

## 2024 Development Charges Background Study and By-Law Update

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### Report Summary

This report provides an overview of development charges as well as the steps planned for the 2024 Development Charges Background Study and related by-law to be approved by City Council before June 30, 2024.

### 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

There are no financial implications associated with this report.

### Background

The purpose of this report is to provide an overview of development charges as well as the steps planned for the 2024 Development Charges Background Study and related by-law to be approved by City Council before June 30, 2024.

In accordance with the Development Charges Act (DCA), the City of Greater Sudbury collects a development charge (DC) at the building permit stage to recover for growth related capital needs.

The City of Greater Sudbury's current by-law expires on June 30, 2024 as the by-law had a maximum life of 5 years. With changes from Bill 23 approved in November 2022, new development charges by-law will have a maximum life of 10 years. The DC Background Study and new by-law must be approved in order to collect DC's after June 30, 2024. The Background Study will illustrate the City's existing service levels, the growth related "short and long term" capital program on a ten year planning period from 2024 to 2033 for "soft" or "general" services and from 2024 to 2046 for "hard" or "engineered" services, and the proposed development charge rates. Examples of "soft" and "hard" services are identified within this report.

Hemson Consulting Ltd. (Hemson) will be assisting the City with development of the 2024 DC Background Study and related by-law as Hemson was the successful bidder for the RFP issued in 2022. Staff will also be seeking feedback from a development stakeholder group comprised of members of the Development Liaison Advisory Committee (DLAC). The Council and public meetings will be scheduled for Winter/Spring 2024 in advance for the approval of the new by-law by June 2024.

### **What are Development Charges?**

Development charges are charges imposed by municipalities on developers/landowners to pay for increased capital costs related to growth. Development charges provide municipalities with a tool to help fund the infrastructure needed to serve new growth. They help finance the growth-related capital costs of providing important services like roads, water and wastewater services, police, fire and transit.

Growth related capital costs are costs that result from the expansion of services to meet the needs of new development. These capital costs are reduced by an allowance for provincial and/or federal grants and other sources of funding as well as other deductions required by the DC Act to determine the net capital cost for DC recovery.

In the City of Greater Sudbury, in accordance with the 2019 By-law, development charges are levied on the following municipal services: water, wastewater, roads, police, general government, libraries, fire, recreation, emergency and transit.

Development charges are imposed against new development, re-development and expansions for residential and non-residential buildings or structures.

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.

One of the issues stemming from the consultations leading up to the 2009 DC By-law was how costs not eligible for inclusion in the DC by-law would be addressed. This led to the adoption of a Policy on Development Cost Sharing for the City in 2011, which was further updated in 2016.

The Policy on Development Cost Sharing standardizes how development costs not covered in the DC by-law are shared between the developer, the City and third party land owners.

### **Services Eligible for DC Recovery**

The DC Act allows full 100% recovery from the services listed below.

- Library
- Parks and Recreation
- Fire Services
- Paramedic Services
- Emergency Preparedness
- Police Services
- Public Safety
- Transit Services
- Roads and related
- Water
- Sanitary Sewer
- Drains and Stormwater

Other eligible services that are not within City’s existing DC by-law include:

- Waste diversion
- Long-Term Care
- Public Health
- Child care and early years programs and services
- Provincial Offences (including by-law enforcement and court services)
- Electrical power

With approval of Bill 23, studies are no longer eligible in any new DC by-laws approved after November 28, 2022. The general government section of existing DC by-law will continue to collect DC's until June 30, 2024. Afterwards, these studies will be required to be fully funded from the tax levy and w/ww user fees. Land acquisition costs may also become ineligible. Staff are monitoring the development of the regulations related to Bill 23 and will change our study outcome and recommended by-law accordingly.

