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**Item No. 14.1.2**  
**Halifax Regional Council**  
**August 2, 2016**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed by   
\_\_\_\_\_  
John Traves, Q.C. Acting Chief Administrative Officer  
Original Signed by   
\_\_\_\_\_  
Jane Fraser, Acting Deputy Chief Administrative Officer

**DATE:** July 19, 2016

**SUBJECT:** Planning & Development Fee Review Phase One Report

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### **ORIGIN**

Planning & Development 2016/17 Budget and Business Plan – P&D 1.05 Service Excellence Continuous Improvement Planning and Development Renewal – Rationalize Fee Structure

### **LEGISLATIVE AUTHORITY**

*Halifax Regional Municipality Charter (HRM Charter)*, Part VII, By-Laws, Section 188 – Power to make bylaws (2) Without restricting the generality of subsection (1) but subject to Part VIII, the Council may, in any by-law (e) provide for a system of licenses permits or approvals, including establishment of fees, that maybe in the nature of a reasonable tax for the activity authorized or for the purpose of raising revenue, which fees may be set or altered by policy.

*HRM Charter*, Part VIII, Planning & Development, Section 226 - Certain amendments by policy (1) The Council may, by policy, adopt amendments to (b) the processing fees set out in a land-use by-law or in a subdivision by-law.

*HRM Charter*, Part VIII, Planning & Development, Section 235 - Content of land-use by-law (4) A land-use bylaw may (n) prescribe the fees for an application to amend a land-use by-law or for entering into a development agreement, site plan or variance.

*HRM Charter*, Part VIII, Planning & Development, Section 281 - Subdivision by-law (1) A subdivision by-law applies to the whole of the Municipality, but the by-law may contain different requirements for different parts of the Municipality.

*HRM Charter*, Part VIII, Planning & Development, Section 281 - Subdivision by-law (3) A subdivision by-law may include (e) the fee for the processing of applications for approval or repeal of a subdivision, including registration, recording and filing fees.

Administrative Order 15, License, Permit and Processing Fees - This Administrative Order is to establish to set License, Permit and Processing fees such as Development Permits, On-Street Parking Exemptions and Permits etc.

## **RECOMMENDATION**

It is recommended that Halifax Regional Council direct staff to undertake the second phase of the Fee Review based on the Guiding Principles (Appendix A) as the next phase in the fee review process and develop a Fee Policy for Council's consideration.

## **BACKGROUND**

In 2014, P&D Renewal Project was initiated to systematically examine and evaluate the work of the department. The main outcome of the Renewal is a four-year P&D Strategic Plan (2015-2019) containing actions meant to transform the department in delivering as a civic leader and partner, providing a higher level of service and citizen engagement, and building a dynamic, professional work environment.

Upon creation of the P&D Strategic Plan in the spring of 2015, P&D has been undertaking a phased approach to move toward leading practices in all areas of operations, including organizational redesign, reviewing business processes, redefining service standards and identifying opportunities for service improvements. Examples of work already undertaken under the Strategic Plan include:

- Initiation of Land Use Bylaw Simplification Project, Permitting & Licensing System Replacement Project, **Fee Review** and Public Consultation Review;
- Creation of the Infrastructure Planning Division, Business Services Program Area, Social & Economic Research Program Area and Rural Team;
- Creation of fourteen new positions within P&D, with four leadership hires completed, and competition for seven more positions concluding by the end of the summer.
- Establishment of new planning job descriptions to allow for alignment with national professional planning standards, improved resource assignment, and increased delegated authority. Planner I, II and IIIs can now work in all streams of planning, and may be appointed Development Officers;
- Consolidation of all Planning Applications Planners into one office location;
- Consolidation of Permitting, Subdivision and Development Engineering into one office location;
- Creation of Urban, Rural and Plan Amendment Planning Application streams to allow for improved work prioritization;
- Completion of Review of Planning Application Process to identify necessary administrative changes required to improve service levels;
- Creation of Planning Application Report Templates, Planning Application Report Style Guide, and Revised Public Information Notice Procedure;
- Redesigned Planning Application System tracking requirements (Hansen) to create efficiencies in data entry;
- Currently designing new administrative processes for Planning Application Intake and Circulation; and
- Currently reorganizing Land Development and Subdivision and Development Engineering into Major and Minor streams.

The purpose of this report is to provide an update to Halifax Regional Council on the status of the P&D Fee Review, and direct the further rationalization of the fee structure, by aligning it with P&D service improvements and performance standards. With P&D moving toward a renewed organization and service delivery model, it is an appropriate time to review and update fees, the existing fee structures, and identify a comprehensive performance management system. A full copy of the P&D Fee Review Phase One Report is provided in **Appendix B**. A summary of this material is provided under the discussion.

## DISCUSSION

HRM P&Ds fees have not been updated or rationalized in numerous years. There is no recurring process in place to ensure that fees and fee revenues are kept current. While expenditures incurred to support planning and development applications have increased annually (e.g. inflation), the fees have remained the same, potentially resulting in a reduction in the proportional recovery of costs and an increased reliance on property taxes. Leading practices suggest a need for a detailed review of fees every 4 - 5 years and a mechanism in place to adjust the fees on an annual basis. Based on an analysis of underlying costs of service, P&D is not recovering sufficient revenues from fees, with an over reliance on property taxes to support services that have a direct beneficiary. Fees are also very low in relation to peer municipalities surveyed.

The extent to which the fees recover the full cost of service is at the discretion of the Municipality through the development of fee policies and principles and in accordance with legislative requirements. The Government Finance Officers Association (GFOA), which includes representation from Canada and the United States supports the use of charges and fees as a method of financing municipal goods and services. The GFOA recommends a number of strategies for municipalities to adopt when implementing a system of charges and fees:

- Adopt a **formal policy** regarding charges and fees;
- **Calculate the full cost** of providing a service in order to provide a basis for setting the fee;
- Review and **update charges and fees periodically**; and
- Make information on charges and fees **available to the public**.

The purpose of developing a Fee Policy is to provide a framework to ensure HRM has a consistent approach for establishing fees for all P&D services. Currently, there is no P&D Fee Policy to guide the establishment of fees and to ensure that the existing fees are aligned with corporate goals, objectives and strategic plans. In the absence of a cohesive fee policy, fees have been established and managed without a clear set of common principles. The adoption of the recommended Fee Policy will facilitate consistent and transparent decision-making regarding fees, allow for better resource planning, and enhance HRM's ability to forecast fee revenue.

The central principle in the establishment of a P&D Fee Policy is to promote equity by recovering the cost of services from those who receive direct benefits from the service. The policy is designed to ensure a consistent, transparent approach for setting fees in compliance with leading practices and addressing the need for public consultation on fees. Further, the guiding principles support economic values, ensuring that fees recover the efficient provision of service.

Overall, P&D applications are currently recovering less than half of the direct and indirect operating costs, recovery is particularly low for planning applications. However, a move to 100% cost recovery in the short term is not recommended as P&D are reviewing the various planning application processes to create efficiencies and streamline operations to reduce the cost of service and improve service level and service standards. As fees should reflect the efficient cost of providing the service, in recognition of the continuous improvement efforts and potential costs savings, a phasing in of any necessary fee increases is recommended and will be reflected in Phase Two of the Fee Review study. Phase in strategies are also recommended to ensure that the impacts to the industry are manageable and sufficient time is provided to incorporate any new fees into industry decision-making.

In addition to aligning the Fee Review with process improvements, it is important that it also be aligned with a renewed performance management system. Performance measurement is a way of determining whether an organization is providing a quality service/product at a reasonable cost and within reasonable timeframes. A well designed performance measurement system should clearly articulate the service goals and objectives, demonstrate what the service outputs are, the expected quality levels for these outputs and what productivity is expected from expended resources. A key role in establishing performance measurements and service standards is to effectively deliver quality services on a timely basis by:

- Ensuring that staff meet the minimum requirements and are focused on the timely delivery of services;
- Ensuring that staff consistently adhere to approved policies and procedures and are in compliance with all legislative and regulatory requirements;
- Ensuring the services are provided in a cost efficient manner; and
- Ensuring that service standards are transparent and communicated.

