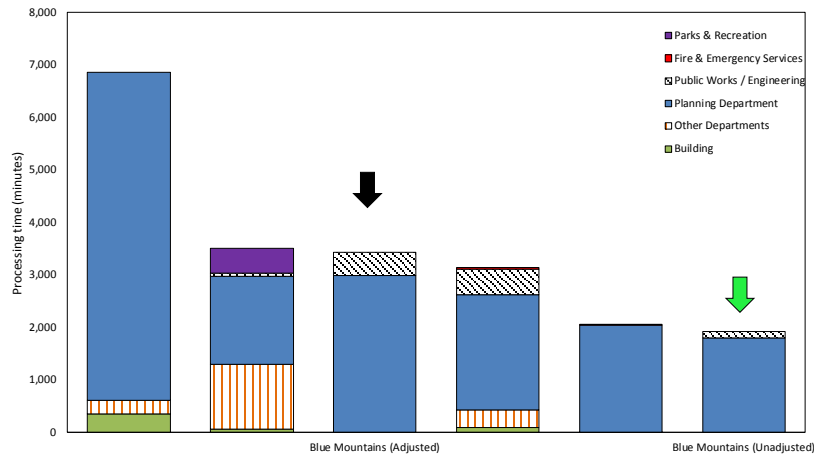
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- The processing time estimates were compared against five other municipalities, including Centre Wellington, Collingwood, Grimsby, Guelph-Eramosa, and Niagara-on-the-Lake
  - Processing time estimates do not include activities such as: policy development, OMB appeals, responding to general inquiries, etc.
- Assessment concludes that the Town's unadjusted processing time estimates are within the reasonable relative to processing time estimates of the comparator municipalities

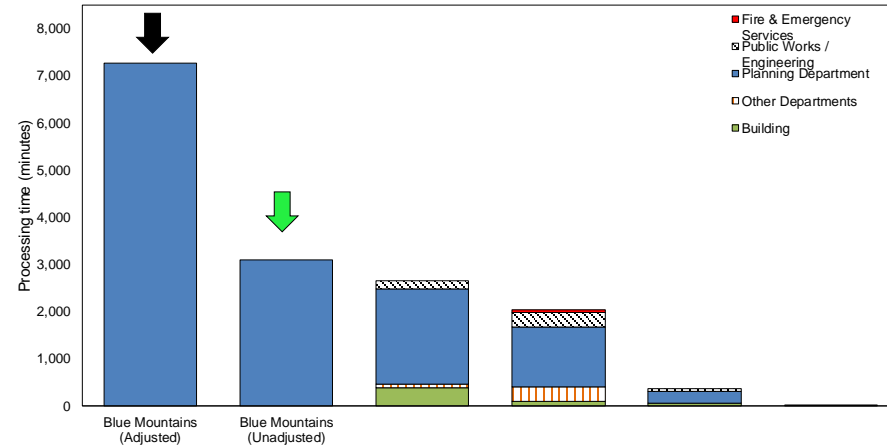
# One Time Processing Effort Comparison (Minor Variance)



