

Development Application Fee Review

Date: May 13, 2022

To: Planning and Housing Committee

From: Deputy City Manager, Infrastructure and Development Services and Chief of Staff, City Manager's Office

Wards: All

SUMMARY

In accordance with the City's User Fee Policy, City staff (with consulting support from Watson & Associates Economists) undertook the Development Application Fee Review 2021 (the 2021 Review).

Municipal Code Chapter 441, Fees and Charges, Appendix C, Schedule 13 sets out the City's fees for processing development applications. Fees are intended to recover the cost of services provided by all divisions engaged in development review. The current development application fee schedule came into effect on January 1, 2017 as a result of the Development Application Fee Review 2016 (the 2016 Review), and is based on application volume data for three years from 2012 to 2014.

Following a methodology adopted by Council in 2006, the City regularly evaluates the assumptions upon which the user fee is based and considers the City's degree of compliance with the User Fee Policy. The methodology relies on an activity-based costing model, structured as a series of application-specific process maps, to determine staff level of effort in the processing of development applications. The 2021 Review follows this methodology and is based on application volume data from January 1, 2017 to December 31, 2020.

The 2021 Review reflects ongoing organizational and transformational change to the development review process since the 2016 Review was adopted by Council. Changes in staff complement, team structure, staff roles and titles, and minor changes to process maps between 2016 and 2021 accurately capture current state service costs. Additionally, adjustments to enable cost recovery for the majority of the Concept 2 Keys Office's operational costs are included, to support the continued roll-out of a new operating model in 2022-2023. Changes in development trends over the 2017-2020 period, including the increasing size and complexity of development applications, are also reflected in this review. A new development application fee schedule (Attachment

1) includes new fee categories, reflects the removal of a number of existing categories and provides updated fees for all categories, in 2022 dollars.

As the City continues to implement its Corporate Strategic Plan and the Toronto Office of Recovery and Rebuild COVID-19: Impacts and Opportunities Report, it is clear that many priorities have a significant impact on or are impacted by the development review process, such as maintaining and creating housing that's affordable and ensuring residents and businesses will realize value from rates and user fees. Specifically, the Corporate Strategic Plan highlights the need for a well-run City, ensuring staff support continuous improvement and embrace new approaches, that the City provide simple, reliable, efficient and equitable services that anticipate changing customer needs and that the City provide shared services across divisions and agencies to reduce costs, create economies of scale, increase service efficiency and effectiveness, and improve customer service.

In addition to ensuring alignment with the City's strategic objectives, an early assessment of the implications of Bill 109, *More Homes for Everyone Act, 2022*, considered at Planning and Housing Committee in April 2022 ([PH33.11](#)), indicates a significant impact on the City's ability to recover costs associated with development review. In light of the above, staff recommend a follow-on fee review exercise in 2023 to build on the current state update described in this report. A follow-on fee review would be based on an updated evaluation of staffing levels and reflect a new operating model to support improved service delivery, culminating in a report back to Council in 2024.

RECOMMENDATIONS

The Deputy City Manager, Infrastructure and Development Services, and the Chief of Staff, City Manager's Office recommend that:

1. City Council amend the City of Toronto Municipal Code, Chapter 441, Fees and Charges, Appendix C - Schedule 13, effective September 1, 2022, substantially in accordance with the revised fee schedule as found in Attachment 1 to this report.

2. City Council amend Municipal Code Chapter 442, Administration of Fees and Charges, by deleting §442-9 (B) and replacing it with the following to omit the reference to the legal surcharge of 7.5 percent:

(1) A surcharge will be added to all fees payable under Appendix C, Schedule 13 of Chapter 441, Fees and Charges, to cover the City Clerk's direct costs of providing public notices required to process planning applications.

(2) A surcharge will be levied on all fees payable under Appendix C, Schedule 13 of Chapter 441, Fees and Charges, to cover any direct costs associated with community consultation meetings. These costs include facility rental; and translation and sign language services.

3. City Council amend Municipal Code Chapter 442 Administration of Fees and Charges, by deleting §442-9 (C) and replacing it with the following:

The surcharge described in Subsection B(1) above shall be collected by staff in the City Planning Division and then transferred to the budget of the City Clerk Division.

