

# Memorandum

<b>To</b>	Steve Ganesh, Commissioner of Planning, Building & Growth Management
<b>From</b>	Peter Simcisko, Managing Partner
<b>Date</b>	November 24, 2023
<b>Re:</b>	City of Brampton Development Application Fees Review – Phase 1 Report

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## 1. Introduction

The City of Brampton (City) retained Watson & Associates Economists Ltd. (Watson) to undertake a review of the City's development application fees, and to make recommendations to provide for reasonable full cost recovery. The review is being undertaken in two phases, with the scope of each phase summarized below.

### Phase 1

- Examine 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

- 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.

The specific development applications that are included in the scope of this review include the following:

- Official Plan Amendment applications;
- Zoning By-law Amendment applications, including Temporary use By-law and the Lifting of a Holding provision applications;
- Draft Plan of Subdivision applications;
- Draft Plan of Condominium applications;



- Site Plan applications;
- Pre-Consultation applications;
- Minor Variance applications; and
- Consent applications.

This memorandum details the work completed as part of Phase 1 of the assignment, and ultimately presents several options related to the fee structure and capping of fees in respect of Zoning By-law Amendment applications.

## 2. Legislative Context for Planning Application Fees

The context for the scope of this planning application fees review is framed by the statutory authority available to the City to recover the costs of service. The statutory authority that must be considered is the *Planning Act* which governs the imposition of fees for recovery of the anticipated costs of processing planning applications. The following summarizes the provisions of the statute as they pertain to fees.

### 2.1 Planning Act, 1990

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Section 69 of the *Planning Act* allows municipalities to impose fees through by-law for the purposes of processing planning applications. In determining the associated fees, the 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 cost 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.”

Section 69 establishes many cost recovery requirements that municipalities must consider when undertaking a full cost recovery fee design study. The Act specifies that municipalities may impose fees through by-law and that the anticipated costs of such fees must be cost justified by application type as defined in the tariff of fees (e.g. subdivision, zoning by-law amendment, etc.). Given the cost justification requirements by application type, this would suggest that cross-subsidization of planning fee revenues across application types is not permissible. For instance, if site plan application fees were set at levels below full cost recovery for policy purposes, this discount could not be funded by subdivision application fees set at levels higher than full cost recovery. Our interpretation of section 69 is that any fee discount must be funded from other general revenue sources such as property taxes. In comparison to the cost justification requirements of the *Building Code Act*, where the justification point is set at the aggregate level of the Act, the requirements of the *Planning Act* are more stringent in this regard.



The legislation further indicates that the fees may be designed to recover the “anticipated cost” of processing each type of application, reflecting the estimated costs of processing activities for an application type. This reference to anticipated costs represents a further costing requirement for a municipality. It is noted that the statutory requirement is not the actual processing costs related to any one specific application. As such, actual time docketing of staff processing effort against application categories or specific applications does not appear to be a requirement of the Act for compliance purposes. As such, our methodology, which is based on staff estimates of application processing effort, meets the requirements of the Act and is in our opinion a reasonable approach in determining anticipated costs.

The Act does not specifically define the scope of eligible processing activities and there are no explicit restrictions to direct costs as previously witnessed in other statutes. Moreover, amendments to the fee provisions of the *Municipal Act* and the *Building Code Act* have provided for broader recognition of indirect costs. Acknowledging that staff effort from multiple departments is involved in processing planning applications, it is our opinion that such fees may include direct costs, capital-related costs, support function costs directly related to the service provided, and general corporate overhead costs apportioned to the service provided.

The payment of *Planning Act* fees can be made under protest with appeal to the Ontario Land Tribunal (OLT), previously known as the Ontario Municipal Board, if the applicant believes the fees were inappropriately charged or are unreasonable. The OLT will hear such an appeal and determine if the appeal should be dismissed or direct the municipality to refund payment in such amount as determined. These provisions confirm that fees imposed under the *Planning Act* are always susceptible to appeal. Unlike other fees and charges (e.g. development charges) there is no legislated appeal period related to the timing of by-law passage, mandatory review period, or public process requirements.