In addition to a Fee Policy, a renewed performance management framework, and fee rationalization will be brought forward for Council approval as Phase Two of the study, which is anticipated to be completed in the next year. This will ensure that:

- All steps in the planning and development processes have been identified, as well as the estimated time required to complete the activities and the staff involved in the processes;
- All costs have been identified in the delivery of services (direct, indirect and corporate costs) and have taken into consideration;
- Potential service improvements are considered in the phasing approach;
- Leading practices have been employed;
- The Fee Policy and Guiding Principles have been fully considered;
- The fees and fee structures recommended are fair and equitable and will withstand careful scrutiny; and
- The processes used to calculate the fees are compliant with all relevant legislative and regulatory requirements.

### **FINANCIAL IMPLICATIONS**

When P&D returns to Halifax Regional Council with a recommended fee policy and fees, financial implications (projected revenues) will be better understood and future revenue estimates will be provided. P&D's on-going service delivery improvement, throughout the 2015-19 Strategic Plan period will allow a fuller understanding of the cost of providing services.

Moving towards the establishment of a Fee Policy aligns with the Financial "Strategic Pillar" – "to manage public funds with integrity" by accepting a shared responsibility for the planning and management of resources and considering the financial impact of our decisions on tax payers – supporting Council's Priority Outcomes. The purpose of developing a Fee Policy is to provide a transparent framework that is continually updated, to ensure HRM has a consistent approach in establishing fees for all P&D services, by linking costs, resources, service delivery

### **RISK CONSIDERATION**

Currently, there is no P&D Fee Policy to guide the establishment of fees and to ensure that the existing fees are aligned with corporate goals, objectives and strategic plans. In the absence of a cohesive fee policy, fees have been established and managed without a clear set of common principles. The adoption of the recommended Fee Policy will limit risk to the municipality, industry and citizens by facilitating consistent and transparent decision-making regarding fees, allow for better resource planning, link costs and service, promote equity by recovering the cost of services from those who receive direct benefits from the service, and enhance HRM's ability to forecast fee revenue.

**COMMUNITY ENGAGEMENT**

Initial engagement with industry stakeholders has been carried out as part of the P&D Renewal through a survey, workshop, and ongoing liaison with various representative groups, such as the Development Liaison Group and Urban Development Institute. A list of issues raised can be found in Appendix B on page 30. Further consultation with industry and community would be carried out as part of developing Phase Two Fee Rationalization recommendations, and Public Consultation is a recommended component of the Fee Policy.

**ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications identified as part the Planning & Development Fee Review.

**ALTERNATIVES**

Halifax Regional Council may choose to direct staff to seek alternative approaches to moving forward with the P&D Fee Rationalization.

**ATTACHMENTS**

Appendix A – Guiding Principles

Appendix B -- Planning & Development Fee Review – Phase One Report

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

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### **Guiding Principle #1: Service Efficiencies**

- Fees for service will be set to reflect the efficient cost level of carrying out the service.
- If inefficient practices are identified (either through a review of internal processes or in relation to peer municipalities), then consideration of the inefficiencies will be taken into account during costing and, where appropriate, measures will be implemented to remove inefficiencies. This supports the need to gradually phase-in fee increases until inefficiencies have been eliminated and service standards are established, approved and implemented.

### **Guiding Principle #2: Fairness and Equity**

- HRM will distribute the cost of providing the service by charging a fee to applicants who receive direct benefit.
- Planning and development application fees will employ mechanisms that equitably distribute costs between the various types of planning and development applications to avoid cross subsidization.
- HRM will not set the fees beyond 100% of the full cost of the service. Full cost of service will include direct and indirect costs, overhead and charges for the use of capital assets used to provide the service.
- There will be a nexus between revenues from the imposition of a fee and the anticipated expenditure of administering the service. The fee must reflect the cost of administering the service and should not be for the purpose of general taxation or the raising of revenue.

### **Guiding Principle #3: Transparency**

- The cost of providing services, the allocation methodology of costs and the pricing structure will be transparent. Information will be provided on the rationale for funding from property taxes when applicable.

### **Guiding Principle #4: Predictability**

- Stability of planning and development fees will assist the development industry in the planning of projects.
- Knowledge and certainty of fees allows applicants to make more informed decisions.
- Phase-in strategies may be employed to smooth impacts of fee changes over time.
- Applicants will be provided information on service standards.

The background of the page is a collage of blue-tinted images. At the top, two hands are shown pointing at architectural blueprints on a table. Below that, a construction worker in a white hard hat and denim jacket looks upwards. At the bottom, a group of people are gathered around a table, working with laptops and documents.

***Halifax Regional Municipality  
Planning and Development Fee  
Review  
Phase One***

*Prepared By  
BMA Management Consulting Inc.  
July 2016*

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*Introduction*

### *Introduction*

On October 6, 2014, Bob Bjerke became Halifax Regional Municipality's (HRM's) Chief Planner and Director of the Planning and Development (P&D) business unit. Upon this appointment, the P&D Renewal Project was initiated to systematically examine and evaluate the work of the department. The main outcome of the Renewal is a four-year P&D Strategic Plan (2015-2019) containing actions meant to transform the department in delivering as a civic leader and partner, providing a higher level of service and citizen engagement, and building a dynamic, professional work environment.

Upon creation of the P&D Strategic Plan in the spring of 2015, P&D has been undertaking a phased approach to move toward leading practices in all areas of operations, including organizational redesign, reviewing business processes, redefining service standards and identifying opportunities for service improvements. Examples of work already undertaken under the Strategic Plan include:

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- Establishment of new planning job descriptions to allow for alignment with national professional planning standards, improved resource assignment, and increased delegated authority. Planner I, II and IIIs can now work in all streams of planning, and may be appointed Development Officers;
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- Redesigned Planning Application System tracking requirements (Hansen) to create efficiencies in data entry;
- Currently designing new administrative processes for Planning Application Intake and Circulation; and
- Currently reorganizing Land Development and Subdivision and Development Engineering into Major and Minor streams.

This report contains the Phase One findings of a fee review that has been undertaken in response to P&D Strategic objective to Rationalize the Fee Structure which has the objectives of the following:

- Adopt guiding principles regarding charges and fees;
- Calculate the full cost of providing a service to provide a basis for setting the fee; and
- Simplify structure and create periodic update to charges and fees.

In accordance with leading practices as set out by the Government Finance Officers Association (GFOA) which includes representation from Canada and the United States, HRM's review of the Planning and Development fees is being undertaken in two phases:

- **Phase One:** Establish Fee Guiding Principles and identify general observations with respect to existing fees.
- **Phase Two:** Establish a Fee Policy and recommend a new fee structure and phase-in approach, including any changes for 2016/2017.

The purpose of this report is to address Phase One requirements. Specifically, this report includes the following:

*Report Structure*

- *Legislative Framework*
- *Leading Practices—Establishing Planning and Development Fees*
- *Summary of HRM’s Planning and Development Fees and General Findings*
- *Peer Municipal Comparison of Fees and Fee Structures*
- *Key Considerations in Establishing A Fee Cost Recovery Strategy*
- *Recommendations for Planning and Development Fees*

The purpose of developing Fee Guiding Principles is to provide a framework to ensure that HRM has a consistent approach for establishing fees for all P&D services. The adoption of the recommended Fee Guiding Principles will facilitate consistent and transparent decision-making regarding fees; allow for better resource planning; and enhance HRM’s ability to forecast fee revenue.

