

BILD's General Policy Positions

A Framework for Municipal Government Imposed Taxes, Fees and Charges

August 27, 2020

Preamble

All taxes, fees and charges related to a new development project are paid by new homeowners. These costs consistently increase year-over-year and they affect the ability for people to find homes they can afford. The regulatory burden to have development applications approved and its associated red tape, also creates longer processing timelines, which adds costs to the price of a house.

On average, government imposed taxes, fees and charges amounted to more than 20% the cost of a new home. The biggest contributor being development charges which comprise from 23% to 45% of the government charges on new homes (*Government Charges and Fees on New Homes in the Greater Toronto Area, Altus Group, 2018*). In 2019, the average government imposed charges on a new home in the GTA was \$222,652 for low-rise residential and \$124,582 for high-rise residential (*Comparison of Government Charges on New Homes in Major Canadian and US Metro Areas, Altus Group, 2019*).

While some of the content of this general policy position for Municipal Government Imposed Taxes, Fees and Charges does not pertain to Conservation Authorities (e.g. Planning Act, Development Charges Act), many of the guiding principles and subsequent points continue to have value when holistically reviewing fees for service and its effect on housing affordability.

BILD's Guiding Principles for Cost Recovery

- The Planning Act allows municipalities to charge fees based upon the anticipated costs to process the application. Growth should not pay for planning functions associated to existing resident inquires and economic development promotions. There is an inherent benefit to the existing residents by having a planning department and in the interest of fairness, a base cost of staff's wages should be covered by the residential tax base.
- The provincial Development Charges Act allows municipalities to set a tax applicable to each new home/unit built to recover capital costs related to growing communities, for example, costs of building roads, water and wastewater systems and libraries for new residents. Development charges often accommodate studies which benefit growth, including official plan updates, zoning by-law updates and other planning studies, environmental assessments, and various master plans, feasibility studies, and needs assessments (according to a recent Watson DC Background Study). Staff time associated with the foregoing needs to be separated from any fees calculations.
- Additionally, a municipality's anticipated cost to process or review an application should be a fraction of the cost of completing the work by the applicant's consultant. The industry employs primarily licenced professionals and practitioners that shouldn't require extensive reviews.
- Any application fee increases, beyond the cost of inflation should be commensurate with an equal level of enhanced service, particularly when the fee is based on an inflationary adjusted base, i.e. percentage cost of work. Enhanced services levels should pay strict attention to adherence to timelines.

- Fee review work should be holistic. For example, in a work plan, increased fees should not come forward in phase 1 while service efficiencies following in phase 2.
- Development taxes, fees and charges should not cover historic deficits or fund operating shortfalls.

Reliance on the Sign-off the Private Consultant

- As a general recommendation, municipalities should allow for our consultants to sign-off on drawings. Drawings prepared and signed-off by qualified consultants should be sufficient from a liability perspective. It also creates efficiencies in the approval process and reduces red tape.

Outsourcing

- If a municipality is not fully staffed nor allowing sign-off from the industry's consultants, then outsourcing should be instituted if the volume of applications increases beyond a municipality's current personnel capacity or outside their staff skills. However, these engagements should be structured by way of a contract, with an appropriate fee cap, for efficiency and not open to overbilling.
- Municipalities should be balancing the internal fee increases with any external outsourcing costs.

Avoid Duplication

- There are inherent redundancies associated to plan review between a Regional review and its local area municipalities.
- Upper and lower tier municipalities, as well as Conservation Authorities should coordinate their fee reviews to avoid any and all duplication of service. Any service agreements or Memorandums of Understanding between municipalities and/or agencies should be updated regularly to avoid any duplication of work. This information should be publicly disclosed.
- Work should not be produced or asked of an applicant that is outside of the regulatory bodies' scope of work as pre-established and detailed in those service agreements.

Ensuring the Right Staff Complement

- A municipality should maintain the appropriate staff complement to complete their work within reasonable timeframes, especially given the cyclical nature of economic cycles. Stronger reliance on licenced professionals should also assist in this regard.
- A municipality should not simply retain personnel for fear of losing the capacity, especially if the volume of applications has proven to be low year-over-year.
- To help manage the volume of work, municipalities should track their chargeable hours. This would also create utilization metrics to inform better planning for ebbs and flows, as well as fees calculations.

Capping or Including a Maximum Fee

- BILD would recommend the addition of a capped rate or maximum fee for any fees being charged at a percentage or charged as it relates to the size of a development site, in order to address economies of scale in processing effort.

Performance Measures

- Performance measures should be implemented and updates as a part of all fee reviews, and that they involve adherence to timelines and other matters.
- There have been many changes made to the way applications and permits are being processed to prioritize safety during COVID-19. We believe these changes have translated into a number of streamlining initiatives which have positively impacted performance measures and should therefore reduce the amount of time staff will require to administer and review files.
- If the quality of applications is inferior, they could be referred to senior staff to address the matter and confirm internally that it is sub-par, once confirmed the matter should be brought forward to the consultant, applicant, or professional association to rectify the situation, versus perpetuating habitual poor submissions being made.

Accountability and Efficiency

- Greater accountability is need for instances when things are missed on a first submission and then caught on a second submission, which would not be at the fault of the applicant, and would cause additional costs to be incurred by both parties.
- Municipalities should routinely consider revamping their processes to find efficiencies.

Consultation

- Early consultation should be a key priority to build trust and transparency, also to catch any methodology errors from the onset. As a best practice example, for the York Region 2020 fees, our membership requested additional disclosure materials related to staffing and further analysis outlining the methodology of the review. We believe these additional materials and transparency demonstrated commensurate levels of service to the industry. As a result, BILD was able to submit a positive letter to Council.
- As a general rule of thumb, the time that it takes to prepare the draft work for review should be considered to guide the time allocated to review and digest the draft changes through stakeholder consultation.