



Development Application Fees Bylaw No. 10560 Review

City of Kelowna

April 8, 2016

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Background and mandate

Background

The City of Kelowna (the City) has not updated their Development Application Fees Bylaw in a number of years. Given the time that has passed since it has been updated, the City believes that they are currently recovering a low percentage of their costs to provide these services.

Mandate

Deloitte LLP (Deloitte) was engaged by the City to complete a review of the City's Development Application Fees Bylaw to determine the current level of cost recovery and to propose a new fee structure that better meets the City's targeted cost recovery objective. Deloitte has entered into an agreement with Tradecraft Consulting to complete the municipal case study portion of the scope.

Our work plan was as follows:

- **Phase 1 - Project Initiation** – develop project plan, collect and document required information and identify comparable municipalities.
- **Phase 2 - Municipal case study analysis** – complete review of fees charged by other relevant municipalities to allow for a comparison to Kelowna's current fee bylaw.
- **Phase 3 - Cost analysis** – collect all information related to the cost to provide these services including staff time, hourly compensation and associated overhead
- **Phase 4 - Develop fee pricing model** – work in tandem with the City to develop a fee pricing model that incorporates findings from cost analysis and municipal case study analysis and is guided by City's targeted recovery rates.
- **Phase 5 - Recommendation and report** – after the new fee pricing model has been validated by the City and stakeholders, provide final recommendations along with fee pricing model.

Municipal case study analysis

Findings from municipal fee bylaw study

Surveyed municipalities did not take an active approach to managing their fee bylaws and in most cases there is uncertainty as to actual level of cost recovery

Background

A survey of development application fee bylaws at 8 other municipalities within BC was completed to compare the fees charged to Kelowna's current fee bylaw. These municipalities were selected due to having similarities to Kelowna in terms of geography or size. The survey included a review of the fee bylaw and other materials online as well as an interview with relevant city staff. The detailed findings from the survey are included in the fee pricing model.

Municipalities surveyed

Abbotsford, Chilliwack, Kamloops, Nanaimo, Penticton, Richmond, Vernon and Victoria.

General findings

- There is no standardized development application fee structure amongst B.C. cities and municipalities.
- Fees for similar services can vary widely amongst B.C. cities and municipalities.
- While most cities/municipalities interviewed indicated a target recovery rate of between 60% to 80%, most do not have a firm understanding of what their actual recovery rate is and most agree that, in actuality, they are probably below target.
- Many B.C. cities and municipalities are missing potential fee recovery opportunities by not charging for services/reports/meetings that other B.C. cities and municipalities are charging for.
- Most of the Development Fee Bylaws are amended piecemeal and few have automatic annual inflation increases.
- Some cities/municipalities do not outline fees for larger applications (i.e. Area Structure Plans) as these rarely occur or the fees are specific to the file.

Findings specific to City of Kelowna

- Application fees in Kelowna are not consistently high or low in comparison to the other municipalities. This is due to the fact that the fees at other municipalities vary widely and may not accurately reflect the cost to provide these services.

Kelowna fees in comparison to Vernon and Penticton

Fees in Kelowna are typically higher than those in Vernon and Penticton for a number of common applications

As part of the overall survey of comparable municipalities, a more detailed analysis of four different common application types was completed to provide an “apples to apples” comparison.

Findings include:

- Overall, Kelowna’s fees are typically higher than in Vernon and Penticton.
- Kelowna’s fee for an average Two Lot Subdivision is approximately \$1,200 higher than those in Vernon and Penticton but Kelowna’s fee for an average Twenty Five Lot Subdivision is approximately \$4,400 lower than those in Vernon and Penticton.
- Kelowna’s fee for an average commercial rezoning is approximately \$350 higher than in Vernon and Penticton.
- Kelowna’s fee for a Stand Alone OCP Amendment is approximately \$1,600 - \$1,800 higher than in Vernon and Penticton.

