

Staff Report



To	City Council
Service Area	Corporate Services
Date	Wednesday, April 13, 2022
Subject	Community Benefit Charge and Parkland Dedication By-laws

Recommendation

That the following recommendations be referred to the July 18, 2022 City Council meeting:

1. That the City of Guelph adopt the Community Benefit Charge approach to calculate the charges on a uniform City-wide basis.
 2. That the capital project listing set out in Chapter 4 of the Community Benefit Charge Strategy dated March 31, 2022, be subject to further annual review and amendment during the capital budget process.
 3. That Appendix A of the General Reserve and Reserve Fund Policy be amended to reflect the creation of a special reserve fund account, Community Benefit Charge Reserve Fund (302) subject to the terms and authority as identified in report 2022-125 Community Benefit Charge and Parkland Dedication By-laws.
 4. That the Community Benefit Charge Strategy dated March 31, 2022, be approved (as amended if applicable).
 5. That the Community Benefit Charge By-law as set out in Appendix C of Attachment-1 be approved effective September 18, 2022.
 6. That the Parkland Dedication By-law as attached in Attachment-2 be approved effective September 18, 2022.
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Executive Summary

Purpose of Report

The purpose of this report is focused on the presentation of a proposed Community Benefit Charge (CBC) By-law and recommended changes to the Parkland Dedication (PD) By-law. These by-laws are part of the continuing work addressing changes to the legislation and previous reporting to Council about capital growth-related revenues. Future work will see a comprehensive Development Charge (DC) Study being completed by spring 2024.

Key Findings

The City has a number of tools for funding capital growth expenditures, each of which is represented by a Council-approved by-law.

The scope of the capital growth-related revenue plan includes:

1. DC By-law amendment – completed and approved December 13, 2021
2. PD By-law - review and update (included in this report)
3. CBC By-law - requires evaluation and implementation (included in this report)
4. Full DC By-law update - requires DC Background Study update to 2051 (completion expected in spring 2024)
5. Comprehensive review of all growth revenue related policies and bylaws to ensure overall corporate alignment – (completion in line with full DC By-law update)

PD

- Changes to the provincial legislation require Council to re-approve the current by-law within the context of an approved Park Plan (which is before Council for review as part of the April 4, 2022 Committee of the Whole agenda).
- Staff are proposing minor changes to the current PD By-law (Attachment 2) to improve the clarity regarding exemptions and application to commercial development or redevelopment.
- Changes to the method of calculation or introduction of new exemptions is not within the scope of this policy update. These types of changes would require significant consultation and engagement that would be captured as part of the comprehensive review of all growth-revenue related policies in 2023.

CBC

- The CBC is a new growth revenue tool created by provincial legislation which replaces the Planning Act revenue authority referred to as “Density Bonusing”.
- This new revenue is applicable only to eligible high-density residential development with a maximum rate of four percent.
- Eligible projects can be funded only to their relative share of the benefit attributed to high-density residential development.
- Staff have concluded that there is sufficient planned development that meets the density requirements to implement such as charge and that there is a sufficient portfolio of eligible capital projects within the 10-year planning horizon to support the full four percent rate.
- Staff are recommending the adoption of a four percent CBC rate in Guelph, on a unified city-wide basis effective on September 18, 2022.

Financial Implications

The proposed changes to the PD By-law will have no expected impact on budgeted revenues and are solely for the purpose of enhancing the ease of operational application and to provide further clarity to our customers (the development community) in assessing the impact to their projects.

The introduction of a CBC is estimated to generate \$547,700 of revenue per year, dependent on timing of development. This funding can be used to partially fund projects within the City’s long-term capital plan in combination with other capital growth revenue sources. Limitations in the application of funding only to the extent to which the project supports eligible high-density residential development means that this is not a revenue source that will fund the entirety of any project.

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 the newly created CBC. The City has completed updates to the DC Background Study and By-law in 2021, and has now completed the work to update the PD By-law to align to changes to provincial legislation over the past three years. Further, staff has assessed the new CBC applicability and determined that it is viable and warranted in Guelph.

These capital-related growth revenues 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.

DC revenues are used to support investment growth-related capital investment in services prescribed by the Development Charges Act such as roads, water, and wastewater infrastructure as well as new City facilities, amenities and vehicles related to emergency services and transit.

PD By-law revenues can be used for the acquisition of parkland throughout the City that may or may not be associated with growth-related development.

CBC revenues can be used more broadly in combination with both the DC 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.
- Bill 213 – Better for People, Smarter for Business Act.

During the provincial review of the bills, including feedback from municipalities and other stakeholders, significant changes were made to the proposed legislation with the final result seeing only minor changes to DCs ([2021 Development Charges Bylaw Amendment 2021-264](#)) and the introduction of the CBC to replace Planning Act Section 37 (density bonusing).

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. DC By-law amendment – completed and approved December 13, 2021.

2. PD By-law – review and update (included in this report).
3. CBC By-law – requires evaluation and implementation (included in this report).
4. Full DC By-law update – requires DC Background Study update to 2051 (completion expected in spring 2024).
5. Comprehensive review of all growth revenue related policies and bylaws to ensure overall corporate alignment – (completion in line with full DC update).

