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**TO:** GENERAL COMMITTEE

**SUBJECT:** DEVELOPMENT CHARGE DISCOUNTS AND EXEMPTIONS

**WARD:** ALL

**PREPARED BY AND KEY CONTACT:** M. VILLENEUVE, SUPERVISOR OF DEVELOPMENT CHARGES, EXT. 4503  
J. COWLES, SENIOR MANAGER CORPORATE FINANCE AND INVESTMENT, EXT. 5347

**SUBMITTED BY:** C. MILLAR, DIRECTOR OF FINANCE AND TREASURER, EXT. 5130

**GENERAL MANAGER APPROVAL:** D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

**CHIEF ADMINISTRATIVE OFFICER APPROVAL:** M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

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### **RECOMMENDED MOTION**

1. That a Citywide Development Charge By-law be prepared that includes the following discretionary discounts and exemptions:
  - a) College and University buildings used for teaching;
  - b) 50% discount for development of lands owned by a non-profit institution; and
  - c) Discounted rate for an accessory building to an existing industrial building.
2. That in lieu of providing further discretionary discounts and exemptions, staff report back to General Committee with respect to options for providing incentive programs within a Community Improvement Plan including objectives, eligibility requirements, identifying sustainable funding source(s) and other pertinent information to support the Growing Our Economy goal in the 2018-2022 Strategic Plan.
3. That effective with the passing of the 2019 Development Charge By-law, a Community Improvement reserve be established with \$2.5 million in initial funding from the Commercial/Industrial Land Reserve to be used toward the initiatives identified within Staff Report FIN007-19.

### **PURPOSE & BACKGROUND**

#### **Report Overview**

4. The purpose of this report is to provide an update on the City of Barrie's (City) Development Charge (DC) background study progress and receive direction with regard to discretionary development charge exemptions and discounts.
5. Subsection 2(1) of the Development Charges Act, 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.

6. The current Citywide DC By-law 2014-108 was enacted on August 25, 2014, and will expire on August 26, 2019.
7. Prior to passing a DC by-law, a DC background study must be completed. The 2019 DC Background Study's work began in June of 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 the City's DC by-Law.
8. The Act does not permit recovering the full cost of growth from development which means that a portion of growth related costs must be funded by the existing population either by way of taxation or by user rates.
9. The Act does not permit the recovery of costs associated with Waste Management Services (exception for waste diversion), headquarters for general administration, arts, culture, museums, entertainment or tourism.
10. The Act also requires a mandatory 10% reduction in the recovery of capital costs associated with soft services such as libraries, parking, administration, parks and recreation.
11. Further, Subsections 2(3), 3 and 4 of the Act provide for mandatory exemptions relating to the following types of development:
  - a) The enlargement of an existing dwelling unit;
  - b) The creation of up to two additional dwelling units in single detached dwellings;
  - c) The creation of one additional dwelling unit in semi-detached dwellings or row dwellings;
  - d) Land owned by and used for the purposes of a municipality or a School Board as defined in subsection 1(1) of the Education Act; and
  - e) The first 50% of gross floor area expansion of industrial buildings.
12. The City's expiring DC By-law 2014-108 provides for additional exemptions and discounts relating to:
  - a) College and University buildings used for teaching;
  - b) 50% discount for development of lands owned by a non-profit institution;
  - c) Discounted rate (approx. 90%) for an accessory building to an existing industrial building;
  - d) Discounted rates for the first 1.2 million square feet of non-residential, non-retail space:
    - i) Non-retail, industrial: 41% discount
    - ii) Non-retail, office: 27% discount
    - iii) Non-retail, non-industrial, non-office: 27% discount
  - e) City Centre Planning Area:
    - i) 100% discount for non-residential development

- ii) 25% discount for residential development for which a building permit is issued on or before January 1, 2017
- 13. Section 5(6)3 of the Act states: "If the development charge by-law will exempt a type of development, phase in a development charge, or otherwise provide for a type of development to have a lower development charge that is allowed, the rules for determining development charges may not provide for any resulting shortfall to be made up through higher development charges for other development." This means that in the case of discretionary discounts, the DC reserves must be replenished by an alternative funding source. The discretionary discounts and exemptions which have averaged a little over 2 million dollars per year over the last 4 years have been funded with the City's annual surplus (when available) as well as \$200K per year from the annual contribution in the City's Budget.
- 14. Whether the City has an annual surplus or deficit in the year is unpredictable and cannot be relied on as a sustainable funding source.