### 3. Activity-Based Costing

#### 3.1 Methodology

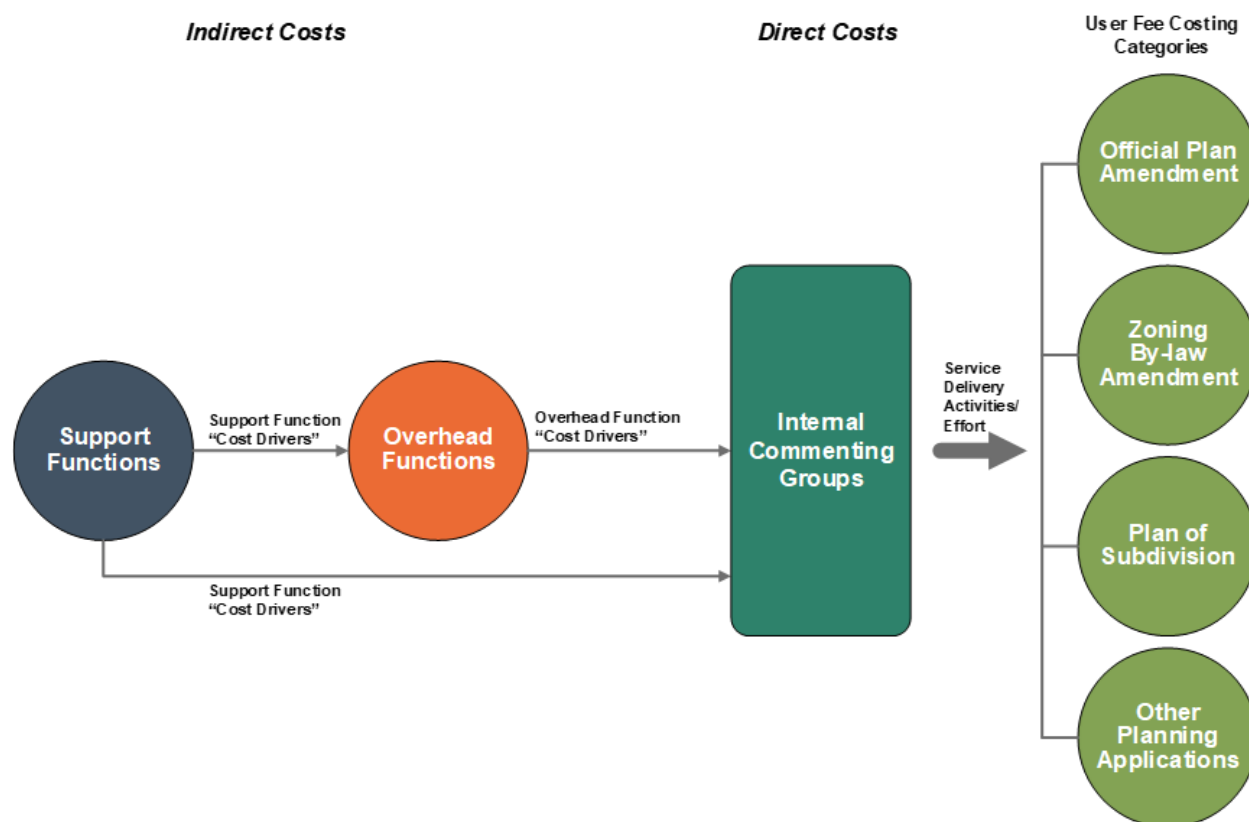
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An activity-based costing (A.B.C.) methodology, as it pertains to municipal governments, assigns an organization's resource costs through activities to the services provided to the public. One of the service channels provided by municipalities is the planning application review process. Conventional municipal accounting structures are typically not well suited to the costing challenges associated with planning application processing activities, as these accounting structures are business unit focused and thereby inadequate for fully costing services with involvement from multiple business units. An A.B.C. approach better identifies the costs associated with the processing activities for specific application types and thus is an ideal method for determining full cost recovery planning application fees.



As illustrated in Figure 1, an A.B.C. methodology attributes processing effort and associated costs from all participating municipal business units to the appropriate planning application service categories. The resource costs attributed to processing activities and application categories include direct operating costs, indirect support costs, and capital costs. Indirect support function and corporate overhead costs are allocated to direct business units according to operational cost drivers (e.g., human resource costs allocated based on the relative share of full-time equivalent positions). Once support costs have been allocated amongst direct business units, the accumulated costs (i.e., indirect, direct, and capital costs) are then distributed across the various planning application service categories and other non-planning services offered by the City, based on the business unit's direct involvement in planning application review process activities. The assessment of each business unit's direct involvement in planning application review process activities is accomplished by tracking the relative shares of staff processing effort across each planning application category's sequence of process steps. The results of employing this costing methodology provide municipalities with a better recognition of the costs incurred in delivering planning review processes, as it acknowledges not only the direct costs of resources deployed but also the operating and capital support required by those resources to provide services.

