



## COUNCIL REPORT

To: Paul Gipps, CAO

Date: July 27, 2021

From: Stirling Scory, Planner II

File No: P20-23

Subject: **P20-23 Fees and Charges Bylaw Amendment**

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### RECOMMENDATION

**THAT** Council give first, second, and third readings to “CITY OF WEST KELOWNA FEES AND CHARGES AMENDMENT BYLAW NO. 0028.59, 2021”.

### RATIONALE:

The recommended motion is based on the following considerations:

- The original RDCO Bylaw was adopted in 2000, and last reviewed in 2016 with only minor ‘housekeeping amendments’.
- A review utilizing a regional comparison approach of the Development Services Departments related schedules of the Fees and Charges Bylaw No. 0028 and industry has been completed;
- The proposed amendments improve the clarity and functionality of the Bylaw for both internal and external use;
- The proposed Bylaw is intended to moderately increase select fees for additional cost recovery;
- The introduction of new fees will allow staff to address operational issues and maintain existing service levels; and
- The proposed amendments will bring the City of West Kelowna’s fee structure in line with other municipalities.

### STRATEGIC AREA(S) OF FOCUS

**Economic Growth and Prosperity** – Invest in the provision of service delivery enhancements to ensure municipal governance and operations are efficient and effective for current and future residents.

### BACKGROUND

The proposed Bylaw amendments were originally proposed to be brought forward for Council’s consideration in the spring of 2020, with research having been completed

throughout 2019. The intent to bring the proposed amendments forward was delayed due to COVID-19 as it was determined that the timing of introducing fee increases at a time of great uncertainty and financial hardship for many was not appropriate. As case numbers continue to drop and BC's Restart Plan anticipates a return back to normal by early fall, the timing of the amendment is much more practical.

As part of the Development Application Improvement Strategy (2010 and 2018), an in-depth examination of the City's development processes was conducted and several options for enhancing service were provided. As part of the ongoing review and implementation of recommendations included in the strategy, specific changes to permit processing have occurred including:

- Benchmarking for development applications;
- Stricter control on submissions for completeness;
- Process changes to improve workflow and reduce redundancies;
- Implementation of CityView for Building, Planning, and Development Engineering applications; and
- Regular meetings with industry (Development Services Roundtable, UDI Liaison Meetings, etc.).

The development application fee review was identified as one opportunity to help address staffing levels and was included as a priority in both the 2018 and 2019 Development Services Operational Plans.

A key component of the initiation of this review was early consultation with the development industry. The development application fee review was initially discussed at the 2018 Developers Roundtable meeting. During discussions with developers and builders, it was identified that in general, developers and builders are supportive of fee increases if they result in processing efficiencies.

While there are new fees and some fee increases proposed to align with local municipalities, the changes are not intended to provide for significant changes in the City's approach to cost recovery. The main goal is to ensure fees are regionally comparative, and recover costs for services that are currently being provided at no cost, and create efficiencies by reducing the resource burden associated with work without a permit, early inspections, frequent redesigns, etc.

#### *Regional Comparison Approach*

A regional comparison approach was used to evaluate the proposed fee amendments. This is a review of similar sized municipalities in conjunction with a review of resources associated to process those applications and permits. In this method, comparable cities generally within the same region or of a similar size and growth rate are compared to determine if fees are generally in line with the comparative municipalities.

Based on available resources and the City's approach to remain consistent with regional municipalities, the regional comparison approach has been applied in this fee review. As

part of the application of the regional comparison approach methodology, fees applied by ten other comparable municipalities in British Columbia were examined:

*Table 1. Regional Comparison*

Municipality	Amended Date
City of Vernon	2020
City of Kelowna	2020
City of Campbell River	2020
City of Penticton	2020
City of Nelson	2021
Regional District of Central Okanagan	2011
City of Pitt Meadows	2019
City of Port Moody	2020
District of Peachland	2020
District of Lake Country	2017, adopted; 2019, building schedule amended; 2020, planning schedule amended

As part of the fee review, it was determined that building and development engineering fees are in-line with other local municipalities, and planning fees are below average with many planning fees having not increased since 2000<sup>1</sup>. The most recent review of the development application fees was in 2016 where minor “housekeeping” amendments were made to address errors with no fee increases over \$50.00. A comparative approach has been used for the review with a lens of achieving cost recovery on an average application for the West Kelowna context.

