



Report
Staff Report
 The Corporation of the City of Brampton
 10/21/2024

Date: 2024-10-02

Subject: **Appendix A Recommendation Report - 2024 Fee Changes for Development and Site Plan Applications.docx**

Contact: Carolyn Crozier, Strategic Leader, Office of the Commissioner, Planning, Building and Growth Management

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Report number: Planning, Bld & Growth Mgt-2024-796

RECOMMENDATIONS:

1. That the report from Carolyn Crozier, Strategic Leader, Office of the Commissioner, to the Planning and Development Committee meeting of September 23, 2024 re: **Recommendation Report - 2024 Fee Changes for Development Applications (Tariff of Fees By-law with Respect to Planning and other Municipal Applications – By-law 85-96, as amended)** be received; and,
2. That staff be directed to report annually, through the budget process, on the resourcing impacts and requirements of the Committee of Adjustment application processes when under recovery is occurring; and,
3. That Schedule A to the Tariff of Fees By-law with respect to Planning and Other Municipal Applications By-law 85-96, as amended, be amended to reflect the fee changes as set out in Attachment A of this report, to be effective following Council ratification for November 1, 2024.

OVERVIEW:

- In 2022, the City completed an Internal Audit of the City's User Fee program, including the current user fees for development applications (i.e. Plans of Subdivision, Amendments to the Official Plan and Zoning By-law, Site Plans).

- The audit directed staff to evaluate the feasibility of raising development application fees to improve the cost recovery ratio, reduce the burden on Brampton property taxpayers and ensure rates are comparable with neighboring municipalities.
- In May 2023, Council directed staff to explore the per unit fee component of development application fees.
- In July 2023, staff retained Watson & Associates Economics Ltd. to undertake the Development Fee Review in a two phased approach.
- Staff reported on Phase 1 of the Development Fee Review in November, 2023 (PBGM-2023-981). This report identified options for the City to consider with respect to the per unit fee component of development application fees as part of a future amendment to the Tariff of Fees By-law.
- This report outlines the findings, and recommendations, of Phase 2 of the Development Fee Review.
- The recommended changes to the City's Tariff of Fees By-law for Development applications will:
 - Move the City towards full cost realization to reduce financial burden on the tax base;
 - Respond to industry and Council concerns, mitigating financial risks while helping to ensure the City remains attractive for development and investment is not cost-prohibitive; and,
 - Modernize the fee structure in alignment with current Provincial policies.
- Staff undertook consultation with BILD (Building Industry and Land Development Association) on the fee recommendations on June 6, 2024 to share Watson's report and staff's general recommendations. An additional meeting was held August 8, 2024 to further review Watson's approach and assessment of fees, and to work through Pre-Consultation fee approaches based on changes to Provincial legislation. Staff understood that general concurrence with BILD was achieved.
- These proposed recommendations are anticipated to align with the forthcoming Council User Fee Policy.
- Based on the City recommended fees structures, the City is estimating revenues of \$6.9 million annually (using 2023 application volumes). The recommendation outlined in this report will result in a revenue reduction of approximately \$4 million, as a result of aligning fees with the requirements

of the Planning Act and by maintaining status quo fees for Committee of Adjustment applications.

BACKGROUND:

In 2022, the City completed an Internal Audit of the City's User Fee program to evaluate the effectiveness of user fees and identify opportunities for improvement. Development Services and Design (DS&D) was one of four divisions audited, and findings indicated the current user fees for development applications do not recover the costs incurred while processing applications.

The audit report directed staff to evaluate the feasibility of adjusting the development services user fees so that the rates charged by the City are comparable with neighboring municipalities, to improve the cost recovery ratio and reduce the subsidization of development application reviews by Brampton property taxpayers.

Additionally, in May, 2023, Council directed staff to explore the per unit fees component of the Development Application Fee Review and report back in response to the Solmar/Hampton delegation to reduce the Zoning By-law application fee for 241 Queen Street East.

In response to the User Fee Audit, and Council direction to explore the per unit fee component of development fees, the City retained Watson & Associates Economists Ltd.(Watson) to undertake a review of the base fee and per unit fees (as applicable) associated with respect to the City's development and site plan applications.

