

REPORT TO COUNCIL



Date: August 14, 2023
To: Council
From: City Manager
Subject: Development Application Fees Bylaw No. 12552
Department: Development Planning

Recommendation:

THAT Council, receives, for information, the Report from the Development Planning Department dated August 14, 2023, recommending that Council adopt Development Application Fees Bylaw No. 12552;

AND THAT Development Application Fees Bylaw No. 12552 be forwarded for reading consideration.

Purpose:

To adopt Development Application Fees Bylaw No. 12552 to improve cost recovery and financial management on Development Applications.

Introduction:

[Active Financial Management](#) is a corporate strategic goal that among other things means actively reviewing fees and cost recovery models for continuous evaluation and improvement. As such, Staff have reviewed the current [Development Application Fees Bylaw No. 10560](#) and are proposing a comprehensive new bylaw based on improved cost recovery and alignment with other BC Municipalities.

Background:

The last full comprehensive analysis of the Development Application Fee Bylaw was conducted in 2015 by Deloitte LLP, and prior to that in 2008 by Neilson-Welch. Changes were adopted in 2016 to establish the current format and fees for the years 2017 – 2023. The two studies included recommended actions and guiding principles which were used to establish the proposed new bylaw.

Discussion:

Since 2015, the profile of development in our community has changed dramatically with an increase in complex files, an increase in the scope and size of redevelopment, additional inter-agency referrals related to environment and archaeology, and the introduction of new policies and regulations in both the [2040 Official Community Plan](#) and [Zoning Bylaw No. 12375](#). As such, the amount of staff time on some files types has increased and a comprehensive update to the Fee Bylaw is necessary to ensure cost recovery goals are met.

Guiding Principles:

Staff utilized information from the 2015 comprehensive analysis to capture action items that had not yet been implemented, and refine guiding principles for establishing fees. The guiding principles are as follows:

- Fees should be primarily based on staff time processing applications.
- Staff time varies for different types of applications and the fees should be scaled to reflect this.
- Recovery rates should consider average file volumes for past years, as well as anticipated changes in file volumes due to regulatory changes at the municipal, provincial, and federal level.
- There is a public benefit to the City's review of development applications and therefore a 100% cost recovery is not appropriate. The proposed weighted recovery rate targets between 72%-75% overall.
- A small-scale application should remain at a lower cost recovery rate so as not to make gentle urban densification cost prohibitive.
- A complex application that automatically requires a Public Information Session, a Traffic Impact Assessment, or additional inter-agency and inter-departmental referrals should have a higher cost recovery.
- Fees should not be substantially more or less than other comparable municipalities.
- An annual increase should remain built into the bylaw to ensure fees keep pace with increased costs and close the fee gap compared to other BC municipalities.

Methodology:

1. Reviewed amount of staff time per file type to account for changes in the profile of Development Applications.
2. Proposed a blended Staff hourly rate based on Planners and other contributing Staff.
3. Adjusted cost recovery to be lower for small-scaled files and greater for complex files.
4. Adjusted cost recovery to anticipate changes in the volumes of specific application types due to regulatory changes (i.e., less rezoning applications expected, more development permits expected).
5. Created new categories of applications to scale fees.
6. Rounded fees to nearest \$5 or \$10 increment.
7. Used real development scenarios to compare proposed fees to existing 2023 fees to determine additional burden on the applicant and the end user (Attachment A).
8. Used real development scenarios to compare proposed fees to five other BC Municipalities – Burnaby, Coquitlam, Richmond, Surrey, and Victoria (Attachment A).

Outcome:

Staff have created several new categories of application types to scale the application fees more accurately to the complexity of the application. Some new categories are:

- Zoning categories separated
- Development Permits for multi-family are scaled to the unit count
- Heritage Alteration Permit under 50 m² of construction
- Water or Sanitary Sewer Network Modelling
- Landscape Re-Inspection Fee for inspections that occur after a failed inspection

In general, fees across most file types will increase except for three small-scale application types that have decreased; Child Care Centre Major subzone, Carriage House subzone, and Farm Residential Footprint Covenant.

One fee that has increased dramatically is the Area Redevelopment Plan and Area Structure Plan application fee. This fee has been based on the amount of staff time and technical expertise review of these types of complex and comprehensive files. Currently, Staff review the site area proposed to be developed and negotiate an application fee above what is noted in the fee bylaw based on anticipated consultant fees. By capturing a larger fee at the outset of this application type, Staff can operate with full transparency and provide certainty to the development community rather than negotiating this fee on a case-by-case basis.

Staff used real project examples to compare current 2023 fees to proposed 2024 fees to confirm they would not result in unfair/unjustifiable increases. Additionally, Staff compared the proposed fees to five other BC Municipalities (Burnaby, Coquitlam, Richmond, Surrey, and Victoria) selected based on their rates of growth, population, and types of projects. In this comparison, Kelowna is consistently in the lower half (Attachment A).

Yearly Increase:

Most municipalities base their yearly increases on the Consumer Price Index for BC (CPI) which is typically between 2% and 2.5% annually. In 2022, the CPI was 6.9%. Staff are proposing a flat yearly increase of 5% to be slightly higher than the typical yearly CPI to help close the gap between our fees and other municipality's fees in manageable amounts. Setting a fixed-rate increase rather than variable yearly provides transparency and certainty to the development community.

The yearly increase shall be communicated to the public and the development community through a City of Kelowna Informational Bulletin that will be available on our website at [Proposed Development Application Fees Bylaw | City of Kelowna](#) and posted at City Hall Application Centre each fall.

Conclusion:

Development Planning Staff recommend support for the proposed Development Application Fees Bylaw No. 12552 as it will improve capture cost recovery for staff time per file type and is consistent with the methodology and fees of other BC Municipalities. It aligns with the corporate direction and best practices for Active Financial Management.

Internal Circulation:

Office of the City Clerk
Policy & Planning
Development Engineering
Building & Permitting
Finance

External Circulation:

Urban Development Institute of the Okanagan
Canadian Home Builders Association Central Okanagan
Interior Association of Realtors

Considerations applicable to this report:

[Local Government Act, Section 462](#)
[Community Charter, Section 194 & 195](#)

Existing Bylaw:

[Development Application Fees Bylaw No. 10560](#)

Financial/Budgetary Considerations:

A revenue increase is expected with a weighted cost-recovery rate of approximately 72% - 75% on Development Applications. This increase will be incorporated into the 2024 budget process.

Communications Comments:

The proposed fee changes have been communicated with the public on our website at [Proposed Development Application Fees Bylaw | City of Kelowna](#). An emailed letter was forwarded to Urban Development Institute of the Okanagan, the Canadian Homebuilders Association Central Okanagan, and the Interior Association of Realtors.

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Attachments:

Schedule A: DRAFT Development Application Fee Bylaw No. 12552

Attachment A: Development Project Fee Comparison