#### *Legislative Requirements*

Municipalities are authorized under the *Community Charter*<sup>2</sup> to impose a fee payable in respect of all or part of a service of the municipality and to exercise authority to regulate, prohibit or impose requirements.

Fees related to applications and inspections are authorized under the *Local Government Act*<sup>3</sup>. A fee imposed under this section must not exceed the estimated costs of processing, inspection, advertising and administration that are usually related to the type of application or other matter to which the fee relates.

## **DISCUSSION**

The following is a breakdown of each fee schedule reviewed as part of the development application fee review and includes highlights of all the proposed changes.

<sup>1</sup> RDCO Application Fee Bylaw No. 889, Adopted August 28<sup>th</sup>, 2000

<sup>2</sup> Part 7, Division 2, Section 194

<sup>3</sup> Part 14, Division 2, Section 462

## Schedule 2 – Building Permit Fees

- Added a definition that clearly explains what is included and considered in the ‘value of construction’
- Revised the fee structure to simplify processing and applications:
  1. Added a non-refundable application fee section
    - a. (similar to the previous \$200 and \$500 deposits, but they will no longer be credited on the permit at issuance, with the exception of projects with high permit values).
  2. Added a permit fee section
- Include new permit fees for services that are being provided with no existing cost recovery.
  - Solid fuel burning appliance fee (\$200).
  - Alternative solution<sup>4</sup> BC Building Code resolution fee (\$250).
  - Permit extension fee for permits prior to expiry (\$100).
  - Non-standard building permit review fee (hourly fee) which can be requested by applicants or required by the Director (\$100).
- Reformat how fees are applied to address permits which are resource burdens (work without permit, multiple inspections, early inspections where applicant is not ready to have works inspected, etc.)
  - Work without a permit (double all applicable fees)
  - Re-inspection fee, i.e. where there is more than two inspections (\$150)
  - Subsequent re-inspection fee, i.e. the fourth or fifth inspection (\$300)
  - Early inspection fee (\$300)
  - Minor plan review fees for new plans (\$250)
  - Major plan review fees for new plans (\$500, plus cost of revised construction value, i.e. 1.14% construction value)
  - Double permit fees for work without permit.
- Increased the refund amount for issued permits where work has not commenced (75% refund)
- Removed fee associated with damage deposits and shifted to ‘at cost’ approach

The proposed Building Permit Fee (Schedule 2) changes are generally being restructured to increase clarity in their implementation, and to create operational efficiencies by reducing the resource burden associated with challenging permits. The introduction of new fees such as double permit fees for work without a permit will account for the additional staff time required for processing and act as a deterrent. The following

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<sup>4</sup> An acceptable solution means doing exactly what the Building Code requirement says. An alternative solution means doing something different that achieves an equivalent result. (BC Office of Housing and Construction Standards, 2015)

scenarios represented in Table 2 illustrate the proposed fee increases of Schedule 2 for typical building permit applications.

*Table 2. Building Permit Fee Application Scenarios*

Application Type	Previous Fee	Proposed Fee	Difference	Fee Change
Tenant Improvement (\$180,000 Value)	\$1,973	\$2,123	+ \$150	Application fee increase.
Single Family Dwelling (\$300,000 Value)	\$4,353	\$4,378	+ 25	Water meter fee increase and application fee decrease.
Single Family Dwelling (\$800,000 Value)	\$9,513	\$9,688	+ 175	Water meter fee increase.

The removal of the Damage Deposit Fee has been proposed to improve operational efficiencies in the Building Department. Currently, all applications, regardless of size must provide a damage deposit. While this can help recover the cost to damaged infrastructure, the deposit is still largely subsidized by the actual cost to replace by the City. Furthermore, the deposit required for large multi-family residential development can be the same as a single family dwelling, yet there is potentially much more damage that can be done to municipal infrastructure with a larger project. Furthermore, the time required for staff to administer this process has become a burden on the city’s administrative processes. In its place the proposed amendments have an ‘at cost’ recovery method which will require the owner to replace damaged municipal infrastructure at the cost of replacement.

