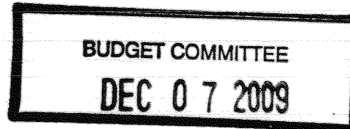




Corporate Report



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DATE: November 27, 2009

TO: Chair and Members of Budget Committee
Meeting Date: December 7, 2009

FROM: Edward R. Sajecki
Commissioner of Planning and Building Department

SUBJECT: **Building Permit and Development Application Revenues
Three Year Plan**

RECOMMENDATION: That the report titled *Building Permit and Development Application Revenues - Three Year Plan* from the Commissioner of Planning and Building dated November 27, 2009 be received.

BACKGROUND: At its meeting on September 23, 2009, Budget Committee received the report titled *Building Permit and Development Application Revenues* dated September 17, 2009 which indicated that a multi-year plan was being prepared to forecast future revenue levels, develop a cost strategy, and indicate how revenue shortfalls will be addressed.

On November 18, 2009, a presentation was made to Budget Committee by Planning and Building on the Land Development Services Area 2010 Operating Budget. The presentation confirmed that there will be a significant shortfall in development application related revenues for 2009 and outlined mitigating measures being undertaken by the Planning and Building Department. The 2010 budget submission is based on a reduction in revenues in 2010 from what had previously been projected to be made up by transfers from reserves and tax

funding. In response to revenue shortfalls, the Planning and Building Department will significantly decrease operating costs and continue to reduce labour costs.

It is recognized that reserves are not a sustainable solution to dealing with adjustments to development related revenues and that a Three Year Plan based on future revenue estimates is required to phase out annual transfers from reserves and tax funding by 2013.

COMMENTS:

In the past, development related revenues substantially covered operating costs and contributed to reserve funds. The purpose of this report is to outline a Three Year Plan to address anticipated lower building permit and development application revenue levels than in previous years. Lower revenues are due to the economic downturn and the transition to a new normal in revenues expected as a result of where the City is in its evolution.

In developing the Plan, staff from Planning and Building, Community Services, Transportation and Works, and Finance have participated in the review of the present situation and in looking forward to what might be expected over the next three years in terms of development activity and revenues.

Present Situation

Revenues have proven not to be a measure of actual workload. Although revenues are down significantly and there has been some decrease in the number of applications being submitted from 2008 overall, high workloads continue to be experienced in the Building and Development and Design Divisions of the Planning and Building Department, the Business Services and Planning and Development Division of Community Services and the Transportation and Infrastructure Planning Division of Transportation and Works Department. This is primarily due to there being a lag time between when application fees are paid and when approvals are obtained and buildings are in the ground. There is still a relatively high volume of applications "in the pipe", building permits being processed and associated inspections being undertaken.

In addition, the number of preliminary and Development Application Review Committee (DARC) meetings on potential applications in the Development and Design Division has increased in 2009 as landowners, purchasers and developers consider or reconsider possibilities for when the economy improves.

Looking forward, the volume of applications is expected to be down from what has been experienced in the past, but workload demands are expected to remain the same or increase for the following reasons:

- more complicated and complex applications;
- greater degree of consultation required of staff by applicants;
- increased involvement with the public and special interest groups;
- more challenging sites (brownfields etc.) and buildings types;
- increased participation in comprehensive studies being undertaken.

Organizational structures and approval processes were designed to respond to the demands generated by fast paced growth and development. Over time, staffing levels have been adjusted to ensure acceptable service levels. With the slowing of development in recent years due to the stage the City has reached, steps have been taken to make changes to how land development services are provided through the Organizational Roadmaps and the Administration Review undertaken by Planning and Building and further work is being done through the land development process e-3 reviews underway. In addition, considerable work has been done on developing appropriate fee structures.

Future Development Related Revenues

In support of developing the Three Year Plan, it was important to review revenue projections and determine a base level for expected revenues.

The Building Division have estimated future revenue projections based on the following:

