



Corporate NO: R232

Report COUNCIL DATE: October 30, 2000

REGULAR COUNCIL

TO: Mayor & Council **DATE: October 2, 2000**

FROM: General Manager, Engineering **FILE: 0254-001**
5500-001

SUBJECT: Change in Land Development Fee Structure

RECOMMENDATION

1. That Council approve a revised Land Development fee structure.
2. That Subdivision and Development By-law No. 8830 be amended to reflect the revised Schedule B - Servicing Agreement Processing and Engineering Administration Fees.
3. That the By-law No. 8830 amendment be applied to all projects which apply for a Servicing Agreement on or after November 6, 2000.

INTENT

The intent of this By-law revision is to adjust, but not increase, the overall land development fees in order that fees charged are a fairer reflection of the level of effort provided by the City on each component of the land development process.

BACKGROUND

The Land Development Division in the Engineering Department works on a fee-for-service basis whereby all engineering activities related to the land development process are funded solely through development application fees. In 1999 these application fees were not able to cover the costs of the services provided by the Engineering Department to the development industry. The Engineering Department completed a business review of the process and determined the following:

- The fee structure for the commercial, industrial and multi-family developments was in balance with the staff costs required to process and administer the applications.
- The fees structure for single family developments was out of balance. 25% of the total fee is collected at the Servicing Agreement stage where 65% of the total man-hours are expended. The remaining 75% of

the fees are collected prior to the construction process where only 35% of the level of effort is applied.

- The fee collected for small single family developments (4 or less lots) and all small developments does not fully pay for the service provided.
- The current minimum fee developers are charged for “simple” projects (i.e., projects only involving the processing of legal documents and/or service connections) is disproportionately high for the service provided.

To correct these disparities without increasing the overall fees to the development industry, and to put the Land Development Division on a strong economic footing to provide better service, a revised fee schedule is proposed.

It should be noted that the proposed 2001 Budget includes a 4% increase to all Land Development fees.

DISCUSSION

Land Development revenues have decreased steadily over the past six years. Actual costs have been closely monitored and reduced or eliminated wherever possible. Staff reductions have also been made to keep pace with the reduced revenues while the process has been revised and improved to be more effective. While this has allowed the Land Development Division to improve its overall efficiency and business process, it has reduced the Division's ability to accommodate inequities in the fee structure.

The land development fee consists of two components:

- a processing fee, based on the number of units or area of the site, is collected at the servicing agreement stage, and
- an administration (construction) fee, based on a percentage of the construction costs of the civil works (road works, sewers, water, etc.), is collected prior to construction starting.

Single family developments differ from commercial, industrial and multi-family projects insofar as the construction value on the single family developments is higher in comparison to the number of units. This results in the single family administration (construction) fee being disproportionately high in comparison to the processing (Servicing Agreement) fee. The Engineering Department previously designed the fee structure in this manner to assist developers by reducing their front-end costs, yet still allowing the City to recover the full cost over the life of the project. This approach has worked well while the economy is buoyant. However, in a tighter economy, developers will delay the construction phase of their project up to two years and, in some cases, not continue with the project at all. This has resulted in a severe cash flow reduction for the Land Development Division to a point where the level of service being provided to the development industry is being impacted.

The minimum processing fee is \$1,800 on residential projects and \$1,900 on commercial, industrial and institutional projects. On small projects this is not sufficient to cover the internal staff costs which will typically range from \$3,000 to \$5,000 per project. Conversely, for applications involving only the processing of legal documents and/or checking fire flow or sewer capacities, the minimum fee of \$1,800 is high in comparison to the cost of staff time to provide these services. A fee structure that more closely reflects the actual cost of the service provided would resolve these problems.

The Engineering Department proposes a revised Schedule B to the Subdivision and Development By-law, as attached. Revisions are shown in *italics*. The proposed changes are as follows:

- For single family developments, increase the processing (Servicing Agreement) fee and decrease the administration (construction) fee to reflect an approximate 50-50 split. The overall fee will essentially remain the same.

- Adjust the minimum processing fee on all residential and agricultural Servicing Agreements (excluding Mini-Agreements) to \$3,600. On single family projects with 4 or less lots, there will be a small overall fee increase. On larger projects there will be an overall fee decrease.
- Introduce a new minimum processing fee of \$800 to replace the existing \$1,800 minimum fee. This will be used at the discretion of the General Manager, Engineering, on all applications involving only legal document processing and/or checking capacity calculations (e.g., fire flow analysis, storm sewer capacity).

The attached table indicates the impact these changes will have on a typical range of single family developments. With the exception of the new minimum fees, no change to the fee structure for commercial, industrial or multi-family developments is proposed.

The Engineering Department presented these changes to the Development Advisory Committee on May 25, 2000 and the changes were supported by the Committee.

This proposed change to the fee structure is part of an ongoing process to improve the efficiency and cost effectiveness of providing service to the development industry. The fee structure is monitored on an annual basis and adjusted as the Engineering Department finds more effective ways of doing business. The next initiatives that will be taken will focus on:

- simplifying the process for small, straightforward projects, and
- reducing City staff involvement on projects where consultants have the knowledge and ability to complete tasks.

These initiatives will allow the City to further reduce fees and allow the developer closer control of their overall development process.

CONCLUSION

With the exception of the new minimum processing fee, the proposed revision to the land development fee structure will not substantially increase or decrease the fees paid by developers from an overall perspective. The proposed fee structure will, however, more fairly reflect the level of effort provided by the City.

Jorgen Johansen, P. Eng.

General Manager, Engineering

LB/brb

Attachment

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