4. City Council authorize the City Solicitor to introduce the necessary Bills to give effect to City Council's decision;

5. City Council authorize the City Solicitor to make such stylistic and technical changes to the amendment to the City of Toronto Municipal Code as may be required; and

6. City Council direct the Deputy City Manager, Infrastructure and Development Services in consultation with the Chief of Staff, City Manager's Office and the Chief Planner and Executive Director, City Planning, to undertake a follow-on development application fee review and report back to Council with recommendations by the fourth quarter of 2024.

FINANCIAL IMPACT

On average, annual processing costs of the City's development review service of \$82.5 million are being covered by average annual development application fees of \$82.9 million. Between the 2016 and 2021 Reviews, the annual processing cost for development review has increased by \$26 million (46%)¹.

While current fee revenue is recovering the cost of service in aggregate, some application types will require fee increases and others decreases. Some fees will remain the same. Anticipated revenues based on the recommendations of this report are approximately \$2 million less than anticipated costs as the City currently only recovers Legal Services' portion of the cost for Section 37 agreements, and not the involvement of other divisions (i.e., fees for Section 37 agreements do not represent full cost recovery). As this is consistent with the 2016 Review, this results in no incremental budgetary impact to the City.

Updated development application fees recommended in this report, and detailed in Attachment 1, reflect cost recovery for development review services based on the number of business units and staff effort involved (direct costs), indirect and capital costs, as well as process changes that have taken place since the cost recovery model was first developed in 2006.

The City divisions involved in development review services receive an allocation based on their level of effort in processing development applications (detailed in Table 2, below). If approved, the new fee schedule will be effective September 1, 2022 and budget impacts will be reflected through the 2023 budget process.

¹ Total annual application volumes increased by approximately 8% between the two Reviews. Average per application costs increased by 36% due to increased processing activities per application.

The fee increases recommended are designed to achieve cost recovery for the development review service based on the 2022 cost of development review.² In accordance with the City's User Fee Policy, fees will automatically be adjusted for inflation on January 1 of each year.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications.

DECISION HISTORY

At its meeting of February 18, 2021 to consider the 2021 Capital and Operating Budgets, City Council directed the Deputy City Manager, Infrastructure and Development Services, in consultation with the Chief Planner and Executive Director, City Planning to conduct a review of planning application fees, including Committee of Adjustment fees, and bring forward a report and by-law through the Planning and Housing Committee to City Council no later than the end of the fourth quarter of 2021. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX21.2>

At its meeting of December 13, 2016, City Council adopted the Development Application Review Fee Update. The fee schedule recommended in the report came into effect on January 1, 2017. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PG16.1>

At its meeting of January 17, 2012 City Council adopted a cost recovery model for Development Application Review Fees in accordance with the User Fee Policy. <http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-42723.pdf>

On September 26-27, 2011, City Council adopted Executive Committee Report EX10.2, to implement a User Fee Policy. <http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-40701.pdf>

COMMENTS

The Comments section of this report is organized into three parts, as follows:

- **Part 1 - Current Approach:** Overview of the development review process and the rationale and methodology for the 2021 Development Application Fee Review.
- **Part 2 - 2021 Review Outcomes:** Outcomes of the 2021 Review study and recommended updates to development application fees.
- **Part 3 - What's Next:** Transforming the development review process and right-sizing development application fees to support improved service delivery.

² 2022 costing is based on 2022 estimated salary, wage and benefit costs, overtime costs, and other 2020 direct and indirect costs indexed to 2022.

Part 1 - Current Approach

The Development Review Process

Toronto's development review process is complex and interdivisional in nature, involving many City divisions and external commenting partners. It is a mature and robust development review system that supports and informs engagement with public stakeholders.

The City's development review process is strengthened by the participation and expertise of a range of professional staff from multiple divisions. City Planning staff lead the processing of development applications, working together with interdivisional commenting partners to coordinate feedback, resolve conflicts, consult with communities, and ensure proposed development meets the objectives of the Official Plan, contributes to good city-building and contributes to Toronto's economic, physical, social and environmental quality of life.

