

Development Services Committee Public Meeting Fee By-law Update

December 9, 2014

Agenda

- ❖ Introduction
- ❖ Fee Model
- ❖ Building Permit Fee Changes
- ❖ Development Fee Changes
- ❖ Reserve Balances
- ❖ Summary & Next Steps

Introduction

- ❖ Costs for the Building, Planning/Urban Design and Engineering Departments are funded from 3 different revenue sources: Fees, Development Charges and Tax

Distribution of Funding Sources by Department				
Department	Application Fees	Tax	Development Charges	Total
Building	100%	-	-	100%
Planning	53%	19%	28%	100%
Engineering	51%	8%	41%	100%

Introduction (continued)

- ❖ Municipality has the authority to collect the anticipated reasonable costs associated with the administration of the *Planning Act* and the *Building Code Act*.
- ❖ Total costs include Direct (personnel and non personnel), Indirect (HR, ITS, Finance, Legal, etc.), one time capital costs and a contribution to a reserve fund
- ❖ Fee model used to determine costs and associated fees, using a past five year average volume of development activity

Introduction (continued)

- ❖ Development and Building Fee By-laws are amended annually to recover changes in costs associated with providing development approvals and building permit related services
- ❖ Costs adjusted on a yearly basis due to projected expenses, general inflation and 5-year average volume
- ❖ Public notification and a public meeting is required under the *Building Code Act* when changes to Building fees are recommended

Fee Model: Calculation of Rate Increase

- ❖ Determine total costs to be recovered (direct and in-direct costs, inflation and adjustments, one time capital project costs and money set aside for reserve fund)
- ❖ Apply the past 5-year average activity volume over each fee category times the existing fee to calculate projected revenue
- ❖ Difference between recoverable costs and projected revenue is amount of increase

Building Permit Fee Changes for 2015

- ❖ Positive reserve balance in Building, entering 2015
- ❖ A draw on Building reserves over next 5 years is expected due to cost inflation, investments in technology & business improvement projects, and reduced permit volumes.
- ❖ 3.60% increase recommended for 2015. An annual 5% increase is projected thereafter to 2019 in order to maintain a positive reserve.
- ❖ Minor changes and editorial updates are the only other by-law changes.

Development Fee Changes for 2015

- ❖ Combined Planning/Urban Design and Engineering reserve account continues to be in a deficit, notwithstanding higher volume of activity in recent years
- ❖ For 2015 recommend increasing Planning fees by 15% and Engineering fees by 10% to mitigate current negative reserve balance
- ❖ A positive annual contribution to reserve is projected by 2016, and elimination of negative reserve balance in 5 years through annual fee increases from 6-10%

Minor Changes to the Development Fee By-law

- ❖ Notes added to General Term section to provide clarity
- ❖ Revise % of engineering fees at submission and agreement stages
- ❖ GFA fee for Urban Design and Engineering to be same as Planning
- ❖ Recirculation fee for Committee of Adjustment has been added
- ❖ Inspection fees for Site alteration Permit are included in base fee
- ❖ Additional Definitions added for C of A, Condominium and Engineering applications

BMA Report

- BMA Consulting was retained in 2014 to review fee model and by-laws
- All costs are calculated appropriately and fees are being collected in accordance with legislation
- Update the fee model in 2015 to ensure fees are reflective of the true cost of providing the service for each type of application (i.e. address shift from subdivisions to more complex high density site plans)

Public & Industry Consultation

- ❖ November 18 - Report to Development Services Committee to authorize a public meeting
- ❖ November 19 - Advised Developer Round Table Group and BILD by e-mail
- ❖ November 20 – Notice placed in local papers of public meeting and also posting on City's website
- ❖ No feedback or comments received

Reserve Balances

Reserve Balances (Deficits) \$ in 000s						
	2009	2010	2011	2012	2013	2014
	Actual	Actual	Actual	Actual	Actual	Projection
Building	\$540	(\$90)	\$6,630	\$11,887	\$13,846	\$11,825
Plan/Eng	(\$5,632)	(\$1,476)	(\$2,455)	(\$907)	(\$3,959)	(\$7,701)

Comparisons with Other Municipalities

- Average Building Department costs in Ontario in large municipalities is about \$9.00 for each \$1,000 of construction. Markham's Building Department costs over the past 5 years has been about \$5.00 per \$1000 of construction.
- Costs for Building and **Development** areas of the Planning and Engineering Departments are 100% recovered by fees. They do not rely on any tax revenue (unlike other municipalities)
- An Altus Group report in 2013 compared fees in 6 GTA municipalities:
 - Markham's Building fees were **mid range** for both low and high density developments
 - Planning fees for low density developments were **mid range** in comparison to the other municipalities, and were on the **lower end** for high density
 - Engineering fees were the **highest** for low density but in the **mid range** for high density

Summary

- ❖ With the proposed 2015 increase in fees and those projected over the next 5 years the Building Department will sustain a positive reserve balance
- ❖ With an increase in 2015 development fees, projected increases over the next few years and a review of the existing fee structure and model, the accumulated Planning and Engineering reserve deficit is expected to be eliminated in 5 years
- ❖ Planning and Engineering annual reserve balance are forecast to be in a positive balance from 2016 onwards.

Next Steps

- ❖ Fee by-laws presented to DSC Public Meeting on December 9, recommended to proceed to Council meeting on December 16 for approval and to take effect January 1, 2015
- ❖ Retain Consultant in 2015 to complete a comprehensive review of the structure and categories of the Development Fee by-law by application type
- ❖ Report back on findings to Development Services Committee by third quarter of 2015.