

### Development Review Program – Proposed Fee Changes

#### ISSUE

In order to provide process and customer service improvements and achieve cost recovery objectives, Administration is proposing changes to fees for development permits and other development applications.

City Council will consider a report to adjust fees for development permits and other development applications as part of the 2020 - 2021 Preliminary Operating Budget deliberations.

#### RECOMMENDATION

That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council, that proposed fee changes and policy changes for the Development Review Program be forwarded for consideration by City Council at the 2020 - 2021 Preliminary Operating Budget deliberations.

#### BACKGROUND

In 2016, City Council set a cost-recovery objective of 100% for development permits and all other development application fees, except discretionary use applications that remained at 80% cost-recovery. In addition, fees for development applications (reviewed by the Development Review Section) were last adjusted as part of the 2016 annual operating budget. No further changes to the fees have been implemented since 2016.

It is important to note that not all of the Development Review Program has been directed to be cost-recovered from application fees. The remaining program funding comes from property taxes, recognizing the value to the general public of having a clear and consistent land use planning regime as well as situations where policy or administrative work is required but not directly applicable to individual applications. Due to cost increases related to salaries, as well as increases in non-salary expenses (i.e. computers, etc.), current fees are no longer meeting these cost-recovery objectives, even if current service standards were to be maintained.

Planning and Development, and other divisions involved in reviewing development applications, have been receiving requests for a number of operational improvements from a variety of sectors, the building and development industry, non-profits, business owners and residents. Since 2017, engagement with the development industry in particular has identified numerous process improvements, and systemic operational issues that could be resolved. The goal of making such improvements would be faster, timelier reviews, improved service and communications during the review process, assistance with problem-solving and alternative solutions, and overall streamlined operations.

## **Development Review Program – Proposed Fee Changes**

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In partnership with the Building Standards Division, Development Review has been evaluating methods to streamline and improve customer service, permitting and review processes. To align these priorities and respond to industry needs, a Building and Development Operational Review was conducted in 2018. The goal of the review was to identify methods to establish the City of Saskatoon (City) as a national leader in building and development permit turnaround times. The results of the Operational Review were presented to the Standing Policy Committee on Planning, Development and Community Services on August 12, 2019.

The Building and Development Operational Review Report made a number of recommendations to streamline the permitting process and ways to become a national leader in building and development permit turnaround times. The recommendations were summarized into six categories: Performance Standards, Customer Service, Processes and Policies, Technologies, Organization Structure and Staffing, and Implementation and Change Management. In order to implement the recommendations of the review and pursue continuous improvement as a regular course of business, the application fees for Development Review need to be adjusted to increase the level of service.

### **DISCUSSION/ANALYSIS**

Appendix 1, which will be provided electronically, provides the Planning and Development Fee Review, prepared by BMA Consulting as part of the Operational Review. This documents both the current approach of the City and approaches in other comparable jurisdictions.

Findings of the Planning and Development Fee Review demonstrate that Saskatoon's development application fees are currently low compared to peer municipalities surveyed and with proposed increases, will stay below average.

The current staffing level in the Development Review Section does not meet the needs of higher volume periods and leaves significant catch-up required to recover from high volumes. It also contributes to a growing list of policy related items that have not been dealt with, which has prompted the need for the 2019-2021 Capital Project No. 2300 to undertake a comprehensive review of the Zoning Bylaw.

Combined with an appropriate staffing level increase to manage volumes and customer service, Planning and Development, along with other internal reviewers has identified mechanisms to streamline processes, and will also pursue new technology to support internal review and circulation as well as increased online services. The proposed fee increases are also required to support these program improvements.

The net impact of the recommended fee increases is forecasted to return the applicable activities to a state of full cost recovery of service, reduce the overall program draw on the mill rate and increase the level of service; Appendix 2 provides the existing and proposed fees.

## Development Review Program – Proposed Fee Changes

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### Program and Service Improvements

The proposed fee increases will result in the following service improvements:

Initiative: Four permanent Development Officer positions, 100% assigned to development permit review.

Result: Ability to maintain review timeframes for individual applicants.

Initiative: One position designated to assist with subdivision applications, and concept plan review.

Result: Dedicated resources to manage internal review of neighbourhood concept plan submissions and major amendments, along with increased resources to process subdivision applications.

Initiative: One position designated to assist with City Centre applications and general policy review.

Result: Increased resources to process City Centre applications and provide support for overall policy review.

Initiative: One position dedicated to assist in the implementation of the Operational Review recommendations, followed by an on-going role in process improvement for Development Review.

Result: The ability to design, implement and evaluate program changes in an on-going manner while maintaining review timeframes for individual applicants.