Over the four-year period from 2017-2020, the City received an average of 533 development applications annually. Additionally, Committee of Adjustment received an average of 3,750 applications annually.

Legislative Authority to Collect Fees

Divisional costs to process the annual average application volumes identified above are recovered through the fees established under Chapter 441, Fees and Charges, Appendix C - Schedule 13 of the Municipal Code.

The *Planning Act* enables municipalities to impose fees by by-law for the purposes of processing applications under the *Act*. In determining the associated fees, Subsection 69(1) of the *Planning Act* requires that a tariff of fees "shall be designed to meet only the anticipated cost to the municipality or to a committee of adjustment...in respect of the processing of each type of application provided for in the tariff."

Activity Based Costing

In 2006, the City retained Watson & Associates Economists Ltd. (Watson) to develop an activity based costing (ABC) model to establish a cost recovery approach to development review services. This cost recovery approach was first implemented in April 2012. In accordance with the City's User Fee Policy, the City has undertaken two subsequent reviews of those fees - first in 2016 and again in 2021 - using an ABC method.

An ABC methodology assigns resource costs to the various activities undertaken through the development review process. Conventional municipal accounting structures that focus on the activities of a single business unit do not adequately capture the integrated, interdivisional effort required to process development applications. An ABC approach provides a robust methodology focused on specific application types (versus business units), enabling a full cost recovery approach.

This methodology attributes processing effort and associated costs from all participating City business units to identified user fee service categories (i.e., development application types). The resource costs attributed to each activity include direct operating costs, indirect support costs and capital costs. See Attachment 5 for a full description of each type of cost. Support costs are directly allocated to business units, while accumulated costs (i.e., direct, indirect and capital costs) are distributed across the various development application types (and other non-development City services) based on the business unit's direct involvement in development application review activities. Each business unit's direct involvement in development application review activities is established by the relative level of effort staff contribute to each activity within a defined "process map" for each application type.

2021 Review Methodology

The 2021 Review followed the methodology outlined below:

- Reviewing and updating development application types, process maps and staff complement directly participating in application processing;
- Reviewing and updating the staff resource capacity utilization participating in application processing;
- Reviewing and updating direct, indirect and capital costs of processing activities;
- Updating development application fee structures; and
- Measuring and reporting on financial impacts of the proposed cost recovery fee structures.

Development Application Types, Process Maps and Average Application Volume

The application types established through the 2016 Review were used again in the 2021 Review. Process maps for all existing application types were re-evaluated and, in some cases, adjusted to account for nominal process changes or improvements since 2016. The number of staff engaged in development application review, their level of effort involved in processing development applications, and the average volume of applications processed in a given year were used as inputs into the review.

Average annual development application volumes, as summarized in Attachment 2, were calculated using 2017-2020 data. The 2021 Review showed an approximately 8% overall increase in volume of development applications over the 2016 Review. Driving this increase between the 2016 and 2021 Reviews was a 21% increase of combined Official Plan Amendment and Zoning By-law Amendment applications and a 13% increase in Minor Variance applications. Site Plan Control applications decreased by 25% during the same period.

Staff Resources

Staff resources dedicated to processing development applications were re-evaluated to ensure the estimated processing activities underlying the new fee structures are current, reasonable and defensible. As such, the results of the 2021 Review represent the cost to provide the development review service today, based on existing and approved staff resources, and do not include the costs of future staff resources. Additionally, staff level

of effort within the divisions included in the 2016 Review was updated to reflect current involvement in development application review. To address increasing annual average application volumes and increasing complexity of applications submitted, some divisions have reorganized and/or increased staff complement, as described under "Addressing Organizational Change" below. Others have increased staff level of effort. Across divisions engaged in development review, direct staff involvement in processing development applications has increased by 41% (i.e., 442 versus 314 Full Time Equivalents (FTEs)) between the 2016 and 2021 Reviews. City Planning represents the largest share of processing effort at 236 FTEs (53%).

