

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 7, 2016**

Item 11, Report No. 7, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 7, 2016.

#### **11 FEES AND CHARGES REVIEW DEVELOPMENT ENGINEERING & INFRASTRUCTURE PLANNING DEPARTMENT CITY-WIDE**

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the Deputy City Manager of Planning & Growth Management, the Chief Financial Officer & City Treasurer, the Director, Development Engineering and Infrastructure Planning and the Director, Financial Planning and Development Finance, Deputy City Treasurer, dated May 30, 2016, be approved;
- 2) That the presentation by the Director, Development Engineering and Infrastructure Planning and Communication C5, presentation material entitled, *"Development Engineering Fees and Charges Review"*, dated May 30, 2016, be received; and
- 3) That Communication C3 from Ms. Danielle Chin, Building Industry and Land Development Association (BILD), dated May 27, 2016, be received.

#### **Recommendation**

The Deputy City Manager of Planning & Growth Management, the Chief Financial Officer & City Treasurer, the Director, Development Engineering and Infrastructure Planning and the Director, Financial Planning and Development Finance, Deputy City Treasurer recommend:

1. That the necessary by-law be enacted amending Schedule "K" of the Fees and Charges Bylaw No. 200-2015 to implement the new Development Engineering Fee as detailed on Attachment 2 to this report; and
2. That the proposed transition measure cap on the proposed fee for larger site plan developments under the complex category, detailed in this report, be adopted and that it be reevaluated after the end of the 2017 fiscal year.

#### **Contribution to Sustainability**

The proposed Development Engineering fees and charges will ensure the City will continue to provide the timely engineering reviews of development applications including infrastructure planning, design review, contract preparation and construction oversight of development projects.

#### **Economic Impact**

An Engineering Reserve has been established to fund the development engineering costs associated with growth development from application to assumption. The Reserve is largely funded from the terms set out in the subdivision agreements, and is typically 3.5% of the construction value for new municipal servicing infrastructure.

For over 30 years, the development engineering fee has been consistent at 3.5% of the construction value for new municipal servicing infrastructure. It has become apparent that the current fee structure does not fund the actual cost of development engineering review activity. If the City maintains the current fee structure, the Engineering Reserve will be in a deficit position at

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the end of 2016, and will result in a shift of funding from the Reserve to the property tax base, which would equate to an approximate incremental tax rate increase of 1%, 3% and 2% for 2016, 2017 and 2018 respectively.

The proposed Development Engineering fees and charges have been set to generate sufficient revenue to fund the annual operating expenses associated with the development engineering activity and to re-establish and maintain a sustainable balance of approximately \$1.9M over next five years in the Engineering Reserve to accommodate normal market cycles in the development industry. This Reserve balance is inclusive of the proposed transitional measures referenced later in this report.

The Reserve ensures the department will continue to function and provide the necessary service to process development applications regardless of the cyclical nature of the development industry. The proposed fees and reserve forecasts are based on market and growth projections so staff will monitor the reserve balances on an annual basis and recommend adjustments to the fee schedule as necessary. In addition, the proposed fee structure will allow continued funding of development activities from development applications with no impact on property tax rates.

#### **Communications Plan**

The development industry has been engaged throughout the Development Engineering fee review process, and will continue to be engaged in subsequent phases of the fee review for the Development Planning and Building Standards and Inspection departments.

The development industry, including members of the Building Industry and Land Development Association (BILD) and approximately thirty residential and industrial/ commercial development companies known to be active in Vaughan were engaged at the following stages of the review process:

- *Project initiation:* Information about the review was emailed and posted on Vaughan.ca
- *Methodology:* An introduction forum was held on October 5, 2015 to introduce Watson & Associates Economists Ltd. (Watson), present the methodology and project work plan, and provide an opportunity for questions and comments
- *Preliminary Results:* A meeting was held on March 24, 2016 to present preliminary results of the Development Engineering and Infrastructure Planning fees and charges review and to receive comments from the development industry

The input and comments received from the land development industry at these points of contact were considered in the study process and recommendations.

The development industry will continue to be engaged as a key stakeholder in conjunction with each of the subsequent phases of the Development Fees and Charges review exercise (Development Planning and Building Standards & Inspection Services Departments).

#### **Purpose**

The purpose of this report is to provide the results of the Development Engineering Fee Review conducted by Watson & Associates Economists Limited and to seek Council's approval of the proposed Development Engineering Fees and Charges.

#### **Background - Analysis and Options**

The City of Vaughan is one of Canada's fastest growing cities. Vaughan's current population of 318,000 is expected to grow by over 30% in the next 15 years to over 416,000 by 2031, and

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### **EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 7, 2016**

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potentially upwards to 490,000 by 2041. According to the City's Official Plan 2010, approximately 50% of the planned growth over the next 15 years will be through urban intensification. As Vaughan grows, development is shifting from new communities in Greenfield areas to intensification in existing areas particularly along transit corridors.

#### **Continuous operational and efficiency reviews have positioned the Development Engineering and Infrastructure Department to respond to the planned shift in development forms envisioned in the City's Official Plan**

Since the adoption of Official Plan 2010, a number of operational reviews have taken place to position the Development Engineering and Infrastructure Department (DEIP) to meet the challenges associated with city building and changing development processes including:

- In 2012, financial monitoring of Development Engineering Revenue began to identify trending that may signal the need to review the fee structure.
- In 2014, a functional review the Public Works Commission was undertaken which resulted in the realignment of certain tasks to ensure that the function the DEIP Department was solely focused on development activities.
- In 2015, an exercise of mapping the development process was undertaken with the objective of documenting the land development process in Vaughan, identify gaps and challenges in current process and assess resource capacity, and recommend process improvements. The initial results of the mapping exercise revealed the need to leverage technology to improve application tracking for both internal and external stakeholders, to develop standard operating procedures to improve efficiency, and to undertake an organizational review including job description design.
- In late 2015, the DEIP Department was moved and aligned with Planning and Growth Management portfolio as a component of the Service Excellence strategy. This move is intended to realize operational efficiencies given the inherent synergy created by aligning DEIP Department with the planning and growth related departments in the City.
- An organizational review of the DEIP Department is currently underway. This review is expected to be completed by mid-2016.

#### **The rate and changing nature of development in the City (from Greenfield to Intensification) has necessitated a review of the Development Engineering and Infrastructure Planning fees and charges**

For over 30 years, a fee of 3.5% of the construction value for new municipal servicing infrastructure has been charged to cover the costs of the City providing development engineering and infrastructure planning services – infrastructure planning, engineering review and construction inspection/oversight of new residential and industrial subdivision developments. The current Engineering Fee, which is a one-time fee, is collected through provisions in the related subdivision, development or service agreements. This Development Engineering Fee must be sufficient to fund staff and overhead throughout the complete development process (Application to assumption), which has a typical timeframe of between 3 to 7 years.

The construction value of new Greenfield subdivision infrastructure and the corresponding revenue collected from fees is falling as the City evolves into a more urban form through intensification for which an engineering fee is currently not collected. In addition, it is apparent that there is greater work effort associated with review of intensification/infill development projects due to complexities of site plan development reviews.

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The time taken to review intensification and infill development applications has increased. Many intensification/infill site plan developments require additional engineering review, increased public consultation and multiple meetings with the applicant and agencies to address site specific development matters, such as servicing, access and traffic issues. The current fee structure was established based on a Greenfield development scenario and does not account for this additional staff effort. Accordingly, the current fee structure is no longer sustainable to cover the costs of the engineering review.

#### **Watson & Associates Economists Ltd. was retained by the City to carry out the Development Engineering fees and charges review**

Watson & Associates was retained by the City to complete a comprehensive review of the development related fees and charges, starting with the Development Engineering fee. The scope of the review had the following key objectives:

- Provide an evidence-based rationale that considers the processes involved in development engineering and infrastructure planning and level of staff effort
- Review current processes and capturing current overall staff effort involved in development review
- Consider new revenue opportunities and best practice fee-based funding model options
- Consider the impact of the recommended fee structure changes on the development industry
- Consider Vaughan's fees compared to other municipalities

The review was completed in February 2016 and recommended a new fees and charges structure for the development engineering services. A copy of the final Watson report is included as Attachment 1.

The key recommendations of the fee review include:

- An increase in the subdivision and development agreement fee from 3.5% to 7.5%
- An increase in "Greenfield" subdivision lot grading permit fee from \$156 to \$410
- New engineering fee for simple industrial/commercial/institutional (ICI) site plan applications (sites within a serviced subdivision) of \$4,000
- New engineering fee for complex site plan applications (intensification/infill) of:
  - \$4.20 per square metre of gross floor area of proposed ICI buildings
  - \$750 per unit for low density residential
  - \$420 per unit for high density residential

#### **Based on an industry scan, the proposed Development Engineering fees and charges is comparable with neighbouring municipal comparators.**

In an effort to ensure the recommended fees are in line with neighbouring municipalities, a fee comparison was undertaken. It is important to note that a comparison of this nature is quite complicated that is, to ensure all costs involved with full engineering review and inspection of a development, are being accounted. Consideration must be made for the following:

- A number of municipalities surveyed have multiple user type fees including but not limited to, fees for council approval, fees for agreement registration, fees for security reduction and fees for multiple subdivision inspections, to name a few. The City of Vaughan's development engineering and infrastructure planning fee has historically included all costs in one fee. The intent of this fee review was to continue this one-fee approach however the rise and complexity of specific site development requested services

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(namely, amending agreements, road closures, etc.) has sparked the need to isolate and separate these fees from the overall engineering review fee. This has resulted in a lower calculated overall fee and placed the appropriate costs in front of developments that bring forth increased complex matters.

- The current development growth phase of our neighbouring municipalities must also be considered. Some of the municipalities with lower fees may not have experienced the intensification and development growth currently being experienced at the City of Vaughan. In addition some of these municipalities may experience a shift in their development in the near future, which in turn will require a review of their fees to be more in line with actual costs to process intensification development applications.
- The cyclical nature of the development industry has resulted in some municipalities reviewing their fees on a yearly basis. This approach allows for better forecasts and calculated fees. The fees calculated for this report consider a yearly review of the Development Engineering and Infrastructure Planning fees similar to other user fees reviewed on a yearly basis.

The resulting industry scan accounted for actual overall development engineering review and inspection fees of several municipalities. The comparison was conducted through four categories each with the following assumptions - Plan of Subdivision with \$2 million infrastructure costs, Plan of Subdivision with \$5 million infrastructure costs, Plan of Subdivision with \$10 million infrastructure costs, and a complex Site Plan Development with \$500,000 infrastructure costs and \$1 million internal infrastructure.

The municipal scan revealed that the current 3.5% City of Vaughan development engineering services fee positions the City at the bottom of the comparison chart for all categories surveyed. The new proposed fees positions the City within the top six of all municipalities surveyed. Given the comparison, the recommended fees are in line with our neighbouring municipalities and as such validate the calculations and review completed by Watson and the City of Vaughan.

#### **The implementation of the new fee structure includes transitional measures following consultation with the land development industry**

The City held stakeholder consultation meeting with the land development industry on March 24, 2016 to present proposed fee structure as recommended by Watson. During the stakeholder consultation meeting, the attendees were provided an opportunity to ask questions on the study methodology and provide any comments on the proposed development engineering fee structure. Based on the comments received from the development industry, the following transitional measures were made and presented to the industry during the follow-up stakeholder meeting on April 19, 2016.

- Phased in fees for new subdivision/development/servicing agreements, site plan applications and lot grading applications completed after Council approval of this report and before end of 2016. The fees will be charged as per the Amended Fees Schedule as detailed on Attachment 2. This will result in lost revenue of \$0.5M.
- Phased in fees for payments received after 60 days of Council approval of this report for subdivision/development/servicing agreements that include a retroactive clause (agreements signed after April 1, 2015). The fees will be charged at 5.5% of the actual works. If the development industry takes advantage of this option, there will be lost revenue of \$1.2M.

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While these proposed transitional measures result in a slower rebound of the Development Engineering Reserve balance, they have been analyzed in the context of the long term reserve forecast and found to be financially viable.

