

Inspection Fees
J. Molenhuis

TO:	CHAIR AND MEMBERS PLANNING AND ENVIRONMENT COMMITTEE
FROM:	GEORGE KOTSIFAS. P.ENG MANAGING DIRECTOR, DEVELOPMENT AND COMPLIANCE SERVICES & CHIEF BUILDING OFFICIAL
SUBJECT	DEVELOPMENT INSPECTION FEE JULY 22, 2014

RECOMMENDATION

That, on the recommendation of the Manager of Development Services and Engineering Liaison, the following actions **BE TAKEN** with respect to proposed changes to the development inspection process and fee structure:

- a) The attached report on the proposed changes to development inspection procedures and fee structure **BE RECEIVED** for information; and
- b) A statutory public participation meeting **BE SCHEDULED** before the Planning and Environment Committee for a future meeting to receive comments and feedback from industry stakeholders regarding proposed changes to the existing Development and Compliance Services Inspection fee within *By-law A-47 Fees and Charges (May 6, 2014)*.

PURPOSE

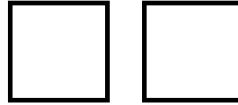
Development Services provides inspection services to ensure developers meet the obligations set out in their agreements with the City for Subdivision and Site development projects. Development Services chose to undertake a review of inspection procedures due to the effort required to complete the inspections and the associated administrative duties. Currently, fees are not applied to development projects to account for inspection services.

The purpose of this review was to understand the cost implication of the current inspection procedure on DS staff resources. Further, the intent of the review was to outline changes for a new inspection procedure with enhanced services and recommend a fee structure to recover a portion of the cost of these services in an effort to gain operational efficiencies.

DISCUSSION

Current Inspection Procedures

Inspection procedures differ for Subdivision and Site development projects. Generally, under current procedures for both, Development Service’s intent for inspections is to confirm that the works are acceptable to the City’s requirements, in general conformance with the approved engineering drawings and are in a satisfactory state to be moved through the assumption or approval process in accordance with the site specific Development Agreement. In line with the City’s approach of placing obligation to ensure conformance on the Consultant, the Consultant responsible for the



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construction inspection and certification of the works is to make every effort possible to ensure the works are in place and suitable to the City’s requirements prior to Development Services staff conducting their review. To that end, the City’s expectation is that the Consultant will lead the initial inspections to determine suitability of the works for City review, and that only minimal deficiencies will be encountered when Development Services staff conduct their review. The City’s inspection is therefore expected to be a low effort exercise relative to the effort the Consultant should undertake to lead the inspection procedures and ensure the works are in a suitable state for the City’s review.

Subdivisions

City inspection of Subdivision developments is required to trigger the release of building permits, release of securities, commencement of the warranty period or release from warranty. Inspections are typically associated with engineering related items, generally to confirm that infrastructure is installed, operational and suitable for public use. Subdivision inspections consist of the following milestone stages:

- Conditional Approval
- Assumption
- End of Warranty

Site Plans

City inspection of Site Plan development projects is required largely to trigger the release of securities. The number of inspections varies depending on the size and complexity of the site works. Inspections are typically associated with engineering related items, as well as architectural features and By-law items. Site Plan inspections are typically conducted on an as-requested basis, generally for spot inspections and final approvals.

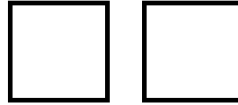
Inspection Statistics

To quantify the Development Services effort related to inspections, data was summarized and reviewed for inspection activities in recent years.

Subdivisions

Staff have summarized inspection events for Subdivision projects through construction records from 2011 and 2012 calendar years for the three milestone stages previously noted. The data is summarized below.

Stage	2011, 2012 Total Data				Average Annual Inspections
	Plans Cleared	Lots/Blocks	Average Number of Inspections per Plan	Total Inspections	
Conditional	26	1523	2.6	68	34
Assumption	28	2272	2.9	81	41
Warranty	31	2374	1.8	56	28
Total	85	6169	2.4	205	103



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Site Plans

Staff have summarized inspection events for Site projects by quantifying inspection reports from 2007 to 2012 calendar years. These events do not include Complaint Inspections, Condominium Inspections or Lawyer's Compliance Letter inspections. Accordingly, the average annual inspection total is approximately **400** Site inspections per year. It is unclear as to how many sites this average number pertains to, including how many visits were deficiency related.

Challenges/Issues

The current procedure can result in inefficiency for the Owner due to City inspectors finding deficiencies in their review that may not have been noted by the Consultant's inspector. This issue has been noted to occur in the past. This practice impacts the development industry due to additional effort for the Consultant to rectify deficiencies and certify the works. This usually results in multiple inspection visits for the Owner's Consultant staff, more effort for the Consultant to complete, and more consulting fees for the Owner.

