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| TO: | GENERAL COMMITTEE |
| SUBJECT: | DEVELOPMENT CHARGE UPDATE PROGRESS |
| WARD: | ALL |
| PREPARED BY AND KEY CONTACT: | J. COWLES, SENIOR MANAGER CORPORATE FINANCE AND INVESTMENT, EXT. 5347 |
| SUBMITTED BY: | C. MILLAR, DIRECTOR OF FINANCE AND TREASURER |
| GENERAL MANAGER APPROVAL: | D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES |
| CHIEF ADMINISTRATIVE OFFICER APPROVAL: | M. PROWSE, CHIEF ADMINISTRATIVE OFFICER |

RECOMMENDED MOTION

1. That staff in the Finance Department proceed with a Citywide Development Charge for all services except stormwater, water linear and wastewater linear services which will be provided on an Area Specific Basis, when finalizing the Development Charge Background Study for public release.

PURPOSE & BACKGROUND

Report Overview

2. The purpose of this report is to provide an update on the City's Development Charge (DC) background study progress and receive Council direction with regard to area-specific development charges.
3. Subsection 2(1) of the Development Charges Act (DCA), 1997, c.27 (the "Act") provides that the council of a municipality may pass by-laws for the imposition of DC's against land for increased capital costs required because of the need for services arising from development in the area to which the by-law applies.
4. The current City-wide DC By-law 2014-108 was enacted in August 2014, and the area specific Whiskey Creek Stormwater Management Works and Downstream Conveyance Works By-law 2016-066 was enacted in May 2016. Unless repealed earlier, a DC by-law expires five years after the day it comes into force.
5. Prior to passing a DC by-law, a DC background study must be completed. The 2019 DC Background Study started in June 2018 and is on schedule to be completed in June 2019. Watson & Associates is the consultant hired to facilitate the DC Background Study process for both the City Wide DC By-Law and the Whiskey Creek area specific DC By-law. Appendix "A" presents a schedule of key milestones.
6. The 2019 DC Background Study must reflect the recent changes made to the DCA 1997 through Bill 73 which came into effect in January of 2016. One of the new requirements outlined in the Act is that Council must demonstrate that area-specific rating was considered as part of the DC Background Study update process. This report provides staff's recommendation regarding area-specific DC's.

ANALYSIS

Area Specific Charges

7. Amendments as part of Bill 73, included the requirement for Council to consider the use of more than one development charge by-law to reflect different needs for services in different areas, as part of the development charge background study. Area-specific rating means having different DC rates for different areas within a municipality. The City currently has a citywide DC rate that is applied uniformly across the City, with the exception of area specific rates for the following:
 - a) Former City Municipal Boundary Areas
 - i) Stormwater Drainage and Control Services
 - ii) Water Services – Distribution Systems
 - iii) Wastewater Services – Collection Systems
 - b) Salem & Hewitt's Secondary Plan Area
 - i) Water Services – Distributions Systems
 - ii) Wastewater Services – Collection Systems
 - c) Whiskey Creek
 - i) Stormwater Management Works
 - ii) Downstream Conveyance Works
8. In order to meet this new requirement, the consultants presented the benefits and risks of area-specific rating to General Committee on January 28, 2019.
9. The benefits of Citywide rates include:
 - a) the flexibility of spending DC's collected for a service anywhere throughout the municipality without restriction, allowing for more strategic investment in infrastructure;
 - b) more flexible resource management and a reduced administrative burden;
 - c) minimizes the need for debt to manage cash flow issues as they are less restrictions on inter-DC Reserve Fund borrowing;
 - d) developers perceive this approach as more equitable resulting in fewer DC By-law appeals.
10. Municipalities that implement area-specific rates usually only do so for Water, Wastewater and Stormwater as these services are usually restricted to a specific area, while most other services included in DC rates are often used by all city residents (eg. roads, parks, recreation, fire, etc.)
11. In addition, area-specific rates can have the following impacts:
 - a) DCs collected from a particular area are spent in that same area, and if growth is not materializing at the projected pace there will be a delay in investment of growth-related infrastructure;
 - b) a higher charge in one area compared to another may impact housing competitiveness;
 - c) area-specific rates may encourage more infill development in built-up areas if DC rates are lower in these areas;
 - d) area-specific rates increase the administrative requirements for the City related to accounting and reporting purposes;
 - e) area-specific rates can also increase the complexity where there are differing charges based on the services applicable and/or service areas where a development is located;
 - f) require additional debenture financing as funds are isolated to individual areas, thus removing the ability to pool or access other DC contributions for cash flow purposes;

- g) services that require a 10 year service standard to be calculated in order to establish a ceiling (parks, recreation, libraries etc.), may not be eligible to collect sufficient DC revenues based on current service levels/asset inventories;
 - h) moving to area-specific rates may require transitional agreements because most of this infrastructure is built prior to development occurring.
12. After a review of the implications of citywide rates and area-specific rates, staff recommend that the City continue to utilize a citywide development charge in the 2019 DC By-law with the exception of the area-specific services referred to above in 10.

ENVIRONMENTAL MATTERS

13. There are no environmental matters related to the recommendation.

ALTERNATIVES

14. The following alternatives are available for consideration by General Committee:

Alternative #1

General Committee could alter the proposed recommendation by directing staff to consider additional areas for area specific charges and report back for consideration by General Committee.

This alternative is not recommended as the current area ratings for the Hewitt and Salem Secondary Plan Areas, and Whiskey Creek watershed reflect the area-specific services applicable to these areas and all other services are on a Citywide basis reflecting the way services are delivered. The current methodology is more practical, efficient and allows for greater flexibility in administration of DC Reserve Funds.

FINANCIAL

15. Although there are no direct financial implications to the City in regard to this decision at this time, the decision will have an impact on the DC revenue that the City will be able to collect for growth-related development.
16. Upon completion of the Development Charges Background Study and By-law, the impact of the final DC rates on the overall financing plan will be assessed.

LINKAGE TO 2018-2022 STRATEGIC PLAN

17. The 2019-2022 Council Strategic Plan has not been finalized as of the writing of this report.
18. The recommendations included in this Staff Report support Council's goals as they pertain to growth in the City and the related infrastructure and services provided.

APPENDIX "A"

Development Charge Background Study Milestones

| <u>Process</u> | <u>Timeline</u> | <u>Requirements</u> |
|---|---|---|
| Meetings with City Staff | June to December 2018 | |
| Growth Forecast Development | June to December 2018 | |
| Policy Review | June to December 2018 | |
| Council Workshop | January 28, 2019 | |
| Council Consideration of Area-Specific Charges and Discounts/Exemptions | February 4, 2019 (General Committee) February 11, 2019 (Council) | Council consideration of Area-Specific Charges |
| Draft Background Study and By-law release to public | April 3, 2019 | Must be at least 60 days prior to by-law passage and 2 weeks prior to public meeting |
| Stakeholder Meeting | April 7, 2019 (tentative) | |
| Public Meeting of Council | May 6, 2019 | Need at least 20 days notice in newspaper and study released at least 2 weeks prior |
| Council Consideration of By-law and By-law Passage | May 27, 2019 (General Committee) June 4, 2019 (Council) | Prior to expiry of current DC Bylaw (August 2019) |
| Notice of By-law Approval and Time for Appeal | TBD | Clerk to post notice not later than 20 days after the day of By-law passage; appeal up to 40 days after the day of By-law passage |