

Section I – Items for Board of Directors Action

TO: Chair and Members of the Board of Directors
Thursday, November 10, 2022 Meeting

FROM: Sameer Dhalla, Director, Development and Engineering Services

RE: **DEVELOPMENT AND ENGINEERING SERVICES - PLANNING AND PERMITTING ADMINISTRATIVE FEES UPDATE NOVEMBER 2022**
Assessment of Cost Recovery and workload volume supporting the 2023-2024 Planning, Permitting and Infrastructure Planning Fee Schedules

KEY ISSUE

Toronto and Region Conservation Authority's (TRCA) Development Planning and Permits & Infrastructure Planning and Permits business units typically update the Administrative Fee Schedules every two years to keep pace with cost-of-living and other initiatives, and to ensure a sustainable revenue source and high level of service. The fee schedules were last updated in May 2021 for the period 2021-2022 and are due for an update. Staff recommend proposing an 8% across the board increase to fees to accommodate a 5% cost-of-living allowance (COLA) (2.5% per year consistent with historical increases) and 3% to fund the Planning Application, Review and Enforcement System (PARES) operations.

RECOMMENDATION:

THE BOARD OF DIRECTORS RECOMMENDS THAT WHEREAS TRCA staff establish Fee Schedules for all plan review services that aim to achieve a 100% cost recovery target for applicable planning and permitting review functions within the Development Planning and Permits and Infrastructure Planning and Permits business units;

WHEREAS TRCA staff have committed to monitor trends in the volume of submissions received annually, our level of service, and cost recovery and report back to the Board of Directors on a regular basis on the status of cost recovery and the need to update fees;

WHEREAS the last planning and permits fee update was approved by the Board of Directors in May 2021, which provided fee schedules for mid-2021 through 2022;

WHEREAS TRCA's planning, permitting and infrastructure planning fee schedules are now out of date, and are no longer accounting for the increased inflationary costs of delivering the services and the need to fund the Planning Application, Review and Enforcement System (PARES) initiative approved by TRCA's Board of Directors under RES#B43/21;

AND WHEREAS TRCA has discussed the approach to the proposed new fee schedules with the Building Industry and Land Development Association (BILD) and has considered any comments prior to seeking Board of Directors approval;

THEREFORE, LET IT BE RESOLVED THAT the fee adjustment proposal as outlined within this report be approved, and that staff be directed to utilize the new 2023-2024 fee schedules upon approval.

BACKGROUND

Through its Planning and Permitting section, TRCA regulates development in valley and stream corridors, wetlands, flood, and erosion prone areas, and along the Lake Ontario shoreline, and reviews and comments on development proposals and applications within or adjacent to these natural areas and hazards. By doing so, TRCA aims to prevent, eliminate, or reduce the risk to life and property from flooding, erosion, and slope instability, and to encourage the protection and enhancement of natural systems. In parallel with our permitting responsibilities, TRCA Planning and Permits provides municipalities with science-based, technical and policy advice on applications made under the Planning Act, the Environmental Assessment Act, and other applicable legislation. Through this function, TRCA assists our municipal partners, the development community, and the public to prevent and mitigate natural hazard-based risks, while maintaining and where possible enhancing the health of our watersheds. This function is deemed to be a core mandatory service under the Conservation Authorities Act and applicable regulation 686/21 arrived at through recent consultations by the Province and with input from the multi-sectoral Conservation Authorities Working Group at BILD and TRCA were represented on.

Planning and Permits is comprised of two business units – Development Planning and Permits (DPP) and Infrastructure Planning and Permits (IPP). DPP principally processes applications with private sector proponents. IPP principally processes applications with public sector proponents. In a similar fashion to our municipal partners, and in accordance with the Policies and Procedures provided by MNRF, TRCA Planning and Permits section assesses fees for our services. DPP attains fees from the proponents for our review of planning and permit applications. IPP attains fees through both service level agreements with some of the partners, and through fees for service from the others. These fees are to recover the costs of delivering the services, and historically TRCA has recovered less than or equal to 100% of the actual cost.

Planning and Permits staff received direction from TRCA's Board of Directors in 2011 to achieve full cost recovery for eligible Planning and Permits services. In the subsequent fee schedule updates, incremental adjustments were made to the Planning and Permitting fees. Maintaining full cost recovery is an on-going process, as the costs of providing the services increase annually, and file volumes are not within the control of Planning and Permits staff and are subject to change. Based upon monitoring revenues, costs, and file volumes, and adapting the fee schedules, 100% cost recovery was functionally attained in 2015 and was maintained for the most part through 2021 by both business units, with the target not being met by DPP in 2019.

