

Reductions to Small Business Regulations

Focusing on Enhancing Service for Business

Recommendation

That the October 26, 2020, Urban Form and Corporate Strategic Development report CR_7581, be received for information.

Previous Council/Committee Action

At the August 27, 2019, City Council meeting, the following motion was passed:

That Administration bring a report:

- identifying potential reductions and implications to timelines for Business Licences, Development Permits and Building Permits by a target of one-third,
- efficiencies to any other existing City regulations affecting business.

Executive Summary

Edmonton's ability to retain, attract and grow business is impacted by how the City regulates and provides service to businesses and potential investors. Small businesses are significant participants in the Edmonton economy and are important to the city's economic growth and vibrancy.

The City's permit and licence services directly impact the economic development outcome of ensuring Edmonton has a diverse and prosperous economy that thrives locally and globally while meeting legislative, regulatory and safety requirements. This work directly supports the Regional Prosperity strategic goal in ConnectEdmonton. Permit and licence services include the development permits, building permits and business licences that are required to open, move or expand a business. The business community, Council, Administration and the Government of Alberta have identified that current regulations and processes for these services impede new businesses and should be reduced. Furthermore, the urgency of the work has increased given current economic challenges.

Administration has launched a collection of initiatives to improve permit and licensing services, and reduce the time and red tape associated with development permits, building permits, and business licences. This report outlines the most recent actions that have been completed and as well as those that are currently underway. The

initiatives focus on services for business owners opening a new business or moving into a new space, homeowners doing renovations, and contractors doing commercial or residential renovations. These improvements and formal definition of service level targets move administration closer to a one-third reduction in overall timelines and associated red tape.

This work is complemented by ongoing work to review Business Licence Bylaw 13138 and Zoning Bylaw 12800, with efforts focused on reducing barriers and creating more opportunities for businesses. Both bylaw renewals have a shared outcome of reducing the complexity of Edmonton's business regulations.

Report

Small businesses vary in size, and 78 percent of businesses in Edmonton employ less than nine employees. One of the primary ways that the City serves the community and small business owners is through permit and licence services. The ability to consistently provide these services in a timely, predictable and effective way can influence decisions to open or expand a business in Edmonton. This in turn grows prosperity for our Metro Region by driving innovation, competitiveness and relevance for our businesses at the local and global level.

To open or expand a business, a business owner and/or their hired contractors may need to apply for a business licence, a development permit, a building permit, and undergo multiple inspections throughout the process. These activities are referred to as permit and licence services. The process involves multiple functions within the City, including Fire Rescue Services and the Edmonton Police Service, and potentially includes regulatory agencies such as Alberta Health Services and Alberta Gaming, Liquor and Cannabis.

In 2019, Administration processed more than 9,000 applications that support businesses. These applications include:

- 5,742 new business licences,
- 2,494 building permits, and
- 995 development permits

Actions Underway to Improve Permit and Licensing Services

Administration is using a range of tools (e.g., technology, data analytics, processes, regulation) to improve permit and licensing services. The improvements balance providing reliable and timely service while meeting legislative, regulatory and safety requirements.

Summarized below (with further detail in Attachment 1) are the City's actions undertaken in the past two years and being completed in 2020 to support small businesses. Those actions include:

1. regulation changes,
2. service improvements, and
3. focused services.

