



Staff Report for Special Council Meeting

Date of Meeting: February 13, 2024

Report Number: SRCFS.24.003

Department: Corporate and Financial Services

Division: Financial Services

Subject: 2024 Development Charges Update

Purpose:

To provide the public with an overview of the proposed 2024 Development Charges (“DC”) and By-laws contained in the City of Richmond Hill’s (“City”) Development Charges Background Studies dated December 22, 2023. This Public Meeting is a requirement under the Development Charges Act, 1997 (“DCA”).

Recommendation:

- a) That Council receive staff report SRCFS.24.003;
- b) That draft By-laws 6-24, 7-24, 8-24, 9-24, and 10-24 for City-wide Development Charges be brought forward to the March 5, 2024, Council meeting for adoption (See Appendix “A”);
- c) That draft By-laws 11-24, and 12-24 for Area Specific Development Charges be brought forward to the March 5, 2024, Council meeting for adoption (see Appendix “B”);
- d) That the revised Development Charges Interest Policy be brought forward to the March 5, 2024, Council meeting for adoption (see Appendix “E”);
- e) That the City-wide Development Charges Deferral Policy for the Large Office Buildings in the Richmond Hill Centre – Pilot Program be brought forward to the March 5, 2024, Council meeting for adoption (see Appendix “F”);
- f) That the City-wide Development Charges Deferral for Office Buildings Policy be brought forward to the March 5, 2024, Council meeting for adoption (see Appendix “G”);
- g) That the City-wide Development Charges Deferral for Charitable Non-Profit Organizations Policy be brought forward to the March 5, 2024, Council meeting for adoption (see Appendix “H”); and

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- h) That the following Area Specific Development Charges By-law be repealed at the March 5, 2024, Council Meeting:
- By-law 41-19 Oak Ridges-Lake Wilcox Greenfield Development Area
 - By-law 42-19 North Leslie West Development Area
 - By-law 43-19 North Leslie East Development Area
 - By-law 44-19 West Gormley Development Area
 - By-law 45-19 Elgin West Development Area
 - By-law 46-19 Headford Storm North of Rouge Development Area
- i) That no further Public Meetings be required under Section 12 of Development Charges Act, 1997, as amended.

Contact Person:

Ilan Treiger, Financial Management Advisor, Long Range Financial Planning & Policy, Extension 2415

Lisa Chen, Manager, Fiscal Planning and Strategy, Corporate and Financial Services, Extension 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:

For the past several years the Development Charges legislation was subject to numerous changes brought forward by the Provincial Government. Commencing with Bill 108, which received Royal Assent on June 6, 2019, six (6) subsequent legislative bills between 2019 and 2022 (109, 134, 138, 197, 213, and 23), with Bill 23 receiving Royal Assent on November 28, 2022, having significant impact on the City's ability to provide a fully informed update to the DC Background Studies and its associated By-laws.

In addition, the City recently completed several key master plans that inform the DC Background Studies, including, the Official Plan, Transportation Master Plan, Urban Master Environmental Servicing Plan, the Parks Plan, and the Recreation and Culture Plan. These plans and studies are prepared in a corresponding manner to each other, as the Official Plan informs the other City Plans.

In order to provide a fully informed update to the City's DC By-laws, Council approved a two-step approach to the DC update, which outlined the process framework of updating the DC By-laws, as described in SRCFS.20.009 and SRCFS.20.028.

The "first step" was completed in June of 2021 resulting in amending the previous DC By-law (No. 47-19) to the existing City-wide DC By-law (No. 34-21), to reflect the changes in the Development Charges Act at that point in time. In addition, two (2) Area Specific Development Charges ("ASDC") By-laws (By-laws 30-16 Bayview North-east Development Area, and 32-16 Headford – Excluding Storm Development Area) were updated due to their expiration.

In June 2023 staff presented a status update to Council on the "second step" of the two-step approach to the DC update, as described in SRCFS.23.020. This report provided the planned timelines for the completion of the 2023 City-wide and Areas Specific DC Background Studies and associated By-laws, as well as the estimated financial implications of the recent changes to the DCA, utilizing the most recent information available at the time.

Over the past several months, staff have been working with Watson & Associates Economists Ltd. to complete the City of Richmond Hill's proposed Development Charges Background Studies. The studies was based on June 2023 cost estimates and through the annual indexing provision the DC rates will be indexed annually, starting July 1, 2024.

