



CITY OF VANCOUVER

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ADMINISTRATIVE REPORT

Report Date: November 28, 2008
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RTS No.: 07135
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Meeting Date: December 16, 2008

TO: Vancouver City Council

FROM: Director of Development Services, in consultation with the Director of Planning, the Chief Building Official, and the Director of Budget Services

SUBJECT: 2008 Interdepartmental Review of Development, Building and Related Fees

RECOMMENDATION

- A. THAT Council request a report back, by mid-2009, from the Directors of Planning and Development Services, in consultation with the General Manager of Engineering Services, regarding options for charging fees for enquiry and pre-application services related to rezonings and development permit applications.
- B. THAT Council direct the Director of Development Services to monitor the impact of economic changes on the development and building industry and to report back on fee changes when the economy has improved and timing is more appropriate.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of A and B, noting that while fee increases are warranted in some areas, the economic situation is such that increases beyond inflation are not reasonable at this time.

The General Manager also notes that a substantial amount of staff time is spent on pre-application services, and that new fees should be created at a later date to recover some of the costs incurred. Options for a fee schedule that are based on the amount of pre-application staff time required should be explored.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of A and B.

COUNCIL POLICY

It is Council policy that 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.

SUMMARY

Each year, Development Services reports to Council on inflationary increases to development, building, trade, and related fees. This is the subject of a companion report to this report (RTS #07704). Every five years, the Department also conducts an in-depth interdepartmental review of these same fees, to determine costs related to revenue generated.

The last time the interdepartmental review was undertaken was 2003/04. For the year 2008, the interdepartmental fee review has identified the amount of staff time expended, and commensurate costs incurred, for the provision of services regarding the intake and review of development, building and related permits and approvals. The costs have been compared to the revenue budget and it has been found that in 2008, there is an approximate \$1.5 Million dollar shortfall. While adjustments to some fee categories are warranted in the context of Council's policy regarding cost recovery, no recommendations regarding adjustments are being made at this time due to the current economic climate. A recommendation for a report back on the establishment of new fees for enquiry and pre-application services has been made, along with a recommendation to monitor the economic situation and report back to Council with appropriate fee adjustments when there is a more positive economic outlook.

PURPOSE

The purpose of this report is to inform Council of the completion and conclusions of the fee review and to recommend that staff report back on a possible new fee category and appropriate fee adjustments when the timing is more appropriate.

BACKGROUND

In December of 2004, Council received a report explaining a corporate fee review conducted in 2003-04, and approved by-law amendments to various fee schedules to increase fees for certain application types. This was the first fee review conducted across the corporation, which included the costs of all City staff directly or indirectly engaged in activities related to permit application and other related services. At that time it was noted that such a fee review should be undertaken every five years.

DISCUSSION

This report discusses the fee review in the following sub-sections:

- Scope of services for which the fees were reviewed
- Fee review methodology
- Impact of the current economy
- Fee review findings
- New fees recommended

Fees Reviewed

Nineteen (19) different types of fees related to property use, development and building were included in the corporate fee review conducted in 2008. These are listed in Appendix A.

The outcome of the fee review was the identification of types of services where revenues generated were significantly different from costs incurred. In addition, a new fee category, or categories, for enquiry and pre-application services, has been identified as being appropriate and necessary.

Fee Review Methodology

Overall responsibility for the permitting process lies with the Community Services Group (CSG). Development Services, as the hub of the permitting process, determines and collects most of the fees required, with rezoning fees being a notable exception. However, depending on the complexity of an application, up to fifteen (15) different departments and work groups can be involved in the permitting process, devoting significant staff time to the review of applications, consultation with applicants and community, the assessment of legal requirements and development of legal agreements, the assessment and negotiation of public benefits and amenities to be derived from certain developments, and the assessment of environmental implications.