Fee comparison	Kelowna	Vernon	Penticton
Two Lot Subdivision – Preliminary layout review fee <ul style="list-style-type: none">• Two 550 m2 lots proposed• Road frontage of 15m each• On City sewer and water	\$1,500	\$330	\$330
Twenty Five Lot Subdivision – Preliminary layout review fee <ul style="list-style-type: none">• Twenty five 500 m2 lots proposed• Road frontage of 15m each• On City sewer and water	\$5,500	\$9,835	\$9,835
Rezoning Fee from C2 to C4 – No OCP Amendment <ul style="list-style-type: none">• Proposed rezoning of a 43,000 sf site outside tax incentive revitalization areas• On City sewer and water	\$1,779	\$1,400	\$1,480
Stand Alone OCP Amendment - Proposed OCP Amendment to allow for multi-family residential in a commercial designated area <ul style="list-style-type: none">• No rezoning• On City sewer and water	\$3,262	\$1,400	\$1,680

Cost analysis

Inputs and assumptions used in cost analysis

The cost analysis relied on a combination of inputs provided by the City and assumptions validated by the City

Background

In developing the costing model, Deloitte was provided with information from the City regarding the estimated number of hours required to complete each application along with associated staffing costs and overhead that could be attributed to these activities. It was necessary to make a number of assumptions in addition to this provided information to build out the costing model. These inputs and assumptions later validated by the City during a workshop to review our drafted model.

The assumptions are detailed below:

Overall assumptions

- Each Application within an Application Grouping requires the same amount of Planner and Ancillary staff hours to complete and occurs an equal number of times each year. This data can be adjusted using the input cells in the File Recovery_A tab.
- Each Application within an Application Grouping uses the same amount of overhead. Overhead has been applied as a function of time to complete and frequency of each application.
- An average hourly rate for planner time has been used based on the rates for Planners 1 through 8.
- A weighted average hourly rate for ancillary staff time has been used based on the breakdown of time across a 20 hour time period as provided by the City.

Application specific assumptions

- The fee for Area Structure Plans & Area Redevelopment Plans used for calculating the revenue of these applications assumes that the average hectares per Area Structure plan is 139ha as per the information provided by the City. This average is calculated in the File Recovery_A tab and contains spare input cells should more information become available.
- The fee for a Development Variance Permit assumes that there are on average, 2 variances per permit as advised by the City.
- The fee for Fee Simple Subdivision and Bare Land Strata Subdivisions (Preliminary Layout Review) assumes that there are on average 18 units per application as advised by the City.
- The fee for Building Strata Conversion assumes that there are on average 10 units per application as advised by the City.

Application grouping specific assumptions

- Road renaming application files require 12.5 hours of planner time and 16 hours of ancillary staff time as advised by the City.
- Tree Cutting Permit files require 0 hours of Planner time and 0 hours of Ancillary staff time as advised by the City.
- An average of the frequency of application groups over the past 5 years has been used to calculate the expected frequency of application groups in a given year for the purpose of this model.

Cost analysis findings

The costing analysis indicated that the estimated recovery rate for fees varied greatly by type but that the overall unweighted recovery rate averaged 76% and the weighted recovery rate averaged 64%

Overall findings

- When reviewing the average cost recovery for the fee groups, Developer, Citizen and Other, we have analyzed the recovery on both a weighted and unweighted basis. For the weighted analysis, we multiplied the fee cost and fee revenue by the average annual frequency of the application. We then divided this amount by the total costs and revenue to determine the impact the particular fee or fee group has on the total recovery.
- Fees that can be considered “Developer Fees” had an average recovery rate of 91%, or 77% when weighted by frequency and cost.
- Fees that can be considered “Citizen Fees” had an average recovery rate of 49%, or 35% when weighted by frequency and cost
- Overall average recovery rate was 76% or 64% when weighted by frequency and cost

Fee comparison	Fees Included	Current Unweighted Average Cost Recovery	Current Weighted Average Cost Recovery
Developer Fees	Fees related to larger commercial enterprises such as OCP amendments, rezoning, subdivision, development permits, ALR applications, liquor licenses etc.	91%	77%
Citizen Fees	Fees related to more one-off fees by residents and smaller commercial enterprises such as rezoning for carriage homes or agri-tourism accommodation, minor development permits, soil removal permits, farm worker housing etc.	49%	35%
Other Fees	Text Amendment	79%	79%
Total		76%	64%

Updated fee bylaw recommendations

Updated development application fee strategy

Target an overall average weighted recovery of 70-75% but be strategic in setting individual fees so as to consider cost to provide the service and also the purpose of the application and fee.

