



Staff Report for Council Meeting

Date of Meeting: June 22, 2022

Report Number: SRCFS.22.019

Department: Corporate and Financial Services

Division: Financial Services

Subject: **Community Benefit Charges Strategy**

Purpose:

The purpose of this report is to provide an update on the City of Richmond Hill's ("The City") Community Benefits Charge ("CBC") Strategy and the Community Benefits Charge Draft By-law, including comments and feedback on the Community Benefits Strategy and Draft By-law received, for Council consideration.

Recommendation(s):

- a) That the staff report SRCFS.22.019, the Community Benefits Charge Strategy, and the corresponding Draft By-law, be received by Council;
- b) That the 2022 Community Benefits Charge Strategy and Draft By-law be considered at the Council meeting on July 6, 2022.

Contact Person:

Ilan Treiger, Development Finance Supervisor, Corporate and Financial Services, Ext 2415

Sara Beukeboom, Manager Fiscal Planning & Strategy, Corporate and Financial Services, Extension 6311

Report Approval:

Submitted by: Sherry Adams, Commissioner of Corporate and Financial Services

Approved by: Darlene Joslin, Interim City Manager

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

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Background:

On June 6, 2019, Bill 108, More Homes, More Choice Act, 2019 received royal assent and outlined several changes to the Development Charges Act (“DCA”) and the Planning Act, R.S.O, 1990 (“the Act”). These changes were further amended by Bill 138, Plan to Build Ontario Together Act, 2019 and by Bill 197, COVID-19 Economic Recovery Act, 2020. On September 18, 2020, the Province proclaimed the amendments that were made to the DCA and the Planning Act by Bills 108, 138, and 197. Municipalities have up to two (2) years to transition to the new regime from the date the legislation was proclaimed.

As a result of the legislative changes brought by the Bills described above, CBC provisions replaces Section 37 height and density bouncing in the Planning Act. CBC is a growth related funding tool that allows municipalities to levy a charge against buildings or structures with five (5) storeys or more, and with 10 or more residential units. A mixed-use development can also be subject to a CBC if the development meets the above criteria.

CBC revenue will be used, in part, to offset amendments to the DCA that will eliminate the City’s ability to collect Development Charges for certain services that were previously eligible. CBC may be imposed for services that do not conflict with services or projects provided under a municipality’s Development Charges by-law, or Parkland Dedication by-law. This could include capital such as public art, parkland enhancements, and other items that would have been previously funded through Section 37 of the Planning Act.

Subsection 37(32) of the Planning Act provides that there is a maximum permitted charge that can be levied, which is prescribed within O.Reg 509/20 as being four percent (4%) of the land value for sites that meet the criteria above on the day before building permit issuance.

O. Reg. 509/20, being a regulation made under the Planning Act with respect to CBC, also provides for a number of statutory exemptions for the payment of CBC including:

- Long-term care and retirement homes;
- Colleges, universities and post-secondary indigenous institutes;
- Royal Canadian Legion;
- Hospice for end of life care: and
- Non-profit Housing.

Draft Strategy

The City retained Watson & Associates Economists Ltd. (Watson), to undertake the CBC Strategy process beginning in the fall of 2021. Watson worked with City staff in preparing the CBC analysis and policy recommendations contained within the CBC Strategy.

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In order to provide interested parties background information on the legislation, the recommendations contained in the Strategy, and an outline of the basis for these recommendations, the CBC Strategy, was distributed to members of the public on May 31, 2022. In addition to the CBC Strategy, the underlying CBC Draft By-law was distributed on June 9, 2022.

The City's CBC Strategy complies with the Act, and related regulation O. Reg. 509/20. The Act mandates several steps that a municipality must take to charge CBCs, and include the following:

- Preparing a development forecast;
- Determining the increased need arising from development;
- Determining how these costs are attributable to CBC development;
- Identifying any access capacity that exists; and
- Estimate benefit to existing shares, grants, subsidies or other contributions.

