

Staff Report



To	City Council
Service Area	Corporate Services
Date	Wednesday, October 20, 2021
Subject	2021 Development Charges By-law Amendment

Recommendation

That the following recommendations be referred to the December 13, 2021 City Council meeting:

1. That the Development Charges Background Study dated September 17, 2021 attached as Attachment-3 of report 2021-264 be approved;
 2. That the updated capital projects set out in Chapter 4 of the September 17, 2021 Development Charges Background Study be approved;
 3. That Guelph City Council hereby confirms that no further public meeting is required pursuant to Section 12 of the Development Charges Act, 1997;
 4. That the Amending Development Charges By-law as set out in Attachment-4 of report 2021-264 be approved.
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Executive Summary

Purpose of Report

The purpose of this report is to provide Council with an update on the progress and future work plans related to all capital-growth revenue by-laws. This includes the update to the 2018 Development Charges Background Study (DC Study), and seeks future Council approval of the amended 2018 DC Study and 2019 Development Charges (DC) By-law.

Key Findings

There are four key phases for upcoming capital growth revenue bylaws.

These include:

1. DC Study update and by-law amendment (the focus of this report)
2. Community Benefit Charge (CBC) evaluation and implementation (completion September 2022)
3. Parkland Dedication By-law review and amendment (completion September 2022)
4. Comprehensive Development Charge Study update to 2051 (completion Spring 2024)

1. DC Study Update and DC By-law amendment

- The 2018 DC Study update and by-law amendment is the focus of this report and Council is being asked to consider this phase first in October 2021.

- Guelph's previous DC Study was last completed in 2018 and is normally updated every five years.
- There have been significant changes to the DC legislation since then that requires an update to the existing DC Study and by-law.
- The DC update process was initiated in early 2021 and included internal stakeholder meetings, the completion of a revised DC Study, and a revised DC By-law.
- The time horizon of this study is 2031 which is the same as the 2018 DC study and does not include Clair-Maltby growth.
- An external stakeholder meeting was held on September 22, 2021 and a legislated public meeting will take place October 20, 2021 to solicit feedback before approval of the revised DC By-law.
- Based on the updated DC Study, the proposed residential rate per unit (for a single detached home) has increased from \$37,163 to \$38,369 which is an increase of 3.3 percent.
- For non-residential, the DC rate has increased from \$140.97 to \$142.24 per square metre which is an increase of 0.9 percent.
- These rates are based on the 2019 by-law and have been indexed to 2021 dollars.
- The current rates include a charge for Parking Services that will be excluded from the DCs as of September 18, 2022.
- With parking excluded, compared to the current rates, the new DC rates would decrease by 0.3 percent for residential and 4.0 percent reduction for non-residential.
- Should the proposed by-laws be approved by Council, the new rates would become effective on December 13, 2021 and will be indexed on March 2 each year.
- A full summary of the revised DC rates can be found in the attachments to this report.

2. Parkland Dedication By-law update

- The Parkland Dedication By-law work will commence in the fall of 2021.
- The updated Parkland Dedication By-law is expected to be presented to Council in the third quarter of 2022.

3. Community Benefit Charge update

- The CBC Study work will commence in the fall of 2021.
- The results of the CBC Study is expected to be presented to Council in the third quarter of 2022.

4. Comprehensive DC Study update to 2051

- As growth continues to the provincial target of 203,000 residents by 2051, a significant amount of new capital requirements will be identified in City masterplans.
- A new DC Study will be required to incorporate the growth and capital needs to the 2051 time horizon.

Financial Implications

Development-related revenue tools are a key source of funding for growth-related capital projects. As a result of the revised DC Study, the updated DC rates should generate approximately \$1,206 of additional revenue per single detached residential unit and \$1.26 per square metre of non-residential construction. The total impact will depend on the rate and type of growth in the City by 2031. This increased DC revenue reduces the amount required by tax and rate reserves to fund the balance of the capital costs of growth.

