



**SUBJECT: 2019 Development Charges Background Study**

**TO: Committee of the Whole**

**FROM: Finance Department**

Report Number: F-13-19

Wards Affected: All

File Numbers: 460-01

Date to Committee: May 13, 2019

Date to Council: May 27, 2019

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**Recommendation:**

Approve the City of Burlington 2019 Development Charges Background Study dated March 28, 2019 (under separate cover) under section 10 of the *Development Charges Act, 1997* (the DCA); and

Approve the capital project listings set out in Chapter 5 of the City of Burlington 2019 Development Charges Background Study dated March 28, 2019; and

Direct the Director of Finance to ensure that the future excess capacity identified in the City of Burlington 2019 Development Charges Background Study dated March 28, 2019, be paid for by development charges or other similar charges; and

Approve the proposed Development Charges By-law with an effective date of July 1, 2019; and

Declare no further public meetings are required in accordance with Section 12 of the *Development Charges Act, 1997*; and

Approve the development charges policies contained in Appendix B to finance department report F-13-19 with an effective date of July 1, 2019; and

Repeal By-law 46-2014 and the related development charges policies effective July 1, 2019.

**Purpose:**

Respond to legislation.

This report provides an overview of the proposed City of Burlington's development charges contained in the City's 2019 Development Charges Background Study and proposed by-law dated March 28, 2019. Also, to repeal the existing By-law 46-2014 and related development charge policies and the implementation of the new Development Charges (DC) By-law effective July 1, 2019.

The city retained Watson & Associates Economists Ltd. to work with staff to prepare a background study as required by the DCA. The background study and the associated by-law is distributed under separate cover to this report.

On April 23, 2019 Council received the 2019 City of Burlington Development Charges Process report through report F-12-19.

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## **Background and Discussion:**

The *Development Charges Act, 1997* (DCA) and associated regulations requires that a Development Charge By-law expires five years after the day it comes into force, unless it specifies an earlier expiry date or is repealed sooner. The City of Burlington's current DC By-law (By-law 46-2014) will expire July 1, 2019; consequently, the new By-law must be enacted by this date.

Development Charges are fees imposed by municipalities on development and redevelopment to recover the municipality's net growth-related capital costs of eligible services.

The DCA legislates the process to be undertaken by a municipality to impose development charges. The simplified process is as follows:

1. Prepare a Development Charges Background Study which identifies:
  - A forecast of the amount, type and location of the anticipated development;
  - The average service levels provided by the City over the 10-year period immediately preceding the preparation of the background study and planned level of service for transit services over the 10-year forecast period;
  - The increased need for services attributable to the anticipated development, identifying the capital projects to be undertaken to meet the need and a determination of the growth and non-growth components of the capital projects, including a forecast of transit ridership and assessment of capacity over the period; and
  - An examination of long-term capital, operating costs, and asset management plan for the infrastructure required for each service to which the development charge by-law would relate.

2. Prepare a Development Charges By-law.
3. Hold at least one public meeting, giving at least 20 days notice of the meeting in the newspaper, and ensuring that the proposed by-law and background study are available to the public at least 2 weeks prior to the meeting and 60 days prior to by-law approval.
4. Council approval of the Development Charges By-law.

### **Strategy/process**

The Development Charges background study includes a historical view of the eligible infrastructure that has been in place providing the City's program and services, as well as a planned level of service view for transit services over the 10-year forecast period. Based on that information and the population and employment growth expected, the Study determines the development charge rates that are required to recover the costs of infrastructure arising from the increase in need for service of new development to the extent permissible by the DCA.

The DC background study includes the growth costs that have been approved by council in the 2019 capital budget and forecast, as well as other expressions of intent.

### **Residential Development Charge**

Table 1 highlights the residential single-family development charge by service. The proposed development charge for a residential single family detached unit is \$12,419 or \$3,365 increase from the current residential DC rate of \$9,054 as of April 1, 2018. During the year in which the city undertakes a DC study the DC rates are not indexed. If the city on April 1<sup>st</sup> indexed the rates, the change would be an increase of \$2,849, or approximately 30%.