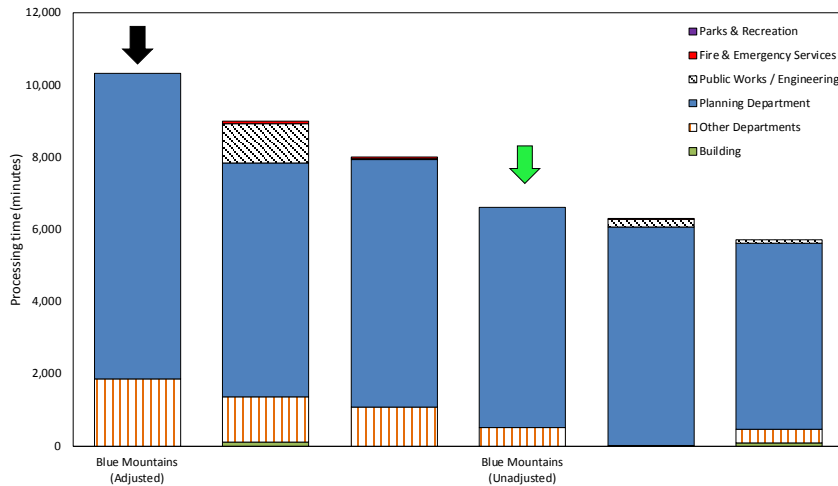
# One Time Processing Effort Comparison



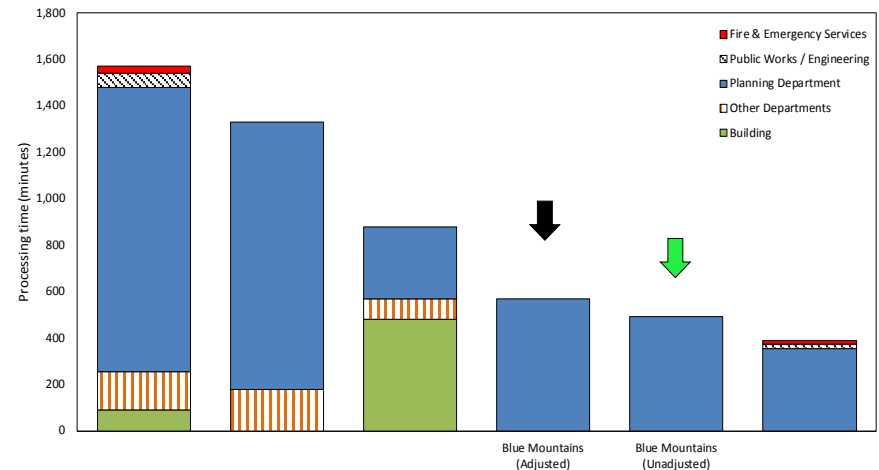
Condo



Consent

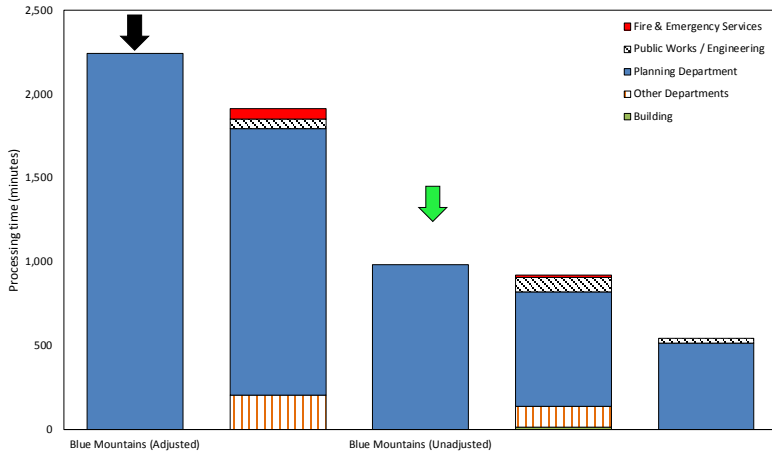


Official Plan Amendment

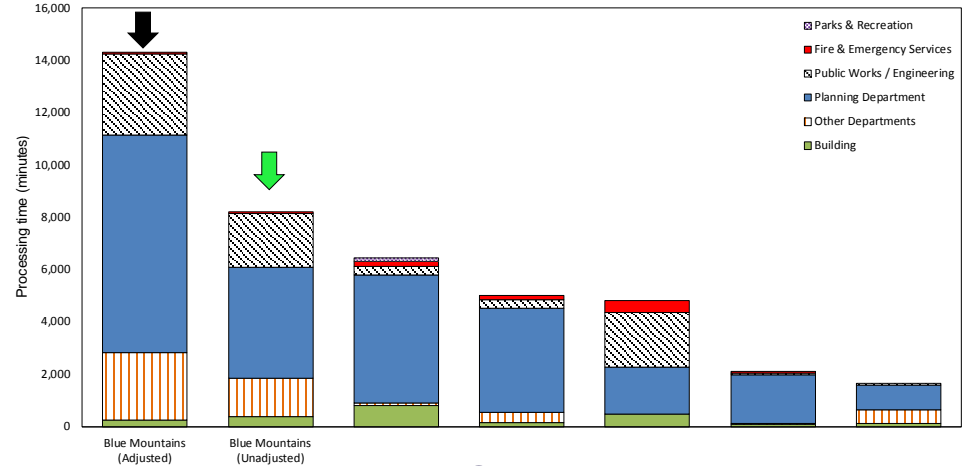


Part Lot Control

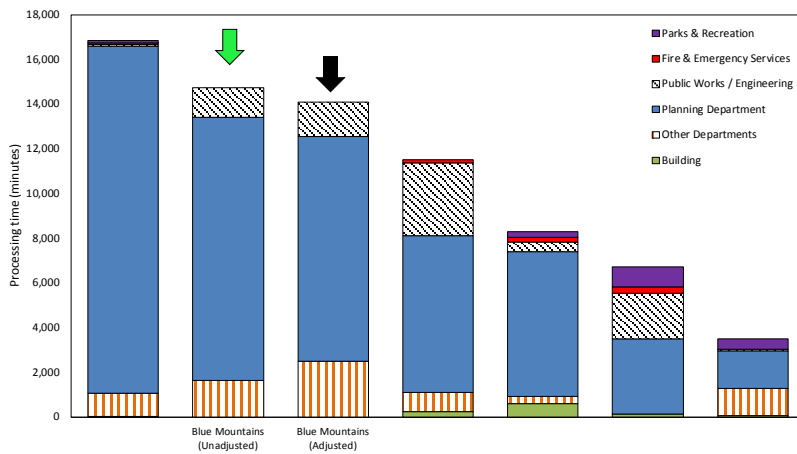
# One Time Processing Effort Comparison



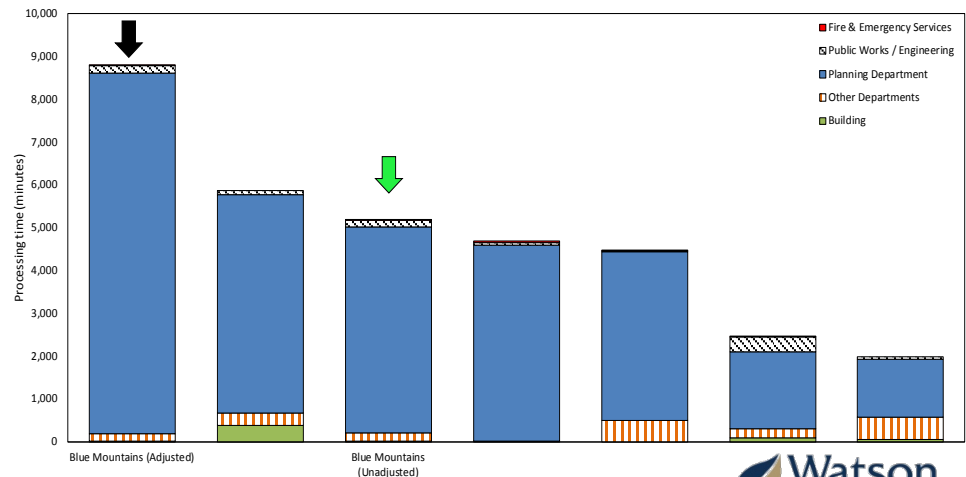
Removal of Holding Symbol



Site Plan



Subdivision



Zoning Bylaw Amendment



# Preliminary Findings

(based on unadjusted processing effort results)

Cost Component	Planning	Engineering	Building	Total
Direct Costs (S,W & B)	\$ 164,000	\$ 256,015	\$ 407,080	\$ 827,095
Direct Costs (non-S,W & B)	\$ 55,303	\$ 49,516	\$ 56,330	\$ 161,150
Total Direct Costs	\$ 219,303	\$ 305,531	\$ 463,410	\$ 988,244
Indirect Costs	\$ 66,595	\$ 89,355	\$ 91,284	\$ 247,234
Total Direct and Indirect Costs	\$ 285,898	\$ 394,886	\$ 554,694	\$ 1,235,478
Capital Replacement Cost	\$ 1,162	\$ 2,198	\$ 4,872	\$ 8,232
<b>Grand Total Costs</b>	<b>\$ 287,060</b>	<b>\$ 397,084</b>	<b>\$ 559,566</b>	<b>\$ 1,243,710</b>
Indirect Costs as % of Total	23%	23%	16%	20%
Annual Revenue (2012-2015 average)	\$ 205,737	\$ 190,874	\$ 549,932	\$ 946,544
Cost Recovery Level (direct costs)	94%	62%	119%	96%
<b>Cost Recovery Level (total costs)</b>	<b>72%</b>	<b>48%</b>	<b>98%</b>	<b>76%</b>

# Fee Structure Recommendations

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- ❑ Fee structures recommendations designed to recover the full costs of service
- ❑ Planning application fee structures have been maintained (i.e. large scale – individual scale)
- ❑ Building permit fees recommended to be increased by 10.5% in order to achieve a desired reserve fund balance of 1.25 multiple of annual direct processing by 2020
- ❑ Engineering fees proposed based on percentage of construction value (8.3% construction value vs. 4% currently)

# Comparison of Development Cost Impacts

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- Development cost impact comparisons were prepared for the following application scenarios:
  - Residential Subdivision application requiring an Official Plan Amendment and a Zoning By-law Amendment (40 units)
  - Multi-Residential Block Site Plan (15 units)
  - Small Commercial Site Plan (300m<sup>2</sup>)
  - Minor Variance application
  - Consent (lot creation)