The studies are informed by the Region of York's updated growth forecast, the various plans and studies that the City undertook including the City's Transportation Master Plan and Official Plan Amendments. In addition, this update also reflects all of the legislative changes that had occurred in the past few years.

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Stakeholders' Consultations:

In accordance with the DCA requirement, the DC Background Studies were made available to the public on December 22, 2023, to allow for 60 days for public review prior to the passage of the proposed DC By-laws. In addition, in accordance with the DCA, the proposed DC By-laws were made available to the Public at least 2 weeks prior to this meeting.

The City committed to engage with the development community and consultation meetings have been ongoing since 2021 and throughout the Development Charges update process. Staff have undertaken an extensive stakeholder consultation process with the development community in order to promote transparency and solicit feedback. Meetings have been held throughout the process as follows:

- August 12, 2022
- September 27, 2022
- February 24, 2023
- April 17, 2023
- July 4, 2023
- August 11, 2023
- September 7, 2023
- September 22, 2023
- December 12, 2023

These meetings included discussion on the progress of the various City-wide plans and how they will fit in the DC framework, such as the Official Plan, Urban Environmental Service Plan, Parks and Recreation Master Plan, and Transportation Master Plan. Staff also addressed policy considerations on City-wide or ASDC, along with methodologies for the calculation of benefit to existing development and post period benefits.

Legislative Changes:

A number of changes to the DCA have occurred since the passage of the City's 2019 DC By-law. The first set of changes was introduced through four (4) bills passed in the Ontario legislature; Bill 108, Bill 138, Bill 197, and Bill 213, and were reflected in the 2021 DC Background Study and the amending By-law to the 2019 DC By-law. As described above this was the "first step" of the "two step" approach to updating City's DC By-laws.

In January 2023, staff presented SRPI.23.018, Request for Comments – Bill 23, The More Homes Built Faster Act, 2022, detailing the numerous legislative changes that have impacted the DCA, and thereby municipal ability to collect DCs. These legislative changes are reflected in the Development Charges Background Studies and associated By-laws ("step two").

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Bill 23 represents the most significant financial implication to the City, currently forecasting an estimated \$190 million DC revenue shortfall over the next ten years. This represents a significant increase in the estimated DC revenue loss when compared to the shortfall reported in SRCFS.23.020 of \$87 million. The increase is a result of a refinement of the growth forecast assumptions made during the DC Background Study process, as well as increase in the proposed DC rates when compared to the current DC rates that were used in the previous shortfall estimates. The table below provides an updated high-level breakdown of the estimate shortfall.

DC Change	Estimated Revenue Loss (millions)
New Statutory Exemptions	\$77.8
Additional Residential Unit Exemption	\$20.4
Mandatory Phase-in of DCs	\$29.4
Capital Costs Related to Land Excluded from DC*	\$46.8*
Capital Costs Related to Studies Excluded from DC	\$7.4
Rental Housing Discount	\$8.3
TOTAL	\$190.3

**The Provincial Government has yet to announce the prescribed services that would exclude land costs as an eligible cost. Therefore, at this time land costs are included for all applicable services in the DC Background Study and DC rate calculation.*

It is important to note that the actual financial impact of the legislative changes discussed above will be determined by the type of development, and the volume of development that is directly impacted. For example, the mandatory phase-in of new DC rates will impact all development types commencing with the new DC By-law enactment, and the actual DC revenue loss will be determined based on the timing of issuance of building permits during the 5 year phase-in. Another example, is the timing and size of developments that are newly exempt from DCs, such as, non-for-profit housing, affordable housing, additional residential units, etc.

Further legislative changes through Bill 134: Affordable Homes and Good Jobs Act, 2023, amended the DCA, section 4.1, describing exemptions for affordable and attainable residential units. The definitions will be provided in the *Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin*, as published by the Minister of Municipal Affairs and Housing. This would inform average market rent and purchase price to be used in determining which developments qualify as affordable residential units. At the time of writing, this bulletin had not been published by the Minister.

A few development related legislation were rolled back in recent months (Minister's Zoning Orders and Greenbelt development). On December 13, 2023, a news release by

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the Ministry of Municipal Affairs and Housing, indicates that the province will engage in consultations with its municipal partners on the impacts of the More Homes Built Faster Act and municipalities' ability to fund growth-related.

