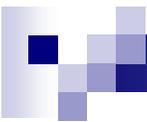# Development Fee Model General Committee Meeting

March 5, 2007

Background

- Town has authority to collect development fees through the Building Act, Municipal Act and the Planning Act

- Historically, Development Services fees (Planning/Design, Engineering and Building) did not reflect actual costs of activities and were largely collected at the end of the development process (Building stage)

- New Building Code Statute Law Legislation (Bill 124) came into effect on July 1, 2005 requiring building fees to not exceed the anticipated costs of providing the related service

- A redistribution of revenue sources was implemented to reflect the true cost of providing the service when incurred

- Planning/Design and Engineering fees were increased while Building fees were decreased (Markham was the only municipality to decrease its Building Permit Fees across GTA)

Principles Established for Fee Model

■ **Principles of establishing Building permit fees in Bill 124 were similarly used for Planning and Engineering fees:**

- ☐ Activities must be authorized by legislation
- ☐ The fee payer must be a direct beneficiary of the program
- ☐ Fees can include all reasonably anticipated costs
    - ■ Direct costs (salaries, benefits, rent, etc.)
    - ■ Indirect costs (IT equipment, other departments costs provided to support department, etc.)
- ☐ Fees may include a reserve to stabilize revenues
- ☐ Bill 124 requires Building Department to provide a minimum mandatory level of service (e.g. permit approval time frame) which may require additional resources to meet

General Methodology for setting up Fee Model

- Cost based on current year budgets plus adjustments (i.e. estimated salary increases, predicted budget implications)

- Allocate costs to revenue sources (e.g. Development fees, taxes, DC, etc.)

- Determine total costs to be recovered through fees (direct and indirect costs plus reserve component)

- Calculate fees based on 5 year average activity by development application type

- Incorporate outcomes into next years budget

Illustration of Methodology

Direct Cost	**$ 15,000**
Indirect Cost	**$ 5,000**
Total Department Cost	**$ 20,000**

Allocation of Cost to Revenue Source

	Development Fee	Development Charge	Tax
% of Cost *	50%	40%	10%
Cost Allocated	$ 10,000	$ 8,000	$ 2,000

* Allocated based on staff time spent on each type of activity

Illustration of Methodology (2)

Development Fee		$	10,000	
Reserve		$	1,000	
Total Cost to be recovered from Development Fees		$	11,000	(a)

Calculation of Application Fees

	b	c = a x b	d	e = c / d
Activity	**% of Cost ***	**Cost Allocated**	**5-yr Avg # of Applications**	**Application Fee**
A	40%	$ 4,400	10	$ 440
B	50%	$ 5,500	5	$ 1,100
C	10%	$ 1,100	20	$ 55
Total	100%	$ 11,000		

* Allocated based on staff time spent on each activity

Reserve Impact

- The Building and The Planning & Engineering Development Fee reserves' purpose is to stabilize development fees

- In years where Revenue is greater than total Costs, there will be a transfer **to** reserves for the surplus amount

- In years where Revenue is less than total Costs, there will be a transfer **from** reserves for the deficit amount

- Departments may need to borrow from the Corporate Rate Stabilization Reserve in years where the reserve balance is not sufficient to cover the deficit amount

Building, Planning/Design and Engineering Reserve Balances

Building (In $000)

	2005	2006 Prelim Actuals	2007 Prelim Budget
Revenues		6,390	8,045
Less:			
Direct Costs		4,867	5,444
Indirect Costs		1,932	2,044
Transfer to/(from) Reserves		(409)	557
Building Fee Reserve Balance	2,627	2,218	2,775

Planning, Design and Engineering (In $000)

	2005	2006 Prelim Actuals	2007 Prelim Budget
Revenues		9,245	10,581
Less:			
Direct Costs		8,020	8,407
Indirect Costs		971	1,777
Transfer to/(from) Reserves		255	397
Development Fee Reserve Balance	-	255	652