



Staff Report for Committee of the Whole Meeting

Date of Meeting: September 4, 2024

Report Number: SRCFS.24.033

Department: Corporate and Financial Services

Division: Financial Services

Subject: **SRCFS.24.033 - 2024 Development Charges By-law Amendments**

Purpose:

To provide Council with the staff recommended approach to amend the City of Richmond Hill's ("the City") current Development Charges ("DC") by-laws, to reflect the legislative changes brought forward by the Province through Bill 185, Cutting Red Tape to Build More Homes Act, 2024 ("Bill 185").

Recommendation(s):

- a) That staff report SRCFS.24.033 – 2024 Development Charges By-law Amendments be received;
- b) That the memo dated August 13, 2024 Regarding: 2024 Development Charges Background Study Update – Amendments as per Bill 185 (See appendix "A"), be received;
- c) That Council endorses the phased approach with two distinct processes to amend the City's existing Development Charges by-laws, as outlined in this staff report;
- d) That the capital project listing set out in Section 3.1.2 of the 2024 Development Charges Background Study Update – Amendments as per Bill 185 dated August 13, 2024, subject to further annual review during the capital budget process, be approved;
- e) That draft amending by-laws 105-24, 106-24, 107-24, 108-24, 109-24, 110-24, and 111-24 for City-wide and Area Specific Development Charges be brought forward to the September 11th, 2024, Council meeting for adoption (See Appendix "B"), as part of Phase I - Minor amendments to the Development Charges by-laws.
- f) That the Director, Financial Services and Treasurer be authorized to schedule and give notice for the public meeting(s) required by the Development Charges Act, 1997.

Page 2

Contact Person(s):

- Ilan Treiger, Financial Management Advisor, extension #2415
- Muhammad Raza, Manager Fiscal Strategy and Long-term Plan
- Gigi Li, Director Financial Services and Treasurer, extension #6435
- Sherry Adams, Commissioner Corporate and Financial Services, extension #2521

Report Approval:

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.

Key Messages:

- Amendments to the City's DC by-laws are required to incorporate the recent legislative changes to the Development Charges Act ("the DCA") brought through Bill 185.
- Bill 185 results in reversals of previously announced changes through Bill 23, More Homes Built Faster Act, 2022 ("Bill 23"). The amendments to the DC by-laws outlined in this staff report will allow the City to regain its ability to charge DCs and improve DC revenue collections.
- Staff are proposing a phased approach with two distinct processes to amend the City's DC by-laws, as follows:
 - Phase I – Staff will utilize the streamlined process for minor amendments to DC by-laws for those amendments that are eligible under this process;
 - Phase II – Formal amendments to the DC by-laws that are not eligible under the above streamlined process for minor amendments.

Background:

On April 10th, 2024, the Province of Ontario introduced Bill 185. The legislation proposes to amend 15 existing acts, including the DCA. Bill 185 proposed modifications to a number of the recent legislative changes introduced through Bill 109 More Homes for Everyone Act, 2022, Bill 23, More Homes Built Faster Act, 2022, and Bill 97, Helping Homebuyer, Protecting Tenants Act, 2023. On June 6th, 2024, Bill 185 received a Royal Assent from the Province of Ontario.

On May 8th, 2024, staff prepared a memorandum to Council to provide an update on Bill 185, Cutting Red Tape to Build More Homes Act, 2024. Overall, Bill 185 impacted 15 existing provincial Acts, including the DCA, the Municipal Act, and the Planning Act. Key changes to the DCA include:

Page 3

The definition of eligible capital costs:

- Bill 185 reversed the capital cost amendments of Bill 23 by reinstating growth studies as an eligible capital cost.

The removal of the mandatory phase-in of charges:

- Bill 185 removed the five-year mandatory phase-in of DC charges that were introduced in Bill 23.

The process for minor amendments to DC by-laws:

- Bill 185 added section 19 of the DCA, which allows municipalities to undertake minor amendments to DC by-laws for the following purposes without adherence to the public process requirements:
 - To repeal a provision of the DC by-law specifying the date the by-law expires or to amend the provision to extend the expiry date (subject to the 10-year limitations provided in the DCA);
 - To impose DCs for costs associated to growth studies; and
 - To remove the provisions related to the mandatory phase-in of DCs.