Costs of Development Application Processing Activities

As noted above, the estimated costs of processing development applications include direct, indirect and capital costs. These costs have been updated and included based on the following:

- Direct salary, wage and benefit costs, and overtime costs, based on 2022 Budget approvals and projected actuals;
- Other direct costs (e.g., materials, supplies, etc.) were calculated using 2020 actuals adjusted for inflation to 2022 dollars.
- Indirect costs, including program support costs and corporate managed items, were calculated using the full costing model principles approved by City Council in 2012, based on 2020 actuals adjusted to 2022 dollars.
- Capital costs were updated using a more comprehensive capital asset database and allocation methodology, based on 2020 actuals adjusted to 2022 dollars.

Part 2 - Review Outcomes

Annual Processing Costs

Table 1 below summarizes the annual cost of processing development applications at a macro level. Between the 2016 and 2021 Reviews, the average annual processing costs for development applications increased to \$82.5 million, or approximately \$26 million (2022 dollars) more than in 2016. Of the approximately \$26 million, \$17.3 million are considered direct costs, \$7.0 million are indirect costs and \$1.6 million are capital costs.

The key driver of increases in annual processing costs is salaries, wages and benefits (SWB). Direct SWB cost increases are attributable to increased staff involvement in application processing, from 314 FTEs to 442 FTEs. These direct SWB costs increased by approximately \$17.1 million between 2016 and 2021. Additionally, indirect SWB cost increases were incurred in business units that provide services to divisions directly involved in application processing (e.g., Technology Services Division, Policy, Planning, Finance & Administration, portions of Concept 2 Keys). These costs increased by approximately \$3.9 million.

Table 1: Costs by Component

| | Total Costs (\$ in millions) | | |
|---------------------------------------|---------------------------------------|---|---|
| | 2016 Study (\$ in millions) | 2016 Study (2022 \$ in millions) | 2021 Study (2022 \$ in millions) |
| Direct Costs | | | |
| Salaries, Wages and Benefits (SWB) | 37.40 | 42.32 | 59.44 |
| Non-SWB | 2.21 | 2.50 | 2.69 |
| Total Direct Costs | 39.61 | 44.82 | 62.14 |
| Indirect Costs | | | |
| Internal | 0.59 | 0.67 | 1.24 |
| External | 6.35 | 7.19 | 10.51 |
| Corporate Managed Items | 2.48 | 2.81 | 5.95 |
| Total Indirect Costs | 9.42 | 10.66 | 17.70 |
| Capital Replacement Costs | 0.98 | 1.10 | 2.69 |
| Total Costs | 50.01 | 56.59 | 82.52 |

Table 2 below summarizes the annual cost of processing development applications by participating division and cost category. The distribution percentage represents the portion of revenues that each division will receive based on their respective processing costs, if the fee schedule set out in Attachment 1 is adopted.

| Table 2: Cost to Provide Development Review Services | | | | | | |
|---|---|-----------------------|-----------------|----------------|--------------|-----------------------|
| Division | 2022 Annual Costs (\$ in millions) | | | | | |
| | Direct SWB | Direct Non-SWB | Indirect | Capital | Total | Distribution % |
| City Planning | 29.41 | 1.06 | 10.23 | 0.87 | 41.56 | 50.36% |
| Toronto Building | 1.55 | 0.18 | 0.38 | 0.03 | 2.14 | 2.59% |

| | | | | | | |
|-------------------------------------|--------------|-------------|--------------|-------------|--------------|---------------|
| Engineering & Construction Services | 6.13 | 0.47 | 1.15 | 0.12 | 7.88 | 9.55% |
| Fire Services | 0.45 | 0.02 | 0.05 | 0.01 | 0.52 | 0.63% |
| Parks, Forestry & Recreation | 5.21 | 0.12 | 0.50 | 0.27 | 6.09 | 7.39% |
| Solid Waste Management Services | 0.20 | 0.02 | 0.02 | 0.01 | 0.25 | 0.3% |
| Transportation Services | 5.46 | 0.11 | 3.22 | 0.33 | 9.13 | 11.06% |
| Toronto Water | 1.81 | 0.03 | 1.06 | 0.18 | 3.08 | 3.73% |
| Legal Services | 5.21 | 0.18 | 0.44 | 0.07 | 5.90 | 7.15% |
| Economic Development and Culture | 0.31 | 0.05 | 0.12 | 0.01 | 0.48 | 0.59% |
| Energy Efficiency Office | 0.27 | 0.09 | 0.03 | 0.01 | 0.39 | 0.48% |
| Concept 2 Keys | 3.43 | 0.38 | 0.50 | 0.79 | 5.11 | 6.19% |
| Total | 59.44 | 2.69 | 17.70 | 2.69 | 82.52 | 100% |

