



REPORT FOR INFORMATION

Development Application Review Fee Update - Supplementary Report

Date: November 14, 2016

To: Planning and Growth Management Committee

From: Chief Planner and Executive Director, City Planning Division

Wards: All

SUMMARY

This information report responds to the request from the October 26, 2016 Executive Committee meeting to report to the November 16, 2016, Planning and Growth Management Committee on specific matters related to the Development Application Review Fee Update.

DECISION HISTORY

At its meeting on October 26, 2016, Executive Committee considered a report from the Chief Planner and Executive Director, City Planning on the Development Application Review Fee Update. At this meeting, Executive Committee requested that the Chief Planner and Executive Director, City Planning report to the November 16, 2016 meeting of Planning and Growth Management Committee on the following:

- With a comparison of the current and proposed fees in comparison to other municipalities in Ontario, as in Appendix 5 to the report (October 13, 2016) from the Chief Planner and Executive Director, City Planning, but excluding development charges from the totals;
- On how the additional revenue will be allocated between City divisions;
- On how the additional revenue increase will impact staffing levels; and
- On service level improvements the additional revenue will provide.

The minutes of the Executive Committee Meeting for Item EX18.14 can be found at:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX18.14>

COMMENTS

Development Application Review Fee Update

The City's User Fee Policy requires that a comprehensive review of fees be conducted every 4 years. http://insideto.toronto.ca/accounting_services/fcm/pdf/user_fee_policy.pdf

The 2015 Development Application Fee Review included the following:

- Updating Planning application costing categories, process maps and staff complement participating in the development review process;
- Updating direct, indirect and capital costs;
- Updating the Planning application fee structure; and
- Measuring and reporting on the financial impacts of the proposed cost recovery - fee structure.

This work revealed that the City's cost to provide the development application review service is approximately \$50 million and that the current Planning application fees are bringing in \$36 million in revenue. With the exception of approximately \$2 million for the processing of the Section 37 components of Planning applications that are not being recovered at this time, the City has a revenue shortfall of \$12 million.

Currently, the cost to deliver the service does not match the revenue that is currently being collecting from Planning application fees. Consequently, the \$12 million shortfall is being covered by the tax base. If the new fee structure is approved and the Planning application fee increase implemented, the \$12 million shortfall will be covered by revenue received through Planning application fees and will relieve the tax base from that pressure.

Increase in Costs

The increase in costs to process Planning applications is a result of the following:

- Staff involved in development review increased with the addition of the Energy & Environment Division and the Economic Development Culture & Tourism Division and the addition of 3 new Business Units in existing Divisions including Toronto Building - Plan Review, Transportation Services - Traffic Operations and Legal Services - Real Estate Law. The overall staff compliment involved in some capacity in development review increased by 185 to 846. The increase in time spent, or capacity utilization of the 185 staff is equal to 42 additional Full Time Equivalent (FTE) staff positions. Engineering & Construction Services, Toronto Building and Legal Services all experienced the highest increases in FTE's;

- Increase in indirect costs: more staff are involved requiring more overhead, and a new model has been implemented to calculate indirect costs;
- New process steps were added to the cost model to capture legislative changes and to respond to City priorities: Complete Application, Gold Star service for ICI projects, Toronto Green Standards etc.; and
- Complexity of applications: larger applications (more GFA), more infill developments, environmental issues are increasing, complex land conveyance requiring input from Real Estate Law.

Fee Review Objective

The Development Application Fee Review was conducted in accordance with the User Fee Policy to determine the current cost to deliver the development application review service, from submission of the application through decision on approval at current performance levels. This information was used to determine if the current Planning application fee for typical application types covered the cost to provide the development review service. As the intent of the review exercise was to confirm that the Planning application fee is accurate today, it did not take into account projected staffing levels required to exceed performance standards.

Increase in Staff Complement to address Performance

By updating the full cost model with the development application review results, the City has established a baseline of the costs to deliver the development application review service at today's performance levels. Changes to improve performance levels, other than process improvements, would require adding more staff to the model which would result in a subsequent increase in Planning application fees.

Future increases in staffing levels approved through the budget that are funded from the tax base will be added to the full cost model at year end, as an annual change in service level or at a later time, as part of the next 4 year review. This would result in a Planning application fee increase and would offset the burden on the City's tax base.

Development Application Review Service Full Cost Recovery

Setting Planning application fees to fully recover current processing costs provides the City with a source of funding for this service separate from the tax base. It allows the flexibility to secure additional staff if average application volumes and complexity increase beyond current staff complement capabilities.

In response to the request from the October 26, 2016 Executive Committee meeting to report to the November 16, 2016, Planning and Growth Management Committee on a number of matters, the following information is provided.

Municipal Comparisons of Current and Proposed Fees

Appendix 1 to this report includes 4 different development scenarios with two tables in each, which illustrate the current and proposed fees in comparison to other municipalities in Ontario. The first table of each set shows Planning and Building Permit fees and the second table shows Planning fees only.

Allocation of Additional Revenue

Table 2, page 8 of the October 13th, 2016 report provides the detailed breakdown of divisional costs to provide development application review services together with the revenue distribution percentage by division.

Additional Revenue Increase and Staffing Levels

The additional revenue is intended to recover the cost to provide the current development application review service. As such, it will have no direct impact on staffing levels.

Service Level Improvements

The additional revenue is intended to recover the cost to provide the current development application review services. Through the Developing Toronto Steering Committee, City staff will continue to seek efficiencies and process improvements and will work collaboratively with BILD to implement them.

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SIGNATURE

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ATTACHMENTS

Appendix 1 - Fee Impact & Municipal Comparisons