Reduction of DC rate freeze timeframe:

- Bill 108, More Homes, More Choices Act, 2019, required the DC rate for developments subject to a site plan and/or a zoning by-law amendment application to be “frozen” at the rates that were in effect at the time the above development applications were deemed complete. Bill 185 reduced the two-year timeframe to 18 months.

Modernizing public notice requirements:

- The DCA sets out the requirements for municipalities to give notice of public meetings, and of by-law passage. This includes giving notice in a newspaper of sufficiently general circulation in the area to which the by-law would apply. The proposed regulatory changes would modernize public notice requirements by allowing municipalities to provide notice on a municipal website if a local newspaper is not available.

Page 4

Implementation of the Affordable Residential Unit exemptions:

- Bill 23 identified an exemption for Affordable Residential Unit, including:
 - Affordable Rental: Where the rent is no greater than the lesser of the income based affordable rent set out in the Affordable Residential Units Bulletin and the average market rent identified in the Affordable Residential Units Bulletin.
 - Affordable Owned Unit: Where the price of the residential unit is no greater than the lesser of the income-based affordable purchase price set out in the Affordable Residential Units Bulletin and 90% of the average purchase price identified in the Affordable Residential Units Bulletin.
- The Provincial Backgrounder for this exemption came into force on June 1, 2024, and the Affordable Residential Units Bulletin was posted on Ontario.ca.

Discussion:

Amendments to the City's existing DC by-laws are required in order to align the City with the legislative changes discussed above. Staff engaged with the consultants at Watson & Associates Economist Ltd. ("Watson"), to assist the City with the DC by-law amendment process. Refer to Appendix "A" for a memorandum prepared by Watson detailing the process of amending the DC by-laws.

Staff recommend amending the City's DC by-laws in two phases, this approach will enable the City to utilize the available tools provided by Bill 185 and maximize the collection of DCs.

Phase I – Minor Amendment to the Development Charges By-laws

Phase I to the DC by-law amendments utilizes a streamlined process for minor amendments introduced with Bill 185. In this phase, the City will amend the DC by-laws for the following:

- Remove the previously mandatory phase-in of DC imposed in the DC by-laws over five-years.
- Add capital costs associated to growth studies consistent with by-laws passed prior to Bill 23. Some examples of studies added back to the DC charge include the eligible growth component of the following, but not limited to:
 - Official Plan
 - Strategic Plan
 - Transportation Master Plan
 - Parks and Recreation Master Plans
 - Stormwater Management Master Plan

Page 5

- Development Charges Background Study
- Fire Master Plan

Bill 185 allows municipalities to undertake a more streamlined process for minor amendments to the DC by-law and does not require the City to adhere to the following requirements of the DCA:

- Completion of a DC background study, including the requirement to post the background study 60 days prior to passage of the DC by-law;
- Passage of a DC by-law within one year of the completion of the DC background study;
- A public meeting, including notice requirements; and
- The ability to appeal the by-law to the Ontario Land Tribunal.

Staff recommend that phase I of the DC by-laws amendment process take place immediately, and the amending DC by-laws in Appendix “B” be brought forward for Council adoption on September 11th, 2024.

Phase II – Formal Amendment to the Development Charges By-laws

Phase II to the DC by-laws is the formal amendment process, and will include amendments that are not eligible under the streamlined minor amendment process introduced by Bill 185 discussed in Phase I (above). In this phase, the City will amend the DC by-laws to reflect the shortened DC rate freeze timeframe, as discussed above, as well as to provide additional clarity on the timeframe of eligibility for the redevelopment credit to begin on the date of the demolition permit.

