

Information Report



Service Area	Corporate Services
Date	Friday, December 13, 2019
Subject	Development Fee Exemptions or Waivers
Report Number	CS-2019-103

Executive Summary

Purpose of Report

The purpose of this report is to provide Council with information regarding the process used by City staff to assess and respond to requests for Development Charge (DC) or other development fee exemptions or waivers.

Key Findings

The City's DC By-law (2019-20372) does not provide for DC exemptions for not-for-profit organizations.

The City's DC Exemption Policy requires that all statutory and Council-approved DC exemptions be budgeted and funded from tax and rate supported funding sources. The waiver of other development-related fees would mean that the City is providing services using tax supported funds instead of user fee revenues that are meant to recover the cost of those services.

In order to provide Council and staff with a framework to assess community requests for grants, waiver of fees or any other financial contribution, a program to guide the decision-making criterion should be in place. Financial contributions should be linked clearly to Council priorities and intended outcomes. Staff only consider financial contribution requests from the community if there is a program in place to which the request would qualify within the approved parameters. This process also ensures that funding is available and budgeted to support the request being considered. In the absence of a Council-directed program and funding source, staff will continue to turn down requests received for waiving of development fees for not-for-profit organizations.

If there is no qualifying program for a community request to waive development fees, and Council believes it to be a priority, then Council should identify a budget source and direct staff to develop this program. Without a program, there is no decision framework. A program would provide delivery accountability on the outcomes achieved by the City's investment. Examples of current city programs include the Affordable Housing Financial Incentive Program, the Community Investment Strategy and the Brownfield Community Improvement Plan.

Financial Implications

Waiver or exemption of any development-related fees means Council is choosing to have the tax and rate base pay for the cost of new growth/development.

DCs are fees levied on new development to help offset the cost of providing growth-related infrastructure. The DC fee is based on the anticipated growth over a particular period. If the City exempts a developer/organization from paying DCs, the lost revenue must be made up with tax and rate supported funding resources. Current statutory and Council-approved DC exemptions have cost on average, an annual \$4.5 million over the last two years.

The City also charges user fees on other development-related services including development application reviews and building permit issuance. These are charged with an outcome of cost-recovery (growth paying for growth) and choosing to waive or exempt these fees means that the property tax base would result in paying for the cost of delivering these services.

Report

Details

The City's DC By-law (2019-20372) does not permit for the exemption of DCs to not-for-profit organizations.

The DC By-law and DC Background Study were completed in 2018 and approved in 2019 and involved extensive consultation with Council, staff, the development community and members of the public. The Development Charges Act, 1997 prescribes a list of legislated exemptions including:

- Industrial building additions of up to and including 50 per cent of the existing gross floor area
- Buildings or structures owned by and used for the purposes of any municipality, local board or Board of Education
- Other levels of government including colleges
- Residential development that results only in the enlargement of an existing dwelling unit, or that results in the creation of up to two additional dwelling units

Decisions made through the 2018 DC Background Study process resulted in the following list of discretionary exemptions:

- Land, buildings or structures
- Used or to be used for a Place of Worship or for the purposes of cemetery or burial ground exempt from taxation under the Assessment Act
- A public hospital receiving aid under the Public Hospitals Act
- Exemption for University-related purposes
- Private parking structures

The cost of these exemptions are budgeted annually through the Growth Funding Strategy to ensure the DC reserve funds have sufficient funding to provide the growth-related infrastructure needed to accommodate new population.

The preferred approach to incentivizing a particular type of development is to create a grant/incentive program based on Council priorities. These programs are

then funded through the budget and there is a framework and criterion that can be applied to the request in an open and fair process. The amount of the grant awarded may be proportional or equal to the cost of development-related fees, such as DCs or building permit fees depending on the framework approved by Council

This approach has several benefits including:

- Grants are awarded to projects that align with Council-approved priorities, through a framework that has pre-established criterion, and ensures outcomes of the development will further the community goals.
- The cost of the incentives awarded are contained within an annual budget amount to manage the impact to existing tax and rate payers.
- The cost of the grants are tracked and reported on annually so that Council can see the link from this investment to the outcomes (example increased affordable housing supply or redeveloped brownfield sites to productive use).

If there is no qualifying program for a community request to waive development fees, and Council believes it to be a priority, then Council should identify a budget source and direct staff to develop this program. Examples of current city programs include the Affordable Housing Financial Incentive Program, the Community Investment Strategy and the Brownfield Community Improvement Plan.

Changing legislation

Bill 108 introduced policy that will require the City to permit a DC deferral for institutions, not-for-profit housing and rental housing over a period of six years (21 years for not-for-profit housing). Further, the first draft of the Community Benefit Charge (CBC) regulations indicate a full exemption for these fees for long-term care homes, colleges and universities, memorial homes, not-for-profit housing, retirement homes and hospices.

The effective date for the statutory DC deferrals will be the date of proclamation of Bill 108 which has yet to be announced by the province but could be early in 2020. The effective date of the CBC exemptions will not be until the new CBC by-law is passed or January 1, 2021, whichever is earlier.

Financial Implications

DC are fees levied on new development to help offset the cost of providing growth-related infrastructure. The DC fee is based on the anticipated growth over a particular period. If the City exempts a developer from paying DCs, the lost revenue must be made up with tax and rate supported resources. Current statutory and Council-approved exemptions have cost on average \$4.5 million per year, over the last two years.

The waiver of other development-related fees would mean that the City is providing services using tax supported funds instead of user fee revenues that are meant to recover the cost of those services.

Consultations

None

Strategic Plan Alignment

The opinions in this report support the **Working together for our future** pillar. The preferred approach to considering development fee waivers will ensure transparency and fairness which will lead to increased public trust and validation of the reasoning for why Council would invest in that development. Fulsome budgeting for DC and other fee exemptions will contribute to the City's goal of managing growth to support long-term financial sustainability.

Departmental Approval

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