

# Urban Form Business Transformation

## Recommendation

That the February 20, 2018, Urban Form and Corporate Strategic Development report CR\_5664, be received for information.

## Executive Summary

The Urban Form Business Transformation Improvement project will support quality of life for Edmontonians and economic vibrancy of the City by enabling efficient and effective planning and development in collaboration with stakeholders. The aim of the project is to improve the experience of applicants (builders, developers, citizens) through the land development, permitting and inspections processes. Improving the efficiency of the planning processes will result in more effective use of resources, reducing the potential draw on the Current Planning reserve.

The Urban Form Business Transformation Improvement project's scope of work includes taking an end-to-end look at the planning and development process, business model and reserve fund. The business model and reserve fund have been in operation since 2010. The economic downturn provided an opportunity to thoroughly test sustainability of the model, and revealed that the existing policy and business model are not sufficient to balance the needs of the corporation and the development industry. The reserve fund balance has been below the minimum target since 2016 and may continue to decrease.

The Urban Form Business Transformation Improvement project is well underway and Administration has held 10 engagement activities since November, identified more than 30 opportunities for improvement, and analyzed more than 10 years of single detached house permit safety codes inspection data. Administration is anticipating process improvements will start to be implemented by Q2 2018 and a revised policy will be ready for Council approval by Q3 2018.

## Report

As part of the corporate transformation, there was a deliberate intent to realign resources across the organization to improve City services. In mid-2017, the Extended Leadership Team broadened the focus of the planning group to include corporate strategy and performance. Within the first few months after the Urban Form and Corporate Strategic Development department was established, the department leadership team recognized the need to focus its attention on improving the land

development processes. In the fall of 2017, the department leadership team created the Urban Form Business Transformation Improvement project (The Project) with the goal of identifying areas of improvement. The image below highlights the four elements of the land development process The Project is focusing on.



The Project is a review of the end-to-end planning and development processes that support the large and complex task of city building. The scope includes:

- rezoning, subdivision, servicing agreements & engineering drawings, development and building permits;
- inspections for infrastructure, development, building, lot grading, and landscaping; and
- residential, commercial and industrial private development.

Broken down this includes over 50 separate processes with 191,090 jobs completed in 2016. A job refers to all the tasks required to process an application. The 2016 jobs are broken down as:

- 778 land development applications
- 74 servicing agreements resulting in 3,257 lots created
- 53,730 building and sub-trade permits (excluding combo)
- 14,087 development permits (excluding combo)
- 7,501 combo permits (building and development)
- 114,920 inspections completed (excluding electrical)

Planning and development is complex and often involves people making significant investments in their livelihood and future. The decisions Administration makes have substantial political, economic and social impacts. Decisions made now impact the way the city operates, looks, feels and thrives for years. Administration recognizes both citizens and industry invest in Edmonton to build our city, and our processes need to support that.

Administration is currently working with key city builders to make changes to planning and development processes to meet The Project's objectives of:

1. Applicant experiences:
  - a. increased compliance with application processing timeline targets,
  - b. increased consistency of application outcomes, and
  - c. increased transparency and predictability of application processes.
2. Process improvement that reduces rework and delays in applications;
3. Improving sustainability of the funding model, and tools such as the Reserve Fund;
4. Improving integration across the relevant City branches and departments by:
  - a. refining planning and development services in a way that integrates expertise from across the City (branches and departments) and maximizes the value of staff expertise and contributions.

The project has five specific work streams supported by external engagement, communications, change management and training.

- **Stream 1** - The risk and analytics stream analyzes existing data to find opportunities for efficiencies. This analysis helps to quantify the risk associated with changes.
- **Stream 2** - The financial analysis stream includes a review of the financial business model, to ensure sustainable funding, which informs the other streams.
- **Stream 3** - The applicant journey stream ensures an understanding of services and user expectations from the customer perspective. This customer focused approach is an essential piece for change given the variety of service users from homeowners to developers to sub-trades. As part of this stream, various customer segments will be defined, and their journey through planning and development services will be mapped.
- **Streams 4 and 5** - The process improvements and technology enhancements streams will result in changes to improve the efficiency and effectiveness of City planning and development processes, with the application of technology being an important part of the solutions.

Administration is analyzing existing data to quantify risks to shift towards a risk-based approach and support evidence-based decision making and process improvements. For example, this approach is being used to identify ways to improve the delivery of safety codes inspection services without compromising safety. This data-driven risk-based approach will support planning and development in Edmonton by identifying effective use of resources to meet service demands. Attachment 2 provides additional details regarding risk based analytics.

