



SUBJECT: Development Charges By-law amendment

TO: Corporate Services, Strategy, Risk & Accountability Cttee.

FROM: Finance Department

Report Number: F-06-22

Wards Affected: All

File Numbers: 460-01

Date to Committee: March 2, 2022

Date to Council: March 22, 2022

Recommendation:

Approve the City of Burlington Development Charges Update Study dated January 21, 2022 and attached as appendix A to finance department report F-06-22; and

Approve the capital project listings set out in Chapter 3 of the City of Burlington Development Charges Update Study dated January 21, 2022; and

Direct the Chief Financial Officer to ensure that the future excess capacity identified in the City of Burlington Development Charges Update Study dated January 21, 2022 be paid for by development charges or other similar charges; and

Enact a by-law to amend Development Charges By-law 29-2019 with an effective date of April 1, 2022, as included in appendix A of finance department report F-06-22; and

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

Approve the development charges rates, indexed in accordance with the Statistics Canada Quarterly construction price statistics, as outlined in finance department report F-06-22 with an effective date of April 1, 2022.

PURPOSE:

Respond to legislation.

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

This report provides an overview of the proposed City of Burlington's Development Charges Study Update and amended by-law dated January 21, 2022.

The city retained Watson & Associates Economists Ltd. to work with staff to complete the DC amendment as required by the changes to the Development Charges Act (DCA) resulting from Bill 108 (*More Homes, More Choices Act*) and Bill 197 (*Covid-19 Economic Recovery Act*). The DC Study Update and the associated by-law is distributed under separate cover to this report.

Bill 197 provides a transition period of two years from the date of proclamation (September 18, 2020), after which the development charge by-law is deemed to be expired.

Vision to Focus Alignment:

- Increase economic prosperity and community responsive city growth

Background and Discussion:

Council received the following reports as it relates to the amendments to the DCA, and the DC amendment included herein;

- February 24, 2020 (F-09-20), highlighting amendments due to proclaimed portions of Bill 108.
- November 23, 2020 (F-47-20) highlighting amendments due to Bill 197.
- April 7, 2021 (F-11-21) update on Development Charges Amendment process

Section 1.3 and 1.4 of the Development Charges Study Update report provided by Watson & Associates (under separate cover) provides a summary of the changes to the DCA that have been incorporated into the city's updated development charge and amended DC by-law.

Furthermore, Council passed on May 27, 2019 the following staff directions:

- 1) Direct the Director of Finance to review and report back on the feasibility of setting a cap on development charge rates for non-residential retail development, after discussion and feedback from the Development Charges Consultation Committee, the Region of Halton and further reporting on the known impacts from Bill 108; and,
- 2) Direct the Director of Finance to review and report back on the feasibility of exempting non-profit housing from development charges after discussion and feedback from the Development Charges Consultation Committee, the Region of Halton and further reporting on the known impacts from Bill 108.

Staff will provide response to the first staff direction upon undergoing the comprehensive DC Background Study in 2024. At that time, a fulsome review will be completed with updated growth projections and the completion of key master plans which will inform future growth-related capital costs. The latter staff direction is discussed later within this report.

Strategy/process

The DC study update is prepared as per the requirements of the DCA. The proposed amendments to the development charge relate to the following;

- Removal of the 10% deduction for soft services (park & recreation services, library services, and studies)
- Updates to the underlying DC eligible capital cost estimates to reflect the revised cost estimates as contained in the 2021 capital budget and forecast (Transportation, Parks & Recreation, Storm Drainage, and Studies)

Other than the revisions included within the DC Study Update, growth projections, all other capital needs and the determination of DC recoverable costs contained in the City's 2019 DC Background Study remain unchanged.

Residential Development Charge

Table 1 highlights the residential single-family detached dwelling development charge by service. As a result of the amendment, the development charge for a residential single detached unit is calculated at \$16,224, a \$3,112 increase from the current residential DC rate of \$13,112.

Table 1: Residential Development Charges

Service	Residential (per Single Detached Unit)		
	Current April 1, 2021	Calculated April 1, 2021	\$ Change
Transportation	\$ 8,849	\$ 8,198	\$ (651)
Storm Drainage	\$ 1,589	\$ 1,672	\$ 83
Fire Protection	\$ 172	\$ 172	\$ -
Transit	\$ 184	\$ 661	\$ 477
Parks and Recreation	\$ 2,144	\$ 4,735	\$ 2,591
Library	\$ 159	\$ 758	\$ 599
Growth-Related Studies	\$ 15	\$ 29	\$ 14
Total	\$ 13,112	\$ 16,224	\$3,112

Non-Residential Development Charges

Table 2 highlights the retail development charge by service per square metre (sq.m.). The amended development charge for retail is \$145.60 per sq.m., a decrease of \$4.23 from the current retail DC rate of \$149.83 per sq.m. This is primarily driven by the change in Transportation service which has the largest impact on retail trip rates.

