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2005 BUDGET BRIEFING NOTE: Development Engineering - WES Costs for Development Review

Issue/Background:

- All WES Divisions except EMS incur costs in reviewing development applications. Costs need to be recovered for Fire, Solid Waste Management, Support Services, Transportation Services, Toronto Water, and Technical Services
- At present, 77 % of the cost of WES Development Engineering is on the tax base and an estimated 89% of the cost of reviewing development applications in WES is on the tax base.
- UDS reported to Planning and Transportation Committee on December 7, 2004 with a report entitled “Comprehensive Review of Fees in Urban Development Services”. The following relevant recommendations were included:
 - Community Planning application fees be increased by 75% on February 1, 2005 in order to recover 75% of the current cost of processing development applications in the Urban Development Services department and to fund the continuation of the full-time staff required in 2005 in the Works and Emergency Services and Economic Development Culture and Tourism departments for the ongoing design, co-ordination and implementation of improvements to the planning application review process; and
 - The Commissioners and Urban Development Services, Works and Emergency Services and Economic Development, Culture and Tourism report to the Planning & Transportation Committee in 2005 on a phased approach to increasing Community Planning fees in the future that will allow for full cost recovery for all application processing related costs.
- If approved, an estimated recovery of \$191,000 for WES would come from UDS Community Planning application fees in 2005. This represents 1.7% of the total cost for WES development review.

Key Point(s):

- From a Development Engineering perspective, there are four phases in the lifecycle of a development: (1) Application Review, (2) Agreements and Design, (3) Construction and Compliance, and (4) Municipal Assumption. Table 1 outlines these phases in more detail.

Development Phase	Associated Activities
I – Application Review	Pre-application consultation, application intake, technical review, response including draft legal conditions, technical review of revisions/repeat of cycle, approval by Council or as delegated to Staff
II – Agreements & Design	Engineering review of detailed designs, approval of detailed designs, engineering estimates and calculation of securities, calculation of fees, finalization of agreements, review and approval of permits
III – Construction & Compliance	Construction coordination, inspections and monitoring, respond to Councillor & public complaints/issues, manage deficiencies, reduce and track securities
IV – Municipal Assumption	Assume City services, on-going compliance check, liaison with Operating Divisions concerning assumption, link to capital works program

- In order to fully recover the WES costs related to the Application Review phase (phase 1) of a development, WES would need to recover an estimated \$5,994,000 in 2005. Table 2 below outlines the costs for the four phases of development.

Development Phase	Development Engineering	Transportation	Solid Waste	Toronto Water	Fire Services	Technical Services (S&M, WF&S, Env. Services)	TOTAL
I. Application Review	2,668	2,504	40	228	356	198	5,994
II Agreements & Design	2,272	2,286	104	25	355	181	5,223
III. Construction & Compliance	OR 2,272 <u>-1,000</u> 1,272 <i>Net cost based on current revenue</i>	Cost & recovery from permit fees not shown in total		Cost & recovery from service connection fees not shown in total	Cost & recovery from Building Permit fees not shown in total		
IV. Municipal Assumption							
TOTAL	4,940	4,790	144	253	711	379	11,217
<i>Net TOTAL</i>	<i>3,749*</i>	<i>4,790</i>	<i>144</i>	<i>253</i>	<i>711</i>	<i>379</i>	<i>10,026</i>

* change from 3,810k is related to the increase in revenue from UDS fees from \$130k to \$191k

- WES Development Engineering already collects a 3% fee for design review and inspection of subdivisions and new municipal infrastructure, this fee should continue to be charged to cover these costs. A preliminary analysis indicates that this fee is not sufficient to recover the costs incurred for that function. This is because we have no cost recovery mechanism for the engineering review of common element condominiums, site plans, or other non subdivision applications.
- A review of this fee is necessary in order to fully recover the WES costs associated with the Agreements and Design, Construction and Compliance, and Municipal Assumption phases (phases 2, 3, and 4) in the lifecycle of a development. The costs for these phases of development are estimated to be \$5,223,000 in 2005.
- The cost of the development review process is not covered by the Development Charges By-law. In accordance with the Development Charges Act, 1997, development charges may only be used to fund growth-related capital costs.
- The Transportation System Improvement (TSI) charge in the Golden Mile Employment District in the East District was established by Official Plan Amendment 965. This charge is similar to a development charge in that it is collected at the building permit stage and can only be used to fund growth-related capital costs in the Golden Mile area.

Conclusion:

WES incurs significant costs in providing the development review service to the City. These costs are almost entirely funded by tax payers. It would be appropriate for WES to charge fees in order to recover these costs. The fees for the first phase of development should come to WES through UDS Community Planning fees. The remainder of the fees (for phases 2, 3, and 4) could be collected with an Engineering Fee for the post application review phases of a development.

To achieve full recovery for the WES development review service, an estimated \$5,994,000 would need to be recovered through UDS Community Planning fees, and an estimated \$5,223,000 would need to be recovered through engineering fees.

The Commissioners of WES, UDS, and EDCT have planned to analyze and report on these costs in 2005.

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Date: December 17, 2004