Figure 1  
Activity-Based Costing Conceptual Cost Flow Diagram





### 3.2 Application Processing Effort Cost Allocation

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To capture each participating City staff member's relative level of effort in processing planning applications, process map templates were prepared for each of the costing categories identified in Section 1. These process map templates outline the process steps undertaken for each planning application costing category. These process maps were developed based on the City's existing processes as documented in the City's standard operating procedures and in the "Future State Report - Committee of Adjustment End-to-End Process Review" prepared by Dillon Consulting in partnership with Performance Concepts Consulting Inc. The process templates were subsequently reviewed and refined through several workshops with City staff from the Development Services group.

Following the development of the process maps, over a dozen workshops were held with each City business unit that contained staff who are directly involved in the processing of planning applications. Through these workshops, initial time effort estimates were developed.

The effort estimates received were applied against average annual application volumes to assess the average annual processing time per position spent on each planning application category. Annual processing effort per staff position was measured against available processing capacity to determine overall service levels. The results of the initial capacity analysis were reviewed with City staff. Effort estimates were subsequently refined to better reflect current staff utilization levels and to ensure reasonableness of the capacity utilization results. These refinements provided for the recognition of efforts within the planning application review processes ancillary to direct processing tasks, i.e., application oversight activities by departmental management. It is noted that the effort estimates captured through this exercise are reflective of the City's current processing activities and current application characteristics.

### 3.3 Direct Costs

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The following City business units are directly involved in processing the development applications included in the review:

- Development Services
- Urban Design
- Planning, Building & Growth Management Special Projects
- Plans & Permits
- Zoning & Sign By-law
- Standards & Training
- Development Engineering
- Environment
- Policy, Programs & Implementation
- Transportation Planning
- Roads Maintenance, Operations & Fleet
- Capital Works
- Transit Development
- City Clerk's Office
- Litigation and Municipal Law



- Digital Innovation and IT
- Finance
- Parks Maintenance & Forestry
- Office of the CAO

Based on the results of the resource capacity analysis, the proportionate share of each position's direct costs was allocated to the respective planning application categories. The City's 2023 Operating Budget was used to generate the direct cost allocations within the model, including cost components such as:

- Advertising, Marketing & Promotion;
- Contracted Services;
- Financial Services;
- Office and Administrative;
- Professional Services;
- Rent and Lease Charges;
- Repairs, Maintenance and Materials;
- Salary, Wages and Benefits;
- Staff Development; and
- Utilities and Fuel

### 3.4 Indirect Costs

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An A.B.C. review includes not only the direct cost of providing service activities but also the indirect support costs that allow direct service business units to perform these functions. The method of allocation employed in this analysis is referred to as a step costing approach. Under this approach, support function and general corporate overhead functions are classified separate from direct service delivery departments. These indirect cost functions are then allocated to direct service delivery departments based on a set of cost drivers, which subsequently flow to the costing categories according to staff effort estimates.

Cost drivers are units of service that best represent the consumption patterns of indirect support and corporate overhead services by direct service delivery departments or business units. As such, the relative share of a cost driver (unit of service consumed) for a direct department determines the relative share of support/corporate overhead costs attributed to that direct service department. An example of a cost driver commonly used to allocate human resource support costs would be a department or business unit's share of full-time equivalent positions. Cost drivers are used for allocation purposes acknowledging that these business units do not typically participate directly in the delivery of services, but that their efforts facilitate services being provided by the City's direct business units.

Table 1 summarizes the support and corporate overhead functions included in the calculations and the cost drivers assigned to each function for cost allocation purposes. The indirect support and corporate overhead cost drivers used in the fees model reflect generally accepted practices within the municipal sector.



Table 1  
Indirect Support and Corporate Overhead Functions and Cost Drivers

Sub-branch Cost Centres	Cost Driver(s)
Service Brampton	Budget
Corporate Support Services	Budget
Finance	Budget Operating Distribution Lines Processed
Organizational Performance & EDI	Budget
Strategic Communications	Budget
City Clerk's Office	Budget
Insurance & Risk Management	Budget
Legal Services	Budget
Mayor	Budget
Council Costs Other	Budget
Members of Council	Budget
Office of the CAO	Budget
Human Resources	Full-time Equivalents
Information Technology	Full-time Equivalents
Facilities Maintenance	Gross Floor Area Occupied
Facilities Services & Operations	Gross Floor Area Occupied
Transit Operations	Gross Floor Area Occupied
Fleet Services	Vehicle Replacement Cost

### 3.5 Capital Costs

Estimated annual lifecycle costs of assets commonly utilized to provide direct business unit services have been included in the full cost assessment. The annual lifecycle costs were estimated based on the replacement cost of the assets and estimated asset useful life or annual reinvestment rate suggested in the Canadian Infrastructure Report Card<sup>1</sup>. These lifecycle costs are then allocated across all development application categories based on the capacity utilization of direct business units.