*Legislative Review*

### *Legislative Review*

The Halifax Regional Municipality Charter is the primary legislation under which the municipality operates. This Charter includes applicable legislation for planning and development fees. The following provides highlights in this regard (excerpts):

- **Section 188 - Powers to Make By-laws**—This section of the Charter includes powers to make by-laws. This section includes the ability for HRM to (section 2e) provide for a system of licences, permits or approvals, including any or all of approvals, including fees for licences, permits and approvals that may be in the nature of a reasonable tax for the activity authorized or for the purpose of raising revenue, which fees may be set or altered by policy. Further it prohibits any development, activity, industry, business until a licence, permit or approval is granted.
- **Sections 208—308**—These sections outline the **Planning and Development and Subdivision Sections of the Charter**. This includes provisions with respect to establishing fees for service as follows:
  - **226 (1) Certain amendments by policy**—The Council may, by policy, adopt amendments to (b) the processing fees set out in a land-use by-law or in a subdivision by-law.
  - **235—Content of land-use by-law (4)** A land-use by-law may (n) prescribe the fees for an application to amend a land use by-law or for entering into a development agreement, site plan or variance.
  - **281 Subdivision by-law (1)** A subdivision by-law applies to the whole of the Municipality, but the by-law may contain different requirements for different parts of the Municipality. (3) A subdivision by-law may include (e) the fee for the processing of applications for approval or repeal of a subdivision, including registration, recording and filing fees.
  - **293 Subdivision that adds or consolidates (1)** No plan of subdivision that adds or consolidates parcels or areas of land in different ownerships may be approved by a development officer until the development officer is provided with (a) executed deeds suitable for registering to effect the addition or consolidation; and (b) the fees for registering the deeds.

*Leading Practices—Establishing Planning and Development Fees*

***Leading Practices—Establishing Planning and Development Fees***

The extent to which the fees recover the full cost of service is at the discretion of the Municipality through the development of fee policies and principles and in accordance with legislative requirements. GFOA supports the use of charges and fees as a method of financing municipal goods and services. The GFOA recommends a number of strategies for municipalities to adopt when implementing a system of charges and fees:

- *Adopt a guiding principles and a **formal policy** regarding charges and fees.*
- ***Calculate the full cost of providing** a service in order to provide a basis for setting the fee.*
- *Review and **update charges and fees periodically.***
- *Make information on charges and fees **available to the public.***

In fact, the above noted approach was reviewed by the Financial Management Capacity Building Committee (FMCBC) for use by Nova Scotia municipal governments.

GFOA also established guidelines for setting and administering fees, including the following (excerpts):

- The policy should state whether the jurisdiction intends to recover the full cost of providing goods and services.
- The policy should identify under what circumstances a charge or fee might be set at less than 100% of full cost.
- If the full cost of a good or service is not recovered, then an explanation of the rationale for this should be provided and the level of subsidy should be calculated.
- The full cost of providing a service should be calculated in order to determine the basis for setting the charge or fee. Full cost incorporates direct and indirect operating costs including overhead costs; and capital costs such as finance charges and amortization. Examples of overhead costs include payroll processing, accounting services, computer usage and other central administrative services.
- Fees should be reviewed and updated periodically based on factors such as the impact of inflation, other cost increases and the adequacy of the fee revenues to cover costs.



- Information on fees should be available to the public. This includes the municipality’s policy regarding full cost recovery and information about the amounts of fees, both current and proposed.

As reflected in an article, Government Finance Review, Fees—Putting Policies and Structures in Place Now for the Future, there are three arguments surrounding the question of why fees should be established:

- **Philosophical**—Individuals should be responsible for the cost of public resources they consume and from which they benefit. For example, if a homeowner is undertaking a renovation of their home and requires a building permit, all costs in reviewing the plans and inspecting construction costs incurred by the City should be reimbursed by the homeowner.
- **Political**—Fees encourage accountability and fair representation by creating a direct relationship between the City and the individual consumer.
- **Economic**—There is a direct correlation between fees, demand and consumption.

It should be noted that there is no single rationale of formulas used by municipalities for setting P&D fees and the extent of taxpayer subsidy. Municipalities need to establish a clear set of policies and principles. A balance is needed. For example:

- Some municipalities may provide some level of subsidy for regulatory permits and fees in an effort to support economic development initiatives and to provide developer incentives to support growth.
- However, subsidized fees has the potential to compromise service delivery standards if it unnecessarily increases demand through speculation and in an environment where budgets are constrained. With high levels of subsidization and during difficult budget cycles, there is additional risk that the resources may be reduced which would negatively impact application processing times.

*Summary of HRM's Planning and Development Fees and General Findings*

**Existing Planning and Development Fees**

The following table provides a summary of the key Planning and Development fees that are currently charged by HRM and that will be reviewed in detail in Phase Two of the project. Note there are additional fees that are not part of this study.

| Service Name Fee Name & Description   | Fee Amount | Unit               |
|---|------------|--------------------|
| Major Planning Applications   | \$1100     | Each               |
| + refundable Advertising Deposit  | \$1500     | Each               |
| Intermediate Planning Application   | \$330      | Each               |
| + refundable Advertising Deposit  | \$1500     | Each               |
| Minor Planning Applications   | \$330      | Each               |
| + refundable Advertising Deposit  | \$450      | Each               |
| Planning Application Pre-Applications   | \$330      | Each               |
| Variances   | \$500      | Each               |
| Downtown Halifax Substantive Site Plan Applications   | \$770      | Each               |
| Development Permits - Multiple, Institutional, Commercial & Industrial (MICI)                                     | \$250      | Each               |
| Development Permits – Low Density New residential and enclosed additions & MICI renos. and leasehold improvements | \$100      | Each               |
| Development Permits – Accessory Structures (including decks) processing fees                                      | \$25       | Each               |
| Zoning Confirmation Letters – processing fees   | \$100      | Each               |
| Lot Grading By-law  | \$75       | Each               |
| Grade Alteration  | \$75       | Each               |
| Open Air Burning By-law Residential Commercial  | \$50       | Each               |
| Encroachment up to 1.5 sq. metres   | \$60       | Each               |
| Encroachment up to 1.5 to 2.5 sq. metres  | \$95       | Each               |
| Encroachment over 2.5 sq. metres  | \$125      | Each               |
| Encroachment other than described subject to an annual rental   | \$1        | Per 0.1 sq. metres |
| Temp Encroachments for traveled way   | \$0.30     | Per sq. metre      |
| Temp Encroachments for sidewalk between curb  | \$0.25     | Per sq. metre      |
| Temp Encroachments for balance of sidewalk and to streetline/property line  | \$0.15     | Per sq. metre      |
| Change in Civic Number  | \$300      | Each               |
| Change in Street Name   | \$2,000    | Each               |

| Service Name Fee Name & Description           | Fee Amount | Unit             |
|---|------------|------------------|
| Concept Subdivision Application Requirement   | \$250      | Each             |
| Tentative Subdivision Application Requirement | \$250      | Each             |
| Final Subdivision Application Requirements    | \$250      | Up to 10 lots    |
|   | \$500      | Up to 20 lots    |
|   | \$1,000    | Up to 50 lots    |
|   | \$1,500    | For over 50 lots |
| Repeal of a Final Plan of Subdivision         | \$250      | Each             |
| Amend Final Plan of Subdivision               | \$250      | Each             |

| Service Name Fee Name & Description  | Fee Amount | Unit                          |
|--|------------|-------------------------------|
| <b>Building Permits</b>  |            |                               |
| Minimum fee  | \$25.00    | each                          |
| Residential – 4 units or less<br>New or addition                                     |            |                               |
| Each floor above grade   | \$0.30     | Sq.ft.                        |
| Basement more than 5.5' below grade  | \$0.10     | Sq.ft.                        |
| Basement 5.5' or less below grade  | \$0.25     | Sq.ft.                        |
| Residential – more than 4 units<br>New or addition                                   | \$5.50     | Per \$1000 construction value |
| Residential attached/detached garage   | \$0.10     | Sq.ft.                        |
| Non-residential<br>New or addition   | \$5.50     | Per \$1000 construction value |
| Renovation/Alteration (all other projects including pools, decks, applicable fences) | \$5.50     | Per \$1000 construction value |
| Mobile Home (no permanent foundation)  | \$25.00    | each                          |
| <b>Plumbing Permits</b>  |            |                               |
| New residential building – 4 units or less   | \$50.00    | Per unit                      |
| All other residential buildings  | \$25.00    | Per unit                      |
| Residential additions and renovations  | \$25.00    | Per unit                      |
| Non-residential – 5 or less fixtures   | \$25.00    | each                          |
| Non-residential – more than 5 fixtures   | \$50.00    | each                          |
| Renew or re-issue Permit   | \$25.00    | each                          |
| Occupancy Permit (non-residential)   | \$50.00    | each                          |
| Occupancy Permit (residential unit that exceeds one year in age)                     | \$100.00   | Per unit                      |
| Demolition Permit  | \$50.00    | each                          |
| Solar Collectors   | \$150.00   | each                          |
| Temporary structures/hoarding/barricades   | \$25.00    | each                          |

### **General Findings - HRM P&D Fees**

There are a number of key findings and observations with respect to the Planning and Development existing fees and practices which have been summarized in this section of the report.