In addition to Development Services, within the CSG, these departments/work groups include:

- Planning (Rezoning, Central Area Planning, Heritage, Urban Design and Development Planning Centre);
- Social Development (Housing Centre and Social Infrastructure);
- Licenses and Inspections (Chief Building Official, Inspections, Environmental Protection); and
- Cultural Services.

Outside the CSG, departments that are regularly involved include: Engineering Services, Legal Services, Parks, Real Estate Services, and Fire and Rescue Services. There are over 250 FTE positions across the City that have direct involvement in permitting, spending varying amounts of time on the process.

In summary, the fee review methodology was to identify the 2008 costs of work related to fee generation and then compare those costs to the 2008 revenue budget, enabling an assessment of where revenue is in line, or not in line, with the costs incurred. This basic methodology was also used in the 2003-04 review.

The review began in the CSG and then, based on the success of the methodology there, was expanded to other departments and work groups. In the CSG, managers worked with their staff to determine how much time each staff person involved in permit/revenue generation activities devoted to each fee category. Fee categories are usually, but not always, related to a specific permit type. Each staff person was also able to allocate time to an "other" category of non-fee generating work.

The prorated costs applied included:

- a staff person's salary and benefits, plus incidental costs including, for example, car allowance and cell phone where applicable;

- indirect costs (identified management and support staff, office space and equipment);
- City Government costs (a small percentage of overall City management and support - e.g., City Clerk, City Manager, etc.); and
- Corporate Services overhead (e.g., Financial Services, Human Resources).

All of these costs were allocated to specific fee categories, based on staff time spent on each.

Other departments were informed of the CSG methodology and applied similar strategies regarding staff identification and allocation of time spent on specific fee categories. Each department determined the specifics of their indirect costs. On behalf of all departments, the CSG staff conducting the review applied the City Government and Corporate Services overhead costs uniformly.

Beyond the methodology reviewed above, which was similar to that of the previous fee review, additional categories of enquiry and pre-application services were added. These services are not currently cost-recovered. Those staff engaged in this type of service - primarily dealing with rezoning and development permit activities - were asked to allocate the appropriate percentage of their time to these activities.

Impact of the Current Economy

Economic conditions have changed substantially since the Fee Review began in May of this year. Real estate sales and prices have seen significant decreases and acquiring financing is becoming more difficult. To date, Development Services has seen a general maintenance of permit volume, but is noticing a decrease in project value and some change from new construction to renovations. In addition, some projects already in the system are not proceeding from the Development Permit to the Building Permit stage. The department has begun collecting statistics to effectively monitor the impact of the economic slowdown on the development/building industry. It is recommended that while fee changes are warranted in some areas, staff report back to Council with recommended fee adjustments when timing is more appropriate.

Fee Review Findings

- The most significant conclusion of the fee review was that the projected cost of providing service will exceed the 2008 Revenue Budget by approximately \$1.5 Million. As a result, it has been determined that adjustments are warranted in some fee categories and these will be reported to Council when timing is more appropriate, as discussed in the section above regarding the impact of the economy.
- More specifically, it was found that Development Permit fees currently recover about 60% of costs incurred. Rezoning application fees recover slightly more than 40% of costs. Shortfalls in these two areas have been typical over the years. During the 2003 fee review, it was concluded and reported to Council that, in the case of rezoning applications, substantial public benefits were derived and that a portion of these benefits should reasonably be supported by property taxes. A similar case, to a lesser extent, could be made for Development Permits. However, staff believes that, given the extent of the shortfall between revenue and costs for both development permits and rezoning applications, it will be appropriate to gradually move toward fuller cost

recovery, thereby reducing the subsidization of the development process. In the case of rezonings, applications are voluntary and affect a minority of projects but yield significant financial gains for the successful applicant.