The following topics will be consulted on for potential inclusion in upcoming legislation:

- The requirement to phase-in development charge rates over five years for development charge by-laws passed as of January 1, 2022;
- The removal of studies as an eligible capital cost for development charges; and
- The planning application fee refund framework introduced through the *More Homes For Everyone Act*.

In the event of actualization of the above roll backs, the estimated DC revenue shortfall will be in-part mitigated, and thus will alleviate some of the funding pressures on the City's growth-related capital projects.

It is noteworthy that the numerous legislative changes to the DCA over the last several years, make it challenging to collect the necessary DC revenues to facilitate and fund capital project driven by growth. It is expected that any loss of DC revenue as a result of legislative and non-legislative exemptions or incentives would be required to be funded by non-DC sources.

Staff will continue to monitor legislative changes impacting the DCA, and will inform Council on the implications of such changes. In the event where further changes to the DCA will have an impact on the City's current and proposed DC By-laws, staff will prepare a staff report to Council to amend the current and proposed DC By-laws to conform with the legislative changes.

City-wide Development Charges: (refer to Appendix "C")

The City-wide Development Charges By-law provides for "soft services" (indoor and outdoor recreation, library services) and "hard services" (fire services, city-wide engineering services and public works) that benefit all residents.

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The following is schedule of DC rates by type of development and city-wide services/class of services:

City-Wide Services / Class of Services	Residential					Non-Residential			
	Single and Semi-Detached Dwelling	Multiples	Apartments - Large (>= 700 sq.ft.)	Apartments - Small (<700 sq.ft.)	Special Care / Special Dwelling Units	Retail (per sq. m. of GFA)	Non-Retail (per sq.m. of GFA)	Retail (per sq.ft. of GFA)	Non-Retail (per sq.ft. of GFA)
Engineering Services	\$15,885	\$13,207	\$10,032	\$7,121	\$5,018	\$106.13	\$87.83	\$9.86	\$8.16
Public Works (Facilities and Fleet)	\$1,849	\$1,537	\$1,168	\$829	\$584	\$12.92	\$9.80	\$1.20	\$0.91
Fire Protection Services	\$1,297	\$1,078	\$819	\$581	\$410	\$8.61	\$7.21	\$0.80	\$0.67
Parks and Recreation Services	\$22,750	\$18,915	\$14,367	\$10,199	\$7,187	\$43.81	\$33.15	\$4.07	\$3.08
Library Services	\$3,169	\$2,635	\$2,001	\$1,421	\$1,001	\$6.14	\$4.63	\$0.57	\$0.43
Total Municipal Wide Services/Class of Services	\$44,950	\$37,372	\$28,387	\$20,151	\$14,200	\$177.60	\$142.62	\$16.50	\$13.25

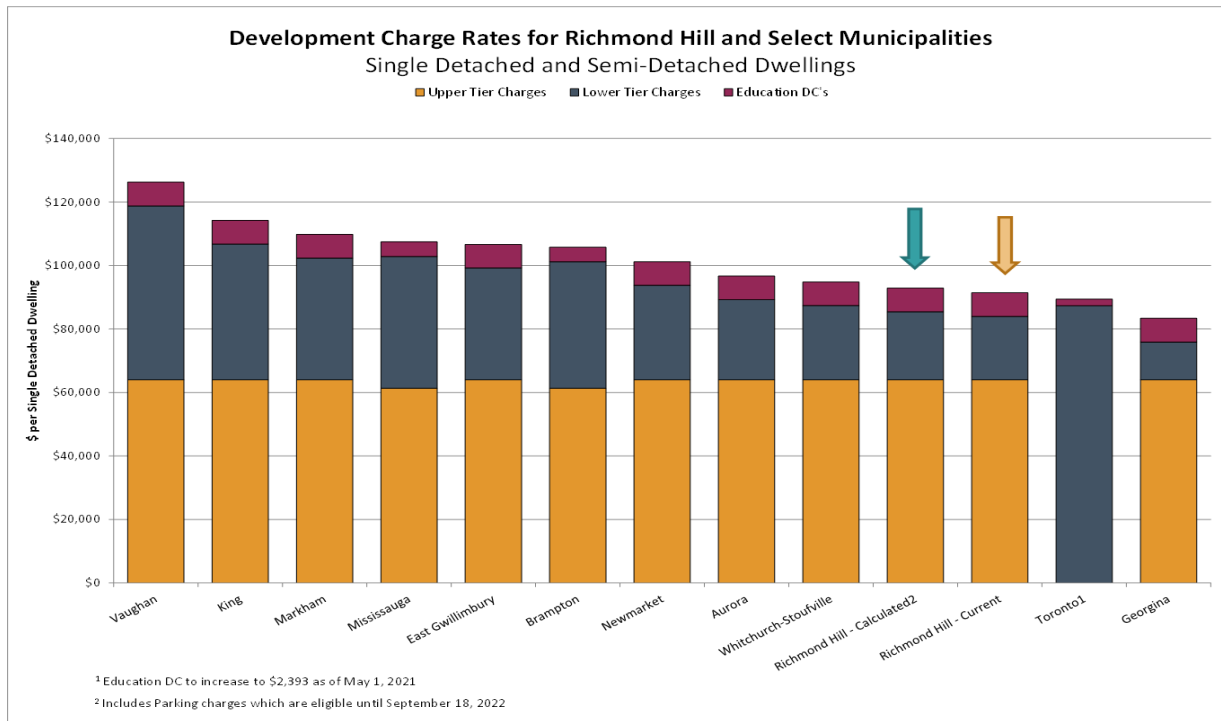
The following is a schedule of the proposed DC rates by type of development, compared to the current DC rates, as well as the phased-in rate that will be charged in the first year after the DC By-laws are approved.