Building Permit Revenue

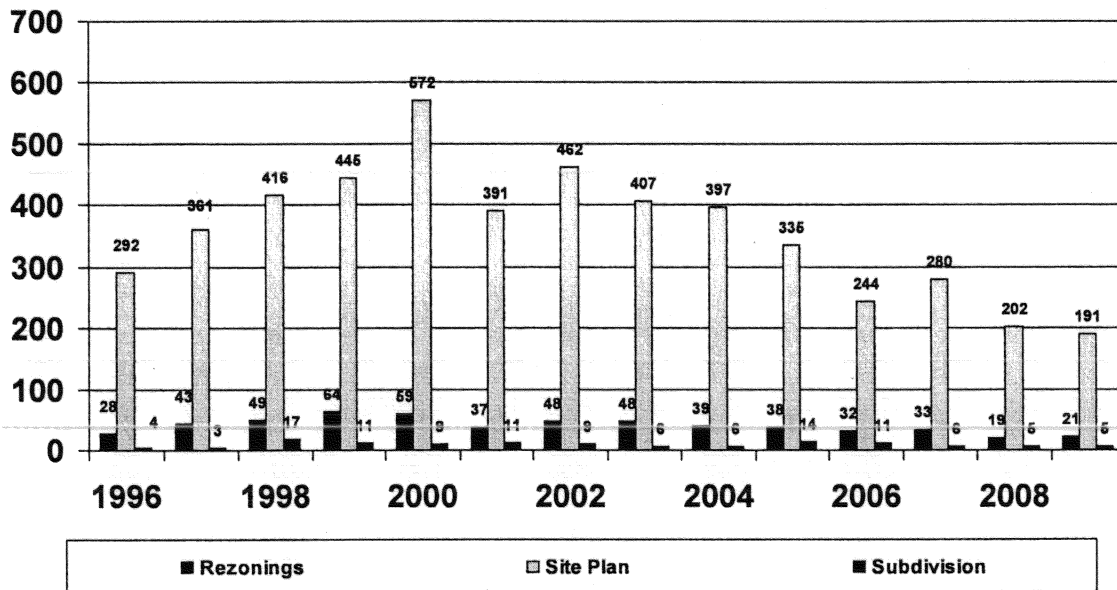
	Description	Construction Value	Estimated Revenue
Base Building Permit (Historical Trending)	<p>These are the base building permits that historically the Building Division would process.</p> <p>Applications types:</p> <ul style="list-style-type: none"> • Small Industrial/Commercial alterations and additions. • Residential alterations and additions. • Infill housing and custom housing. • Miscellaneous permits. 	\$200,000,000	\$2,000,000
High-rise/Condo Development (Historical Trending)	High-rise / Condo developments per year. Construction index pricing model suggests \$1,000,000 per floor. Average building heights over recent years suggests a 35 storey average.	\$35,000,000 x 4 = \$140,000,000	\$1,400,000
Commercial Development (Historical Trending)	Retail plaza, food store, retail stores, big box stores, etc.	\$150,000,000	\$1,500,000
Industrial Development (Historical Trending)	Manufacturing and Warehousing	\$150,000,000	\$1,500,000
Townhouse Development (Historical Trending)	Residential multi unit low rise	\$50,000,000	\$500,000
Institutional Development (Historical Trending)	Schools, Churches, other assembly occupancies	\$100,000,000	\$1,000,000
Additional transit oriented development	When the economy recovers existing redevelopment sites (particularly in urban growth centres) that were not economically viable during recessionary period may become more attractive. As transition to a transit oriented city occurs, additional development will take place along higher order transit corridors.	\$200,000,000	\$2,000,000
	Totals	\$990,000,000	\$9,900,000

Planning Application Revenue

The chart provided below illustrates that with regard to development applications, the new normal is close to being realized. There has been a significant decline in application activity since 2005 with a levelling out starting in 2008 and 2009. It is expected that application volumes will remain constant through the duration of the Three Year Plan and beyond. It is likely that development related revenues of approximately

\$1.5 million will be achieved by the end of 2009. In 2010 and beyond into the Three Year Plan, development application revenues are expected to be appropriately \$1.8 million per year. The increase of \$300,000 is due to the fact 2010 will be the first full year with the new fee structure.

Number of Development Applications per Year



Three Year Plan

The Three Year Plan is based on projected development related revenues of \$12 million in each of 2011, 2012 and 2013, which is approximately \$3.4 million less per year than in previous years.

The goal is to identify and achieve operating savings that will aid in eliminating reserve transfers and reducing the tax rate over the three year period. These operating savings will be realized through a combination of labour savings, fee increases and decreasing the planning fee allocations to other City departments coincident with a reduced volume in development applications.