Development Application Fees

To satisfy *Planning Act* requirements, processing costs are categorized by development application type. To assess the individual application type fee adjustments, the updated processing costs per application type were compared to the current revenues that would be realized, based on the City's Development Application Fees (as of January 1, 2022) and the underlying charging characteristics (i.e., size) of the applications.

The updated fee schedule (Attachment 1) considers all costs associated with providing development review services (described above), as well as the average application size by type. Application size data is drawn from the City's Integrated Business Management System (IBMS) database for the period 2017-2020.

Attachment 4 - Cost Recovery by Development Application Type shows the resulting current average total annual cost recovery (deficit/surplus), and a per application cost recovery by application type. Cost recovery (deficit/surplus) was calculated by subtracting the costs to carry out the development review service from development application fee revenues.

Annual revenue by application type (\$82.9 million) was calculated by multiplying the average revenue per application by the average annual application volumes (2017-2020). The total cost by application type (\$82.5 million) was calculated using the updated modelled processing costs and multiplying these by the average annual application volumes. The resulting overall surplus of approximately \$400,000 will be reduced through the implementation of the updated fee schedule. It should be noted that while the proposed fee adjustments would result in an overall decrease in annual revenues of approximately 3.0%, based on average annual application volume levels, some fees are recommended to increase due to increases in processing activity and complexity, and others are recommended to decrease as revenue achieved through larger applications has offset the increase in processing costs. Some fees will remain the same.

Fee Categories Added or Removed through the 2021 Review

The updated fee schedule (Attachment 1) includes the addition and removal of a number of fee categories, described in detail below.

Fee Categories Added

Mandatory Pre-Application Consultation Non-Refundable Deposit: Informal pre-application consultation is currently a well-used practice. Between 2019 and 2021, the number of requests the City received for voluntary pre-application consultation meetings in a year was commensurate with the number of applications submitted. Mandatory Pre-Application Consultation is anticipated to come into effect on April 3, 2023 as a prerequisite to the formal submission of a development application ([PH33.4](#)). The new requirement applies to four application types: Official Plan Amendment, Zoning By-law Amendment, Plan of Subdivision, and Site Plan Control. A one-time non-refundable deposit against future application fees of \$700 is included in the updated fee schedule to assist in upfront cost recovery for this initial required step in the development review process. Should a potential applicant choose not to submit a formal development application following a pre-application consultation meeting with City staff, the deposit will not be refunded. However, if a formal application is submitted following the meeting, the deposit will be credited against applicable development application fees. Attachment 7 includes a jurisdictional scan of mandatory pre-application consultation fees across the Greater Toronto Area (GTA) and elsewhere.

Application Fee for Multiple Lot Additions for the Creation of a New Lot (per lot): This new fee category captures the circumstance when new lots are created by way of two lot additions. The addition of this category provides clarity of interpretation and application of fees across districts, and ensures they are proportional to fees for severing one lot into two (i.e., half the amount).

Mixed Use Zoning By-law Amendments 100,000 m²+ and Mixed Use Combined Official Plan and Zoning By-law Amendments 100,000 m²+: Development trends over the 2017-2020 period indicate a significant increase in mixed use Zoning By-law Amendment (ZBA) and combined Official Plan Amendment and Zoning By-law Amendment (OPA/ZBA) applications with a total gross floor area (GFA) over 100,000 m². These applications are characterized not only by their significant total GFA, but also by

complex site characteristics that typically require an update to or development of a comprehensive planning framework to address.

Findings of the 2021 Review indicate that the current mixed use ZBA and OPA/ZBA fee categories, which are based on an average size characteristic of approximately 40,000 m², do not adequately reflect the staff level of effort required to process these larger applications. Additional analysis indicates that applications with a total GFA over 100,000 m² require a separate fee category.

