

## **Executive Summary**

Development charges (“DC”) are a financing tool available to assist municipalities with minimizing costs to existing taxpayers and businesses for growth-related infrastructure costs. City Council establishes development charge rates via a bylaw (“DC bylaw”) that is subject to renewal every five years and that must adhere to provincial legislative requirements.

The current DC Bylaw expires June 30, 2019. A new DC Bylaw would be in effect for five years commencing July 1, 2019.

A requirement for all DC bylaws is a Background Study, which describes planned growth-related infrastructure investments over the study period. These planned investments are a key input into calculations that determine development charge rates. Hemson Consulting Ltd prepared the City’s Background Study.

City Council may establish rates that are lower than the calculated rates identified from the Background Study. When it does so, the difference between the calculated rate and the discounted rate would be funded by property taxes or, where applicable, water/wastewater user fees. If the proposed charges are adopted by Council, DC rates would be as follows:

- Residential DC for single family dwelling \$17,718 (decrease of \$46 or 0.3%)
- Residential DC for semi dwelling \$14,235 (increase of \$127 or 0.9%)
- Residential DC for multiples/apartments \$10,225 (decrease of \$226 or 2.2%)
- Industrial DC of \$5.92 (increase of \$1.00 per square foot or 20.3%)
- Non-industrial (Commercial/Institutional) DC \$8.89 (decrease of \$0.51 per square foot or 5.4%).

Development charge rates, as set out in the Background Study, are calculated on a cost recovery basis. The City’s proposed development charges for a single family dwelling are approximately 47% lower than the provincial average of \$33,411.

Changes reflect revised growth forecasts, updated capital forecasts and updated replacement cost estimates for assets included in the forecasts. Examples of capital growth projects where DCs are anticipated to fund a portion of the project’s cost include: Maley Drive, Lasalle/Notre Dame Intersection Improvements, BioSolids Facility, second ice pad at Gerry McCrory

Countryside Complex, expansion of the South Branch Library, expansion for Fire/EMS stations and upgrades to various Water and Wastewater Treatment Plants.

A DC Working Group comprised of interested development community stakeholders and staff was established to review policy matters and details associated with the capital forecasts included in the DC Background Study. This group met four times since April 2018. Consultation with the community also occurred via the City's website and its "Overtoyou" portal, including a request for comments on the DC Background Study.

There are several DC Bylaw revisions proposed for Council's consideration. These include:

- Exemptions for secondary units; hospices and non-profit long term care homes when exempt from property taxes under the Municipal Act;
- Changes to the Affordable Housing project criteria for exemption;
- Changes to the temporary building criteria for timing of payment and refunds;and,
- Removal of the Residential DC Deferral Program.

## **Overview of Report**

This report will provide details relating to the Background Study, DC rates and by-law as follows:

1. Introduction
2. What are Development Charges?
3. Incentives to Encourage Development
4. 2019 Proposed Development Charge Rates
5. Area Rating DC Rates – Water and Wastewater
6. Growth Forecast
7. Growth Related Capital Projects
8. Exemptions
9. 2019 Development Charges By-Law Policy Decisions
10. BMA Study Comparisons
11. Public Input on Development Charges
12. Potential DC Rate Reduction Scenarios Requested by City Council
13. Conclusion and Next Steps

## **1. Introduction**

The purpose of this report is to provide the Finance and Administration Committee with a summary of the City's Background Study and the proposed Development Charges Rates, in accordance with the Development Charges Act (DCA).

The City of Greater Sudbury collects a development charge (DC) at the building permit stage for growth related capital costs. The City's current by-law 2014-151 expires on June 30, 2019 and in order for Council to continue to collect DC's after June 30, 2019, a Background Study and By-Law must be prepared and approved by Council.

On April 17, 2018, the Executive Director of Finance, Assets and Fleet provided the Finance and Administration Committee with an overview report regarding the process and timelines to update the City's Development Charges By-Law. In addition, Hemson Consulting Ltd provided an information session relating to the Development Charges Study process.

Since 2018, City staff and Hemson Consulting, in consultation with development community stakeholders through the DC Working Group, have been working to prepare the draft Background Study, update the growth forecast, and prepare the list of growth related capital projects. The Executive Report prepared by Hemson Consulting Ltd is attached as Appendix A.