Fee strategy

- In developing a new fee bylaw, Deloitte worked with the City to review each application type and consider each of the following criteria.
 - **Current fees** – while the current fee structure is outdated and some fees no longer reflect the recovery rate that should be targeted, it is still important to consider the existing fee structure when making adjustments. Ideally, any change to fees should be minimized unless there is significant rationale for a larger change.
 - **Cost to provide services and targeted recovery rate** – the cost that the city incurs to deliver the services is a key input into determining the new fees. The targeted average weighted recovery for all fees should be in the range of 70-75%. Achieving a standard recovery rate on all fees was determined not to be a reasonable objective and instead this overall average weighted recovery metric was used.
 - **Applicant profile** – a distinction should be made between the application types commonly submitted by homeowners / citizens as compared to the types commonly submitted by developers. The strategy should be to minimize the costs to the homeowners / citizens while ensuring as close to a full cost recovery from the developers who are engaging in for profit development. This is considered reasonable given that the fees levied to developers are typically related to applications that if approved result in increased value / profits for the developer.
 - **Potential benefits to City** – certain applications are for things such as heritage conservation which is considered a net benefit to the City should have lower recovery rates as the applicant in some cases may be negatively impacting the value of their property.
 - **Whether fee is meant to act as penalty** – certain fees related to fines where the appropriate approvals were not previously obtained are meant to penalize groups that do not follow the required process.

New fees

- The recovery rates associated with the recommended fees for the updated bylaw are included below and the full list of new fees is included in the table on the following two pages

Fee comparison	Current Unweighted Average Cost Recovery	Proposed Unweighted Average Cost Recover	Current Weighted Average Cost Recovery	Proposed Weighted Average Cost Recovery
Developer Fees	91%	97%	77%	84%
Citizen Fees	49%	60%	35%	53%
Other Fees	79%	80%	79%	80%
Total	76%	89%	64%	72%

Additional recommendations

- The City should consider updating their fee structure on an annual basis so as to ensure that as costs to provide the services go up, the targeted recovery rate is still being achieved. An annual increase equal to inflation would generally support this objective and could be supported by a more detailed review every five years.