Planning large scale redevelopment in the Toronto context (e.g., mall sites, sites isolated from surrounding communities and infrastructure) can involve complex infrastructure planning, land conveyances, introduction of new community services and facilities, heritage planning, compatibility testing and affordable housing all requiring specialized disciplines on both the applicant and City side of the review.

Specifically, these sites can require significantly increased interdivisional and external agency/partner coordination, coordination of external processes and/or studies (e.g., Environmental Assessment processes), increased assessment of complex on-site and off-site impacts (e.g., proximity to transit stations, parkland dedication), a higher likelihood of non-standard and/or negotiated approaches and/or conditions related to hard and soft infrastructure provision, the triggering of multiple and often related policy requirements (e.g., affordable housing, community services and facilities), the need for a multi-year phasing strategy, and additional ongoing engagement of diverse stakeholders.

To better capture and adequately recover costs for these types of applications, two new fee categories are recommended. The fee structure for these categories includes a base fee and a variable fee portion. The base fee is consistent with existing mixed use ZBA and OPA/ZBA categories. However, a single mixed use per square metre variable fee for these categories is also recommended to reflect the economy of scale that can be achieved on applications of this size.

Fee Categories Removed

Legal Services Surcharge in Municipal Code Chapter 442: The provisions of Chapter 442 (Administration of Fees and Charges) of the City of Toronto Municipal Code include an outdated reference to a 7.5 % surcharge for Legal Services. This surcharge has been eliminated, and Legal Services costs related to processing are incorporated in the fees set out in Appendix C, Schedule 13 of Chapter 441, Fees and Charges. It is recommended that the surcharge reference be deleted as set out in Recommendation 2 of this report.

Application fee for minor variance, Clear Title (i.e., no construction involved) and Application fee for minor variance, Clear Title (i.e., no construction involved) - with Order to Comply (OTC): These two fees are no longer applicable and have been removed to avoid confusion for applicants. Since the introduction and common use of Title Insurance, this fee category is no longer necessary.

Addressing Organizational Change through the 2021 Review

Significant changes to the land use planning system in Ontario, continued growth pressure, and the increasing complexity of development applications prompted incremental and ongoing organizational change within individual divisions between the 2016 and 2021 Reviews. Then, in early 2020, the need to support economic recovery post-COVID 19 and ensure Toronto continues to be an attractive location for development in the GTA accelerated transformational change of the development review process as a whole. Both types of organizational change have been reflected in the 2021 Review, including impacts on staff complement, costs (direct, indirect and capital), incremental updates to process maps, and staff level of effort in processing development applications.

Incremental Organizational Change

Since 2016, some divisions have undertaken program reviews that resulted in restructuring; the addition, consolidation or redefinition of staff roles; and a broadening of the scope of review activities within a division. Brief summaries of organizational changes within Transportation Services, Parks, Forestry and Recreation, and Heritage Planning are included below.

Transportation Services: As the result of divisional restructuring in 2019, Transportation Services' Traffic Planning unit was renamed Development Planning and Review. The division now operates on a functional model versus a district model, with a number of staff positions consolidated or converted through the restructuring. The scope of review has also broadened to ensure development outcomes contribute to the City's strategic transportation planning objectives. Development Planning and Review draws on expertise from the Asset Management, Capital Projects and Program, Area Transportation Planning, and Cycling and Pedestrian Projects group through the development review process.

Parks, Forestry and Recreation: Changes to the City's policy framework that prioritize a land first approach to parkland dedication required staffing changes within the Parks Planning, Design and Development section. The increasing complexity of development applications requires a team that can oversee both park and site development from concept to implementation (including, for example, street trees in complex infrastructure). Continued process improvements are underway to further align the Parks Planning, Design and Development and Urban Forestry work streams.

City Planning, Heritage Planning: Changes to the *Ontario Heritage Act* that came into effect in July 2021 required the City to change how it deals with applications affecting properties designated under Part IV of the Act. These changes include the submission of mandatory application material including plans, specifications and technical studies to support Council in determining whether a heritage application should be approved. Heritage Planning has addressed the requirements, timelines and new processes associated with the new legislation through some restructuring of staff teams and the addition of staff resources.