Planning and Building Three Year Plan '000s			
	2011	2012	2013
Decline in Revenue to be offset	-\$3,400	-\$3,400	-\$3,400
Through Additional Revenues / Cost Savings / Taxes / Reserves			
Operational Recovery Strategy (Additional Revenues / Cost Savings)			
2011 Building Permit Fees Increase (3%)	\$300	\$300	\$300
2012 Building Permit Fees Increase (3%)		\$300	\$300
2013 No Building Permit Fees Increase			
2011 Labour Savings (Bldg)	\$160	\$160	\$160
2012 Labour Savings (Bldg)		\$160	\$160
2013 No Labour Savings Required(Bldg)			
2011 Labour Savings (Development & Design)	\$200	\$200	\$200
2012 Labour Savings (Development & Design)		\$200	\$200
2013 No Labour Savings Required(Development & Design)			
2011 Labour Savings (Policy Planning)	\$100	\$100	\$100
2012 Labour Savings (Policy Planning)		\$100	\$100
2013 No Labour Savings Required(Policy Planning)			
Labour Savings (Business Services)	\$50	\$50	\$50
Reduction of Planning Fee Allocations	\$75	\$75	\$75
Subtotal	\$885	\$1,645	\$1,645
Non Operational Recovery Strategy (Taxes / Reserves)	-\$2,515	-\$1,755	-\$1,755
Recovered Through Tax Rate Increase (Proposed 0.5% 2011)	\$1,150	\$1,150	\$1,150
Recovered Through Tax Rate Increase (Proposed 0.26% 2012)		\$605	\$605
No increase in 2013			\$0
Subtotal	-\$1,365	\$0	\$0
Recovered Through Transfers From Reserves (Remainder)	-\$1,365	\$0	\$0

Note : Financial Planning will manage the Taxes / Reserve Strategy

The Transportation and Works Department will be tracking staff time and resources closely in 2010 to gather facts around workload. A further review by Planning and Building of the expected decline in development applications by type and the nature of the decline (recession-related or long term) needs to be analyzed to determine appropriate longer term actions to address workload and processes. In the interim, the Department will take every opportunity to manage workload changes and staffing levels as appropriate.

Community Services also requires more detailed land development information on the type of applications expected to decline to more fully assess impact on service expectations, processes, and project any

necessary staff reduction or redeployment. The collection of hard data as to where time is being spent to determine appropriate management actions is important. Park Planning and Development will be implementing the Development of Green Space e-3 review recommendations in 2010. As part of the implementation staff will be undertaking more detailed time tracking. Previous time tracking indicates approximately 40% of the Park Planning Section time is spent on Planning applications. The other major components of the Section's work program are leading special studies, policy document reviews, realty matters and land acquisitions. The number of planning applications remains consistent with previous years. The number of engineering submission are decreasing; however, there has been an increase in complicated Realty requests such as Region of Peel infrastructure works through parks, over the past two years. Overtime requirements are high and there is a continual heavy reliance on interns. One contract position remains vacant and will remain vacant in 2010 as it is anticipated that work levels will remain stable. The need for this position will be assessed over the next 3 years as part of the upcoming 2011-2014 Business Planning process.

Labour Savings

Labour savings will be achieved through a combination of continued vacancy management, targeted retirement incentive programs, and utilization of redeployment opportunities. The Plan will not result in any staff layoffs. It is felt that the utilization of existing programs and prudent vacancy management will achieve the goals of the plan.

In 2011, labour savings of \$510,000 are expected to be achieved which is the equivalent of 6 FTEs. An additional \$460,000 is projected to be saved in 2012, the equivalent of a further 5 FTEs. Savings from the previous years will continue to be achieved in 2013 with no further need to recover savings through staff reductions, fee increases, or allocation reductions.

Fee Increases

An annual increase of 3% for building permit fees is proposed. This is consistent with the expected ongoing increases in costs to provide the services.

Allocations

The Plan includes a proportional decrease in the allocation of planning fees to other City departments coincident with a declining volume of development applications. The planning fee allocation is based on a percentage of the application fees received from development applications. This allocation assists other departments to fund labour costs for staff commenting on development applications. In the future, departmental budgets will need to be adjusted accordingly.

Implementation

The prudent use of existing business solutions will ensure the success of the Three Year Plan including targeted retirement incentive programs, redeployment opportunities across the Corporation, and completion of e-3 reviews for Development Approvals, Policy Planning, and Inspections.

Other departments involved in providing the Land Development Service will also utilize existing mechanisms that are available.

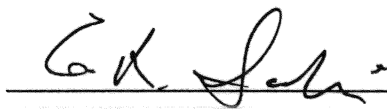
The implementation of this Plan is not expected to significantly affect service levels. An increase in application volumes from the anticipated levels may require further review of service levels if staffing numbers remain as stated in the Plan.

The details of the Plan will be subject to change depending on the development of detailed Operating Budget and Business Plan preparation for the three specific years.

FINANCIAL IMPACT: Building permit and development application revenues for 2011, 2012 and 2013 are projected to continue to be lower than previously experienced. Reserve transfers, tax funding, and operational savings will be required to assist in covering operating costs. The tax rate impact and transfers from reserves are expected to be phased out by 2013.

CONCLUSION:

The Planning and Building Three Year Plan outlined in this report will assist in eliminating the reserve transfers and reduce the tax rate impact required to cover the costs of providing Planning and Building services. The Plan is necessary as the result of an anticipated continued shortfall in building permit and development application revenues.



Edward R. Sajecki
Commissioner of Planning and Building

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