| Table A: Completed Improvements and Ongoing Services for Small Business | |
|--|---|
| Regulation Changes | <ul style="list-style-type: none"> ● Open Option Parking ● Development Permits not required for 20 use classes |
| Service Improvements | <ul style="list-style-type: none"> ● Online Permit Services (36 services since 2018) ● Risk-based approach to reduce Building Permit Clearances ● Temporary Patio Extension ● Remote Video Inspections ● Building Permits and Inspections Dashboard ● Website Improvements |
| Focused Services | <ul style="list-style-type: none"> ● Client Liaison Unit ● One on One Program ● Small Business Workshops ● Commercial Building Grants ● Pre-Application Meetings ● Cannabis Legalization ● COVID-19 economic recovery: <ul style="list-style-type: none"> ○ Edmonton Economic Recovery Grant ○ Business licence fee reduction ○ Business Improvement Area (BIA) Tax Levy Payment Deferral ○ Property Tax Relief ○ City-owned Property Rent Forbearance |

| Table B: In Progress Improvements for Small Business | |
|---|---|
| Regulations Changes | <ul style="list-style-type: none"> ● Zoning Bylaw Omnibus ● Business Licence Bylaw Renewal ● Zoning Bylaw Renewal Initiative |
| Service Improvements (outlined in detail below) | <ul style="list-style-type: none"> ● Setting service levels (timelines targets) ● Sign permit digital service ● Improving Commercial Permitting / Business Licensing Service Delivery and Experience (multiple improvements) ● Inspector Mobility-Route Optimization and Mobility App |

This work builds on previous improvements that have been implemented and the momentum created by the Urban Form Business Transformation initiative completed in 2019. The initiative, focused on land development services (rezoning and subdivision), decreased application requirements, focused technical review of applications to what was required, streamlined the process and set reduced service level timeline targets that are reported on quarterly. For example, the complex subdivision target timeline of 100 calendar days is half of timelines experienced in 2018.

While this report focuses on a specific group of customers, improvements are not limited to business customers. There is parallel work underway to improve the service delivery and experience of residential builders, homeowners and renovation contractors. A recent Canadian Home Builders' Association (CHBA) Municipal Benchmarking Report (September 21, 2020) compared 23 Canadian municipalities, examining their processes, approvals timelines, and charges and fees. The report ranked Edmonton as number two and recognized Edmonton's Urban Form Business Transformation (2017-2019) as a key improvement initiative. Excerpts of the report are shared in Attachment 2. While these results are encouraging, opportunities to improve continue to be identified and efforts to improve are ongoing.

In Progress Service Improvements

Administration has undertaken changes to reduce red tape and improve service delivery for both business and residential customers. This work is in alignment with the *Red Tape Reduction Implementation Act*.

To further these efforts, Administration launched the Permit and Licensing Improvement Initiative. The initiative began in January 2020 and is expected to be finished by the end of 2021. Given Edmonton's changing context, the initiative is now applying the four guiding principles from the Reimagine Report (Be Bold, Be Brave, Be Agile, and Be Smart) to its service improvements.

The goal of the Initiative is to improve customer experience when interacting with permit and licence services, including:

- appropriate timelines for permit and licence services,
- increased transparency and predictability of application processes, and
- service delivery and interactions that meet unique customer needs.

The initiative is focused on:

- Stopping process steps that no longer serve us or our customers;
- Actively rethinking and changing how we apply risk tolerance to our services;
- Using data to inform how we change our services; and
- Supporting the adoption of a user-focused model and mindset to deliver accessible, empathetic and high-quality customer service.

The Initiative includes establishing service level targets to achieve a one-third reduction in timelines for small business permit and licensing services. The service levels will be phased in as improvements supporting the targets are implemented.

Administration is focused on addressing factors within the City's control, including:

- the application process and requirements,
- which work units are involved and how resources are allocated,
- how and when applications are reviewed, and
- what, when and how information is provided to customers.

The Initiative approach and in-progress improvements are outlined in Attachment 3. An example of the improvements includes:

- Reduce the timeline for business licences by removing non-essential internal steps; and
- Allow for expanded use of partial building permits in order to align business timelines with permit service timelines.

Improvements will continue to be implemented throughout 2021. Administration will return in Q4 2021 to report on the progress.

Additional information on the current permit and licence process and timelines for services that are used by businesses are provided in Attachment 4 and 5 respectively.

