



2018 Planning & Development Fee Update

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Agenda

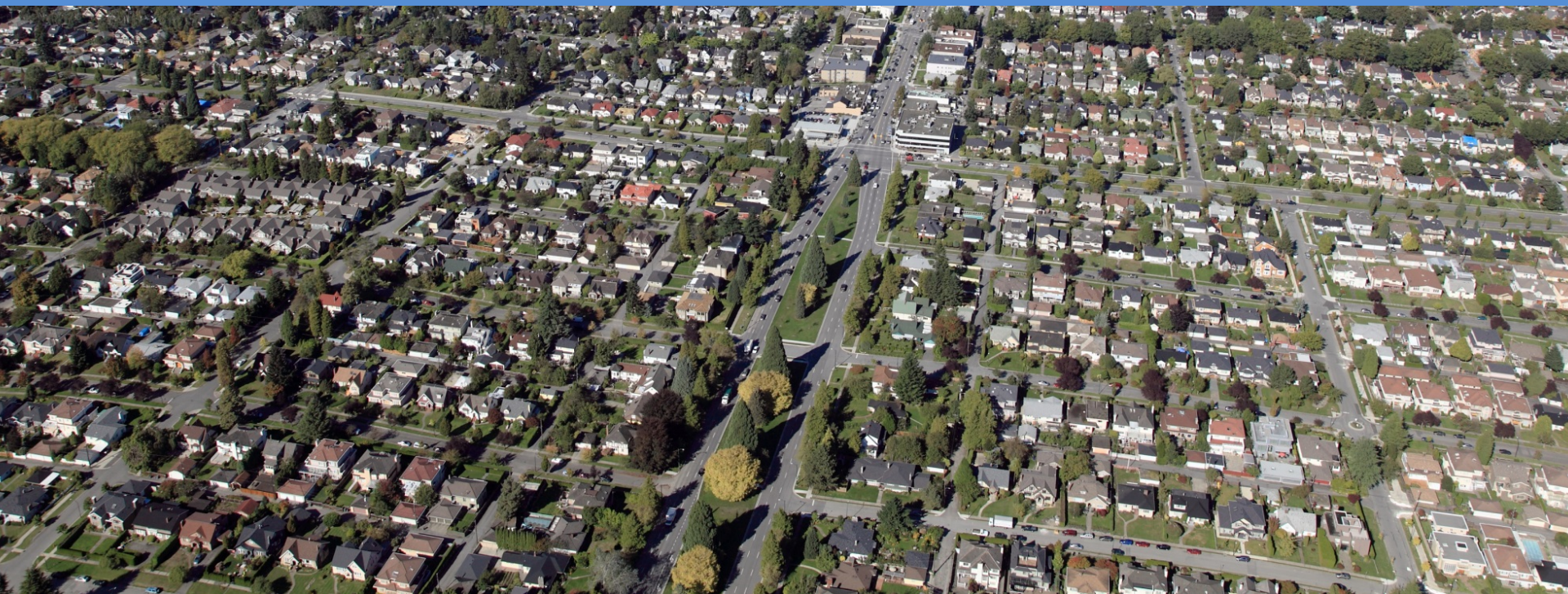
Background

Proposed 2018 Fee Changes

Q&A

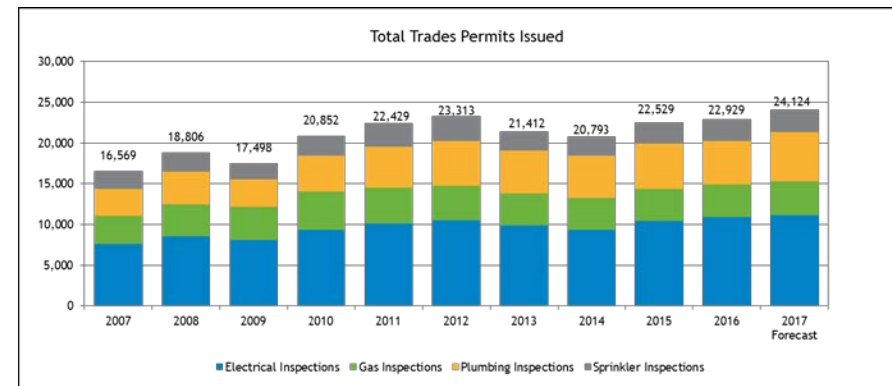
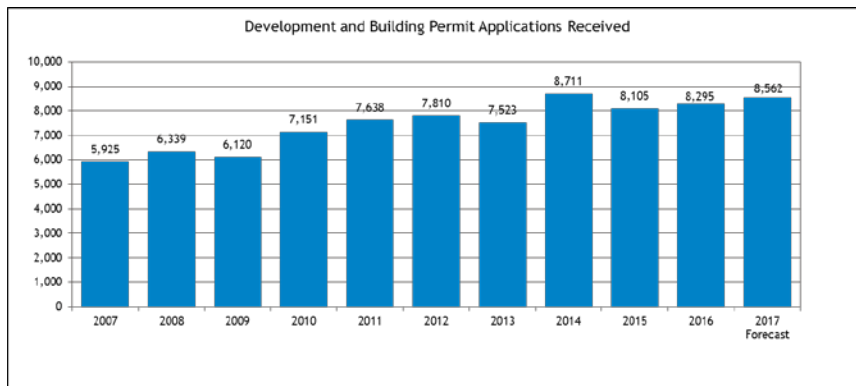
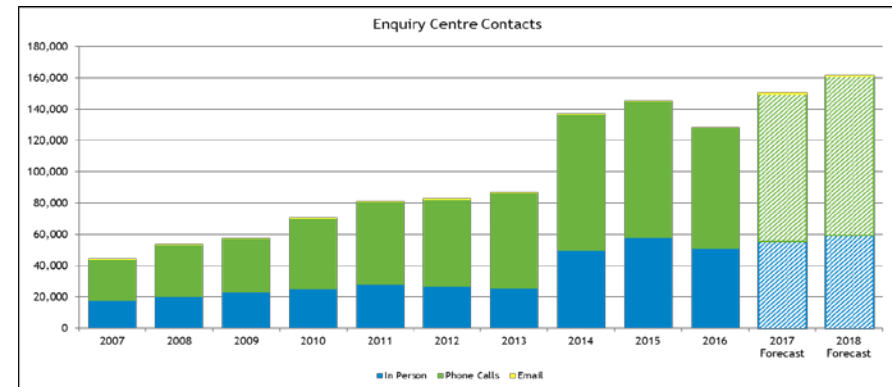
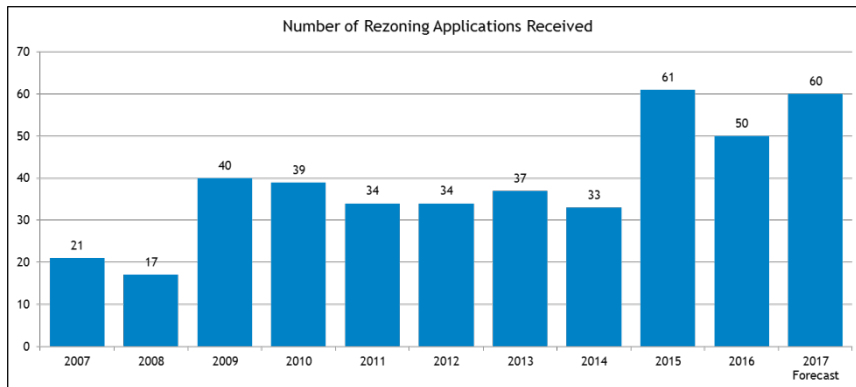


Background



Development Volume Increases

The growth of development and building activities over the past decade has been significant and sustained, with the largest changes occurring over the past four years. Projections indicate that this level of demand will not decrease for the foreseeable future.



Volume: Resource Changes

Over the past 9 years, staffing has not kept pace with demand. For example, permit-driven work volumes have increased an average of 24% while development-related staff only increased 6%.

Service Group	2008-2016 % change	
	Volume	FTEs
Enquiry Centre	31%	1%
Housing Review Branch	31%	52%
Development Review Branch	31%	11%
Project Facilitation Group	31%	5%
Building Review Branch	31%	14%
Building Inspectors	6%	0%
Electrical Inspectors	28%	-13%
Plumbing & Gas Inspectors	17%	-6%
By-Law Admin	11%	-10%
Totals	24%	6%

Complexity

In addition to increasing application volumes, the complexity of development has increased, increasing the amount of work and staff per application or permit.

