

Town of Whitby

Staff Report

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Report Title: Development Fees Review Study Update

Report to: Committee of the Whole

Date of meeting: June 2, 2025

Report Number: PDP 23-25

Department(s) Responsible:

Planning and Development Department
(Planning Services)
Financial Services Department

Submitted by:

R. Saunders, Commissioner, Planning
and Development
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Services and Treasurer

**Acknowledged by M. Gaskell,
Chief Administrative Officer**

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1. Recommendation:

1. That the Development Fees Review Study prepared by Watson and Associates Economists Ltd. (Attachment 1) be received for information;
2. That the proposed amendments to the Planning Services Fees included in Attachment #2 of Report PDP 23-25 be approved;
3. That the proposed amendments to the Building Services Fees included in Attachment #2 of Report PDP 23-25 be approved;
4. That the proposed amendments to the Engineering Services Fees included in Attachment #2 of Report PDP 23-25 be approved;
5. That the recommended fees take effect on July 1, 2025;

- 6. That all Planning, Building and Engineering Services Fees be indexed January 1st, annually, based on the Consumer Price Index – All Items, for the Province of Ontario published by Statistics Canada in the month of May of the previous year;**
- 7. That the Town Clerk be directed to bring forward a by-law to amend the Fees and Charges By-law to give effect to the recommendations contained in Report PDP 23-25;**
- 8. That Council approve additional staff resources for each of the following full-time positions, including the associated capital and operating costs:**
 - Planner II, Development Review (Planning Services);**
 - Planner II, Zoning & Regulation (Planning Services);**
 - Water Resource Engineer (Engineering Services);**
 - Program Manager, Development Infrastructure (Engineering Services);**
 - 2 Building Inspector II's (Building Services);**
 - 1 Senior Plans Examiner (Building Services); and,**
- 9. That P&D-0012 be removed from the New and Unfinished Business List.**

2. Highlights:

- Watson and Associates Economists Ltd. have been engaged to assist staff with the review of costs related to processing development fees, which include planning application fees, development engineering fees and building permit fees.
- Changes in legislation, application characteristics and cost-recovery levels have led a number of municipalities to undertake a review of their development fees to ensure they accurately reflect processing efforts and service costs.
- Anticipated growth in development will result in additional strains on staff resources to maintain expected levels of service.
- Two (2) additional full-time Planner II positions are required in 2025 for the Planning Services Division to assist in processing the increasing volume and complexity of development applications.
- Two (2) additional full-time positions, including: Water Resource Engineer and Program Manager, Development Infrastructure are required in the Engineering Services Division to assist in processing the increasing volume and complexity of development applications.
- Three (3) additional full-time positions, including: two (2) Building Inspector II positions and a Senior Plans Examiner to accommodate the increased volume in building permits.

- Additional staff resources as outlined in the Development Fees Review Study will be identified in future staffing forecasts and through the budget approval process as growth dictates.

3. Background:

Development Fees along with Development Charges are essential to ensuring the cost of growth is funded through the source of growth to the extent possible, thereby minimizing the impact on the taxpayer. The review of development related fees is based on the underlying assumption that these fees should offset the full cost of processing development applications and providing building code enforcement services in the Planning and Development Department. Watson and Associates Economists Ltd. have been engaged to assist staff with the review of costs related to processing development fees, which include planning application fees, development engineering fees and building permit fees.

The planning application and building permit fees were last updated in 2018 (CS 47-18), and the engineering review and inspection fees were last updated in 2021 (PW 43-21), all in conjunction with Watson & Associates. The Town strives to periodically review and update the costing model information to ensure it reflects actual processing efforts and service delivery costs. The recommended fee changes take into consideration legislative compliance, market competitiveness and by-law compliance.

The adoption of planning application fees and engineering review and inspection fees does not require a public meeting, however, the process for changing Building Code fees requires a statutory public meeting with at least 21 days' notice being provided to interested parties. As a result, the public meeting will be held on June 2, 2025 at 7 p.m. to hear public submissions with respect to building permit fees, however comments will also be taken related to planning and engineering fees.

Legislative Requirements

Development related fees are imposed under the authority of the Planning Act, the Municipal Act, and the Building Code Act.