In addition to the transitional measures, staff are recommending a cap on the proposed fee for larger site plan developments under the complex category. The cap is intended to account for the economies of scale associated with the engineering review of larger site plan applications. This cap will be reviewed on an annual basis. For 2016 and 2017, the cap will be based on:

- 50% reduction in the ICI fee for that portion of the building that is greater than 50,000 square metres
- 50% reduction in the per unit fee for the Residential singles/semis/towns units over 100 units
- 50% reduction in the per unit fee for Residential multiple units (high-rise, condo, etc.) over 350 units

The full list of the proposed Development Engineering fees and changes, including the transitional measures, is itemized on Attachment No. 2.

#### **Relationship to Term of Council Service Excellence Strategy Map (2014-2018)**

The review of the Development Engineering fees and charges supports the following Term of Council Service Excellence Strategy Map:

- Council Priority – Meet Council tax rate targets, and
- Service Excellence Strategic initiative – Sustainable Fiscal Framework.

#### **Regional Implications**

There are no Regional implications associated with this report.

#### **Conclusion**

In late 2015, the City retained Watson & Associates Economists Ltd., to undertake a comprehensive review of the full costs of development engineering and infrastructure planning function and to make fee structure recommendations to provide for reasonable full cost for the service. Based on this review, staff is recommending that various new and amended fees be adopted as presented in Attachment No. 2.

The recommended fee increases and new fees will ensure that the City can continue to provide development engineering and infrastructure planning services for land development without the need for tax support. In addition, the proposed fee structure will provide for a recovery of the Engineering Reserve to a level which will insulate City's financial resources from the cyclical nature of the land development.

#### **Attachments**

1. Watson & Associates Economists Ltd. – Report on Development Services Fee Structure Review – Development Engineering and Infrastructure Planning Services, dated May 6, 2016
2. Proposed amended Fees and Charges Schedule "K" of Bylaw No. 200-2015

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**Report prepared by:**

Andrew Pearce, Director, Development Engineering and Infrastructure Planning Ext. 8255  
Augusto R. Nalli, Manager, Development Engineering Ext. 8239

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)



BUILDING A GREATER GTA  
Building Industry and Land  
Development Association

C	3
COMMUNICATION	
FAA -	May 30/16
ITEM -	11

May 27, 2016

Mayor Maurizio Bevilacqua and members of Council  
City of Vaughan  
2141 Major Mackenzie Drive  
Vaughan, ON  
L6A 1T1

Dear Mayor and Council,

**RE: Engineering Fee Review – Development Engineering and Infrastructure Planning**

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On behalf of the members of the BILD engineering fee review working group, we would like to take this opportunity to thank the City of Vaughan staff for organizing stakeholder meetings to discuss the City's proposed engineering fee review, especially in advance of this item being heard at the May 30<sup>th</sup> City of Vaughan's Finance, Audit and Administration Committee.

We recognize that the City of Vaughan produced this review to collect fees associated to engineering work within the infrastructure planning, development review and construction timeframes. We appreciate that members of BILD's York Chapter received an early indication in 2015 that this review was underway and that forthcoming changes were to be expected.

Most recently, at our March 24<sup>th</sup> stakeholder meeting, BILD members made several preliminary recommendations to staff and we appreciated the opportunity to provide comments at this meeting. Further discussions were also held at our April 19<sup>th</sup> stakeholder meeting, where the City presented a revised fee schedule. While we maintain that any fee increases – challenge the affordability of new development, we do recognize that considerations have been made to address some of the preliminary comments of our members.

Again, we thank the City for their time and dedication to our members by providing consultation opportunities. We trust you will find our comments to be helpful and we look forward to future meetings with you on mutual matters of interest. If you have any questions or concerns, please feel free to contact the undersigned.

Sincerely,

Danielle Chin MCIP RPP  
Senior Manager, Policy & Government Relations

CC: Andrew Pearce, Director of Development Engineering and Infrastructure Planning  
Augusto R. Nalli, P.Eng., Manager of Development Engineering, City of Vaughan  
Michael Pozzebon, BILD York Chapter Chair  
York Chapter members

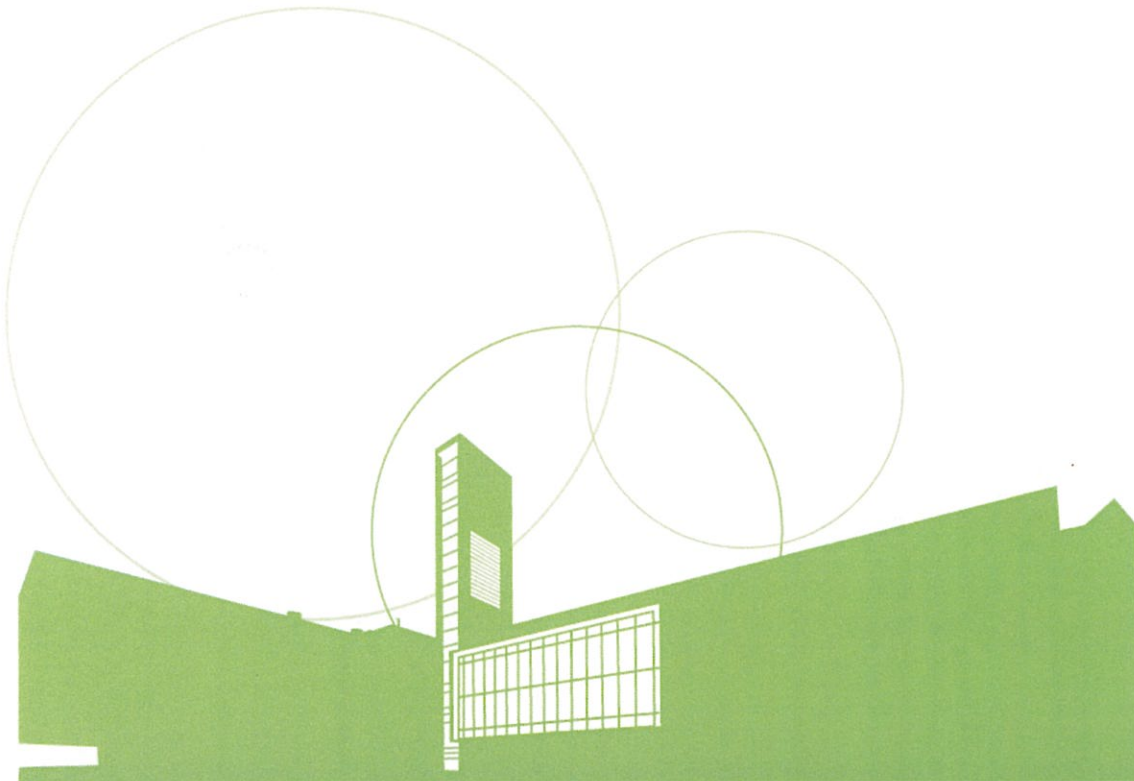


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COMMUNICATION	
FAA -	May 30/16
ITEM -	11

# Development Engineering Fees and Charges Review

Finance, Administration and Audit Committee  
May 30, 2016

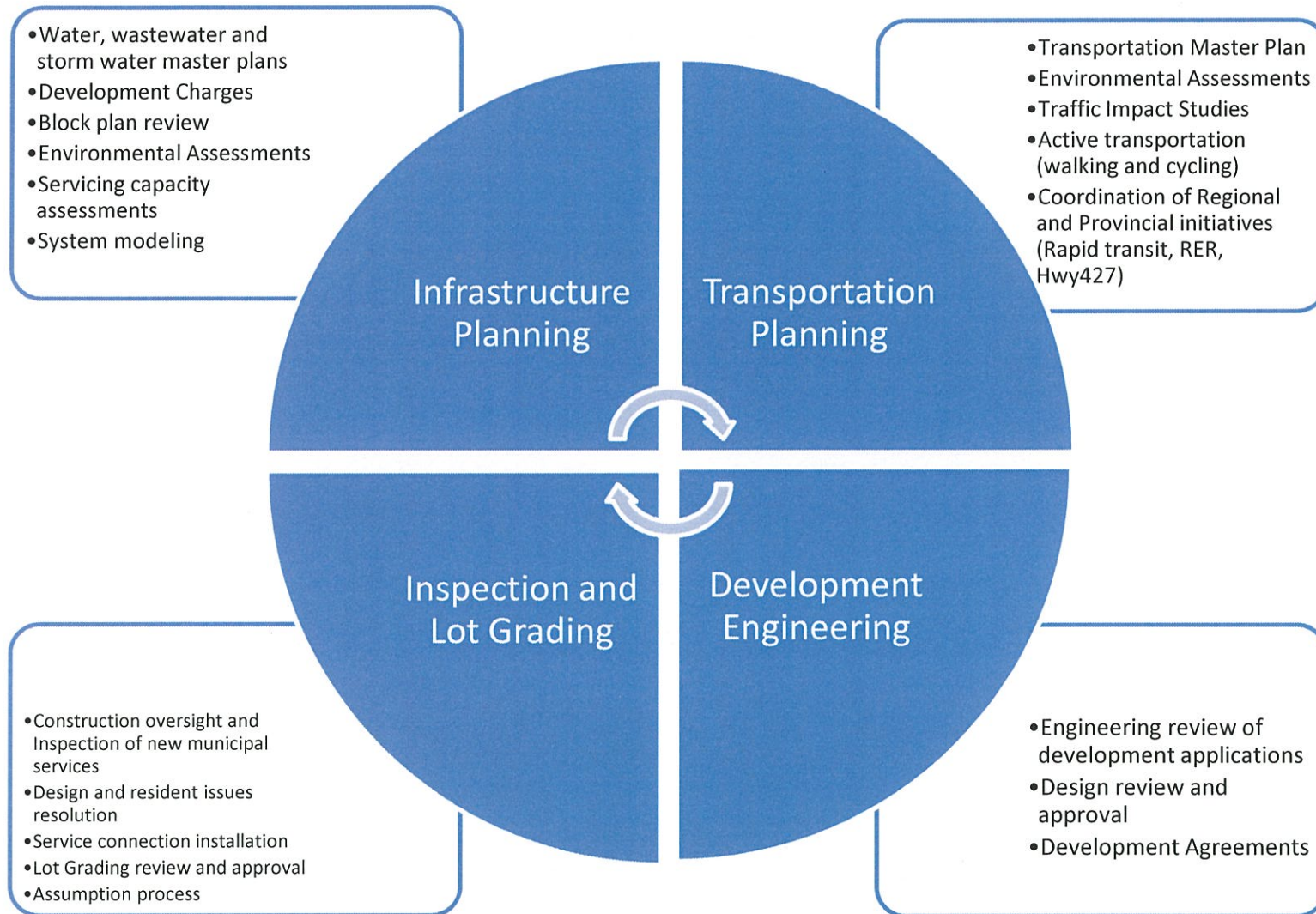
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# Presentation Overview

- **Services provided by the Development Engineering & Infrastructure Planning Department**
- **Why undertake a review of the Development Engineering Fee now?**
- **Fee Review methodology**
- **Proposed Fees and Charges**
- **Municipal Comparisons**
- **Questions and Answers**

