

Report to Council



Date: November 9, 2015
File: 0600-10
To: City Manager
From: S. Muenz, Development Engineering Branch Manager
Subject: Development Engineering Branch - Administration and Inspection Fee Increase
Report Prepared by: S. Muenz

Recommendation:

THAT Council, receives, for information, the Report from the Development Engineering Manager dated November 9, 2015 recommending that Council amends the City's Development Engineering Administration and Inspection Fee;

AND THAT Bylaw No. 11172, being Amendment No. 4 to the Development Application Fees Bylaw No. 10560 be forwarded for reading consideration.

Purpose:

To complete a fee adjustment in support of the Development Engineering Branch's budget objective whereby 50% of operating costs are recovered from fee revenue, while still ensuring that Kelowna remains a favourable City for developers to invest.

Background:

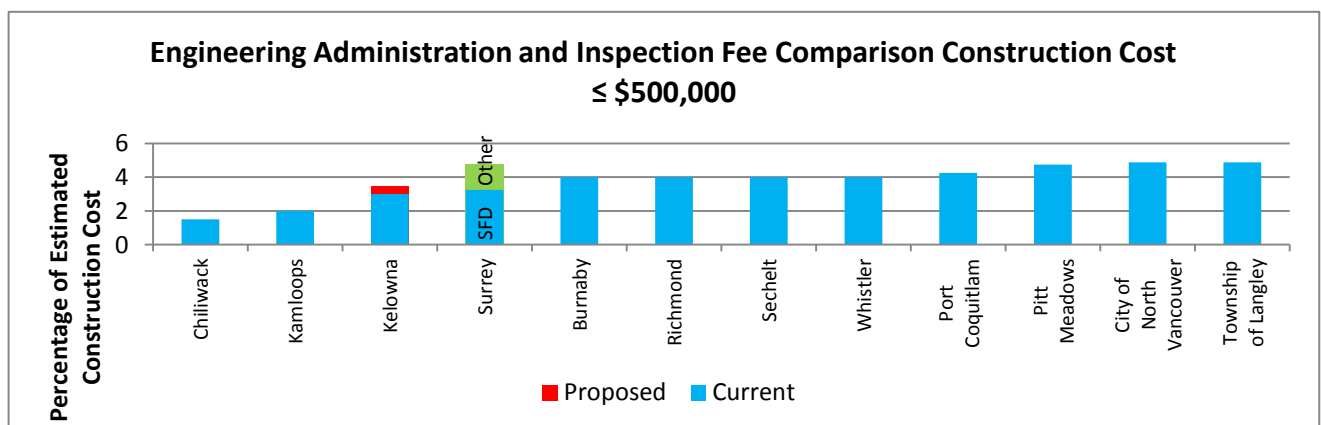
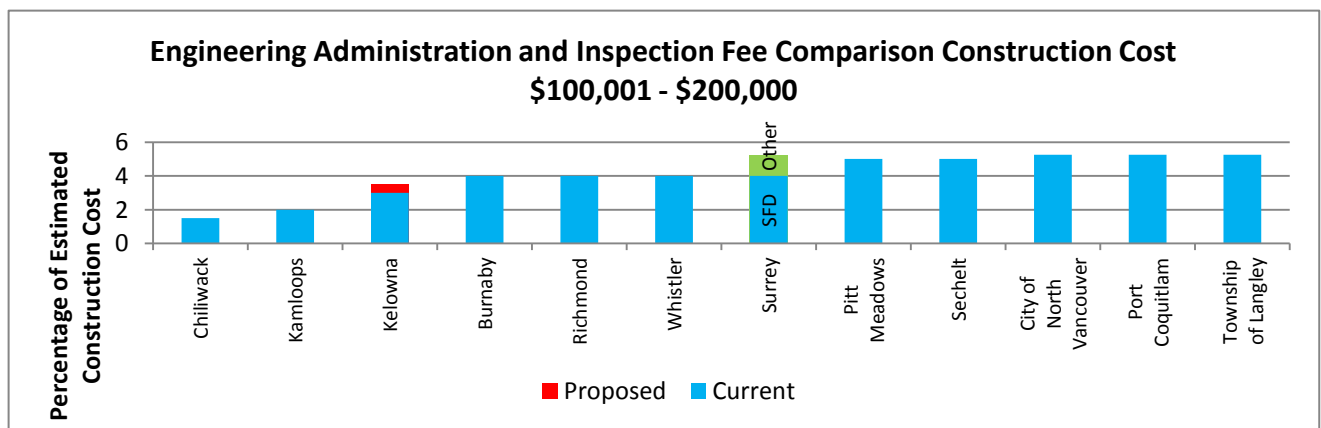
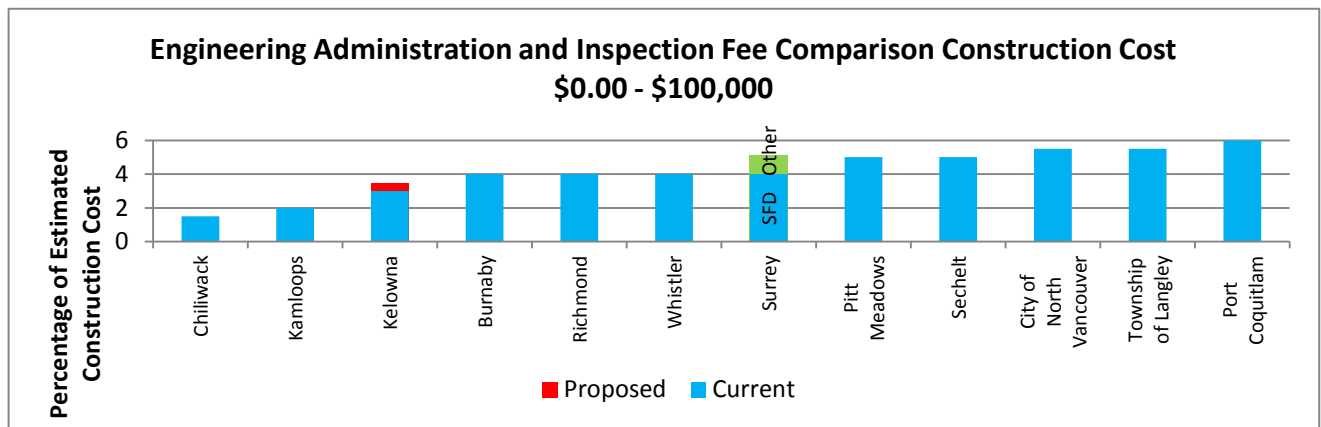
A review of the current City Engineering Administration and Inspection Fees was conducted to determine if changes should be made to the current charges.