**Table 1: Residential Development Charges**

Service	Residential (per Single Detached Unit)			
	Current April 1, 2018	Indexed April 1, 2019	Proposed	\$ Change
Transportation	\$ 5,993	\$ 6,335	\$ 8,381	\$ 2,046
Storm Drainage	\$ 558	\$ 590	\$ 1,505	\$ 915
Fire Protection	\$ 58	\$ 61	\$ 163	\$ 102
Transit	\$ 192	\$ 203	\$ 174	\$ (29)
Parks and Recreation	\$ 2,079	\$ 2,198	\$ 2,031	\$ (167)
Library	\$ 115	\$ 122	\$ 151	\$ 29
Development-Related Studies	\$ 57	\$ 60	\$ 14	\$ (46)
<b>Total</b>	<b>\$ 9,054</b>	<b>\$ 9,570</b>	<b>\$ 12,419</b>	<b>\$ 2,849</b>

*Note: Figures adjusted for rounding*

### Non-Residential Development Charges

Consistent with the previous background study, the 2019 DC Background Study includes a differentiation in the non-residential charge between retail and non-retail development types, based on the allocation of the Transportation Services net growth-related capital costs. The non-residential share of net growth-related capital costs are attributed between retail and non-retail development types on the basis of average vehicle km per employee.

Table 2 highlights the retail development charge by service per square metre (sq.m.). The proposed development charge for retail is \$141.92 per sq.m., an increase of \$14.46 from the current retail DC rate (as of April 1, 2018). If the city on April 1<sup>st</sup> indexed the rates, the change would be an increase of \$7.19 per sq.m. (or 5.3%) from \$134.73 per sq.m.

**Table 2: Non-Residential Development Charges - Retail**

Service	Non-Residential Retail (per sq. m.)			
	Current April 1, 2018	Indexed April 1, 2019	Proposed	\$ Change
Transportation	\$ 118.69	\$ 125.46	\$ 131.64	\$ 6.18
Storm Drainage	\$ 3.27	\$ 3.46	\$ 5.66	\$ 2.20
Fire Protection	\$ 0.85	\$ 0.90	\$ 1.66	\$ 0.76
Transit	\$ 2.77	\$ 2.93	\$ 1.78	\$ (1.15)
Parks and Recreation	\$ 0.99	\$ 1.05	\$ 0.97	\$ (0.08)
Library	\$ 0.06	\$ 0.06	\$ 0.07	\$ 0.01
Development-Related Studies	\$ 0.84	\$ 0.89	\$ 0.14	\$ (0.75)
<b>Total</b>	<b>\$ 127.46</b>	<b>\$ 134.73</b>	<b>\$ 141.92</b>	<b>\$ 7.19</b>

*Note: Figures adjusted for rounding*

Table 3 below highlights the non-retail development charge by service per square metre (sq.m.) The proposed development charge for non-retail is \$77.44 per sq.m., a \$4.13 decrease from the current DC rate. (as of April 1, 2018). If the city on April 1<sup>st</sup> indexed the rates, the change would be a decrease of 10.2% or \$8.78 from \$86.22.

**Table 3: Non-Residential Development Charges – Non-Retail**

Service	Non-Residential Non-Retail (per sq. m.)			
	Current April 1, 2018	Indexed April 1, 2019	Proposed	\$ Change
Transportation	\$ 72.80	\$ 76.95	\$ 67.16	\$ (9.79)
Storm Drainage	\$ 3.27	\$ 3.46	\$ 5.66	\$ 2.20
Fire Protection	\$ 0.85	\$ 0.90	\$ 1.66	\$ 0.76
Transit	\$ 2.77	\$ 2.93	\$ 1.78	\$ (1.15)
Parks and Recreation	\$ 0.99	\$ 1.05	\$ 0.97	\$ (0.08)
Library	\$ 0.06	\$ 0.06	\$ 0.07	\$ 0.01
Development-Related Studies	\$ 0.84	\$ 0.89	\$ 0.14	\$ (0.75)
<b>Total</b>	<b>\$ 81.57</b>	<b>\$ 86.22</b>	<b>\$ 77.44</b>	<b>\$ (8.78)</b>

*Note: Figures adjusted for rounding*

The following summarizes the changes in the calculated DC rates relative to the city's current DC rates;

- Difference in persons per unit (PPU) between census years and lower gross population over the forecast period;
- Shift between residential and non-residential cost apportionment for Transportation Services, due to the alignment of Work at Home (WAH) and No Fixed Place of Work (NFPOW) employment relative to anticipated development, as well as increased construction costs;
- Increases in Storm Drainage capital costs due to higher benchmark costs for construction materials;
- Fire Protection services change is largely driven by a past loan owed to Stormwater reserve fund;
- Transit services reduction is due to an increase allocation to benefit to existing development;
- Parks and Recreation services increase is largely attributable to multi-use trails development;
- Library Services nominal increase is driven by the provision for additional collection materials recognizing electronic circulation items; and
- Development related studies decrease is due studies complete/ underway.