Updated development application fee bylaw

Application fees	Current fee	Current additions	Proposed fee	Proposed additions
Area Structure Plans & Area Redevelopment Plans	5,500.00	Plus \$75 per hectare	8,375.00	Plus \$75 per hectare
OCP Amendment - Major	3,262.00		3,250.00	
OCP Amendment - Minor	-		1,750.00	
Phase Development Agreement	3,262.00	Plus City's Legal Review Fees	2,800.00	Plus City's Legal Review Fees
Zoning Amendments				
"C" for Carriage House	694.00		875.00	
Bylaw Enforcement - Add 'C' for Carriage House	964.00		1,750.00	
Add "t" Designation for Agri-Tourist Accommodation	636.00		1,300.00	
RU6, RR, & A1	1,386.00		1,375.00	
Text Amendment	1,386.00		1,400.00	
Rezoning Renewal/Extension	150.00		450.00	
Comprehensive Development Zone	3,262.00		3,250.00	
All Other Zones	1,779.00		1,775.00	
Urban Design Permits				
Major (Council Reviewed) Development Permit	1,386.00		1,625.00	
Minor Direct Development Permit	694.00		900.00	
Natural Environment Development Permits				
Single Lot Development Permit - Council Consideration	1,386.00		1,625.00	
Single Lot Development Permit	694.00		900.00	
Multi Lot Development permit	-		1,375.00	Plus \$15 per lot
Minor Direct Natural Environment Development Permit	150.00		225.00	
Seasonal Farm Worker Housing Permit				
Council Review - Seasonal Farm Worker Housing Permit	694.00		700.00	
Direct Temporary Farm Worker Housing Permit	150.00		350.00	
Farm Protection Development Permit - council	150.00		650.00	
Farm Protection Development Permit - direct	150.00		425.00	
Development Variance Permit	694.00	Plus \$100 per variance	1,425.00	Plus \$100 per variance
Pre-Application Meeting (2 Free Meetings)	150.00		200.00	
Non-Standardized Legal Document Review	500.00	Plus \$300 per hour after the first 3 hours	650.00	Plus \$300 per hour after the first 3 hours
Development Application Amendments (Applicant Initiated)				
Major Amendments Requiring Recirculation	636.00		700.00	
Minor Amendments to Approved Development Permits	100.00		550.00	
Public Hearing Advertising / Public Hearing Re-Advertising (hearing cancelled by applicant)	500.00	If maps are required for advertising, additional costs will be incurred prior to Public Hearing	500.00	If maps are required for advertising, additional costs will be incurred prior to Public Hearing
Land Use Contracts				
Discharge	-		-	
Amendments	3,262.00		-	
Temporary Use Permit	1,779.00		1,700.00	
Temporary Use Permit extension	1,779.00		1,700.00	

Updated development application fee bylaw

Application fees	Current fee	Current additions	Proposed fee	Proposed additions
Heritage				
Heritage Revitalization Agreement	1,779.00		1,675.00	
Heritage Alteration Permit (Variances associated with project)	1,388.00	Plus \$100 per variance	2,125.00	Plus \$100 per variance
Heritage Alteration Permit - Director & Council Approval Major	1,300.00		1,300.00	
Heritage Alteration Permit - Director & Council Approval Minor	694.00		700.00	
Heritage Conservation Covenant	150.00		-	
Heritage Designation	150.00		-	
ALR Applications (City retains \$300.00 of permit fees)				
Subdivision/Non-Farming	600.00		600.00	
Application of Exclusion	600.00		600.00	
Board of Variance Application	578.00		1,050.00	
Document Administration Fee	150.00		150.00	
Land Title Office Registration	50.00		-	
Site Profile Fees	50.00		50.00	
Liquor License Applications Requiring Public Meeting				
New Liquor Primary License (100 persons or greater)	2,200.00		2,200.00	
New Liquor Primary License (less than 100 persons)	1,950.00		1,950.00	
Change to Existing License	1,950.00		1,950.00	
Liquor License Applications (No Council Resolution)	50.00		50.00	
Fee Simple Subdivision and Bare Land Strata Subdivisions (Preliminary Layout Review)	3,000.00	A staggered fee ranging from \$1,500 to \$3,000 plus \$100 per lot	2,000.00	Plus \$100 per lot
Technical Subdivision Approval	350.00		350.00	
Phased Strata Development	150.00		150.00	
Form "P" Approval	300.00		300.00	
Form "P" Re-approval	300.00		300.00	
Preliminary Layout Review Renewal	250.00		250.00	
Subdivision, Bare Land Strata, Phased Strata & Form "E" Final Re-Approval Fee	150.00		150.00	
Building Strata Conversion	1,000.00	Plus \$100 per unit over 5 units	1,000.00	Plus \$100 per unit over 5 units
Soil Removal/Deposit Permit for applications made after work in progress (fines may also be applicable)	250.00		250.00	
Road Renaming Application	500.00		500.00	
Restrictive Covenant - Review, Change or removal	500.00		500.00	
Document Execution Fee - Including but not limited to:				
No Build / No Disturb Covenant	150.00		150.00	
Wildfire Covenant	150.00		150.00	
ALC Conservation Covenant	150.00		150.00	
Revitalization Tax Exemption	-		-	
Tree Cutting Permit	-		-	
Airspace Parcel Subdivision (inclusive of legal fees coverage)	15,000.00		15,000.00	



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