Please note: that the figures presented in the Watson & Associates' DC study in Attachment-3 are in 2018 dollars as it is an update of the original 2018 DC report. The figures presented in this Council report and the rates in Attachment-1 and Attachment-2 are in 2021 dollars since this represents the actual amounts to be charged today.

As of September 2022, the City can no longer collect for Parking Services DCs. The impact of this loss of revenue is \$1,316 per single detached residential unit and \$6.84 per square metre of non-residential construction. A future CBC background study will be considered as a potential replacement revenue for these lost DCs. This CBC study will kick off in late 2021 with completion expected in summer 2022.

The financial implications of the Parkland Dedication By-law update, the CBC update and the Comprehensive DC Study update to 2051 will not be known until the studies are undertaken. These impacts will be reported to Council once the work has been completed.

Report

Background

There are a number of development-related revenue tools the City can use to help fund the capital requirements of growth. These include DCs, parkland dedication, and a new CBC. The City is working to complete updates to the DC By-law and Parkland Dedication By-law to align to changes to provincial legislation over the past three years. Work is also planned to examine the value and impact of implementing a CBC in 2022.

Specifically for DCs, the charges are imposed on development applications for:

- Construction of a new building or structure for both residential and non-residential use.
- Addition or alteration to an existing building that increases the number of residential units or increases the non-residential total floor area (with some exceptions).
- Redevelopment that results in a change of use of all or part of a building or structure, including tenant fit-outs.

These revenues are used to support investment in growth-related capital projects such as roads, water, and wastewater infrastructure as well as new City facilities, amenities and vehicles related to emergency services and transit.

Parkland Dedication revenues can be used for the acquisition of parkland throughout the City that may or may not be associated with growth-related development. This is a decision point for Council through this by-law review.

CBCs are a new revenue tool, which was introduced in the past year through legislative changes, and will require a full assessment to understand the magnitude of funding available and allocate this funding to appropriate projects. CBC revenues can be used more broadly in combination with both the DCs and the parkland dedication revenues to fund capital projects related to intensification.

Legislative Changes

The Province of Ontario undertook legislative changes to the relevant underlying legislation for the above through the following bills:

- Bill 108 – More Homes, More Choice Act
- Bill 138 - Plan to Build Ontario Together Act
- Bill 197 – COVID-19 Economic Recovery Act

During the provincial review of the bills, including feedback from municipalities and other stakeholders, significant changes were made to the proposed legislation.

Growth Study Project Phasing

There are a number of subprojects or phases within the broader umbrella of development-related revenue studies. This project can be subdivided into four distinct phases:

1. Current DC Study update and by-law amendment (focus of this report)
2. CBC evaluation and implementation
3. Parkland Dedication By-law review and amendment
4. Comprehensive DC Study Update to 2051

The timeline below outlines the timing of these phases.

Growth Revenue Study	Start	Completion
Current DC Study update	Second Quarter 2021	Fourth Quarter 2021
Community Benefits Charge review	Third Quarter 2021	Third Quarter 2022
Parkland Dedication review	Third Quarter 2021	Third Quarter 2022
Comprehensive DC Study Update	Second Quarter 2022	First Quarter 2024

DC Study Update and By-law amendment

The first phase of this work is the amendment to the 2018 DC Study to comply with relevant legislation and is the focus for this report and for the upcoming public meeting with Council.

The City’s current DC By-law 2019-20372, based on the DC Study dated February 12, 2019 (2018 DC Study), will expire on September 18, 2022 if not updated to reflect these changes. In order to pass a new by-law, complete with these legislative impacts, the City requires an amendment to the 2018 DC Study to bring the calculations and policies in line with the legislation. The City retained Watson & Associates to undertake this work.

