



## Staff Report for Committee of the Whole Meeting

Date of Meeting: June 7, 2023  
Report Number: SRCFS.23.020

Department: Corporate and Financial Services  
Division: Financial Services

Subject: SRCFS.23.020 Development Charges By-Law  
Update – Status Update

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### Purpose:

To provide Council with information on the City's 2023 Development Charges By-law Update, in alignment with legislative changes resulting from Bill 23, *the More Homes Built Faster Act, 2022*.

### Recommendations:

- a) That staff report SRCFS.23.020 be received for information purposes;
- b) That the 2023 Development Charges By-Law Update Plan as outlined in Appendix A to staff report SRCFS.23.020 be approved; and
- c) That the Director of Financial Services and Treasurer be authorized to schedule and give notice for the public meetings required by the Development Charges Act, 1997.

### Contact Person:

Ilan Treiger – Financial Management Advisor, Long Range Financial Planning and Policy ext. 2415

Lisa Chen – Manager, Fiscal Planning and Strategy ext. 6311

### Report Approval:

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

**Approved by:** Darlene Joslin, 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

The majority of the City of Richmond Hill's Development Charges By-Laws (DCBL) expire May 2024. Staff initiated the DCBL update process in October 2022 and anticipate completion by November 2023. This is the first comprehensive review since 2014 and the City's first DCBL since Bill 23 legislation.

#### **Development charges provide funding for new infrastructure to service population growth, while maintaining existing service levels and minimizing the financial burden to existing residents.**

Under the *Development Charges Act, 1997*, fees are collected from developers at the building permit stage by regional, local and educational levels of government. These fees fund eligible population growth-related infrastructure. Specific to Richmond Hill, these include water, wastewater, roads, libraries, fire, parks and recreation infrastructure services.

Under the DCA, municipalities must prepare a background study prior to imposing development charges. Determining the development charge rate requires growth projections and assessing capital infrastructure needs to support the growth.

The calculated rate is subject to projected costs based on a 15-year service level history, and reduces the amount to the extent it benefits existing residents or growth in population beyond the planning horizon. As a result, development charges do not cover the full cost of services.

Development Charges can apply to all development areas within the City, known as City-Wide Development Charges, or it can apply to specific planning blocks, known as Area Specific Development Charges. The latter only applies to hard services which include collector or local roads, watermains, sanitary sewers, storm water management, and boundary road elements (streetlights, sidewalks and landscaping).

If growth and development does not take place as projected, the timing of the capital services are adjusted through the annual capital budget process. For example, if growth realizes sooner than anticipated the capital projects are advanced to earlier years, and, if projected growth is not realized, then the capital required to service that growth is deferred to later years.

A new DCBL requires a background study to be publicly available at least 60 days before approval, accompanied by at least one public meeting to provide stakeholders with an opportunity for engagement and input.

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### Richmond Hill Development Charges By-Law

Under the current DCA legislation amended in November 2022, studies must be renewed at least every 10 years (5 years for by-laws approved prior to Bill 23). The City currently has nine DCBLs (excludes regional and educational) with the first seven expiring in May 2024:

#### City-Wide Development Charges (CWDC)

1. By-law 47-19 City-Wide, approved May 28, 2019 with 2021 amendments (By-law 34-21)

#### Area-Specific Development Charges (ASDC)

2. By-law 41-19 Oak Ridges-Lake Wilcox Greenfield Development Area
3. By-law 42-19 North Leslie West Development Area
4. By-law 43-19 North Leslie East Development Area
5. By-law 44-19 West Gormley Development Area
6. By-law 45-19 Elgin West Development Area
7. By-law 46-19 Headford Storm North of Rouge Development Area
8. By-law 32-21 Bayview North East Development Area
9. By-law 33-21 Headford – Excluding Storm Development Area

**Bill 23 impacts who pays for development. The projected \$330 million revenue shortfall over the next ten years presents challenges to the capital planning process, and may require growth-related infrastructure construction delays, debt financing, or property tax increases**

Bill 23, the most recent legislative change applicable to DCA, phases-in, reduces and exempts development charges levied by the City and significantly impacts the cost of development. At the January 30, 2023 Special Council Meeting, staff presented [SRPI.23.018, Request for Comments – Bill 23, The More Homes Built Faster Act, 2022](#), forecasting a \$330 million revenue shortfall over the next ten years from developer funding:

Revenue Tool	Estimated Overall Revenue Loss (millions)	Reduction in Forecasted Revenues
Development Charges	\$87.7	32%
Community Benefits Charges	\$3.9	25%
Parkland Dedication	\$238.2	61%
<b>Total</b>	<b>\$329.8</b>	<b>49%</b>

These revenue losses present additional challenges to the capital planning process, and may require the City to either delay the construction of growth-related infrastructure, issue additional debt, and/or increase property taxes.

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### **Recent legislative changes impact policy and financial considerations that apply to Richmond Hill’s Development Charges By-laws. The City is at risk of collecting insufficient development charges to facilitate the completion of infrastructure needs for growth and new development**

Recent legislative changes impact policy and financial considerations that apply to all nine DCBLs, alignment with the legislative changes resulting from Bill 23 will be a big component of the 2023 Development Charges By-law Update.