## **2. What are Development Charges?**

Development charges are a financing tool municipalities can use to assist in paying for capital projects required to meet the increased need for services resulting from growth and development. Revenue from DCs minimizes costs to existing taxpayers and businesses for growth-related infrastructure costs. They are paid by developers based on a series of forecasts regarding anticipated infrastructure needs, requirements governed by the Development Charges Act and mathematical calculations that set projected rates, all subject to Council review and approval. The City of Greater Sudbury has been using development charges since amalgamation and prior to that the Region of Sudbury had development charges since 1991.

Most municipalities in Ontario that experience growth use development charges to help pay for the cost of infrastructure required to service that growth. This choice helps minimize the need for existing residences and businesses to pay the cost of providing infrastructure for new development.

Development charges apply to new developments, 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 their share of capital costs associated with new growth and development while taxpayers/ratepayers fund capital infrastructure that benefits the existing population. However, in reality, development charges cannot fully fund growth due to statutory limitations, exemptions within the DC Act as well as the City’s by-law.

### **3. Incentives to Encourage Development**

#### Financial Incentives

Appendix B includes a summary of various legislation where a municipality has the ability to provide incentives to encourage development. In addition, it includes the existing financial incentives and programs offered by the City of Greater Sudbury.

#### Development Charge Discounts

Municipalities may reduce calculated DC rates. Any reduction in DCs payable or other financial incentive is paid by existing property tax/ratepayers. Similarly, where there is a shortfall in projected DC revenues and the associated capital infrastructure is nonetheless constructed, existing taxpayers/ratepayers fund the difference between projected and actual development charge funding.

The table below illustrates the actual DCs collected compared to the forecasted DCs to be collected from the respective background study along with average annual comparisons:

<b>5 Year Period (in millions)</b>	<b>Actual DCs Collected over 5 Years</b>	<b>Forecasted DCs to be Collected over 5 Years</b>	<b>Average Annual – Actual DCs Collected</b>	<b>Average Annual – Forecasted DCs to be Collected</b>
<b>2009* – 2013</b>	\$15.9	\$33.6	\$3.2	\$6.7
<b>2014 – 2018</b>	\$21.8	\$43.0	\$4.4	\$8.6

\* When the 2009 DC By-law was passed, DCs on Industrial and Non-Industrial (Commercial/Institutional) came into effect on Jan 1, 2010.

If a shortfall in DC revenue is not replaced with another funding source, other outcomes could be:

- Capital projects with a growth component may be postponed until the financing plan is revised, which could result in a growth related project not proceeding in time for a planned development to occur;
- Capital projects for rehabilitation and replacement of existing (non-growth related) assets may be deferred to instead fund a growth related capital project.

While there is an annual adjustment for inflation in the City's capital budget, this amount is not sufficient to make up for any shortfall in projected DC revenues.

#### **4. 2019 Proposed Development Charge Rates**

Appendix A includes the executive report from the City of Greater Sudbury's draft Development Charges Background Study prepared by Hemson Consulting Ltd. The summary includes the growth projections for population, households and employment along with the proposed rates, which are calculated in accordance with the DCA and are based on the list of capital projects that intend to be undertaken in the next 10 years to support the anticipated growth.

The development charge rates are based on the following categories:

- Residential:
  - Single Family Detached
  - Semi Detached Dwellings
  - Multiples and Apartments
- Non-Residential:
  - Industrial
  - Non-Industrial (Commercial/Institutional)

The following is a summary and comparison of the development charge rates by category in effect and the calculated proposed DC rate:

**DC Rate Comparison for Residential – Single Family Detached Dwellings:**

<b>Per Unit</b>	<b>Current DC Rate – Single Family Dwelling</b>	<b>Proposed DC Rate – Single Family Dwelling</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Total DC Rate	\$17,764	\$17,718	(\$46)	(0.3%)
Total DC Rate Excluding Water & Wastewater	\$13,830	\$12,027	(\$1,803)	(13.0%)

**DC Rate Comparison for Residential – Semi Detached Dwellings:**

<b>Per Unit</b>	<b>Current DC Rate – Semi Detached Dwelling</b>	<b>Proposed DC Rate – Semi Detached Dwelling</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Total DC Rate	\$14,108	\$14,235	\$127	0.9%
Total DC Rate Excluding Water & Wastewater	\$10,984	\$9,663	(\$1,321)	(12.0%)

**DC Rate Comparison for Residential – Multiples and Apartments\*:**

<b>Per Unit</b>	<b>Current – DC Rate – Multiples and Apartments</b>	<b>Proposed DC Rate – Multiples and Apartments</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Total DC Rate	\$10,451	\$10,225	(\$226)	(2.2%)
Total DC Rate Excluding Water & Wastewater	\$8,136	\$6,941	(\$1,195)	(14.7%)

\*Multiples include one or more dwelling units (ie. apartments, row houses, townhouses, duplex, triplex, etc) but does not include single detached or semi detached units.

