

**Committee of the Whole Report** 

For the Meeting of August 18, 2016

То:	Committee of the Whole	Date:	August 5, 2016
From:	Jonathan Tinney – Director, Sustainable Pla	anning and	Community Development
Subject:	Development and Permit Fee Review		

# RECOMMENDATION

That Council direct staff to:

- Undertake a review of current fees associated with development and building approvals
- Engage the Urban Development Institute and the Victoria Residential Builders Association
  as part of this review
- Report back with recommended amendments to the Land Use Procedures Bylaw, Building Bylaw, Electrical Safety Regulation Bylaw and the Plumbing Permit Fees Bylaw by December 2016.

# EXECUTIVE SUMMARY

The purpose of this report is to seek Council's approval to commence an analysis and stakeholder engagement as part of a comprehensive review of development-related fees which are currently charged for various land use, building, plumbing and electrical permit applications.

A review of fees in these areas has not been done for some time with the most recent updates for the Plumbing Permit Fees Bylaw occurring in 1988, Building Bylaw in 1993, Land Use Procedures Bylaw in 1998 (a review was done in 2010, but recommendations made at that time were not approved by Council), and Electrical Safety Regulation Bylaw in 2004.

While issues range based upon the specifics of each bylaw, in general current fee schedules are difficult to administer, not entirely reflective of processing and administration costs and do not cover some processes or actions required by current applications. The City of Victoria's fee schedules are also somewhat inconsistent with other municipalities elsewhere in BC when dealing with projects of similar scale and complexity.

Based on these issues staff are seeking Council approval to engage with the Urban Development Institute (UDI) and the Victoria Residential Builders Association (VRBA) in support of updates to the various fee schedules. Staff are currently planning to engage with both of these groups as part of the update to the Development Cost Charges Bylaw in the Fall of 2016 and so it is proposed that engage processes occur in tandem. In undertaking this work, staff propose a conceptual approach that:

1) simplifies and improves the use-friendliness of the fee structure to provide more certainty to developers, builders and homeowners

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- 2) supports the recovery of core costs associated with administering the development process
- 3) aligns fees with the size of the project and the stage of its development
- 4) supports better alignment of fees with those charged by other municipalities dealing with similar types of projects.

# BACKGROUND

The *Local Government Act*, Section 931, allows local governments to set application fees for land use applications. The Act states as follows:

2) A fee imposed under subsection (1) must not exceed the estimated average costs of processing, inspection, advertising and administration that are usually related to the type of application or other matter to which the fee relates.

Fees for applications are set out in the Land Use Procedures Bylaw. Fees related to building, electrical and plumbing permits are laid out in the Building Bylaw. Electrical Safety Regulation Bylaw and the Plumbing Permit Fees Bylaw, respectively.

An update to the Plumbing Bylaw was undertaken in 2012 however, a review of the associated fee bylaw was not then undertaken at that time and this fee schedule currently dates back to 1988. Reviews of other fee schedules associated with other development-related bylaws within the City have also not occurred for some time. The fee schedule for the Building Bylaw has not been updated since 1993 and the schedule within the Electrical Safety Regulation Bylaw has not been assessed since 2004.

Council's Operational Plan currently prioritizes updates to the Building and Electrical Safety Regulation bylaws in 2016. This is to bring both bylaws into compliance with more up-to-date provincial regulation. As part of the 2016 Budget discussions Council directed staff to review fees associated with plan searches as part of the update to the Building Bylaw.

Fees included within the Land Use Procedures Bylaw have not been updated since 1998. A review was undertaken in 2010. However, Council chose at that time not to move forward with the proposed revisions to the fee schedule.

### **ISSUES & ANALYSIS**

Currently fee schedules do not adequately support cost recovery in most years for these service areas. While forecasts for 2016 suggest that fee revenue will exceed associated expenditures related to the processing of development and building approvals, this is likely an isolated case. As summarized in the table below, expenditures for core services related to land use and building regulation surpassed revenues in all other years.

Table 1: Fee Revenue and Expenditures for Development Services Functions – 2012 T0 2016 (In Millions)

	2012	2013	2014	2015	2016 (F)
Expenditures	\$3.215	\$3.319	\$3.378	\$3.429	\$3.589
Revenues	\$2.458	\$2.633	\$2.864	\$3.243	\$4.114

At the same time, staff and Council have made strong commitments to increasing levels of service in terms of application turnaround times through ongoing engagement with the development community. Staff continue to seek efficiency and productivity improvements within both divisions, but given application volumes and current commitments, in the short term, it will be difficult reduce costs to align with current revenues.

Current fee schedules also face other challenges in addition to fee rates that make them harder for applicants to understand and create difficulties in administration.

Development services fees currently are based on value of construction which is difficult to verify at the early stages of the development process, and do not include more recent additions to the land use approval process such as revisions to master development agreements or heritage revitalization agreements which require significant staff time but are not currently reflected in the fee schedule.

Fees schedules for building and other trades permits require assessment to better align them with comparable municipalities elsewhere in BC when dealing with projects of similar scale and complexity. As well, permit bylaw schedules also do not cover all services currently provided (such as alternative solution assessments, re-inspection, or charges for work without permits).

Based on these challenges, staff are recommending a review of current fee schedules and an associated engagement program with UDI and the VRBA based on the following conceptual approach.



#### Figure 1: Conceptual Approach to Fee Review

This conceptual approach aims to support overall cost recovery in alignment with the Local Government Act for services within an average year (by application value and volume). The aim here is to keep rates as low as possible to support ongoing development and renewal of the City's building stock while minimizing, to the extent possible, inputs to support these functions from general tax revenue.

The proposed approach will also look at models that support graduation of the overall fee structure to generate a larger share of total revenue later in the development process when applicants have greater surety of timing and some entitlements are already in place.

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# **OPTIONS & IMPACTS**

# 2015 – 2018 Strategic Plan

Objective 3: Strive for Excellence in Planning and Land Use

- Reduced processing times for types of applications from building permits to rezonings
- Streamlined land use policies

# Impacts to Financial Plan

Exact impacts are not known at this stage, however the aim of the review will be to support greater cost recovery of planning and development services through fees collected.

Official Community Plan Consistency Statement

None.

Respectfully submitted,

Jonathan Tinney Director – Sustainable Planning and Community Development

Report accepted and recommended by the City Manager:

Date:

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