# Services provided by the Development Engineering & Infrastructure Planning Department

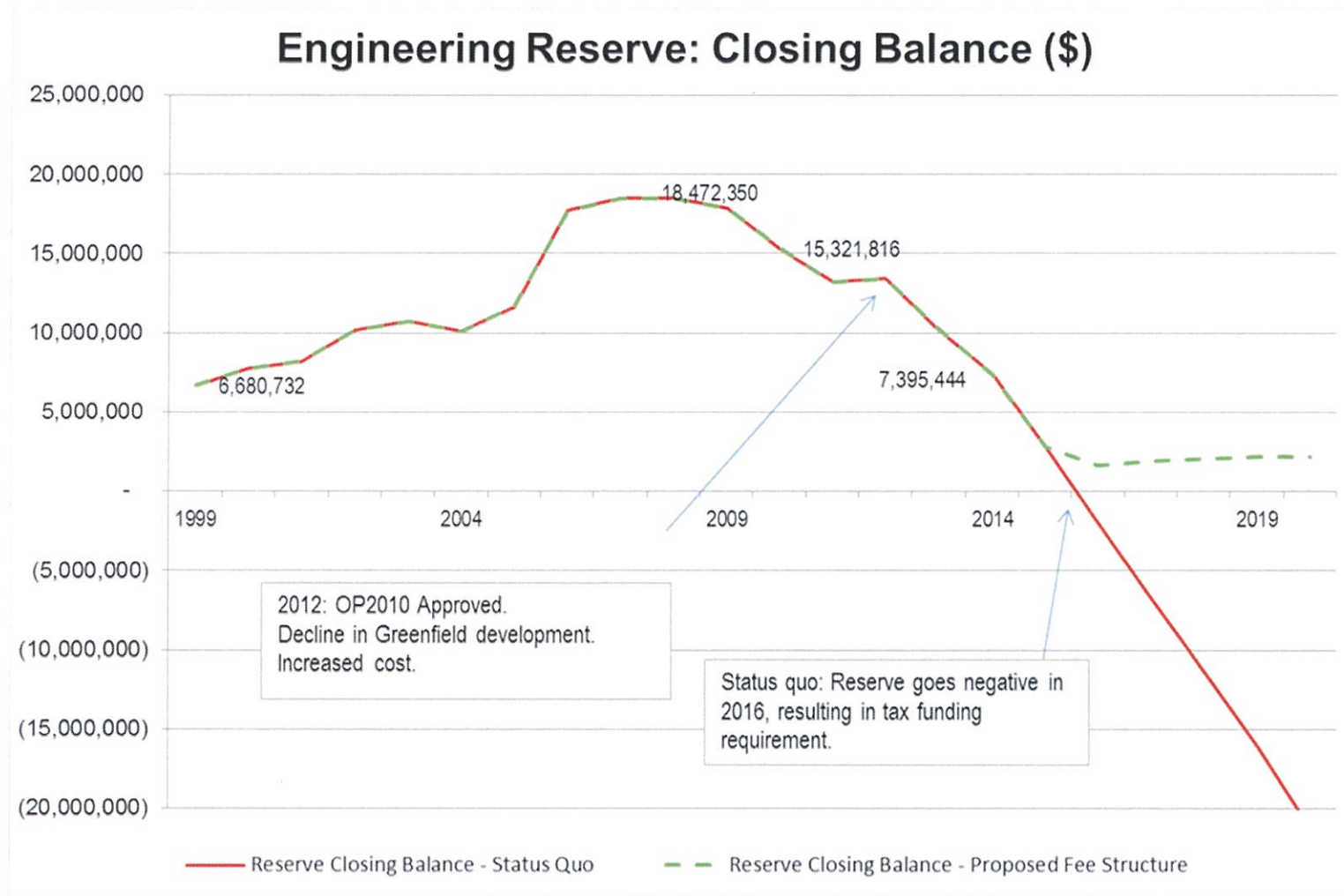




# Why undertaking a review of the Development Engineering fee now?

- Current Engineering Fee structure and the 3.5% fee rate based on “Green Field” growth and hasn’t been reviewed in over 30 years.
- City Official Plan 2010 prescribes a ratio of approximately 50/50 of “Greenfield” and “Intensification” development over the next 15 years, which will result in the loss of 50% Engineering Fee revenue based on the current fee structure.
- Site Plan intensification projects are more complex (engineering and process) demanding more work effort. Currently, there is no Engineering Fee for site plan review.
- The Engineering Fee revenue has been declining since 2012, which has had an impact on the Engineering Reserve balance.
- Ensure maximum City tax rate increase of 3.0% is not impacted by the declining Engineering Reserve balance.

# Declining Engineering Fee Reserve



## **Watson & Associates retained to undertake fee development review**

- City retained Watson and Associates Economists Ltd. in late 2015 to undertake a phased review of the City's Development Fees
  - Phase 1 – Review DEIP Engineering Fees (Finalize Mar 2016)
- Uses activity based costing methodology (work effort required to deliver a service)
- Considers direct and indirect costs associated with the delivery of Development Engineering services
- Objective of full cost recovery for the service
- Consultation with land development industry (Oct 5/15, Mar 24/16 and Apr 19/16)





# Revised existing Development Engineering Fees

<b>AMENDED FEE</b>	<b>Current</b>	<b>Phased in 2016</b>	<b>2017</b>
*Fees or charges under a Subdivision, Development and/or Servicing Agreement	3.50%	Greater of 6.5% of cost of works or \$10,000	Greater of 7.5% of cost of works or \$10,000
*Lot Grading New Plans & Subdivision (phase-in approx 13% less in 2016)	\$156.00	\$350.00	\$410.00
*Requests by Developers to phase assumption of services other than as provided in original Subdivision or Servicing Agreements	\$2,999.00	\$5,000.00	\$5,100.00
*Complex Encroachment Agreement (shoring, tie-backs and hoarding)	\$5,000.00	\$5,000.00	\$5,100.00
Retroactive Fee (5.5% if paid within 30 days written notice)	n/a	6.5%	7.5%

\*Note: Per unit fees to be indexed annually

Proposed phased in fee for subdivision, site plan and lot grading fees including fees for agreements with the retroactive clause are proposed for the balance of 2016.

# Proposed New Development Engineering Fees

NEW FEE	2016 (Phased in Fee)	2017
*Agreement Amendment:		
Complex	\$10,000.00	\$10,200.00
Minor	\$5,000.00	\$5,100.00
Administrative	\$2,000.00	\$2,040.00
*Pre-Development Service Agreement	\$5,000.00	\$5,100.00
*Road Closure (plus actual costs for public consultation expenses)	\$5,000.00	\$5,100.00
*Site Plan (minor ICI and minor residential - per application)	\$4,000.00	\$4,080.00
**Site Plan Complex (phase-in, approx 13% less in 2016):		
ICI - per sq.mt. of GFA	\$3.65	\$4.20
Residential, Singles, Semis and Towns per unit	\$650.00	\$750.00
Residential - Multiple Units (eg. Apartment, Condo) per unit	\$365.00	\$420.00

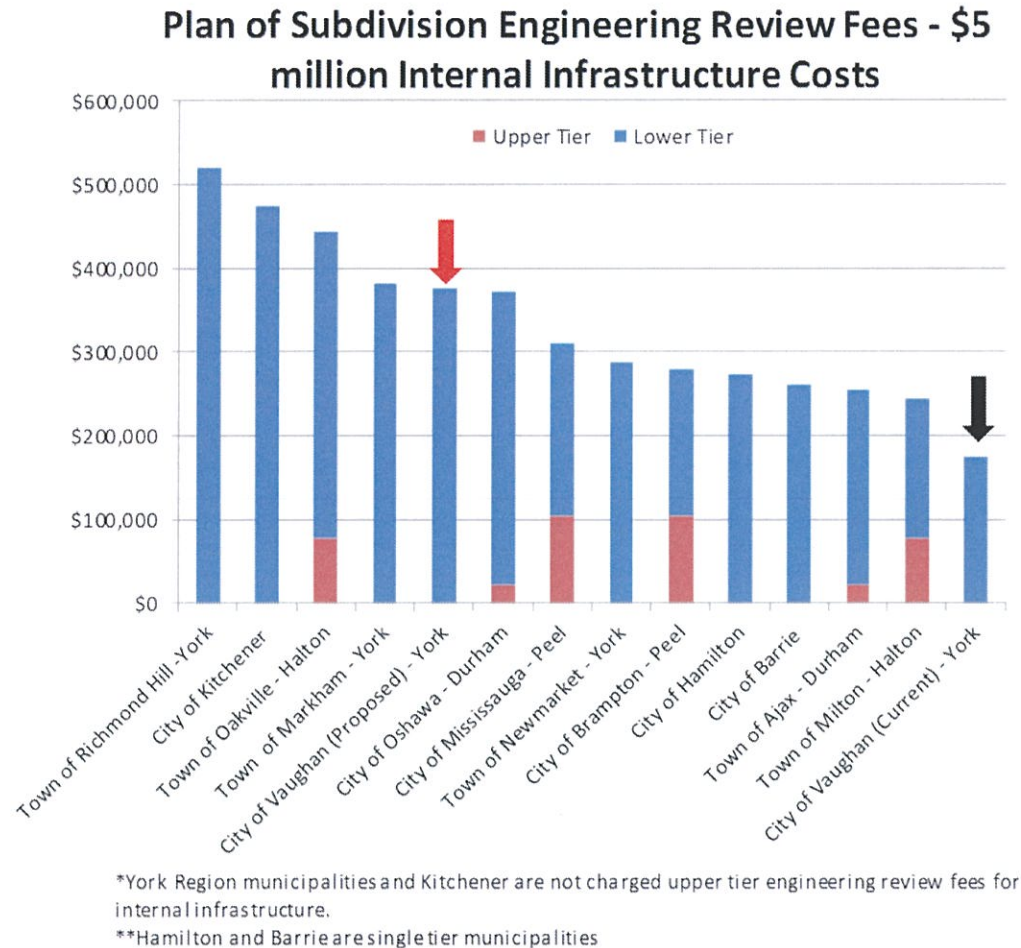
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\*\* Hybrid Cap - 100% fee for ICI up to 50,000 sq.m. with 50% reduction in fee for 50,001 sq.m. and over



# How do the proposed Development Engineering Fees compare?

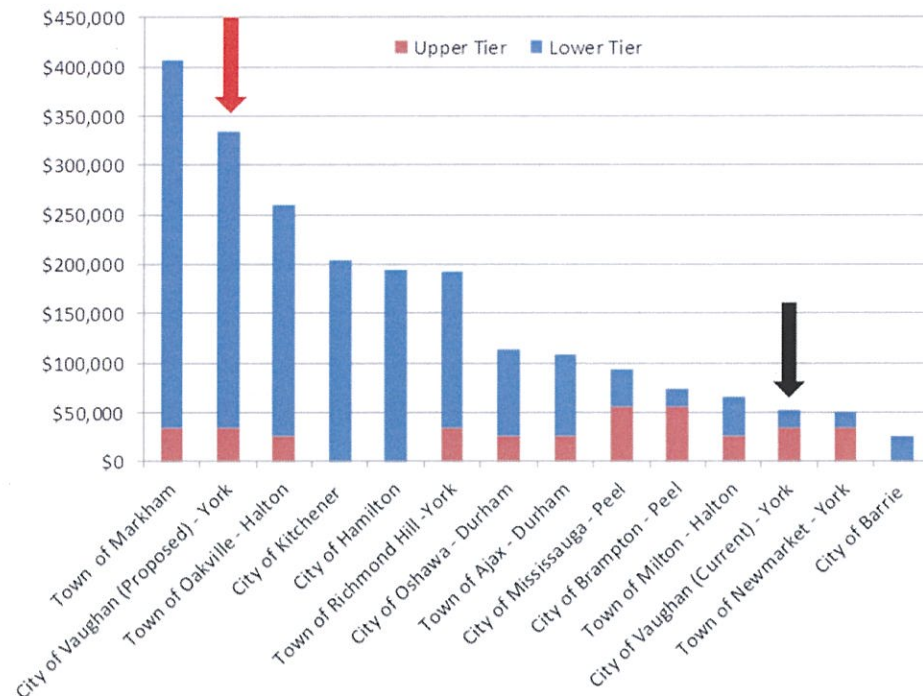
- Comparison of 7.5% Development Engineering fee
- Vaughan fee compared to neighbouring municipalities for a greenfield subdivision



# How do the proposed Development Engineering Fees compare?

- Comparison of 7.5% fee and \$420/unit new unit fees
- Vaughan Engineering fee compared to neighbouring municipalities for a complex site development

(Complex) Site Plan Engineering Review Fees  
\$500,000 External and \$1 million Internal Infrastructure Costs



\*Average application assumes 1 hectare of development and 635 units

\*\*Kitchener is not charged upper tier engineering review.

