

**Planning & Development Report to
SPC on Planning and Urban Development
2018 February 05**

**ISC: UNRESTRICTED
PUD2018-0103
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Non-Growth Management Overlay Area Combined Outline Plan and Land Use Application Fees

EXECUTIVE SUMMARY

This report is seeking approval to retain the fee schedule for combined outline plan and land use applications as approved by Council on September 11, 2017. Council has directed Administration to work with industry to explore changes to the fee structure for combined outline plan and land use applications in areas without a Growth Management Overlay (GMO). It is recommended to leave the fees as is for the foreseeable future. Industry's support of this recommendation is outlined in their letter included in Attachment 1.

The Industry/City Work Plan includes many initiatives that require significant effort and involvement from both the City and industry. At this time, combined outline plan and land use application fees are not a priority as they represent a very small percentage of the total revenue for Planning & Development. Furthermore, these fees should be reviewed in the context of fees across the entire approvals continuum.

It will be important to ensure we have the necessary data regarding the time expended on these files prior to the more comprehensive review. Administration has introduced robust tracking of staff effort and costs across the Corporate Approvals Team when reviewing applications such as outline plan and land use applications. The data obtained through this endeavour could be used to support a fee model that considers the actual costs, potential for incentives for applications that advance policy objectives, and the relationship to other fee categories.

There is a risk that introducing a new fee model for combined outline plan and land use applications in areas without a GMO could be a disincentive for development in areas where the City has previously invested in infrastructure. This risk outweighs the benefit of potential revenue increases for those application types.

ADMINISTRATION RECOMMENDATION:

That the SPC on Planning and Urban Development recommend that Council direct Administration to maintain the current fee structure for combined outline plan and land use applications for non-growth management overlay areas until such time as a broader fee review is initiated.

RECOMMENDATION OF THE SPC ON PLANNING AND URBAN DEVELOPMENT, DATED 2018 FEBRUARY 05:

That Council adopt the Administration Recommendation contained in Report PUD2018-0103.

PREVIOUS COUNCIL DIRECTION / POLICY

At the 2017 July 31 meeting of Council, with respect to Agenda Item 7.1 Supplementary Report to PFC2017-0480 – Outline Plan and Land Use Amendment Application Fees, C2017-0595, Council adopted the following recommendations:

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That Council:

1. Amend the 2017 Planning Applications Fee Schedule by adding the proposed 2017 Combined Outline Plan and Land Use Amendment and Ancillary Applications Fee Schedule in Attachment 1, and;
2. Delete the 2017 Subdivision Fee and replace it with the proposed 2017 Subdivision Fee Schedule in Attachment 2.

And

At the 2017 September 11 meeting of Council, with respect to Request for Reconsideration – Outline Plan and Land Use Amendment Application Fees (C2017-0595), Verbal Report VR2017-0036, Council adopted the following recommendations:

That Council:

1. Amend the 2017 Planning Applications Fee Schedule to adopt a full cost recovery fee only for combined outline plan and land use applications in areas with Growth Management Overlays as follows:
 - a. By adding the proposed 2017 and 2018 Combined Outline Plan and Land Use Amendment and Ancillary Applications Fee Schedules in Attachment 1; and
 - b. By deleting the 2017 Subdivision Fee Schedule and replacing it with the proposed 2017 and 2018 Subdivision Fee Schedules in Attachment 2.
2. Direct Administration to work with industry to define cost recovery needs and establish a model that can apply to combined outline plan and land use applications in areas without a Growth Management Overlay and bring any recommendations to Council no later than the end of Q1 2018.

Direction #2 is the subject of this report. Direction #1 was implemented.

BACKGROUND

On 2017 June 06, the Priorities and Finance Committee (PFC) received report PFC2017-0480. The purpose of this report was to outline a recommendation to amend policy language in the Municipal Development Plan (MDP) to allow developers in all Area Structure Plans (ASPs) to submit combined outline plan and land use applications ahead of GMO removal decisions. This report was an outcome of involved engagement with the development and building industry, and it seeks to respond to developers who wish to proceed further into the planning application process. It is part of broader efforts to improve The City's strategic growth decision-making processes.

Within PFC2017-0480, Administration discussed the fee revenue implications of the policy change, and the need to ensure City costs associated with a greater volume of applications are recovered through an appropriate fee structure. A recommendation was included and approved by PFC on 2017 June 6 that directed Administration to develop a full cost recovery fee for

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combined outline plan and land use applications and return to Council on 2017 July 31 with a supplementary report. This would ensure that, should Council approve the amendment to the MDP, fees for applications submitted after the amendment would be based on full cost recovery.