#### **Finding #1: Fee Structure Needs to Be Rationalized**

There is a need to not only update the existing fees to reflect the actual cost of service, but to rationalize the types of fees charged, and the overall fee structure. The following identifies key areas where further analysis and rationalization is required in Phase Two of the engagement:

- There is a need to review the appropriateness of the existing Final Subdivision Application Fee structure whereby there is no appropriate base fee to recognize minimum cost of processing an application; the fee structure has four tiers; for up to 10 lots; up to 20 lots; up to 50 lots and over 50 lots. A common practice in municipalities is to establish a base plus a per unit cost to ensure that the cost of any application, regardless of size, is recovered from the fees;
- There is a greater proportion of infill and intensification projects which introduces new and often more intense land uses within existing neighbourhoods and, as such, are more complex to process which should be reflected in the fee structure;
- Currently, the fee for final subdivision infill and subdivision requiring new infrastructure is the same, but the level of effort to undertake the application review is significantly different and should be recognized in the fee structure;
- There is one Site Plan application fee for downtown Halifax but the types of applications can vary considerably; renovations, new, large renovations, etc. The fee structure should be reviewed to better align with the level of effort required for each type of application;
- The Residential Building Permit fee structure includes a different fee for above grade, split entries and basements 5.5' below grade which is not typical, is administratively cumbersome and should be reviewed;
- The fee for decks is based on a cost of construction with a minimum fee and a development fee which is a more complex fee structure than needed for simple permit applications;
- Planning application fees are not easily understood or transparent for applicants. A fee for each type of application should be identified separately; and
- The existing building permit fee structure charges a fixed plumbing fee of \$50 for 6 fixtures and over for ICI properties; the same fee is charged whether it is a 10 storey hotel or a mid size warehouse with very few plumbing fixtures. Also, the fee for having 5 plumbing fixtures is \$25 and the fee for 6 fixtures is double (\$50), resulting in equity issues.

**Finding # 2: Existing Fees are Not Aligned to Resources Expended**

Existing P&D fees have been set without first establishing the full cost of the related services or by fully documenting the level of effort and resources involved in each process. Based on our preliminary analysis and analysis undertaken by HRM, Planning and Development fees are currently not recovering even the direct costs to provide the service.

To illustrate the extent of the current situation, a process mapping exercise was undertaken by HRM in 2014 for an intermediate planning application (land use amendment) to identify all staff involved in the process and the average amount of time spent by staff in each step in the process.

- Staff involved in the application process include Planners, MPPs, Planning Controllers, Planning Technicians, Development Engineers, Development Technicians, Development Officers, Operations Managers, Manager and Director.
- The consolidated average staff time to undertake an intermediate Planning Application was determined to be 220 hours per application.
- The existing fee for a land use amendment (Planning Application) ranges from \$330-\$1,100, depending on the complexity; a recovery of \$1.50-\$4.55 per hour.
- Similar results are found across other P&D applications in that there is currently *no clear relationship* between the underlying work to support application processes and the existing fees. Planning and Development applications are heavily supported through the tax levy, however, the rationale for not recovering the full cost of service is unclear. Also, as will be shown in the peer benchmarking section of the report, the existing fee is very low in comparison to other municipalities surveyed.
- Efforts are currently underway, as described earlier in the report to streamline the existing processes.

| Process Element | Total Staff Effort (Hours) |
|-----------------|----------------------------|
| Intake          | 10                         |
| Policy Review   | 17                         |
| Review Team     | 23                         |
| PIM             | 46                         |
| PAC             | 13                         |
| Staff Report    | 76                         |
| Hearing         | 21                         |
| Closeout        | 13                         |
| <b>Total</b>    | <b>219</b>                 |

**Finding #3: Revenues are Well Below the Direct Cost of Services**

Applicants are the primary beneficiaries of development applications. In 2015 \$3.3 million in direct program costs were recovered from the tax levy which is approximately 47% of the direct cost of service. The ultimate development of lands provides direct benefits to the applicant through increased property value derived from expanded land use permissions and greater marketability. The rationale for subsidizing existing development applications through the tax levy is not transparent.

The following table reflects the actual 2015 revenues and expenditures for Building Standards and Development Approvals:

| Development Approvals and Building Standards |    | 2015                 |
|--|----|----------------------|
| 4905 St. Opening Permits                     | \$ | (30,000)             |
| 4906 Subdivision Applic.                     | \$ | (58,554)             |
| 4911 Zoning Fees                             | \$ | (78,775)             |
| 4912 Signs & Encroachment                    | \$ | (27,690)             |
| 4914 Grade Alterations                       | \$ | (13,850)             |
| 4915 Minor Variance                          | \$ | (29,250)             |
| 4920 Development Permits                     | \$ | (197,925)            |
| 4950 Other Lic. & Permits                    | \$ | (38,849)             |
| 5250 Sales of Svcs-Other                     | \$ | (74,800)             |
| 5253 Subdiv Insp Fees                        | \$ | (16,276)             |
| 5508 Recov External Parti                    | \$ | (132,534)            |
| 4903 Building Permits                        | \$ | (2,376,597)          |
| 4904 Plumbing Permits                        | \$ | (62,482)             |
| 4912 Signs & Encroachment                    | \$ | (467,500)            |
| <b>Total Revenues</b>                        |    | <b>\$(3,605,083)</b> |
|  |    |                      |
| Compensation and Benefits                    | \$ | 6,435,370            |
| Other Expenditures                           | \$ | 424,092              |
| <b>Total Expenditures</b>                    |    | <b>\$ 6,859,463</b>  |
|  |    |                      |
| <b>Net Expenditures</b>                      |    | <b>\$ 3,254,380</b>  |

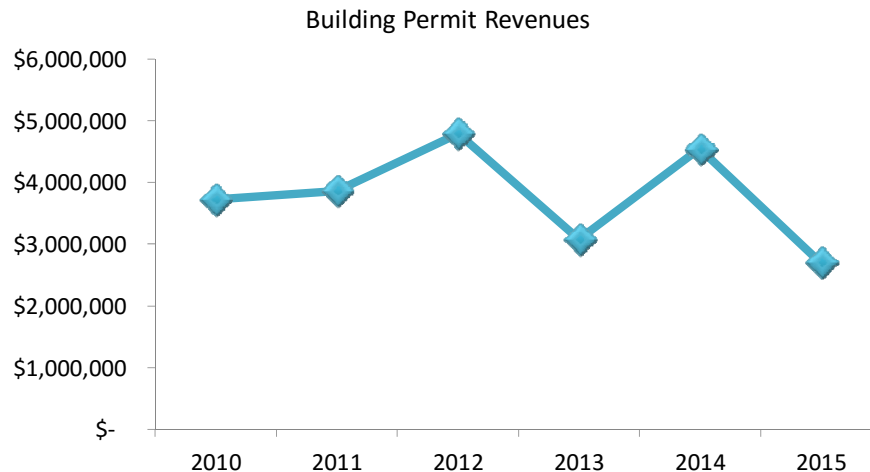
In addition, there are also indirect costs such as departmental and corporate overhead costs that are not reflected in the analysis above which are also recovered from the tax levy.

**Finding #4: Activity Based Costing**

The existing budgeting process does not allocate corporate costs to Departments. As such, the full cost of service is not currently known. In accordance with leading practice research, the calculation of fees should include Direct, Indirect and Corporate Overhead costs as a starting point in setting an appropriate fee. This provides the information necessary for Council to determine the taxpayer impact if the full cost of providing service is not recovered from fees. A costing exercise based on level of activity should be undertaken for each type of planning application. This is being undertaken as part of Phase Two.

