



Staff Report for Committee of the Whole Meeting

Date of Meeting: April 23, 2018

Report Number: [SRCFS.18.012]

Department: Corporate and Financial Services

Division: Financial Services

Subject: 2019 Development Charges By-law Update
Project Plan

Purpose:

This report provides Council with an update on the proposed 2019 Development Charges By-law Update and the associated work plan.

Recommendation(s):

- a) That staff report SRCFS.18.012 regarding the 2019 Development Charges By-law Update Project Plan, be received for information purposes.

Contact Person:

Gigi Li, Manager of Capital and Development Financing, ext. 6435

Report Approval:

Submitted by: Mary-Anne Dempster, Commissioner of Corporate and Financial Services

Approved by: Neil Garbe, Chief Administrative Officer

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), Town Solicitor (as required), Commissioner, and Chief Administrative Officer. Details of the reports approval are attached.

Background:

Development Charges are the primary source of funding for growth-related capital programs. Under the *Development Charges Act (DCA)*, Council can impose development charges to recover growth-related capital costs from development within the municipality.

The *DCA*, mandates the Development Charges By-law must be updated at least once every five years. The Town's current Town-wide By-law along with several Area Specific By-laws will expire on June 9, 2019, new By-laws must come into effect on or before June 10, 2019 to ensure continuity in the collection of development charges.

Town-wide and Area Specific Development Charges

The Town of Richmond Hill has two types of Development Charges ("DC"); Town-wide, and Area Specific. The Town-wide charges are collected for both residential (per unit rate) and non-residential (based on a rate per gross floor area). Area Specific charges are collected based on net developable hectares of proposed land area for development. Development Charges are collected to ensure that infrastructure costs to service new development are provided for by the developer.

The Town-wide charges are for services that benefit all residents of the Town (i.e. fire, library, indoor recreation, outdoor recreation, public works and fleet, and Town-wide engineering). The process to calculate the amount of each charge involves:

- 1) a ten-year average service level calculation of respective component inventories applied against forecasted residential and non-residential growth in order to determine the maximum amount of new infrastructure that can be funded from Development Charges.
- 2) each component is then costed out at current values to determine the total DC funding envelope.
- 3) the capital costs necessary to provide the increased services to accommodate growth are estimated.
- 4) then each component total cost (i.e. asset category) is factored into a per capita and per unit of dwelling type amount for residential charges and per square metre for non-residential charges.

Generally, Area Specific charges are for hard services (i.e. roads, watermains, sanitary sewer, and stormwater management) required to service one or more planning blocks. It is a charge that provides benefits to specific development areas in the Town. The charge per net hectare for each specific area is arrived at by:

- 1) preparing growth forecasts for the development areas (including Greenfield and infill);
- 2) defining boundaries and preparing servicing plans for the area;
- 3) preparing cost estimates for the required services and determining the net growth-related costs to be included in the Development Charge; and

- 4) dividing the total growth related net capital costs allocated to each development area by the net developable area.

The 2019 DC update will focus on the By-laws expiring in 2019. The table below is a listing of current Town Development Charge By-laws with their expiration dates.

Town-wide:		
1)	Town-wide	- expires June 9, 2019
Area Specific:		
1)	Elgin West Development Area	- expires June 9, 2019
2)	Urban Fringe East Development Area	- expires June 9, 2019
3)	Headford Development Area – Storm North of Rouge	- expires June 9, 2019
4)	Oak Ridges – Lake Wilcox Area – Overall	- expires June 9, 2019
5)	Oak Ridges – Lake Wilcox – Greenfield	- expires June 9, 2019
6)	Bayview Northeast Development Area	- expires July 11, 2021
7)	Headford Development Area – Excluding Storm	- expires July 11, 2021
8)	North Leslie East Development Area	- expires July 11, 2021
9)	North Leslie West Development Area	- expires July 11, 2021
10)	West Gormley Development Area	- expires July 11, 2021

In July 2016, the Town updated 6 By-laws; including an amendment to the Town-wide development charges By-law.

Each new by-law must be supported by a comprehensive Development Charge Background Study. The Development Charges Background Study must be available at least 60 days prior to Council passing a new development charge by-law.