Staff reported back to Council on December 4, 2023 with the Phase 1 findings of the Development Application Fee Review (PBGM-2023-981, Attachment B). The report included an Activity Based Costing exercise to capture the true cost of processing development applications. Watson worked with staff from multiple departments that participate in the development application review process to understand the level of effort, direct and indirect costs, and capital costs of processing these applications.

The Phase 1 report provided the City with options to consider with respect to the capping of per unit fees, to be included in the final fee recommendations found herein.

CURRENT SITUATION:

The second phase of Watson's Development Application Fees Review study (Attachment C) included an analysis of current cost recovery levels of the City's current fees and to provide recommendations on fee adjustments and fee structure changes.

The *Planning Act* requires fees to be cost justified at the application type level. Utilizing the Activity Based Costing exercise completed through Phase 1, Watson determined the following processing costs are incurred by the City:

Table 1: Processing Cost per Planning Application by Type

Application Type	Cost per Application
Pre-consultation	\$ 20,011
Official Plan Amendment	\$ 48,558
Zoning By-law Amendment (Simple)	\$ 44,486
Zoning By-law Amendment (Complex)	\$ 68,821
Draft Plan of Subdivision (Simple)	\$ 73,735
Draft Plan of Subdivision (Complex)	\$ 119,935
Temporary Use ZBA	\$ 38,118
Lifting of a Holding Provision	\$ 8,316
Site Plan (Simple)	\$ 36,813
Site Plan (Complex)	\$ 69,865
Draft Plan of Condominium	\$ 27,215
Minor Variance	\$ 11,949
Consent	\$ 10,157

These costs are reflective of the organizational direct, indirect and capital costs based on 2023 budget estimates, and have been calculated based on the average annual volume of planning applications from 2019 to 2022. The fulsome methodology used by Watson can be found in section 2 of Attachment C.

Some applications are also displayed with 'simple' and 'complex' to demonstrate the variability or range in costing from the most basic of applications to the most complex.

Using this information and comparing it to the application volumes and revenues generated in 2023 generates the cost recovery assessment as seen in the table below:

Table 2: 2023 Planning Application Cost Recovery Levels by Application Type

Application Type	Cost per Application	2023 Application Volumes	Calculated 2023 Costs ^A	Calculated 2023 Revenues ^B	Cost Recovery %
Pre-consultation	\$ 20,011	129.0	\$ 2,581,415	\$ 645,000	25%
Official Plan Amendment	\$ 48,558	12.0	\$ 2,297,888	\$ 7,644,863	333%
Zoning By-law Amendment (Simple)	\$ 44,486	13.5			
Zoning By-law Amendment (Complex)	\$ 68,821	13.5			
Draft Plan of Subdivision (Simple)	\$ 73,735	3.5			
Draft Plan of Subdivision (Complex)	\$ 119,935	3.5			
Temporary Use ZBA	\$ 38,118	4.0	\$ 152,473	\$ 8,220	5%
Lifting of a Holding Provision	\$ 8,316	2.0	\$ 16,633	\$ 6,400	38%
Site Plan (Simple)	\$ 36,813	17.0	\$ 625,819	\$ 278,065	44%
Site Plan (Complex)	\$ 69,865	9.0	\$ 628,784	\$ 998,731	159%
Draft Plan of Condominium	\$ 27,215	6.0	\$ 163,291	\$ 472,608	289%
Minor Variance ^C	\$ 11,949	418.0	\$ 4,994,854	\$ 737,770	15%
Consent	\$ 10,157	30.0	\$ 304,701	\$ 131,490	43%
Total			\$11,765,858	\$10,923,148	93%

Table 2 demonstrates that overall, the City's current development application fees are recovering nearly all related operating costs.

However, it is important to note that the assessment has identified that the City's current fee structure is not in compliance with the requirements of the Planning Act.

Section 69 of the Planning Act requires that planning application costs be cost-justified by the application type, indicating that cross-subsidization of planning fee revenues across application types is not permissible.

The over-recovery seen in variable rate applications such as Zoning By-law Amendment, Site Plan and Plan of Condominium, is functioning to subsidize other applications, most notably applications managed through the Committee of Adjustment service stream—Minor Variance and Consent applications.

