



# Development Services Fees Review

Region of Peel

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Final Report Executive Summary

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# Executive Summary



## Executive Summary

The Regional Municipality of Peel (Region) retained Watson & Associates Economists Ltd. (Watson) to undertake a review of its Planning Application, Engineering and Site Servicing, and Traffic Development fees. These fee categories are collectively referred to herein as Development-Related User Fees. The objectives of the assignment were to:

- Provide a fee structure that allows for full cost recovery;
- Better position the Region in responding to changing industry needs and maintain or improve current service delivery levels;
- Reflect the emerging mix of application types and complexity of development in the Region;
- Provide a framework to ensure the Region has a consistent, fair, and transparent approach for establishing fees for all development and engineering services in compliance with applicable legislation, leading practices, and delivery of services; and
- Promote equity by recovering the cost of services from those who receive direct benefits from the service.

Municipalities are empowered to charge planning application fees under the authority of Section 69 of the *Planning Act*, 1990. The *Planning Act* allows municipalities to recover the anticipated costs of processing planning applications. The Act is clear that cost/fee justification must be considered by application type, implying that cross subsidization amongst different application types, as defined in the municipality's tariff of fees, is not permitted.

All other Development-Related User Fees considered within the scope of this exercise are governed by Part XII of the *Municipal Act*, 2001. This Act allows a municipality to impose fees or charges for services or activities provided, or done by or on behalf of it; for costs payable by it for services or activities provided, or done by or on behalf of any other municipality or any local board; and for the use of its property, including property under its control. The *Municipal Act* has no explicit requirements for cost justification when establishing fees however, municipalities must have regard for legal precedents and there must be a reasonable nexus between the cost of service and the fee imposed (i.e. the fee cannot be a tax). These fees can be appealed to the courts.



An Activity-Based Costing (A.B.C.) methodology was employed to determine the full costs of service provided by the Region. The A.B.C. methodology attributes processing effort and associated costs from all participating municipal departments to the appropriate application and fee categories. The resource costs attributed to processing activities, and ultimately to these categories, include direct, indirect, and capital costs. Employing this costing methodology provides municipalities with a better recognition of the costs utilized in delivering development review processes, as it acknowledges not only the direct costs of resources deployed but also the indirect support and capital costs required by those resources to enable these services.

The first step in employing the A.B.C. methodology was to determine the costing categories. These categories generally align to the Region's existing development-related user fee schedules, as well as planning applications that the Region processes but currently does not impose a fee for the service. Processing steps for each costing category were developed from existing process maps, the Development Services Procedures Manual, and discussions with Region staff. Staff from across the organization provided effort estimates for each costing category reflecting the average level of effort for each step in the mapped processes. Historical average annual application volumes were applied to the effort estimates to determine the annual level of processing effort by staff position. This processing effort is expressed in terms of the annual capacity utilization for each staff position, across the various fee/costing categories, and in aggregate. This step is also undertaken to confirm the reasonableness of the effort estimates and that the estimated level of effort can be delivered.

Table ES-1 summarizes the annual staff capacity utilized on development application processes by staff in all departments and divisions that were considered within this review. Development Services (D.S.) staff were grouped into the following categories – Director's Office, Planning and Performance, D.S. Planning, Servicing Connections, and D.S. Expert. D.S. Planning staff can be further categorized into planners, subdivision staff, and students. Planning application processing is undertaken by the planners and consumes 71% of their annual available staff capacity. Subdivision staff within D.S. Planning spend approximately 82% of their available capacity on the review of subdivision applications.

Servicing Connections staff dedicate 82% of their capacity on all development applications, including some staff who review the servicing requirements of planning



applications. The majority of Servicing Connections staff time is spent reviewing site servicing submissions.

Reviewing development applications accounts for 63% of the annual staff capacity of Traffic Development and Permitting staff within the Transportation Division. The utilization of all other departments and divisions involved in the review of development applications is summarized in Table ES-1 below.

Table ES-1  
Staff Capacity Utilization by Department

Department/Division	Compliment	Weighted Capacity Utilization (%)
<b>Development Services</b>		
Director's Office	3	43%
Planning & Performance	7	25%
DS Planning	17	75%
Servicing Connections	11	79%
Expert, Development Services	1	85%
<b>Development Services</b>	<b>39</b>	<b>65%</b>
<b>Other Departments/Divisions</b>		
Business Information Services	7	5%
ETS	18	39%
Finance	6	<1%
Housing Policy and Programs	6	<1%
Legal	48	3%
Meter Operations	13	<1%
Operations Wastewater	8	<1%
Operations Water (South Peel)	10	4%
Water Operations (Caledon)	7	2%
Real Estate	20	9%
Traffic Development and Permits	7	63%
Transportation Managers	21	3%
Water and Wastewater Regulatory Compliance	25	2%
Water & Wastewater Program Planning	33	9%
<b>Other Departments/Divisions</b>	<b>249</b>	
<b>Grand Total</b>	<b>288</b>	

Based on the results of the staff resource capacity analysis, the proportionate share of each participating individual's direct costs (e.g. salary, wages, benefits, materials, and supplies) is allocated to the respective costing categories. Consistent with the Region's approach, budgeted indirect costs ("allocation between departments") and capital costs



were allocated to participating departments and/or divisions based on the respective share of the total budget. The costs included in the costing model are taken from the Region's 2020 Budget.