As previously noted in SRPI.23.018, the financial impact to the City’s development charges collections is multi-faceted. The table below provides a high level estimate:

<b>DCA Change</b>	<b>Estimated Revenue Loss (millions)</b>
New Statutory Exemptions	\$30.8
Additional Residential Unit Exemption	\$9.8
Mandatory Phase-in of DCs	\$11.6
Capital Costs Related to Land Excluded from DC	\$25.2
Capital Costs Related to Studies Excluded from DC	\$5.2
Rental Housing Discount	\$5.1
<b>Total</b>	<b>\$87.7</b>

The estimated revenue loss will be refined to reflect the updated financial impact as a result of new capital cost requirements from the 2023 Development Charges By-law Update process.

In addition to the City-wide Development Charges, the financial impact is potentially more amplified with the ASDCs as it is spread over a smaller geographic area and smaller number of developers. The City is at risk of collecting insufficient DC funding to facilitate the completion of infrastructure needs for these growth areas.

### **Various policy options including collapsing existing ASDCs are being explored to mitigate financial exposure to manage the impact of Bill 23 on the ASDCs**

Staff are assessing the potential financial exposure and mitigating measures including policy changes to the City’s ASDC by-laws. The options include the following:

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- Status quo
- Updating Local Service Policies, collapse existing ASDCs, and recover local servicing costs through agreements
- Collapsing existing ASDCs and moving capital costs into City-wide charge.

Staff are engaged with the development community to seek feedback on the ASDC options and will potentially update all seven ASDCs, including the two not expiring in 2024.

The last full comprehensive background study was undertaken during the 2014 DCBL update. The Act was subject to a number of legislative changes since then and the focus has been to prepare background studies to incrementally address those changes.

The 2019 CWDC was amended on June 9, 2021, and focused on an interim DCBL update to incorporate recommendations from the 2016 DC By-Law appeal and the subsequent minutes of settlement. In addition, Parks, Recreation and Library services were included at 100% (previously 90%) based on Bill 108 changes

As committed to Council when the by-law was amended in 2021, staff are on target to complete a new background study and a new by-law for Council's consideration before the end of 2023. The study would include the results of the updated Transportation Master Plan, Urban Master Environmental Servicing Plan, the Region's revised growth plan to 2041, changes to legislation from the Province, and further consideration of area specific versus City-Wide development charges, which influenced the 2016 DC By-Law developer appeal.

In addition, staff will be reviewing development charges policies as part of the by-law update including local services policy, indexing options, exemptions, payment deferrals, interest policies, credits, and development agreements.

### **To expand the communication channels between the development community and the City, consultation meetings have been ongoing since 2021, and will continue throughout the 2023 Development Charges Update process**

Staff are committed to engage with the development community. Consultation meetings have been ongoing since 2021, and will continue throughout the 2023 Development Charges update process. They will include discussions on the progress of the City-Wide plans and how they will fit within the DC framework. This will include the Official Plan Updates, Urban Master Environmental Servicing Plan, Parks and Recreation Plan, and Transportation Master Plan. Staff will also address policy considerations on City-wide or Area Specific Development Charges, along with methodologies for the calculation of benefit to existing development, and post period benefits.

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The Development Charges public consultation process is outlined in Appendix A, with an anticipated November 2023 Council approval date. Pending the final ASDC option selected, approval may be deferred to 2024.

### **Financial/Staffing/Other Implications:**

**The 2023 Ten-Year Capital Plan, development charges fund approximately 67% of the growth-related capital. Passing a new development charges by-law ensures the City continues to recover development charges and deliver its vital growth-related capital program**

Development charges are the primary source of funding growth-related capital infrastructure in the City. In the City's 2023 Ten-Year Capital Plan, development charges fund approximately 67% of the growth-related capital. Passing a new Development Charges By-law prior to May 28, 2024 ensures that the City can continue to recover development charges and deliver its vital growth-related capital program.

### **Relationship to Council's Strategic Priorities 2020-2022:**

Development charges is a key revenue tool that the City has to recover growth related capital costs within a municipality.

This report is aligned with Council's Strategic Priority of Fiscal Responsibility, in recognizing the need to ensure that the development charges by-laws are updated, when applicable, and amended for the recent legislative changes to the Development Charges Act.

### **Climate Change Considerations:**

Climate change considerations are not applicable to this staff report.

### **Conclusion:**

In order to continue to levy and collect development charges the City must update its development charges by-law at least once every ten years. This provides an opportunity to review assumptions and methodologies to update the capital costs required to accommodate growth and to align with recent legislative changes. Staff have initiated the process for the 2023 Development Charges By-law Update.

The Act requires the City to prepare a background study and make it publicly available 60 days prior to the by-law being passed by Council. It is anticipated that the Background Study will be tabled in September 2023 and the proposed by-law will be considered by Council for passage in November 2023.

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### **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.

Attachment A - 2023 Development Charges By-law Update Plan

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### Report Approval Details

Document Title:	SRCFS.23.020 - 2023 Development Charges By-law Update Process.docx
Attachments:	- SRCFS.23.020 - Attachment A 2023 Development Charges By-law Plan.docx
Final Approval Date:	May 30, 2023

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

**Gigi Li - May 29, 2023 - 4:23 PM**

**Sherry Adams - May 29, 2023 - 4:37 PM**

**Darlene Joslin - May 30, 2023 - 4:41 PM**