Greater Grand Sudbury

Public Input Relating to Freeze on Development Charges

Presented To:	City Council
Meeting Date:	June 27, 2023
Type:	Managers' Reports
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Report Summary

This report provides information regarding development charges as discussed at May 29, 2023 City Council meeting in order to make informed decision relating to public input on potential freezing of development charges.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report refers to operational matters and has no connection to the Community Energy & Emissions Plan (CEEP).

Financial Implications

If freezing of DC rates are approved, it will result in estimated loss of development charges (DC) of approximately $590,000 based on estimated development from 2019 DC background study. Loss of development charge revenues cannot be included in future DC rates and these lost charges will need to be funded from other revenue sources such as the tax levy and water/wastewater rate budget.

Background

At the City Council meeting on May 29, 2023, City Council requested a report from staff for the purposes of allowing persons to make representations with respect to a freeze of development charges.

As a result of this motion, a public meeting is scheduled as a part of the June 27, 2023 meeting of City Council. Those interested in speaking are encouraged to register in advance with Clerks Services and the presentations are limited to 5 minutes each.
The City's DC by-law requires that the rates are adjusted by inflation annually, by the Statistics Canada Quarterly, Building Construction Price Indexes, non-residential (Ottawa-Gatineau). The rates are adjusted on July 1st of each year for the term of the by-law 2019-100. In accordance with the inflation provisions of the By-law an increase to all rates of 9.9% is scheduled to take effect on July 1st, 2023.

Financial Impact of Freezing Development Charges

The financial implication of this amendment, if approved, is estimated at $590,000 based on the estimated development for the upcoming year from the 2019 DC Background Study. It is important to note that this is a high level estimate of lost DC revenue as actual development may be different from the estimated development from the background study.

This DC revenue will not be collected and therefore, this lost revenue required for current and future growth-related capital expenditures will be funded from the property tax levy and water & wastewater user fees. Overall, it will provide lower amount of funding for the capital budget and may impact timing of capital projects for existing infrastructure as well as growth related that developers require in order to develop respective properties.

Why Are Development Charges Collected

The principle behind development charges is that "growth pays for growth", meaning development pays the share of capital costs associated with new growth and development while taxpayers/ratepayers fund capital infrastructure that benefits the existing population. However, development charges cannot fully fund growth due to statutory limitations within the DC Act, as well as discounts/exemptions within DC by-law to encourage development.

Greater Sudbury Development Charges

Table below provides a summary of DC's collected (in '000s) from 2017 to 2022:

		Residential			Non-Residential	
Year	Total DC's Collected	Single Detached	Semi-Detached	Multiples	Industrial	Non-Industrial
2022	4,250	2,410	649	619	284	288
2021	4,173	2,730	416	466	269	293
2020	2,715	1,882	351	224	169	89
2019	2,830	1,840	212	253	227	297
2018	4,487	2,001	400	728	438	921
2017	3,856	1,411	481	319	301	1,344

As of December 31, 2022, there is approximately $3 million in DC instalments since beginning of 2020 that are to be collected over 6 years. DC instalments are not included in the table above.

The amount of DC's collected each year varies. There are a variety of factors influencing the total DC's collected in each year, for example:

- type and timing of development
- eligible discounts or exemptions based on the DC Act and the City's DC by-law
- DC instalments agreements
- supply and demand of housing market, economy, and construction materials & skilled labour

When are Development Charges Collected

Development charges are collected at the rate in effect when the building permit is issued.
There are two exceptions:

- Eligible developments (certain rental and institutional) pay DC's over six equal instalments
- DC rates for rezoning or site plan control agreements are frozen for two years from date of completed application.

Existing Discounts and Exemptions to Encourage Development

When Council approved the 2019 DC by-law, the following rates were approved with the change from existing DC rates at that time:

The DC rates below are for lots serviced with water and wastewater:

- Single Family Dwellings: $17,721 per unit (0.2 per cent decrease)
- Semi Detached Dwellings: $14,238 per unit (0.9 per cent increase)
- Single Family and Semi Detached Dwelling Units less than 1,000 square feet: $10,227 per unit (new category)
- Multiples and Apartments: $10,227 per unit (2.1 per cent decrease)
- Industrial: $2.96 per square foot (39.8 per cent decrease)
- Non-Industrial (Commercial/Institutional): $4.45 per square foot (52.7 per cent decrease)

Rates for lots without water and/or wastewater services are lower than listed above.

