

To: Electoral Area Services Committee

Date: 2023-03-09

From: Rafid Shadman, Planner 1

File No: 3920-20 25294

Subject: Update to Development Application Fees Bylaw No. 1560, 2019

INTENT

This report is intended to advise the Fraser Valley Regional District Board of information pertaining to development application fees and revenues. Staff is not looking for a recommendation. This information is forwarded as a first step toward revising application fees, increasing fee revenues and decreasing reliance on tax requisition to fund development application processing costs. This report is meant to present a concept for discussion so that staff can benefit from feedback from EA Directors before bringing forward a detailed fee schedule for consideration.

BACKGROUND

Only a small part of costs associated with processing of development applications are recovered through development application fees.

Since the adoption of the current *Development Application Fees Bylaw No. 1560* in 2019, annual application fee revenues have ranged from \$67,500 to \$98,720. The average annual fee revenue over this period was \$69,850. The average annual cost to process development applications over this period was about \$600,000.¹ As a result, staff estimate that on average about 12% of application processing costs are recovered through fees annually.

On February 2, 2023, at the EASC Committee of the Whole meeting, the Electoral Area Services Committee (EASC) directed staff to increase development application fee revenue by 25%. The intent is to increase cost recovery for development application processing and reduce the reliance on property tax requisition to fund the service.

Development application fees are set out in FVRD Development Application Fees Bylaw No. 1560, 2019. Increasing the fees will require an update to this bylaw.

¹ This cost estimate is based on the supposition that 50% of Planning Department staff time is spent on processing development applications. This is a rough means of 'ball parking' actual costs.

DISCUSSION

Legislation for Development Application Fees

The *Local Government Act* allows Regional Districts to impose fees and charges for development applications. Section 462 (1) of the Act lists the types of bylaws and permits under which planning and development fees can be charged.

A fee imposed under Section 462 must not exceed the estimated average costs of processing, inspection, advertising and administration that are usually related to the type of application or other matters to which the fee relates.

Development application approval processes benefit both the private interests of the applicant (i.e. by raising the value of the land or providing opportunities for subdivision) and the public interests of the community (i.e. by protecting the environment or mitigating negative impacts of the development). Accordingly, it is typical in BC that overall application processing costs are borne by the applicant through fees and by the public through tax requisition.

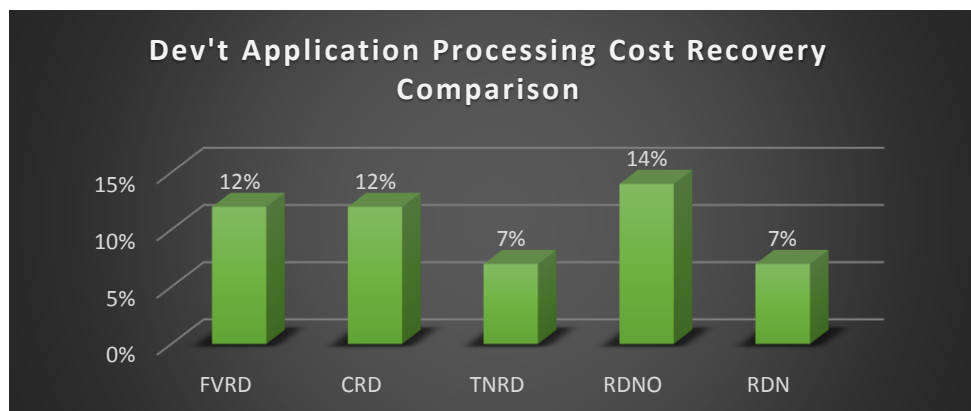
Local governments can decide on the level of cost recovery they wish to achieve through development application fees **provided that fees don't exceed the average cost of processing the application**.

On average, FVRD recovers about 12% of the average costs of processing development applications through application fees. The remaining costs are covered by tax requisition. As a result, there is considerable room to increase application fees without exceeding the threshold set out in the Act.

Cost Recovery Comparison with other Regional Districts

The level of cost recovery FVRD achieves is comparable with other Regional Districts.