The CBC Strategy is designed to set out sufficient background on the legislation, and the policies underlying the proposed By-law, to make the exercise understandable to those who are involved.

Preparing a Development Forecast and Land Valuation:

The CBC Strategy contains the anticipated overall growth within the City over a 10-year (mid-2022 to mid-2032) time horizon, and factors in the estimated eligible residential units to be considered as per section 37 (4) of the Act. As the CBC is applied against the value of land the day before a building permit is issued, average land values are required to be assessed in various locations throughout the City where the development and redevelopment is anticipated.

Increase in the Need for Service:

The CBC calculation commences with an estimate of the increase in the need for service attributable to the anticipated development for eligible services to be covered by the By-law. There must be some form of link or attribution between the anticipated development and the estimated increase in the need for service.

Capital Forecast:

The Council may by By-law impose CBC against land to pay for the capital costs of facilities, services and matters. The Act does not define what capital costs may be included within the charge. However the Act does provide that the CBC charge could include capital costs for eligible Development Charges services that are not intended to be funded under the City's Development Charges by-law. In addition, the CBC charge may include capital costs for services that are not provided under the DCA, such as:

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Land for parks and other recreation services and facilities, municipal parking, streetscaping, public art, etc.

Reductions for Excess Capacity, Benefit to Existing Development and for Anticipated Grants, Subsidies and Other Contributions:

Section 2 (c) of O. Reg. 509/20 of the Act requires the identification of the excess capacity that exists, as well as any benefit to existing development, in relation to the facilities, services and matters.

Deduction of excess capacity from the future increase in the need for the service would normally occur as part of the conceptual planning and feasibility work associated with justifying and sizing new facilities.

Deduction of benefit to existing development is required, where existing development has an adequate service level which will not be tangibly increased by an increase in service, no benefit would appear to be involved.

Furthermore, deductions are made to reduce the capital costs by capital grants, subsidies, and other contributions made or anticipated by Council and in accordance with various rules.

Calculation of the Community Benefit Charge:

To calculate the CBC, the net capital cost (provided by netting the deductions described above from the capital forecast) divided by the land values related to the anticipated applicable development/redevelopment produces a percentage of the capital cost to the land value. The product of this calculation provides for the eligible rate. As noted above, the maximum rate to be imposed is 4% of land value the day before issuance of the first building permit.

Engagement and Consultation

Prior to passing a CBC By-law, the City must consult with the public and such persons and public bodies as the City considers appropriate.

- On May 2, 2022 – BILD Consultation - staff hosted its first virtual consultation meeting with Building Industry and Land Development Association (BILD). Initial comments received included potential exemptions, land valuation on mixed used development, land appraisal methodology and valuation of in-kind contributions.
- On May 24, 2022 – Council Special Meeting - Staff along with Watson made a presentation to Council providing an overview of the CBC methodology and approach. Staff received Council feedback, and have been available for further inquiries on the matter.

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The CBC Strategy and Draft By-law (Appendix A and Appendix B), were made available to the public on May 31, 2022 and June 10, 2022 respectively.

Staff are committed to continue the public consultation process, through the following scheduled meetings:

- June 14, 2022 – BILD Consultation - Staff hosted a second virtual public consultation meeting with stakeholders from the development community including BILD to present the CBC Strategy and Draft By-law. The feedback/questions raised at the meeting, the corresponding responses from staff and Watson are summarized in Appendix C.
- June 22, 2022 - Council Meeting – Staff will present the CBC Strategy and the Draft CBC By-law at the Council Meeting. At the Council meeting, staff will receive further feedback from both members of the public and Council.
- July 6, 2022 – Council Meeting – Council consideration of the adoption of the CBC By-law.

Financial/Staffing/Other Implications:

The CBC eligible unit forecast is derived based on an established criteria, and a detailed review of historical Census housing trends, historical development activity active residential development applications, and discussions with City staff regarding anticipated CBC eligible developments.

