



Planning Application Rates and Fees Cost Recovery Fees Review Budget Committee November 25, 2015

At the November 4, 2015 meeting of the Budget Steering Committee, members directed staff of Planning and Building Services to review the potential impacts of a full cost recovery model of planning fees to be phased-in over a two year period. Three application types were requested as examples.

Response:

Authority to collect fees for planning applications is found under Section 69 of the Planning Act which grants authority to municipalities to establish a fee for the processing of planning applications. The fee is be designed to meet only the anticipated cost to the municipality or to a Committee of Adjustment for each type of planning application and not an overall average of all applications. Fees are subject to appeal by an applicant and referred to the Ontario Municipal Board for a hearing.

In response to the Budget Committee's requests, Staff has reviewed the municipal comparators and also has reviewed planning fees charged by municipalities throughout Niagara Region to ascertain the extent to which municipal rates and fees for processing planning applications achieve or seek to achieve full cost recovery. (For a comparison see Attachment 1). It would appear that no Niagara municipality fully recovers costs associated with processing planning applications.

During our review, we also have identified a 2012 study on Planning and Development Rates and Fees undertaken by Watson and Associates (Watson) on behalf of the City of Mississauga which has informed this response to the Budget Committee's request.

In order for the Planning and Building department to fully inform Mississauga Council about full cost recovery of its services, a comprehensive study was undertaken by Watson and guided by the following principles:

- fees should be defensible
- fees should be equitable
- fees should be in line with comparable municipalities

The methodology adopted by the Watson study used the average processing times for different types of planning applications based on time estimates provided by staff reflecting their involvement or "hands-on-the-file" for each application type. These average processing times were applied to average planning application volumes to determine annual staff time required to process various types of applications and ultimately direct and indirect costs.

The Planning Act does not allow for cross subsidization of fees. Costs of staff time spent on policy and design related projects were not included since it was determined that policies, guidelines and standards also benefit the community as a whole and are not necessarily associated with the actual processing of applications and, therefore, should not be charged. On average, approximately 55% of all available planning application staff resources were fully consumed annually in processing applications: this is reflective of most GTA municipalities and is an important distinction when estimating the actual cost recovery for development planning applications. It should be noted that this is consistent with the approach taken by other municipalities such as Oakville and Toronto.

Full cost recovery would include:

1. Direct costs attributed to the delivery of the service such as salaries and benefits, materials, supplies and purchased services;
2. Indirect costs that cannot be identified and charged directly to a specific program but are related to the resources dedicated to support it such as costs associated with Corporate Support;
3. Capital costs for asset utilization referred to as capital amortization. Amortization is defined as the original cost of the tangible capital asset divided by its useful life. Examples of capital assets used in the delivery of a program include buildings, vehicles and equipment.

A comparison with other municipalities is challenging because of the differences in how costs are defined and measured. However, using the above parameters as a general framework, Staff has reviewed the fees charged for City of St. Catharines Zoning Amendment, Site Plan and Committee of Adjustment (Minor Variance and Consent) applications against comparator municipalities. The following outlines the findings in response to the Budget Steering Committee's requests.

Zoning Amendment and Site Plan Applications

Planning and Building Services has reviewed the 2015 planning rates and fees with consideration of only item 1 (direct costs) mentioned above for Zoning By-law Amendment and Site Plan applications. Base fees for both application types in St. Catharines are \$5,000. Additional fees are charged depending on the number of residential units proposed or the amount of commercial or industrial floor space.

From 2013 to 2015 (to date), average planning application (including agreements) revenues were approximately \$140,166 per year. In comparison, revenues represent approximately 25 per cent of direct staff costs. Indirect costs are not included in the calculation. For planning application fees to cover direct costs, they would need to be increased by about four times depending on the application type and length and complexity of the approval process. Additional increases would be required to cover indirect costs. However, before completely embarking on a cost recovery model it is prudent to study staff processing times and calculate indirect costs before an actual definitive full cost recovery amount is determined.

Attachment 2 provides a comparison of the average fees charged by the city's comparator municipalities and also those of Niagara Region or at the median fee. Before the completion of any comprehensive city study concerning cost recovery, to provide partial cost recovery in 2016, Council could charge fees comparable to roughly the highest in Niagara Region, the average of the city's comparator group or at least set a 10% increase in fees with the goal of devising a strategy to address the question of full cost recovery after a city wide comprehensive fees recovery study is completed.

Committee of Adjustment Applications (Consent and Minor Variance):

Based on more detailed information on these application types, indirect costs associated with processing these applications such as per diem charges for Committee members, mileage etc. is available and thus can provide a generally more accurate estimate of full cost recovery.

From 2013 to 2015 (to date) average revenues were about \$118,626 representing approximately 65% of average expenditures. To reach full recovery fees would need to increase in total by about 35%.