As recommended through the Phase 1 report, and as required by the Planning Act, the City must cap application fees at a rate equal to the cost to provide the service, by application type.

Based on the costing analysis of the City's application fees and fee structure options provided by Watson, staff are recommending changes to the fee structure that will achieve near full cost recovery on development applications, with the exception of Committee of Adjustment applications (Minor Variance and Consent), for the reasons set out below.

Fee Recommendations by Application Type

Pre-Consultation Applications

Pre-consultation applications have traditionally served as a crucial initial step in the development process, providing owners and applicants with a framework for understanding the City's requirements and those of other stakeholders when reviewing a proposed development.

Since the completion of Watson's study, the Province has amended the Planning Act, removing the requirement for municipalities to mandate pre-consultation applications as part of the application review process. This change now leaves the decision to pursue Pre-Consultation at the discretion of the applicant.

However, regardless of whether a Pre-Consultation application is submitted, the work and associated costs of evaluating and assessing complete application requirements remain part of the process. These costs must be factored into the City's efforts to achieve full cost recovery for development application reviews.

Watson identified the processing cost for a pre-consultation application as \$20,011.

Setting the pre-consultation application fee at this rate—particularly when the process is no longer mandatory—could lead to a significant decline in the number of such applications. This poses a financial risk to the City and could introduce risks to the industry through potential delays and inefficiencies in application review.

Both the City and the development industry recognize the mutual benefits of obtaining pre-consultation comments as a tool to enhance the efficiency and speed of the application review process.

Therefore, staff recommend that the full cost of a pre-consultation be set in the fee by-law at the processing rate of \$20,011, but whereby a credit for this amount will be provided to an applicant towards the full development application, if the full application is received within one year.

To ensure that no over or under recovery in cost results due to this change, the proposed base fees outlined in Watson's report will need to be increased by \$20,011 to accurately reflect the true processing costs should an applicant choose not to pursue the pre-consultation process. Applicants who do choose to complete a Pre-Consultation process, will not be 'double charged' by way of the introduction of the noted credit.

Flat Fee Applications

Flat fee applications are applications that, irrespective of ultimate development size and complexity, generate a consistent processing cost to the City. The current fees for these applications, as demonstrated in the table below, have been significantly under recovering, meaning that the balance of the cost is borne by the tax base.

Staff are recommending that the fees for these applications be set to reflect full cost recovery.

Table 3: Flat Fee Application Recommendations

Application Type	Current Fee	Cost Recovered Application Fee (%)	Cost Recovered Tax Base (%)	Proposed Fee	% Change
Official Plan Amendment	\$14,605	30%	70%	\$48,558	232%
Temporary Use Zoning By-law Amendment	\$2,119	5%	95%	\$38,118	1699%
Lifting of Holding Provision	\$3,299	38%	62%	\$8,316	152%

Related municipal benchmarking can be found in Attachment D.

Variable Fee Applications

Variable fee applications are applications that can be typified as those that, based on various factors including size, scale, complexity, and level of processing effort, generate a range of processing costs for the City.

Application types that fall into the variable fee bucket are: Zoning By-law Amendments, Draft Plans of Subdivision, Site Plans and Draft Plans of Condominiums.

Watson's assessment demonstrated that the current fees, specifically the maximum generated by way of the per unit fees, has created a significant over recovery. These over recoveries results in the City being non-compliant with the *Planning Act*, which was the driver of several appeals to the Ontario Land Tribunal that we had received.

Resolution of this over recovery can be easily resolved by way of reducing the maximum fees currently charged for these application types.

Table 4: Variable Fee Application 2023 Recovery

Application Type	Calculated 2023 Costs	Calculated 2023 Revenues	Cost Recovery
Zoning By-law Amendment	\$2,297,888	\$7,644,863	333%
Plan of Subdivision			
Plan of Condominium	\$163,291	\$472,608	289%
Site Plan (Complex)	\$628,784	\$998,731	159%

As all options provided work to achieve the outcome of full cost recovery, staff are recommending adoption of "Option 1: Maintain the current fee structure with a reduced maximum fee" as it is the option that best balances cost recovery with the greatest degree of fairness for all applicants.