Council has made other reductions and exemptions since 2019:

- 50% reduction to non-residential calculated DC rates (industrial, commercial & institutional) as per above image
- New DC rate (same DC rate as multiples) for smaller residential units less than 1,000 square feet
- 50% reduction for multi-unit residential buildings within nodes & corridors
- Designated exempt areas where any new development is exempt from DC's
- Exemptions for hospices & non-profit long term care homes that are exempt from property taxation
- Exemption for affordable housing where meets criteria within DC by-law
- 0% interest on DC instalment agreements

Historical Impact of Development Charges on Level of Development

A report entitled Development Charges and Planning Policies presented at the Finance & Administration Committee on May 2, 2019 reviewed the impact of DC's on Planning Policies. That report, considered if DC's impacted building permit activity, using a sample size of the years between 2007 and 2018. That analysis did not show any clear trends except for 2009 when there was an unusually high increase in new residential permits that coincided with the new DC by-law in 2009. That By-law increased DC rates for residential units and introduced DC's for non-residential developments.

Since 2017, the number of permits issued for new residential units increased from 280 in 2017 to over 450 in 2020 through to 2022. These increases occurred even with annual inflation increases to DCs.

Comparison to Other Municipalities

Overall, DC rates for each municipality are different due to factors such as:

a) estimated population, type of residential & non-residential growth
b) existing capital asset/infrastructure service levels
c) growth related capital projects to service new growth/developments
d) reductions for external grants or other funding contributions towards growth-related projects
e) calculation of benefit to existing residents versus to growth/development

Greater Sudbury is on the lower range of DC's when compared to single tier municipalities shown below:

	Residential (per unit)			Non-Residential (per square foot)		
City	Single Detached	Semi-Detached	Other Multiples (rows/apartments)	Industrial	Commercial	Institutional
North Bay	9,814	9,814	4,838	4.28	4.28	4.28
Greater Sudbury	18,235	14,651	10,524	3.05	4.57	4.57
Orillia	26,586	26,586	24,821	10.06	10.06	10.06
Kingston	29,213	29,213	19,406	10.99	23.18	-
Windsor	38,284	21,526	17,716	-	17.12	17.12
London	44,067	44,067	29,802	21.39	34.68	10.70
Guelph	47,839	47,839	35,251	16.24	16.24	16.24

Note – Comparative information from 2021 Financial Information Return data for select single tier municipalities. At each municipality, all DC rates are inflated annually so the comparative cities would have higher rates in 2022 and in 2023, like Greater Sudbury.

Factors that May Impact Growth and Development

New growth and development within a community is based on many factors, including those outside of Council and staff control, which can influence level and timing of development charge revenues. Some examples may include:

- Cost of construction including construction materials, skilled labour, land acquisition, interior finishes, and related building permit, legal, architect/engineering fees.
- Construction inflation index has increased significantly since pre-pandemic due to shortage of supply which increased costs.
- Availability of appropriate land/location as well as building materials and skilled labour for proposed business or building.
- Business plans as well as supply & demand for certain products and services will determine timing of new development and growth by companies and developers.
- Services that a community offers and provides to its residents.
- Affordability. This would include items such as property taxes, w/ww user fees, utilities, purchase price of homes and insurance.
- Household income and ability to pay higher mortgage payments with the recent increase in interest rates.
- Job prospects and opportunities.

Conclusion:

This report contains information requested by City Council about DC's in Greater Sudbury's context to accompany representations that will be made on a potential development charge freeze at current rates.

Once Council receives public input, if any, Council can consider the amending by-law to freeze the rates at the June 2023 levels. The amending by-law appears as an addendum to the June 27th agenda.

Resources Cited

Development Charges and Planning Policies
https://www.greatersudbury.ca/sites/sudburyen/assets/File/Development%20Charges%20and%20Planning%20Policies%20-%20Report%20May%202%202019(1).pdf