Timelines

The following general timelines are expected:

April 9, 2018	➤ Committee of the Whole Report on project plan
Spring 2018	➤ Commence DC consultation process with development community and other key stakeholders
Summer/Fall 2018	➤ Develop growth forecast, service standards & other information required for use in Town-wide / Areas Specific background studies
February/March 2019	➤ Council Education session ➤ Draft 2019 DC Background Studies
March 2019	➤ Public meeting
May 2019	➤ New By-laws to Council for consideration of passage
Late May/Early June 2019	➤ 2019 Development Charges By-laws come into force

Resources

The Town has retained Watson & Associates to undertake the development charges study process. Watson will be working with Town staff in preparing the DC analysis and policy recommendations. Staff intend to engage with external stakeholders, including representatives of the Building Industry and Land Development Association – York Chapter (BILD), non-residential developers and the public. This consultation process will help ensure that stakeholders understand the Town's infrastructure investments, methodologies and assumptions for calculating and attributing growth-related capital costs and have the opportunity to provide input.

Council approved studies and plans (e.g., Official Plan, Urban Master Environmental Servicing Plan, Transportation Master Plan, Parks Plan, Recreation Plan, Library Facilities Master Plan, Fire Master Plan, Civic Precinct, David Dunlap Observatory Master Plan, Parking Study) contribute to the development of the Development Charges Background Studies. These Studies and the associated By-laws would enable the Town to recover a portion of its growth-related capital costs.

An update of the Transportation Master Plan and Urban Master Environmental Servicing Plan (MESP) is currently underway, it is anticipated that the results of the update will inform the 2019 DC Background Studies.

Methodologies and Policies

A number of methodologies and policies will be reviewed as part of the By-law update. Some of these are noted in the table below. This is not an exhaustive list, as the need to review other methodologies and/or policies may be identified during the consultation process. A list of the proposed policy changes will be brought forward to Council in February/March of 2019.

Methodologies and Assumptions:

1)	Timing and distribution of employment and population growth	Revise 2014 Development Charge Background Study forecasting assumptions
2)	Forecast period	The <i>Act</i> sets out limitations for the forecast period for some services. However a municipality can choose the recovery period for services such as water, wastewater and roads
3)	Employment (FSW) and Residential (PPU) Density Assumptions	Review 2014 Development Charge Background Study assumptions on floor space per worker for non-residential and persons per unit in residential development charge calculations
4)	Cost attribution between residential and non-residential development	Review 2014 Development Charge Background Study attribution of capital costs between residential and non-residential development, as well as underlying rate structures

Policies:	
1) Town-wide charges versus area-specific charges	Consider options for implementing single Town-wide charge per minutes of OMB settlement
2) Deferral and exemptions policies	Evaluate whether the deferral and exemption policies should be broadened (CIP, DC Rebate Program etc.). Report on the redevelopment credit policy is expected in June 2018
3) Apartment development charge rate structures	Evaluate the Town's small vs. large apartment threshold and consider realignment with the Region
4) Hotels and parking structures	Consider to align to Region's policies for hotels and parking structure developments
5) Treatment for Leadership in Energy and Environmental Design (LEED) certified building	Evaluate the potential for a more favorable DC treatment for LEED certified developments
6) Development Charge credits	Formalize process to administer credits and Town contributions

Other Significant Elements of the Update

Bill 73 - A 2015 amendment to the *Development Charges Act* introduced new policies and prescribed greater reporting requirements for municipalities. The amendment includes new requirements for development charge background studies and enhanced requirements for reporting on development charge reserve funds. Municipalities must now also consider area-specific rates for all services as part of their background studies. The amended *Act* further requires municipalities to prepare an asset management plan as part of the Development Charges Background Study to demonstrate that all assets funded by development charges will be financially sustainable over their lifecycle. It is expected that the additional directives from the amended *Act* will be considered and implemented in the 2019 Development Charges By-law Update.

OMB Appeal - In July 2016, Council adopted the 2016 Town-wide and Area Specific Development Charges Background Studies and By-laws. Following adoption, the Town-wide Development Charges By-law amendment (71-16), North Leslie West Development Area By-law (33-16) and the West Gormley Development Area By-law (35-16) were appealed to the Ontario Municipal Board pursuant to Section 14 of the Development Charges Act, 1997 (as amended) by a number of parties.