- Increase in key planning and development policies to support a sustainable, healthy city
- Application proposals are more creative and many are conditional rather than outright
- Increased mixed uses, such as new 'high tech' commercial spaces and increasing housing typologies
- Available land is increasingly scarce, most development takes place as redevelopment or new development on challenging land, e.g.:
 - infill,
 - peat bogs
 - contaminated sites

Background: Previous Fee Reviews

In 2015, staff undertook a Planning and Development fee and staff review for the first time since 2008. Staff worked with an outside consultant to review and update fees in two phases over two years:

In **2015** Council approved the following fee increases:

- A 2% inflationary increase in all categories to compensate for increases in costs;
- An additional 30% increase to all rezoning fees;
- An additional 10% to 15% increase to some development permit fees, but no increases other than inflationary increases for single family permits because these permits were facing higher than normal processing times.
- A consolidation of fees where there is no substantive difference between current fees and elimination of fees which have not been used for at least four years; and
- Once processing times stabilize, report back to Council on a subsequent set of fee changes

Background: Previous Fee Reviews, cont'd

- The **2016** fee review also adjusted fees as follows:
 - An increase ranging 2%-19% on the balance of permit fees and services, excluding Electrical and Sign permit fees. Some fees maintained at current rates and adjusted for inflation only through a separate Council Report.
 - A decrease ranging 2%-19% on some Drain Tile and Gas permit fees.
 - New fees were created where services were provided and fees not charged.
- In both fee reviews, staff acknowledged that fee increases would not fully account for the cost of services, and that ongoing fee reviews would be required going forward.

2016 Fee Review: Resources added

Following the fee review, 19 additional staff were added, an increase of ~6.9% to the total headcount. Staff were allocated to departments as follows:

Staff Delta	2012	2013	2014	2015	2016
Urban Design		-0.8	2.3	0.6	4.4
Development Services		0.9	-2.9	-11.4	5.5
Buildings		-3.3	0.5	13.5	4.5
Engineering					5
Total		-3.2	-0.1	2.7	19.4

Note: In 2015, the Building Review Branch was moved from Development Services to Buildings

Staff Capacity & Morale

The on-going volume of work over the last four years has had a significant impact on staff morale and overall productivity.

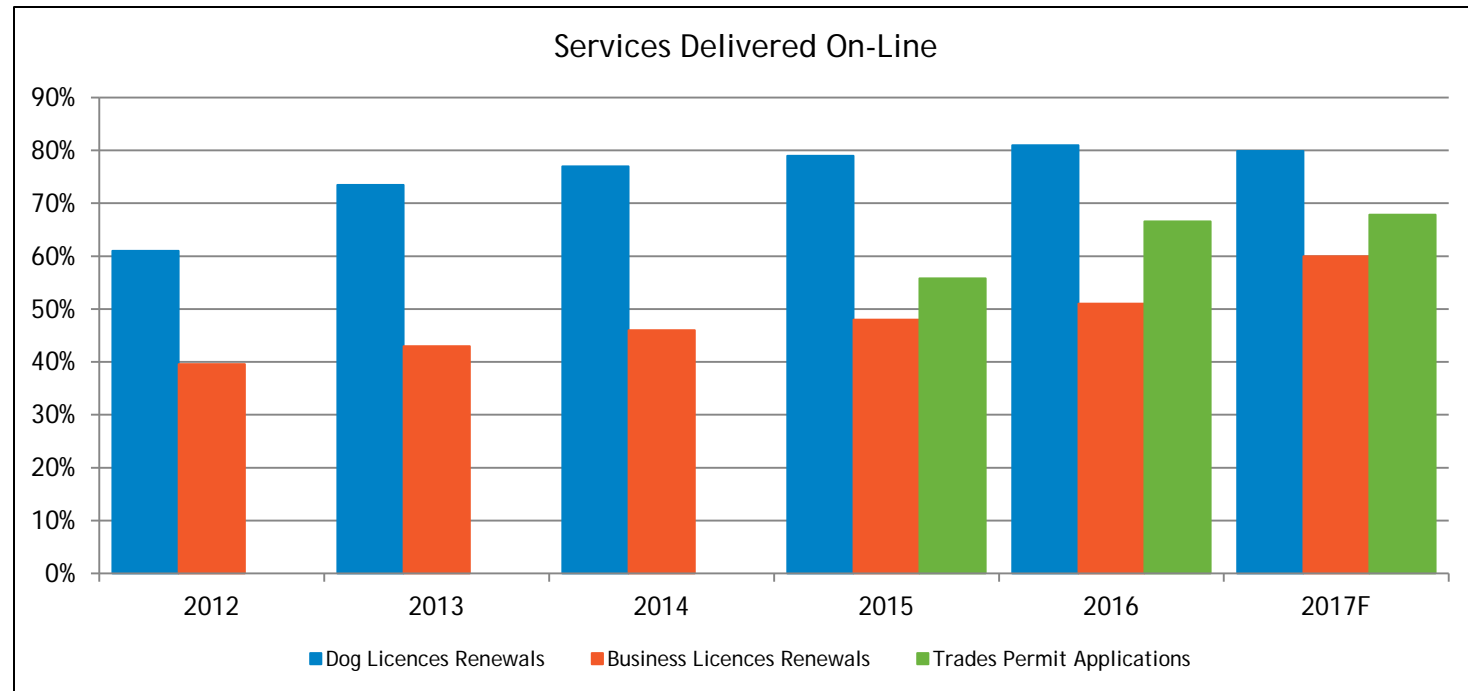
- Increased volumes being managed by about the same number of employees has had significant impact on workloads