Regulatory Improvements - Zoning Bylaw Renewal

For the first time in almost two decades, the Zoning Bylaw Renewal project will review all the rules that regulate development in Edmonton. This work is intended to be a comprehensive overhaul that involves rethinking how, what and why the City regulates, and to ensure alignment with The City Plan and other City policies and initiatives. The new Zoning Bylaw will create a modern regulatory environment that focuses on simplifying and streamlining requirements to support efficient service delivery. This renewed focus will benefit all Edmontonians by removing unnecessary barriers for residents, businesses and developers who want to invest in our community. More information on the Zoning Bylaw Renewal project is available at edmonton.ca/zoningbylawrenewal.

Regulatory Improvements - Zoning Bylaw Omnibus Amendment

The new Zoning Bylaw will be implemented in 2022. To support immediate needs, Administration will provide a Zoning Bylaw Omnibus amendment to Urban Planning Committee on October 27, 2020 (Report CR_8487, Zoning Bylaw Omnibus 2020).

A number of the proposed changes allow Administration to redirect staff attention from relatively low-risk, low-impact developments and redeploy those resources to focus on

developments with higher impact on the community. In some cases, there will be less direct oversight of certain types of development and consequently, an opportunity for fewer process and regulatory barriers, improving service overall. For these moves to be effective in the long run, it will require Administration, Council, the public, and businesses to have trust, shared accountability, and a mutual understanding of acceptable risk.

Examples include proposed amendments that expand the conditions where a development permit is not required, such as:

- Changes of use, common with small business, where the use is permitted and there are no exterior alterations or size increase.
- On-premise signs where only the written content of the sign is being changed.
- Basement renovations that are limited to the interior and do not include a secondary suite or exterior alterations.
- Uncovered decks no higher than 4' above grade provided they meet the requirements of the relevant zone and / or overlays.

Regulatory Improvements - Business Licence Bylaw Renewal

The Business Licence Bylaw Renewal project began in 2018, and is guided by the following objectives:

- Remove unnecessary barriers for businesses and enhance service efficiency;
- Support faster licensing decisions when new types of businesses emerge; and
- Improve alignment with regulatory partners and ensure a more timely and effective response to compliance issues.

Administration brought Urban Form and Corporate Strategic Development report CR_6608 to Urban Planning Committee on May 21, 2019, outlining a proposed general framework and fee structure for a new Business Licence Bylaw that was informed by a jurisdictional review, feedback from internal stakeholders, and engagement with the business community. Since then, Administration has developed recommended changes to licence categories, a proposed outline for the new bylaw, and a fee schedule.

Stakeholder Engagement and Further Recommendations

From November 2019 to January 2020, Administration engaged with business owners and operators, industry associations, business associations, and Business Improvement Area (BIA) directors. The primary purpose of the engagement was to learn more about the needs and challenges of drinking establishments, massage businesses and adult services, which are some of the most heavily regulated businesses by the current bylaw; and the needs of scrap metal recyclers, which are not heavily regulated by the current bylaw, but are increasingly being used for the conversion of stolen materials. BIAs and associations also provided feedback on other proposed changes to the bylaw.

Engagement findings are summarized in Attachment 6. Findings were discussed with internal enforcement, zoning, and safety codes stakeholders, and were used to inform and refine recommended changes to business licence categories.

Recommendations for the New Business Licence Bylaw

When Administration proposes the new Business Licence Bylaw, which will be advanced to Urban Planning Committee in 2021, it will incorporate the six themes and 23 recommendations identified in Report CR_6608 plus the six themes and 35 recommended changes for the following business licence categories as outlined in Attachment 7:

- General Changes to Categories
- Food, Drink, and Entertainment
- Goods Buyers and Sellers
- Adult and Personal Services
- Vehicles and Equipment
- Property Leasing

Each recommendation supports the removal of barriers for businesses and enhanced service efficiency, clearer guidelines for faster decision-making, and/or better alignment between business licensing and regulatory partners. Some recommendations support improved data quality and integrity.