# Comparison of Development Cost Impacts

## ▣ Residential Subdivision

Subdivision Cost (40 units)				
Fee	Current Cost	Full Cost	Change (\$)	Change (%)
Official Plan Amendment (Planning)	\$ 8,300	\$ 11,731		
Official Plan Amendment (Engineering)	\$ 2,000			
Zoning By-law Amendment (Planning)	\$ 2,498	\$ 6,922		
Zoning By-law Amendment (Engineering)	\$ 750			
Draft Plan of Subdivision (Planning)	\$ 8,300	\$ 11,621		
Draft Plan Review (Engineering)	\$ 3,000			
Agreement Preparation (Planning)	\$ 8,600	Included above		
<b>Sub-total Planning</b>	<b>\$ 33,448</b>	<b>\$ 30,273</b>	<b>\$ (3,174)</b>	<b>-9%</b>
Works Fees (Engineering)	\$ 53,164	\$ 110,600	\$ 57,436	108%
Building Permit Fees	\$ 195,200	\$ 215,696	\$ 20,496	10.5%
Development Charges *	\$ 1,466,770	\$ 1,466,770	\$ -	0%
<b>Total</b>	<b>\$ 1,748,581</b>	<b>\$ 1,823,339</b>	<b>\$ 74,757</b>	<b>4%</b>
Per unit	\$ 43,715	\$ 45,583	\$ 1,869	4%

\*Calculations are based on median development charges

# Comparison of Development Cost Impacts

## Multi-Residential Block Site Plan

Site Plan - Residential (15 units)				
Fee	Current Cost	Full Cost	Change (\$)	Change (%)
Site Plan Review (Planning)	\$ 8,300	\$ 8,882		
Draft Plan of Subdivision (Planning)	\$ 8,300	\$ 11,621		
Draft Plan Review (Engineering)	\$ 3,000			
Agreement Preparation (Planning)	\$ 8,600	Included above		
Sub-total Planning	\$ 28,200	\$ 20,503	\$ (7,697)	-27%
Works Fees (Engineering)	\$ 19,937	\$ 41,475	\$ 21,538	108%
Building Permit Fees	\$ 60,000	\$ 66,300	\$ 6,300	10.5%
Development Charges *	\$ 550,039	\$ 550,039	\$ -	0%
<b>Total</b>	<b>\$ 658,175</b>	<b>\$ 678,316</b>	<b>\$ 20,141</b>	<b>3%</b>
Per unit	\$ 43,878	\$ 45,221	\$ 1,343	3%

## Small Commercial Site Plan

Non- Residential Site Plan (300m <sup>2</sup> )				
Fee	Current Cost	Full Cost	Change (\$)	Change (%)
Site Plan Review (Planning)	\$ 3,300	\$ 7,782		
Agreement Preparation	\$ 3,640	Included above		
Sub-total Planning	\$ 6,940	\$ 7,782	\$ 842	12%
Works Fees (Engineering)	\$ 1,307	\$ 2,720	\$ 1,412	108%
Building Permit Fees	\$ 3,711	\$ 4,101	\$ 390	10.5%
Development Charges *	\$ 69,918	\$ 69,918	\$ -	0%
<b>Total</b>	<b>\$ 81,876</b>	<b>\$ 84,520</b>	<b>\$ 2,644</b>	<b>3%</b>