\*\*\*Hamilton and Barrie are single tier municipalities

# Questions?



**FEES AND CHARGES REVIEW**  
**DEVELOPMENT ENGINEERING & INFRASTRUCTURE PLANNING DEPARTMENT**  
**CITY-WIDE****Recommendation**

The Deputy City Manager of Planning & Growth Management, the Chief Financial Officer & City Treasurer, the Director, Development Engineering and Infrastructure Planning and the Director, Financial Planning and Development Finance, Deputy City Treasurer recommend:

1. That the necessary by-law be enacted amending Schedule “K” of the Fees and Charges Bylaw No. 200-2015 to implement the new Development Engineering Fee as detailed on Attachment 2 to this report; and
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**Contribution to Sustainability**

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- An increase in "Greenfield" subdivision lot grading permit fee from \$156 to \$410
- New engineering fee for simple industrial/commercial/institutional (ICI) site plan applications (sites within a serviced subdivision) of \$4,000
- New engineering fee for complex site plan applications (intensification/infill) of:
  - \$4.20 per square metre of gross floor area of proposed ICI buildings
  - \$750 per unit for low density residential
  - \$420 per unit for high density residential

**Based on an industry scan, the proposed Development Engineering fees and charges is comparable with neighbouring municipal comparators.**

In an effort to ensure the recommended fees are in line with neighbouring municipalities, a fee comparison was undertaken. It is important to note that a comparison of this nature is quite complicated that is, to ensure all costs involved with full engineering review and inspection of a development, are being accounted. Consideration must be made for the following:

- A number of municipalities surveyed have multiple user type fees including but not limited to, fees for council approval, fees for agreement registration, fees for security reduction and fees for multiple subdivision inspections, to name a few. The City of Vaughan's development engineering and infrastructure planning fee has historically included all costs in one fee. The intent of this fee review was to continue this one-fee approach however the rise and complexity of specific site development requested services (namely, amending agreements, road closures, etc.) has sparked the need to isolate and separate these fees from the overall engineering review fee. This has resulted in a lower calculated overall fee and placed the appropriate costs in front of developments that bring forth increased complex matters.
- The current development growth phase of our neighbouring municipalities must also be considered. Some of the municipalities with lower fees may not have experienced the intensification and development growth currently being experienced at the City of Vaughan. In addition some of these municipalities may experience a shift in their development in the near future, which in turn will require a review of their fees to be more in line with actual costs to process intensification development applications.
- The cyclical nature of the development industry has resulted in some municipalities reviewing their fees on a yearly basis. This approach allows for better forecasts and calculated fees. The fees calculated for this report consider a yearly review of the Development Engineering and Infrastructure Planning fees similar to other user fees reviewed on a yearly basis.

The resulting industry scan accounted for actual overall development engineering review and inspection fees of several municipalities. The comparison was conducted through four categories each with the following assumptions - Plan of Subdivision with \$2 million infrastructure costs, Plan of Subdivision with \$5 million infrastructure costs, Plan of Subdivision with \$10 million



infrastructure costs, and a complex Site Plan Development with \$500,000 infrastructure costs and \$1 million internal infrastructure.

The municipal scan revealed that the current 3.5% City of Vaughan development engineering services fee positions the City at the bottom of the comparison chart for all categories surveyed. The new proposed fees positions the City within the top six of all municipalities surveyed. Given the comparison, the recommended fees are in line with our neighbouring municipalities and as such validate the calculations and review completed by Watson and the City of Vaughan.

**The implementation of the new fee structure includes transitional measures following consultation with the land development industry**

The City held stakeholder consultation meeting with the land development industry on March 24, 2016 to present proposed fee structure as recommended by Watson. During the stakeholder consultation meeting, the attendees were provided an opportunity to ask questions on the study methodology and provide any comments on the proposed development engineering fee structure. Based on the comments received from the development industry, the following transitional measures were made and presented to the industry during the follow-up stakeholder meeting on April 19, 2016.

- Phased in fees for new subdivision/development/servicing agreements, site plan applications and lot grading applications completed after Council approval of this report and before end of 2016. The fees will be charged as per the Amended Fees Schedule as detailed on Attachment 2. This will result in lost revenue of \$0.5M.
- Phased in fees for payments received after 60 days of Council approval of this report for subdivision/development/servicing agreements that include a retroactive clause (agreements signed after April 1, 2015). The fees will be charged at 5.5% of the actual works. If the development industry takes advantage of this option, there will be lost revenue of \$1.2M.

While these proposed transitional measures result in a slower rebound of the Development Engineering Reserve balance, they have been analyzed in the context of the long term reserve forecast and found to be financially viable.

In addition to the transitional measures, staff are recommending a cap on the proposed fee for larger site plan developments under the complex category. The cap is intended to account for the economies of scale associated with the engineering review of larger site plan applications. This cap will be reviewed on an annual basis. For 2016 and 2017, the cap will be based on:

- 50% reduction in the ICI fee for that portion of the building that is greater than 50,000 square metres
- 50% reduction in the per unit fee for the Residential singles/semis/towns units over 100 units
- 50% reduction in the per unit fee for Residential multiple units (high-rise, condo, etc.) over 350 units

The full list of the proposed Development Engineering fees and changes, including the transitional measures, is itemized on Attachment No. 2.

**Relationship to Term of Council Service Excellence Strategy Map (2014-2018)**

The review of the Development Engineering fees and charges supports the following Term of Council Service Excellence Strategy Map:

- Council Priority – Meet Council tax rate targets, and
- Service Excellence Strategic initiative – Sustainable Fiscal Framework.



### **Regional Implications**

There are no Regional implications associated with this report.

### **Conclusion**

In late 2015, the City retained Watson & Associates Economists Ltd., to undertake a comprehensive review of the full costs of development engineering and infrastructure planning function and to make fee structure recommendations to provide for reasonable full cost for the service. Based on this review, staff is recommending that various new and amended fees be adopted as presented in Attachment No. 2.

The recommended fee increases and new fees will ensure that the City can continue to provide development engineering and infrastructure planning services for land development without the need for tax support. In addition, the proposed fee structure will provide for a recovery of the Engineering Reserve to a level which will insulate City's financial resources from the cyclical nature of the land development.

### **Attachments**

1. Watson & Associates Economists Ltd. – Report on Development Services Fee Structure Review – Development Engineering and Infrastructure Planning Services, dated May 6, 2016
2. Proposed amended Fees and Charges Schedule “K” of Bylaw No. 200-2015

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# **City of Vaughan Development Services Fee Structure Review**

## **Development Engineering and Infrastructure Planning Services**

May 9, 2016



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 **Planning for growth**

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# 1. Introduction

## 1.1 Introduction

Municipalities have periodically undertaken to update their development fees in order to address changes in development cycles, application characteristics and cost-recovery levels with the intent of continuing to improve fee structures so that they more accurately reflect processing efforts. The City of Vaughan (City) is experiencing changing development characteristics, including falling construction values of new infrastructure, a shift to more mid and high density development, and recently increased service levels and regulatory requirements under the Ontario *Building Code Act*. These changing characteristics have contributed to an increase in the level of complexity of development applications.

The City retained Watson & Associates Economists Ltd. (Watson) in 2015 to undertake a review of the full costs of processing development applications and to make fee structure recommendations to provide for reasonable full cost recovery. The scope of the fees review encompasses the full development application processing service channel, including development engineering and infrastructure planning, planning applications, building permits and inspection services.

Our proposed methodology for this assignment is to develop an activity based costing (ABC) model to quantify the full costs of service. An activity based costing methodology, as it pertains to municipal governments, assigns an organization's resource costs through activities to the services provided to the public. An ABC approach better identifies the costs associated with the processing activities for specific application types and thus is an ideal method for determining full cost development application processing user fees. As such the fee structure recommendations are based on a full cost recovery assessment.

The work plan streams the development fees review into three separate phases, with the first phase consisting of a review of the development engineering and infrastructure planning fees, followed subsequently by the review of planning application fees (Phase 2) and building permits and inspection fees (Phase 3). Each phase of the fee review work plan engages the development industry representatives and Vaughan City Council. The final report for each phase includes a description of the legislative context, fee calculation methodology, full cost recovery assessment and fee structure and a comparative assessment of its relative competitiveness with peer municipalities.

This report addresses the findings and recommendations of the Phase 1 review of the City's development engineering and infrastructure planning fees.

## 1.2 Process Undertaken

The following table summarizes the development engineering and infrastructure planning fee review process along with the proposed timeline to achieve completion of this phase of the project.

### City of Vaughan Development Engineering and Infrastructure Planning Fees Review

Process Step	Date
Project Initiation	August 2015
Application Costing Category Identification	September 2015
Processing Efforts Estimates and Capacity Utilization	October – December 2015
Activity Based Costing Model Development	October 2015 – January 2016
Introduction Forum with Development Industry	October 5, 2015
Preliminary Findings Review with City Staff	November 2015
Draft Report	January 2016
Presentation of Draft Report Findings to City Senior Management Team and Development Industry Representatives	January 2016
Preliminary Results Presentation to Development Industry	March 24, 2016
Final Report	May 6, 2016
Presentation to City Finance, Administration and Audit Committee	May 30, 2016

## 1.3 Legislative Context

Development fees are governed by multiple statutes, each with specific requirements. The City's statutory authority for imposing planning application fees is provided under Section 69 of the *Planning Act*. Building permit fees are governed by the provisions of Section 7 under the *Ontario Building Code Act*. For municipal services where specific statutory authority is not provided, municipalities have the ability to impose fees and charges under Part XII (s. 391) of the *Municipal Act*. For development engineering and infrastructure planning fees, the following subsection summarizes the provisions of the statute as it pertains to these user fees.

### 1.3.1 *Municipal Act, 2001*

Part XII of the *Municipal Act* provides municipalities with broad powers to impose fees and charges via the passage of a by-law. These powers, as presented in s.391 (1), include imposing fees or charges for:

- services or activities provided or done by or on behalf of the municipality;
- costs payable by the municipality 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 control of the municipality.

Fees and charges permissible under the authority of the *Municipal Act* would include municipal engineering review and inspection fees. In contrast to cost justification requirements under other legislation such as the *Planning Act*, the *Municipal Act* does not impose explicit requirements for cost justification when establishing fees for municipal services. However, in setting fees and charges for these services, municipalities should have regard for legal precedents and the appropriateness of fees and charges. While the Act does not explicitly provide for appeal to the Ontario Municipal Board, fees and charges may be appealed to the courts if municipalities are acting outside of their statutory authority. Furthermore, no public process or mandatory term for fees and charges by-laws is required under the Act. There is, however, a requirement that municipal procedural by-laws provide for transparency with respect to the imposition of fees and charges.

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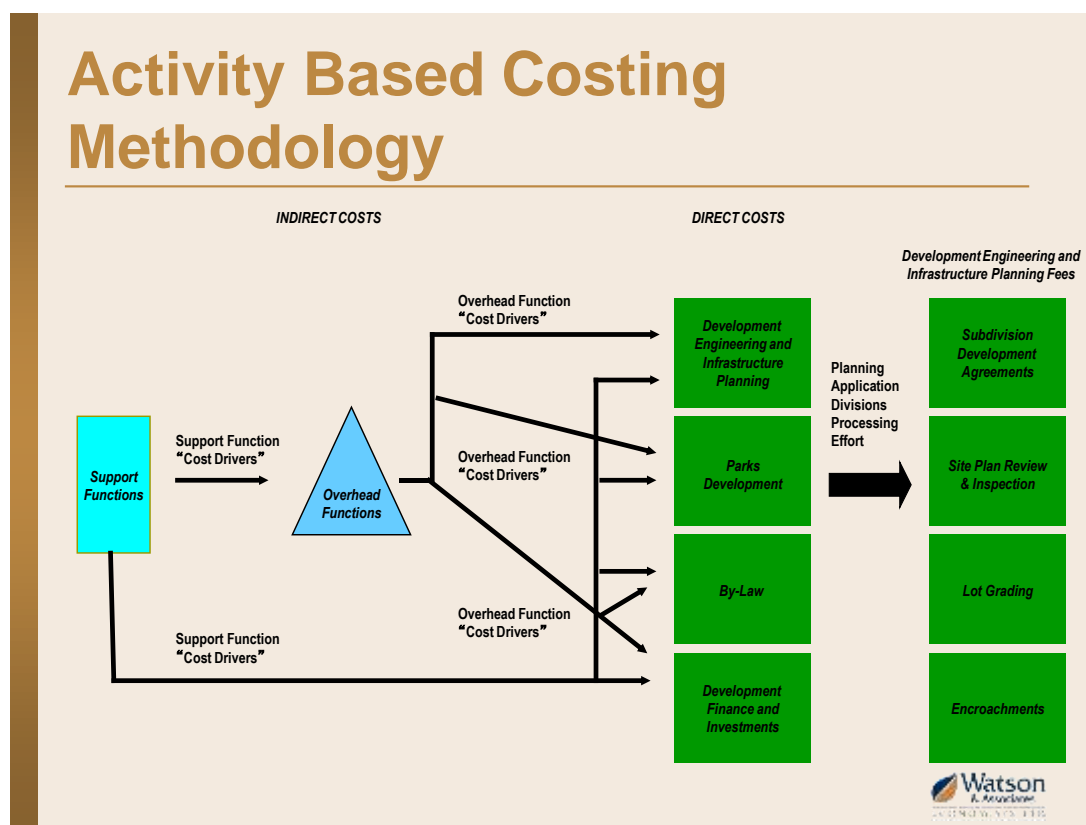
## **2. Activity Based Costing Methodology and Findings**

### **2.1 Activity Based Costing Methodology**

An activity based costing (ABC) methodology, as it pertains to municipal governments, assigns an organization's resource costs to the services provided to the public through the underlying activities required to deliver the service. One of the service channels provided by municipalities is the development application review process. Conventional municipal accounting structures are typically not well suited to the costing challenges associated with development processing activities; as these accounting structures are business unit focussed and thereby inadequate for fully costing services with involvement from multiple City departments. An ABC approach better identifies the costs associated with the processing activities for specific application types and thus is an ideal method for determining full cost recovery development fees.

