

Memorandum

February 7, 2024

MEMO TO: Mayor and Members of Council

COPY TO: Randy M. Grimes Enterprises Ltd.

FROM: Gigi Li, Director Financial Services and Treasurer

SUBJECT: **Response to agenda item 5.2 - Correspondence regarding the City's proposed 2024 Development Charges Update**

Background:

On January 24, 2024, the City Clerk received correspondence from Randy M. Grimes Enterprises Ltd on behalf of DG Group, expressing concerns on the magnitude of the development charge (DC) rate increases (agenda item 5.2). These concerns were also raised during City led DC Stakeholders' Consultation meetings in 2023. These meetings provided progress updates on the DC Background Study, where participants provided feedback to staff and staff answered questions.

This memo explains the factors that contribute to the increase in development charge rates.

Historical service level calculations and replacement costs form the basis for development charge calculations. In accordance with the *Development Charges Act, 1997, S.O. 1997, c. 27* (the Act) s.5(1).4, the rate.:

"... must not include an increase that would result in the level of service exceeding the average level of that service provided in the municipality over the 15-year period immediately preceding the preparation of the background study..."

A review of the City's existing buildings, land, vehicles, and equipment was prepared to establish the service level standard (e.g., square footage of building per capita) that may be included in the development charge calculation. The replacement cost is applied to the service level standard (e.g., dollar per square footage of facilities per capita) to establish the maximum funding envelope based on the historical fifteen-year average (2008 to 2022). Future capital projects and cost estimates are identified, ensuring they do not exceed the maximum funding envelope.

Discussion:

The correspondence highlights concern with the study's replacement cost per square foot of City Library and Recreation facilities. Staff provided the replacement cost methodology for facilities throughout the DC Stakeholders' Consultation process.

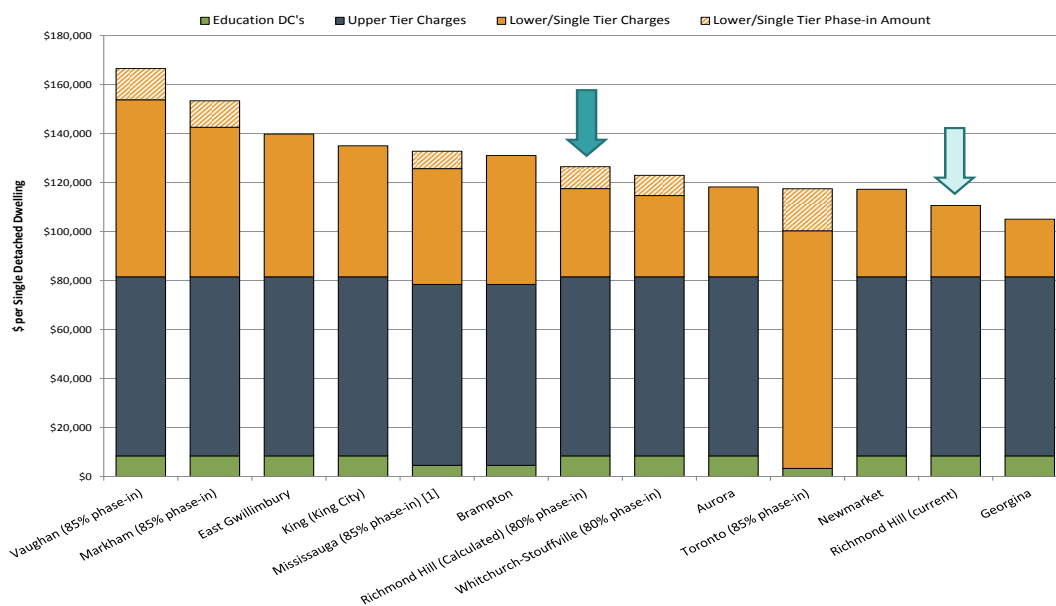
As correctly stated, the facility replacement cost increase outpaces the Building Construction Price Index when compared to the 2019 DC Background Study. The 2024 Development Charges Update is the first comprehensive review since 2016. During the 2019 and 2021 DC Background Study updates several master plans were pending completion. In the interim, the studies were based on the same future capital project list as the 2016 study with the cost inflated by the index.

In the current study staff reviewed the historical index, but due to recent price volatility caused by labor shortages and supply chain issues, staff also engaged consultants to provide guidance and expertise with replacement cost values, including use of third-party market publications such as the 2023 Gordian RS Means Yardstick for Costing and the 2023 Altus Group Canadian Cost Guide. Staff also benchmarked with several municipalities on the replacement costs of similar quality facilities.

In addition to Library and Recreation services, historical service levels have increased in all service areas including Fire Protection, Engineering, and Public Works. Any decrease to the historical service level replacement cost will decrease the maximum funding envelope, and potentially decrease the proposed DC rates. The historical service level calculations can be found in Appendix B of the proposed City-wide Development Charges Background Study.

On a broader prospective, the City of Richmond Hill remains competitive compared to municipalities within the Greater Toronto Area:

Singles/Semi-Detached Charges



[1] Includes stormwater charge based on area – assuming 12 homes per acre

Submitted by:



Gigi Li,
Director Financial Services and Treasurer