All of the work streams will impact the financial sustainability of the planning process; however, the financial analysis stream of this work is critical as it is a foundational component of the business. In addition, the current reserve balance is below the 30 percent minimum as required in the policy. The reserve business model has not had a comprehensive review since implementation in 2010. Following economic peaks (2012-2014) and downturns (2015-current) experienced under the current business model, this is an opportunity to refine the policy and develop clear guidelines for the future to address challenges and apply what has been learned since implementation.

In 2010, City Policy C557 - Current Planning Branch - Revised Business Model was approved. Services to the development and building industries are provided through a business model whereby all direct, indirect, capital, and service reinvestment costs are recovered through fees. These costs include direct costs of providing service to industry, and indirect costs such as technical reviews and corporate shared services costs.

In 2012, an additional policy - City Policy C570 - Current Planning Reserve was approved, which outlines that all annual surpluses in excess of operational and capital needs are placed into the Reserve. Similarly, any annual operational or capital deficit is drawn from the Reserve. This is intended to enable a sustainable operating model as external economic conditions vary. The policy target balance of the reserve is 75 percent of annual operational expenditures and the minimum balance is 30 percent. The policy also prescribes that when the reserve balance falls below the 30 percent minimum threshold, Administration will implement a strategy to manage the reserve balance.

The purpose of the Current Planning Reserve is to:

1. Support long term financial sustainability of planning services through managing revenue shortfalls during economic downturns,
2. Fund resource needs in a timely fashion during periods of increased service demand,
3. Fund operating and capital investments that increase productivity or support continuous improvement of service delivery.

The economic downturn provided an opportunity to thoroughly test sustainability of the model, and revealed that the existing policy and business model are not sufficient to balance the needs of the corporation and the industry. Also, as the city grows, there is an increase in the complexity of applications. For example, infill applications for single family homes increased from six percent in 2014 to 13 percent in 2017, and there is an increase in the complexity of multi-family developments. As a result, there is a need to update the policies and business model to address the following challenges:

- Policy does not provide sufficient guidance. For example, the cost recovery model is not clear.

- For some services, the costs of the individual service is not being recovered by individual fees.
- There are limited effective strategies for managing the reserve fund.

Administration is conducting an analysis regarding sustainability of a revised business model. This includes further analysis of:

- The cost to provide services,
- The associated subsidization model, to enable responsive processes and drive policy objectives,
- The services funded within the model, and
- The resourcing model to enable responsiveness to service demands.

As part of The Project and ongoing efforts to realize operational efficiencies across the corporation, Administration will complete the revised policy and business model changes and begin implementation throughout 2018 to ensure that service levels meet expectations and that the reserve is able to support planning and development activities. This review may lead to additional services being funded by tax levy if approved by Council. Financial implications will be incorporated in the 2019-2022 budget development.

Administration will have a revised policy for consideration by Council via Committee in Q3 2018.

### Public Engagement

Administration will conduct external stakeholder engagement throughout The Project. Additionally, sustainability of the reserve is a standing agenda item with the Business Advisory Committee, a formalized advisory group of industry stakeholders chaired by the Edmonton Chamber of Commerce. This group is made up of representatives from the Urban Development Institute, the Canadian Home Builders' Association, the Building Operators and Managers Association, the Commercial Real Estate Development Association and the Realtors Association of Edmonton. This committee enables the development and building industries to provide direct input into Administration's operations as they pertain to business activities. Administration will continue to actively engage the Business Advisory Committee and Infill Development in Edmonton Association in the drafting of further recommendations pertaining to the business model and reserve mechanism.

### Corporate Outcomes and Performance Management

<b>Corporate Outcome(s):</b> The City of Edmonton has a resilient financial position.
---

Outcome(s)	Measure(s)	Result(s)	Target(s)
Effective and efficient service delivery: revenue supports ongoing city operations.	Reserve balance as a percentage of annual operating budget expenditures funded by the Development Services reserve	2017 (Preliminary): 10% 2018 Projected: 8%	Target*: 75% Minimum: 30%

\*City Policy C570

### Attachments

1. Current Planning Reserve 2010-2018
2. Risk-based Analytics

### Others Reviewing this Report

- T. Burge, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Campbell, Deputy City Manager, Communications and Engagement
- D. Jones, Deputy City Manager, City Operations
- R. G. Klassen, Deputy City Manager, Regional and Economic Development
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- R. Smyth, Deputy City Manager, Citizen Services