

Background

The purpose of this report is to provide an overview of development charges as well as the steps planned for the 2019 Development Charges Background Study and related by-law to be approved by City Council before June 30, 2019.

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, 2019 as the by-law has a maximum life of 5 years. The DC Background Study and new by-law must be approved in order to collect DC's after June 30, 2019. 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 2019 to 2028 for "soft" services and from 2019 to 2041 for "hard" 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 2019 DC Background Study and related by-law as Hemson was the successful bidder for the RFP issued in 2017. The public meetings will be scheduled for Winter/Spring 2019 in advance for the approval of the new by-law by June 2019.

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 2014 By-law, development charges are levied on the following municipal services: water, wastewater, roads, police, general government, libraries, fire, recreation, cemeteries, 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, in reality, 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.

When development takes place in the City, new infrastructure (ie. roads, sewers, watermain, traffic signals, etc), both internal and external to the development typically has to be constructed. In some cases, this infrastructure will solely benefit the developer, in other cases the City and/or third parties may benefit from the new infrastructure. 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 “hard” and “protection” services and 90% recovery from “soft” services as listed below. The maximum planning period for capital growth related projects is 10 years for “soft” services and up to 2041 for “hard” services.

1. 100% Cost Recovery
 - Protection Services and Other
 - i. Fire Services
 - ii. Police Services
 - iii. Transit Services
 - Engineered Services (“Hard” Services)
 - i. Roads and Related
 - ii. Water
 - iii. Sanitary Sewer
 - iv. Drains and Stormwater
2. 90% Cost Recovery (“Soft” Services)
 - Library
 - Parks and Trails
 - Indoor Recreation
 - Cemeteries
 - Emergency Medical Services/Emergency Preparedness
 - General Government (Studies)

3. Other Potential Eligible Services (90% Cost Recovery)
(Note these services were not part of the 2014 by-law)
- Public Works (Buildings and Fleet)
 - Parking
 - Housing
 - Long-Term Care
 - Employment Services
 - Provincial Offences
 - Child Care
 - Public Health
 - Airport
 - Waste Management (Diversion) – new eligible service area with recent amendments to DC Act

Services Ineligible for DC Recovery

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

- 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:

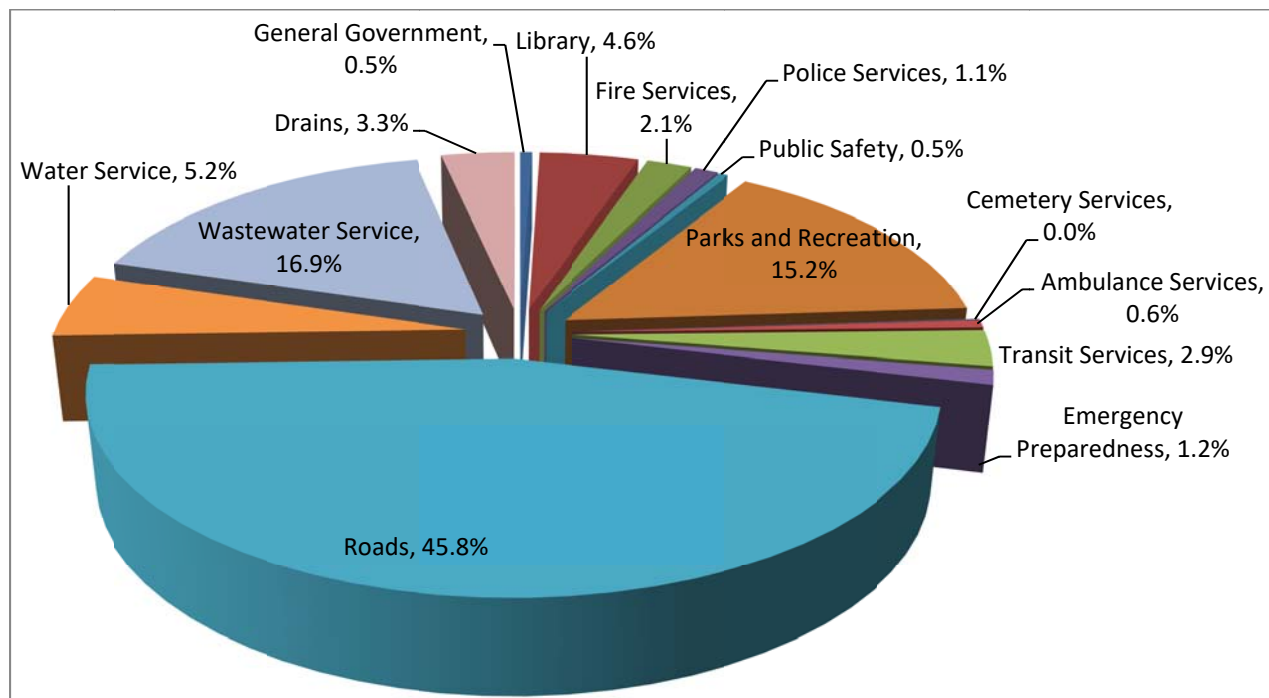
- Adding square footage to a building
- Adding a vehicle to the existing fleet thereby increasing the number of vehicles used by the City
- Adding a road lane, turning lane, streetlights, etc.
- Adding additional roads or buildings to maintain/improve existing service levels
- Required equipment for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