## **Rate Comparison**

Attached as Appendix A is DC surveys comparing the City of Burlington proposed (calculated) rates to Greater Toronto Area municipalities, for residential and non-residential development. In terms of residential rates, our proposed rate has increased with respect to our current rate, however, on the lower end when compared to neighbouring municipalities of Oakville, Milton and Halton Hills for single family detached dwellings.

With respect to non-residential retail rates, the proposed rate has only slightly increased.

## **Proposed By-Law and Policy**

The DCA provides mandatory exemptions for certain types of development which include the following:

- Municipalities and Local Boards;
- Board of Education;
- Industrial Expansions (up to 50% of the gross floor area); and
- Intensification of Existing Housing.

In addition to these mandatory exemptions, the City provides specific discretionary exemptions. Where possible, the City, the Region and other local Halton-area municipalities try to align policies for consistency.

The following are new exemptions proposed in the by-law;

- Facilities providing health and wellness services to senior citizens through programs administered by the Region of Halton or its affiliates
- Hospices
- A memorial home, clubhouse, or athletic grounds of an Ontario branch of the Royal Canadian Legion

Furthermore, staff have made minor housekeeping amendments to definitions within the bylaw for clarity and consistency purposes.

## **City Policy**

In addition to the city's by-law, the city has two deferral policies as it relates to Development Charges and proposed to include an additional deferral policy relating to structures requiring multiple building permits. All three policies are included in Appendix B for Council approval.

## **Existing Policies**

- Deferral of payment of non-residential development charges

- Deferral of payment of residential development charges

### **New Policy**

- Deferral of payment for structures that require multiple building permits
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### **Financial Matters:**

Appendix C provides a schedule of the proposed development charges to be effective July 1, 2019 for the City of Burlington, along with the current Region of Halton and School Boards rates.

The Region of Halton approved its most recent Development Charges background study in 2017 and indexes their rate annually on April 1<sup>st</sup>. The Boards of Education are undergoing a provincial review of the Education Development Charge (EDC) policy framework. Until the provincial review is complete, the school boards have been restricted to maximum yearly rate increases.

The following table summarizes the proposed City DC rate changes:

**Table 4: Summary of City Rate Change**

	<b>Current (April 1, 2018)</b>	<b>Proposed (July 1, 2019)</b>	<b>\$ Change</b>
<b>Residential (single family detached)</b>	\$ 9,054.00	\$12,419.00	\$ 3,365.00
<b>Non-Residential: Retail</b>	\$ 127.46	\$ 141.92	\$ 14.46
<b>Non-Residential: Non-Retail</b>	\$ 81.57	\$ 77.44	\$ (4.13)

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### **Public Engagement Matters:**

As part of the approval of the 2019 Development Charges Background Study and proposed By-law, the City has been meeting with both the DC Strategy and Consultation Committees. The draft DC charge quantum was presented to the Consultation Committee in February through March 2019 for discussion.

The 2019 Development Charges Background Study and proposed by-law was released on March 28, 2019, on the city's website. Hard copies of the document are also available at the Clerk's counter.

On April 22<sup>nd</sup>, staff received email correspondence from Habitat for Humanity requesting consideration of an exemption of development charges for affordable housing. Staff also met with representatives from Habitat for Humanity to further understand their business

model. In addition, staff has outlined the process should they wish to delegate to committee.

In accordance with the *Development Charges Act, 1997* staff advertised the development charges public meeting of May 13, 2019 in the local Burlington Post newspaper on Thursday April 18, 2019, and timelines are posted on the city's website.

Upon approval of the proposed DC By-law; the City is required to publish notice to communicate passage of the by-law and publish a pamphlet no later than 60 days after July 1, 2019.

The last day for appealing the by-law is July 8, 2019, 40 days from Council approval.

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### **Conclusion:**

This report provides an overview of the process and proposed development charges for the public meeting on May 13, 2019. The By-law is scheduled to proceed to council for approval on May 27, 2019 with an effective date of July 1, 2019.

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Respectfully submitted,

Ann Marie Coulson  
Manager of Financial Planning & Taxation

905-335-7600 ext. 7655

Reena Bajwa  
Coordinator of Financial Strategies &  
Business Consulting

905-335-7600 ext. 7896

### **Appendices:**

- A. Rate Comparison Greater Toronto Area Municipalities
- B. City Deferral Policies
- C. 2019 Proposed City of Burlington Development Charges

### **Report Approval:**

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.