

Date: 2023-11-24

Subject: **Development Application Fee Review – Update (RM 37/2023)**

Contact: Michael Kralt, Strategic Leader, Project Management, Planning Building and Growth Management

Report Number: Planning, Bld & Growth Mgt-2023-981

Recommendations:

1. That the report from Michael Kralt, Strategic Leader, Project Management, Planning Building and Growth Management to the Planning and Development Committee Meeting of December 4, 2023 re: **Development Application Fee Review – Update**, be received;

Overview:

- In 2022, the City completed an Internal Audit of the City's User Fee program including the current user fees for development applications.
- The audit determined that user fees for development applications do not result in full cost-realization, and the City's rates are significantly lower compared to other municipalities, potentially losing \$2.3 million in user fee revenue annually.
- 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.
- On May 17, 2023, Council directed staff to explore the issue of capping per unit fees and report back before the end of 2023 in response to the Solmar/Hampton delegation to reduce the Zoning By-law application fee for 241 Queen Street East.
- In July 2023 Staff retained Watson & Associates Economists Ltd. to undertake the Development Fee Review in a two phased approach.

- **This report outlines the results of Phase 1 of the Development Fee Review and includes three Zoning By-law Amendment Application Fee structures for consideration.**
- **Phase 2 of the development fee review will include an assessment of all other in scope application fee types (Spring 2024).**

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 that the current user fees for development applications do not recover the costs incurred while processing applications. It also indicated that fees are significantly less when compared to other municipalities and estimated that the City may potentially be losing \$2.3 million in user fee revenue.

The audit report directed staff to evaluate the feasibility of raising 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.

In response to the audit, staff undertook a Development Application Fee Review to create a fee structure that:

- Increases user fee revenue,
- Moves the City towards full cost realization,
- Reduces financial burden on the tax base and;
- Mitigates potential revenue loss resulting from Bill 109, *More Homes for Everyone Act*, 2022 and Bill 23, *More Homes Built Faster Act*, 2023.

On May 17, 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. to undertake a review of the base fee and per unit fees (as applicable) associated with the following application types:

- Official Plan Amendment
- Zoning Bylaw Amendment
- Temporary Zoning Bylaw Amendment

- Lifting of Holding Provision
- Draft Plan of Subdivision
- Draft Plan of Condo
- Minor Variance
- Consent
- Site Plan
- Pre-Consultations

This report fulfills Council's direction to report back on the issue of capping per unit development fees before the end of 2023. Watson & Associates Economists are undertaking the work in two phases and their respective scope are as follows:

Phase 1 Scope (Complete)

- Examining the full costs to the City – including direct, indirect, and capital costs – of processing select planning applications
- Compile benchmarking data from municipal comparators and compare with the City's planning fees, and;
- Provide recommendations on the capping of fees for Zoning By-law Amendment applications.

Phase 2 Scope (Spring 2024)

- Analyze cost recovery levels supported by current fees and assess the impact of under-recovery on tax base; and
- Recommend fee adjustments and fee structure changes with regard for municipal best practices.