As illustrated in Figure 2-1, an ABC methodology attributes processing effort and associated costs from all participating City departments to the appropriate development fee service categories. The resource costs attributed to processing activities and application categories include direct operating costs, indirect support and corporate overhead costs, and capital costs. Indirect support function and corporate overhead costs are allocated to direct departments according to operational cost drivers (e.g. information technology costs allocated based on the relative share of departmental personal computers supported). Once support costs have been allocated amongst direct departments, the accumulated costs (i.e. indirect, direct and capital costs) are then distributed across the various development engineering and infrastructure planning costing categories based on the department's direct involvement in development application processing activities. The assessment of each business unit's direct involvement in development application processing activities is accomplished by tracking the relative shares of staff processing effort across each permit costing category's sequence of process steps. The results of employing this costing methodology provides municipalities with a better recognition of the costs utilized in delivering development processing activities, as it acknowledges not only the direct costs of resources deployed but also the operating and capital support required by those resources to provide services.

**Figure 2-1**  
**Activity Based Costing Methodology Cost Flow Diagram**



## 2.2 Application Category Definition

A critical component of the full cost recovery fees review is the selection of development application costing categories. This is an important first step as the process design, effort estimation and subsequent costing are based on these categorization decisions. As the cost justification requirement provisions of the *Municipal Act* are fairly broad, the City has the ability to define fee categorization for development engineering and infrastructure planning fees based on service characteristics.

The fee categorization process occurred at the outset of the assignment and was initiated by working sessions with City staff. These working sessions, attended by senior staff members of the Development Engineering and Infrastructure Planning (DEIP) department, resulted in the establishment of the fee design parameters and identification of the development engineering services not currently being recovered for under the existing fee schedule. The level of disaggregation identified in these sessions reflects the evolution of the costing methodology to exceed the statutory requirements and the need to better understand the factors influencing processing effort.



Table 2-1 summarizes the development engineering and infrastructure planning fee costing categories that are included in the activity based costing model, and later used in Chapter 4 to rationalize changes to the City's fee schedule.

**Table 2-1**  
**Development Engineering and Infrastructure Planning**  
**Application Types and Costing Categories**

<b>DEIP Application Types</b>	<b>Costing Categories</b>
Subdivision / Development / Service Agreement	Subdivision
Site Plan	Site Plan – Complex
	Site Plan
Amendment (Subdivision, Development and Service Agreements)	
Pre-Development Service Agreement	
Pool Enclosures	
Encroachment Agreements	
Lot Grading	Lot Grading – Infill/Additions
	Lot Grading - Subdivision

The following explains the rationale for the development engineering and infrastructure planning costing categorization decisions:

- The process of approving subdivision applications was included to reflect the effort involved in processing subdivision, development and service agreements.
- Site plan applications were defined in two categories. Complex site plans are defined as those requiring an agreement and circulations to other City departments. Site plan applications not deemed to be complex require review by DEIP to assess impacts to municipal infrastructure but do not require an agreement
- The process of approving amendments to subdivision, development and service agreements was also included in the costing categories as this process is currently been performed without an associated fee to recover the costs.
- Pre-development service agreements were identified to reflect service requests sought by the development community. This process was included in the costing categories to give the City the option of implementing a fee for these services when provided.

## **2.3 Application Processing Effort Allocation**

To capture each participating City staff member's relative level of effort in development application processes, process templates were prepared for each of the above referenced costing categories. The process templates were generated using the process maps that had been developed by the City for the development agreement process. This template was used as a base and altered to the specific process criteria for each of the costing categories. The templates outlined the typical process steps undertaken for each application category, such as, application review of technical drawings, internal circulations, inspections and clearances. Multiple rounds of review were held with City staff to define the scope and nature of the involvement from various DEIP divisions and other City departments.

DEIP department involvement in processing planning applications and building permits were also considered as part of this effort estimation process to ensure that the level of service being provided for development engineering and infrastructure planning applications was reasonable in light of other resource commitments within the organization.

The effort estimates received were applied against historic average application volumes for the period from 2012 to 2014. This enabled an assessment of the average annual processing time per position spent on development applications in aggregate and by the specific development engineering and infrastructure planning costing categories. Annual processing effort per staff position was compared with available processing capacity to determine overall service levels and resource utilization.

The initial capacity utilization results for DEIP and external department staff were reviewed with the City staff to ensure that effort estimates reflected current resource utilization levels. These discussions also resulted in the recognition of effort spent on infrastructure planning activities by the DEIP department for inclusion in the development engineering and infrastructure planning fees. The overall departmental fee recovery levels underlying the calculations herein are detailed in Chapter 3 of this report.

## **2.4 Direct Cost Departments**

City departments with direct involvement in processing development engineering and infrastructure planning applications are summarized in Table 2-2. Based on the results of the resource capacity analysis summarized above, the proportionate share of each individual's direct cost is allocated to the respective development application fee

categories. The direct costs included in the activity based costing model have been extracted from the City's "2016-2019 Budget DAP Model" provided by City Finance. These direct costs include service costs included in annual operating budgets, such as salaries, wages and benefits, materials and supplies, etc.

**Table 2-2**  
**City Departments Directly Participating in the**  
**Development Engineering and Infrastructure Planning Review Process**

Commissioner – Planning and Growth Management	Office of the Deputy City Manager - Public Works
Development Engineering and Infrastructure Planning (DEIP)	City Clerk
Financial Planning and Development Finance	Building Standards
Development Planning	Fire and Rescue Services
Environmental Services	Real Estate
City Solicitor	Infrastructure Delivery
By-law and Compliance	Policy Planning and Environmental Sustainability
Parks Development	

## 2.5 Indirect Cost Functions and Cost Drivers

An activity based costing review includes indirect support costs that allow direct service departments to perform development review functions. The methodology employed within the costing model follows the indirect cost allocation methodology that is currently employed by the City.

The method of allocation employed in this analysis is referred to as a step costing approach. This approach separates support functions and general corporate overhead functions from direct service delivery departments. These indirect support functions are subsequently allocated to direct service delivery departments based on a set of cost drivers germane to the support services provided. Once nested within direct service

delivery department budgets, these cost are subsequently allocated to development review costing categories according to staff resource utilization levels.

Cost drivers are a unit of service that best represent the consumption patterns of indirect and corporate services by direct service delivery business units. As such, the relative share of a cost driver (units of service consumed) for a direct department determines the relative share of support/corporate overhead costs attributed to that department. An example of a cost driver commonly used to allocate information technology support costs would be a business unit's share of supported desktops/laptops. Cost drivers are used for allocation purposes acknowledging that these business units do not typically participate directly in the service delivery activities to constituents, but that their efforts facilitate these services being provided.

This review has employed the indirect cost allocations from the City's "2016-2019 Budget DAP Model". The step costing approach and indirect support cost drivers used in the City's model reflects accepted practices within the municipal sector and are comparable with the Ontario Municipal Benchmarking Initiative (OMBI) for reporting requirements.

## 3. Development Engineering and Infrastructure Planning Fees

### 3.1 Staff Resource Utilization

The development engineering and infrastructure planning processes considered within this assessment involves, to varying degrees of utilization, 166 direct staff positions annually. These staff resources are contained within multiple City departments as described in Chapter 2. The development review processing effort estimates in this report reflect the City's current business processes, historic application volume trends, and staffing allocation patterns currently in place across City departments.

Table 3-1 summarizes staff capacity utilization for all DEIP department staff across all development processing activities, i.e. development engineering and infrastructure planning, planning applications and building permits and inspections. For all other direct departments (i.e. non-DEIP departments), the table provides the staff utilization levels for development engineering and infrastructure planning processes only. The department/division level results presented in Table 3-1 represent the staff resource utilization as a percentage of the entire department/division staff capacity. These figures are used to allocate individual staff position salary wages and benefits to the various development fee costing categories, as well as the other departmental direct costs (e.g. materials and supplies), indirect support and general overhead costs, and capital costs.

The focus of this report is the development engineering and infrastructure planning fees, as such the DEIP department involvement in planning applications and building permits and inspections will be incorporated into those subsequent fee reviews. The following observations are provided based on the results of the capacity analysis.

- Total staff complement within the DEIP department is 47. These staff resources are fully utilized throughout the development processing and infrastructure planning processes. The following summarizes the allocation of these staff resources to the various processes:
  - DEIP Applications – 56% of annual staff resources
  - Infrastructure Planning – 20% of annual staff resources
  - Planning Applications – 14% of annual staff resources
  - Committee of Adjustment Applications – 5% of annual staff resources
  - Building Permits and Inspections – 5% of annual staff resources

- Infrastructure Planning activities are included in the costing of the development engineering and infrastructure planning fees contained herein. This is in recognition of the activities relating to development activities (e.g. resources allocated to the Vaughan Metropolitan Centre) and the available source of cost recovery.
- The Transportation Planning Division and Engineering Planning and Studies Division have the most significant involvement in Infrastructure Planning, with staff utilization at 48% and 38% respectively on these activities.
- Subdivision development agreements account for the largest share of DEIP department staff resources. In total, 35% of the department's staff resource capacity is consumed on activities related to processing subdivision development agreement applications.
- The Development Inspection and Lot Grading Division of the DEIP department spend the most time on subdivision applications, with 13 staff members contributing 58% of their annual resources to these activities.
- City departments from outside the DEIP department are primarily involved in activities requiring circulation related to subdivision development agreements, complex site plans, development agreement amendments and pre-servicing agreements. In total approximately 9% of the 117 staff members in these various external departments are allocated to development engineering and infrastructure planning related activities.

**Table 3-1**  
**Annual Staff Capacity Utilization on Development Processes**

CAPACITY UTILIZATION SUMMARY	Staff Complement	Infrastructure Planning	Planning Capacity	COA Capacity	DEIP Capacity	Building Capacity	Total Capacity
Office of the Deputy City Manager - Planning and Growth Management Portfolio	2		0.34%		11.66%		12.00%
<b>D.E.I.P.</b>							
DIRECTOR, DEIP	9	32.22%	11.61%	2.84%	48.21%	5.11%	100.00%
Development Review Division	10		22.58%	10.87%	62.85%	3.70%	100.00%
Engineering Planning and Studies Division	8	37.50%	22.96%	5.68%	30.22%	3.65%	100.00%
Transportation Planning Division	7	47.86%	22.21%	5.39%	21.56%	2.98%	100.00%
Development Inspection and Lot Grading Division	13		0.56%		90.80%	8.64%	100.00%
<b>Total (DEIP)</b>	<b>47</b>	<b>19.68%</b>	<b>14.40%</b>	<b>4.63%</b>	<b>56.07%</b>	<b>5.22%</b>	<b>100.00%</b>
Clerks Department	1				11.22%		11.22%
Development Finance and Investments Department	4				27.89%		27.89%
Building Standards Department	21				3.74%		3.74%
Development Planning Department	7				6.81%		6.81%
Fire Department	3				5.33%		5.33%
Public Works Department	1				51.39%		51.39%
Real Estate Department	3				10.00%		10.00%
Parks Development Department	6				20.33%		20.33%
Legal Department	7				11.67%		11.67%
Infrastructure Delivery	12				19.00%		19.00%
By-Law Department	44				5.60%		5.60%
Policy Planning Department	8				3.06%		3.06%
<b>Other Departments</b>	<b>117</b>				<b>8.53%</b>		<b>8.53%</b>

### 3.2 Annual Costs of Development Engineering and Infrastructure Planning

Table 3-2 summarizes the City's annual costs of providing development engineering and infrastructure planning services (\$7.1 million). Annual costs of providing development engineering activities totals \$5.5 million. The majority of these costs are direct annual processing costs at \$4.4 million or 81% of total costs. These costs are derived from the capacity analysis generated based on the processing estimates for each application type and includes employment costs (e.g. salary, wages and benefits) as well as other direct costs (e.g. materials, supplies, etc.). Indirect costs of support and general overhead account for \$1.1 million annually or 19% of annual costs. As noted in Section 3.1, DEIP department costs related to infrastructure planning activities have also been allocated to the development fees. In total the infrastructure planning

activities of the department add approximately \$1.6 million or 29% to the total annual costs of processing.