A comparison of the average annual cost recovery was completed by examining the budget and total revenue from development applications and four other regional districts - Regional District of North Okanagan (RDNO), Thompson Nicola Regional District (TNRD), Regional District of Nanaimo (RDN), Cariboo Regional District (CRD). These specific regional districts are presented because they responded to our request for information.



It is not possible to make precise cost recovery comparisons to other jurisdictions due to the following:

1. **Population:** The population in regional districts can vary significantly. FVRD is geographically located in close proximity to larger population centres. The planning department provides multiple services to approximately 13,000 residents across eight (8) electoral areas. The population and proximity to larger urban centres alone can significantly contribute to the number, complexity, and types of applications and inquiries received each year.
2. **Complex Development Applications:** Due to its geographic location, there are demands for large-scale complex developments such as the 300-unit redevelopment applications at Lake Errock or the 106-lot subdivision at Minters Garden in Popkum. Such development proposals require substantial staff time since it involves multiple public information meetings and rigorous review of technical reports.
3. **Hazardous Areas & Technical Reports:** FVRD covers 13,000 sq km of complex landscape prone to geohazards and environmentally sensitive areas. Development proposals in such areas require extensive consultation with qualified professionals, consultants, and Provincial, Federal, and First Nation organizations.

Previous Fee Bylaw Update

The Development Application Fees Bylaw was last updated in 2019. At that time, staff estimated the time and associated costs for staff to process each application type, while also considering that some application types are more in the private interests of the applicant, while others have a strong public benefit. A comparison scan was also completed of the development application fees charged by FVRD municipalities and nearby regional districts prior to adopting the 2019 bylaw. Some of this work such as the time expended on processing different types of applications forms the basis for the current update.

Differential Fee for Applications

Rather than a consistent ‘across the board’ fee increase, the Board may wish to consider a fee structure that reflects increasing some application types more than others. This would allow greater cost recovery for application types that:

- **greatly increase land value:** When local governments consider implementing or updating application fees, one of the important factors to consider is how developers determine the economic viability of development projects. Applications such as rezoning, OCP amendments, and subdivisions, can increase the permitted density of a property. With the increase in density, the size of the development differs, which leads to an increased land value. This is also known as “land lift”. Rezoning a property which allows for a single-family dwelling, to a mixed-use or multi-family residential can significantly contribute to higher density, therefore, increasing the value of the land.

- **confer primarily private benefits:** The other factor considered in establishing the new application fees is the benefit (i.e., private versus public) from various types of applications. Since a major share of application processing costs is absorbed by the public, it is appropriate to consider the public and private benefits for each type of application.

Applications such as development variance permits, board of variance, temporary use permits, etc. are considered to primarily benefit the applicant with very little public benefit. Applications such as development permits for areas with geohazards, and riparian areas, have strong public benefits related to environmental protection and public safety. In the differential fee scenario, for applications with high private benefits, the recommended fee is set at full cost recovery.

- **involve pricing anomalies:** Anomalies exist with FVRD's development application fees. For example, the cost of a Board of Variance decision is significantly lower than a Development Variance Permit even though the subject matter overlaps and the BOV process is at least as costly as a DVP. A second example is Development Permit pricing. DPs often address riparian or geohazard issues for residential construction. In an attempt to keep this fee low and encourage compliance, DP fees have not increase significantly in many years. As a result, DP fee revenues are much lower than costs for DP processing.

Options for Fee Increases

Since the adoption of the current fee bylaw in 2019, annual application fee revenues have ranged from \$67,500 to \$98,720. The average annual fee revenue over this period was \$69,850.

Over this same period, the average estimated cost for processing development applications was about \$600,000. Accordingly, the cost recovery (average application fee revenues/total estimated application processing costs) was about 12%.

To increase fee revenues by 25%, it will be necessary to raise the average annual application fee revenues from \$69,850 to \$87,310 – a total increase of \$17,460. This would increase the average annual cost recovery to an estimated 14.5%.

A 15% increase in the development application fee plus selective additional increases as described above would provide a 21% increase in application fee revenues (over an average baseline scenario). On average, this would increase our cost recovery from 12% to around 14%.