Annual lifecycle capital costs for the following types of assets were calculated:

- City Hall facility space utilized: Based on the gross floor area (G.F.A.) occupied by the business unit at a replacement value of \$410 per square foot and annual reinvestment rate of 2.1%;
- Flower City Community Campus Site 1 facility space utilized: Based on the G.F.A. occupied by the business unit at a replacement value of \$373 per square foot and annual reinvestment rate of 2.1%;

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<sup>1</sup> Informing the Future: The Canadian Infrastructure Report Card, 2016  
([https://www.pppcouncil.ca/web/pdf/infra\\_report\\_card\\_2016.pdf](https://www.pppcouncil.ca/web/pdf/infra_report_card_2016.pdf))





- Flower City Community Campus Site 2 facility space utilized: Based on the G.F.A. occupied by the business unit at a replacement value of \$419 per square foot and annual reinvestment rate of 2.1%;
- Clark Transit facility space utilized: Based on the G.F.A. occupied by the business unit at a replacement value of \$315 per square foot and annual reinvestment rate of 2.1%;
- Sandalwood Transit facility space utilized: Based on the G.F.A. occupied by the business unit at a replacement value of \$275 per square foot and annual reinvestment rate of 2.1%;
- Williams Parkway Operations Centre facility space utilized: Based on the G.F.A. occupied by the business unit at a replacement value of \$477 per square foot and annual reinvestment rate of 2.1%;
- West Tower facility space utilized: Based on the G.F.A. occupied by the business unit at a replacement value of \$410 per square foot and annual reinvestment rate of 2.1%; and
- Vehicles utilized: Based on the replacement values of vehicles attributable to each business unit and a useful life of nine years.

## 4. Zoning By-law Amendment Applications

### 4.1 Effort Variability

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One of the key aspects of Phase 1 of this review was an examination of the level of variability in processing effort related to Zoning By-law Amendment applications. To evaluate this, processing effort estimates were developed for two types of Zoning By-law Amendment applications: a simple/small-scale and a complex/large-scale application. The simple/small-scale application represents the simplest type of application that the City would expect to receive and represents the minimum level of effort that would be associated with processing a Zoning By-law Amendment application. Conversely, the complex/large-scale type represents the maximum level of effort that would be associated with processing a Zoning By-law Amendment application. Based on discussions with City staff, for the purposes of processing effort estimation these two types of Zoning By-law Amendment applications were defined using the following characteristics:

- Simple/Small-scale: Greenfield residential development of approximately 160 units; and
- Complex/Large-scale: Large, multi-storey residential apartment with approximately 1,500 units in an infill setting, with ground floor commercial development.

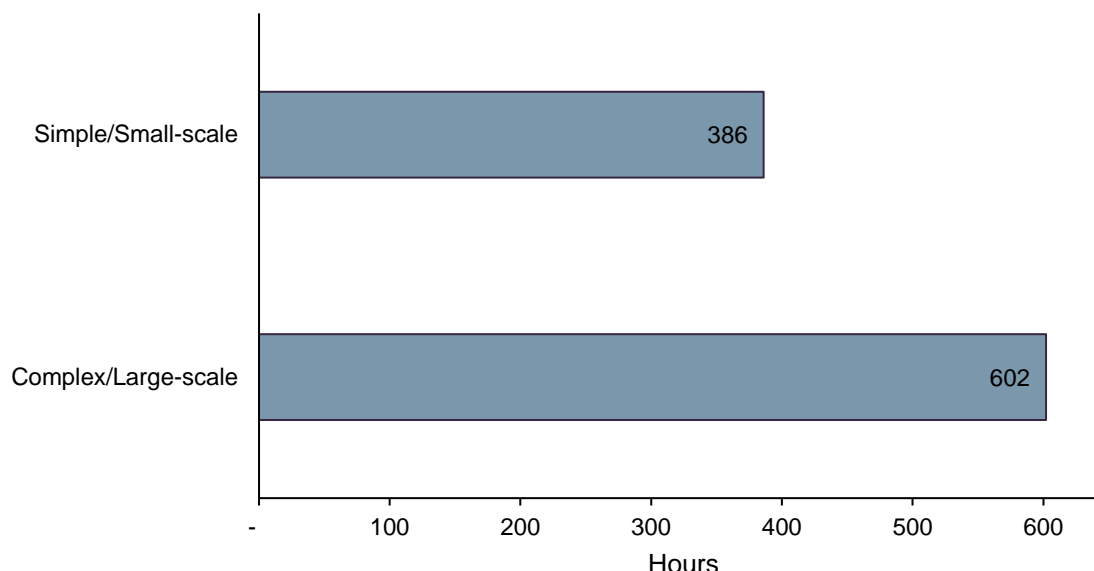
The results of the effort estimation exercise for the two types of Zoning By-law Amendment applications are summarized in Figure 2. As illustrated, the complex