Table ES-2 summarizes the calculated annual processing costs compared with annual revenues, derived from the Region's current fee structure and historical average application volumes and characteristics. Based on the established effort estimates for current processes, the Region spends \$6.5 million annually providing development application processing and review services<sup>1</sup>.

In addition to the development-related user fee revenues, approximately \$910,000 in water and wastewater rate revenue is allocated to fund D.S. review costs for Site Plan and Minor Variance applications. These contributions are provided in recognition of the benefits accruing to water and wastewater services by helping to protect municipal infrastructure from development impacts through the application process. As a portion of these development service costs are funded from these recoveries, the annual costs of processing Site Plan and Minor Variance applications have been reduced proportionately. In total, the net cost of service informing the fee recommendations is \$5.6 million (i.e. service costs of \$6.56 million less water and wastewater rate allocations of \$0.91 million). The Region's existing Development-Related User Fees recovers approximately 82% of these net annual costs.

Table ES-2  
Cost Recovery of Existing Development-Related User Fees

Description	Annual Costs			Total Annual Costs	Water and Wastewater Rate Contribution	Net Cost	Current Fees		
	Salary, Wage & Benefits (SWB)	Non-SWB Direct Costs	Budgeted Indirect & Capital Costs				Annual Revenue	Suplus/ (Deficit)	%
<b>DS-Planning Application Fees</b>									
Existing Fees	1,417,473	107,380	333,654	1,858,508	640,629	1,217,878	1,018,800	(199,078)	84%
Potential New Fee Categories	681,126	44,766	139,431	865,324	269,371	595,953	19,200	(576,753)	3%
<b>Total - DS Planning Application</b>	<b>2,098,600</b>	<b>152,146</b>	<b>473,086</b>	<b>2,723,831</b>	<b>910,000</b>	<b>1,813,831</b>	<b>1,038,000</b>	<b>(775,831)</b>	<b>57%</b>
<b>DS-Engineering and Site Servicing Fees</b>	<b>2,444,617</b>	<b>160,475</b>	<b>644,391</b>	<b>3,249,483</b>	-	<b>3,249,483</b>	<b>3,247,639</b>	<b>(1,844)</b>	<b>100%</b>
Traffic Development & Permits Fees	352,536	39,804	99,370	491,709	-	491,709	278,698	(213,011)	57%
<b>Subtotal</b>	<b>4,895,753</b>	<b>352,424</b>	<b>1,216,846</b>	<b>6,465,024</b>	<b>910,000</b>	<b>5,555,024</b>	<b>4,564,337</b>	<b>(990,686)</b>	<b>82%</b>
ENGINEERING AND SITE SERVICING - Categories Excluded from Fee Recommendations (i.e. assess DS administrative involvement only)	89,287	2,049	7,529	98,864	-	98,864			
<b>Total</b>	<b>4,985,039</b>	<b>354,473</b>	<b>1,224,375</b>	<b>6,563,888</b>	<b>910,000</b>	<b>5,653,888</b>			

Based on the costing results, Regional policy, industry best practices, and municipal competitiveness, the fee recommendations below are provided to improve the Region's cost recovery performance and maintain legislative compliance with the *Planning Act*.

<sup>1</sup> These costs exclude Engineering and Site Servicing administrative fees.





In developing the fee recommendations, the Region consulted with all three area municipalities (City of Brampton, Town of Caledon, and City of Mississauga), as well as development industry stakeholders from the Region's Building Industry Liaison Team (BILT). The stakeholders provided comments on the proposed fee recommendations and implementation strategies.

### Planning Applications

- Regional Official Plan Amendment – increase current fee from \$20,000 to \$22,100, an increase of \$2,100 or 11%;
- Local/Area Municipal Official Plan Amendments – decrease current fee from \$12,000 to \$9,000, a decrease of \$3,000 or 25%;
- Plan of Subdivision – maintain current fee of \$20,000;
- Plan of Condominium – increase current fee by 24% from \$3,000 to \$3,700;
- Agreement Review and Execution – increase current fee from \$2,000 to \$2,200; and
- Introduce new planning application fees for:
  - Consents - \$1,400;
  - Secondary Plan Amendments - \$7,400; and
  - Zoning By-law Amendments - \$4,700.