Transformational Organizational Change

Building on the End-to-End Review of the Development Review Process (2019), the transformation of the City's development review process continues to roll out through the Concept 2 Keys (C2K) Office. C2K is focused on transforming the organizational structures, processes and technology that enable development review. Should the new fee schedule (Attachment 1) be adopted, effective September 1, 2022, a majority of the C2K Office's operating budget will be funded through development application fees. This reflects C2K's current engagement in direct, indirect and capital activities within the development review process, as described in further detail below.

Priority Development Review Stream: Established in 2020 to pilot a dedicated team-based approach to accelerating affordable housing approvals, the PDRS has reduced development review timelines by approximately 40%. The PDRS is now a permanent function with dedicated staff and continues to drive the approval of affordable housing. In March 2022, Council approved 16 staff positions to support the PDRS ([PH31.3](#)).

Operating Model Roll-out in Etobicoke York District: On July 1, 2021 the team-based operating model was introduced in Etobicoke York district to test the scalability of development review improvements across a range of application types in a typical development review environment. A new application management function was introduced through the C2K Office to develop and implement process improvements and administer the roll-out of the team-based operating model in the district. Lessons learned in Etobicoke York will inform areas for standardization, support an evaluation of how process improvements can best be implemented at the district level, and identify resourcing requirements to support city-wide transformation in 2022.

Development Application Review Technology: C2K is leading the design, development and implementation of technology solutions to support digitization of the application submission and review process. This includes simplifying workflows, enhancing collaboration, improving transparency and integrating new technology with the City's existing backend technology (i.e., IBMS). In December 2021, C2K, in partnership with Technology Services, City Planning, Toronto Building and Customer Experience Transformation and Innovation, launched the Application Submission Tool. In 2022, the C2K team will advance the development of a File Circulation Tool to improve commenting, circulation, resubmission and performance tracking and to enable collaboration between City staff and applicants.

Relationship and Issues Management: The Relationship and Issues Management function was launched in Q2 2021 with the objective of addressing application-specific concerns, enhancing customer service and identifying additional opportunities for improvement to the development review process. This function is supported by two Relationship and Issues Coordinators that serve as a one-stop contact for understanding the current status of applications, providing updates to applicants and escalating issues that are complex or systemic in nature. Additionally, a tiered governance framework with representation from key commenting divisions was established to resolve development review issues, align on competing divisional priorities to provide a unified City position, and approve key improvements to the development review process.

Strategy and Business Improvement: In 2021, C2K advanced a number of process improvements that directly support the day-to-day processing of applications. These include updates to application requirements (i.e., Application Support Material: Terms of Reference), new and updated administrative materials that support new or existing processes, improvements to IBMS functionality, and an Official Plan Amendment and municipal by-law to require pre-application consultation. Some of these improvements are currently being tested in Etobicoke York district and will continue to roll-out city-wide in 2022. The C2K team also facilitated the 2021 Development Application Fee Review and will play a lead role in establishing the methodology for a future review to improve the City's existing fee structures to recover the costs of service, particularly in light of the ongoing transformation of the development review process.

Benchmarking

To test the reasonableness of the outcomes of the 2021 Review, including findings related to development application processes and average application processing effort estimates, Watson undertook a comparative analysis of other GTA municipalities (see Attachment 6). While Watson concluded that the outcomes of the City's 2021 Review were competitive with other GTA municipalities, it is important to note that the comparison applies to specific development application types and not to a municipality's fee schedule as a whole. Attachment 6 includes a comparison of sample development application types, showing that the impact of the City's cost recovery fee structure is similar to that of other GTA municipalities.