applications require approximately 56% more processing effort than their simple counterparts.

Figure 2  
Zoning By-law Amendment Application Processing Effort Variability



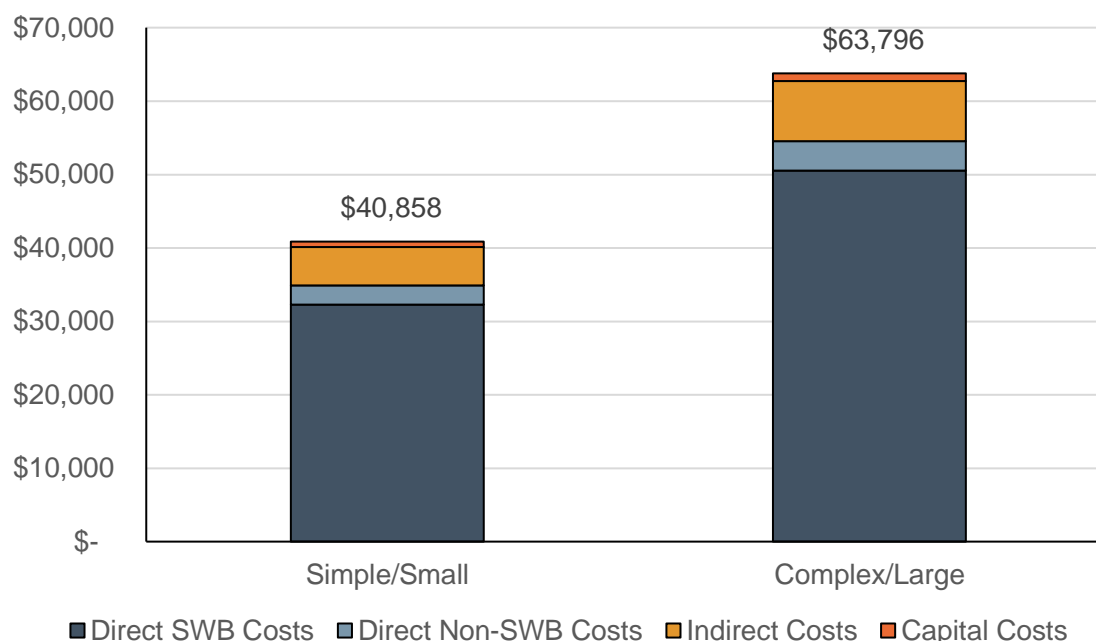
## 4.2 Costing Results

The results of the costing exercise are presented in Figure 3. As depicted, the full cost of processing a simple/small-scale Zoning By-law Amendment application is approximately \$40,900. The full cost of processing a complex/large-scale Zoning By-law Amendment application is approximately \$63,800. Consistent with the processing effort variation presented in section 4.1, the full cost of processing complex applications is approximately 56% greater than that of simple applications. The relative share of total costs for each cost component is as follows:

- Direct salary, wage, and benefits (S.W.B.) costs: 79%
- Direct non-S.W.B. costs: 6%
- Indirect costs: 13%
- Capital costs: 2%



Figure 3  
Zoning By-law Amendment Full Processing Costs by Type



### 4.3 Municipal Benchmarking

As part of this review, a benchmarking exercise was completed to provide context of the City's current and proposed development application fees (including per unit fees, GFA fees and cap fees) compared to other municipalities. The benchmarking exercise included single/lower tier municipalities throughout the Greater Toronto and Hamilton Area with a population of approximately 100,000 or more<sup>1</sup>. The results of this survey as it relates to Zoning By-law Amendment application fees are presented in Table 2 and are summarized below:

- Five municipalities (38% of those surveyed) impose a flat fee, differentiated by simple/complex or major/minor;
- Seven municipalities (54% of those surveyed) impose a base fee plus a variable fee;
- One municipality imposes a flat fee for simple applications, and a base plus variable fee for all other applications; and
- Of the eight municipalities that impose a variable fee, five impose a cap (maximum fee payable).