### **Services Ineligible for DC Recovery**

In accordance with the DC Act, the following services are ineligible for DC recovery:

- Housing
- Cultural and entertainment facilities including museums, theatres, art galleries
- Tourism facilities including convention centres
- Park land acquisition
- Hospitals
- Headquarters for general administration of municipalities and boards
- Waste management
- Other services prescribed by legislation

### **Eligible Growth Related Projects**

The following are some examples of eligible growth related projects:

- Adding square footage to a building
- Adding a vehicle to the existing fleet thereby increasing the number of vehicles used by the City
- Adding a road lane, turning lane, streetlights, etc.
- Adding additional roads or buildings to maintain/improve existing service levels
- Required equipment for new staff hires (Police and Firefighters)
- Water main upgrades from existing 300mm to 600mm

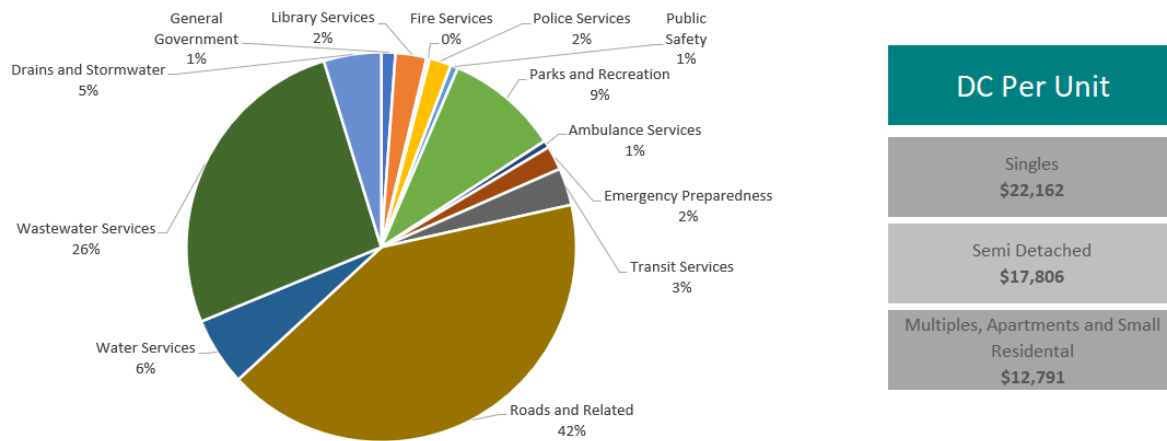
### **Current DC Rate Structure**

The following DC rates are in effect until June 30, 2023, before the rates are adjusted by construction building inflation of 9.9% based on the report presented to the Finance & Administration Committee in March 2023.

<b>Servicing</b>	<b>Single Family (per unit)</b>	<b>Semi Detached (per unit)</b>	<b>Multiples, Apartments and Small Residential (per unit)</b>	<b>Industrial (per sq ft)</b>	<b>Commercial / Institutional (per sq ft)</b>
All Services	\$22,162	\$17,806	\$12,791	\$3.70	\$5.56
Excluding Water	\$20,908	\$16,799	\$12,066	\$3.43	\$5.29
Excluding Wastewater	\$16,300	\$13,097	\$9,408	\$2.46	\$4.31
Excluding Water and Wastewater	\$15,046	\$12,089	\$8,683	\$2.19	\$4.05

The development charges collected are used to fund various growth related projects by service area as identified in the 2019 DC Background Study. As illustrated below, the most significant portion of DC's collected for residential development is used for growth related projects in Roads.

## What Do Residential DC's Fund in Sudbury?



### Key Steps of the DC Study Process

1. The City has retained Hemson Consulting to prepare population, household and employment forecasts and a development charges background study and by-law. The Outlook for Growth to 2046 report has been completed using information from the 2021 Census in addition to recent building permit activity. The forecast includes three scenarios; low, reference and high growth. The report recommends using the reference scenario for financial planning and growth management policy purposes.

2. Inventories to determine historic average service levels

Historic average service levels are calculated based on the estimated replacement values for existing assets and the City's population.

The average service level sets a cap on eligible DC funding, with the exception for water, wastewater and drain/stormwater services as there is no service level limitation. The City cannot use DC's to increase level of service above 15 year historic average; thereby it establishes the "maximum allowable" charge.

3. Growth-related capital projects

City Council must express their intent to undertake growth-related capital projects in order to be eligible. The total capital cost is reduced by the portion benefiting existing community as well as grants, subsidies, and uncommitted DC reserve funds where applicable.

4. Calculate DC rates

Hemson will calculate the DC rates based on the 15 year historic average service levels, population/household growth and growth-related capital projects.

5. DC policy choices

City staff and Hemson will present proposed policy choices to be reflected in the 2024 by-law. An example of policy choices includes review of area-rating DC's. Also, Council can request staff to review

and present any potential policy changes for consideration in the 2024 by-law.