As per the legislation, section 19 of the DCA applies to Phase II of the formal amendment process. The Memorandum prepared by Watson (Appendix “A”) shall be utilized as the DC background study required for the public process. This Memorandum will be posted on the City’s website to meet the requirements of ensuring the study is available to the public at least 60 days prior to the by-law passage. A public meeting will be held on October 8th, 2024 before the by-laws are passed. Council will consider the passage of the amending DC by-laws on November 13th, 2024, at least 60 days after the background study is posted to the City’s website. Please refer to Appendix “C” for the draft DC amending by-laws, as amended.

Financial Implications:

As a result of Bill 185, the amendments to the DC by-laws discussed in this staff report will allow the City to regain the ability to charge, and collect DC that were previously restricted through Bill 23, More Homes Built Faster Act, 2022 (“Bill 23”).

Page 6

During the 2024 DC background study update process staff have assessed and communicated to Council the potential financial impact from Bill 23. At the time, it was estimated that DC revenue would be \$190.3 million or 32% lower than previously estimated, as a result of Bill 23. This reduction included \$11.6 million from the mandatory phase-in of DC rate and \$5.2 million of capital costs related to studies. The DC by-law amendments will partially mitigate the financial shortfall from Bill 23.

Staff have identified a total of \$11.1 million of gross capital costs associated with studies, with \$9.1 million eligible to be recovered through DCs. Resulting in the following DC rates:

Development Charges Rates Growth Studies						
Residential Rates					Non-residential Rates (sq.ft.)	
Single and Semi-Detached Dwelling	Other Multiples	Apartments – Large (>= 700 sq.ft.)	Apartments – Small (<700 sq.ft.)	Special Care/Special Dwelling Units	Retail	Non-retail
\$609	\$507	\$385	\$273	\$192	\$0.39	\$0.30

Refer to Appendix “A” for a memorandum prepared by Watson detailing the financial impact on DC rates as a result of the amending the DC by-laws. The table below outlines the revised DC rates for a single/semi-detached residential dwelling:

Table 3-4
 City of Richmond Hill
 Rate Comparison – Residential (Single Detached)

Service/Class of Service	2023 Charge Prior to By-law Passage	Calculated as per By-laws 6-24 through 10-24	Calculated as per By-laws 6-24 through 10-24 with Growth Studies
City Wide Services/Classes:			
Engineering Services	11,024	15,789	15,789
Fire Protection Services	671	1,297	1,297
Public Works	1,258	1,849	1,849
Parks and Recreation Services	13,648	22,737	22,737
Growth Studies	545	-	609
Library Services	1,964	3,169	3,169
Total City Wide Services/Classes	29,110	44,841	45,450

Page 7

Relationship to Strategic Plan 2024-2027:

Amendments of the City's DC by-laws to ensure that the City is aligned with the most up to date Provincial legislation, demonstrates wise management of resources in the City, especially as it enables the City to maximize its ability to collect development charges.

This report is aligned with the Council's Strategic Plan Pillar of Strengthening our Foundations, in recognizing the need to comply with the legislative requirements set in the Development Charges Act. As well as utilizing this report to inform future decisions on capital funding that are evidence based and data driven to enable the City's long term financial sustainability.

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.

- Appendix "A" - Memorandum from Watson & Associates Economists Ltd. Economist.
- Appendix "B" - Phase I Draft Amending Development Charges By-laws.
- Appendix "C" - Phase II Draft Amending Development Charges By-laws, As Amended.

Page 8

Report Approval Details

Document Title:	SRCFS.24.033 – 2024 Development Charges By-law Amendments.docx
Attachments:	- SRCFS.24.033 Appendix A - Memorandum from Watson and Associates Economists Ltd. Economist.pdf - SRCFS.24.033 Appendix B - Phase I Draft Amending Development Charges By-laws.pdf - SRCFS.24.033 Appendix C - Phase II Draft Amending Development Charges By-laws, As Amended.pdf
Final Approval Date:	Aug 21, 2024

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

Gigi Li - Aug 20, 2024 - 9:15 PM

Task assigned to Sherry Adams was completed by delegate Rob Jones

Rob Jones on behalf of Sherry Adams - Aug 21, 2024 - 8:04 AM

Darlene Joslin - Aug 21, 2024 - 8:56 AM