The overall presentation of the proposed bylaw will be similar to the current bylaw. Administration is proposing to make the bylaw and schedules easier to use and understand (see Attachment 8). The proposed licence tiers and fee schedule are outlined in Attachment 9.

Next Steps for the New Business Licence Bylaw

Administration plans to advance the Business Licence Bylaw Renewal project to meet timelines as follows:

1. *Draft New Business Licence Bylaw (Now - December 2020)* - Administration will draft a new Business Licence Bylaw based on the recommendations, outline, and fee schedule in this report and Report CR_6608.
2. *Public Viewing (January to March 2021)* - Business owners and operators, business associations, and internal and external partners will be given an opportunity to review and comment on the draft bylaw.
3. *Propose a New Business Licence Bylaw (April - July 2021)* - Administration will present the proposed new Business Licence Bylaw to Urban Planning Committee and then advance it to City Council for adoption with a deferred implementation date of September 1, 2021.

4. *Prepare for Implementation (Now - September 2021)* - Administration will make a series of operational changes (Attachment 10) to support the September 1, 2021 implementation of the new Business Licence Bylaw.

Monitoring will take place following implementation and additional amendments may be required in 2021 and 2022.

Budget / Financial

The Permit and Licensing Improvement initiative is funded through the Planning and Development Business Model (the Business Model), which will continue to draw on the Planning and Development Reserve through 2021. An analysis of the sustainability of the Business Model has taken place in parallel and shared as part of the fall supplemental operating budget adjustment process (Report CR_8335, Planning and Development Business Model - 2020 Fiscal Update).

Business Licence Bylaw Renewal

The proposed Business Licence Bylaw fee schedule changes will result in an estimated \$1.4 million decrease in annual revenue upon implementation. The fee schedule will improve the customer experience by providing a discounted two-year licence fee, reduced fees for on-time licence renewal and non-resident businesses, and a single fee for licences regardless of the number of licence categories.

The implementation and ongoing administration of the new Business Licence bylaw is contingent on updates and changes to business technology, which are expected to cost between \$317,000 and \$392,000. Administration currently has approved funding of \$395,000 (with 2020 budget carry forward).

The Fall Supplementary Operating Budget Adjustment will include a 20 percent decline in 2021 business licensing revenue based on Edmonton's economic outlook, resulting in a net decrease in the transfer to general revenues by \$2.2 million. The 2021 budgeted annual revenue transfer to Corporate Programs will be \$7.1 million. Revenue impacts associated with the proposed Business Licence Bylaw have not been incorporated to the current 2021 forecast.

Corporate Outcomes and Performance Management

| | | | |
|---|-----------------|----------------|----------------|
| Corporate Outcomes: Edmonton has a global competitive and entrepreneurial business climate | | | |
| Outcomes | Measures | Results | Targets |

| | | | |
|---|--|--|----------------------|
| Edmonton has a global competitive and entrepreneurial business climate | Edmonton small to medium-sized business | -1.4 percent (2017) | Positive growth rate |
| Effective and efficient service delivery. Support and guide business and industry | Percentage of business owners satisfied with the process of obtaining a business licence | A new Business Licence Bylaw that is responsive to the needs of business and industry. | TBD |

Attachments

1. Supporting Small Businesses In Edmonton
2. Excerpts from the CHBA Municipal Benchmarking Report
3. Permit and Licensing Improvement Initiative - Approach
4. Opening a Small Business in a Commercial Location - Process and Experience
5. Permit and Licence Services for Business - Current Timelines
6. What We Heard
7. Further Recommendations for a New Business Licence Bylaw
8. Proposed Outline for the Business Licence Bylaw
9. Proposed Licence Tiers and Fees
10. Requirements to Implement the New Business Licence Bylaw

Others Reviewing this Report

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- B. Andriachuk, City Solicitor