Since the gap between Committee of Adjustment application revenues and expenses is narrower, a 35% increase in the fees would more closely correspond to cost recovery. Therefore, for the 2016 budget year it is recommended that a 15% increase be instituted with an additional 20% increase in 2017.

Approaches to Determining Planning Fee Increases

Any substantial increase in fees in 2016, without full accountability for the fee by specific planning application type, may increase the municipality's exposure to appeals to the OMB. As such, the City should be aware that any revenues gained by an increase in fees may possibly be lost in defence of an appeal before the OMB. Hence it is extremely important that a full study be undertaken in order to fully understand how recovery can be achieved. The determination of direct and indirect costs associated with every type of planning application would be part of such a comprehensive review. The intent of a review would be to provide the City with proposed fee structure alternatives for Council's consideration to appropriately recover the service costs from benefitting parties. In this way various application characteristics could also be factored into the fee calculation since various application types require different skill sets and complexity.

Increases in planning fees also should not be considered in isolation but be factored together with economic development strategies designed to boost property values. Increased property values will support increased planning fees over the long term. Planning and Building Services staff have met with some members of the development community to discuss the possibility of cost recovery for planning development applications. A general concern was raised that substantial rates and fees increases

would discourage development because of the lower return of investment for many projects in the city. Comments from the development community are included as Attachment 3.

RECOMMENDATION

To work towards an increase in cost recovery for processing planning applications, Planning and Building Services recommends that fees for Zoning Amendment and Site Plan applications could be increased as follows:

- Increase base Zoning Amendment application fees to \$6,500 (a 30% increase over the 2015 rate of \$5,000);
- Increase base Site Plan application fees to \$5,330 (a 6.6% increase over the 2015 rate of \$5,000); and

To reach cost recovery for Committee of Adjustment applications:

- Increase Minor Variance application fees to \$1,650 (a 15% increase over the 2015 rate of \$1,020);
- Increase Consent application fees to \$1,450 (a 15% increase over the 2015 rate of \$1,260); and

For 2017, increase Committee of Adjustment fees by an additional 20%.

And undertake a city-wide comprehensive rates and fees review;

Alternatively, the committee may want to consider an overall increase to planning application fees by 10% for 2016 and support a full cost recovery study to investigate measures to achieve a full cost recovery model.