\*Calculations are based on median development charges

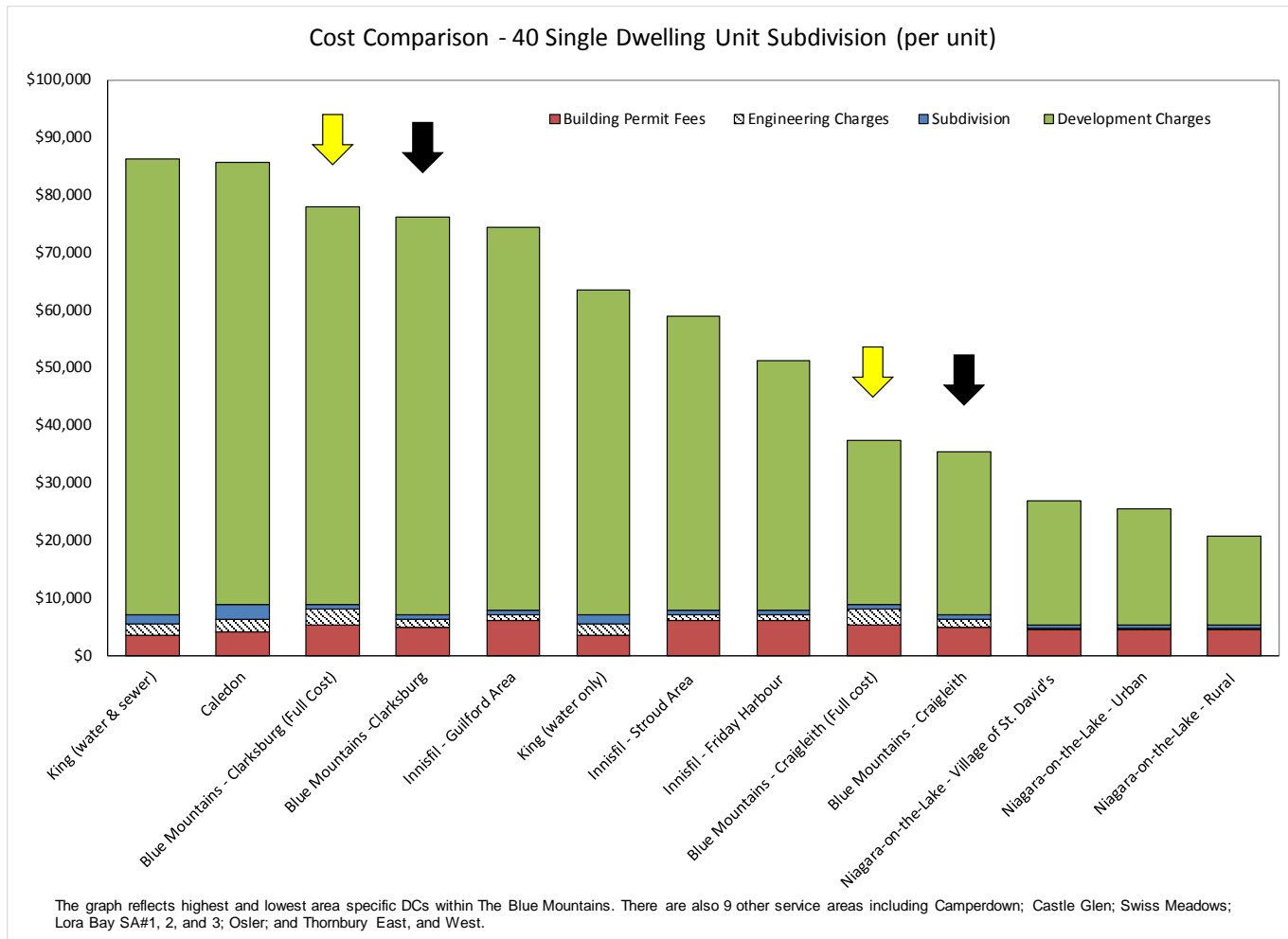
# Comparison of Development Cost Impacts

## □ Minor Variance and Consent

Other Fees				
Fee	Current Cost	Full Cost	Change (\$)	Change (%)
Consent	\$ 2,575 *	\$ 4,448	\$ 1,873	73%
Minor Variance	\$ 990	\$ 2,278	\$ 1,288	130%

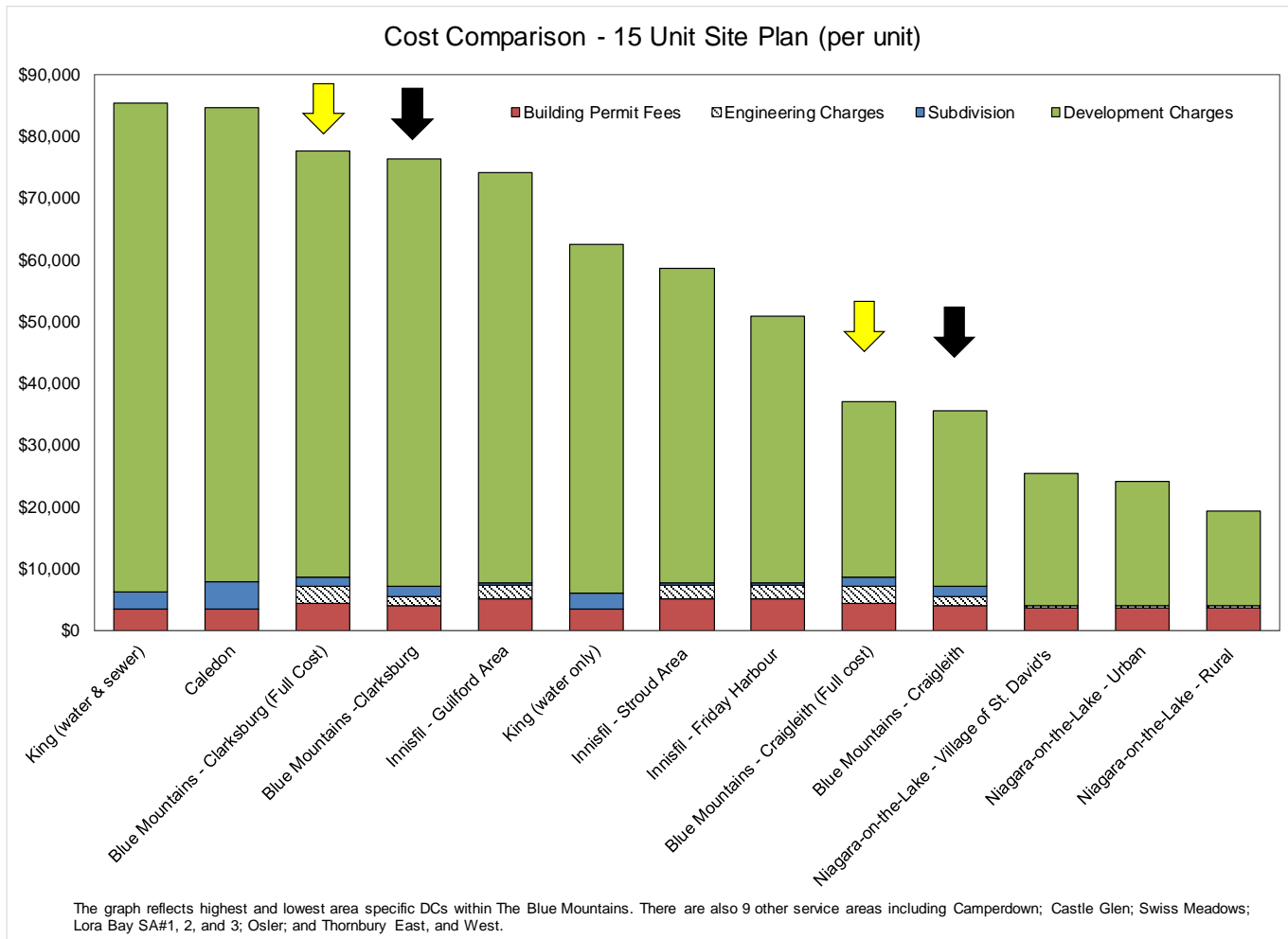
\* Current Consent fee above excludes the variable fee of \$560/ additional lot.