The table below is meant only to illustrate this concept. It simplifies the fee structure. For example, the actual fees for rezoning applications vary based on the number of lots the rezoning would facilitate or the use of the land (i.e. commercial, industrial). Staff will present a more detailed and complete fee structure and revenue estimates in April.

Type of Application	Baseline # Apps	Baseline App Fees (2022)	Baseline Revenues	Option 1		Option 2	
				15% Fee Increase + Adjustments	Revenues	20% Fee Increase + Adjustments	Revenues
Dev Variance Permit	19	\$1,300	\$24,700	\$1,495	\$28,405	\$1,560	\$29,640
Dev Permit	21	\$300	\$6,300	\$500	\$10,500	\$500	\$10,500
Rezoning*	5	\$5,500	\$27,500	\$6,325	\$31,625	\$6,600	\$33,000
OCP Amendment	2	\$4,000	\$8,000	\$4,600	\$9,200	\$4,800	\$9,600
Major OCP Amend	0	\$20,000	\$0	\$50,000	\$0	\$50,000	\$0
Board of Variance	1	\$300	\$300	\$1,495	\$1,495	\$1,560	\$1,560
Subdivision Review	6	\$500	\$3,000	\$575	\$3,450	\$600	\$3,600
TOTAL			\$69,800		\$84,675		\$87,900
% Revenue Increase over Baseline					21%		26%

A 20% increase in fees plus selective additional increases would provide a 26% increase in application fee revenues (over an average baseline scenario). On average, this would increase cost recovery to about 14.6%.

Annual Incremental Fee Increase for Future Years (2024-27)

The Board may also wish to consider incremental fee increases from 2024-2027. One option would be to increase the fees incrementally by 5% annually, covering the annual inflation rate and yearly cost increases (i.e., staff wages and benefits). Staff believe that implementing the incremental increase will eliminate the need for future substantial application fee increases and reduce the number of bylaw amendments.

2024-2027	2024 Fee Revenue*	Est. Cost Recovery	2027 Fee Revenue*	Est. Cost Recovery
5% Incremental Increase	\$92,295	14.9%	\$106,600	15.8%
* based on the baseline number of annual applications used in the above chart				

The table above demonstrates the total revenue generation and cost recovery in 2024 and 2027 upon increasing the application fee by 5% for the future years 2024-27. Staff recommends a 5% annual increase because:

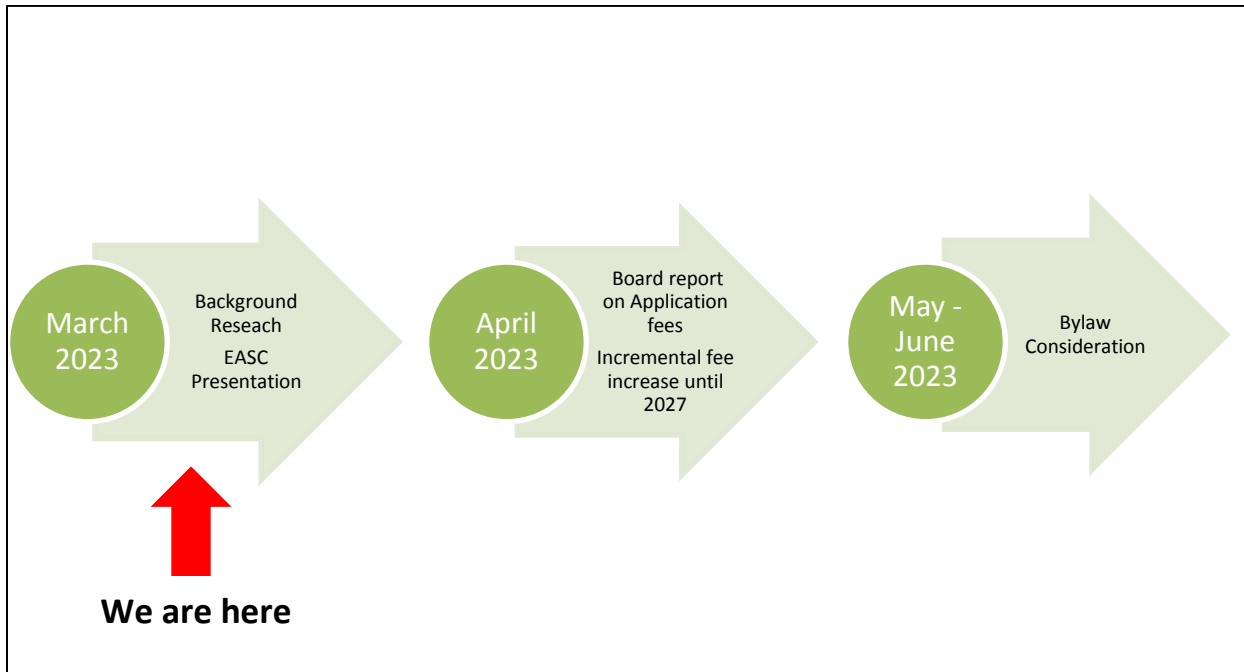
- The 5% increase will keep up with the Consumer Price Index (CPI) and inflation.
- It provides improved cost recovery over the next 5 years.