Section 69 of the Planning Act, Planning Services Fees:

- Allows municipalities to impose fees through by-law for the purposes of processing planning applications;
- Defines the requirements of determining the fee;
- Restricts cross-subsidization of various fee types;
- Requires any discount in fees to be subsidized from the tax base;
- Allows fees to be designed to recover the anticipated cost of processing each type of application, reflecting the estimated costs, not the actual processing costs related to any one specific application;
- There are no explicit restrictions to direct costs, allowing fees to include direct costs, capital-related costs, support function costs directly related to the service provided and an apportioned amount of general overhead costs; and

- While there is no legislated appeal period related to the timing of By-law passage, or public process requirements, fees can be made under protest with appeal to the Ontario Land Tribunal (OLT).

Municipal Act, 2001 Part XII, Engineering Services Fees:

- Provides municipalities with broad powers to impose fees and charges via by-law, including imposing fees or charges for the following:
 - Services or activities provided or done by or on behalf of it;
 - Costs payable by it for services or activities provided or done by or on behalf of any other municipality or local board; and,
 - Use of its property including property under its control;
- Allows municipalities to charge for capital costs related to services that benefit existing residents;
- Does not impose explicit requirements for cost justification when establishing fees, however, municipalities should have regard for legal precedents and the reasonableness of fees and charges; and,
- While the statute does not provide for appeal of fees and charges to the OLT, appeals may be made to the courts if municipalities are acting outside their statutory authority.

Building Code Act, 1992, Building Services Fees:

- Allows municipalities to impose fees through the passage of a by-law;
- Fees charged must not exceed the anticipated reasonable cost of administering and enforcing the Act;
- Defines the process for annually reporting the amount of fees collected, the direct and indirect costs of delivering the services, and the amount of any reserved funds established;
- Defines the process for establishing fees, and requires at least one public meeting with at least 21 days' notice being provided to all interested parties; and,
- If certain Building Code enforcement fees are determined to be too high to ensure compliance, fees can be offset by other building code enforcement fees, as long as the quantum of the maximum fees possible is not exceeded.

4. Discussion:

Full Costing Methodology/Model

An Activity Based Costing model was utilized to calculate the full cost of the services provided by Town staff. This model is used across the province and provides defensible methodology that includes:

- Direct costs – operating costs associated with individuals directly participating in the service delivery activities;
- Indirect costs – operating costs associated with individuals supporting direct service departments (i.e. typical support functions such as HR, TIS, facility maintenance, finance, etc.); and,

- Capital costs – capital asset replacement costs associated with individuals directly participating in the service delivery activities.

The previous models from 2018 (Planning and Building) and 2021 (Engineering) were reviewed and updated to capture new and revised costing categories and to ensure current internal processes and staff effort estimates were reflected, in response to recent legislative changes.

Two costing scenarios were provided reflecting: an unrestricted service level where staff effort estimates were costed based on anticipated service levels irrespective of 2024 budget complement levels; and, a restricted service level where effort estimates were reduced to align with 2024 budgeted complement.

Staffing Capacity

Planning Services Division:

Based on average planning application volumes for 2017-2022 and 2024 budgeted staff complement, the model identified that 3.5 additional FTEs are required for processing planning applications reflecting changes in application volumes, new costing categories, and a realignment of efforts from Development Engineering Services to planning application processes. In 2025, two (2) additional Planner IIs are proposed – one in Development Review Services and one in Zoning and Regulation. Additional staffing requests, to meet the recommended level of FTEs proposed in the study, will be brought forward in future staffing forecasts and budget approval processes, as required.

Engineering Services Division:

Based on anticipated annual application volumes and to provide the required level of service in-house, the model identified 3.3 additional FTEs are required in the Engineering Services Division. In 2025, two (2) positions are proposed to be added, including a Water Resource Engineer and a Program Manager, Development Infrastructure. Additional staffing requests to meet the recommended level of FTEs proposed in the study will be brought forward in future staffing forecasts and budget approval processes, as required.

Building Services Division:

Based on average building permit volumes for 2018 – 2022, effort estimates and the 2024 budgeted complement, the model identified 9.2 additional FTEs would be required to provide the level of service underlying the effort estimates. While anticipated fees would adequately cover the costs associated with employing these additional FTEs, it is not realistic that the Town will be able to recruit this number of staff immediately and instead will increase the staff complement over time. In 2025, an additional three (3) full time positions are proposed, including 2 Inspector IIs and 1 Senior Plans Examiner. It is currently proposed that 3 additional FTEs will be included in both 2026 and 2027, to meet the recommendation of the study. Additional staffing requests will be advanced in accordance with growth and will be included in future staffing forecasts and budget approval processes.

All proposed positions will be recovered by Development Fees.