# Municipal Development Fees (40 unit subdivision)



# Municipal Development Fees

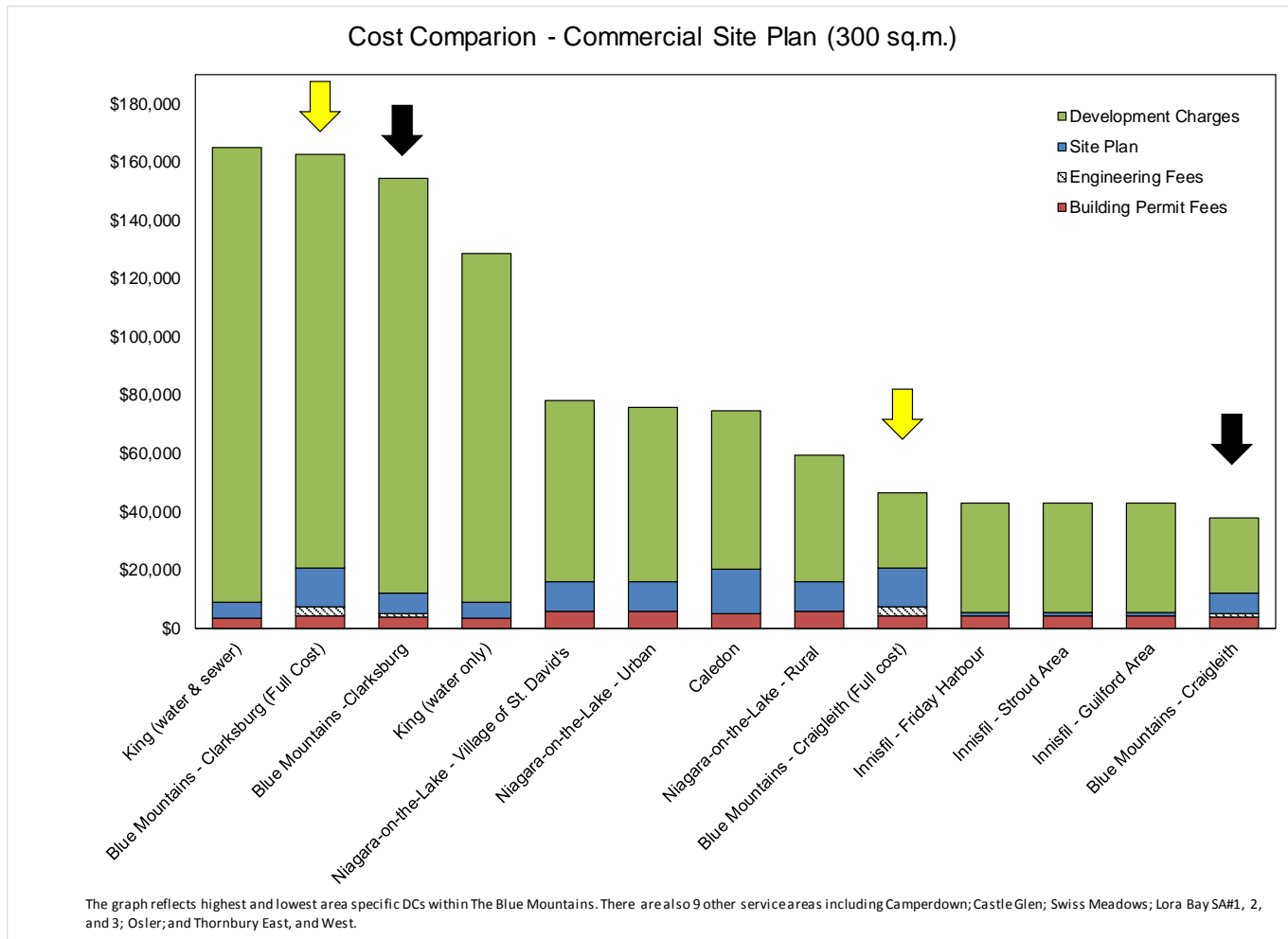
## (Residential block development – 15 units)