	Current Charges (2021 Study indexed to 2023 \$)	Proposed Charges (Current Study in 2023 \$)	Y1 (80%) Proposed Charges (Current Study in 2023 \$)
Residential			
Single / Semi-detached Dwelling	\$29,110 / unit	\$44,950 / unit	\$35,960 / unit
Apartment & Stacked Townhouse - Large (>=700 sq. ft.)	\$19,854 / unit	\$28,387 / unit	\$22,709 / unit
Apartment & Stacked Townhouse - Small (<700 sq. ft.)	\$12,753 / unit	\$20,151 / unit	\$16,120 / unit
Special Care / Special Dwelling Units	N/A	\$14,200 / unit	\$11,360 / unit
Other Multiples	\$23,832 / unit	\$37,372 / unit	\$29,897 / unit
Non-residential			
Retail	\$126.19 / sq. metre	\$177.60 / sq. metre	\$142.08 / sq. metre
Non-Retail	\$126.19 / sq. metre	\$142.62 / sq. metre	\$114.09 / sq. metre

The proposed 2024 DC charges have increased compared to the current DC charge as a result of incorporating the City's most up-to-date infrastructure needs driven by growth

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and supported by the various master plans completed recently. The City remains very competitive with the proposed DC charges when compared to neighboring municipalities. The graph below demonstrates that the City’s proposed DC charges are one of the lowest in the benchmarking exercise. Incorporating the development fee review updates to be tabled for Committee of the Whole’s consideration on February 21, 2024, overall developer-related fees remain competitive.



Area Specific Development Charges (ASDC): (refer to Appendix “D”)

The City also has eight (8) ASDCs by-laws currently in place:

- Oak Ridges-Lake Wilcox Greenfield Development Area (By-law 41-19);
- North Leslie West Development Area (By-law 42-19);
- North Leslie East Development Area (By-law 43-19);
- West Gormley Development Area (By-law 44-19);
- Elgin West Development Area (By-law 45-19);
- Headford Storm North of Rouge Development Area (By-law 46-19);
- Bayview North East Development Area (By-law 32-21); and
- Headford – Excluding Storm Development Area (By-law 33-21).

Six of the eight ASDCs are expiring in May 2024, with the remaining two expiring in June 2026 (By-law 32-21 and By-law 33-21).

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Staff have performed a detailed assessment of the City’s ASDC by-laws, including the potential financial exposure from the DCA legislative changes and identified mitigating measures including policy changes. The following options were considered:

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

Through rigorous internal assessment and consultation with the stakeholders’ group, it was determined that option 2 (above) “Updating Local Service Policies, collapse existing ASDCs, and recover local servicing costs through agreements” is the most advantageous option to all parties to ensure that the necessary hard infrastructure needs are built in-order to realize the development in the ASDCs.

The Local Servicing Policy was thoroughly updated by staff, to ensure that the necessary capital infrastructure needs are the responsibility of the benefiting party (i.e. localized vs. City-wide). For example, a stormwater pond that will service a specific development (localized) would be a responsibility of the respective developer, while a boundary road that will contribute to the City-wide transportation network will be a responsibility under the City-wide DC.