**Finding #5: Reserve Funds May be Required to Smooth the Impact of Changes in Activity Levels**

The fluctuation in development activity and the associated annual revenues generated from fees poses challenges in managing a service that should be largely recovered from fees. For example, building permit revenues were \$4.5 million in 2014 and \$2.4 million in 2015, a difference of \$1.9 million. The following table reflects the volatility in building permit revenues from 2010 to 2015.



To balance the revenues and expenditures, on an annual basis, is difficult without the availability of reserves. Municipal operations do not have sufficient elasticity to adjust operating expenditures to immediately coincide with the fluctuations in activity. Therefore, changes in development application activity levels would need to be funded by a contingency fund if less than forecast or from changes to the fees annually which poses challenges to applicants. A leading practice of municipalities is to establish permit stabilization and capital reserves to address these fluctuations.



***Finding #6: Outdated Fees***

P&D fees have not been reviewed or updated in numerous years. There is no recurring process in place to ensure that fees and fee revenues are kept current. Apart from construction value-based fees, Planning and Development Fees have not kept pace with inflation. While expenditures incurred to support planning and development applications have increased annually (e.g. inflation), the fees have remained the same resulting in a reduction in the proportional recovery of costs and an increased reliance on property taxes. Leading practices suggest a need for a detailed review of fees every 4-5 years and a mechanism in place to inflate the fees on an annual basis.

***Finding #7: Low Fees Can Drive Speculation***

With low P&D fees, speculation may be driving activity levels and expending limited staff resources. This creates inefficiencies in the system and contributes to higher property tax subsidization when the fee for service is considerably lower than the cost to process the application. Too low a fee can drive the workloads and therefore, not economically efficient.

***Finding #8: Fee Guiding Principles Are Needed***

Currently, there is no P&D Fee Guiding Principle to guide the establishment of fees and to ensure that the existing fees are aligned with corporate goals, objectives and strategic plans. In the absence of a cohesive guiding principle document, fees have been established and managed without a clear set of common principles. The table on the next page summarizes the proposed guiding principles for establishing fees.

The following provides the *recommended Guiding Principles* for the establishment of future Planning and Development Fees:

#### Guiding Principle #1: Service Efficiencies

- Fees for service will be set to reflect the efficient cost level of carrying out the service.
- If inefficient practices are identified (either through a review of internal processes or in relation to peer municipalities), then consideration of the inefficiencies will be taken into account during costing and, where appropriate, measures will be implemented to remove inefficiencies. This supports the need to gradually phase-in fee increases until inefficiencies have been eliminated and service standards are established, approved and implemented.

#### Guiding Principle #2: Fairness and Equity

- HRM will distribute the cost of providing the service by charging a fee to applicants who receive direct benefit.
- Planning and development application fees will employ mechanisms that equitably distribute costs between the various types of planning and development applications to avoid cross subsidization.
- HRM will not set the fees beyond 100% of the full cost of the service. Full cost of service will include direct and indirect costs, overhead and charges for the use of capital assets used to provide the service.
- There will be a nexus between revenues from the imposition of a fee and the anticipated expenditure of administering the service. The fee must reflect the cost of administering the service and should not be for the purpose of general taxation or the raising of revenue.

#### Guiding Principle #3: Transparency

- The cost of providing services, the allocation methodology of costs and the pricing structure will be transparent. Information will be provided on the rationale for funding from property taxes when applicable.

#### Guiding Principle #4: Predictability

- Stability of planning and development fees will assist the development industry in the planning of projects.
- Knowledge and certainty of fees allows applicants to make more informed decisions.
- Phase-in strategies may be employed to smooth impacts of fee changes over time.
- Applicants will be provided information on service standards.

*Peer Municipal Comparison of Fees and Fees Structures*

*Peer Municipal Comparison of Fees and Fees Structures*

Municipalities in the peer benchmarking included Calgary, Edmonton, Regina, Winnipeg, Moncton, Saint John, Ottawa, Kelowna, Hamilton and Markham. Consistent with the practices across Canada in undertaking benchmarking studies for fees, the municipalities were selected to ensure representation from across Canada with a focus on mid to large municipalities in major markets as they generally experience higher processing costs for the following reasons:

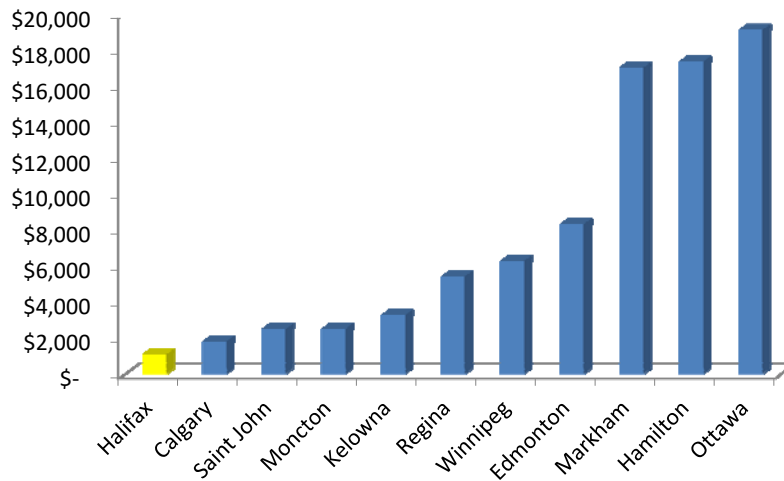
- The surrounding municipalities often process lower density forms of residential development whereas the range of applications in large urban municipalities includes: industrial, institutional, commercial, environmental, high-density residential and downtown related;
- There tend to be more complex issues involved with planning applications in a larger urban setting such as the provision of services, transportation, noise, heritage preservation, etc. requiring more time/resources to review and resolve;
- There are often more interest groups and more stakeholder consultation relating to applications in larger urban centres requiring more consultation;
- Trend toward intensification and infill applications in urban municipalities which often require significant efforts, compared with smaller municipalities that experience more greenfield development which is often less contentious;
- Population density leads to a greater amount of people being affected by a planning application resulting in higher circulation costs; and
- There are specialized professionals (e.g. Heritage Planner, Urban Designer, Landscape Architect) dealing with many applications in larger urban centres.

Planning Fees

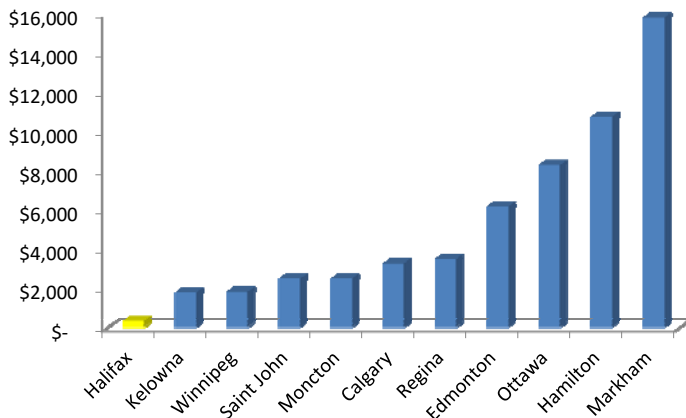
There are many variations across Canada in terms of the fee structure, the extent of cost recovery and the actual fees charged. These are driven by legislations, regulations and Council approved fee policies, market conditions and the overall goals and objectives of a municipality.