The comparison does not reflect the distinct context of development in Toronto, which is perhaps incomparable in Ontario and in many respects North America, given the pace of change in the city. While the majority of GTA municipalities continue grow through greenfield development, development in Toronto is generally infill. The complexity of the infill planning context contributes to increased staff effort for review and extensive negotiations related to conditions of approval to account for site constraints. The complexity of review is associated with some application types more than others, including combined Official Plan Amendment and Zoning By-law Amendment, Zoning By-law Amendment and Site Plan Control. Additionally, large scale transformations of Downtown, Yonge and Eglinton and other major growth areas bring challenges related to both supporting intensification and growing the infrastructure required to achieve high quality complete communities and sustain livability. Population and employment growth are both predicted to continue as the ongoing transformation of the development review process is underway.

Consultation

The results of the 2021 Review and proposed cost recovery strategy were shared with the Toronto Chapter of the Building Industry and Land Development Association (BILD) for feedback. Consultation was conducted on May 10, 2022, with a follow-up meeting on May 17, 2022. BILD members voiced concerns related to delays in planning application review and that fee increases should be coupled with increased staff complement and improved service delivery. City staff confirmed that through the ongoing transformation of the development review process through the C2K Office, the City is committed to

improving its level of service and will continue to collaborate with BILD to implement changes to current business practices.

Part 3 - What's Next

Reflections on the Current Review Methodology

As described in Part 1 of this report, the 2021 Review follows a methodology first implemented in 2012. Its purpose is straightforward: To evaluate the assumptions upon which development application fees are based and consider the City's degree of compliance with its User Fee Policy. By design, in accordance with Section 69(1) of the *Planning Act*, it provides a current state picture of the costs associated with processing applications in order to establish appropriate fees to recover those costs.

Undertaking a routine review during a multi-year transformation of the development review process has highlighted the tension between the current state and anticipated future state needs. As described above, the transformational operating model that is currently rolling out through the C2K Office in Etobicoke York district, and will continue to roll out across other districts throughout 2022-2023, has implications for the typical application process maps that form the basis of the review.

Divisional participants in the current Review process have identified a need to determine appropriate staffing levels to meet future needs. Legislative change (e.g., Bill 109) and an enhanced understanding of the end-to-end nature of development review have also prompted practice improvements that are not fully captured within the narrow scope of "processing" development applications as defined under the *Planning Act*. Evaluating staffing levels and establishing new process maps are separate activities from the Review itself, but ones that will support a follow-on review.

A Step-by-Step Approach to a Future Fee Review

Beginning in Q1 2022, the C2K Office engaged divisional partners to consider an approach to a follow-on fee review. This work will generally be undertaken in three steps, as outlined below.

Step 1 – 2021 Review (Current State Update): This report represents the first step. Should the recommendations of this report be adopted, the updated fees that come into effect on September 1, 2022 will enable the City to recover the full costs of the development review service as it exists today.

Step 2 – Future-state Staffing Evaluation and Process Maps: To support improved service delivery and a follow-on fee review, an understanding of appropriate staffing requirements for development review is needed. This staffing evaluation must be aligned to future-state process maps to support the ongoing roll-out of the transformational operating model. This assessment should identify changes to staffing levels to account for existing staffing gaps and the impacts on staffing of the new team-based model of development review. It should also identify any process improvements or new requirements with implications for staffing (e.g. mandatory pre-application

consultation), and any new complement identified through divisional program reviews, as available. This work will begin in 2022.

Step 3 – Follow-on Fee Review: Following the roll-out of the transformational operating model and approval of the future state staffing complement, a follow-on fee review should be undertaken to support improved service delivery and ensure full cost recovery for the improved development review service, particularly in light of the implications for cost recovery under Bill 109, *More Homes for Everyone Act, 2022*. This review should begin in 2023, ahead of the four-year cycle required by the City's User Fee Policy, and report findings and recommendations back to Council by Q4 2024.

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ATTACHMENTS

Attachment 1 - Revised Fee Schedule - Municipal Code Chapter 441, Fees and Charges, Appendix C - Schedule 13

Attachment 2 - Average Annual Development Application Volumes by Type

Attachment 3 - Development Application Fee Structure Recommendations

Attachment 4 - Cost Recovery by Development Application Type

Attachment 5 - Direct, Indirect and Capital Costs

Attachment 6 - Fee Impact and Municipal Comparisons

Attachment 7 - Pre-Application Consultation Fee Comparisons