**DC Rate Comparison for Non-Residential – Industrial:**

<b>Per Unit</b>	<b>Current DC Rate – Industrial</b>	<b>Proposed DC Rate – Industrial</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Total DC Rate	\$4.92	\$5.92	\$1.00	20.3%
Total DC Rate Excluding Water & Wastewater	\$2.73	\$3.50	\$0.77	28.2%

**DC Rate Comparison for Non-Residential – Non-Industrial (Commercial/Institutional):**

<b>Per Unit</b>	<b>Current – DC Rate – Non-Industrial (Commercial / Institutional)</b>	<b>Proposed DC Rate – Non-Industrial (Commercial / Institutional)</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Total DC Rate	\$9.40	\$8.89	(\$0.51)	(5.4%)
Total DC Rate Excluding Water & Wastewater	\$7.14	\$6.47	(\$0.67)	(9.4%)

Note – the DC rate would be different if the building would connect to either water services or wastewater services.

**5. Area Rating DC Rates – Water and Wastewater**

The current approach in the City of Greater Sudbury is to apply uniform, municipal-wide development charges, which is consistent with most municipalities in Ontario.

The exceptions to this are the Section 391 charges for the South End Rock Tunnel (sanitary), Lionel E. Lalonde Centre/St.Agnes/Montee Principale growth related watermain improvements, and the Kingsway Industrial Park for Sewer and Water Enhancements. These Section 391 charges were established through a separate background study and by-law as approved by past City Councils. A report to Council/Finance and Administration Committee is presented annually to show the amounts collected to date and the balance to be recovered from

benefitting landowners at the building permit stage. The rationale for these separate Section 391 charges was that DCs were not being collected on new construction/expansion for industrial, commercial and institutional buildings and that it benefitted a limited number of landowners.

If all of the water and wastewater growth related capital projects shown in the 2019 DC Background Study were collected based on area-specific instead of city-wide rates, it would result in higher development charge rates in the Walden area, as well as Valley East and Rayside-Balfour due to the amount of capital projects in these areas. Alternatively, it would result in lower rates for Sudbury, Nickel Centre, Onaping Falls and Capreol as fewer capital projects are included for those areas. If area-specific DC rates are established, it could cause developments to shift from one area to another area within the City as landowners may not develop in the areas with higher DC rates.

Therefore, the establishment of additional area-specific development charges is not recommended and staff recommends that the City continue to apply city-wide development charges.

## **6. Growth Forecast**

Under the Development Charges Act, the City is required to estimate the "anticipated amount, type and location of development" for which development charges may be collected. This development forecast is to cover both residential and non-residential development and provide specific details on the number, type, location and timing of development in order to allow the City to prepare a reasonable development-related capital program.

In preparation for the Development Charges background study and as part of the five year review of the City's Official Plan, the City retained Hemson Consulting to prepare population, household and employment forecasts to the year 2046 based on information from the 2016 Census. This report included three separate growth projections, namely:

- A low scenario that reflects the most recent Ministry of Finance projections;
- A reference scenario that reflects more recent trends indicating a mitigation of the out-migration of young people, the influence of currently committed investments in the

mining industry and some increase in the service/administrative functions that the City provides the broader region, and

- A high scenario that increases the share of the population represented by young adults and adds to the economic outlook of the reference scenario by incorporating influences from the investments in the Ring of Fire.

The "City of Greater Sudbury Outlook for Growth to 2046" report was presented to Planning Committee in April of 2018. This report found that:

- CGS stands out as the only major urban area in Northern Ontario with a growing population. By contrast Thunder Bay, Sault Ste. Marie, Timmins and North Bay have all either experienced no increase or a declining population since 2001;
- There are several factors that contribute to the increase in population, in particular strong mining and service sectors;
- Mining continues to be the most important economic factor affecting the growth outlook for Greater Sudbury. It creates variability with respect to the City's economic outlook, and over the longer term can be influenced by resources outside Greater Sudbury such as the Ring of Fire west of the James Bay;
- Sudbury acts as a regional service centre for nearby municipalities including North Bay and Sault Ste Marie and provides a draw with additional amenities. This regional service function provides some stability to the long term growth outlook;
- Shifting patterns in fertility and mortality rates in Ontario will affect the growth outlook;
- The age structure of the population will have a wide range of influence on how Greater Sudbury grows, specifically housing demand, and;
- Greater Sudbury is expected to grow over the next 30 years by between 6,900 to 15,000 people, 6,000 to 8,400 households and 6,400 to 11,000 jobs under the reference and high growth scenarios.