With Council's approval, the Town executed minutes of settlement as they relate to matters concerning the appeals by North Leslie Residential Landowners Group Inc., Leslie Elgin Development Inc. and 775377 Ontario Ltd. The DC Background Studies will be updated and available on the Town's website once the Ontario Municipal Board (OMB) issues an Order on the proposed settlement.

The revisions necessary to the three Development Charge By-laws in order to implement the settlement include:

- Revising the costs of the Harris Ave. Urbanization project and adjusting the post-period benefits for the sanitary sewer projects in the Urban MESP, the flood remediation project and Harris Ave. Urbanization to recognize higher benefits to future developments; and
- Reducing the per unit cost for landscaping, removing the boundary road surface works for a section of Leslie Street that has already been put in place and revising the net developable hectares for the North Leslie West and West Gormley ASDC areas to include lands associated with schools, places of worship and municipal buildings.

The parties further agreed that prior to the drafting of background studies and updating of by-laws to amend or replace any of By-laws 71-16, 33-16 and 35-16, Town staff shall bring a report to Council seeking its direction to commence the review. In addition, within two months of Council's direction to commence the review, the parties shall meet to discuss a consultation process in consideration of the following aspects of the Town's DC regime:

- a) *The basis for including any particular project in the Town-wide or an Area Specific DC By-law, with particular focus on the inclusion of the Flood Remediation project and the sanitary projects from the Urban Master Environmental Servicing Plan in the Town-wide DC By-law;*
- b) *The appropriate scope of the local service policy of any future background study, which will depend in part on a determination of the principles described in subsection (a) above;*
- c) *Methodologies for determining the allocation of benefit of the sanitary projects, including benefit to existing development and benefit occurring after the period of the implementation of the DC By-law;*
- d) *Methodologies for determining the allocation of benefit of the Flood Remediation project, including benefit to existing development, benefit to development occurring after the period of the implementation of the DC By-law, as well as benefit to both residential non-residential growth;*
- e) *Confirming the amount, type, location of development (i.e., 'the denominator') within the North Leslie West Development Area and within the West Gormley Development Area; and*
- f) *The timely and iterative sharing of data, information and analysis with North Leslie Residential Landowners Group Inc. and Leslie Elgin, to all other stakeholders and interested persons, and to ensure ongoing regular dialogue regarding the matters enumerated above.*

The remaining issues were heard at the hearing in November 2017. The Town is currently awaiting a ruling from the OMB and the decision will have an impact on the methodologies and policy issues identified for the 2019 Development Charges By-law Update.

Financial/Staffing/Other Implications:

Development charges are the primary source of funding for growth-related capital infrastructure in the Region. Development charges fund approximately 35% of the cost of growth-related capital in the Town's 2018 10 Year Capital Forecast.

Development charge rates are based on proposed residential and non-residential development forecasts and the required capital infrastructure during the forecast period. The updated 2019 rates will be determined as part of the detailed modelling exercise.

Council approved a 2018 capital budget for this project to prepare the Town-wide Background Study for the Town. At this point in time, there is no additional financial impact from the project.

Relationship to the Strategic Plan:

Providing a status of the 2019 Development Charges By-law Update Project Plan demonstrates responsible municipal management in which the following objectives are being met:

- a) Reinforce the commitment to maintain sound fiscal management;
- b) Wise management of resources in Richmond Hill; and
- c) Ensure open information flow and accessible decision-making.

Conclusion:

Every five years, the Town must update its development charges by-laws. This provides an opportunity to revisit assumptions and methodologies to maximize cost recovery for growth related infrastructure.

The updating of the Town-wide and various Area Specific Development Charge By-laws is a significant project and will require continuous engagement of staff as well as external stakeholders through the 2019 Development Charges By-law Update process. It is anticipated that the draft Background Studies will be tabled with Council and available to the public in February/March 2019, and the proposed by-laws will be considered by Council for passage in May 2019.

Report Approval Details

Document Title:	SRCFS.18.012 2019 Development Charges Update Project Plan.docx
Attachments:	
Final Approval Date:	Apr 3, 2018

This report and all of its attachments were approved and signed as outlined below:

David Dexter - Apr 3, 2018 - 11:15 AM

MaryAnne Dempster - Apr 3, 2018 - 12:49 PM

Neil Garbe - Apr 3, 2018 - 2:25 PM