Summary

The purpose of this report is to outline the connections between Development Charges and land use planning policy in the City of Greater Sudbury. Specifically, the report will look at the Official Plan, community improvement plans, development cost sharing, building permit trends and the cost of growth.

1. How do DCs Relate to Land Use Planning Policy in Greater Sudbury?

The City's Official Plan guides the growth and development of the City over a 20 year planning horizon. Within the Official Plan, areas of the City are designated for future residential, industrial and commercial growth. The future servicing of these areas as it relates to sewer, water, storm water and transportation, and the timing for the construction of these services, is analyzed through a number of master plans, including the Water/Waste Water Master Plan and the Transportation Master Plan. These plans recommend infrastructure improvements to accommodate the projected growth. Those infrastructure improvements are then included, depending on the timeframe, as part of the Development Charges Background Study. By including these projects as part of the Background Study, it ensures that the growth-related portion of the project is funded by the growth that it is designed to service.

2. What Financial Tools does the City Currently Use to Facilitate Land Use Planning Policy Objectives?

Community Improvement Plans (CIPs) are community planning tools that allow municipalities to revitalize areas of the city through the offering of financial programs, such as grants and loans. Under the Planning Act, Community Improvement Plans (CIPs) can be undertaken for environmental, social or economic development reasons.

The City of Greater Sudbury currently has four adopted CIPs which are intended to stimulate and facilitate private development by providing financial incentives, namely:

- The Downtown Community Improvement Plan;
- The Town Centre Community Improvement Plan;
- The Brownfield Strategy and Community Improvement Plan, and
- The Affordable Housing Community Improvement Plan.

In all cases, these CIPs are used to achieve the land use planning objectives of the City's Official Plan by:

- Directing development and intensification to existing built-up and serviced areas (downtown and town centres);
- Creating affordable housing in close proximity to existing public transit and services, and
- Fostering the redevelopment and rehabilitation of brownfield sites.

The current and proposed Development Charges By-law use a similar approach to encouraging land use planning objectives by providing exemptions to specific areas to promote infill and intensification, exemptions for affordable housing projects and exemptions for all second units. As proposed, the development charges by-law would continue to exempt the following areas from development charges:

- Downtown Sudbury
- Capreol Town Centre
- Chelmsford Town Centre
- Dowling Town Centre
- Garson Town Centre
- Hanmer Mixed Use Commercial Area
- Val Caron Mixed Use Commercial Area
- Walden Town Centre
- Flour Mill BIA

3. What is the Relationship between Development Charges and the City's Policy on Development Cost Sharing?

In July of 2009, the City of Greater Sudbury passed a new comprehensive Development Charge (DC) By-law 2009-200F.

During the process leading up to the adoption of the 2009 DC By-law, there were a number of consultations that took place with the development community in the City. One of the issues stemming from those consultations was how development costs not identified in the DC By-law would be addressed. This concern lead to the City creating a standardized approach for cost sharing between developers, the City and third party landowners for development related costs, known as the Policy on Development Cost Sharing (PDCS). The process to establish a development cost sharing policy began in 2009 and included a review of similar documents from other Ontario municipalities, drafting a policy for the City of Greater Sudbury, reviewing and agreeing on the policy with all City Departments involved in the development process, reviewing the document with a Development Liaison Advisory Committee (DLAC) subcommittee, and finally reviewing the draft policy with the full DLAC. This process culminated in Council adopting the PDCS in May of 2011. The Cost Sharing Policy was updated in 2016, based on consultation with the development community.

The intent of the PDCS is to establish a cost sharing structure between the development community and the City of Greater Sudbury. Typically, when development takes place in the City, new infrastructure, both internal and external to the development, has to be constructed. This new infrastructure can include roads, intersections, traffic signals, watermains, sanitary sewers, storm water management facilities, etc. In some cases, this infrastructure will solely benefit the developer. In other cases, the City and/or other developers may benefit from new infrastructure being installed.

The main purpose of the PDCS is to outline which party will pay for which share of the development costs using examples of some common development scenarios. Since it is not possible to cover every possible development scenario in a policy document, the PDCS instead lays out a general philosophy of how the City will share costs in some typical development situations. To accomplish this, the PDCS breaks down the sharing of development costs by type of infrastructure (e.g. road, sewer, etc.) and also by development situation (e.g. new construction, replacement, etc.) using both text and graphic examples. The PDCS defines which costs are included in different types of projects so that both the City and the Developer can enter negotiations with an understanding of what their obligations are in different circumstances.

As part of the update to the PDCS in 2016, new sections were added that provided City with the flexibility to consider whether or not development-related infrastructure projects were DC eligible if they serviced a larger area. Additionally, language was added that enabled the City to consider alternative cost sharing measures for roads identified as major future roads in the City's Official Plan.