The forecasts of population, households and employment used in Development Charges Background Study are for a ten year period (2019 to 2028) and are based upon the Reference Scenario in the "City of Greater Sudbury Outlook for Growth to 2046" report. This report projects that the City will grow by 2,940 new households and 2,360 new jobs over the ten year planning period (2019 to 2028). Additional information regarding the above is included in a development forecast that is used to inform the Development Charges Background Study and By-law.

The table below is the development forecast used in the Background Study.

Development Forecast	2018 Estimate	2019-2028		2019-2041	
		Growth	Total at 2028	Growth	Total at 2041
<b>Residential</b>					
Total Occupied Dwellings	69,962	2,944	72,906	4,946	74,908
Total Population:					
Census	162,272	2,918	165,190	5,061	167,333
Population in New Dwellings		7,402		12,275	
<b>Non-Residential</b>					
Employment	76,851	2,360	79,211	4,727	81,578
Non-Residential Building Space (sq.ft)		1,804,390		3,741,570	

## 7. Growth Related Capital Projects

Growth related capital costs are costs that result from the expansion of services to meet the needs for household, population and employment growth. 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 DCA to determine the net capital cost for DC recovery.

Hemson and City staff, with input from development stakeholders on the DC Working Group, developed a list of growth related capital projects required to serve the anticipated growth in the City of Greater Sudbury. The majority of these projects have been derived from the annual capital budget and forecast, various master plans and studies. Each project has been reviewed to calculate the growth related portion on factors such as additional lanes for roads, additional

square footage for buildings, additional capacity in plants based on future growth, and additional population/employment based on the future growth forecast.

Refer to Appendix A for the Development Charges Background Study Draft Executive Report prepared by Hemson Consulting Ltd that includes the growth related capital programs forecasted to 2028 for general services and for engineered services with benefitting period for some projects post-2028 year.

The following are some examples of eligible growth related projects included in this study:

- Addition and expansion to City's road network: for example - Maley Drive, Lasalle Notre Dame intersection, network expansions in accordance with Transportation master plans and official plan, active transportation expansions, various 2 to 4 lane expansions, and turning lanes.
- Expansions to municipal facilities such as South Branch library, Transit garage, Fire/EMS stations, and Police headquarters.
- Additional leisure and recreational spaces and facilities – such as soccer fields and the second ice pad at Gerry McCrory Countryside Complex.
- Water and Wastewater expansions such as Wanapitei Alternative Trunk Main, New Valley Wells, Biosolids, various water and wastewater plant expansions, and various system expansions to accommodate growth.
- Studies that have a growth component: such as official plan, zoning by-law, development charges study, development guidelines document.

The following is a summary for the next 10 years:

(in millions)	<b>General Services</b>	<b>Engineered Services</b>	<b>Total</b>
Total Capital Costs – forecasted 2019 to 2028 (net of grants, subsidies)	130.1	472.0	602.1
Less: Benefit to Existing/Non-Growth (to be funded by tax levy)	103.5	346.1	449.6
Less: Legislated Deduction (not recoverable under DC Act – 10% - to be funded by tax levy)	1.8	0.0	1.8
Less: Prior Growth (DC Previously Collected and Estimated Revenue Loss)*	8.4	14.4	22.8
Less: Post 2028 Benefit (eligible to be recovered from DC's post 2028)	7.0	73.4	80.4
Total Growth Related Costs Eligible to be Recovered Under Development Charges from 2019 to 2028	9.3	38.0	47.3

\*Amount of prior growth includes DC previously collected for the duration of the current by-law as well as approximately \$2.0 M in estimated revenue losses. The “DC previously collected” represents the amount of DC’s collected in prior years that have been applied to projects listed in the capital growth program in the 2019 DC Background Study. The “revenue loss” is an estimate calculated by Hemson Consulting Ltd based on the lost revenue with the freezing and the two year phase-in of DC rates when the 2014 by-law was passed as well as properties that would have been exempt from development charges.