#### 6. Public Consultation and Development Stakeholder Group

City staff will prepare a communication strategy for the community to share their concerns and input on growth related projects, 2024 DC background study and by-law.

In addition, a development stakeholder group was created and will provide comments for consideration in the preparation of the 2024 DC background study and by-law, similar to the process for the 2019 DC study. There will be four development stakeholder group meetings scheduled throughout the process, as well as the Over To You website for the public/development community to provide comments for consideration.

#### 7. New DC by-law and policies conforming with the Development Charges Act

Staff and Hemson Consulting Ltd will present the DC Background Study and by-law to the Finance & Administration Committee in Winter/Spring 2024 for approval before June 30, 2024.

### **Changes due to Approval of Bill 23 in November 2022**

The approval of Bill 23 will result in changes for completion of the DC background study, as well as the rates that can be collected once new DC by-law is approved. Some of the changes include:

- Removal of the 10% statutory discount in calculation of DC recovery. Previously, this 10% discount was required to be funded by the property tax levy.
- Studies are ineligible in a new DC background study & new by-law. All growth related studies that were previously funded partially with development charges will now be fully funded by existing taxpayers and ratepayers when new DC by-law and rates come into effect.
- Acquisition of land for growth related capital projects has not been prescribed as ineligible as of date of this report. If regulations are released where land is ineligible before 2024 DC by-law is passed, acquisitions will be removed from the calculations of the new DC rates.
- New DC by-law will have a maximum life of 10 years, instead of 5 years.
- When a new DC by-law is approved, the new rates will be discounted for the first 4 years, so approved rates will not be fully collected until year 5 of the 10 year by-law. The lost DC revenue in the first 4 years will be funded by existing taxpayers and ratepayers. The discounts are as follows: 20% discount in year 1; 15% discount in year 2; 10% discount in year 3; 5% discount in year 4; with no discount in year 5 through to year 10. The discount is to encourage development by decreasing development charges.
- Discounts for apartment rental developments with 4 units or more based on the number of bedrooms per unit. This change became effective when Bill 23 was passed on November 28, 2022 and discounts are: 25% discount for units with 3 or more bedrooms; 20% discount for units with 2 bedrooms; and 15% discount for units with 1 bedroom or bachelor. This discount is to encourage development of rental housing units throughout the province.
- Municipalities are required to spend or commit 60% of DC reserve fund balances for roads, water, wastewater, and drains/stormwater. Based on historical trends, the City spends 100% of DC revenues collected in any given year for these identified areas.

### **Changes Approved in 2019 DC By-law**

The following list details changes approved by Council since the approval of the 2019 DC by-law:

- 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
- External to DC's – there are Community Improvement Plans with grants available to assist owners with new development in certain areas throughout the City
- Employment Community Improvement Plan for consideration by Council in the near future will provide additional incentives to encourage industrial development in the City.

### **Continuing Collection of Development Charges is Encouraged**

Currently, the City collects in the range of approximately \$3M - \$4M in DC's each year.

Development charges are one funding tool provided to municipalities to fund growth portion of capital projects. If development charges are no longer collected, taxpayers and ratepayers will be expected to pay for growth related capital costs.

### **Proposed Schedule**

The proposed schedule for future presentations to Council for the 2024 DC Background Study are anticipated to be as follows:

1. Finance and Administration Committee meetings during Q4 2023 through to Q2 2024: Presentation of any growth related capital projects and/or by-law and policy changes for approval and/or direction.
2. Finance and Administration Committee during Q1 2024: Presentation of draft 2024 DC Background Study and DC rates.
3. Public Consultation meeting in Q2 2024.
4. Finance and Administration Committee meeting in Q2 2024: Statutory Public Meeting.
5. Finance and Administration Committee meeting in Q2 2024: Council passage of new DC by-law before June 30, 2024.

### **Conclusion**

City staff and Hemson Consulting Ltd will continue to develop the 2024 DC Background Study and by-law for presentation to City Council during Q4 through to Q2 of 2024 with new DC by-law approval before June 30, 2024.

## **Resources Cited**

Development Charges – Freezing for One Year – presented to City Council on June 27, 2023 meeting: <https://pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=49950>

City of Greater Sudbury website – Development Charges: <https://www.greatersudbury.ca/live/building-and-renovating/development-charges/>