Parkland Dedication By-law review and amendment

Legislative changes to the Planning Act mean that the existing PD 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 re-approval prior to that date in the context of an approved Park Plan. The proposed [Park Plan](#) is before Council for review and approval as part of the April 4, 2022 Committee of the Whole agenda.

Revisions proposed through this review to the current PD By-law are included in Attachment 2 and explained with comments in the document. These updates are in response to concerns raised by Council, staff and our customers regarding the ability to effectively apply the current by-law. Amendments are being proposed to address the following:

- Adding new exemptions and/or updating existing exemptions to better align with other growth revenue policies.
- Limiting the collection of fees for commercial development/redevelopment to area of land specific to permit application.

As the intention of this update is to comply the requirement to re-approve the by-law prior to the legislated deadline, additional more substantive changes to the by-law were out of scope. Future comprehensive reviews of the PD By-law would be the appropriate time to consider any changes related to new exemptions and/or the amount of the charge.

Community Benefit Charge evaluation and implementation

As part of the changes to the legislation, a CBC was created which would allow a municipality to partially cover capital 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 to development of certain level of residential density.

Through an initial assessment of the potential revenue from a CBC, it was determined that the revenue would be sufficient to warrant the completion of a CBC Strategy (Attachment 1 – Community Benefits Charge Strategy) to be presented to Council for consideration. The CBC Strategy identifies the quantity of development that would be subject to the charge, the potential revenue that could be collected, and the potential projects that the funding could be used to support over a ten-year period.

Applicable development

The CBC legislation specifically limits the collection of the charge to residential development which is a minimum of five stories above grade and contains at least 10 units. Based on this criterion, Table 1 contains the potential development that a

CBC would apply. Across the City between 2022 and 2032, it is anticipated that 5,553 residential units will be constructed that meet the above requirement.

Table 1: Residential High-Density Growth by Development Area

Development Location	High-Density Housing Growth, 2022 to 2032 ^[1]	CBC Eligible Share	CBC-Eligible Housing Growth, 2022 to 2032	CBC-Housing Growth Shares by Location, 2022 to 2032
Designated Greenfield Area	2,998	87%	2,587	47%
Clair-Maltby Secondary Plan	1,250	100%	1,250	23%
Guelph Innovation District	115	100%	115	2%
Dolime Quarry Lands	588	90%	529	10%
Remaining Designated Greenfields Area	1,035	67%	693	12%
Built-Up Area	4,066	73%	2,966	53%
Urban Growth Centre	1,555	95%	1,477	26%
Remaining Built-Up Area	2,511	59%	1,489	27%
City of Guelph	7,054	79%	5,553	100%

^[1] High density includes accessory apartments, bachelor, 1-bedroom and 2-bedroom+ apartments.

Source: Watson & Associates Economists Ltd.

Land Valuation

The CBC is based on the land value of the proposed development prior to any development occurring. In order to calculate an estimate of potential revenue from the development listed above, the City engaged S.W. Irvine & Associates Real Estate Appraisals and Consulting to provide appraisals for key areas within the City. Table 2 provides the average appraised land value in each area.

Table 2: Summary of Land Valuations by Area

Area	Location	Average Value per Acre
1	Downtown Secondary Plan Area (Urban Growth Centre)	\$6,250,000
2	Clair Maltby Secondary Plan Area	\$2,000,000
3	Guelph Innovation District	\$1,250,000
4	Dolime Quarry Lands	\$2,000,000
5	Gordon Street Corridor Area	\$2,000,000
6	Infill Areas	
6a	Downtown Fringe-University of Guelph District – Stone Road Corridor Sub-area	\$3,200,000
6b	Other Neighbourhoods Sub-Area	\$1,250,000

The land valuation in each area will vary depending on specific locations and potential development, however, this provides an appropriate basis to assist in the calculation of the estimated revenue that could be generated with a CBC. Based on these valuations and the estimated development, the total land value to be developed for high-density over the next ten years is \$136.9 million (Table 2-8 in Attachment 1).

Allocation of Costs to Eligible High-Density Growth

For projects to be funded by the CBC revenue, an analysis of the project benefit to eligible high-density residential growth must be completed. This analysis looks at the benefit split between non-residential and residential, the split between low/medium density and total high-density, and the split between eligible and ineligible high density.

Table 3: Funding eligibility breakdown

Project Group	Residential percentage (A)	High Density percentage (B)	Eligible percentage (C)	Percentage of growth = A x B x C
City-wide	69%	43%	79%	23%
Parks, Recreation and Culture	95%	43%	79%	32%

Based on Table 3, the growth-related costs of any eligible capital project could be funded up to either 23% or 32% from CBC. The City-wide projects assume a residential share based on the ratio of population to employment, however, similar to the City’s DC background study, parks, recreation and culture were apportioned 95 percent residential due to their predominant use being by residents. For example, a project that is determined to be 100% benefit to growth and costs \$100, could be funded from \$23 to \$32 of CBC funding depending on the type of project. The balance of funding would come from other sources.