- Plumbing and Sprinkler Permit fees are, on the other hand, recovered at a rate higher than identified costs and these fees will be adjusted accordingly when staff report back to Council.
- Board of Variance fees are voluntary and are collected at only 15% of costs. During the 2007 Interim Operating Budget process, these fees were increased from \$92 to \$162, and are currently \$168. At that time, it was identified that the fees should be brought more in line with costs and it was anticipated that fees would be increased on an annual basis until costs were more fully recovered. The notion of utilizing a sliding scale relative to the Development Permit fee structure was discussed and forms the basis of a fee increase recommended in the companion report, "Year 2009 Zoning, Building and Trade Permit Fee Increases" (RTS #07704).
- Also recommended in the companion report is a change to NSF fees to bring them into line with what is charged in other parts of the organization. Currently, the Community Services Group charges \$20 for NSF cheques. In Corporate Services, \$35 is charged, with a proposal of an increase to \$40 in 2009.
- Lastly, it was noted that the previous fee review did not accurately reflect the amount of time spent on fee-related work by Legal Services. This has now be corrected, with an increase in Legal Services costs from 2003-2008 - some of which would be due to inflation - of approximately \$1.2 Million.

New Fees Recommended

Before an applicant submits an application for development, it is typical that the services of scopers, development planners and other staff throughout the City are utilized to assist in the interpretation of by-laws, design guidelines and procedures, with the intent of ensuring a complete and high quality application. This intent is achieved more successfully by some applicants than others, with incomplete or ill-conceived projects requiring much more pre-application time.

The rezoning enquiry and pre-application process is comparatively formal, with a pre-application submission required to be presented for review.

The result of the question to staff regarding time spent on enquiries and pre-application services was useful. All but one department reported significant staff time spent in this area, with estimated costs of \$2.8 Million.

It is recommended that the Director of Planning and the Director of Development Services, in consultation with the General Manager of Engineering Services and other affected departments, explore options for introducing a new fee (or fees) that pertain to enquiry and pre-application services. It is contemplated that these options would include some sort of sliding scale that relates to amount of time spent or some other measure related to quality.

ALTERNATIVES/OPTIONS

Should Council indicate a preference for increasing fees beyond the inflationary 4% identified in the companion report "Year 2009 Zoning, Building, and Trade Permit Fee Increases", staff could report back with further analysis.

FINANCIAL IMPLICATIONS

There will be some foregone revenue to the City, given that no fee increases beyond inflation are being recommended at this time.

IMPLEMENTATION PLAN

No implementation is required at this time regarding fee adjustments beyond inflation. It is anticipated that inflationary adjustments considered in the companion report, "2009 Zoning, Building and Trade Permit Fee Increases" would be enacted, upon Council's approval, on December 18, 2008, and would take effect on January 1, 2009.

COMMUNICATIONS PLAN

The Urban Development Institute Liaison Committee was advised of potential fee increases earlier this year and this report was further discussed with the Committee in November. Also in November, industry groups were sent a letter summarizing this report, along with the companion report. The Board of Variance has also been notified. Most recently, the City Clerk has sent copies of the complete Council report to these groups. Public notices have been posted in the East Wing, where customers obtain these services.

CONCLUSION

The conclusion of the 2008 interdepartmental review of fees for services related to development, building and related permits and approvals is that there is an approximate shortfall of \$1.5 million between costs incurred and the revenue budget. Staff are not recommending adjustments to fees at this time as a result of the downturn in the economy, but will report on adjustments at a more appropriate time. Staff are monitoring the impact of economic change on the local development and building industry. A report back to Council on the establishment of new fees for enquiry and pre-application services is recommended.

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2008 CSG Survey Categories:

Board of Variance Appeals
Building Grades
Building Number Changes
Building Permits
Development Permits
Electrical Permits
Equivalencies
File Research - Outstanding Orders
Gas Permits
Legality Research Requests
NSF Charges
Plumbing and Sprinkler Permits
Property Information Research
Rezoning Applications
Sewer Discharge Fees
Strata Title
Subdivision
Tree Removal Permits
Viewing/Copies of Plans