<sup>1</sup> The survey currently does not include the Municipality of Clarington.



Table 2  
Fee Structures Utilized for Zoning By-law Amendment Applications

Municipality	Flat Fee - Simple/Complex or Minor/Major	Base fee + variable fee	Maximum
Ajax	x		
Burlington		x <sup>D</sup>	x
Hamilton		x	x
Markham	x		
Milton		x	
Mississauga		x	x
Oakville		x	x <sup>A</sup>
Oshawa	x		
Pickering	x <sup>B</sup>	x <sup>C</sup>	
Richmond Hill	x		
Toronto		x	x
Vaughan		x	
Whitby	x		

<sup>A</sup> Maximum is only imposed on residential units.

<sup>B</sup> Pickering imposes a flat fee on "simple" zoning by-law amendment applications.

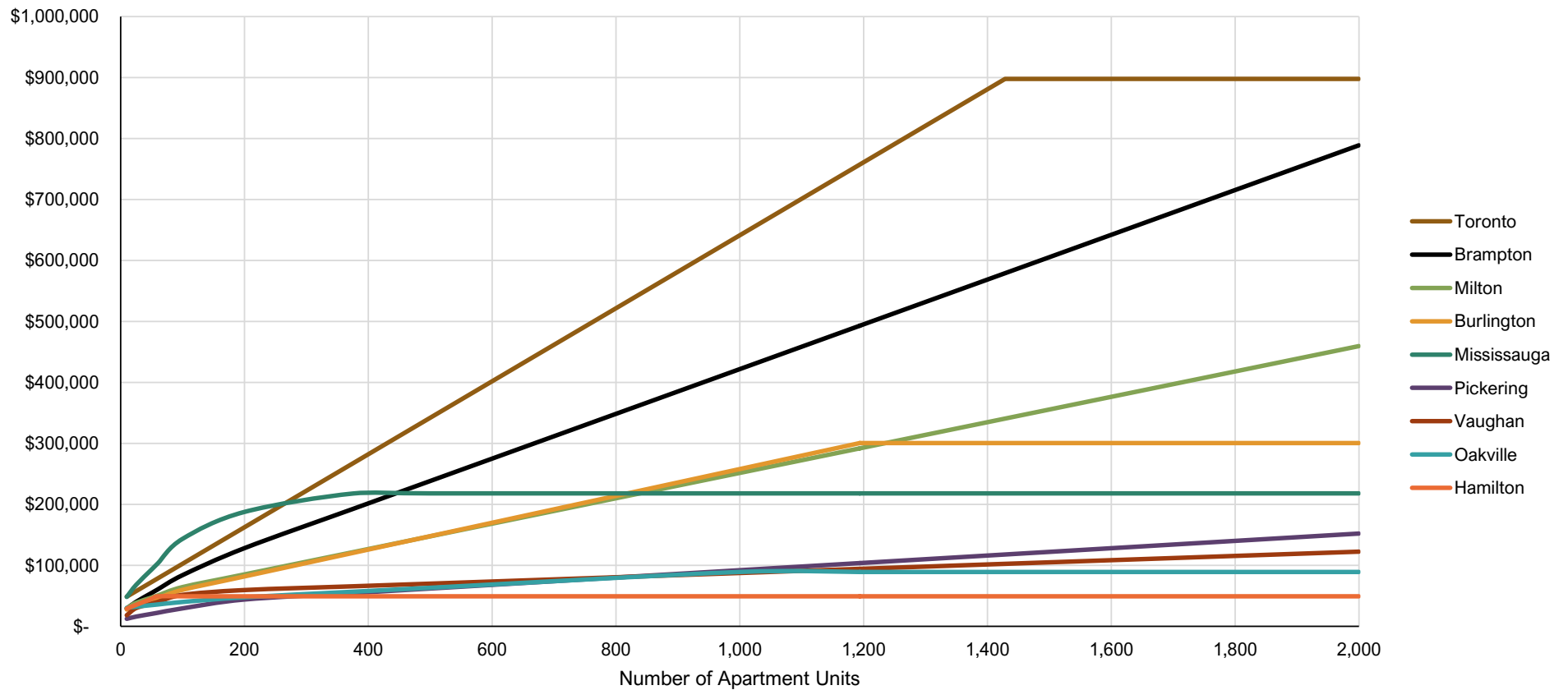
<sup>C</sup> Pickering imposes a base fee in combination with a variable fee on "complex" zoning by-law amendment applications.