- The increase in application fees is minimal for developers.
- It keeps in mind the balance of unintentionally discouraging applications while gradually increasing cost recovery.

Next steps

Staff plan to bring forward another report in April 2023 discussing the differential application fees for each type of development application and providing fee comparisons from other jurisdictions. The report will also highlight the incremental increase in various development application fees, total revenue, and cost recovery for the next four (4) years 2024-2027.

Additionally, staff will also create development proposal scenarios (i.e., rezoning and subdivision) which will be used to compare the development application fees with surrounding municipalities and **some regional districts. The draft development application fee bylaw will also be presented for Board's review and consideration.**



Public Hearing and Bylaw adoption

As per Section 464 (1) of the *Local Government Act*, since the Development Application Fee Bylaw is a regulatory bylaw, a public hearing is not required prior to the adoption of the bylaw.

In accordance with Section 228 of the *Local Government Act* and Section 4.24.3 of FVRD Board and Committee Procedures Bylaw No. 1600, 2020, **"Any bylaw which does not require approval, consent, or assent under the provisions of the Act or any other enactment prior to the adoption of the bylaw may be adopted at the same meeting of the Board at which it passed third reading, provided the motion**

for adoption receives an affirmative vote of at least two-thirds (2/3) of the votes cast, otherwise, a Board must not adopt a bylaw on the same day it has given **the bylaw Third Reading.**"

Therefore, the Board with a 2/3 affirmative vote may give three readings and, by separate resolution, adopt Bylaw No. 1696, 2023 Development Application Fees Bylaw at the same meeting.

COST

As outlined in the report, the increase in fees is intended to improve development application cost recovery. It is a 2023 EA Planning work plan item. As such, staff time has been appropriately allocated.

CONCLUSION

The EASC set a target of increase development application fee revenues by 25%

Increasing the development application fee by 15% plus selective other increases would increase revenues by an estimated 21%. A 20% fee increase plus selective other increases would increase revenues by an estimated 26%.

Additionally, a 5% incremental increase in each year from 2024 through 2027 will allow FVRD to keep up with CPI and achieve an improved cost recovery over the five year financial plan. These new application revenues would decrease reliance on property tax requisition, achieve improved cost recovery and more fairly balance the private-public allocations of costs for processing development applications.

The development application processes benefit both the private interests of applicants and the broad interests of the public. However, a differential application fee for each type of development application will shift costs to the applicants and developers where the development results in a significant increase in land value. Overall, the proposed increase in development application fees will keep a balance between maintaining reasonable application fees while also increasing the annual cost recovery.

COMMENTS BY

Hasib Nadvi, Manager of Planning: reviewed and supported

Graham Daneluz, Director of Planning & Development: reviewed and supported

Kelly Lownsbrough, Director of Corporate Services/CFO: Reviewed and supported.

Jennifer Kinneman, Chief Administrative Officer: Reviewed and supported