PROJECTED ADDITIONAL REVENUE OF PROPOSED

	2015 Rates and Fees - St. Catharines													
	NOTL	Pelham	Port Colb	Thorold	Wainfleet	Welland	Lincoln	Grimsby	Fort Erie	Niagara Falls	West Lincoln	MEDIAN	AVG	
DESCRIPTION	FEE	FEE	FEE	FEE	FEE	FEE	FEE	FEE	FEE	FEE	FEE			
OFFICIAL PLAN APPLICATION AMENDMENT														
(includes advertising cost)	6,000.00	7300.00	5000.00	4000.00	5300.00	4092.00	3028.00	8000.00	10655.00	7122.00	12200.00	8075.00	6561.00	6731.00
Preconsultation (discounted from full fee)	750.00	2500.00						200.00	1000.00	1045.00			1000.00	1099.00
OFFICIAL PLAN & ZONING BY-LAW AMENDMENT APPLICATION COMBINED														
(includes advertising cost)	7,500.00	10000.00	8000.00	6500.00	7700.00	7161.00	4470.00			8123.00	13500.00	10800.00	7850.00	8375.40
Preconsultation (discounted from full fee)	750.00	2500.00					200.00			1202.00			976.00	1163.00
ZONING BY-LAW AMENDMENT APPLICATION														
Major	5,000.00	7000.00	4000.00	3500.00	6200.00	3580.50	3028.00	5500.00	14585.00	7694.00	12200.00	6290.00	5850.00	6548.13
Preconsultation (discounted from full fee)	750.00	2500.00						200.00	1000.00	784.00			784.00	1046.80
Minor (Includes preconsultation)	3,605.00	2275.00	2500.00		4800.00			3500.00	7985.00	3078.00	5600.00	3145.00	3500.00	4054.22
ZONING AMENDMENT														
(Lifting of 'Holding' (H) Designation)	1,030.00		500.00	700.00	1300.00	613.80	773.00	800.00	1035.00	681.00	325.00	1315.00	773.00	824.80
SUBDIVISION DRAFT PLAN APPROVAL	7,500.00	8000.00	8000.00	5000.00	7800.00	5396.00	6427.00	12000.00	11705.00	7754.00	13500.00	7390.00	7777.00	8372.67
Preconsultation (discounted from full fee)	750.00	2500.00						200.00	500.00	1193.00			750.00	1028.60
					and \$50.00 per lot or block or unit to a maximum of \$12000.00	and \$25.58 per lot or block or unit to a maximum of \$2557.50	and \$52.00 per lot or block or unit to a maximum of \$2557.50				paid to region			
SUBDIVISION EXTENSION TO DRAFT APPROVAL														
- Major - WITH CIRCULATION - > 4 months extension	1,236.00	1100.00	800.00	1000.00	1500.00	818.40	865.00	1000.00	620.00	800.00	1000.00	1495.00	1000.00	1019.53
- Minor - WITHOUT CIRCULATION - < 4 months extension	824.00												824.00	824.00
SUBDIVISION MODIFICATION TO DRAFT APPROVAL - Major - WITH CIRCULATION	1,236.00	4000.00	5000.00	1700.00	3200.00	1621.45	1483.00	7000.00	8925.00	2386.00	2500.00	2225.00	2443.00	3439.70
- Minor - WITHOUT CIRCULATION	824.00				2000.00				1755.00	1704.00			1729.50	1570.75
SUBDIVISION AGREEMENT APPLICATION	5,000.00	4200.00						15000.00			13500.00	6810.00	6810.00	8902.00
SUBDIVISION AGREEMENT AMENDMENT APPLICATION	1,648.00		750.00	1700.00			1071.00	6000.00	3580.00	2256.00		2225.00	1962.50	2403.75
SUBDIVISION AGREEMENT RELEASE	620.00	1400.00		900.00									900.00	973.33
CONDOMINIUM DRAFT PLAN APPROVAL	5,000.00	8000.00	4000.00	5000.00	7800.00	5396.00	6427.00	4000.00	11705.00	7754.00	10000.00	7390.00	6908.50	6872.67
CONDOMINIUM EXTENSION TO DRAFT APPROVAL														
- Major - WITH CIRCULATION> 4 months	1,236.00	1100.00	800.00	1000.00	1500.00	818.00	865.00	1000.00	620.00	800.00	2500.00	1495.00	1000.00	1144.50
- Minor - WITHOUT CIRCULATION< 4 months	824.00												824.00	824.00
AMENDMENT TO REGISTERED CONDO PLAN	800.00	751.00	2000.00	1700.00		1023.00			3580.00			2225.00	1700.00	1725.57
CONDOMINIUM ASSUMPTION AGREEMENT APPLICATION	1,500.00							2000.00		1193.00	1500.00	1315.00	1500.00	1501.60

PROJECTED ADDITIONAL REVENUE OF PROPOSED

	2015 Rates and Fees - St. Catharines													
		NOTL	Pelham	Port Colb	Thorold	Wainfleet	Welland	Lincoln	Grimsby	Fort Erie	Niagara Falls	West Lincoln	MEDIAN	AVG
DESCRIPTION	FEE	FEE	FEE	FEE	FEE	FEE	FEE	FEE	FEE	FEE	FEE	FEE		
CONDOMINIUM CONVERSION AGREEMENT	3,000.00			4000.00	5100.00	4092.00				7754.00	2500.00	7070.00	4092.00	4788.00
PUBLIC MEETING RESCHEDULING AFTER PUBLIC NOTICE ISSUED (Official Plan Amendment, Zoning Amemdment, Draft Plan of Subdivision, Draft Plan of Condominium) (Request for adjournment or rescheduling of Public Meeting by Applicant. Fees paid prior to Council's consideration of report)	412.00												412.00	412.00
SITE PLAN AGREEMENT Preconsultation (discounted from full fee)	5,000.00 750.00	6800.00 2500.00	3500.00	3000.00	4300.00	3580.50		6500.00 200.00	4100.00 500.00	6874.00 523.00	4000.00	4540.00	4300.00 523.00	4744.95 894.60
PLUS for every 1,000 sq. ft. of floor area in excess of the first 30,000 sq. ft. used commercial, industrial or other non-residential use	30.00	225.00											127.50	127.50
- Maximum charge	7,500.00	11000.00											9250.00	9250.00
SITE PLAN AGREEMENT AMENDMENT APPLICATION - Major (registered agreement) - includes preconsultation	3,000.00	3500.00			2200.00	1023.00	1071.00	3500.00	1570.00	1193.00	1500.00	4540.00	1885.00	2309.70
Minor (no registered agreement)	1,500.00											2225.00	1500.00	1241.67
SITE PLAN CONTROL (PLANS APPROVED)	1,500.00						2101.00						1800.50	1800.50
SITE PLAN AGREEMENT RELEASE	618.00		901.00	900.00	1000.00			1000.00				1315.00	950.50	955.67
SITE PLAN AGREEMENT CLEARANCE LETTERS	392.00		75.00		170.00	127.85					200.00		170.00	192.97
MORE THAN 1 PARTIAL RELEASE OF SECURITIES	300.00												300.00	300.00
MORE THAN 3 SUBMISSION OF PLANS FOR REVIEW	1,000.00						2307.00 for each Plan Registration greater than 1 dealing with the same Draft Plan						1653.50	1653.50
DEEMING BY-LAWS	721.00	1600.00	500.00	200.00	1600.00	511.50		700.00		298.00	1500.00	860.00	710.50	849.05
PART LOT CONTROL BY-LAW APPLICATION Preconsultation Fee (credited towards actual planning app fee)	1,082.00 750.00	1600.00 2500.00	1000.00	700.00	1200.00	1023.00	772.00			681.00	1500.00	1315.00	1052.50 1625.00	1087.30 1625.00
SERVICING AGREEMENT & OTHER DEVELOPMENT TYPE AGREEMENTS (similar to Section 45 C. of A. Agreements)	1,545.00						1792.00	5000.00		2448.00			2120.00	2696.25
COMMITTEE OF ADJUSTMENT														
Consent Application - New Lots	1,260.00	2200.00	1126.00	1100.00	1600.00	1125.30	1277.00	1800.00	1245.00	1240.00	3400.00	2145.00	1268.50	1626.53
Consent Application - Others, i.e., easements, etc.	850.00	2200.00	1126.00	850.00	1600.00	1125.30	1277.00	1800.00	1245.00	162.00	3400.00	1075.00	1185.50	1392.53
Variance Application	1,020.00	1500.00	921.00	750.00	1000.00	1125.30	968.00	800.00	1480.00	1078.00	2100.00	1565.00	1049.00	1192.28
Consent and Validation of Title Certification Fee	131.00		358.00	200.00	100.00	204.60			195.00	162.00		335.00	197.50	210.70