Building Permit Reserve Fund

The 2018 study resulted in establishing a Building Permit Reserve Fund Policy with a target reserve fund balance of 2.07 years of annual building permit costs including direct, indirect and capital costs. Based on discussions, it is recommended that the target reserve fund balance be increased to 3.0 times total annual costs. Based on current costing results, the 3.0 years of annual total costs would equate to \$14.3 million.

Existing and Recommended Fees

Based on the updated processing efforts at 2023 budgeted costs and current staff complement the existing fees generate a cost recovery as outlined in the table below.

Annual Application Costs and Revenue (2023 Totals in millions)*	Planning Application Fees	Development Engineering Fees	Building Permit Fees
Direct Costs	\$3.16	\$2.02	\$3.65
Indirect Costs	1.37	0.58	1.02
Capital Costs	0.55	0.37	0.81
Total Annual Costs	\$5.08	\$2.97	\$5.48
Total Revenue at Existing Fees	\$3.04	\$3.29	\$7.06
Overall Cost Recovery % (with no fee increase)	60%	111%	129%
*Total revenues and processing costs are calculated using forecasted average volumes.			

Planning Services Division:

It is recommended that most of the proposed fee increases under the Unrestricted Service Level scenario be implemented to ensure full cost recovery of annual costs to provide planning services, except for a limited number that are to be adjusted to account for such things as: encouraging non-residential development, ensuring alignment with comparators, and to reflect reasonableness when process mapping captured the most complex applications, not the average processing times (refer to Attachment #2). Planning application fees continue to be evaluated considering potential changes to development review processes, as a result of changes to the Planning Act.

Engineering Services Division:

Where applicable, it is recommended that the proposed fee increases under the Unrestricted Service Level scenario be implemented to ensure full cost recovery of annual direct, indirect and capital costs to provide these services (refer to Attachment #2). The only exception is for Environmental Compliance Approvals, where it is recommended that fees be increased in 2025, however only to a level that is consistent with other municipalities. Because this is a relatively new service, as the process develops, we will gain a better understanding of annual volumes and can adjust accordingly in the future.

Building Services Division:

The study confirmed most of the existing Building Permit Fees have maintained full cost recovery via annual indexing, and therefore no change is required to the majority of existing fees. However, the study has introduced 14 new fees and a minimum permit fee of \$300 which is recommended to be applied to 16 existing and 4 new fees, as outlined in Attachment #2.

The recommendations in this report related to additional staff and increase in fees to fully offset additional costs will not impact the property tax funded programs and services.

5. Financial Considerations:

Subject to Council's approval of the recommendations within this report, recruitment for the additional staff may begin immediately with a hire date of September 1st.

The incremental 2025 staffing costs within the three (3) Divisions will be offset by additional revenues from the recommended fee increases and not projected to impact the tax base.

The current and proposed fee increases, recommended for July 1, 2025 are listed in Attachment #2 of this report.

In addition, it is recommended that all Planning, Engineering and Building Services fees be indexed annually (on January 1st each year), based on the Consumer Price Index – All Items, for the Province of Ontario ("**CPI**") published by Statistics Canada in the month of May of the previous year. For clarity, the fees will be indexed effective January 1, 2026 based on CPI in May 2025 (which, at the time of writing this report has not been published by Statistics Canada yet).

Annual indexing allows fees to offset inflationary pressures on the expenditures and avoids large increases when the next study is completed. The previous policy indexed rates annually at a fixed 2.5% per year.

6. Communication and Public Engagement:

The process of establishing Building Code related fees is defined by the Building Code Act and includes at least one public meeting with at least 21 days' notice being provided to all interested parties. A public meeting is scheduled for a Committee of the Whole Meeting on June 2, 2025 at 7 pm. Notice of the public meeting related to the Building

Code Fees will be sent to interested parties and advertised relevant media and on the Town's website.

7. Input from Departments/Sources:

Staff from Financial Services and Planning & Development (including Planning Services, Engineering Services, and Building Services) along with other impacted departments were involved in the review of processes and development of the recommended fees.

8. Strategic Priorities:

The recommendations contained in this report support Strategic Pillar 4 in the Community Strategic Plan, specifically Objective 4.4: Ensure fiscal accountability and responsibly plan for growth and Action 4.4.1: Deliver services that respond to community needs while balancing the impact to taxpayers.

This report is in a fully accessible format, which also addresses the Town's Accessibility guiding principles.

9. Attachments:

Attachment 1 – Development Fees Review Study Report by Watson & Associates Economists Ltd.

Attachment 2 – Amendment to Fees and Charges By-law