**Table 3-2 (2015\$)**  
**Annual Costs of Development Engineering  
 and Infrastructure Planning Activities**

	TOTAL ANNUAL DEIP FEE COSTS
Direct Costs (SWB)	4,204,171
Direct Costs (Non-SWB)	242,039
Total Direct Costs	4,446,209
Indirect Costs	1,060,643
<b>Total (Direct &amp; Indirect Costs)</b>	<b>5,506,853</b>
Infrastructure Planning Costs	1,569,914
<b>Total Costs</b>	<b>7,076,766</b>

### **3.3 Annual Costs of Development Engineering and Infrastructure Planning by Costing Category**

Table 3-3 summarizes the City's annual costs of providing development engineering and infrastructure planning services by costing category. Of the annual costs of service, major subdivision development agreements account for the largest share at \$3.0 million or 42% of total costs. Complex site plan agreements account for the second largest activity, totaling \$1.6 million or 23% of annual development engineering and infrastructure planning annual costs. Minor subdivision agreements account for \$0.8 million annually or 11% of total costs, with all other costing categories accounting for the remaining 23% of annual costs.

Annual costs of processing are subsequently applied to the annual applications utilized in the capacity analysis to arrive at the per application/activity costs. For example, the capacity analysis for major subdivisions was generated using historic volumes of 5 development agreements annually. This produces an average cost per major subdivision development agreement of approximately \$631,300. This compares with a cost per minor subdivision development agreement of approximately \$215,200. The implementation of these fees requires the consideration of the underlying charging mechanism (e.g. infrastructure construction value) to determine the appropriate full cost



recovery fee. These fee structure considerations are provided in the subsequent chapter.

**Table 3-3**  
**Annual Costs of Development Engineering (2015\$)**  
**and Infrastructure Planning Activities by Costing Category**

	Annual Costs (\$)						Average Annual Volumes	Cost per Application
	Direct (SWB)	Direct (non-SWB)	Total Direct	Indirect	Infrastructure Planning	Total Direct & Indirect		
Subdivision - Minor	524,765	31,889	556,654	135,815	114,454	806,923	4	215,179
Subdivision - Major	1,898,779	101,917	2,000,696	459,805	537,989	2,998,490	5	631,261
Site Plan - Complex	739,335	46,159	785,494	193,213	647,627	1,626,334	7	250,205
Site Plan	247,238	11,995	259,233	56,011	86,540	401,784	207	1,946
Amendment	351,314	26,571	377,885	106,315	20,305	504,505	7	75,676
Pre-Development Service Agreement	49,739	2,445	52,184	11,138	11,048	74,370	15	4,958
Lot Grading - Subdivisions	241,360	12,919	254,279	60,321	93,199	407,798	1,001	407
Encroachment	3,774	196	3,970	913	1,411	6,294	15	420
Subtotal	4,056,304	234,091	4,290,395	1,023,531	1,512,573	6,826,498		
Pools	114,484	6,155	120,639	28,742	44,408	193,789	204	950
Lot Grading - Infill Additions	33,383	1,793	35,176	8,370	12,933	56,479	59	957
Total Annual Costs	4,204,171	242,039	4,446,210	1,060,643	1,569,914	7,076,766		

## 4. Development Engineering and Infrastructure Planning Fee Structure Revisions

### 4.1 DEIP Fee Structure

The recommended DEIP fee structure revisions are detailed in Table 4-1. The recommendations include revisions to four existing fees in as well as the addition of four additional fees to better recover costs for services. The new fees recommended are for complex site plans (i.e. site plans following a development or service agreement), site plans assessing impacts to off-site infrastructure, amendments for subdivisions, and pre-development service agreements.

**Table 4-1**  
**Proposed DEIP Fee Structure Revisions**

Fee Category		Current Fee	Proposed Fee
	Subdivision / Development / Service Agreement	3.5% of Infrastructure Construction Value	Greater of 7.5% of Infrastructure Construction Value or \$10,000
New Fee	Site Plan - Complex (in addition to Development Agreement fee)	n/a	Development Agreement Fee plus variable fee of:
			ICI - \$4.20/sq.mt. of GFA
			Singles, Semis and Towns - \$750/unit
			Multiples - \$420/unit
New Fee	Site Plan	n/a	\$4,000
New Fee	Amendment (Subdivision, Development and Service Agreements)	n/a	Complex Amendment - \$10,000
			Minor Amendment - \$5,000
			Administrative Amendment - \$2,000
New Fee	Pre-Development Service Agreement	n/a	\$5,000
	Pools	\$400	\$400
	Lot Grading - Infill Additions	\$450	\$450
	Lot Grading - Subdivisions	\$153	\$410

The following sub-sections provide further detail for each fee category.

#### ***4.1.1 Subdivision / Development / Service Agreements and Complex Site Plans***

The cost for the processing of subdivision, development and servicing agreements, including amendments and site plans, totals approximately \$6.2 million annually (or 90% of the total annual costs). These costs include the annual costs for processing development agreements related to complex site plans and subdivision agreements. These costs are to be recovered via the same charging mechanism as currently in place, i.e. a percentage of the value of servicing works (internal and external). Based on an average municipal construction value of \$50 million annually, a full cost recovery fee of 7.5% of the value of servicing works has been calculated. Furthermore, a

minimum fee of \$10,000 has been recommended reflective of application processing costs where little or no municipal infrastructure is present.

Currently there are no fees charged by DEIP to cover costs for services provided on site plan development applications, as such new fees are required. Site plan fee structure has been designed with two categories, i.e. site plan complex and site plan. The site plan complex fees would be charged for site plans with proposed condominium residential and large scale industrial, commercial and institutional uses. Site plan complex is categorized as a development which can only proceed by way of a subdivision/development/service agreement and which precedes a site plan agreement/undertaking, condominium agreement or certificate of official for severance. A site plan complex is an application that has also undergone an official plan amendment or has proceeded ahead of an approved block plan. These complex developments are typically found along intensification corridors and represent most infill type developments. A site plan complex does not include site plans that are planned through greenfield industrial subdivisions or block plan communities where greenfield subdivisions are proposed unless the respective site plan triggers additional municipal infrastructure and subsequent agreement. All other site plan applications would be considered routine and streamed as such.

The proposed fee structure for site plan complex applications includes the subdivision/development/service agreement fee of 7.5% of construction value, plus a variable per unit fee. The variable per unit fee has been calculated based on the average gross floor area from similar site plan applications of 57,923 m<sup>2</sup>. The costs to be recovered have been converted to a per m<sup>2</sup> of GFA fee of \$4.20 for industrial, commercial and institutional development, produce and equivalent per unit fee for residential development of \$750 per unit for single, semis and townhouse dwelling units and \$420 per unit for multiple dwelling units. For all other site plan applications not exhibiting the complex characteristics a \$4,000 flat fee per application would be applied.

A new fee is being proposed to recover the annual costs for processing amendments to subdivision, development and service agreements. Discussions with City staff regarding the fee structure for amendments produced three categories of fees, including:

- Complex Amendments (\$10,000 per application) – changes to multiple pages of an agreement, changes to greater than two clauses and multiple department input into change;
- Minor Amendments (\$5,000 per application) – small changes to an agreement, with less than two clauses requiring changes; and

- Administrative Amendments (\$2,000 per application) – clerical changes to an agreement or City required changes.

#### ***4.1.2 Pools***

The full cost recovery fee for pool applications produced a calculated charge of \$950 per application. Pool applications not funded from the City's DEIP reserve and as such were not addressed in this fee review. As such, the City has determined to maintain these fees at current levels (i.e. \$450 per application) at this time.

#### ***4.1.3 Lot Grading***

Lot grading applications were calculated for infill and subdivision applications. Based on the full cost of lot grading activities, the average application costs totaled \$957 for infill applications and \$407 for subdivision applications. Similar to pools, City staff have elected to maintain the current fee for infill applications at \$450. For subdivision lot grading applications a fee of \$410 is proposed.

## 5. DEIP Application Fee Impacts

### 5.1 Development Forecast

To understand the impact of the amount and type of development on cost recovery levels arising from the proposed fee structure, individual application charging parameters have been forecast over a five-year period from 2016 to 2020. In 2012 Watson and Associates Economists Ltd. prepared a Development Activity Revenue Forecast Study (2012 Development Forecast) for the City. The development forecast model on which the study was based has been updated to reflect the City's growth forecast projections as contained in the 2013 Development Charges Background Study and discussions with City staff. Moreover, the projections have been modified to reflect a mid-year 2016 imposition of the proposed fees.

The forecast for subdivision construction value averages approximately \$50 million over the forecast period. The forecast assumes that the annual subdivision applications forecast will become less complex over the period. Complex site plan applications have been forecast to increase over the 2016-2020 period, reflective of City staff's expectations of future development approvals. The number of complex site plan applications has been increased from seven applications annually to nine applications per year by 2020. Lot grading applications for infill additions and subdivisions are forecast to decrease over the period 2016-2020. Infill additions requiring lot grading are projected to decrease from 59 applications annually in 2016 to 54 by 2020. Subdivision lot grading applications are forecast to decrease from 1,009 applications in 2016 to 918 in 2020. Pre-development service agreements are assumed to occur for all development agreements entered into (i.e. all subdivision and complex site plan applications). Therefore, the number of pre-development service agreements are forecast to increase from 16 in 2016 to 17 in 2020.

Amendments to development agreements and pool applications are forecast to remain constant over the forecast period.

Detailed in Table 5-1 are the forecasted annual costs of processing DEIP applications and expected revenues based on the recommended fee structure presented in Table 4-1. Application processing costs as well as per unit and flat fees have been indexed at 2% annually. Based on these projections, revenues would generally exceed costs for the period 2017-2019, with revenues at break-even levels by 2020. Revenues for 2016 are forecast to be 16% below total costs, reflective of a mid-year imposition for the proposed fees. Excess revenues would be contributed to the City's reserve fund to

sustain DEIP services and provide continuity of services. Similarly, any shortfall in revenues would result in draws on this reserve fund to preserve tax based funding for non-DIEP services.

**Table 5-1<sup>1</sup>**  
**Development Engineering and Infrastructure Planning Costs and Revenues**

Fee Category	2016*	2017	2018	2019	2020
<b>Total Cost</b>	<b>6,644,746</b>	<b>6,755,474</b>	<b>6,668,876</b>	<b>6,858,933</b>	<b>7,327,780</b>
<b>Total Revenue</b>	<b>5,597,177</b>	<b>7,035,684</b>	<b>6,820,249</b>	<b>7,040,899</b>	<b>7,275,012</b>
<b>Cost Recovery</b>	<b>84%</b>	<b>104%</b>	<b>102%</b>	<b>103%</b>	<b>99%</b>

\*New Fees adjusted for Half Year Impact; For existing fee, half year impact calculated on Lot Grading Subdivisions. For Development Agreements, no half year impact as the agreements have a retroactive clause

<sup>1</sup> Costs and Revenues are not included Lot Grading Infill and Pools

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## 6. Impact Analysis of Fee Structure Adjustments

### 6.1 Development Agreements

In order to understand the impacts of the modeled full cost DEIP application fees and the proposed fee structure adjustments, an impact analysis for developments has been prepared. In discussions with City staff three development types have been considered for subdivision agreements and one for a complex site plans requiring a development agreement, including:

- Subdivision Development Agreement – total value of applicable works of \$2 million, \$5 million and \$10 million; and
- Complex Site Plan – total value of applicable works of \$1 million for internal infrastructure and \$500,000 for infrastructure external to the development, for a development of approximately 63,000 m<sup>2</sup>.

In addition to providing the fee impacts for applicants in the City of Vaughan, Figure 6-1 to 6-4 also provide a fee comparison for selected GTA municipalities. The following figures show that the City is currently positioned at or near the lower end of the comparators for fees charged. Imposing the recommended fee structure revisions will move the City to the upper end of the comparators. These recommended fees will allow the City to sustain its current operations and limit the demands on the DEIP reserve fund.