Similar to DCs, any grants or other external funding must be accounted for before applying the above allocations. Therefore, in most situations, tax or rate funding will be the other source of funding.

CBC Eligible Cost Analysis

In order to demonstrate the need for a CBC, a list of eligible projects must be provided which demonstrate the extent of funding required. This provides a basis to support the establishment of the CBC which can range from no charge to a maximum of four percent of appraised land value.

A list of potential projects was created based on known Council priorities, Strategic Plan alignment and the current capital forecast (tables 4-1, 4-2 and 4-3 of Attachment 1). The projects included in Table 3 demonstrate that a rate of 9.32% could be supported based on the value of growth capital projects. Therefore, there is sufficient project need to charge a four percent CBC based on this analysis.

Table 4: Potential CBC funded projects

Project Group	Gross Capital Costs	Deductions	Net Growth Costs	CBC Eligible Costs
Studies	\$2,055,000	\$1,155,200	\$899,800	\$211,000
Municipal Parking	\$31,775,000	\$6,870,000	\$24,905,000	\$5,837,000
Parks, Culture and Public Realm	\$27,185,000	\$7,511,250	\$19,673,750	\$6,349,100
CBC Strategies	\$370,000	\$0	\$370,000	\$370,000
Total	\$61,385,000	\$15,536,450	\$45,848,550	\$12,767,600

The CBC rate is capped at a maximum of 4%, which based on the estimated land values to be developed, would generate \$5,477,080 of revenue over a ten-year period. Through the 2024 budget process, staff will provide Council with the recommended projects, including timing, based on this expected level of funding. Actual funding will be dependent on timing and scale of development and may

produce more or less revenue over time, adjustments to the timing of projects will be presented to Council as actual collections dictate.

As the funding from the CBC will not support the projects completely, the availability of tax and rate funding to fund the balance of the projects will also impact the timing of project approval and completion.

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 project requirements for growth will be identified as the City grows to the provincial target of 208,000 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 allocation of costs to be incurred by new developments versus existing tax and rate payers.

Financial Implications

DC, parkland dedication, and CBC charges are critical components of the funding strategy for growth-related capital costs.

There are no expected financial implications of the proposed PD By-law update as the changes are to ensure the existing by-law can be applied as intended. The proposed CBC By-law will allow for the collection of additional funding, estimated at \$547,700 per year, which can be used to support a number of proposed capital projects. A number of the projects are not currently funded in the capital plan, and this new revenue will reduce the need to utilize tax, rates or other sources. Due to the restriction on the use of CBCs to fund only the costs directly benefitting the growth paying the charge (i.e. high density), capital projects will continue to require the majority of their funding from tax and rate sources.

A new obligatory reserve fund is required for the collection of CBC funds, as per the legislation, for this reason a new reserve fund would be created, upon passage of the CBC By-law, governed by the General Reserve and Reserve Fund Policy.

Staff are proposing that Appendix A of the General Reserve and Reserve Fund Policy would be amended with the following new reserve fund terms and conditions:

Reserve Name: Community Benefit Charge Reserve Fund

Purpose: To collect funds from the implementation of a CBC By-law.

Target Balance: No established maximum, reserve fund balance must be positive. Per legislation, 60% of funds must be allocated to approved projects.

Source of Funds: Revenues collected from development in accordance with the CBC By-law.

Use of Funds: Capital related expenditures as defined by the legislation and CBC Strategy.

The loss of DCs for parking services is approximately \$750,000 per year, which could be used to fund 100 percent of growth costs within a project, the CBC funding is limited to 23 percent of growth costs for parking projects, creating a difference of \$577,500 per annum in funding. This gap will have to be made up from parking

rate revenue and will be considered as part of the update to the Downtown Parking Master Plan.

The financial impacts of 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

CBC

The CBC Strategy was developed in consultation with the City Economic Development, Culture and Recreation, Parks, Information Technology, Engineering and Transportation and Planning departments.

Presentation to Council is the first step in external engagement, providing Council the opportunity to support the continuation of the process based on the above details. Next steps in the public engagement process include a virtual open house with both developers and the community on April 27, 2022. Between April 19 and May 3, 2022 citizens will be able to provide feedback via the "Have your Say" section of the City's website. This feedback will be reviewed, and any changes reflected in the final by-law to be approved by Council on July 18, 2022. This will provide the necessary consultation as required by legislation, with the public, including developers and community at large. Once the by-law is passed, notice of passage must be published within 20 days and any appeals must be received within 40 days of passage.

PD By-law

Since the approval of the current PD By-law in January 2019 staff have been applying the by-law as approved by Council, during which time feedback has been collected on the process and outcomes. Based on this feedback some initial changes were made throughout 2021 to clarify specific situations. The amendments proposed here are the result of additional feedback as well as public engagement carried out throughout January and February of 2022. The Park Plan for which this revenue is collected has its own consultation path and informs the by-law development.

Strategic Plan Alignment

Growth-related development revenues are a key component of funding growth-related infrastructure in the City. Maximizing the use of DCs, PDs and CBCs 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 Community Benefits Charge Strategy Report

Attachment-2 Updated Parkland Dedication By-law (Draft)

Departmental Approval

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