As a result of this change, the City has approved applications for cost sharing on Silver Hills Drive and Montrose Avenue which included a DC funding component of 50%. Without the ability to use DCs as a funding source for these types of projects, the funding formula and the City's contribution would have to be reexamined and recalculated.

4. Have Development Charges Impacted Building Permits in Greater Sudbury?

In terms of the impact of DCs on building permit activity in Greater Sudbury, data showing construction value from 2007 to 2018 in the residential, commercial, industrial and institutional sectors is attached (Appendix A). The data does not display any clear trends between DCs and building permit value.

Also attached (Appendix B) is a chart displaying the number of permits issued for new residential units from 1996 to 2018. Again, the data does not show any clear trends related to development charges, with the exception of 2009, where there were an unusually high number of permits issued for new residential units. This spike may correlate to the passage of the City's then-new development charges By-Law 2009-200F in July of 2009. The spike in units in 2009 was followed by a drop in units in 2010; afterward, the number of new units returned to levels seen before the introduction of DCs.

5. Comparative Fiscal Impact Analysis of Growth Study

As part of undertaking the Official Plan review and 2014 Development Charges Background Study, the City retained Hemson Consulting to prepare a Comparative Fiscal Impact Analysis of Growth Study. The City commissioned the study to better understand the costs and revenues of providing services across the city. The study was presented to Planning Committee in January of 2018.

The intent of the Study was to build an understanding of the financial implications associated with residential land use planning decisions. It synthesizes various data sources to estimate the comparative servicing costs, and revenues, associated with various types of development. The analysis considers both the built form (single detached, rows, apartments, etc.) and the location of development (urban, suburban, rural).

It was the first study of its kind in Greater Sudbury and focused on residential development in order to estimate the cost of providing services in urban, suburban and rural areas, as well as the revenue (assessment, taxation) collected in the same areas. The study confirmed what is generally understood and accepted, that urban areas are the most efficient to service, followed by suburban and rural areas.

The key conclusions of the Comparative Fiscal Impact Analysis of Growth Study as they relate to development charges are:

- In most cases, new development contributes adequate revenue to offset additional operating servicing costs. This stems from new dwelling units having higher average assessed values than the existing community;
- The City should maximize the use of development charges, within the statutory framework, so that the City's share of funding for the initial round capital emplacement is limited to the 10% deduction for non-engineered and non protection services and service level improvements only;
- Servicing costs are typically higher in more distant areas of the City and lower in urban areas. This is particularly evident for services reliant on linear infrastructure;
- For certain services, an infrastructure funding gap can be observed when comparing the City's current capital spending to that required according to ideal asset replacement schedules. This finding is present in most Ontario municipalities and as growth occurs the gap will continue to grow;
- The City should encourage development in high density urban areas as it is generally the most cost-efficient. Practically, however, not all future growth can be accommodated by this form of development, particularly that of families. The

City should encourage the development of these units throughout the City, which would reduce cost disparities;

- Although the initial capital costs of local services infrastructure are borne by the developer, the long-term replacement of the assets is an important consideration in the analysis. The lower the amount of local infrastructure required by new development, the lower the annual replacement provisions. This is a major reason why high density developments are preferable from a fiscal standpoint;

- The City should focus growth in areas that have existing capacity (especially for water, wastewater, fire and transit services) to maximize development revenue and minimize additional infrastructure costs;

- When feasible, the City should continue make use of existing facilities to accommodate growth while looking for opportunities to combine facilities across departments (e.g. continue to combine fire and EMS stations) to reduce future upfront capital costs and replacement provisions;

- Besides capital projects identified in the City's Development Charges Study, tipping point projects (e.g. new water plants required when growth reaches a certain point) post-2023 have generally not been considered. Tipping point projects should be prioritized in the most cost effective locations identified in this report, and

- The fiscal impact of growth analysis for the City of Greater Sudbury produced results similar to those calculated in other jurisdictions.

Conclusion

This purpose of this report was to describe the relationship between DCs and land use planning policy in the City of Greater Sudbury. The report describes the linkages between areas designated for future development in the Official Plan and the need for additional infrastructure to services these areas, as determined through infrastructure master plans. The timing and financing of this growth related infrastructure is then realized through the development charges background study.

The report also draws linkages between the use of financial incentives through CIPs to realize land use planning objectives and how the use of exemptions under the DC by-law is another tool to realize these objectives.

Also discussed is the relationship between the City's Policy on Development Cost Sharing and DCs and, specifically, the use of DCs as a major funding source for cost sharing on the construction of new road infrastructure in the City.

The report examines building permit activity before and after the 2009 and 2014 DC By-laws and did not observe any particular trends.

Finally the report outlines the findings of the Comparative Fiscal Analysis of Growth Study as it relates to the cost of new development in the City.

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