As shown below, the *planning fees in HRM are the lowest in relation to peer municipalities.*

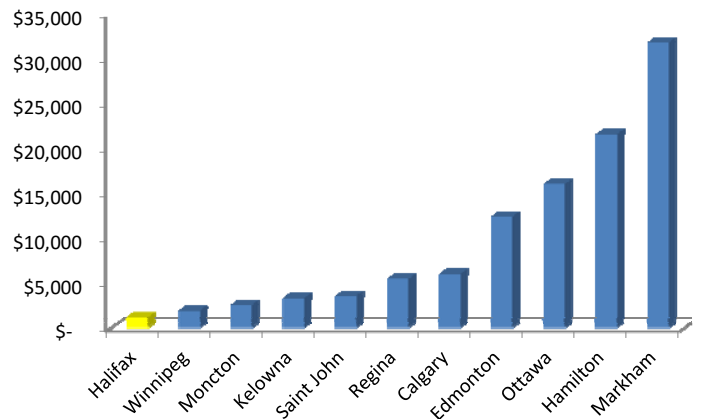
Municipal Plan Amendment



Minor Land Use By-law Amendment



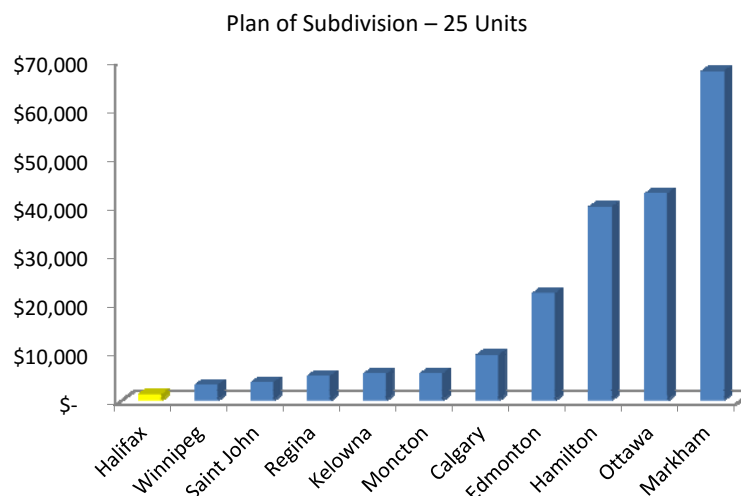
Major Land Use By-law Amendment

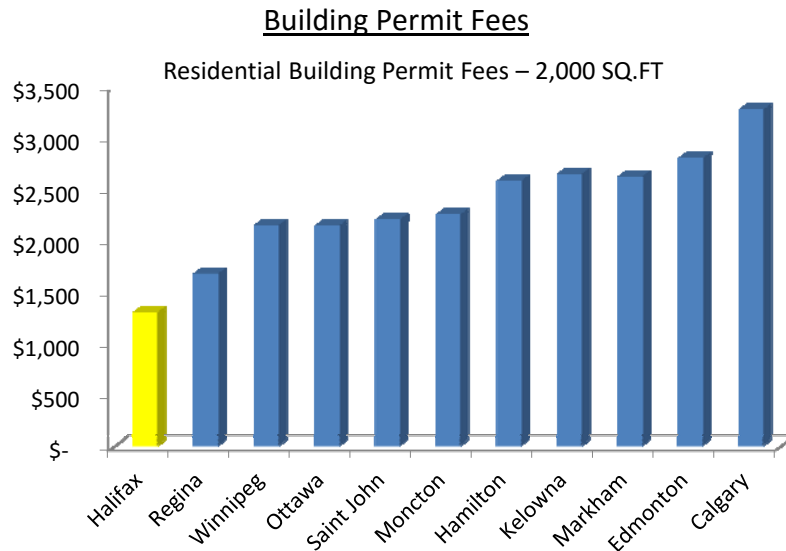


- Of all major urban municipalities surveyed, HRM has by far, the lowest planning fees.
- A common argument that is made by development industries against increasing fees is that there is the potential to drive development to surrounding municipalities with lower fees. The following provides our observations based on discussions with other urban municipalities that should be taken into consideration in the fee setting process:
  - HRM processes a wider array of applications than surrounding municipalities including institutional, residential infill, high density residential, industrial, downtown redevelopment, etc. and as such, the cost of service is greater. Further, these more complex applications are not commonly processed in the surrounding municipalities.
  - The infrastructure to support major development in small neighbouring communities is considerably less than in HRM and as such, the feasibility for development differs.
  - While fees in surrounding neighbouring municipalities should be considered, research undertaken by peer municipalities indicate that it is difficult to identify a correlation between an increase in planning application fees and a reduction in low density residential development to these surrounding municipalities given that these planning application fees make up a very small component of the overall expenses of a development project.
  - Developers take into consideration many factors in determining where to develop including the overall amenities and quality of life factors that differ significantly between large urban areas and smaller communities. In addition to planning and development fees there are also other fees that impact the cost of service including water fees and development charges.
- Overall, most municipal fee structures charge a fee based on the complexity and/or size of the development, consistent to some extent in HRM. For example, a major and minor zoning amendment (land-use amendment) is charged in all municipalities except Moncton and Winnipeg but the definitions of major and minor and the premium charged by municipalities varies. HRM has a minor and major amendment fee for planning applications, however, the differential between minor and major is largest in HRM. This is an area where further analysis through a process mapping and activity based costing exercise will be undertaken in Phase Two.

Development Fees

- Plan of Subdivision and Condominium fee structures vary across the peer municipal survey. Because of the differences in fee structures, in some cases, direct comparisons for fees is a challenge without modeling the cost based on a prototype development. For example for a Plan of Subdivision, some municipalities charge a base fee plus a per unit/lot/ area fee, or just one or the other. In this case, a prototype application has been identified (e.g. Subdivision 25 units).
- Calgary, Moncton, Regina, Winnipeg and Saint John have a base fee plus a per unit fee.
- Edmonton has a different fee for subdivisions by property class (residential, multi-residential, commercial and industrial). There is also a separate fee to distinguish between a greenfield condominium versus conversions of existing buildings. Edmonton also charges a fee for recirculation from 3<sup>rd</sup> and subsequent reviews.
- Hamilton has a separate fee for revisions and extensions of a subdivision and condominium agreement to recognize the additional effort expended and a desire to recover the full cost of service from direct beneficiaries.
- Winnipeg charges a fee for amendments to Subdivision applications.
- Discounts—Often, a development proposal will be subject to multiple development applications, which may be processed simultaneously. To recoup the cost of administering these applications, municipalities charge a fee that reflects the amount of staff time typically required to process the combined development application and offer discounts to reflect the economies of scale.
  - Hamilton offers a discount on application fees (25%) when more than one application is required, (e.g. OPA, Zoning, Subdivision).
  - Saint John offers a discount of the application fee of 30% when a rezoning and plan amendment is required.





As shown above, the building permit fees in Halifax is the lowest in the survey of peer comparators. Findings on building permit fees include the following:

- Most municipalities surveyed have a re-inspection fee to recoup the cost of service and support economic efficiencies;
- Most municipalities have one fee which includes basements and plumbing fixtures;
- For commercial and industrial applications, some municipalities charge on a cost per m<sup>2</sup> basis and others on a cost per \$1,000 of construction (e.g. Halifax); and
- Nova Scotia municipalities are required to undertake 8 mandatory inspections for residential development. This increases the cost of service compared with Regina, for example, with less prescriptive inspection requirements.



*Key Considerations in Establishing A Fee Cost Recovery Strategy*

### *Key Considerations in Establishing A Fee Cost Recovery Strategy*

A key factor to consider in developing a Guiding Principles and ultimately a Fee Policy for Planning and Development applications is whether specific services or costs should be recovered from *a fee* or from the *general property tax base*. A practice that is widely used across the municipal sector is to consider the type of the service, who derives benefits, when to charge fees and the extent to which the fee will recover the full cost of service. Services delivered by municipalities are generally classified into the following major categories:

- **Public Service:** Benefits the general public; it is impossible to exclude someone from using or enjoying the benefits provided by the service (e.g. Police Services).
- **Mixed Service:** Benefits the general public as well as the specific individual, group or business using the service (community services, programmed recreation services).
- **Private Service:** Benefits specific individuals, groups or businesses; it is possible to prevent someone from using the service (land-use, subdivisions, building permits).

Municipalities must evaluate whether the benefits each service provides accrue directly to specific individuals or groups of individuals (a private service), and should, therefore, be paid for by users of the service through a fee; or whether the service benefits the entire society (a public service) and should be funded from the property tax revenues. There are also services that have characteristics of both.