It is also noteworthy that the City's current fee structure, in addition to the recommended revisions, provides for simplicity in its application as compared to other municipalities. This is an advantage not only for the City in terms of administering the fees but also for the development community for its ease in understanding and application in planning their operations and expected financial outlays.

Figure 6-1

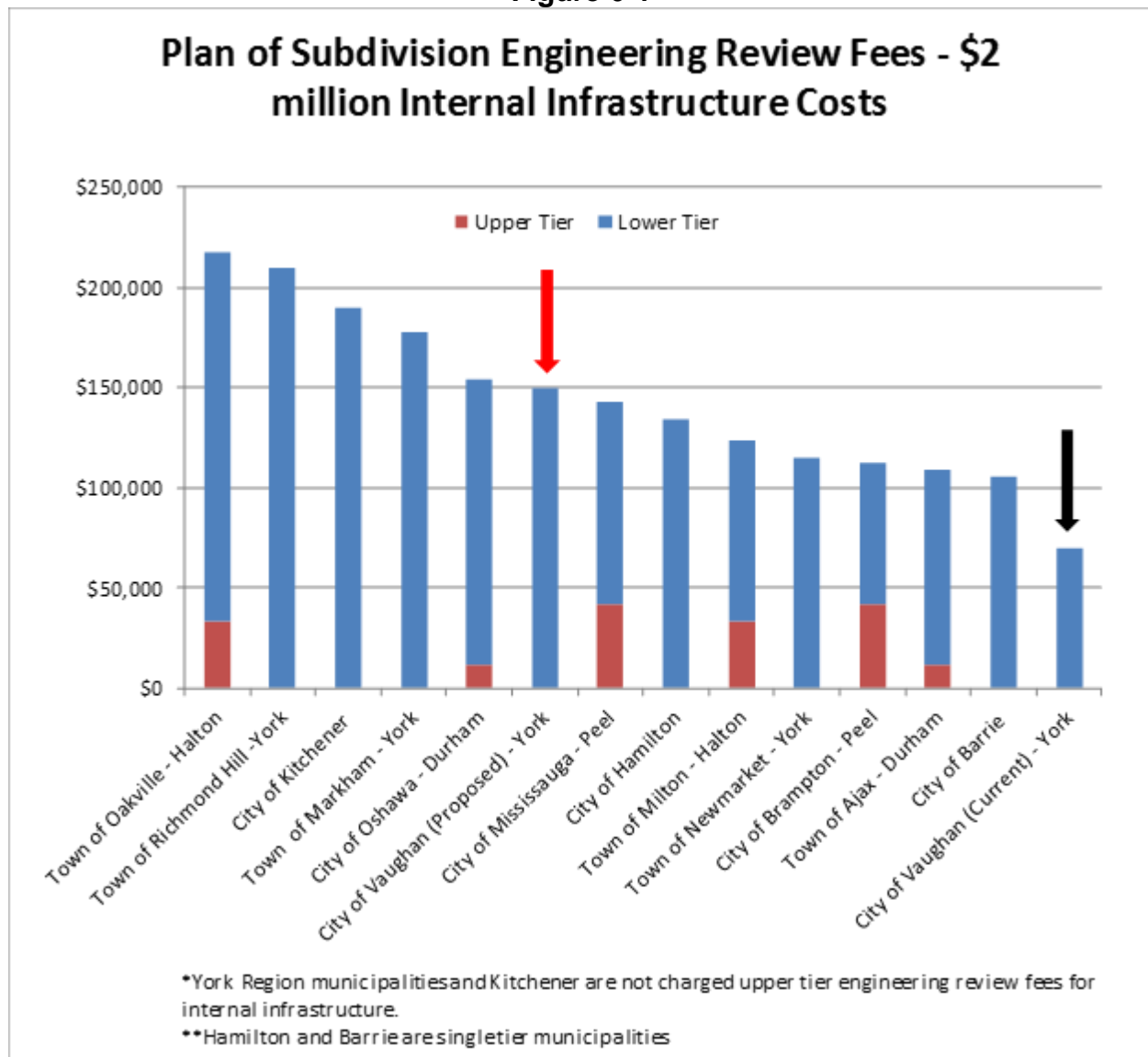




Figure 6-2

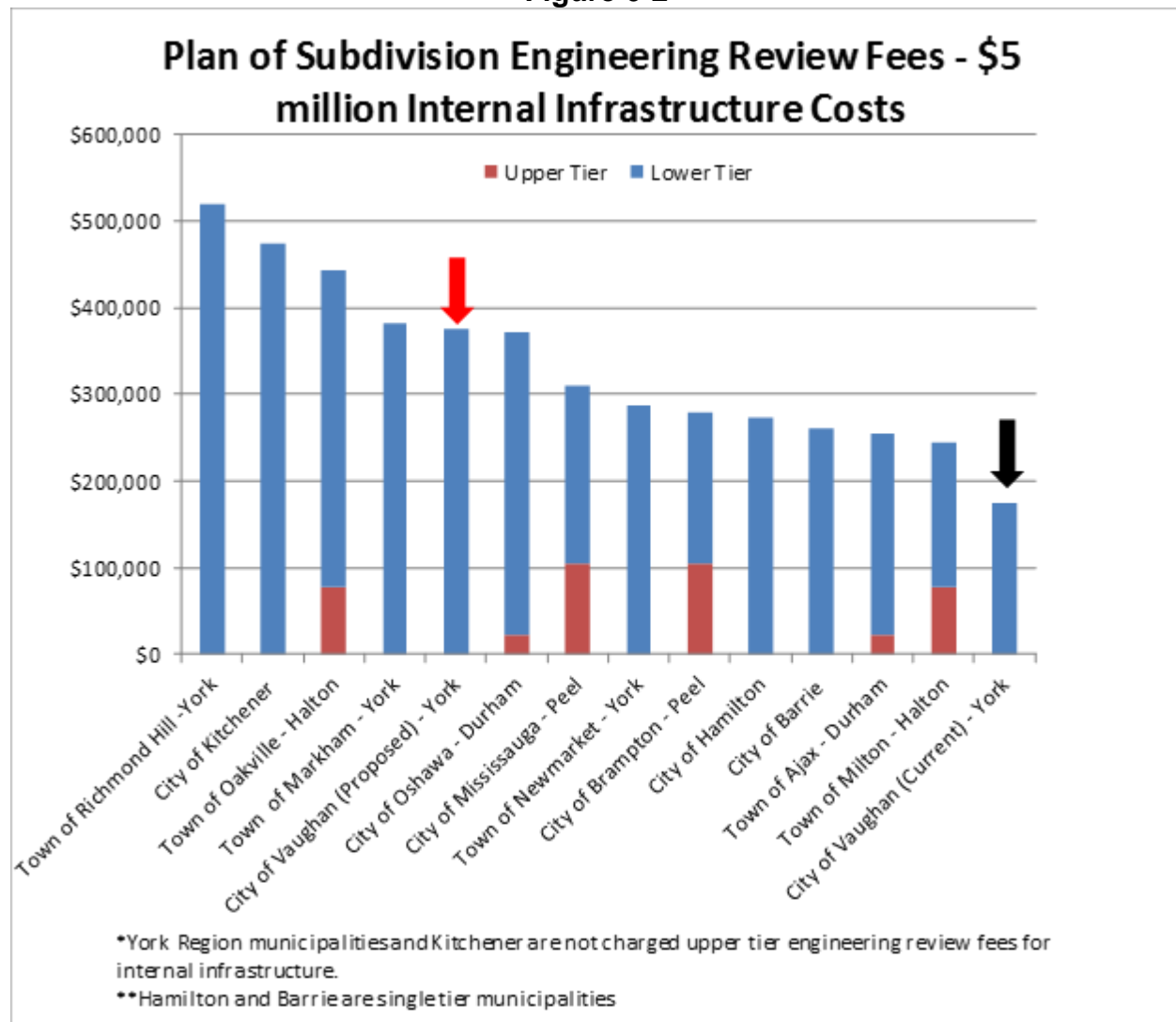


Figure 6-3

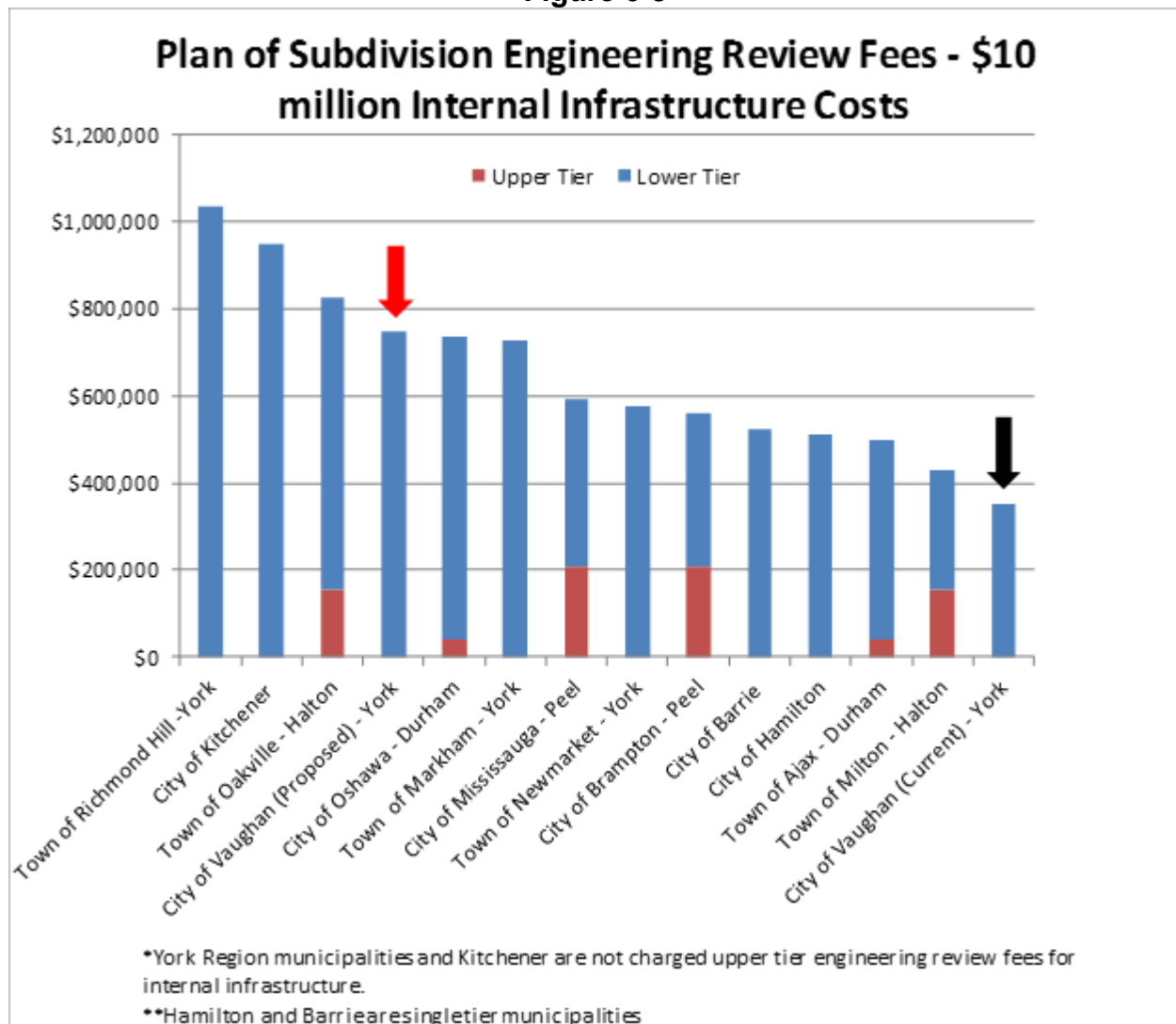
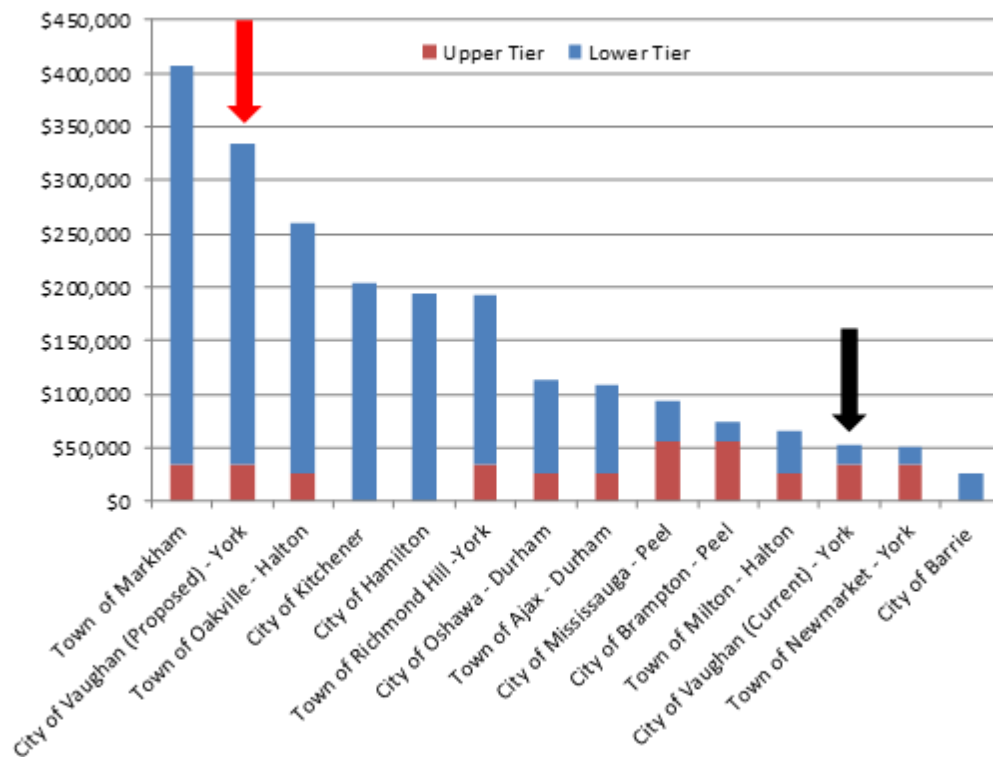