In 2019 and 2020, the volume of new development planning applications dipped notably, while permit application volumes remained high, as reflected in Attachment 1, Planning and Permit Volumes 2016-2021. Reduced revenues in 2019 and 2020 were most pronounced in DPP's permitting revenues, despite the high volume of permits received. In May 2021, a comprehensive fee update was approved by the Board of Directors (RES#B43/21) which incorporated a COLA increase, the anticipated costs of the PARES initiative and realigned some of the fees to better reflect the workload involved.

In 2021, the volume of both planning and permit applications increased significantly (30%) due to a boom in development and investments in infrastructure (**Attachment 1**). Volumes appear to be similar or slightly less in 2022, to end of Q3. With increased interest rates and a significant reduction in property sales, it is anticipated that volumes of permits may decline in 2023 according to representatives of BILD. However, this is unpredictable.

RATIONALE

Purpose of the Fee Schedule Revisions

An update to TRCA's fees is now due to: 1) incorporate a cost-of-living increase; 2) to support the operating costs of the PARES initiative, which is necessary for TRCA to achieve the file processing and tracking capabilities consistent with our municipal partners; and 3) to allow for "up-front" fees to address municipal process changes due to Bill 109. As a comprehensive fee review took place in 2021, there are no major changes proposed. There are some minor edits to the text to provide clarification or apply revisions to the existing fee categories and fee notes to reflect the above.

The 2023-2024 fee review has four principal purposes:

1. Maintain Board of Directors' direction with respect to achieving cost recovery;
2. Incorporate an inflationary (cost-of-living) increase - 5% is proposed (2.5% increase per year for 2 years) to cover annual increases in the cost of staffing and benefits;
3. Address recently established payback and on-going funding needs associated with PARES – 3% is proposed;
4. Provide for "Pre-Submission Application" fees to mirror new review processes established by municipalities under Bill 109, More Homes for Everyone Act, 2022.

DPP has three active budgets and accounts associated with Planning, Permitting and Major Projects. IPP has 10 active budgets and accounts associated with Environmental Assessments and Permitting, including Service Delivery Agreements and PARES. As noted, the overall volume of applications increased in 2021 and 2022 compared to previous years, and a minor restructuring of the DPP and IPP teams to align with increased workload was finalized in 2022. Prior to this restructure, staff salary and benefit expenses were lower than budgeted due to unfilled complement, and file volumes resulted in a surplus in revenue over expenses in 2021. These surplus planning and permitting fees were used to contribute in part towards the upfront cost of the PARES initiative, so that some of the reserve funds used for the initiative could be replenished. Based on proposed 2023 budgets, staff recommend an 8% fee increase.

Proposed Fee Schedules

The proposed revised fee schedules, with the proposed changes outlined, are included in ***Attachment 2, Proposed Permit Fee Schedule 2023 – 2024, Attachment 3, Proposed Planning Fee Schedule 2023-2024, and Attachment 4, Proposed EA Planning and Infrastructure Permitting Fee Schedule 2023 – 2024.***

Cost of Living Increase

Based upon the revenues and expenditures of DPP and IPP from 2015, both business units are substantially achieving and maintaining full cost recovery for the services offered. As revenues of these business units (and DPP in particular) are based upon the number of applications received – which is not within our control, there is some annual variation. However, the budgeting and cost recovery has been very successful and as accurate as possible in achieving full cost recovery, without recovering more than the cost of delivering the service. To maintain this, our fees need to be updated to incorporate a COLA increase to address the annual inflationary increases to the costs of delivering the services. Consistent with the past fee schedule updates, staff are proposing to incorporate a cost-of-living increase - 5% is proposed (based upon a 2.5% increase for each of the two years that the fee schedules will be in effect) to cover annual increases in the cost of staffing, benefits, and expenses.

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Funding for PARES

On February 25, 2022, after extensive consultation with BILD and municipal partners, the Board of Directors awarded the PARES project to Tyler Technologies Inc's EnerGov solution at a total cost not to exceed \$1,390,595 including applicable taxes. Ongoing Licensing, maintenance and staffing is estimated at \$700,000 per year. Funds for the contract were identified in the 2022 Development & Engineering Services capital budget and the project relied on user fees and reserves. Funds for the contract term of 2023 and beyond are planned to be covered through existing user fees as per the approved TRCA fee schedule and service level agreements.