Role	2012 workload /FTE	2017 workload /FTE
Rezoning Planner	2-3	4-6
Project Facilitator	20-25	35-40
Plan Checker	40-50	75-100
Inspector	6-8	12-14

- Limited staff capacity has led to an increase in customer complaints as staff are unable to return calls/emails in a timely manner and the Service Centre does not have the capacity to process all incoming daily enquires
- Recruitment and retention has been challenging. We have significant turn-over in staff, which is problematic in highly technical roles and results in inconsistent and slower service.

Technology Transformation

We have shifted many permits and licensing services on-line: 60% of business licence renewals, 80% of dog licenses, and ~68% of trades permit applications.



The POSSE implementation has enabled streamlined processes and improved tracking and metrics, but the implementation had an impact on productivity and there remains more work to develop improved processes and additional online services, such as ePlans and online status tracking for customers.

Systems & Process Improvements

Policy and Planning

1. Prepare area plans with “pre-zoning”
2. Review system for development charges
3. Regulatory review & regular updates
4. Clarify advisory committee mandates

Process and Service Delivery

5. Process and customer service improvement
6. Pilot: prioritized process for affordable housing
7. Pilot: streamlined low-density housing
8. Enhanced technology, data and reporting

Staff and Industry Capacity

9. Staff training and capacity-building
10. Industry development and support

Systems & Process Improvements

While times remain slow and there is a lot left to do, we have made a lot of incremental and foundational progress and have had an impact in a number of areas:

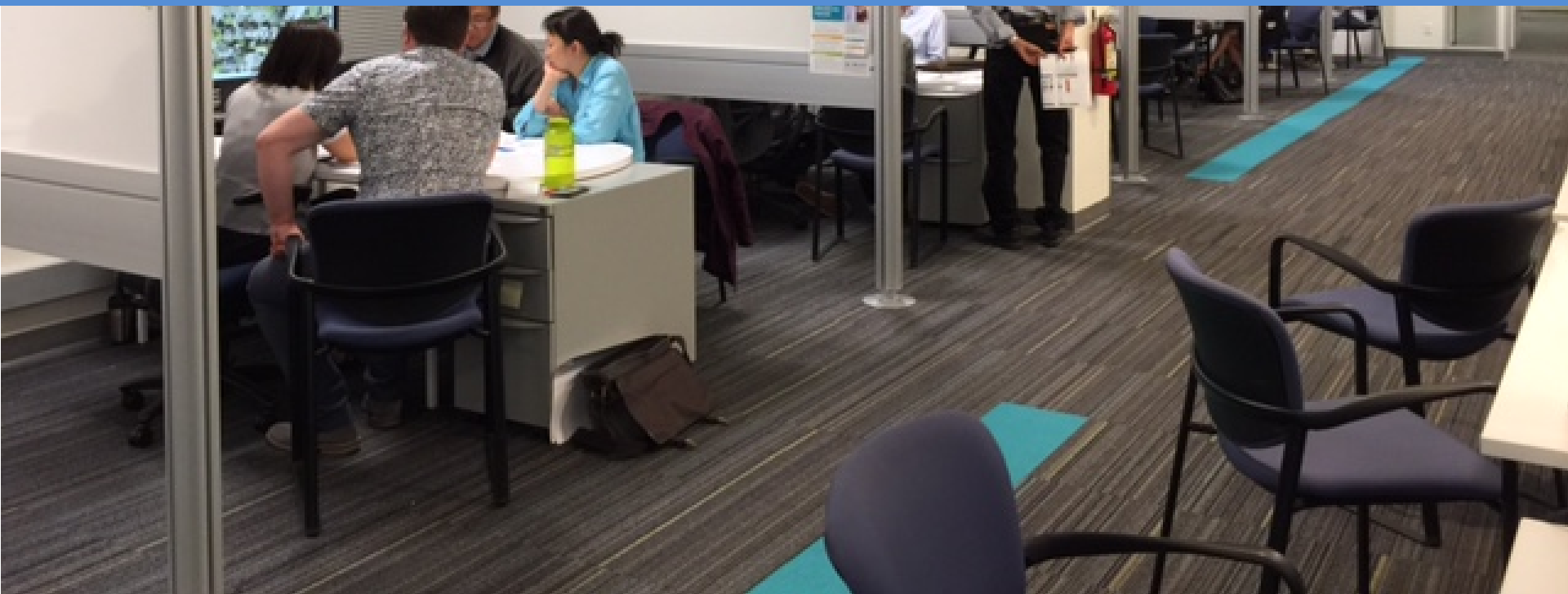
- Streamlined small business **Commercial Renovations** – more than 700 enquires supported since February
- Launched affordable housing pilot with goal of streamlining processes and decision-making – aim to cut planning and permitting processes in half, already **shaved 16 weeks** of initial projects
- Focus on simplifying and improving workflow of low density homes – median time to permit **improved by 15 weeks** (35 median to 20 median)
- Fast-tracking single-storey laneways – some **issued in 1 week**
- Increasing throughput - as of September: 2201 permits in, 2414 permits out – a **110% rate of issuance**
- Improved customer service – single points of service, increased callbacks, project timelines, etc. – and **increased positive feedback from industry**