In report C2017-0595, Administration recommended a full cost recovery fee structure for all combined outline plan and land use applications to support the MDP policy change that was approved in PFC2017-0480, and to be consistent across all areas of the city for a similar application type. Following that decision, Administration and various Council members received feedback related primarily to applicants in areas where no growth management overlay was in place, and unintended consequences were identified. A concern was raised by several industry members that the change may be a disincentive to development for both established area greenfield or brownfield sites and areas where the City has already committed to infrastructure investment. Administration was concerned with making any changes that may negatively impact advancing the MDP goals of the established area and greenfield development split. On 2017 September 11, in response to a motion to reconsider Council's approval of recommendations contained in report C2017-0595, a verbal report was provided to Council recommending that a cost recovery fee be adopted only for combined outline plan and land use applications in areas with GMOs. In addition, Council directed Administration to work with industry to define cost recovery needs and establish a model that can apply to combined outline plan and land use applications in areas without a GMO and to bring any recommendations to Council no later than the end of Q1 2018.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Work is currently ongoing through various initiatives in the Industry/City Work Plan (PUD2018-0021) that could significantly alter the costs of reviewing outline plans. These include looking for ways to reduce the cost burden for established area development and changes to the way Administration reviews all application types through a comprehensive review of the standard comment library, and the detailed team review process. In addition, Planning & Development is currently undertaking an expenditure reduction exercise across the department. The results of these efforts are likely to have an impact on a cost recovery model that facilitates the best outcomes.

The cost recovery model for growth management overlay areas is in its early stages, and has achieved its goal for funding the resources needed for combined outline plan and land use applications in areas with a growth management overlay. While non-growth management overlay applications may not achieve cost recovery when looked at in isolation, the overall fee model across the continuum is working, and there isn't a near-term problem with the current fee approach. It should be noted that nearly all outline plans without growth management overlays eventually result in building permits – providing full cost recovery as a system. In fact, areas without a growth management overlay are expected to get to building permits at a faster pace since infrastructure is available, realizing full cost recovery quickly. Outline plans are necessary to ultimately realize the construction of homes and businesses in new growth areas. The ability to receive approval on outline plans provides essential certainty in the planning and design of new development for our customers and citizens.

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Planning & Development is roughly 85% cost recovery across the department. Leaving the fee structure as is will not significantly impact the financial situation for the department or other members of the Corporate Approvals Team since combined outline plan and land use applications make up a very small portion of the department's overall revenue.

More details regarding the options considered by Administration in conjunction with external stakeholders are outlined below:

Option 1: Continuation of current fee (status quo).

The current combined outline plan and land use application fees in areas without a growth management overlay are based on the area under evaluation plus associated administrative fees related to processing and advertising. It is a straightforward calculation using the fee schedules approved by Council. It is not based on full cost recovery in and of itself but is part of an overall cost recovery fee model across the approvals continuum.

Administration would work with Industry to establish a model that can apply to combined outline plan and land use applications in areas without an overlay as part of a comprehensive review of the overall cost recovery model only once a business need arises.

Option 2: Develop a new fee model in advance of a comprehensive review of the overall cost recovery model.

Attempting to develop a fee model for combined outline plan and land use applications in advance of a comprehensive review of an overall cost recovery model has the potential to negatively impact development proposals unnecessarily in areas where the City has already committed to infrastructure investment (i.e., areas without a GMO). In addition, the work would erode industry and City effort toward other Industry/City Work Plan initiatives. Industry stakeholders are not supportive of proceeding with this approach now and want to see fees reviewed as part of a comprehensive review of the overall cost recovery model sometime in the future.

Stakeholder Engagement, Research and Communication

Building Industry Land Development (BILD) - Calgary Region have played a significant role in the development of the cost recovery process for outline plan and land use applications. They also played an instrumental role in Council's reconsideration of which types of applications follow full cost recovery. Given other high priority policy and procedural initiatives in the Planning & Development department and the demands they place on Industry volunteers for consultation, this is not seen as sufficiently impactful to spend further effort required at this point.

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A letter in support of the proposed recommendation from BILD is attached.

Strategic Alignment

Two of the key result areas that Administration is focused on are advancing the Municipal Development Plan (MDP) and the Calgary Transportation Plan (CTP), and realizing development.

Combined outline plan and land use applications bridge the gap between high level policy and realizing development, helping to implement The City's overarching goals within a specific area.

Furthermore, development application review is a service that City Administration provides as a part of the approvals process which enables development and redevelopment. Through responsible fiscal management the approval system is, on the whole, cost recovery. However, that is not to say that each application type is cost recovery in and of itself.

Social, Environmental, Economic (External)

There are no social or environmental impacts as a result of this recommendation.

Financial Capacity

Current and Future Operating Budget:

Administration is confident that retaining the current fee structure for combined outline plan and land use amendment applications in non-growth management overlay areas will not impact operating budgets in the foreseeable future. The revenue received from these applications represents less than 1.2% of the total Planning & Development fee revenue. Even a substantial change in fees for this service would only have a minor financial impact on the department's budget or the ability to undertake this work.

Current and Future Capital Budget:

No impact.

Risk Assessment

By maintaining fees in their current state, and continuing to collect and monitor data pertaining to combined outline plan and land use applications, unintended consequences associated with retaining the current fee structure will be mitigated. However, in doing so, The City would continue to have two different methodologies for applying fees to the same type of application, which could be confusing or unintuitive to customers.

REASON(S) FOR RECOMMENDATION(S):

Both industry and Administration agree that defining a cost recovery model for combined outline plan and land use amendment applications in areas without a growth management overlay should not be pursued at this time.

Changes to these fees may negatively impact the build out of areas where City infrastructure and services are currently in place.

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A review of the fees for these types of applications should be pursued only when a more comprehensive review of fees across the approvals continuum can be undertaken. Industry and City effort should continue to be focused on the initiatives in the Industry/City work plan.

ATTACHMENT(S)

1. Attachment 1 – Industry Letter of Support