<b>Allocation of Growth Related Costs by class:</b>			
(in millions)	<b>General Services</b>	<b>Engineered Services</b>	<b>Total</b>
<b>Residential Share</b>	\$8.2	\$28.3	\$36.5
<b>Industrial Share</b>	\$0.9	\$6.4	\$7.3
<b>Non-Industrial Share (Commercial/Institutional)</b>	\$0.3	\$3.2	\$3.5
<b>Total Recoverable (2019 to 2028)</b>	\$9.3	\$38.0	\$47.3

The above noted amounts have been determined in accordance with the Development Charges Act and are based on the detailed list of growth related capital projects that are required to serve the anticipated growth in the City of Greater Sudbury over the next 10 years. This forecast capital program must be approved by Council with the adoption of the 2019 Background Study.

In addition, the total recoverable amount from 2019 to 2028 will not be collected by the City due to discretionary exemptions such as designated exempt areas, as well as statutory exemptions such as school boards and City properties as well as the first 50% of expansions for industrial buildings.

The breakdown by class was calculated as follows:

- Residential – based on the forecasted development by number of units by type (single family, semi dwelling, and multiples and apartments)
- Non-Residential – based on the forecasted development by square footage (over 10 year period) by type (industrial and non-industrial [ie. commercial and institutional])

## **8. Exemptions**

### **8.1. The Development Charge's Act Exemptions**

The Development Charges Act, along with regulation O.Reg. 82/98 and other provincial legislations provide the following exemptions:

- Limits the amount of capital costs to be included in calculating development charges by excluding certain services and by restricting others to only 90% recovery of the capital cost.
- Imposes a quality and quantity standard for municipalities to ensure that capital projects do not exceed historic service levels.
- Legislates certain exemptions from development charges:
  - The first 50% of an industrial building expansion is exempt from development charges.
  - The intensification of residential use buildings by the addition of one additional dwelling unit within the existing building unit.
  - The creation of one or two additional dwelling units in a single detached house where the gross floor area is not enlarged.
  - The enlargement of an existing dwelling unit.
  - Any land that is owned by or used for the purposes of
    - i) a board of education

- ii) any municipality or local board thereof
- iii) a consent under Section 53 of the Planning Act where no new building lot is created

## **8.2. CGS 2014 DC By-Law Exemptions**

The City of Greater Sudbury's By-Law 2014-151 provided the following additional exemptions:

- "Designated Exempt Areas", which reflect the downtown, town centre and certain mixed use commercial designations in the City's Official Plan
- Temporary buildings, if constructed, erected or placed on land for a continuous period of less than 8 months
- Affordable housing projects where it meets eligibility that targets low income households by providing affordable rent levels and a housing agreement is signed between the City and the property owner where the City will specify rental rates and occupant income by unit type in perpetuity. This agreement would have to be agreed upon by Housing Department and exemption from development charges approved by City Council.
- Farm buildings are exempt from development charges when it meets the definition within the Building Code Act (ie. must be on land designated as farm land, possess a farm registration number, and performing a farming activity).
- Garden suites provided that it is removed within ten years.
- Buildings that are owned by a university and used for the university's academic or research purposes.
- Buildings that are owned by a university and used for purposes other than the university's academic or research purposes will receive a 50% exemption in development charges.
- Any college created pursuant to the Ontario Colleges of Applied Arts & Technology Act.
- Development charge reduction when redeveloping on land where a building was demolished and the building permit has been issued within five years of the date of the demolition permit. The reduction would be based on the existing building that was demolished and would be applied to the development charges owing towards the new building. The reduction amount would not exceed the development charges owing.

## **9. 2019 Development Charges By-Law Policy Decisions**

The following are options for Council consideration for the amended by-law and reflect comparisons with other municipalities and Council reports during the past five years and input from the DC Working Group and the general public.

### **9.1 DC Exempt Areas**

There are currently nine (9) geographic areas in the City that are exempt from DCs. These areas correspond to Downtown, Town Centre and/or Mixed Use Commercial designations in the City's Official Plan and represent the historic commercial areas of the former City of Sudbury and the former municipalities. The rationale for exempting these areas is to stimulate commercial and residential intensification in these strategic core areas. The areas that are exempt in the current DC by-law are:

- 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

There is the opportunity through the DC background study to modify or remove the exempt areas from the by-law. The advantage to removing areas would be to eliminate any loss of DC revenue. The disadvantage to removing areas would be the loss of incentives to intensify fully serviced mixed use areas in the City. At this time, staff recommends that these areas remain the same.

There have been two requests received to date to expand the DC exempt areas, one in Walden and one in downtown Sudbury. The effect of these requests would be to exempt proposed multi-residential buildings from DCs. The areas lie outside of the Town Centre designation in Walden and outside of the Downtown designation in Sudbury and to allow the requests would be inconsistent with the rationale for why the exemption areas were originally established. Staff does not recommend that these areas be expanded.