Summary

- Planning and Development demand has increased significantly, reaching sustained **all-time high volumes** over the past four years.
- All projections indicate **sustained, if not increased, demand** over the next few years.
- The City has taken significant steps to **improve development processes and technology**. While there is much more to do, we've made progress and have had an impact in a number of areas.
- Despite dedicated efforts, we have **not been able to keep up with demand**. Service levels are not meeting expectations and permit times remain high.
- We're committed to pursuing systemic changes to shift culture and reduce planning and development times, but we also **need to invest more resources in planning and development** capacity to catch-up with explosive growth and to prepare for future increases.



Proposed 2018 Fee Changes



2017 Fee Review Approach

Key principles:

- Ensure that development fees reflect full costs
- Minimize impact of development processing costs on taxpayers
- Minimize impact on small homebuilders, small businesses and small projects
- Increase fees proportionate to scale and complexity of projects
- Reflect market conditions for construction costs
- Pursue more regular fee reviews and explore new fee opportunities

Phased Process:

- Two stage process for fee increase – 2018 & 2019
- Fee increases will support addition of 50% of needed staff in each of the two years
- Through 2018, evaluate additional systems changes and fee structure and refresh fees for 2019

2017 Fee Review Drivers

- **Council policy:** fees and charges be established on the basis of the cost of providing the associated services, or at market level where the service is provided in a market environment.
- **Public Opinion:** 2018 Budget Survey results reconfirm that 70% of residents & 60% of business owners would prefer increasing user fees rather than property tax as a method to balance the City's budget.
- **Fee for Service Alignment:** This review aimed to better align and recognize costs so that development, building, rezoning and other related costs are shifted towards full recovery through appropriate user fees.

2017 Fee Review Scope

The 2017 fee review considered the following:

- A. **new staff positions** required to support and improve cross-city planning and development processes
- B. **additional development-related costs** that were not previously included in development fee reviews

A. New Staff Additions

Staff analysis demonstrates a need to hire **150 new FTEs** across multiple teams to catch up with the current demand of work.

However, with assumed efficiencies, onboarding realities, and a desire to minimize impacts to industry, staff propose phasing in **75 new FTEs** over the next two years, distributed as follows:

Department	New FTE positions
PDS	26
DBL	24
Engineering	23
HR	1
Legal	1
TOTAL	75

B. Additional Development-related Costs

The 2017 fee review highlighted that there are a number of development-related costs that were not fully considered in the previous fee review or were added following that review. These costs include:

Description of Cost	Value
Increase in staff time assumptions compared to 2016 fee review	\$4.8m
New staff since 2016	\$1.9m
Additional Staff for Affordable Housing	\$1.1m
Underallocation of overhead costs in previous review	\$0.7m
POSSE capital cost recovery	\$0.75m
POSSE IT resources	\$0.75m
Total	\$10m

Staff recommend transferring \$6.1 to fees and \$3.9 to remain funded by property tax revenue through 2018/2019, with a future review of the balance.