The City is forecasting to accommodate 5,924 CBC eligible residential units over the 10-year forecast period. This translates to 90% of all high-density units, including accessory units, being CBC eligible from mid-2022 to mid-2032.

As the CBC rate is applied against the value of land the day before a building permit is issued, average land values are required to be assessed in various locations throughout the City where the development and redevelopment is anticipated. These land values assist in calculating the eligible CBC rate (up to a maximum of 4%). As such the City commissioned a professional land appraiser to provide input into the analysis.

For capital costs identified for recovery through the CBC, a review of the gross costs has been made. Each capital project was assessed to determine if there were deductions required to the gross costs related to excess capacity, benefit to existing development, and grants, subsidies, or other contributions known.

The potential CBC revenue has been estimated at \$15.68 million over the 10-year planning period from mid-2022 – mid-2032. The CBC capital needs exceed the revenue forecast, which justifies a 4% of land value CBC charge.

As part of the development of the CBC strategy, a capital program and associated projects were identified, summarized in the table below.

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Service	Gross Cost	Deductions		Net Growth-Related Cost	Eligible High Density Residential
		Benefit to Existing Development	Grants, Subsidies and Other Contributions		
C.B.C. Strategies	450,000	-	-	450,000	450,000
Municipal Parking	460,000	48,000	-	412,000	112,400
General Administration Space	10,200,000	2,550,000	-	7,650,000	2,087,600
Streetscaping (Beautification)	1,532,000	373,000	450,000	709,000	193,500
Traffic Safety	200,000	100,000	-	100,000	27,300
Affordable Housing	19,000,000	9,500,000	-	9,500,000	3,050,000
Public Realm/Community Services/Culture/Parkland Acquisition	41,088,000	3,940,000	-	37,148,000	11,329,300
Parkland Acquisition	50,000,000	-	-	50,000,000	15,250,000
Total	122,930,000	16,511,000	450,000	105,969,000	32,500,100
Total Land Value					392,116,000
Calculated Percentage to Recover all Costs Identified					8.3%

Relationship to Council’s Strategic Priorities 2020-2022:

The Community Benefit Charge is a new growth funding tool introduced by the Province in recent legislation. It allows municipalities to fund capital costs related to growth that are not already recovered from Development Charges and Parkland Dedication.

This report is aligned with the Council’s Strategic Priority of a Fiscal Responsibility, in recognizing the need for capital funding of growth related projects, utilizing the funding tools available to the municipality. It ensures that the Community Benefit Charge By-law is enacted.

Climate Change Considerations:

Climate change considerations are not applicable to this staff report.

Conclusion:

The Community Benefits Charges process is new for all municipalities in Ontario. Staff have engaged internal stakeholders, and are actively participating in engagement sessions with the development industry, and other key stakeholders. The proposed Community Benefits Charges Strategy is available in Appendix A to this report. The CBC By-law will be presented to Richmond Hill City Council in July 6, 2022 for consideration.

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. All attachments have been reviewed and made accessible. If you require an alternative format please call the contact person listed in this document.

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- Appendix A: Community Benefits Charge Strategy
- Appendix B: Community Benefits Charge Draft By-law
- Appendix C: Responses to BILD Questions

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Report Approval Details

Document Title:	SRCFS.22.019 - Community Benefits Charges Strategy.docx
Attachments:	- SRCFS.22.019 - Appendix A - Community Benefits Charge Strategy.pdf - SRCFS.22.019 - Appendix B - Community Benefits Charge Draft By-law.pdf - SRCFS.22.019 - Appendix C - Responses to BILD questions.docx
Final Approval Date:	Jun 15, 2022

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

Gigi Li - Jun 15, 2022 - 10:29 AM

Sherry Adams - Jun 15, 2022 - 11:08 AM

Darlene Joslin - Jun 15, 2022 - 2:03 PM