Factors that typically support a *high recovery of costs from fees* include the following:

1. To manage demand and encourage the efficient use of services. **Comment:** HRM staff identified existing challenges in terms resources in planning applications. HRM would benefit from addressing this imbalance to ensure the efficient and effective use of existing resources by increasing the extent of fee cost recovery from beneficiaries.
2. Service is regulatory in nature and voluntary compliance is not expected to be the primary method of detecting failure to meet regulatory requirements. **Comment:** This is consistent with the approach used for building permits, plan reviews, and subdivision review fees.
3. Use of the service is specifically discouraged. Police responses to disturbances or false alarms might fall into this category as does garbage collection. N/A.

Factors that typically support *some level of subsidization* include the following:

1. Where volume may be adversely affected by the fee level sometimes referred to as "elasticity of demand" – especially in areas where there are high fixed costs. **Comment:** Planning and Development fees are generally a small percentage of the overall development costs.
2. Where a reduced or subsidized rate will benefit identified groups or individuals who cannot otherwise afford. **Comment:** This is not readily applicable in the development industry.
3. Where competitive pressure may constrain the ability to raise fees. **Comment:** Within HRM there is little competitive pressure. Fees in municipalities where alternative development locations would be feasible are a consideration.
4. As a means of encouraging activities or patterns of use (e.g. prime time and non-prime arena ice time use). N/A.

Planning and Development applications are in place to ensure that development is undertaken in accordance with legislative and regulatory requirements, however, as mentioned previously, the ultimate development of land provides a direct benefit to the applicant. Private interests stand to gain from the planning application process through increased property value derived from expanded land use permissions and greater marketability. Also, as discussed previously, while the service satisfies the conditions for full cost recovery, only a small portion of the planning costs are currently being recovered from fees with the remainder being recovered by property taxes.

### **Peer Comparison**

The vast majority of municipalities surveyed operate on a full cost recovery basis to process planning and development applications and undertake the required inspections. Research from other peer municipalities reflects recognition that planning application fees typically represent a small percentage of development project costs. Further, peer municipalities surveyed indicated that there is a need to maintain a reasonable level of fees from revenues to help support Planning's ability to maintain and continually improve upon a level of services which is important to the development community.

Specifically, municipalities attempt to recover 100% of all costs of building services through building permit fees. Building Departments are typically operated as an "Enterprise Model," which means that building permit fees are established to recover 100% of the costs of the operations. This includes the City of Calgary, the City of Edmonton, the City of Kelowna, the City of Regina, the City of Winnipeg, the City of Markham, the City of Hamilton and the City of Ottawa. Further, the vast majority of municipalities surveyed also attempt to recover the full cost of processing planning and development applications (excluding Planning policy).

*Service Standards and Performance Measurement*

### *Service Standards and Performance Measurement*

#### *Introduction*

Performance measurement is a way of determining whether an organization is providing a quality service/product at a reasonable cost and within reasonable timeframes. A well designed performance measurement system should clearly articulate the service goals and objectives, demonstrate what the service outputs are, the expected quality levels for these outputs and what productivity is expected from expended resources. A well designed performance measurement system should also include a good mix of the following type of measures:

**Input Measures**—indicators that are designed to report the amount of resources, either financial or other (especially personnel), that have been used for a specific service or program.

**Output Measures**—indicate the units produced or services provided by a program. This indicates the amount of work performed or the amount of services received.

**Efficiency Measures**—tells how much it is costing to achieve a specific output as well as measuring the time taken to complete a task and the length of time from start to the end of the process to approve a permit.

**Effectiveness Measures**—tells whether the investment is worthwhile. It examines how well a government is meeting the public purpose it is intended to fulfill.

A key role in establishing performance measurements and service standards is to effectively deliver the services on a timely basis by:

- Ensuring that staff undertaking plans examination and inspection services are well trained and qualified to undertake the work;
- Ensuring that staff meet the minimum requirements and are focused on the timely delivery of services;
- Ensuring that staff consistently adhere to approved policies and procedures and are in compliance with all legislative and regulatory requirements;
- Ensuring the services are provided in a cost efficient manner; and
- Ensuring that service standards are transparent and communicated.

### *Existing Practices*

- In establishing a new fee schedule, which is anticipated in Phase Two of the project, a leading practice is to establish service standards and develop strategies to track performance against these standards.
- As part of the Planning and Development renewal process which took place in 2015, the development and building community were consulted to identify challenges and obstacles in the existing processes and offered a number of suggestions, including a need for performance management and streamlining planning processes. Specifically, feedback was received from the development industry as follows:
  - There appears to be no urgency or timelines for staff to process applications;
  - The system and processes need to be updated;
  - There are too many tiers in the planning approval process;
  - Turn around time is an issue;
  - No accountability for applications as no one is in charge of an application;
  - Schedules should be prepared by P&D to help understand how long a process will take;
  - Pre-application guarantee was put in place of 60 days but this is regularly not met;
  - Development Agreement (DA) process is extremely long and ineffective;
  - Need processes that allow non substantial change to a DA to be fast tracked - based on industry feedback provided even non-substantive changes take 13-18 months for approval based on minimum notice dates, appeal dates, etc.; and
  - Several clauses in the DA are generic and don't apply to all contracts
- Efforts have been made over the past five years to establish targets for the completion of as-of-right, development agreements and subdivision application processes. These targets were not part of a formally approved Council document, but have helped staff to identify areas of key challenges and opportunities.
- Staff concurred with feedback from the industry in that a number of service targets, although not formally adopted are not being met. There is a need to formalize service levels and standards and clearly communicate these performance standards. This requires P&D to develop appropriate input, output, efficiency and effectiveness performance indicators that are aligned to the strategic objectives of HRM and report actual performance against service standard targets.

- As illustrated below, the number of small as-of-right development applications has generally been trending downward since 2011. With a target service standard of 5 days, from 2009 to 2015, only 28%-51% of the applications were processed within this timeframe. This supports the need to review work processes to identify opportunities for efficiencies, resources available and the existing service target.

| Small Development Proposal Processing (As-of-Right) - 5 Days |  |                                      |                     |
|--|--|--------------------------------------|---------------------|
| Year   | Annual Total # of Completed Applications | # Meeting Processing Standard 5 days | % completed on time |
| 2015   | 2,851                                    | 1,055                                | 37%                 |
| 2014   | 2,835                                    | 1,097                                | 39%                 |
| 2013   | 3,124                                    | 1,315                                | 42%                 |
| 2012   | 3,484                                    | 963                                  | 28%                 |
| 2011   | 3,559                                    | 1,117                                | 31%                 |
| 2010   | 3,467                                    | 1,394                                | 40%                 |
| 2009   | 3,478                                    | 1,775                                | 51%                 |

- Major development proposal processing (as-of-right) has a targets service standard of 15 days. As shown in the table below, only 63% to 79% of the applications were processed within the target.

| Major Development Proposal Processing (As-of-Right) - 15 Days |  |                                      |                     |
|---|--|--------------------------------------|---------------------|
| Year  | Annual Total # of Completed Applications | # Meeting Processing Standard 5 days | % completed on time |
| 2015  | 641                                      | 442                                  | 69%                 |
| 2014  | 648                                      | 426                                  | 66%                 |
| 2013  | 646                                      | 424                                  | 66%                 |
| 2012  | 627                                      | 394                                  | 63%                 |
| 2011  | 694                                      | 468                                  | 67%                 |
| 2010  | 665                                      | 468                                  | 70%                 |
| 2009  | 614                                      | 485                                  | 79%                 |

As identified in the Planning Application Review Process Report that was completed in 2015, planning applications are not meeting community expectation and efficiencies are being pursued to address the lengthy approval and processing time taken for Planning applications, potential duplication of effort and other inefficiencies , streamlining of review meetings and report requirements within the process, setting up effective decision-making and the potential improvements by splitting planning application types, given that currently a single Planning application can cover multiple planning types.