Process

The City’s current DC By-law update process included the following key milestones:

Date	Milestone
Summer 2021	Retained Watson & Associates, key internal stakeholder meetings, and revised calculations
September 16, 2021	Public notice given for changes to DC rates
September 17, 2021	DC Study completed and released to public on website
September 22, 2021	Stakeholder engagement meeting
October 20, 2021	Public meeting with Council
December 13, 2021	Council approval of proposed DC By-law
January 2, 2022	Newspaper notice given of by-law passage (20 days after passage)
January 22, 2022	Last day for by-law appeal (40 days after passage)
February 11, 2022	City makes pamphlet available (60 days after passage)
March 2, 2022	Indexing of 2021 by-law amounts

Data collection and analysis has been ongoing throughout the summer with key internal stakeholders. The results of the [DC Study Update Report](#) were made public on the City's website on September 17, 2021. Stakeholder engagement followed on September 22 and a public meeting with Council is scheduled on October 20 in accordance with the DC Act requirements.

The draft amended by-law (Attachment-4 of this report) will be presented for approval on December 13, 2021 after which there is a 40-day appeal period, which will end on January 22, 2022.

The proposed rates presented will go into effect immediately once approved. The rates will then be indexed annually on March 2 based on the construction price index as allowed in the DC Act.

Changes since the 2018 Background Study

Based on the changes to legislation the City engaged Watson & Associates to update our 2018 DC Study and amend the DC calculations. The key changes made to the 2018 study include:

- Removal of 10 per cent deduction for soft services and recalculation.
- Updates to inventories and assets for the affected services.
- Updates to capital project costs only to the extent that they are material to the DC calculation (for example, South End Community Centre, Central Library).

- Various changes to definitions and the administration and collection DCs

Based on these changes, the DC calculation was amended for the following services:

- Public Works, Facility and Fleet
- Parking Services
- Parks and Recreation Services
- Library Services
- Growth Studies
- Public Health Services
- Waste Diversion

Attachment-3 includes the report for the DC Study dated September 17, 2021, and provides more detail related to the revisions summarized above.

Proposed 2021 DC Rate Calculations

The proposed DC rates are presented in the following tables with a comparison to the previous rates currently in effect under the existing by-law. While most of the figures presented in the DC Study are in 2018 dollars, this report presents charges in 2021 dollars as this allows for an easier understanding of what will be charged today.

Table 1 – Residential DC Rate Comparison (per single detached unit)

Service	Per By-law 2019-20372 (indexed)*	2021 DC Study Revised	Change (\$)	Change (%)
Municipal-wide Services	\$22,727	\$23,933	\$1,206	5.3%
Urban Services	\$14,436	\$14,436	\$0	0.0%
Total Residential DC	\$37,163	\$38,369	\$1,206	3.3%
Total Residential DC (excluding Parking)**	\$37,163	\$37,053	(\$110)	(0.3%)

*The rates above are indexed to 2021 dollars.

**The rates include the Parking Services DC at \$1,316 per single detached that only remains in effect for a portion of the term of the by-law (September 2022). Once removed, the DC would have a total increase of 1.7 per cent.

Table 2 – Non-residential DC Rate Comparison (per square metre)

Service	Per By-law 2019-20372 (indexed)*	2021 DC Study Revised	Change (\$)	Change (%)
Municipal-wide Services	\$70.32	\$70.32	\$1.26	1.8%
Urban Services	\$70.66	\$71.92	\$0	0%
Total Non-residential DC	\$140.97	\$142.24	\$1.26	0.9%
Total Non-residential DC (excluding Parking)**	\$140.97	\$135.40	(\$5.57)	(4.0%)

*The rates above are indexed to 2021 dollars.

**Figure presented includes Parking DC at \$6.84 per square metre that only remains in effect for a portion of the term of the by-law (September 2022). Once removed, the DC would have a total decrease of 4.0 per cent.

The detailed tables by service can be found in the following attachments:

- Attachment-1 2021 Residential DC Rates by Service
- Attachment-2 2021 Non-residential DC Rates by Service

Next Steps for DC By-law Amendment

Under the DC Act, the City Clerk is required to provide a notice of the passing of a DC By-law, after which there will be a 40-day period within which appeals can be filed. The DC information that is provided on the City’s website, including the DC pamphlet required by legislation, will also be updated in alignment with the effective date for the new DC rates.