<sup>D</sup> Burlington imposes different base fees and variable fees depending on the complexity of the ZBA application

Figure 4 presents the total Zoning By-law Amendment application fees for residential apartment developments of varying size, in all surveyed municipalities that impose application fees with a variable component. Based on the current fee structure and quantum, the City would be among the top two or three of the surveyed municipalities, depending on the number of apartment units. This is a result of both the relatively high variable (per unit) fees and due to the relatively high maximum fee the City currently imposes, as only the City of Toronto has a higher maximum fee.



Figure 4  
Total Zoning By-law Amendment Application Fees for Residential Apartment Development





## 4.4 Fee Structure Recommendations

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As previously identified, the key output resulting from Phase 1 of the work plan is regarding the potential capping of fees related to Zoning By-law Amendment applications. To this end, three fee structure options have been prepared for the City's consideration, as detailed below.

### Option 1: Current Fee Structure with Reduced Maximum Fee

The first option was designed to maintain the City's existing fee quantum and structure while reducing the maximum fee charged.

### Option 2: Flat Fee Structure Differentiated by Application Complexity

The second option provides an alternative fee structure, with flat fees imposed based on application complexity.

Based on discussions with the City's staff, it was identified that the size of a development (as measured by the number of residential units or net hectares of non-residential development) is not a good indicator of the effort required to process a Zoning By-law Amendment application. A more significant driver of effort was noted to be application complexity, which is mainly influenced by factors including location (greenfield vs. infill), presence of mixed uses, etc.

It is noted that in order for the City to implement this option, definitions would need to be developed to clearly distinguish between Simple and Complex applications.

### Option 3: Simplified Fee Structure with Reduced Maximum Fee

The third option provides a simplified version of City's current fee structure. This option maintains the City's existing base fee and replaces the declining per unit fee with a constant per unit fee. Additionally, the non-residential variable fee and maximum fee would both be reduced from current levels.

Table 3 presents the recommended fees for each of the three options identified above, with additional commentary provided below.

Under Option 1, the maximum fee of \$63,796 would be reached by applications that consisted of 65 apartment units, 28 non-apartment units, or 2.77 net hectares of non-residential development. It is noted that under Option 1, full cost recovery would not be achieved on applications consisting of less than or equal to 26 apartment units, 12 non-apartment units, or 1.25 net hectares of non-residential development.

The fees presented under Option 2 would provide for full cost recovery aligned with processing effort intensity by application complexity.



Under Option 3, the maximum fee of \$170,269 would be reached by applications that consisted of 1,302 residential units or 51.38 net hectares of non-residential development. Full cost recovery would not be achieved on applications consisting of less than or equal to 167 residential units or 6.56 net hectares of non-residential development, however, this under-recovery of costs would be compensated by applications with higher unit counts and/or larger amount of non-residential development.

Table 3  
Zoning By-law Amendment Application Fee Options

Option	Fee	Maximum Fee
Option 1: Current Fee Structure with Reduced Maximum Fee	Base: \$21,922	\$ 63,796
	Per Apartment Units:	
	1-25: \$ 730	
	26-100: \$ 584	
	101-201: \$ 443	
	200+: \$ 367	
	Per Other Unit: \$ 1,500	
Option 2: Flat Fee Structure Differentiated by Application	Per net Ha: \$15,045	
	Simple: \$40,858	
	Complex: \$63,796	
Option 3: Simplified Fee Structure with Reduced Maximum Fee	Base: \$21,922	\$ 170,269
	Per Unit: \$ 114	
	Per net Ha: \$ 2,887	

Figure 5 presents the ratio of minimum and maximum Zoning By-law Amendment application fees for the three recommended options as well as for municipalities from the benchmarking survey that impose a maximum fee or charge a flat fee differentiated by application type. The bars in the teal colours represent the municipalities that impose a base plus variable fee structure and have a maximum fee, while the bars in blue represent flat fees that are charged based on application type. In either case, the maximum/larger fee is compared to the base/smaller fee and the calculated multiple is highlighted.