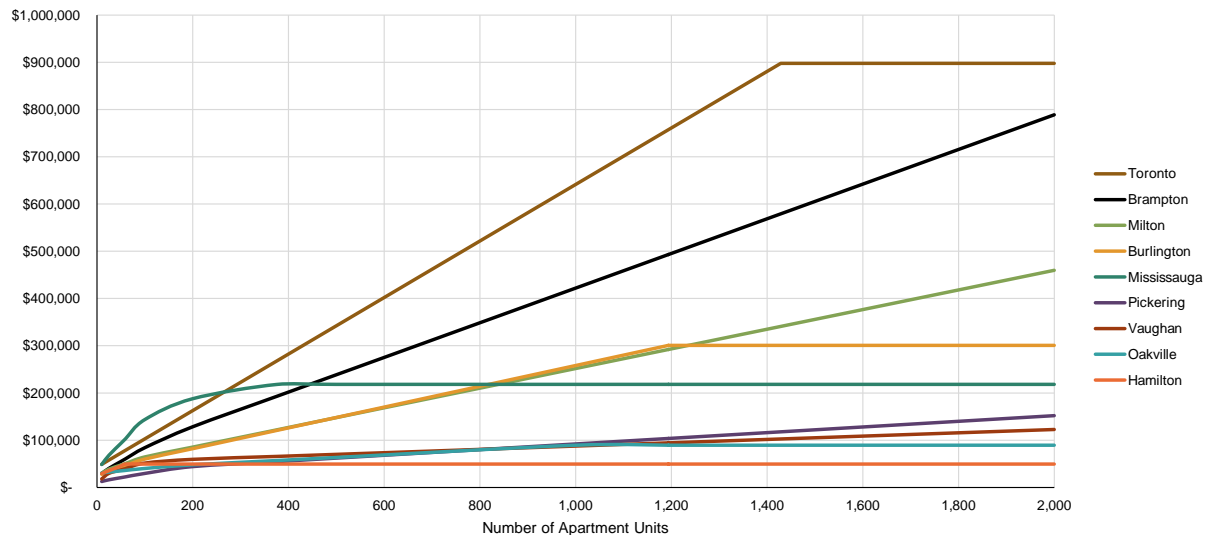
This report outlines the Phase 1 findings and Zoning By-law Fee options for Council's consideration. The complete Phase 1 report from Watson is attached as Attachment 2.

Current Situation:

Benchmarking

Benchmarking of Zoning By-law Application fees was performed to understand how Brampton's current rate structure compares to other GTHA municipalities. This exercise confirmed that with respect to Zoning By-law Application Fees, Brampton is among the highest among comparators (See figure 1). This is largely due to the variable per unit charge that is currently applied to residential applications.

Figure 1: Total Zoning By-law Amendment Application Fees for Residential Apartment Development



Activity Based Costing Exercise

To shift the City's development application fee structure toward full cost recovery as envisioned by the User Fee Audit, an activity-based costing exercise was performed 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. This costing exercise is important, as the Planning Act requires development fees to be limited to the anticipated costs of processing each application type. Establishing the underlying cost to process an application enables the establishment of fees that are tied to actual costs, ultimately making fees less susceptible to challenge.

In addition to determining the cost by application type, analysis was also undertaken to determine the cost difference between simple/small (Greenfield residential development of approximately 160 units) and complex/large applications (Large multi-story residential apartment with 1,500 units in an infill setting, with ground floor commercial). This allows the City to potentially take a more targeted approach to development application fees, taking into account the effort required to process both simple and complex applications. For Zoning By-Law Amendment applications, it was identified that complex/large applications required approximately 56% more effort than simple/small applications.