Phase-in of Fees, Staff and Projected Revenue

The proposed staff additions, costs transfers, and fee increases will result in the following budget projections for 2018 and 2019:

Incremental	Cost/Revenue Types	2018 (est.)	2019 (est.)
Cost	Cost Update	\$10.0m	n/a
	New Staff Positions (75)	\$5.2m	\$3.7m
	General Cost Inflation	\$0.9m	n/a
	Full Cost Recovery (over 2yrs)	-\$3.9m	\$3.9m
	Total	\$12.2m	\$7.6m
Revenue	Additional Revenue (Volume)	-\$5.4m	tbd
	Net need for increased fees	-\$6.6m	tbd

Note: totals may not add due to rounding

Recommended fee increases

The following table summarizes the recommended increases in 2018 to Rezoning, Development, Building, and Occupancy fees:

Category		Expected Revenue
1	General increase of 9% (including inflation) on all fees (except Rezoning & Development)	~\$3.9m
2	Targeted Rezoning Fee Increases	~\$0.45m
3	Targeted fee increases for development permits	~\$1.8m
4	The construction value used to calculate building permit fees increased from \$250 to \$275 per square foot.	~ \$0.23m
5	Building Grade fees in Engineering increased by 25%.	~ \$0.12m
6	(Discretionary) Occupancy Permits increased by 100%.	~ \$0.09m
TOTAL REVENUE		~\$6.6m

Recommended fee increases: 2. Rezoning

Proposed rezoning fee increases are geared to increase by area (downtown) and by scale of project, with an estimated net associated revenue of ~\$0.45m.

Rezoning Fee Category/ Project Size	% of Applications Affected	Fee Increase
Amend Downtown Map to include West End Rezoning Policy Areas	<20% (of Downtown projects)	Base fee from \$43,000 to \$103,100
Rezoning Under New Minimum Size Threshold ($\leq 2,000\text{m}^2$)	50%	10% (except Downtown)
Rezoning ($> 2,000\text{m}^2 \leq 4,000\text{m}^2$)	25%	17-25%
Rezoning ($> 4,000\text{m}^2$)	25%	40-50%

(Note: all estimates are based on last 4 years of rezoning applications)

Recommended fee increases: 3. Development Permits

Similarly, development permit fee increases are proposed to scale to reflect the level of work, with increases geared toward conditional and larger projects.

Net revenue increases from development permit fee changes are estimated at ~\$1.8m.

Development Permit Type	% increase
Low Density Housing (outright)	9%
Low Density Housing (conditional)	19%
Medium/High Density (all)	19% (capped at \$200k)
Complex DP Board approval	19%
Medium/Large revisions	100%

Benchmarking

Much is made of Vancouver's comparison to other Lower Mainland municipalities, however, when compared to the five other major cities in Canada, Vancouver's performance on costs & fees is mid-range.

	Costs & Fees (\$ per dwelling unit)
Toronto	46,570
Ottawa	44,167
Vancouver	39,848
Edmonton	32,273
Calgary	27,625
Montreal	8,917
Source: Fraser Institute Report "New Homes & Red Tape in Canada" (June 2017)	

Engagement Events and Key Messages

Engagement

- Development Advisory Group(09/18)
- UDI Luncheon Presentation (09/29)
- BIA Partnership (10/4)
- UDI Liaison (10/10)
- Small Homebuilders (calls)
- Open Information Session (City Hall) (10/27)

Key Messages

- Industry is experiencing slow processing times across all Metro municipalities
- Developer time-lines slowing due to lack of staff, consultants & trades
- Support for selected fee increases focused on larger complex projects
- Fee increases acceptable if accompanied by service improvements, reduced processing times

Summary

- In order to build capacity, reduce processing times, and improve planning and development services, staff propose **hiring 75 staff across 3 departments over 2 years**.
- In line with Council policies and public opinion, staff also recommend transferring existing development-related costs from taxes to fees, starting with **\$6.1M over 2 years**.
- To cover these two key costs, staff propose planning and development **fee increases** in both 2018 and 2019.
- The 2018 fee increases would include a **general increase of 9%**, with more **targeted increases** to reflect the scale and complexity of projects.
- Over the next year, staff will **evaluate additional process gains and fee opportunities** and report to Council with an updated approach to planning and development fees for 2019.

Questions?

Thank You