Initiative: Funding to support significant technology upgrades to the POSSE program which is used by Building Standards and Development Review for the processing of permit applications and related uses. This is a component of Capital Project No. 2169 - Urban Planning and Development Program Enhancements.

Result: Delivery of a system that will include online submissions, review and communications, application tracking for applicants, and collaborative internal reviews, among other things.

### Supporting Changes Required

Proposed service improvements will also be enabled by two associated mechanisms, the creation of a Development Review Program Stabilization Reserve, and the use of a Productivity Improvement Loan. Creation of a stabilization reserve will allow the program additional flexibility to deal with volume fluctuations over time. The Productivity Improvement Loan is an internal loan that will allow a contribution to a larger technology solution in the form of the POSSE platform. Further details on these mechanisms are provided in Appendix 3. Appendix 4 provides the proposed Development Review Program Stabilization Reserve language.

## Development Review Program – Proposed Fee Changes

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### Stakeholder Engagement Has Occurred

Ongoing engagement with the development industry has occurred on the topic of process improvements. Discussion of the required fee changes were presented to the Developers Liaison Committee in June 2019, with additional detailed discussion in August and September 2019. Proposed fees were also presented to the Saskatoon and Region Association of Realtors and the Land Surveyors operating in Saskatoon.

Information on fee changes was provided to the general public in conjunction with the Zoning Bylaw Review project. This occurred both online in October 2019, as well as at a public open house held on October 2, 2019, at the Frances Morrison Central Library.

While industry recognizes process improvements are already underway and fee increases are necessary to achieve the goal of being leaders in this area, there was feedback around timing of the proposed increase, providing notice of when fee changes will come into effect to allow industry time to make adjustments, and considering implementing improvements prior to adjusting fees.

### **IMPLICATIONS**

Application fees are outlined in Bylaw No. 8770, The Zoning Bylaw, therefore a text amendment to the Zoning Bylaw is required to implement these changes. Amendments to Council Policy No. C09-004 Condominium Approvals and Bylaw No. 6537, Subdivision Regulations, will also be required.

### Financial Implications

The proposed fee increases will result in the program meeting cost recovery objectives, while also resulting in a reduced draw on the mill rate. As a result of the fee increases, the Development Review Program revenue is projected to increase by \$594,200 for 2020. With the proposed fee increase, corresponding staffing increases and the realignment of full cost recovered activities, the anticipated overall draw on the mill rate is budgeted to decrease by \$46,000 from 2019. Fees for 2021 have included an inflation rate of 2%.

For applicants, the impact of the proposed fees will vary depending on application type. While most application types provide for a straight fee increase, how fees are calculated for development permits and subdivisions is proposed to change. Based on the analysis of review time for development permits for one and two-unit dwellings, the new fee schedule provides for a flat fee with no additional cost for construction value for these permits. A lower flat fee will also be applied to residential alterations, additions and demolitions. For example, the current development permit fee for new residential construction is \$135.00 plus \$0.45/\$1,000 of construction value. For a house valued at \$500,000, the development permit fee would be \$360. Under the proposed new fee schedule, the development permit fee would be a flat fee of \$325. For all other development permits, a base fee plus a value of construction cost will be maintained to reflect the variation in time spent on reviewing different types of applications.

## **Development Review Program – Proposed Fee Changes**

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For subdivision applications, the time to review an application does not vary significantly based on the number of lots being created. To better reflect the cost of reviewing subdivision applications, the proposed new fee schedule increases the base fee from \$650 to \$3,250 and reduces the per lot fee from \$115 to \$55.

### **NEXT STEPS**

As part of the proposed 2020 - 2021 Preliminary Operating Budget deliberations, City Council will consider a report to adjust fees for development permits and other development applications. Should City Council approve the fee adjustments during Budget deliberations, a public hearing for the text amendment to the Zoning Bylaw will be held in December 2019. In order to proceed in a timely manner, the required text amendments were considered by Municipal Planning Commission at the October 29, 2019 meeting. Standard public notice will be carried out in advance of the public hearing.

Confirmation of fee changes will be provided to the key stakeholders directly. In addition, all marketing material and application forms will be updated and a notice will be placed on the City's website.

Moving forward, Administration recommends consolidating these fees into a separate Fee Bylaw as permitted under the Planning and Development Act, 2007. This would remove fees from the separate documents and create one bylaw containing all fees. Future fee changes would be scheduled to coincide with Budget.

### **APPENDICES**

1. Planning and Development Fee Review
2. Existing and Proposed Fee Schedule
3. Financial Mechanisms to Support Program Changes
4. Development Review Program Stabilization Reserve

### **REPORT APPROVAL**

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