A minimum \$300.00 fee per application and a 3.0% fee based on estimated construction costs of the associated infrastructure, have been in effect for over 25 years and have provided a partial recovery of the Development Engineering Branch costs of operation. Over the years the cost recovery has varied significantly as it is directly impacted by the levels of development activity in the community. Specifically, the charge is a direct function of the amount of infrastructure constructed by the development community that will remain in City ownership. The Development Engineering Branch's total operating budget for 2015 is \$598,752.00 and typically charges have recovered slightly less than 50% of the Branch's operating costs.

In addition to the Development Engineering Branch's costs associated with development, other departments such as Infrastructure Planning and Civic Operations contribute staff time to development process and these costs are not included as part of the 50% recovery

objective; nor does this include any municipal overhead costs. The Development Engineering Branch also provides a great deal of support and corporate engineering input to the Community Planning Department, the Policy and Planning Department, the Building Department and to all the shallow utility companies. This service is provided without cost recovery.

A survey of other B.C. municipalities was conducted and three comparative charts of varying construction costs are included below which indicate the maximum percentage of fees charged in these jurisdictions. It should be noted that only projects with a servicing agreement have been included. Projects that pay cash in lieu have no servicing agreement and therefore fees are not collected.



Recovery strategies vary significantly between municipalities, as fixed percentage, variable percentage or a variable percentage plus a fixed fee calculation are all being used. The common practice is that the fees in all these municipalities do not fully recover their engineering operation costs to support development. Kelowna's current 3.0% fee is the 3rd lowest of the surveyed communities.

Based on our statistics, the vast majority of developments are small in nature yet create significant work in terms of negotiating servicing requirements and developing the subsequent legal agreements.

Recognizing the cost increase of resources (including staffing) and the complexities of servicing agreements, the City of Kelowna fees should be increased to reflect the true costs of delivering the services. To meet the objective of 50% cost recovery of the Development Engineering Branch's operating costs, it is proposed that the City's Development Engineering Administration and Inspection Fee be increased from 3.00% to 3.50%, and that the minimum fee of \$300.00 to be increased to \$500.00

If the proposed fee increase is approved, Kelowna will still be the 3rd lowest among the surveyed municipalities in the City Engineering Administration and Inspection Fees. Development Application Fees Bylaw No. 10560 would need to be amended accordingly.

Internal Circulation:
Finance Department

Legal/Statutory Authority:
Development Application Fees Bylaw No. 10560

External Agency/Public Comments:
The Urban Development Institute has been consulted

Considerations not applicable to this report:
Legal/Statutory Procedural Requirements:
Existing Policy:
Financial/Budgetary Considerations:
Personnel Implications:
Communications Comments:
Alternate Recommendation:

Submitted by:

S. Muenz, Development Engineering Manager

Reviewed by: M. Bayat, Director, Development Services

Approved for Inclusion: D. Gilchrist, Divisional Director, Community Planning & Real Estate