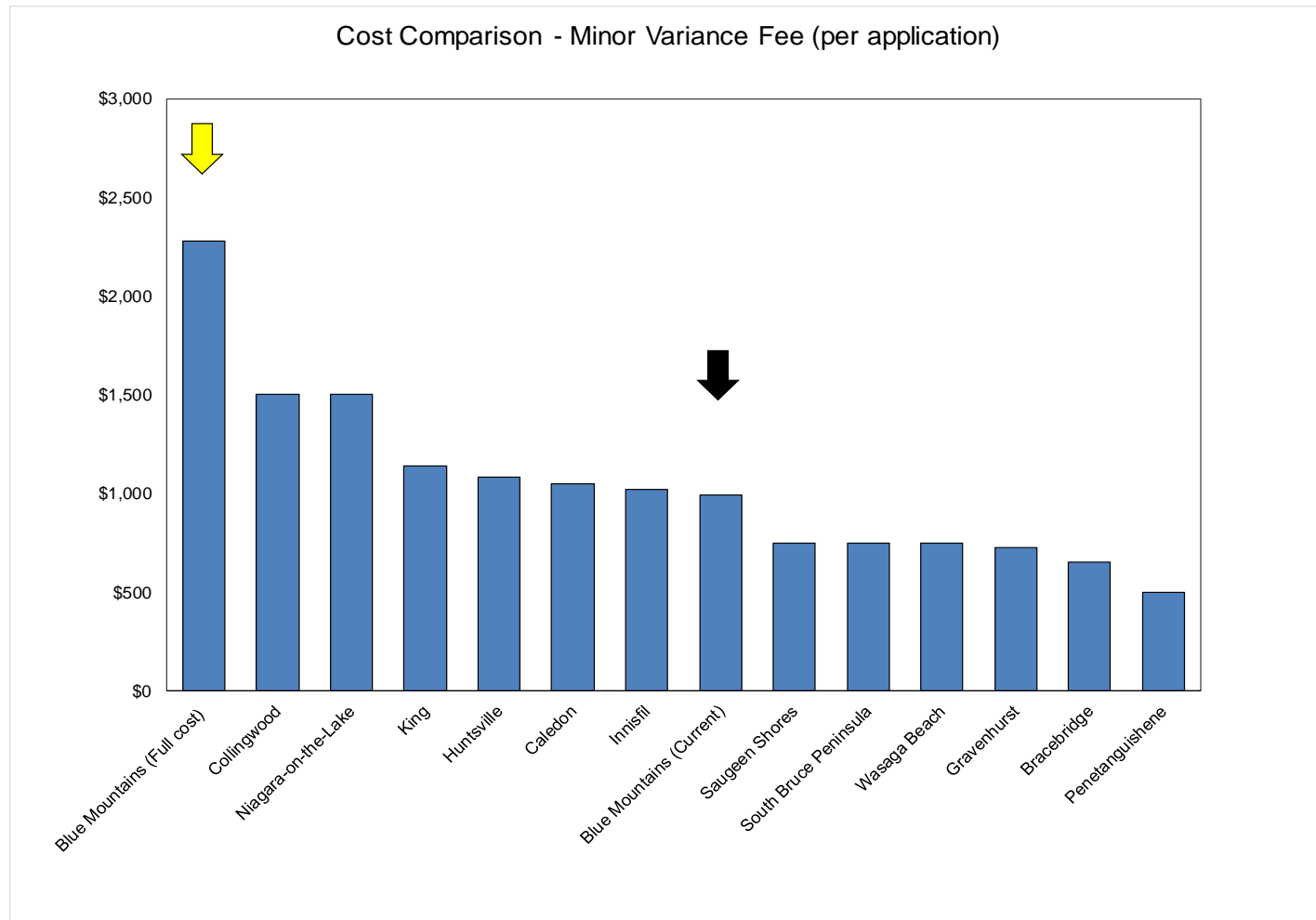
# Municipal Development Fees

## (Commercial Site Plan application – 300m<sup>2</sup>)



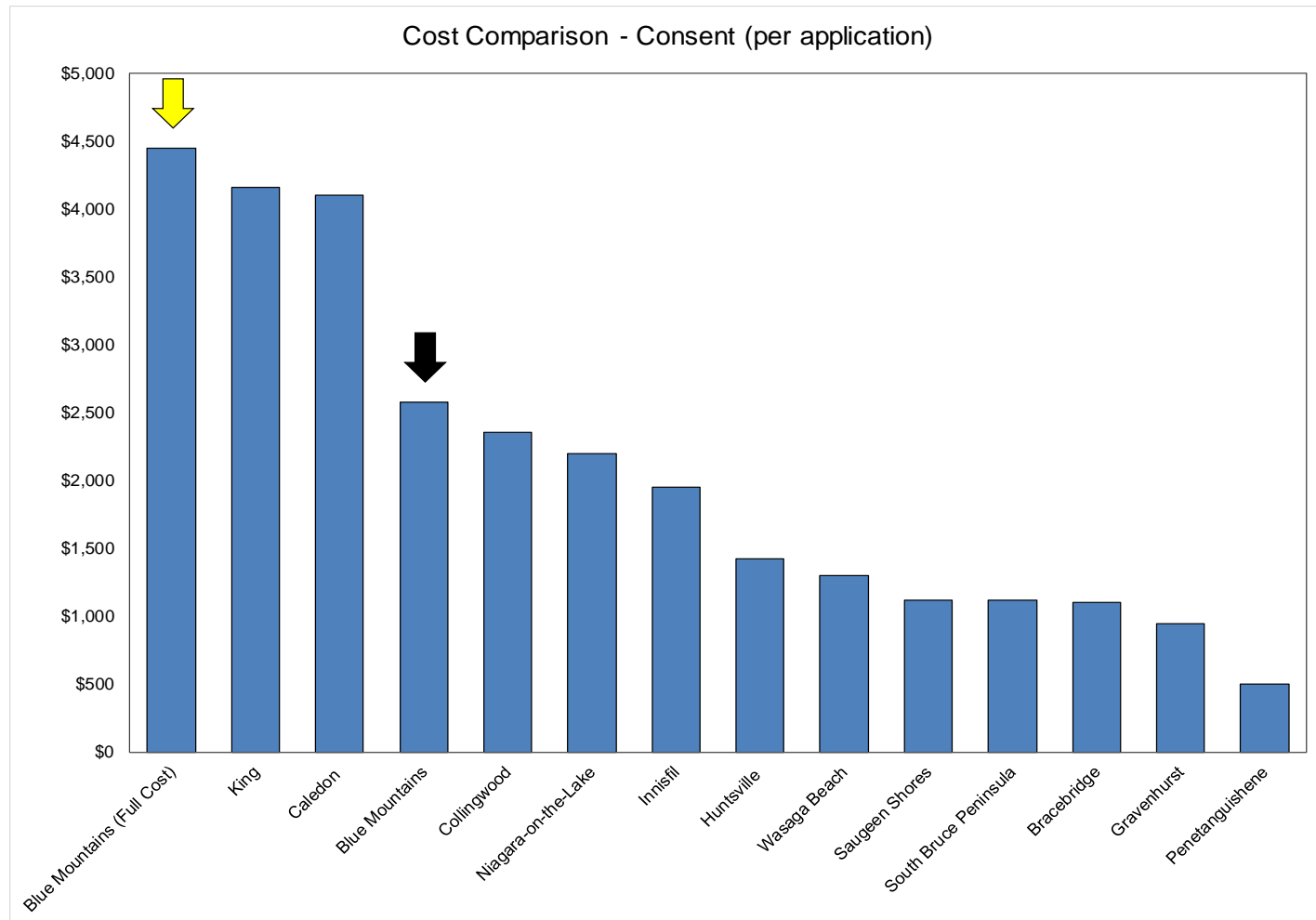
# Municipal Development Fees

## (Minor variance application)



# Municipal Development Fees

## (Consent application – lot creation)



# Next Steps

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- Receive input from Council
- Present findings and receive input on the proposed fee recommendations from the development community (next 2 weeks)
- Review implementation options with Town Project Team
  - Phasing-in of new fees
  - Fee structure changes
- Prepare report, including input from development community, with proposed by-law for presentation to Council
- Public meeting (November 2016)
- Council to consider new by-law (December 2016)