Table 2: Non-Residential Development Charges – Retail

Service	Non-Residential Retail (per sq. m.)		
	Current April 1, 2021	Calculated April 1, 2021	\$ Change
Transportation	\$ 138.98	\$ 128.76	\$ (10.22)
Storm Drainage	\$ 5.98	\$ 5.28	\$ (0.70)
Fire Protection	\$ 1.75	\$ 1.75	\$ -
Transit	\$ 1.88	\$ 6.85	\$ 4.97
Parks and Recreation	\$ 1.02	\$ 2.29	\$ 1.27
Library	\$ 0.07	\$ 0.37	\$ 0.30
Growth-Related Studies	\$ 0.15	\$ 0.30	\$ 0.15
Total	\$ 149.83	\$ 145.60	\$ (4.23)

Table 3 below highlights the non-retail development charge by service per square metre (sq.m.) The amended development charge for non-retail is \$82.53 per sq.m., a \$0.78 increase from the current DC rate of \$81.75 per sq.m.

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

Service	Non-Residential Non-Retail (per sq. m.)		
	Current April 1, 2021	Calculated April 1, 2021	\$ Change
Transportation	\$ 70.90	\$ 65.69	\$ (5.21)
Storm Drainage	\$ 5.98	\$ 5.28	\$ (0.70)
Fire Protection	\$ 1.75	\$ 1.75	\$ -
Transit	\$ 1.88	\$ 6.85	\$ 4.97
Parks and Recreation	\$ 1.02	\$ 2.29	\$ 1.27
Library	\$ 0.07	\$ 0.37	\$ 0.30
Growth-Related Studies	\$ 0.15	\$ 0.30	\$ 0.15
Total	\$ 81.75	\$ 82.53	\$ 0.78

Rate Comparison

Attached as Appendix B is DC surveys comparing the City of Burlington's proposed (calculated) rates to Greater Toronto Area municipalities for residential and non-residential developments. In terms of residential rates, the proposed rates have increased with respect to the current rates. However, the City is 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 rates have slightly decreased for retail developments and slightly increased with respect to non-retail rates.

Proposed By-Law Amendments

The recent amendments to the DCA provide for the following amendments to the City's DC by-law as it relates to the calculation and collection of development charges. The DCA now includes the mandatory installment payments as follows;

- Rental housing and institutional developments will pay DCs in six equal annual installments
- Non-profit housing developments will pay DCs in 21 equal annual installments. (discretionary exemption, noted below)

Furthermore, DCs for developments proceeding through the site plan or zoning by-law amendment process (applications submitted on or after January 1, 2020) will be determined based on the DC charge in effect on the date the respective planning application was received (rate freeze). If the planning application is not proceeding via the planning approvals mentioned above or if the building permit is issued after the two-year period of application approval, then the DC amount is determined the earlier of the date of a building permit or occupancy.

The legislation allows municipalities to charge interest to cover costs associated with the rate freeze and deferral of DCs (installment payments). The city applies the prime lending rate of the city's financial institution for any application received from January 1, 2020.

The amendments to the DCA legislate additional statutory exemptions noted in section 5.2 of the DC Study Update report. In addition to these mandatory exemptions, the City provides specific discretionary exemptions. Non-profit housing is a new exemption proposed in the by-law primarily to incent the development of attainable housing and in part to reduce the burden of administering the 21-year installments provided under the DCA, discussed above. The exemption also addresses staff direction passed by Council on May 27, 2019 as follows:

Direct the Director of Finance to review and report back on the feasibility of exempting non-profit housing from development charges after discussion and feedback from the Development Charges Consultation Committee, the Region of Halton and further reporting on the known impacts from Bill 108.

It is important to note that any exemptions approved by Council will require funding from the city's tax base to recover the growth-related costs of the development. As per legislation, the city's capital budget and forecast includes annual funding for development charge related exemptions.