**Schedule 3 – Subdivision, Development Engineering and Approving Officer Fees**

- Combined Subdivision and Development Fees in to a single schedule to improve clarity and processing
- Restructure fees to provide cost recovery for projects that are processed and do not advance to final subdivision.
  - Combined a processing fee charged at time of subdivision with the application fee (\$500).
- Provided clarity in how fee simple subdivision and bare land strata fees are administered (base fee + new parcel)
- Added a fee to allow for the review of, change or removal of a restrictive covenant, at the owners request (\$500)
- Added a fee to retrieve title documents, titles, etc. (\$ actual cost)
- Updated how warranty securities are calculated to align with regional municipalities.
  - Changed the warranty security for fee simple subdivisions from \$580.00 to 5% or \$1000 whichever is greater of City works.

- 2% annual fee increase applied to non-refundable preliminary layout review fees and some subdivision and development engineering fees (not applicable to warranties/securities).

The proposed Development Engineering Fee (Schedule 3) changes are being combined to reduce administration, increase clarity in implementation, and improve customer service. These minor fee changes have been applied in two scenarios and have been illustrated in Table 3 below:

*Table 3. Subdivision Fee Application Scenario*

Application Type	Previous Fee	Proposed Fee	Difference	Most Significant Fee Change
Two lot subdivision with renewal	\$2000	\$2450	+ \$450	Increased based fee from \$300 to \$500, increase final plan review from \$150 to \$250, PLR renewal from \$100 to \$250.
14 Lot Subdivision	\$13,000	\$13,250	+ \$100	Increased final plan review from \$150 to \$250.

#### Schedule 4 – Engineering Fees

- Minor formatting changes.

#### Schedule 5 – Planning Fees

- Create new application fees for services that are being provided with no existing cost recovery.
  - Temporary Use Permit extension (\$500)
  - Antenna Siting and Design Applications, i.e. communication tower (\$1500)
  - Development related report requiring Council resolution (\$500)
- 2% annual fee increase applied to planning fees.
- Include fee increases to provide additional cost recovery for application processing (no significant increases)
- Significant fee increases are highlighted below in Table 4.

*Table 4. Planning Fee Application Scenario*

Fee Type	Existing Fee	Proposed Fee	Comparable Fees	
Rezoning (comprehensive development zone)	\$2500	\$3500	Vernon	\$1400
			Kelowna	\$3580
			Lake Country	\$1580
			Penticton	\$5500
			RDCO	\$3262
			Pitt Meadows	\$4700 + \$35/100m <sup>2</sup> site area
Official Community Plan Amendment	\$1400	\$2000	Vernon	\$1700
			Kelowna	\$3580
			Lake Country	\$1930
			Penticton	\$5500
			RDCO	\$3262
			Pitt Meadows	\$2500

Temporary Use Permit	\$650	\$1000	Vernon	\$1400
			Kelowna	\$1865
			Lake Country	\$1100
			Penticton	\$880
			RDCO	\$1200
			Pitt Meadows	\$2000
Development Permit (Commercial or Industrial)	\$1000	\$1500	Vernon	\$1100
			Kelowna	\$1775
			Lake Country	\$1360
			Penticton	\$1320
			RDCO	\$1000
			Pitt Meadows	\$2500 + \$40/ 100m GFA
Development Permit (Multi-Family)	\$1500	\$2000	Vernon	\$1100
			Kelowna	\$1775
			Lake Country	\$1360
			Penticton	\$1320
			RDCO	\$1500
			Pitt Meadows	\$2500 + \$55/unit
Development Variance Permit	\$700	\$1000	Vernon	\$1100
			Kelowna	\$1570 + \$110/ variance
			Lake Country	\$800 + 100/additional variance
			Penticton	\$770 (less than 2) or \$1200 (greater than 3)
			RDCO	\$700 + 100/additional variance
			Pitt Meadows	\$900 (single family) \$2000 (other zones) \$800 (signs)

In addition to the fees highlighted above, there have been other minor increases which have been illustrated in Attachments 1 & 2. In order to illustrate the overall revenue generated based on the proposed fee increases, the applications received between 2017 and 2021 (see Figure 1.) have been adjusted to account for the increase. Between 2017 and 2021 these fee increases generally result in ~31% increase overall, which is representative of increases that are lower than inflation (21 years since adoption of RDCO Fees and Charges Bylaw).