### *There are Potential Operational Efficiencies*

- As part of the continuous improvement program that P&D is undertaking, the identification and elimination of sub-optimal processes is a priority and significant improvements have been made or are in the process of being implemented.
- P&D is currently undertaking a thorough review of its current procedures and practices and recognizes that there is the potential to create efficiencies through streamlined work processes. For example, final approval for all development applications was through the Development Officers of which there are 5 positions with delegated authority in the Department. Through the review process, recommendations were made to review this policy. Recent changes to the job descriptions will allow for increased delegated authority and empowerment. This will provide additional flexibility and help reduce bottlenecks. This would potentially reduce the time to process small applications, addressing the gap in achieving the service standard of 5 days, as shown on the previous page. Further, this could free up time for Development Officers to focus on major applications to further improve delivery of timely services. It should, however, be recognized that it is very important to delegate with a high level of clarity with consideration being given to:
  - Desired results – identify and communicate clearly what is to be done and when
  - Guidelines – specify the parameters (policies, principles, etc.) within which the results are to be accomplished
  - Accountability – set up the standards of performance and the time of review
- As identified during the renewal process, there are a number of initiatives that P&D will be tasked with over the next several years including:
  - **Updating Community Plans and By-laws**—Land use by-laws have not been updated since HRM amalgamated, resulting in 20+ different land use by-laws, all with different standards. The by-laws are outdated and confusing to both staff and developers. This results in numerous zoning amendment applications, development agreements, discretionary applications and reports to Council and increases the time to process applications and the cost of service. The Land Use By-law Simplification Project has been initiated but will take considerable time and effort to reach project completion. Once completed, it is anticipated that this will have a positive impact on the turn around times for applications.
  - **Streamlining Planning Application Process**—Staff and the industry identified the existing Council report review process for discretionary use and other development approval as inefficient, administratively cumbersome and not supportive of development. Improvements to these processes are currently underway.



- Implementing a new Permitting and Licensing System to create efficiencies, improve customer interface and support performance management.
- Developing a stronger service delivery model.
- As previously mentioned, Planning and Development applications are currently recovering a percentage of the direct and indirect operating costs, particularly planning applications. A move to 100% cost recovery in the short term is not recommended as P&D are reviewing the various planning application processes to create efficiencies and streamline operations to reduce the cost of service and improve service level and service standards. As identified in the Guiding Principles, fees should reflect the efficient cost of providing the service, therefore, in recognition of the continuous improvement efforts and potential costs savings, a phasing-in of fee increases is recommended and will be reflected in Phase Two of the Study.

### **Leading Practice Research**

- Leading practice municipalities track performance and establish guidelines for the estimated time required to complete tasks. This provides the applicant with a clear understanding of the anticipated time to complete the review process. These service standards:
  - Clearly articulate the service goals and objectives;
  - Demonstrate what the service outputs are;
  - Identify the expected quality levels for these outputs; and
  - Provide the targeted timing of completion of an application review and approval process.
- In recognition of the impact of processing times on the cost of development, and to add a level of predictability and accountability, some municipalities have adopted targets for the length of time it should take to process a given type of development application. However, based on our review of peer municipalities, while target service standards may be developed for internal purposes, few municipalities have annually reported the service standards and associated performance with a focus primarily on output measures (number of applications processes) as opposed to outcome measures (target and achieved turn around times).

- Service standards and service targets vary considerably across Canada. The following identifies the potential reasons for differences:
  - **Municipal Governance Form:** One-tier vs. two-tier governance models and the legislated or Council approval processes. Some municipalities have streamlined processes, combined application processes and have delegated authorities that reduce turnaround times on applications.
  - **Provincially Mandated Responsibilities:** These vary from Province to Province.
  - **Zoning and Official Plans:** Service standards are impacted by the extent to which zoning by-laws have been streamlined and updated. Municipalities with current by-laws typically can provide quicker turn around times for processing applications
  - **Staffing Levels:** Municipalities that are very focused on expediting the application review and approval processes will resource accordingly, resulting in shorter turn around times to process applications.
  - **Cost of Service:** The overall cost of service will be impacted by staffing levels as well as fee recovery policies and principles. Municipalities with higher cost recovery strategies from fees can better increase service standards as they have a funding source outside the property tax base. Based on our experience, developers are willing to pay more for a service if there are improvements in service standards and, clearly defined application process timelines.
  - **Public Consultation:** Staff resources can be impacted by local Council decisions regarding opportunities for public input to the planning process. For example, municipalities with a focus on consultation will tend to require additional staff resources to manage the process. This may also increase the time to complete the application review process, but may improve the outcome.
  - **Growth:** The level of growth and the type of growth (infill vs. greenfield) will also impact service standards and a municipality's ability to meet service level standards.
- The length of time it takes to process a development application varies according to the character and complexity of the proposal, as well as the overall volume of applications received by a planning department. This varies considerably by type of application, complexity of application and across the peer municipalities surveyed.

- A leading practice that has been implemented is the adoption of targets for the length of time it should take to process a development application at the same time as new fees have been implemented. These targets provide a level of predictability and accountability. For example, the City of Regina implemented clearly defined service standards related to application review times at the same time that fees were updated to assure the development community that there is accountability in the delivery of services. Tracking against service level standards was undertaken for several years with further refinements to the service standards to reflect new work processes, efficiencies and changes in resources available.
- Some municipalities have incorporated citizen satisfaction results to track feedback on the quality of the service. Winnipeg, for example, tracks citizen satisfaction in such areas as neighbourhood revitalization, downtown renewal and zoning regulations.
- Ontario municipalities have mandated completion times under the Building Code and mandatory reporting requirements against these standards. (e.g. Timeframe on a residential house application is 10 days, a more complex building in the ICI at a maximum of 30 days).
- The approach used across many parts of Canada is to streamline application processes through a **development permit system (DPS)** (e.g. British Columbia, Alberta, Manitoba, Nova Scotia and available in Ontario since 2007).

*Recommendations, Conclusions and Next Steps*

### *Conclusions and Next Steps*

HRM's Planning and Developments fees have not been updated or rationalized in numerous years. With P&D well on its way to a renewed organization and service delivery model, it is now an appropriate time to review and update fees as well as the existing fee structures. Based on an analysis of underlying costs of service, P&D is not recovering sufficient revenues from fees, with an over reliance on property taxes to support services that have a direct beneficiary. Fees are also very low in relation to peer municipalities surveyed.

This report identifies the recommended Guiding Principles. The central principles in the establishment future fees include:

- Ensuring that fees for service will reflect the efficient cost level of carrying out the service;
- Ensuring fairness and equity;
- Supporting transparency in the methodology and the cost of providing service; and
- Predictability in fees.

As part of Phase Two, a fee policy will be developed. A Planning and Development Fee Policy will help ensure optimal and efficient use of scarce resources and reduce pressure on property tax revenues.

Phase Two which will be completed next and will include a Fee Policy and Fee Structure Review to ensure that:

- All steps in the planning and development processes have been identified, as well as the estimated time required to complete the activities and the staff involved in the processes;
- All costs have been identified in the delivery of services (direct, indirect and corporate costs) and have taken into consideration;
- Leading practices have been employed;
- The Fee Guiding Principles have been fully considered;
- The fees and fee structures recommended are fair and equitable and will withstand careful scrutiny; and
- The processes used to calculate the fees are compliant with all relevant legislative and regulatory requirements.

*Summary of Recommendations*

1. That fees be established based on the Guiding Principles as the next phase in the fee review process and develop a Fee Policy for Council’s consideration.
2. That in recognition that Municipality is in the process of a continuous progress service delivery review which may result in additional efficiencies in the processing and approval of planning and development applications, a phase-in approach be used in the establishment of new Planning and Development fees based on the efficient cost of providing the services.
3. That a renewed Performance Management System be established which will encompass a wide range of performance indicators including efficiency, outputs, outcomes and effectiveness and, once developed and approved by Council, these will be communicated on HRM’s website. Consideration will be given to establishing published targets in the following areas:
  - Standard turnaround times for specific types of inspections and application processes (possibly beyond that mandated);
  - Operational standards - % of times that HRM meets mandated targets; and
  - Customer satisfaction – outcomes, e.g. targets for % of customers satisfied or extremely satisfied.