Financial Matters:

The chart below summarizes the calculated DC rate, as a result of the DC Update Study. Furthermore, in accordance with the provisions under the *Development Charges Act, 1997* and the City of Burlington Development Charges by-law (29-2019), the city's development charge rates shall be adjusted annually on April 1, using the prescribed index, the Statistics Canada Quarterly, Construction Price Statistics. The April 1 indexing is an increase of 14.9%, which reflects a Q4 2020 to Q4 2021 adjustment.

The following table summarizes the new indexed City of Burlington development charges rates and corresponding increase that will take into effect on April 1, 2022.

Table 4: April 1, 2022 City of Burlington Development Charges Rates

	Calculated Rate	Indexed Rate (April 1, 2022)	Increase 14.9%
RESIDENTIAL			
Single Family Dwelling	\$ 16,224	\$ 18,641	\$ 2,417
Multiples (3 bedrooms or more)	\$ 11,681	\$ 13,421	\$ 1,740
Multiples (2 bedrooms or less)	\$ 9,248	\$ 10,626	\$ 1,378
Apartments (2 bedrooms or more)	\$ 8,251	\$ 9,480	\$ 1,229
Apartments (1 bedroom or less)	\$ 6,079	\$ 6,985	\$ 906
Special Care	\$ 5,217	\$ 5,994	\$ 777
NON-RESIDENTIAL (Per Square Metre)			
Non-Retail	\$ 82.53	\$ 94.83	\$ 12.30
Retail	\$ 145.60	\$ 167.29	\$ 21.69

For reference, the historical indexing rates are included in the chart below. In 2019, the City completed a full DC Background Study, that considers all capital costs in current year dollars, as such indexing is not required in years the city undertakes a full review.

April 1, 2017	3.70%
April 1, 2018	2.70%
April 1, 2019	Full DC Background Study
April 1, 2020	3.00%
April 1, 2021	2.50%

Engagement Matters:

As part of the approval process of the DC Study Update and proposed By-law, the City has consulted with the DC Strategy Committee (senior staff) and Consultation Committee (representatives from the public, development industry and council members). The draft DC charge quantum and process was presented to the Consultation Committee in December 2021.

The Development Charges Update Study and proposed by-law was released on January 21, 2022, on the city's website. Hard copies of the document are also available at Service Burlington.

As part of discussion at the Consultation committee, the challenge of affordable housing was raised, and the tools available to incent affordable housing units. In January 2021, Council endorsed the Housing Strategy Proposed Terms of Reference. The objective of the Housing Strategy project is to develop an innovative Housing Strategy that redefines the City's role in housing and sets out recommendations for policies, tools and actions to address local housing needs. A wide range of actions will be considered including incentives and tools to support the development of affordable housing. The Housing Strategy is targeted for completion in 2022. Once approved, the actions identified as part of the Housing Strategy will be considered in future updates to documents and studies such as the future Development Charges Background Study, currently targeted for 2024.

In accordance with the DCA, staff advertised the development charges public meeting of March 2, 2022 in the local Burlington Post newspaper on Thursday, February 3, 2022 and the Public Notices website. Additionally, timelines are posted on the City's DC website.

Upon approval of the proposed DC By-law; the City is required to publish notice to communicate passage of the by-law and a pamphlet no later than 60 days after April 1, 2022.

The last day for appealing the by-law is May 2, 2022, 40 days after Council approval.

Conclusion:

The city will be required to complete the comprehensive DC update prior to June 1, 2024, which is the 5-year mandated period in accordance with the DC legislation. This will be a more fulsome review that will include updated growth projections, as well as reflecting master plans that are currently underway, such as the parks provisioning plan, integrated mobility plan, fire master plan and housing strategy, among others. At the time of writing this report, the Province of Ontario published the Housing Affordability Task Force report. Based on recommendations contained within that report, there may be implications for development charges should the Province choose to implement some or all the recommendations. Staff will review and report back as part of a broader discussion on the provincial report. Any legislated changes that arise will be included within the next scheduled DC update (2024).

Municipal development related costs, such as DCs, are required to pay for growth related infrastructure, as such these costs are continually reviewed to ensure the cost of providing infrastructure is appropriately and adequately funded.

This report provides an overview of the process and proposed development charges for the public meeting on March 2, 2022. The By-law is scheduled to proceed to Council for approval on March 22, 2022 with an effective date of April 1, 2022 (including indexing).

Respectfully submitted,

Reena Bajwa

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Appendices:

- A. City of Burlington Development Charges Update Study dated January 21, 2022
- B. City of Burlington Proposed (Calculated) Rate Comparison with Greater Toronto Area and Select Municipalities

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.