Comparators

In completing our biennial fee review, Planning and Permits staff review the fee reports of our neighboring conservation authorities to ensure that our proposed fee changes are in line with their modifications. Most of our neighboring conservation authorities review their fees on an annual basis and make incremental changes to cover COLA increases. Several of the GTHA conservation authorities have undertaken more substantial reviews and updates to fee schedules. For 2023, the following reflects the changes made by are conservation authorities:

- Credit Valley Conservation (CVC) - increase for cost-of-living adjustment (COLA) of 2% for 2023. CVC completed a comprehensive consultant led fee revision in 2022.
- Central Lake Ontario Conservation Authority – increase for COLA of 7% for 2023.
- Conservation Halton – increase for COLA of 3% for planning and permitting and 5% for environmental assessments for 2023. Conservation Halton completed a comprehensive consultant led fee revision in 2022.
- Lake Simcoe Region Conservation Authority – increase for COLA of 2% for 2023. LSRCA completed a comprehensive consultant led fee revision in 2021.

Workload Volume and Level of Service

Attachment 1, Planning and Permit Volumes 2016-2021 provides the comparative summary of submissions for the period of 2016-2021. Note that 2022 statistics are tracking similar to 2021. The following is a summary of the volume of files. In 2021 Planning and Permits:

- Received 1,673 new permit applications each year associated with private and public projects; this is 30% greater than 2020;
- Processed more than 1,200 new planning and concept applications in addition to carry-over files, also 30% greater than 2020.
- Received 500 infrastructure projects across our jurisdiction, including National Energy Board, Ontario Energy Board, Ontario Environmental Assessment Act in addition to Voluntary Project Review Applications.
- Processed almost 1,000 solicitor/realtor enquiries.

Additionally, TRCA Planning and Permits:

- actively participates in OLT hearings affecting TRCA's interests, as well in support of our municipal partners;
- continues to be an active participant in the master planning process for more than 20 new communities per year;
- spends considerable amounts of time working with the province and municipalities on the implementation of over 50 Ministers' Zoning Orders;
- met Conservation Ontario service delivery guidelines for permitting services 88% of the time in 2021, exceeding our goal of 80%.

In 2021, TRCA Enforcement staff inspected 4,693 permits, issued 156 violations on 144 properties, received 578 complaints, resolved 50 violations, and conducted 600+ inspections relating to violations and complaints.

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TRCA believes that our service delivery is generally excellent under current workload pressures and the complexity of applications. While staff work to achieve TRCA's own service delivery guidelines, they actively work with our municipal partners to achieve their processing timelines. TRCA Planning and Permits staff are committed to working with our municipal partners, through both the creation of, or updates to, Memorandums of Understanding related to the plan review process, as well as through on-going dialogue with municipal staff to ensure that our review timelines and process are adapted to the extent possible to meet the specific timeline needs of our municipal partners.

Discussion with BILD

The building industry (represented by BILD) has been very helpful in providing their input into TRCA's Planning and Permitting fee schedules. As part of the fee review process Planning and Permits staff consult with BILD to attain their comments on the proposed changes. At our most recent BILD/TRCA meeting, a presentation was provided to BILD representatives on October 29, 2022 to outline the proposed approach, and no comments were provided. A letter was then sent to BILD on November 9, 2022 identifying the proposed 8% fee increase and offering to discuss any questions or concerns. IPP Staff also consulted with our municipal partners who are not on service level agreements, on the proposed changes to the IPP fee schedule, at recent meetings.

Relationship to Building the Living City, the TRCA 2013-2022 Strategic Plan

This report supports the following strategies set forth in the TRCA 2013-2022 Strategic Plan:

Strategy 2 – Manage our regional water resources for current and future generations

Strategy 4 – Create complete communities that integrate nature and the built environment

Strategy 7 – Build partnerships and new business models

FINANCIAL DETAILS

Account Codes 110-01, 110-05 and 110-09 have been established to provide for TRCA's Development and Infrastructure Planning and Permits matters. These accounts are fully funded through planning and permit fees and are critical to operations and ensuring service delivery standards.

DETAILS OF WORK TO BE DONE

Following approval of this report and the associated updated fee schedules, Planning and Permits staff will make any stylistic or note changes and update and conduct a final quality review of the Administrative Fee Schedules for Planning, Permitting and Infrastructure Planning and Permitting, in addition to the requisite changes to our databases and the website.

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Attachments: 4

Attachment 1: Planning and Permit Volumes 2016 – 2021

Attachment 2: Proposed Permit Fee Schedule 2022 - 2024

Attachment 3: Proposed Planning Fee Schedule 2022 - 2024

Attachment 4: Proposed EA Planning and Infrastructure Permitting Fee Schedule 2022 - 2024