Staff reviewed the specific infrastructure needs associated to each of the existing ASDCs, and benchmarked it against the newly updated Local Servicing Policy. Through this process, certain capital works have been determined to provide a City-wide growth-related benefit. These City-wide growth-related capital works and associated reserve fund balances related to these works have been removed from the ASDC and incorporated into the City-wide DC calculation. The two remaining ASDC by-laws are updated to facilitate developer cost-sharing

As part of this DC process, six of the eight ASDC By-laws are proposed to be repealed. By-laws 32-21 and 33-21 are proposed to continue until they expire or renew.

ASDC	Current Charge (2021 & 2019 Studies indexed to 2023 \$)	Proposed Charge (Current Study in 2023 \$)	Y1 (80%) Proposed Charges (Current Study in 2023 \$)
Bayview North East	\$590,793 / Ha	\$346,000 / Ha	\$276,800 / Ha
Headford - Excluding Storm	\$321,819 / Ha	\$255,600 / Ha	\$204,480 / Ha
Oak Ridges-Lake Wilcox Greenfield	\$314,782 / Ha	Repeal / Nil	Repeal / Nil
North Leslie West	\$51,900 / Ha	Repeal / Nil	Repeal / Nil
North Leslie East	\$24,553 / Ha	Repeal / Nil	Repeal / Nil
West Gormley	\$64,691 / Ha	Repeal / Nil	Repeal / Nil
Elgin West	\$232,742 / Ha	Repeal / Nil	Repeal / Nil
Headford Storm North of Rouge	\$63,515 / Ha	Repeal / Nil	Repeal / Nil

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Updated and New Development Charges Policies

As part of the Development Charges update process, staff reviewed and benchmarked numerous DC policies offered throughout Regional Municipality of York. These include legislative required policies, such as the DC Interest Policy, and discretionary DC deferral policies to various developments. The following is a list of proposed DC related policies to be updated, or new to the City.

Updated: Development Charges Interest Policy: (Refer to Appendix “E”)

The purpose of this policy is to establish the rules and practices for charging interest, as permitted under sections 26.1 and 26.2 of the Development Charges Act, 1997. Staff are updating the DC Interest policy to conform with the recent legislative changes, streamline the administrative processes, and to align with the administrative practices used by Regional Municipality of York and neighboring local municipalities.

Key changes to the existing DC interest policy include:

- The maximum interest rate is Prime +1% as per section 26.3 of the Act.
- Simple interest will apply and accrue from the date of the applicable application until the date the total accrued amount is fully paid.
- The City will provide a grace period of 14 calendar days for the payment of the applicable interest, commencing from the date the DC invoice is issued to the applicant.

New: City-wide Development Charges Deferral for Large Office Buildings in the Richmond Hill Centre – Pilot Program: (Refer to Appendix “F”)

The purpose this DC deferral policy is to incentivize large office developments within the City of Richmond Hill by encouraging a local business climate that attracts office development investment, businesses, and employment opportunities and to strengthen the Economic Prosperity, Investment and Council’s Strategic Priorities 2020-2022.

The DC deferral will be available to office buildings in the City of Richmond Hill subject to the terms and conditions as set out in the policy. In order to be eligible, the development must be a minimum of four (4) storeys, above grade, and a minimum of 50,000 square feet and be located within Richmond Hill Centre along Yonge Street from Highway 7 to Major Mackenzie Drive.

Gross Floor Area Size Threshold	Duration of the Development Charges Deferral Available
Between 50,000 square feet and 150,000 square feet	5 Years
Between 150,000 square feet and 250,000 square feet	10 Years
Greater than 250,000 square feet and less than or equal to 400,000 square feet	15 Years
Greater than 400,000 square feet	20 Years

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The pilot program will last 3 years or until the program achieves 1.5 million square feet of gross floor area of new office space. The Region of York has a similar policy which is currently under review. Should staff recommend a change to the City's policy to re-align with the Region's review, a report will be brought forward for Council's consideration.

New: City-wide Development Charges Deferral for Office Buildings: (Refer to Appendix "G")

The purpose of this DC deferral policy is to incentivize large office developments within the City of Richmond Hill by encouraging a local business climate that attracts office development investment, businesses, and employment opportunities and to strengthen the Economic Prosperity, Investment and Social Capital strategic priority of Council.