Implementing either Option 1 or Option 2 would result in a maximum-to-minimum ratio of 2.9 and 1.6, respectively. Either option would result in the City's fee structure aligning with the median multiple of 2.0 witnessed amongst the municipalities included in the survey. Implementing Option 3 would increase the maximum-to-minimum ratio of

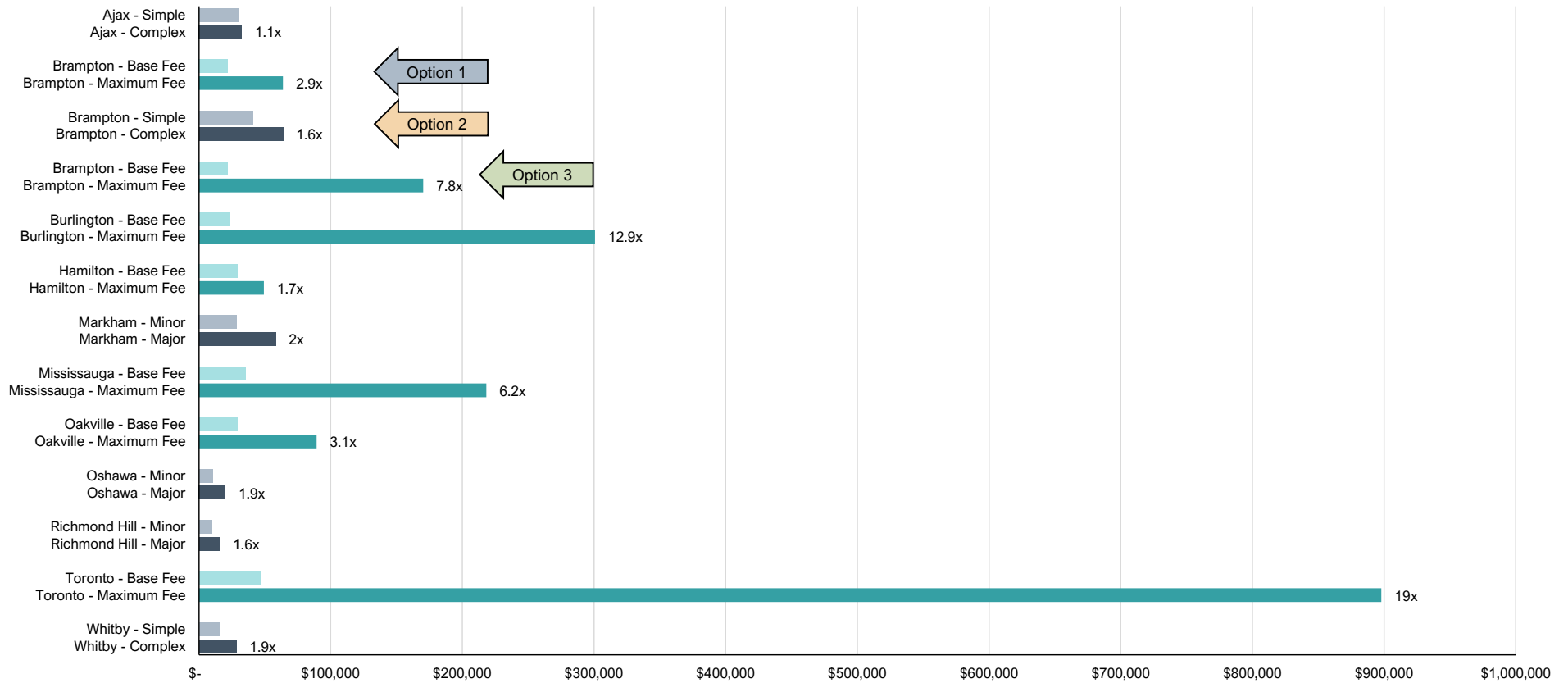


7.8, which would still be below the multiples witnessed in the City of Burlington (12.9) and the City of Toronto (19.0).





Figure 5  
Zoning By-law Amendment Application Fee Minimums & Maximums





## 5. Next Steps

Phase 2 of the assignment includes reviewing the full cost of processing all planning applications within the scope of this review (as identified in Chapter 1). Based upon this assessment, recommended fee adjustments for all aforementioned planning applications will be made.

This forthcoming review will examine several additional items that may impact the cost of processing Zoning By-law Amendment applications identified herein, including:

- Any potential processing efficiencies that may result from processing Zoning By-law Amendment, Official Plan Amendment, or Draft Plan of Subdivision applications concurrently; and
- The impacts of the enhanced two-stage pre-consultation process that was recently implemented by the City.

It is currently anticipated that Phase 2 will be completed in the first quarter of 2024, with a final report and presentation to Council occurring in March 2024.