## **9.2 Affordable Housing**

As part of developing the existing DC by-law in 2014, a clause was added that exempted affordable housing units from development charges, provided that the units remained affordable in perpetuity.

Through the creation of an affordable housing strategy per Council's Corporate Strategic Plan, Community Services Committee passed resolution CS2017-17 which directed staff to investigate changes to the Development Charges By-law to ensure that affordable housing criteria align with any Federal or Provincial Funding programs as part of the scheduled review in 2018-2019.

In July 2018, Council adopted the Affordable Housing Community Improvement Plan, which provides a framework and the ability for Council to provide financial incentives for the creation of affordable housing. The Affordable Housing CIP includes the ability to stack any Federal and/or Provincial incentives with Municipal Incentives, as a result the development charges by-law should permit the flexibility to align the requirements for DC exemptions with the Affordable Housing CIP. Therefore, staff recommends that DC by-law be revised to provide exemptions for affordable housing units subject to the proponents entering into an Affordable Housing Agreement with the City. This agreement would stipulate the terms and conditions for maintaining the affordability of the units.

## **9.3 Secondary Units (including Garden Suites)**

In 2016, the City passed Official Plan and Zoning By-law amendments to permit a second unit in all single, semi detached and street townhouses subject to applicable zoning regulations. The amendments also permitted the second unit to be located in an accessory structure. Part of resolution PL2016-114 directed staff to bring forward a report on second units and development charges.

The issue with respect to DCs and second units is that there is a discrepancy between certain types of second units and the application of DCs. Essentially, there are three types of second units; 1) those that are created within an existing dwelling, 2) those that are created when a new home is built and 3) those that are created in an accessory building. The Development Charges Act provides statutory exemptions for second units created within an existing dwelling, provided that the gross floor area of the additional dwelling is less than or equal to the gross floor area of

the dwelling unit already in the building. Currently there are no exemptions for second units in new builds or in accessory buildings, even though the impact on service levels is no different than second units in existing buildings.

The purpose of allowing second units within the City was to facilitate residential intensification and increase the diversity of affordable housing options. Now that the zoning framework is in place, staff recommend that the DC by-law be revised to exempt all second units from DCs in order to facilitate their creation.

#### **9.4 Hospice and Non-Profit Long Term Care Homes**

A hospice would be defined as “a facility providing end of life care for persons who are terminally ill and may include provision of palliative care”. A hospice would be exempt from DCs if it is exempt from property taxation determined in accordance with the Assessment Act (Section 23.1 of the Ontario Regulation 282/98 made under the Assessment Act).

Non-Profit Long Term Care Homes would be exempt from DCs if regulated under the Long Term Care Homes Act and exempt from property taxes in accordance with the Municipal Act (Section 3 Subsection 7.2).

#### **9.5 Temporary Buildings**

The existing DC by-law has an exemption for temporary buildings which have been constructed and demolished within a continuous period not exceeding eight months. The DCs would be payable when the temporary building is not demolished within the eight month period.

Staff is recommending a change in the by-law that DCs would be payable at the building permit stage which is consistent in process for all other types of buildings. If the landowner demolishes the building, they would receive a refund of DCs paid when the Chief Building Official is satisfied that the building has been demolished in accordance with the demolition permit that would be on or before eight months from the issuance date of the building permit.

### **9.6 Residential DC Deferral Program (up to 6 months)**

City Council approved a deferred development charges program for residential development in late 2015. This program is available where a building permit is issued for single detached dwellings, a semi detached dwelling, and multi-residential building which has not more than four units. This largely parallels the division in the City's Site Plan Control Areas By-law (By-Law 2010-220) between developments which require a site plan agreement and those that do not. The DCs are to be paid on the date which is the earliest of: a) six months from date of issuance of building permit; b) the issuance of the occupancy permit; or c) the sale or transfer of the property.

This deferral program does result in additional costs for the applicants to pay for the Restriction on Transfer to be registered on title of the property to ensure that the City collects the development charges if the property is sold or transferred before the 6 month period.

The Restriction on Transfer is one of the requirements along with other eligibility criteria in order to minimize risk of loss to the City before issuance of the building permit. Also, if the restriction requirement is removed, it would result in additional administrative staff time and costs to collect outstanding DC's and collection would not be guaranteed.

Since its implementation, a total of three applications have been received and approved for a total of five residential properties. Therefore, staff recommends that this deferral program be eliminated due to the low usage of this deferral program over the past three years.