## **ANALYSIS**

### **Discretionary Development Charge Discounts and Exemptions**

- 15. The City's initiative was successful in providing a total of \$9.4M in discretionary discounts to the development community since the existing by-law came into effect in August of 2014. However, in reviewing the developments that received discounts, staff were concerned that a portion of the discounts were provided to developments that would not have been in keeping with Council's intent.
- 16. For the first 1.2 million square feet of non-residential, non-retail space, \$8.5 million in discounts have been provided to the development community. The discounted developments included:
  - a) Manufacturing;
  - b) Storage;
  - c) Industrial classed building with space leased to various commercial tenants (would otherwise have been considered retail and would not have received the discount);
  - d) Office space;
  - e) Retirement and Seniors residences;
  - f) Assisted living.
- 17. For the City Centre Planning Area, \$127K in discounts have been provided to the development community which included the development of an automotive repair facility and a gas station.
- 18. \$800K has been provided to the College.
- 19. \$40K has been provided to non-profit institutions.
- 20. There are many great reasons to incentivize growth in certain sectors and certain areas of the City. Incentives can aid with:
  - a) Further developing urban areas encouraging increased use of active transportation and transit systems;
  - b) Increasing the amount of employment opportunities;
  - c) Increasing the amount of educational opportunities;

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- d) Increasing the amount of social services provided by the non-profit sector;
  - e) Increasing the amount of affordable housing stock; and
  - f) Redevelopment of lands such as brownfields.
21. There are a number of significant challenges and disadvantages of providing discounts and exemptions through a DC by-law rather than a grant program such as a Community Improvement Plan (CIP) outside of the DC by-law which include:
- a) DC by-laws are not flexible:
    - i) The criteria for obtaining a discount/exemption from the DC by-law is broad, which has unintended consequences of funding developments that had not been intended to be incentivized
    - ii) The City cannot properly plan for the expenditure of funding all DC discounts as such developments can come at any given moment and require funding from other sources of revenue such as tax, water and wastewater dollars
  - b) There is a heightened risk of appeal of the DC by-law for fairness reasons
  - c) There is limited opportunity for Council to set the objectives of the incentives and review applications.
22. To address the challenges identified with providing discounts and exemptions through a DC by-law, staff investigated other alternatives. The provision of grants to offset development charges through a Community Improvement Plan was identified as an improved solution that would allow for incentivizing growth in the intended sectors.
23. There are a number of benefits and advantages for providing grants through a (CIP) under the Planning Act:
- a) CIPs can provide a variety of incentive programs which can be funded from one or more sources of funds;
  - b) Incentive programs can be better aligned with the City's objectives and strategic initiatives:
    - i) Such programs can set out goals/targets;
  - c) Would build on the current CIP which includes development related objectives:
    - i) Affordable housing
    - ii) Redevelopment of brownfield sites
    - iii) Support of mixed use development within the intensification areas
    - iv) Renovation, restoration and adaptive reuse of existing buildings in the Urban Growth Centre and on the Municipal Heritage Register;
  - d) Funding through the CIP is application based. Each application is reviewed on its own merit to ensure that it aligns with the objectives of the funding program;
  - e) Funding can be predictable and stable. The City has the ability to set the level of funding it is willing to invest into these objectives on an annual basis.
24. In the course of preparing the CIP, a comprehensive public consultation process would ensue as required under the Planning Act.

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25. Based on the above information, staff are recommending moving to a grant program for the provision of the majority of any discretionary discounts or exemptions rather than incorporating them into the DC by-law.
26. Staff recommend the establishment of a Community Improvement reserve with initial funding of \$2.5 million from the Commercial/Industrial Land reserve to begin to fund these initiatives.
27. There are three types of exemptions that can only be narrowly interpreted and as such do not generate the challenges or disadvantages associated with inclusion in a DC by-law. As a result, it is recommended that the following discretionary discounts and exemptions be maintained in the by-law:
- a) Exemptions for college and university buildings used for teaching;
  - b) 50% discount for development of lands owned by a non-profit institution, and
  - c) Discounted rate for an accessory building to an existing industrial building.
- While the level of discounts for these items remain unpredictable, it is staff's opinion that the magnitude can be more easily accommodated within the current practice of funding from the operating budget, capital reserves or any annual surplus.
28. Should the recommendation be approved, staff would report back to General Committee in the fall with an update to incentives in the CIP which would include further details of such incentive programs, objectives for the program(s), eligibility requirements, identifying sustainable funding source(s) and other pertinent information including the monitoring and reporting of results against key metrics.
29. We understand that certainty of available funding and administration are important factors for industry. Through public consultation and the review of best practices, staff will be in a position to recommend solutions to appropriately address these concerns.
30. The recommendations included in this report are intended to build on the success of the previous plan by improving the mechanisms for delivering the programs and improving the alignment with Council's 2018-2022 Strategic Plan.

## **ENVIRONMENTAL MATTERS**

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

## **ALTERNATIVES**

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

### **Alternative #1**

General Committee could alter the proposed recommendation by directing staff to include all the existing development charge discounts and exemptions in the new draft of the by-law.

This alternative is not recommended as incentives through a Community Improvement Plan are more effective at ensuring that the City's Strategic Plan's objectives are met. Further, the recommendation provides a fiscally sustainable model for funding such incentive programs going forward.

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**FINANCIAL**

33. Although there are no direct financial implications to the City in regards to this decision at this time, the recommended motion would allow for a more targeted approach to incentivizing growth.

**LINKAGE TO 2018-2022 STRATEGIC PLAN**

34. The recommendations included in this Staff Report support the following goal identified in the 2018-2022 Strategic Plan:

Growing Our Economy