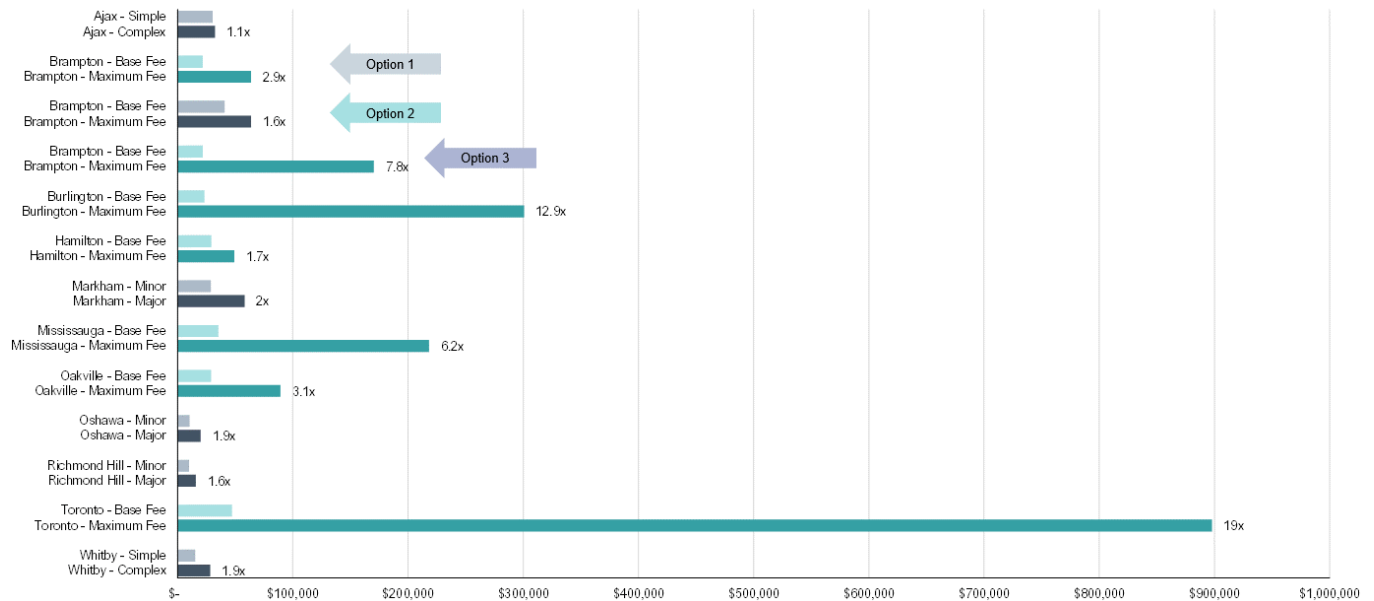
Options

Following the benchmarking and costing analysis, three fee structure options were identified for consideration. The options include:

Option	Fee	Considerations
1. Current Fee Structure with Reduced Maximum Fee	Base Fee: \$21,922 Residential Variable Fee: \$367 to \$1,500 per unit depending on application type & number of units. Non-Residential Variable Fee: \$15,045 per net hectare Max Fee: \$63,796.	<ul style="list-style-type: none"> • Maintains existing per unit fee structure but includes a max fee. • Option does not provide full cost recovery and little variability.
2. Flat Fees by Application Type	Simple/Minor: \$40,858 Complex/Major: \$63,796	<ul style="list-style-type: none"> • Simplest option • Option most closely reflects results from costing analysis. • Complexity (not unit count) is largest driver of cost.
3. Simplified Rate Structure and Reduced Maximum Fee	Base Fee: \$21,992 Residential Variable Fee: \$114 per unit Non-Residential Variable Fee: \$2,887 per net hectare Max Fee: \$170,269	<ul style="list-style-type: none"> • Under recovery occurs for applications with ≤ 167 residential units or ≤ 6.56 net hectares of non-residential development • Over recovery occurs at 1,302 residential units or 51.38 net hectares if non-residential development. • Maximum fee is higher because revenues from larger applications make up under-recovery on smaller applications.

The chart below depicts how the three Zoning By-law Amendment Fee options compares with municipal benchmarks.

Figure 2: Zoning By-law Amendment Application Fees – Minimums and Maximums



Corporate Implications:

Financial Implications:

There are no direct financial implications associated with this report. Staff will report back to Council in Spring 2024 with a comprehensive list of application fees and the recommended fee adjustments for all in-scope applications for Council approval.

Other Implications:

Legal Implications – The City has received two appeals on development application fees in 2023. When completed, the development fee work outlined in this report ensures that development fees will be defensible and less susceptible to challenges in the future.

Strategic Focus Area:

This report focuses on the Strategic Focus Area of Government & Leadership, ensuring that service costs are understood, and appropriate fee structures are put in place to move the development application review process toward full cost recovery and less reliance on tax-based funding.

Conclusion:

This report provides a summary of Phase 1 of the Development Application Fee Review. It fulfills Council direction to investigate the reduction of Zoning By-law

Application Fees and report back before the end of 2023, and includes three Zoning By-Law Amendment Application fee structure options for consideration.

Completion of Phase 2 of the Development Application Fee Review in spring 2024 will complete the response to the User Fee Audit with respect to Development Fees. This review will include the full cost of processing the remaining application types within the scope of the project and recommended fee adjustments. Phase 2 will further analyze and will also take into consideration:

- Any potential efficiencies that may result from concurrent processing Zoning By-law Amendment, Official Plan Amendment or Draft Plan of Subdivisions.
- Impacts of an enhanced two-stage pre-consultation process, which was approved by Council but appealed to the Ontario Land Tribunal (OLT), to mitigate possible costs associated with Bill 109 timeline requirements.

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Attachments:

- Attachment 1 – Planning Application Fees Review – Presentation
- Attachment 2 – Brampton Planning Application Fees Review – Phase 1 Report