Furthermore, the current procedure can also result in inefficiency for the City. Deficiency related inspections, including unaddressed deficiency items, have also resulted in numerous additional inspections in varying numbers for Development Services staff, ranging from a total of 2 to 5 inspections per approval stage.

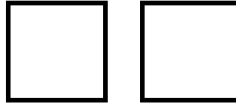
Proposed Policy Change

Based on the above challenges, revision to the current procedures and fees for inspections are proposed. Firstly, Development Services is proposing to introduce an enhanced level of service to the first inspection to improve clarity and consensus for Development Services staff and Consultants up front. We propose to introduce an Initial Walk Through (IWT) based on the following preliminary details:

- IWT would be conducted with both Development Services staff and the Consultant's staff present;
- Consultant participation at the IWT would be mandatory;
- IWT would be implemented at each milestone stage of the inspection approval process;
- Development Services staff would lead the Consultant in identifying deficient items required to be addressed for approval; and
- Development Services staff would then provide the Consultant with a deficiency item list based on the results of the Initial Walk Through to allow for the Consultant to ensure the deficiency items are addressed prior to any further inspections.

It would be the intention of this revision to provide the Consultant with a clear framework to achieve compliance approvals. As such, the Initial Walk Through would be conducted and led by Development Services staff.

Secondly, Development Services intends to consider a fee structure (subject to Council approval) that provides for partial cost recovery for inspections within the applicable By-Law, including the enhanced IWT service proposed within this document. The fee structure should be considered on an event basis or lot/block basis rather than hourly basis to allow for ease of invoicing, administrative duties and tracking procedures. Billing should be conducted through processes already in place that Development and Compliance Services can utilize (e.g. snow removal invoicing).



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Operating Costs and Proposal of Fee Structure

As noted, the current procedure has an impact on City resources. To quantify the inspection efforts of Development Services, staff salary, benefits and travel costs for the staff associated with inspection, approval and administrative tasks were considered. In total, three staff are dedicated to the Subdivision and Site approval process, with total resource costs of \$237,000. These staff are operating in a way that dedicates 37% of resources to Site inspection processes and 63% of resources to Subdivision inspection processes.

The fees implemented would be applicable to the Owner. The fee structure proposed to recapture a portion of these operating costs would be as follows:

	Site	Subdivision
Initial Walk Through	\$50 flat fee	\$10/lot or block
First Inspection	No fee	No fee
Subsequent Inspection(s)	\$75 flat fee	\$15/lot or block

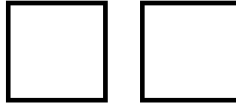
Anticipated Impacts

If approved, the above fee structure would provide for approximately 20% cost recovery for this service. The proposed minor changes to development inspections, including providing an enhanced inspection service and introducing a fee structure are anticipated to improve efficiencies for both the development industry and City resources over the current procedure. It is anticipated that the Initial Walk Through will provide a clear framework for the Consultant to obtain approval for the stage of works being processed, eliminate inefficiencies resulting from Consultant and Development Services staff conducting multiple independent and seemingly uncoordinated reviews, and gain efficiencies for the development industry and City staff by allowing the City to coordinate directly with the Consultant. With the introduction of the proposed changes, we are hopeful the development industry can move toward consistently achieving compliance approvals within two (2) inspections per approval stage. Accordingly, the impact in cost and time of multiple and numerous inspections by both Consultant and Development Services inspectors is anticipated to be reduced.

Consultation

The topic of inspection fee reviews was brought forward for discussion at a number of meetings of the Building and Development Liaison Forum, most recently in February 2013. The group, which includes developers, builders, consultants and City staff, has been on hiatus for some time, and therefore the topic has not been revisited more recently.

The Building and Development Liaison Forum will be starting up again in the fall, with the next meeting scheduled for September 2014, at which time it is anticipated that the proposed procedural changes and fee structure outlined in this document be reintroduced for discussion. This report is being presented for information at this time to allow for industry stakeholders to provide feedback ahead of the required Public Meeting to amend the City Fees and Charges By-law. The anticipated timing for the Public Meeting is in the fall, shortly after the scheduled Building and Development Liaison Forum meeting.



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CONCLUSIONS

The proposed Inspection Fee structure would replace the existing fees outlined with *By-Law A-47 Various Fees and Charges*. The proposed Inspection Procedure change addresses inefficiencies that impact both Development Services and the development industry as a whole. Adopting the recommended changes will deliver a more efficient and effective process for developers and City staff to complete the approval and assumption processes.

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JR/jm
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