Parkland Dedication By-law review and amendment

Legislative changes to the Planning Act mean that the existing Parkland Dedication By-law will expire on September 18, 2022. No changes were made that impact the way in which the City currently collects parkland dedication, but the by-law requires preapproval prior to that date.

Revisions to the current Parkland Dedication By-law are being contemplated based on concerns raised by Council and staff regarding the ability to effectively apply the current by-law. Staff have developed a project charter that allows for review of current language and application by staff, the public and Council. Staff are working to clearly articulate the issues facing the by-law and are planning engagement with both the public and Council in the first quarter (Q1) of 2022. This timing will allow for a comprehensive review of the issues, as well as focused community engagement. The expectation is to have recommended amendments in front of Council by the third quarter (Q3) 2022.

In respect of the fact that the current by-law has proven difficult administratively to enact, Parks staff are updating their internal operational guidelines to be followed until the amendments can be presented and considered by Council.

CBC evaluation and implementation

As part of the changes to the legislation, a CBC was allowed to cover costs of growth that are not recovered under the City's DC By-law, such as parking, culture and tourism. This revenue tool is aimed to support capital costs related to intensification as the legislation limits the CBC only on development of certain density criteria.

To impose such a charge, the City is required to complete a background study similar to the DC Study to support the charge. The City will be commencing work on the CBC study shortly after the conclusion of the DC update process. This study is reliant on the City's Municipal Comprehensive review as the assessment of revenue magnitude is based on projected density and intensification across the City to 2051. It is expected that work related to the CBC study will be presented to Council in Q3 of 2022.

Comprehensive DC Study to 2051

Upon completion of work related to the Clair-Maltby Secondary Plan as well as the City's various service masterplans in 2022, a significant amount of new capital requirements for growth will be identified as the City grows to the provincial target of 203,000 residents by 2051. Preliminary work on the cost of this capital will be included in each of the masterplans, and a Comprehensive DC Study will be based on this data with a time horizon to 2051. This will help to determine the total cost of growth and understand the burden of costs to be incurred by new developments and existing tax and rate payers.

Financial Implications

DCs, parkland dedication and CBCs are critical components of the funding strategy for growth-related capital costs. The updated DC rates will provide increased development revenue over the 2031 planning horizon. The exact impact will depend on the timing and pace of growth applications.

Increased DCs reduce the need for other funding sources of growth-related infrastructure such as property taxes, rates, and grants where possible.

It should be noted that after September 2022 it is no longer possible to collect DCs for parking services. This will reduce the amount of development charge revenue collected. This shortfall will have to be funded by other means such as the CBC. The CBC study will commence in Q3 of 2021 shortly after the completion of the DC Study update work.

The specific financial implications of the Parkland Dedication By-law update, the CBC update and the Comprehensive DC Study update to 2051 will not be known until the studies are undertaken. These impacts will be reported to Council once the work has been completed.

Consultations

Internal City stakeholders included representatives from finance, planning, recreation, public works, waste diversion and transit.

External stakeholders including members of the development community.

Public participation is encouraged through the public Council meeting on October 20, 2021.

Following the passage of the DC By-law, there is a 40-day period to file an appeal to the proposed by-law.

Strategic Plan Alignment

DCs are a key component of funding growth-related infrastructure in the City. Maximizing the use of DCs reduces the need for tax or ratepayer support for growth-related projects. This is consistent with the strategic goal of developing a long-term financial strategy that is achievable and affordable under the Working Together for our Future pillar.

Attachments

Attachment-1 2021 Residential DC Rates by Service
Attachment-2 2021 Non-residential DC Rates by Service
Attachment-3 2021 DC Background Study Update
Attachment-4 2019-20372 Draft DC By-law Amendment
Attachment-5 Staff Presentation for Report 2021-264

Departmental Approval

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