### **9.7 Greenhouses and Buildings Relating to Cannabis Production**

Further to the reports presented to City Council on "Municipal Implementation of Cannabis Act" in late 2018 and early 2019, recreational cannabis was legalized on October 17, 2018 by the federal government. The federal Cannabis Act provides the regulatory framework to legalize, regulate, and restrict access to cannabis. The provincial government passed legislation to regulate usage, licensing, retail sales and distribution of cannabis and cannabis related products in Ontario. As a result, there may be an increase in building permit applications relating to cannabis production. Greenhouses or any type of buildings relating to cannabis are not exempt from DCs as it does not meet the definition of farming. One of the requirements for a building to be considered a farm building is to be located on land designated for farming and must have a farm registration number.

This item has been included in this report for clarification purposes with the recent legalization of cannabis in late 2018. Staff recommends that buildings relating to cannabis production do not meet the definition of a farm building in accordance with the Building Code Act and would not be exempt from development charges.

### **9.8 Annual Indexing Date and Effective Date**

Existing by-law annual indexing date is July 1<sup>st</sup> of each year. Staff recommends the annual indexing rate to continue to be July 1<sup>st</sup> of each year. The index used is the most recent 12-month change in the Non-Residential Building Cost Price Index (NRBCPI) as released by Statistics Canada for the Ottawa region.

### **9.9 Payment of DCs**

The City's by-law continues to require payment of the Development Charge before the issuance of the building permit. There is no recommendation for deferral or payment plan based on review of other cities as most require development charges to be paid before the building permit is issued and in accordance with the DC Act.

## **10. BMA Study Comparisons**

The 2018 BMA Study compares financial information between several municipalities in Ontario including comparisons on Development Charges. The BMA study shows that there is a significant range in terms of development charges across the survey of 108 municipalities. There are twelve municipalities that do not collect development charges. In addition, only fifteen municipalities have no industrial development charges and only three have no commercial development charges.

The table below shows the average, minimum and maximum with comparison to Greater Sudbury rates for 2018.

	<b>Single Detached Dwellings per unit</b>	<b>Multiples Dwellings per unit</b>	<b>Non Residential (Commercial) per sq ft</b>	<b>Non Residential (Industrial) per sq ft</b>
Average	\$33,411	\$26,528	\$17.40	\$10.45
Minimum*	\$3,762	\$2,801	\$0.91	\$0.91
Maximum	\$100,618	\$84,240	\$11.82	\$33.16
<b>Greater Sudbury</b>	<b>\$17,764</b>	<b>\$10,451</b>	<b>\$9.40</b>	<b>\$4.92</b>

\*The minimum amount is the lowest DC amount being collected by a municipality within the BMA Study. There are municipalities within that study that do not collect DCs.

Overall, the City is significantly below the average development charges rates collected by municipalities in Ontario during 2018. Specifically, the City of Greater Sudbury is 47% below the average for development charges throughout Ontario and listed as 28th lowest of 108 municipalities surveyed based on the single detached dwellings per unit rate.

Appendix C illustrates that the City is third lowest of municipalities in Ontario with a population over 100,000 based on the single detached dwellings per unit rate. The City's 2018 rate of \$17,764 is significantly lower than the average for municipalities over 100,000 at \$45,405 and the overall BMA Study average at \$33,411.

The proposed DC rate as calculated by Hemson is \$17,718 for a single family dwelling. Based on the proposed DC rates, the City would be below the existing rates as well as continue to be below the average according to the BMA Study.

## **11. Public Input on Development Charges**

### **11.1 Consultations to Date**

On April 17<sup>th</sup>, 2018 staff brought a report to Finance and Administration Committee outlining the DC background study process and schedule, including the consultation strategy.

The consultation strategy to date has included the establishment of a Development Charges Working Group made up of City Staff, Hemson Consulting and stakeholders representing the Development Liaison Advisory Committee with representation from local developers, the Sudbury and District Homebuilders Association, the Northeastern Ontario Construction Association, the Greater Sudbury Chamber of Commerce and local consulting firms. Additionally, an “Over to You” page has been created on the City’s website to provide information on the DC background study process and opportunities for the public to submit comments and ask questions of staff.

Since April of 2018, the Development Charges Working Group met four times and reviewed the following:

- DC Background Study and By-law Process and Timelines
- Population, Growth and Employment Forecasts
- Preliminary Working Group Input
- Draft Capital Program
- Issues with the Existing DC By-law
- Sudbury Homebuilders Submission
- Local Service Definitions
- Developer Requested Capital Program Projects
- Capital Programs by Service
- DC By-law Policy Items
  - DC rate structure
  - Potential for Area Rating
  - Exempt Areas
  - Second Units
  - Affordable Housing
- Final Capital Program

The discussions resulted in the recommended policy changes and a refinement of the capital program as presented in this report.