Fees Comparisons

Application Type	2015 St. Catharines Fee	Comparator Municipality Average	Highest Niagara Municipality	Niagara Median	Niagara Average
Site Plan	\$5,000 plus for every 1,000 sq ft of floor area in excess of 30,000 sq ft for commercial, industrial, non- residential maximum charge \$7,500	\$5,330*	\$6,800 (Niagara-on-the-Lake)	\$4,200	\$4,532
Zoning	\$5,000	\$10,028	\$14,585 (Grimsby)	\$5,500	\$6,443
Minor Variance	\$1,020	\$1,428	\$2,100 (Niagara Falls)	\$1,020	\$1,203
Consent	\$1,260	\$1,434	\$3,400 (Niagara Falls)	\$1,186	\$1,393

*many sliding scales and additional charges depending on land use and size

Full Cost Recovery for Planning Fees Input from the Development Community

On November 16, 2015 staff consulted with the development community regarding the impact on the City's development industry should a full/partial cost recovery model be implemented for planning fees.

Comments are summarized as follows:

- The local economy will not support a full cost recovery model for planning fees. The profit margins locally are too small already and increased fees will diminish those profit margins further. A full cost recovery model for planning fees will eliminate a sound business case for many development projects and investment will be abandoned accordingly.
- The intensification and infill nature of development in St Catharines generates higher soft costs for developers (more focus on site and building design to ensure a good fit, meeting with neighbours, etc.). Increased planning fees together with already higher soft costs will discourage/eliminate development investment.
- A small increase in planning fees year over year over a longer time period (e.g. 5 years instead of 2 years) is more readily absorbed by the industry than a huge increase over a 2 year term.
- To compare St Catharines to other municipalities outside of the Region is not a fair comparison. The markets outside of the Region are more robust and can support higher fees because the land values are higher. Even within Niagara, Niagara on the Lake and Grimsby are more robust markets.
- Rather than full cost recovery, planning fees could be considered on a sliding scale based on the complexity or scale of a project. Larger complex projects would be charged a higher rate than a simple straightforward planning application (criteria could be number of units, gross leasable floor area, site size, etc.).
- A stronger local housing market would be triggered by a strong local economy; availability of good paying jobs... the City has never recovered from the loss of the manufacturing sector. A stronger economy would support higher land values, higher land values would support increased planning fees.
- Before there is consideration for full cost recovery of planning fees, there has to be full transparency and accountability of the actual costs.

A full accounting of staff time needs to be completed to accurately determine what full cost recovery would look like. It cannot be an educated guess, which is what it would be at this point in time.

- Increase in fees to only apply to new applications and not retroactive to existing files under review (*staff comment: that already is the current practice*)
- Full cost recovery needs to be fully defined, and should not include a portion or allotment for overall policy initiatives, not directly related to a development applications (e.g. Garden City Plan review, Regional policy reviews, zoning by-law, etc.)
- Full cost recovery for planning fees is not recommended for the City if it wants to continue to promote private investment, be open for business, and be development ready. Even the most robust markets do not support a full cost recovery model for planning fees.