

Staff Report



To	City Council
Service Area	Infrastructure, Development and Environment
Date	Wednesday, March 20, 2024
Subject	Recommendation Report - Development Fee Review

Recommendation

1. That the Recommendation Report - Development Fee Review be approved effective April 1, 2024 as included in Attachment 2.
 2. That the development Applications Fee By-law be amended to reflect the changes in Attachment 2.
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Executive Summary

Purpose of Report

The purpose of this report is to recommend updates to the Planning and Development Fees that will accurately recover the City's costs in consideration of current activities for development applications and to account for service delivery pressures resulting from financial risk associated with the recent Provincial legislative changes (Bill 109 – More Homes for Everyone Act, and Bill 23 – More Homes Built Faster Act).

Key Findings

The Government Finance Officers Association (GFOA) recommends that municipalities undertake a comprehensive review of user fees every four to five years. This is to ensure that the fee charged is aligned with the underlying goals and objectives and reflects existing work processes and resource allocation. The last comprehensive review of Planning and Development fees in the City of Guelph was undertaken in 2017.

An RFP for a consultant to conduct this study was issued and BMA consulting was awarded the contract. Staff interviews, process mapping, budget analysis and a financial model was developed to calculate the fees for each type of planning application. A complete list of the proposed fees is included in Attachment 2.

Strategic Plan Alignment

Foundations: The legislative changes (Bill 109 and Bill 23) that came into effect in November 2022 resulted in significant financial and service delivery pressures that need to be appropriately managed to minimize financial risk associated with the strategic plan of "Foundations" in maintaining the City's healthy financial position.

Financial Implications

The outcome of the Development Fee review study is an increase in revenues for development application fees and committee of adjustment fees. Given the variability of when the City receives development and committee of adjustment applications, realization of the increased revenues will vary. Using previous application volumes, the estimated increase in development application revenues is approximately \$397,000 annually and approximately \$65,000 annually for committee of adjustment fees.

In the 2024-2027 multi-year budget, development application revenues were increased by approximately \$370,000. A proactive approach was taken with respect to increasing revenues in the multi-year budget given the constraints the City was facing and understanding that the fee review would be completed in Q1 of 2024.

The development application process uses current budgeted city resources. As the City continues to work through the impacts of Bill 109 and Bill 23, any additional resources added will offset increased revenues.

Report

In 2023, the City initiated a review of its development application fee structure. BMA consulting was awarded the contract to complete the fee review. Staff interviews, process mapping, budget analysis and a financial model was developed to calculate the fees for each type of planning application.

Municipal development review fees are authorized primarily by Section 69 of the Planning Act, which authorizes municipalities to establish a tariff of fees by By-law. Fees for each development application type (e.g. Site Plan) are to be based on the anticipated cost to the municipality in respect of the processing of each type of application provided for in the Tariff and cannot be set to subsidize other under recovering categories. This Section 69 requirement sets a cost justification for the City's fees update. Certain fees related to the development process, such as those fees associated with detailed engineering submission review (after subdivision draft plan approval) are enabled by the Municipal Act.

The new fee schedule proposes a fee structure that provides full cost recovery and better accounts for the level of service provided for the application type. Full cost recovery will offset the cost of delivering this service and decrease the burden on tax base.

Fees Eliminated Due to Bill 23

One of the key changes that Bill 23 brings is the exemption of residential development with 10 units or less from Site Plan Approval. This change means that the City can no longer charge the Site Plan Approval fee for developments with less than 10 units. Overall, this will result in a revenue loss for the City.

New Fees

Block Plans

The City of Guelph will be processing Block Plans but has not been charging fees. Upon the adoption of Secondary Plans, a Block Plan is required, at the discretion of the City, to be prepared by participating property owners within the Secondary Plan area or a portion thereof.

The purpose of the Block Plan is to specifically address the extent and precise location of the Secondary Plan elements on the lands, including the Natural Heritage Network, servicing and infrastructure details including road and pedestrian networks, lot patterns and the precise location of community services such as schools, parks and community centers. This report proposes charging fees of \$14,000 plus \$ 1,660 per hectare for these applications to be in line with the average values of five comparator municipalities.

Minister's Zoning Orders (MZO) and Community Infrastructure and Housing Accelerator (CIHA)

The City of Guelph does not have fees for MZO and CIHA applications. This report proposes charging a fee of \$31,450 based on the number of hours taken for processing MZOs is same as major Zoning By-law applications which take approximately 513 hours per application.

An MZO is a mechanism the Ontario government can use to instantly override a traditional public process. This doesn't give every single project all of the approvals it might need, but it does speed up the process. Staff are still required to contribute a significant amount of time in order to process the application, provide comments to Council and Ministry staff and prepare the required documentation on behalf of the municipality to the Province for consideration.

Municipal Benchmarking

Development application fees of City of Guelph were compared with five to eight other municipalities, and it was generally found to be lower than the average value of its comparators.

Conclusion

The City is proposing to amend development application fees in 2024 to ensure that the City is using a full cost recovery model and is able to continue providing the high-quality services our residents and businesses while mitigating financial risks associated with Bill 109 and Bill 23.

Financial Implications

The outcome of the Development Fee review study is an increase in revenues for development application fees and committee of adjustment fees. Given the variability of when the City receives development and committee of adjustment applications, realization of the increased revenues will vary. Using previous application volumes, the estimated increase in development application revenues is approximately \$397,000 annually and approximately \$65,000 annually for committee of adjustment fees.

In the 2024-2027 multi-year budget, development application revenues were increased by approximately \$370,000. A proactive approach was taken with respect to increasing revenues in the multi-year budget given the constraints the City was facing and understanding that the fee review would be completed in Q1 of 2024.

The development application process uses current budgeted city resources. As the City continues to work through the impacts of Bill 109 and Bill 23, any additional resources added will offset increased revenues.

Consultations

Consultation was conducted with internal stakeholders including engineering, clerks, finance and planning. The BMA report in Attachment 1 includes findings of staff interviews and a review of City process mapping. A benchmarking analysis of the proposed fees in other municipalities was undertaken to test the reasonableness of the outcomes.

Attachments

Attachment-1 2024 Guelph Planning Fees Report by BMA

Attachment-2 Proposed Fees, April 1, 2024

Departmental Approval

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