An “Over to You” website was also developed to inform the public and solicit input on the DC background study and by-law. This page was launched in the summer of 2018 and has generated public input that is summarized in Appendix D. Comments received have been

reviewed and considered by staff throughout the preparation of the DC Background Study and By-Law.

### **11.2 Developer Requested Capital Program Inclusions**

As a result of the discussions with the DC Working Group, the City received developer requests to include projects on the DC capital program to facilitate their future development areas, specifically:

- The extension of sewer and water services down South Bay Road;
- The extension of sewer and water services along Maley Drive to service industrial lands east of Falconbridge Road;
- The construction of a water booster station to service residential lands east of Lo-Ellen Park;
- Upgrading of a trunk sewer on O'Neil Drive West in Garson, and
- Upgrades to trunk sewer near Still Lake to provide additional capacity

Staff have reviewed each of the requests and have determined that two of the projects meet the standard of non-local service, growth related projects and warrant inclusion on the capital projects list. These two projects are the Lo-Ellen Park Water Booster Station and the extension of water and sanitary trunk sewers along Maley Drive to the east side of Falconbridge Road. Both of these projects would service large areas designated for future Residential and Industrial development in the Official Plan. The estimated costs of the booster station and trunk main extensions are \$1.5M and \$3.5M respectively.

## **12. Potential DC Rate Reduction Scenarios Requested by City Council**

There was discussion on DC rates at the Finance and Administration Committee meetings held in late February 2019 during deliberations on the 2019 Budget.

The DC calculated rates as outlined in this report and the DC Background Study, provides the maximum amount of DC's that can be collected at the building permit stage. Appendix E shows the financial impact on the property tax levy and water/wastewater user fees if the calculated DC rates are reduced by 25% or by 50%.

The financial impact can be mitigated by deferring the capital projects or not undertaking them. However, it is important to note that several of these projects have already been completed in prior periods. Reducing the DC rates would extend the time required for the anticipated DC revenues associated with those financing plans to be realized or would result in revenue losses, which could put upward pressure on tax/user rates to fund other capital projects.

City Council can adjust DC rates as long as the adjusted DC rates do not exceed the calculated DC rates.

### **13. Conclusion and Next Steps**

The City, with support from Hemson Consulting Ltd has prepared a draft development charges Background Study for the Committee's consideration. As well, a revised DC by-law will be prepared that will include the policy decisions explained above when approved by City Council. In addition, staff prepared a communication plan and an extensive community consultation process to educate stakeholders about the proposed changes.

The following is the schedule:

- 2019 Development Charges Background Study will be available on the City's website by March 29, 2019
- Draft 2019 Development Charges By-Law will be available on the City's website by April 18, 2019
- Statutory Public Meeting to be held at the City Council meeting on May 7, 2019
- "Over to You" website ([www.overtoyou.greatersudbury.ca/development-charges-background-study](http://www.overtoyou.greatersudbury.ca/development-charges-background-study)) for further public input will be available until May 7, 2019
- Approval of the 2019 DC Background Study and related DC By-Law, which would include rates that would become effective on July 1, 2019, at the City Council meeting on May 28, 2019

Staff will summarize all feedback received after the preparation of this report to May 7, 2019 with a report to City Council for the May 28, 2019 meeting.

## References

1. City of Greater Sudbury Outlook for Growth to 2046 (Planning Committee – April 9, 2018)  
<http://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=16&id=1221>
2. 2019 Development Charges Background Study and By-Law (Finance & Administration Committee – April 17, 2018)  
<http://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=2&id=1271>

## List of Appendices:

- Appendix A: 2019 Development Charges Background Study – Executive Report – prepared by Hemson Consulting Ltd.
- Appendix B: Financial Incentives Programs to Encourage Development
- Appendix C: 2018 BMA Study – Single Detached Dwellings – DC Rate for Cities Over 100,000 Population
- Appendix D: Summary of Development Charges Input Received to February 28, 2019 with Staff Response
- Appendix D.1 – Response to Draft Development Charges – Sudbury and District Home Builders' Association
- Appendix D.2 – Coalition for a Liveable Sudbury
- Appendix D.3 – 2356268 Ontario Ltd – Request to Include a Property Within the Downtown DC Exempt Area
- Appendix E: Development Charges (DC) Rates - Scenarios