The full costs of processing Site Plan applications were determined as part of this review. The Region currently imposes fees for major and minor applications based on the criteria of the application<sup>1</sup>. As part of this undertaking, the Region consulted with stakeholders on the current fee structure and proposed changes being considered. A recommended site plan fee structure was developed based on feedback received from stakeholders and other policy considerations. The recommended site plan fee structure includes three categories of site plan applications, i.e. Full Site Plan, Scoped Site Plan, and Limited Site Plan. The following summarizes the characteristics of each fee category and the recommended fee:

- Full Site Plan - \$3,100
  - New non-residential or expansions with floor area greater than 500 square metres
  - Multi-residential built forms (e.g. townhouses, stacked houses, apartments)

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<sup>1</sup> introduced as an interim fee in January 2020.



- Two or more residential units (e.g. townhouses, stacked houses, apartments, single/semi-detached dwellings)
- Scoped Site Plan - \$1,700
  - New non-residential or expansions with floor area less than 500 square metres
- Limited Site Plan – no fee
  - Site alterations
  - Single/Semi detached dwellings
  - Telecommunications towers
  - Oak Ridges Moraine

#### Engineering and Site Servicing

- Engineering and Site Servicing fees are recommended to be maintained at current rates as these are generating full cost recovery.

#### Traffic Development and Permits

- Site Plan Review/Development Applications/ Engineering & Inspection Fees – increase current fees from 7% of the cost of works to 10.8% of the cost of works;
- Legal Letters (Access/Servicing Compliance Letters) – increase current fees from \$308 to \$1,667;
- Temporary Access Fees – increase current fees from \$334 to \$1,940; and
- Road Occupancy Permit - Development Related – increase current fees from \$450 to \$1,500.

The recommended fees, including contributions from water and wastewater services, are anticipated to increase cost recovery to 94%, as summarized in Table ES-3. Based on the recommended fees, the historical mix of application volumes, and typical size characteristics, modelled revenue would increase by approximately 15%, from \$4.6 million to \$5.2 million annually.





Table ES-3  
Cost Recovery of Recommended Fees

Description	Total Annual Costs	Water and Wastewater Rate Contribution	Net Cost	Current Fees			Recommended Fees		
				Annual Revenue	Cost Recovery		Annual Revenue	Cost Recovery	
					Suplus/ (Deficit)	%		Suplus/ (Deficit)	%
<b>DS-Planning Application Fees</b>									
Existing Fees	1,858,508	640,629	1,217,878	1,018,800	(199,078)	84%	1,139,890	(77,988)	94%
Potential New Fee Categories	865,324	269,371	595,953	19,200	(576,753)	3%	328,420	(272,971)	55%
<b>Total - DS Planning Application</b>	<b>2,723,831</b>	<b>910,000</b>	<b>1,813,831</b>	<b>1,038,000</b>	<b>(775,831)</b>	<b>57%</b>	<b>1,468,310</b>	<b>(350,960)</b>	<b>81%</b>
<b>DS-Engineering and Site Servicing Fees</b>	<b>3,249,483</b>	<b>-</b>	<b>3,249,483</b>	<b>3,247,639</b>	<b>(1,844)</b>	<b>100%</b>	<b>3,247,639</b>	<b>(1,844)</b>	<b>100%</b>
<b>Traffic Development &amp; Permits Fees</b>	<b>491,709</b>	<b>-</b>	<b>491,709</b>	<b>278,698</b>	<b>(213,011)</b>	<b>57%</b>	<b>491,709</b>	<b>-</b>	<b>100%</b>
<b>Subtotal</b>	<b>6,465,024</b>	<b>910,000</b>	<b>5,555,024</b>	<b>4,564,337</b>	<b>(990,686)</b>	<b>82%</b>	<b>5,207,658</b>	<b>(352,804)</b>	<b>94%</b>

To understand the impacts of the fee structure recommendations, an impact analysis for sample developments was prepared. The development impact analysis compared development fees for selected Greater Toronto Area (G.T.A.) municipalities, including the Peel Region area municipalities. The development fee comparison considered planning application fees, building permit fees, engineering fees, and development charges.

The development impacts of fee recommendations are similar to those observed in other municipalities undertaking similar fee reviews. Planning and engineering development fees represent a relatively small proportion of the total municipal cost of development, i.e.:

- 2-9% for low-density and high-density residential development;
- 5-16% for medium-density residential development; and
- for non-residential development types, the impacts are larger for smaller developments (6-26%) as compared to larger developments (2-13%) due to fixed application costs and limited economies of scale.

Impacts of implementing the recommended development fees on the total municipal development costs of applicants results in increases of:

- 0.1-0.3% for low-density and high-density residential development;
- 0.3-0.4% for medium-density residential development; and
- 0.4-2.6% for non-residential development (dependent on the size of the development).