

Information Report



Service Area	Corporate Services
Date	Friday, April 24, 2020
Subject	Community Benefit Charge Planning Report

Executive Summary

Purpose of Report

Provide an update to Council and the community on the ongoing discussion between the Province and municipalities regarding changes proposed as part of the More Homes, More Choices Act (Bill 108) and subsequent amendments through the Plan to Build Ontario Together Act, 2019 (Bill 138).

Key Findings

The most recent draft regulations, released February 28, 2020 provide some significant changes which were requested by municipalities over the last year.

- Recreation, parkland development, long-term care, public health and libraries will continue to be a part of the Development Charge Act (DCA) and are no longer subject to the 10% statutory deduction or the 10-year planning horizon.
- The community benefit charge (CBC) will apply to services not covered by the DCA, specific to the City are parkland acquisition, parking services, affordable housing, court services and child care services.
- The proposed limit for the CBC for single-tier municipalities is 15% of assessed land value on the day prior to permit issuance.

These are favourable changes from the original proposed CBC/DCA legislation and maintains the City's ability to develop revenue projections consistently for those allowable services in the DCA, which improves long-term planning abilities.

The capped single rate CBC however, will not be sufficient to fund all the capital requirements for eligible services. The City currently has debt obligations and future commitments for parking and court services development charges (DCs) that will be moved into the CBC regime. These funds will now compete with parkland acquisition funding as well as funding that was previously planned under the density bonusing authority.

Financial Implications

The ultimate financial implications of the CBC will not be known until the required planning and strategy development are completed, however initial estimates show that the 15% will not be sufficient to cover all the eligible services. In addition, the application of the 15% to land value will provide a discount to high density development relative to low density, which will reduce the overall revenue collected and inequitably distribute the cost of services amount to new residents.

Report

Details

In May 2019, the Ministry of Municipal Affairs and Housing released the More Homes, More Choice: Ontario's Housing Supply Action Plan and subsequently the More Homes, More Choice Act (Bill 108) which received Royal Assent on June 6, 2019. The Bill introduced changes to the Planning Act and the DCA, among 12 other pieces of legislation with the goal of increasing housing supply and improving housing affordability. The key changes impacting the City's ability to recover the cost of growth-related infrastructure from new development included:

- Moving all soft services (libraries, parks, recreation, parking, affordable housing) from the development charge to a new authority under section the Planning Act
- Including parkland acquisition under the same new authority
- Changing the timing of DC calculation and collection
- New exemptions for rental housing, affordable housing, nursing homes, retirement homes, clubhouses related to the Legion

The City provided comments to the proposed changes August 2019, through ERO 019-0183 and ERO 019-0184. On November 6, 2019, amendments to the CBC provisions under the Planning Act were introduced through the Plan to Build Ontario Together Act, 2019 (Bill 138) that provided transitional provisions for parkland dedication and introduced a mechanism to appeal the CBC by-law.

On February 28, 2020, the Ministry released a second regulatory proposal for the changes to the DCA and the Planning Act that are open for public feedback (ERO 019-1406) until April 20, 2020.

The key changes being proposed include:

- Recreation, parkland development, long-term care, public health and libraries will continue to be a part of the DCA and are no longer subject to the 10 % statutory deduction or the 10-year planning horizon.
- The CBC will require a Council-approved strategy that outlines the planned growth-related capital investment (similar to the current DC Study) for all eligible services and must also include a parks plan. Eligible services include parkland acquisition, parking services, affordable housing, court services and child care services.
- The CBC will apply to both residential and non-residential development and redevelopment and shall not exceed the following percentages of land values:
 - Single-tier municipalities: 15%
 - Lower-tier municipalities: 10%
 - Upper-tier municipalities: 5%
- Once in effect, the CBC will replace three existing revenue tools (DCs, parkland cash-in-lieu and density bonusing).

The City provided comments on April 20, 2020 on the following components of the legislation:

- Requirements of the CBC strategy

- Services eligible to be funded through DCs
- Percentage of land value for determining a maximum CBC
- Timeline to transition to the new CBC regime
- CBC by-law notice
- Minimum interest rate for CBC refunds where a by-law has been successfully appealed
- Building code applicable law

The City's comments can be found in Attachment-1: ERO-019-1406 City of Guelph Response.

The critical issues from the City's perspective and addressed in the attached response are:

- Inclusion of planning studies related to eligible services under the CBC to be eligible for funding under the CBC
- Shifting additional services to the DCA from the CBC including planning studies
- Impact of the 15% CBC cap being established at a City-wide level but applied on a development by development basis, and the related discrepancy between high and low density cost on a per unit basis
- Extending the timeline for transition to two years to provide adequate time for strategy development, public engagement and transition planning

Financial Implications

The amendments posted February 28, 2020 represent a significant improvement to the City's overall financial sustainability from the original proposal made in June of 2019. Moving park development and recreation from the CBC to the DCA will enable the City to recover the necessary cost of constructing the infrastructure required to accommodate growth for those services.

The added exemptions introduced in June relating to long-term care, retirement homes, hospices, non-profit housing and Legion related development will continue to put pressure on the City's tax and rate supported budgets.

The full impact of the changes to the DCA and the Planning Act through Bill 108 and Bill 138 will be known once the final regulations are provided and transitional issues like existing reserve fund balances and debt obligations are known.

Initial estimates show that the 15% will not be sufficient to cover all the eligible services. In addition, the application of the 15% land value cap will provide a discount to high density development relative to low density, which will reduce the overall revenue collected and inequitably distribute the cost of services amount new residents.

Consultations

A City-wide consultation process was carried out that included representatives from Planning and Building Services, Parks Planning, Legal Services, Strategy, Innovation and Intergovernmental Services and Engineering and Transportation Services. In addition, participation in municipal working groups through the Municipal Finance Officers Association provided input from colleagues across the province. Commentary and guidance was also provide by Watson and Associates, the City's consultant on the most recent Development Charge Background Study.

Strategic Plan Alignment

These recommendations align with the Strategic Plan's Working Together for our Future priority to run an effective, fiscally responsible and trusted local government. The intent of the City's comments on the proposed regulations are to ensure that wherever possible, these critical revenue streams continue to provide sufficient funding for growth-related infrastructure and that the legislation allows for efficient planning and building service administration.

Attachments

Attachment-1: ERO-019-1406 City of Guelph Response

Departmental Approval

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