This fee structure is optimal as it maintains the existing fee structure and existing fee costs with no need to increase or decrease the City's already established fees for variable fee applications. Modest simplification in the fee structure is also achieved through the elimination of per unit fees for sites with more than 100 units as the maximum fee cap is reached at this quantum of units. The only other change is to the maximum fee level to reflect the maximum processing cost for each variable fee application type.

Table 5: Current Vs. Future Maximum Fees

Application Type	Current Maximum	Proposed Maximum	Reduction to Maximum
Zoning By-law Amendment	\$819,444	\$68,821	91%
Plan of Subdivision	\$819,444	\$119,935	85%
Plan of Condominium	\$819,444	\$27,215	96%
Site Plan (Complex)	\$194,398	\$69,865	64%

Related municipal benchmarking examples can be found in Attachment E.

Concurrent Applications

The assessment of staff processing efforts where applicants submit concurrent applications demonstrated that there are benefits from reduced processing efforts. As such, the following applications, when submitted together, will receive a 25% reduction on the total application fee amount:

- Zoning By-law Amendment and Draft Plan of Subdivision
- Official Plan Amendment, Zoning By-law Amendment and Draft Plan of Subdivision
- Official Plan Amendment and Zoning By-law Amendment

Resubmissions

The estimate of effort to complete application reviews by staff included an average number of rounds to account for resubmitted materials that must be re-reviewed by City staff where deficiencies have been identified. Therefore, the full cost of fees includes an average estimation of 3 resubmissions.

Any resubmission of materials over-and-above this amount should be charged as a fee to applicants.

Staff are recommending that a fee of \$5,000 be charged for each re-submission, beyond three for each application type.

Committee of Adjustment Applications – Minor Variance and Consent

The City has historically chosen to offer the Committee of Adjustment (CofA) service at a substantially subsidized rate to maintain accessibility for Brampton residents who need to seek modest permissions to facilitate changes to their properties.

Watson identified that, in the case of Minor Variance applications, the City is recovering 15% of the costs to provide this service, and Consent applications recovering 43% of the cost.

In consideration of the City's need to balance resident accessibility to this service, staff are recommending that there be no change at this time to the fees for this service.

Table 6: Annual Committee of Adjustment Application Volumes

Application Type	2021 Application Volume	2022 Application Volume	2023 Application Volume	2024 Current Application Volume*	2024 Projected Application Volume**
Minor Variance	274	401	417	295	444
Consents	33	28	30	13	24

*Applications received to August 1, 2024. **Projected volume based on monthly application average.

While staff are recommending status quo for CofA application fees, it is important to highlight that as the City continues to urbanize and absorb new growth, CofA applications can become a more predominant tool to implement land use changes and related programs (i.e. Additional Residential Units, Compliance to Residential Landlord Licensing, etc.).

This will have impacts on the operating budgets for inter-dependent services to administer and enforce the CofA applications (i.e. Building, Clerks and Enforcement). This direct relationship is a reflection of the City's evolution. This report recommends that staff be directed to continue to monitor this and report back through the City's annual budget process should there be a need to add resources in a manner that provides our level of service for the CofA applications.

Related municipal benchmarking can be found in Attachment F.

Overall Assessment of Proposed Fee Changes by Application Type

To understand the overall impact of the proposed fee changes, staff assessed the 2023 application volumes against the proposed fee recommendations.

Table 7 below demonstrates, except for the Committee of Adjustment applications (Minor Variance and Consent) improvements in cost recovery percentages. Applications where over-recovery was occurring are now proposed at rates that will comply with the City's legislative requirements under the Planning Act, and applications where under-recovery was occurring, have been adjusted to minimize impact on the tax base.

The overall cost recovery ratios under the recommended fee structure are substantially lower than the current structure. As previously noted, the City's current fee recovery ratio is the result of certain application fees functioning to subsidize others, most significantly, the Minor Variance and Consent applications. As this is not permitted under the Planning Act, the City can no longer operate in this manner.