The DC deferral will be available to office buildings in the City of Richmond Hill subject to the terms and conditions as set out in the policy. In order to be eligible, the development must be a minimum of four (4) storey's, and above grade. This deferral policy only applies to City-wide development charges, excludes ASDC.

The duration of the deferred DC will be until the date that is 18 months after the earlier of:

- The date of the issuance of a permit authorizing occupation of the building or,
- The date the building is first occupied.

New: City-wide Development Charges Deferral for Charitable Non-Profit Organization Policy: (Refer to Appendix "H")

The purpose of this DC deferral policy is to incentivize the development of facilities that will offer services to the general public, of similar quality and scope that would otherwise be provided by the City of Richmond Hill or the Regional Municipality of York, or any of its local boards, to the satisfaction of the City and/or the Region. This policy only applies to City-wide DCs and shall not apply to Community Benefits Charges, nor ASDCs.

The DC deferral request may not exceed \$2 million per development application, and the duration of the deferral may not exceed 5 years (60 months). Only the gross floor area identified as a City or Regional service will be eligible for deferral.

In order to qualify for a deferral of City-Wide development charges, an organization must first meet **all** of the following general criteria:

- Must be a non-profit organization;
- The lands must be owned by the non-profit organization or are leased lands where the land owner has consented to register the deferral agreement on title and agrees to pay the deferred amount, if required;
- That all other consents that are deemed necessary by the City are obtained;

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- Registered, in good standing, as a charity with the Canada Revenue Agency; and,
- Registered, in good standing, where required, with appropriate Province of Ontario Ministries.

Any developer/applicant wishing to defer development charges for a qualifying Development under this policy must enter into a Development Charges Deferral agreement with the City.

Financial/Staffing/Other Implications:

Development charges fund approximately 38% of the growth-related capital in the City's 2024 – 2033 Capital Budget and Forecast. This represents a significant reliance on the City's ability to collect the necessary DC revenues as a funding resource for growth-related projects. Passing a new DC By-law ensures the City continues to optimize the recovery of DCs, the primary source of funding, to deliver vital growth-related capital programs.

Relationship to Council's Strategic Priorities 2020-2022:

Presentation of the City's 2024 Development Charges Background Studies and By-laws 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.

Climate Change Considerations:

Climate change considerations are not applicable to this staff report.

Conclusion:

Infrastructure and servicing needs are required to support growth in the City. The projects described in the Background Studies are imminent, in order for development to proceed, staff recommend that the proposed 2024 Development Charges be approved and that the By-laws No. 6-24, 7-24, 8-24, 9-24, 10-24, 11-24, 11-25 in Appendix "A" and Appendix "B" be brought forward to the March 5, 2024 meeting of Council for adoption.

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” - Draft By-laws for the City-wide Development Charges
- Appendix “B” - Draft By-laws for the Area Specific Development Charges
- Appendix “C” – Draft City-wide Development Charges Background Study
- Appendix “D” – Draft Area Specific Development Charges Background Study
- Appendix “E” - Revised Development Charges Interest Policy
- Appendix “F” - Large Office Buildings in the Richmond Hill Centre – Pilot Program
- Appendix “G” - City-wide Development Charges Deferral for Office Buildings
- Appendix “H” - City-wide Development Charges Deferral for Charitable Non-Profit Organizations Policy

Report Approval Details

Document Title:	SRCFS.24.003 - 2024 Development Charges Update.docx
Attachments:	<ul style="list-style-type: none">- SRCFS.24.003 - Appendix A - Draft By-laws for the City-wide Development Charges.pdf- SRCFS.24.003 - Appendix B - Draft By-laws for the Area Specific Development Charges.pdf- SRCFS.24.003 - Appendix C – Draft City-wide Development Charges Background Study.pdf- SRCFS.24.003 - Appendix D – Draft Area Specific Development Charge Background Study.pdf- SRCFS.24.003 - Appendix E - Development Charges Interest Policy.docx- SRCFS.24.003 - Appendix F - City-wide Development Charges for Large Office Buildings - Pilot.docx- SRCFS.24.003 - Appendix G - City-wide Development Charges Deferral for Office Buildings.docx- SRCFS.24.003 - Appendix H - City-wide Development Charges Deferral for Charitable NPOs Policy.docx
Final Approval Date:	Feb 5, 2024

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

Gigi Li - Feb 4, 2024 - 4:41 PM

Sherry Adams - Feb 5, 2024 - 8:50 AM

Darlene Joslin - Feb 5, 2024 - 9:25 AM