Figure 6-4

**(Complex) Site Plan Engineering Review Fees  
\$500,000 External and \$1 million Internal Infrastructure  
Costs**



\*Average application assumes 1 hectare of development and 635 units

\*\*Kitchener is not charged upper tier engineering review.

\*\*\*Hamilton and Barrie are single tier municipalities

## 6.2 Pools and Lot Grading

Comparing development engineering fees for subdivision lot grading in other municipalities is difficult due to the variety of ways in which a municipality impose these fees. For example, the Town of Newmarket requires grading certification be obtained through a private engineer and submitted to the Town for approval, where the municipalities of Barrie, Brampton and Mississauga required lot grading within servicing agreements and/or building permit processes.

Table 6-1 details the comparison of lot grading fees for subdivision. The full cost recovery fees proposed for the City are greater than double the existing fees charged. The proposed full cost recovery fee for the City places them at the top of municipal comparators, similar to fees imposed in the Town of Oakville.

It has been determined by City staff that engineering fees for pool inspections and lot grading for infill and additions will remain at their current levels and not be increased to full cost recovery fees. Furthermore, the processes for the review and processing of these applications are funded through a tax-based source external to the DEIP department.

**Table 6-1  
Municipal Comparison of Development Engineering Fees for Lot Grading –  
Subdivisions**

<b>Lot Grading - Subdivision</b>	
<b>Municipality</b>	<b>Fee (\$)</b>
City of Vaughan (Proposed)	\$410
Town of Oakville	\$400
City of Vaughan (Current)	\$153
City of Hamilton	\$94
Town of Richmond Hill	N/A
City of Mississauga	N/A
City of Barrie	N/A
City of Brampton	N/A
Town of Newmarket	N/A
Town of Markham	N/A
City of Oshawa	N/A
City of Kitchener	N/A
Town of Ajax	N/A
Town of Milton	N/A

## **7. Development Service Fee Structure Review Conclusions**

Summarized in this technical report is the legislative context for the development engineering and infrastructure planning fees review, the methodology undertaken, activity based costing results and the associated full cost recovery fee structure recommendations. The intent of the fee review is to provide the City with full cost recovery alternatives for Council consideration to appropriately recover the service costs from benefiting parties.

The potential full cost recovery fee structure recommendations are summarized in Chapter 4 of this report, and more specifically in Table 4-1.

Chapter 5 of this report provides a forecast of annual DEIP application fee costs and revenues which shows the proposed full cost recovery fees are sustainable over the 2016-2020 period. Over the forecast period as the revenues will approximate the annual costs, limiting the demands on the City's DEIP reserve fund and preserving tax based funding for non-DEIP activities.

## ATTACHMENT NO. 2

### SCHEDULE "K" TO BY-LAW LAW NO. 200-2015

#### DEVELOPMENT ENGINEERING & INFRASTRUCTURE PLANNING SERVICES

#### ITEM

#### CURRENT FEE or CHARGE

#### AMENDED FEE or CHARGE

	2016	2017	2018		2016	2017	2018
<b>Fees or charges under a Subdivision, Development and/or Servicing Agreement</b>	<b>Refer to Individual Agreement (Typically 3.5% of cost of works)</b>				<b>Greater of 6.5% of cost of works or \$10,000</b>	<b>Greater of 7.5% of cost of works or \$10,000</b>	<b>Greater of 7.5% of cost of works or \$10,000</b>
Engineering Site Plan Criteria Guide	\$38.00	\$39.00	\$40.00		NO CHANGE		
Design Criteria & Standard Drawings	\$131.00	\$134.00	\$137.00		NO CHANGE		
Infil Lot Grading Approval	\$460.00	\$470.00	\$479.00		NO CHANGE		
<b>Lot Grading New Plans &amp; Subdivisions</b>	<b>\$156.00</b>	<b>\$158.00</b>	<b>\$161.00</b>		<b>\$350.00</b>	<b>\$410.00</b>	<b>\$420.00</b>
Additional Fee for 3 <sup>rd</sup> Submission – Pool/Infill Grading Approval and Lot grading Subdivision	\$102.00	\$104.00	\$106.00		NO CHANGE		
Studies*	\$6-\$55	\$6-\$55	\$6-\$55		NO CHANGE		
Engineering "D" Size Prints	\$34.00	\$35.00	\$36.00		NO CHANGE		
Pool Fees	\$409.00	\$418.00	\$426.00		NO CHANGE		
<b>Requests by Developers to phase assumption of services other than as provided in original Subdivision or Servicing Agreements</b>	<b>\$2,999.00</b>	<b>\$3,065.00</b>	<b>\$3,126.00</b>		<b>\$5,000.00</b>	<b>\$5,100.00</b>	<b>\$5,200.00</b>
Subsequent additional watermain testing is requested or required on the same section of watermain contemplated under a new Subdivision, Development and Servicing Agreements	\$ At cost + engineering and administration fee				NO CHANGE		
Engineering "D" Size Prints - Colour	\$42.00	\$43.00	\$44.00		NO CHANGE		
Prints up to ledger size	\$21.00	\$21.50	\$22.00		NO CHANGE		
Engineering Drawings (CD Transfer)	\$52.00	\$53.00	\$54.00		NO CHANGE		
Engineering Documents/Records	\$42.00	\$43.00	\$44.00		NO CHANGE		
Additional Grading Inspection*	\$232.00	\$235.00	\$240.00		NO CHANGE		
Document Search Fee – Additional Fee to be applied once information is printed	\$51.00	\$52.00	\$53.00		NO CHANGE		
<b>Complex Encroachment Agreement (shoring, tie-backs and hoarding)</b>	<b>\$5,000.00</b>	<b>\$5,000.00</b>	<b>\$5,000.00</b>		<b>\$5,000.00</b>	<b>\$5,100.00</b>	<b>\$5,200.00</b>
<b>NEW FEE</b>							
<b>Agreement Amendment:</b>	<b>Complex</b>	<b>NEW FEE</b>			<b>\$10,000.00</b>	<b>\$10,200.00</b>	<b>\$10,400.00</b>
	<b>Minor</b>	<b>NEW FEE</b>			<b>\$5,000.00</b>	<b>\$5,100.00</b>	<b>\$5,200.00</b>
	<b>Administrative</b>	<b>NEW FEE</b>			<b>\$2,000.00</b>	<b>\$2,040.00</b>	<b>\$2,080.00</b>
<b>Pre-Development Service Agreement</b>		<b>NEW FEE</b>			<b>\$5,000.00</b>	<b>\$5,100.00</b>	<b>\$5,200.00</b>
<b>Road Closure (plus actual costs for public consultation expenses)</b>		<b>NEW FEE</b>			<b>\$5,000.00</b>	<b>\$5,100.00</b>	<b>\$5,200.00</b>
<b>Site Plan (minor ICI and residential)</b>		<b>NEW FEE</b>			<b>\$4,000.00</b>	<b>\$4,080.00</b>	<b>\$4,160.00</b>
<b>Site Plan Complex</b>							
	<b>ICI - per sq.mt. of GFA</b>	<b>NEW FEE</b>			<b>\$3.65</b>	<b>\$4.20</b>	<b>\$4.30</b>
	<b>Residential, Singles, Semis and Towns per unit</b>	<b>NEW FEE</b>			<b>\$650.00</b>	<b>\$750.00</b>	<b>\$765.00</b>
	<b>Residential - Multiple Units (eg. Apartment, Condo) per unit</b>	<b>NEW FEE</b>			<b>\$365.00</b>	<b>\$420.00</b>	<b>\$430.00</b>

# ***THE CITY OF VAUGHAN***

# ***BY-LAW***

## **BY-LAW NUMBER 085-2016**

**A By-law to amend By-law Number 171-2013 to provide for fees and charges under the Municipal Act.**

NOW THEREFORE the Council of The Corporation of the City of Vaughan ENACTS AS FOLLOWS:

1. By-law Number 171-2013 is hereby amended by deleting Schedule “K” and substituting therefor Schedule “K” attached hereto.
2. All fees listed in the attached Schedule will be subject to taxes, where applicable.
3. This By-law shall come into force and effect on June 7, 2016.

Enacted by City of Vaughan Council this 7<sup>th</sup> day of June, 2016.

\_\_\_\_\_  
Hon. Maurizio Bevilacqua, Mayor

\_\_\_\_\_  
Jeffrey A. Abrams, City Clerk

Authorized by Item No. 11 of Report No. 7  
of the Finance, Administration and Audit Committee  
Adopted by Vaughan City Council on  
June 7, 2016.

**SCHEDULE "K" TO BY-LAW LAW NO. 171-2013****DEVELOPMENT ENGINEERING & INFRASTRUCTURE PLANNING SERVICES**

<b>ITEM</b>	<b>FEE or CHARGE</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Fees or charges under a Subdivision, Development and/or Servicing Agreement	Refer to Individual Agreement		
Engineering Site Plan Criteria Guide	\$38.00	\$39.00	\$40.00
Design Criteria & Standard Drawings	\$131.00	\$134.00	\$137.00
Infil Lot Grading Approval	\$460.00	\$470.00	\$479.00
Lot Grading New Plans & Subdivisions	\$350.00	\$410.00	\$420.00
Additional Fee for 3rd Submission – Pool/Infill Grading Approval and Lot grading Subdivision	\$102.00	\$104.00	\$106.00
Studies*	\$6-\$55	\$6-\$55	\$6-\$55
Engineering "D" Size Prints	\$34.00	\$35.00	\$36.00
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Prints up to ledger size	\$21.00	\$21.50	\$22.00
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Engineering Documents/Records	\$42.00	\$43.00	\$44.00
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Complex Encroachment Agreement (shoring, tie-backs and hoarding)	\$5,000.00	\$5,100.00	\$5,200.00
Agreement Amendment:			
Complex	\$10,000.00	\$10,200.00	\$10,400.00
Minor	\$5,000.00	\$5,100.00	\$5,200.00
Administrative	\$2,000.00	\$2,040.00	\$2,080.00
Pre-Development Service Agreement	\$5,000.00	\$5,100.00	\$5,200.00
Road Closure (plus actual costs for public consultation expenses)	\$5,000.00	\$5,100.00	\$5,200.00
Site Plan (minor ICI and residential)	\$4,000.00	\$4,080.00	\$4,160.00
Site Plan Complex			
ICI - per sq.mt. of GFA	\$3.65	\$4.20	\$4.30
Residential, Singles, Semis and Towns per unit	\$650.00	\$750.00	\$765.00
Residential - Multiple Units (eg. Apartment, Condo) per unit	\$365.00	\$420.00	\$430.00

Note: All fees and charges are subject to taxes, where applicable.