Removing the Committee of Adjustment applications from the overall cost recovery analysis demonstrates that the cost recovery ratio for all other application types results in an overall cost recovery of 94%.

Table 7: Impact of Recommended Fee Structure on Cost Recovery

Application Type	Calculated 2023 Costs	Calculated Annual Revenues ^A				City Recommended Cost Recovery %	Current Cost Recovery %
		Option 1	Option 2	Option 3	City Recommended		
Pre-consultation	\$ 2,581,415	\$ 2,581,415	\$ 2,581,415	\$ 2,581,415	\$ 2,581,415	100%	25%
Official Plan Amendment							
Zoning By-law Amendment (Simple)							
Zoning By-law Amendment (Complex)	\$ 2,297,888	\$ 2,324,843	\$ 2,297,888	\$ 2,297,888	\$ 2,324,843	101%	333%
Draft Plan of Subdivision (Simple)							
Draft Plan of Subdivision (Complex)							
Temporary Use ZBA	\$ 152,473	\$ 152,473	\$ 152,473	\$ 152,473	\$ 152,473	100%	5%
Lifting of a Holding Provision	\$ 16,633	\$ 16,633	\$ 16,633	\$ 16,633	\$ 16,633	100%	38%
Site Plan (Simple)	\$ 625,819	\$ 255,823	\$ 625,819	\$ 278,065	\$ 255,823	41%	44%
Site Plan (Complex)	\$ 628,784	\$ 544,608	\$ 628,784	\$ 976,537	\$ 544,608	86%	159%
Draft Plan of Condominium	\$ 163,291	\$ 148,302	\$ 163,291	\$ 163,291	\$ 148,302	91%	289%
Minor Variance	\$ 4,994,854	\$ 4,994,854	\$ 4,994,854	\$ 4,994,854	\$ 737,770	15%	15%
Consent	\$ 304,701	\$ 304,701	\$ 304,701	\$ 304,701	\$ 131,490	43%	43%
Total	\$11,765,858	\$11,323,652	\$11,765,858	\$11,765,857	\$ 6,893,358	59%	93%

^A Calculated revenues include reductions to fees resulting from the submission of concurrent applications.

Maintaining the status quo fee structure for Committee of Adjustment applications will ensure that this service remains attainable and affordable for residents; however, it will result in a fee under-recovery of approximately \$4 million dollars.

CORPORATE IMPLICATIONS:

Financial Implications:

Based on the City recommended fees structures, the City is estimating revenues of \$6.9 million annually (using 2023 application volumes). The recommendation outlined in this report will result in potential revenue reduction of approximately \$4 million, predominately as a result of maintaining status quo fees for Committee of Adjustment applications.

Should Council approve the amendment of Schedule A to the Tariff of Fees By-law with respect to Planning and Other Municipal Applications By-law 85-96, staff will ensure the impact is included in a future budget submission and presented to the Mayor for his consideration.

Other Implications:

The recommended changes to maximum fees for variable rate applications will eliminate any legal risks related to appeals for application fees paid under process.

STRATEGIC FOCUS AREA:

This report and associated recommendations for the development application fees is consistent with the Strategic Focus Area of Government and Leadership. The recommendations will support the establishment of a fee structure that supports service excellence, balancing efficiency, transparency and effectiveness with equity and innovation.

CONCLUSION:

Staff, supported by the analysis completed by Watson, are recommending changes to the City's Tariff of Fees By-law for Development Applications that will result in moving the City towards full cost realization, reduce the financial burden on the tax base, and responds to industry and Council concerns. The modernized fee structure aligns with current Provincial policies and works to mitigate financial risks to the City while ensuring attracting development and investment is not cost-prohibitive.

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Attachments:

- Attachment A: Schedule A of City Fee By-law (By-Law Number 85-96 “To Establish a Tariff of Fees By-law with Respect to Planning and Other Municipal Applications”)
- Attachment B: Phase 1 Staff Report and Technical Memo
- Attachment C: Phase 2 Fee Report by Watson
- Attachment D: Flat Fee Municipal Benchmarking
- Attachment E: Variable Fee Municipal Benchmarking
- Attachment F: Committee of Adjustment Municipal Benchmarking