Figure 1. Adjusted Annual Revenue\* - Increases in fees are due to the length of time since the last substantial Fees and Charges Bylaw amendment (2000).

### Percent Annual Increase

The proposed bylaw amendments include a percent annual increase, to be applied to Subdivision, Development Engineering and Approving Officer Fees, and Planning Fees. This is intended to provide consistent cost-recovery in the future year over year to offset inflation. The percent annual increase is applied at two percent per year and rounded up to the nearest ten dollar (\$10) value. This has been implemented by the City of Kelowna and the District of Lake Country as well, and similarly has been done to provide a method of cost-recovery while accounting for yearly inflation. A fee schedule for fees between 2021 and 2031 is provided in Attachment 4 for reference. The percent annual increase does not apply to warranties or securities as the intent of these is to be a deposit. Increasing these will only serve to burden applicants and does not improve the city's operations or cost recovery.

### Consultation

Extensive comments and input were received from internal departments as part of the Bylaw review, including Building, Engineering, Finance, Development Engineering, and Planning. In addition, input was also received from external agencies. An external referral was sent to the following agencies and organizations:

- Urban Development Institute
- Canadian Home Builders Association
- Westbank First Nation
- Regional District of Central Okanagan

The Urban Development Institute (UDI), Canadian Home Builders Association (CHBA), and Regional District of Central Okanagan (RDCO) all provided comments. Meetings and follow-up discussions were conducted with the UDI and CHBA, where possible, comments have been considered and changes made to the proposed Bylaw, understanding that there are competing interests. Staff met with a representative from the CHBA to discuss the proposed amendments to the Fees and Charges Bylaw via an online conference call. Staff have made some changes to the bylaw based on feedback provided, and responded to the UDI in more detail (Attachment 3). Both the UDI and CHBA shared similar comments that spoke to the impact of fee increases and how they will ultimately impact the affordability of housing and the cost of development. The CHBA noted that they would be supportive of an increase should the increase improve operations and service delivery. It is noted that Development Services has typically increased staffing resources based on workload, rather than fee recovery.

## **FINANCIAL IMPLICATIONS**

The intent of the proposed Fees and Charges Bylaw amendments is to provide the City with increased cost recovery, as no updates have occurred since 2016 and major revisions to the Bylaw have not occurred since 2000. By introducing new fees which address resource burdens, and selectively increasing some fees, these changes will support Development Services in maintaining existing services.

## **CONCLUSION**

The development application related schedules of the Fees and Charges Bylaw has not undergone a significant review since prior to incorporation, and the current fee structure does not reflect regional consistency or cost recovery for the City. The proposed amendments are based on a comprehensive review of municipalities in the region and developed in consultation with the development industry. The proposed changes have been designed with the goal of improving some application processing efficiencies (building), providing clarity to staff and applicants, and maintaining regionally comparable costs with other local governments.

### Next Steps

Should Council give the proposed readings, the following steps will be required:

1. Consideration of adoption of the:
  - a. Fees and Charges Bylaw
2. Letters will be sent to UDI and the CHBA to advise them of the bylaw updates; and
3. Notification of the bylaw changes will be communicated to the community (website and newspaper ads).

**Alternate Motion:**

**THAT** Council postpone consideration of the “CITY OF WEST KELOWNA FEES AND CHARGES AMENDMENT BYLAW NO. 0028.59, 2021”.

Should Council wish to postpone these readings, it is requested that Council provide direction on any further information that is required before rescheduling the bylaw for Council’s consideration.

**REVIEWED BY**

Brent Magnan, Planning Manager

Mark Koch, Director of Development Services

Shelley Schnitzler, Legislative Services Manager/Corporate Officer

**APPROVED FOR THE AGENDA BY**

Paul Gipps, CAO

Powerpoint: Yes  No

Attachments:

1. City of West Kelowna Fees and Charges Amendment Bylaw 0028.59, 2021
2. City of West Kelowna Fees and Charges Amendment Bylaw 0028.59, 2021 (REDLINE)
3. UDI Comments
4. Fee Schedule