

**SUPPLEMENTARY REPORT TO PFC2017-0480
OUTLINE PLAN AND LAND USE AMENDMENT APPLICATION FEES**

EXECUTIVE SUMMARY

At the 2017 June 06 Priorities and Finance Committee meeting, Administration was directed to develop a full cost recovery fee for combined Outline Plan and Land Use applications and to prepare a supplementary report for the 2017 July 31 Combined Meeting of Council. This report details a full cost recovery fee for combined Outline Plan and Land Use applications.

ADMINISTRATION RECOMMENDATION(S)

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.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2017 June 06, the Priorities and Finance Committee accepted the Administration recommendations in PFC2017-0480, as contained in the distributed revised Page 1, as follows:

That the Priorities and Finance Committee:

1. Forward this report directly to the July 31 Combined meeting of Council, and that Council:
 - a) Hold a public hearing on the proposed bylaw set out in Attachment 6;
 - b) Give three readings to the proposed bylaw; and
 - c) Direct Administration to continue working with Industry on developing process for strategic growth analysis and decisions, and bring an update report to the Priorities and Finance Committee no later than 2018 Q1; and
2. Direct Administration to develop, working with Industry, a proposed full cost recovery fee for combined Outline Plan and Land Use applications, and bring forward a supplementary report to the July 31 meeting of Council.

Recommendation 2 is the subject of this report.

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 Growth Management Overlay (Overlay) 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.

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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 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.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

This report concerns the combined Outline Plan and Land Use Amendment application fee charged by The City. Section 630.1 of the Municipal Government Act authorizes Council to establish charges and fees for development applications. Development related fees were passed by Council resolution most recently on 2016 November 21. The fee change contemplated in this report for combined Outline Plan and Land Use Amendment applications and ancillary applications will modify the existing fees for such applications.

A combined Outline Plan and Land Use application is most typically used to coordinate land use planning and comprehensive servicing considerations for new greenfield development. Combined Outline Plan and Land Use applications can also be made in a redevelopment context where larger areas of land such as a golf course or major redevelopment would create an application which may carry similar time, effort and complexity as a greenfield application. The combined Outline Plan and Land Use Amendment application may include “ancillary applications” that support the Outline Plan and Land Use Amendments. “Ancillary applications” may include but are not limited to road closures, addressing, disposal of reserve, and statutory plan amendments. When associated with a combined Outline Plan and Land Use application, these ancillary applications will be billed using the cost recovery fee model.

Alternatives

Three options were considered in response to the direction received from PFC. Administration developed these options, and performed an assessment against factors such as the proposed policy change in PFC2017-0480, expected impact on application volume, and the direction to develop a full cost recovery model. BILD Calgary Region was kept informed of the process as recommendations were being developed.

Option 1: Continuation of Current Fee (Status Quo) The current combined Outline Plan and Land Use fees, applicable to all applications of this type, is 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.

Option 2: Full Cost Recovery Fee Only for Combined Outline Plan and Land Use Applications in Areas with Growth Management Overlays This report is arising from PFC2017-0480, which proposes an MDP amendment to allow combined Outline Plan and Land Use applications ahead of Growth Management Overlay removal. An alternative was to develop a full cost recovery fee for only these applications, as they represent the cause of the expected increase in application volume, and they face increased complexity and uncertainty because the

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Overlay will be in place at submission. It would introduce two different fees for this application type, one cost recovery and one not.

Option 3: Full Cost Recovery Fee for All Combined Outline Plan and Land Use

Applications A third alternative was to develop the full cost recovery fee for all combined Outline Plan and Land Use applications. This option would provide both full cost recovery and also potentially support a singular process for applications.

Analysis

Option 1 was eliminated during the analysis given that it is not consistent with the principle of full cost recovery, which was identified by Administration as critical during the development of the PFC2017-0480 report.

Option 2 was evaluated, but ultimately not supported given that it involves two different fee structures for the same application type, leading to questions of fairness and complications for implementation. As well, cost recovery would only be achieved on specific applications.

Option 3 is recommended for several reasons. First, it maintains fairness for applicants applying for the same type of approval, and could support a single standard process for application intake. Second, by applying a full cost recovery fee for all applications, it allows all applicants to receive the benefit of only paying for services received, while ensuring The City achieves cost recovery for all applications of this type.

It was at this point that Administration introduced its recommendation to Industry through BILD Calgary Region and the New Community Growth group of the Industry/City Work Plan. Administration gathered feedback and answered questions, and explained the rationale for the recommendation. Administration will continue to work with representatives from Industry on implementation.

To implement Option 3, the current Outline Plan fee within the 2017 Subdivision Fee Schedule will be removed and a new 2017 Combined Outline Plan and Land Use Amendment and Ancillary Applications Fee Schedule will be created to represent the change to a full cost recovery model for these applications. The new 2017 Combined Outline Plan/Land Use Amendment and Ancillary Applications Fee Schedule is appended as Attachment 1 and the revised 2017/2018 Subdivision Fee Schedule with the old Outline Plan fee removed is appended in Attachment 2. Fee schedules are reviewed annually by Council; the next opportunity will be in November in setting fees for 2018.

Cost recovery and service efficiency have become emerging issues for Planning & Development and the approvals process. With the economic downturn, development application revenues have fallen and are expected to remain lower for an extended period. The department is looking at cost reductions and efficiency opportunities in order to mitigate this, while continuing to meet service expectations. The City is not currently recovering all costs associated with combined Outline Plan and Land Use applications. Applying a full cost recovery model to

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these applications helps deliver this service by ensuring greater efficiency and providing sufficient revenue to properly resource the reviews.