Current DC Rate Structure

The following DC rates are in effect until June 30, 2018, before the rates are adjusted based on the report presented to the Finance & Administration Committee in March 2018.

Servicing	Single Family (per unit)	Semi Detached (per unit)	Multiples and Apartments (per unit)	Industrial (per sq ft)	Commercial / Institutional (per sq ft)
All Services	\$16,150	\$11,571	\$9,784	\$4.63	\$9.08
Excluding Water	\$15,303	\$10,964	\$9,270	\$4.14	\$8.56
Excluding Wastewater	\$13,421	\$9,616	\$8,131	\$3.06	\$7.42
Excluding Water and Wastewater	\$12,574	\$9,009	\$7,617	\$2.57	\$6.90

The development charges collected are used to fund various growth related projects by service area as identified in the 2014 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.



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 projects out 30 years to 2046 and has been completed using information from the 2016 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.

- The Outlook for Growth to 2046 report was presented to Planning Committee on April 9th, 2018, and included the following major findings:
- 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;
- 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;
- 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;
- 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, and
- 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.

2. Inventories to determine historic average service levels

Historic average service levels are calculated based on the estimated replacement values for all existing assets in service for the past 10 years and the City's population.

The average service level sets a cap on eligible DC funding, with the exception for water and wastewater services as there is no service level limitation. The City cannot use DC's to increase level of service above 10 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, uncommitted DC reserve funds and 10% of 'soft' service capital costs where applicable.

4. Calculate DC rates

Hemson will calculate the DC rates based on the 10 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 2019 by-law. An example of policy choices includes review of area-rating DC's as well as secondary unit exemptions, and exemptions for Downtown Centres and Community Improvement Plan Areas.

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, 2019 DC background study and by-law.

In addition, a development stakeholder group has been created that will provide comments for consideration in the preparation of the DC background study and by-law. There will be three development stakeholder group meetings (first meeting is scheduled for April 18, 2018) as well as the creation of a dedicated email 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 2019 for approval before June 30, 2019.

Proposed Schedule

The proposed schedule for future presentations to Council for the 2019 DC Background Study and related by-law in time for approval before June 30, 2019 will be as follows:

1. Finance and Administration Committee meetings: Winter/Spring 2019; 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 January 2019: Presentation of draft 2019 DC Background Study and DC rates.
3. Public Consultation meeting in January/February 2019.
4. Finance and Administration Committee meeting in late February 2019: Statutory Public Meeting.
5. Finance and Administration Committee meeting in March 2019: Council passage of new DC by-law.

Conclusion

City staff and Hemson Consulting Ltd will continue to develop the 2019 DC Background Study and by-law for presentation to City Council during the Winter/Spring of 2019.