It also means that if application volumes rise, as they are expected to if the PFC2017-0480 policy change is approved, the department is able to match revenue to costs. Administration anticipates, based on information from Industry, that 7-9 applications in areas with Overlays are expected over the next 12 months as a result of the proposed policy change. This is in addition to regular volumes for combined Outline Plan and Land Use applications.

Ensuring Cost Recovery

Administration looked to the developer funded Area Structure Plan (ASP) cost recovery model as a basis for a full cost recovery fee for combined Outline Plan and Land Use applications. This model was a very successful part of the delivery of these ASPs. As with the developer funded ASPs, City staff will be required to track hours expended reviewing the application and monthly reports will be provided to the applicant to demonstrate how the funds are allocated. The applicant will cover the costs of actual hours worked on the file, plus associated costs.

Administration is recommending that the applicant pay a \$125,000 fee at the time of submitting a complete combined Outline Plan and Land Use application. These funds will be drawn on and applied to the time tracked by City staff. Whenever the amount held by the City is \$20,000 or less, the next monthly statement will include a requirement for a further payment of \$75,000. If the applicant does not pay after a statement is issued, it will result in cessation of work until such time as funds are received. Once final determination on the application is made by Calgary Planning Commission or Council, as applicable, or whichever occurs last, or the application is withdrawn by the applicant, The City will either refund any excess funds or invoice the applicant for additional payment.

Once a complete application is received by The City, staff will work with the applicant to estimate the cost of the review. Customized timelines can be used to facilitate time management through the review process. Communications materials are also being developed to help applicants and City staff understand the changes.

For applicants considering the submission of a combined Outline Plan and Land Use application, there are two opportunities to obtain City feedback prior to initiation of the cost recovery fee. The first is the Corporate Planning Applications Group (CPAG) Pre-Application, which provides the applicant with an initial assessment and highlights relevant policy, required studies and potential issues that may impact the review. No changes are proposed to fee of \$631 for a Pre-Application. The second opportunity is that Administration will continue to provide reviews of business cases for Overlay removal at no charge prior to the submission of an application. These reviews will provide applicants with information on infrastructure funding and servicing questions, as well as guidance on policy alignment and economic benefit.

These two steps will provide applicants with a degree of certainty on the issues, and insight into the probability of success, prior to the submission of an application. Once the Outline Plan and Land Use application review has begun, applicants will receive updates from their File

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Managers and at key milestones (e.g., Detailed Team Reviews), and will have the opportunity to withdraw and incur no further costs if they so choose.

Next Steps

The proposed policy change to the MDP to allow submission of combined Outline Plan and Land Use applications ahead of Overlay removal (PFC2017-0480) and this supplemental report on fees are a continuation of the broader initiative to improve The City's strategic growth decision making processes. Work is ongoing with the New Community Growth group in the Industry/City Work Plan to establish a schedule and framework to complete this work by the end of the year, in order to report back to PFC by Q1 2018 as per recommendation 1(c) in PFC2017-0480. Implementation is targeted for early 2018.

Stakeholder Engagement, Research and Communication

Administration met with members of Industry and internal stakeholders to communicate the proposed changes and to receive feedback. The recommended fee structure was discussed with representatives of BILD Calgary Region. BILD Calgary Region will be providing a letter at the time this report is received by Council.

The new fee structure was reviewed with Law, Finance, the Corporate Planning Applications Group (CPAG), Directors Integrated Growth Committee (DIGC) and the General Managers Strategic Growth Committee (GMSGC).

Strategic Alignment

The full cost recovery fee structure will help ensure the service is efficient, transparent and accountable. It allows CPAG and Planning & Development to implement a more sustainable business model that will help support this process improvement.

Social, Environmental, Economic (External)

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

Economic (External)

In relation to PFC2017-0480, the recommended policy change in that report is expected to help retain or increase investment in planning work and result in greater investment of private capital. This fee structure ensures City revenue and cost risks are mitigated as this occurs. Further, Developers will receive a service that directly reflects the actual cost of reviewing applications.

Financial Capacity

Current and Future Operating Budget:

A full cost recovery fee structure for Outline Plan and Land Use Amendment applications is intended to create a net zero effect to the current operating budget for this year by recovering the full City cost of reviewing combined Outline Plan and Land Use Amendment applications. In future operating budgets, it is also intended to have a net zero impact as future budgets will be created with the knowledge of a full cost recovery fee structure.

Current and Future Capital Budget:

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There are no impacts to current and future capital budgets as a result of this report.

Risk Assessment

The risks associated with a full cost recovery fee structure for all Outline Plan and Land Use Amendment applications are summarized in Attachment 3.

REASON(S) FOR RECOMMENDATION(S):

A full cost recovery fee structure for Outline Plan and Land Use Amendment applications supports the policy change recommended in PFC2017-0480, and allows Administration to reduce uncertainty and revenue risks associated with the policy change by ensuring applications are reviewed under a principle of cost recovery. There is an added benefit of greater cost transparency for applicants making applications of this type.

ATTACHMENT(S)

1. 2017 Combined Outline Plan/Land Use Amendment and Ancillary Applications Fee Schedule
2. 2017 and 2018 Subdivision Fee Schedules
3. Fee for Combined Outline Plan and Land Use Amendment Applications: Potential Risks