

Clause 12 in Report No. 11 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on June 23, 2016.

12

Status of 2017 Development Charges Bylaw Update

Committee of the Whole recommends adoption of the following recommendation contained in the report dated June 1, 2016 from the Commissioner of Finance:

1. Council delegate to the Committee of the Whole the authority to hold a public meeting for the 2017 Regional Municipality of York Development Charges Bylaw.
2. Council delegate to the Commissioner of Finance the authority to schedule and give notice for the public meeting, in accordance with the *Development Charges Act, 1997* (the "Act").
3. Council direct staff to consider hotel development charges consistent with the non-residential, non-retail rate for the gross square footage of the development as part of the Region's 2017 Development Charge Bylaw update.
4. The Regional Clerk circulate this report to the local municipalities.

Report dated June 1, 2016 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that:

1. Council delegate to the Committee of the Whole the authority to hold a public meeting for the 2017 Regional Municipality of York Development Charges Bylaw.
2. Council delegate to the Commissioner of Finance the authority to schedule and give notice for the public meeting, in accordance with the *Development Charges Act, 1997* (the "Act").

3. Council direct staff to consider hotel development charges consistent with the non-residential, non-retail rate for the gross square footage of the development as part of the Region's 2017 Development Charge Bylaw update.
4. The Regional Clerk circulate this report to the local municipalities.

2. Purpose

This report provides Council with an update on the proposed 2017 Development Charges Bylaw and the associated work plan.

3. Background

Development charges are the primary source of funding for growth-related capital programs

Under the *Act*, Council can impose development charges to recover growth-related capital costs from development within the municipality.

However, because of deductions made for ineligible projects, service-level caps, and the portion of the infrastructure that benefits the existing taxpayers, they do not cover the full cost.

Furthermore, deductions are made to reflect the extent to which a capital project benefits growth occurring outside of the forecast period of the bylaw. These deductions (post period benefits) can be recovered through future development charge bylaws.

The new development charges bylaw must come into effect no later than June 17, 2017

The *Act* mandates that the Development Charges Bylaw must be updated at least once every five years. The Region's current Bylaw will expire on June 16, 2017, so a new Bylaw must come into effect on or before June 17, 2017.

The Development Charge Background Study must be available at least 60 days prior to Council passing a new development charge bylaw.

A 2015 amendment to the *Development Charges Act* introduced new policies, including greater cost recovery for transit and waste diversion

Under the amended *Act*, the Province has provided for greater growth-related cost recovery for both transit services and waste diversion. At the same time, the Province prescribed greater reporting requirements for municipalities, including new requirements for development charge background studies and enhanced requirements for reporting on development charge reserves.

Municipalities are now able to use planned level of service, rather than historic level of service to determine the amount of development charge recoverable transit capital costs. In addition, the Province removed the ten per cent statutory reduction for transit services. The planning horizon for transit services is still limited to ten years.

Waste diversion is now a service eligible for development charge recovery. However, the amended *Act* included a ten per cent statutory deduction for waste diversion.

Municipalities must now consider area-specific rates

The Region currently has uniform development charge rates, with the exception of the Nobleton community, which has an area-specific rate for wastewater services.

Municipalities are now required to consider area-specific charges for all services as part of their background studies. However, the Province has not provided details describing how municipalities would go about meeting this requirement.

When developing the 2017 Background Study and Bylaw, staff will consider the policy rationale and implications of area-specific development charges including:

- Options for area delineation (e.g., built boundary versus greenfields);
- Types of services suitable for an area-specific development charge;
- Financial and administrative implications of adopting area-specific development charges; and
- Other options for restructuring development charge rates to achieve the Region's policy objectives and priorities (e.g., alternative methods to allocate costs to higher density dwelling types).

Asset management plans must now be included as part of the Development Charges Background Study

The amended *Act* requires municipalities to prepare an asset management plan as part of their Background Study that will demonstrate that all assets funded by

development charges will be financially sustainable over their lifecycle. This is in addition to the current requirement of “examining” the long-term capital and operating costs required for each infrastructure service.

The regulations to the *Act* only include detailed requirements for asset management plans for transit. It is expected that requirements for asset management plans for other services will be provided in regulations under the *Infrastructure for Jobs and Prosperity Act, 2015*. This legislation came into force on May 1, 2016, and regulations are expected within the next year.

Hotel development charges are being reviewed as part of the 2017 Development Charge Bylaw update process

As part of the 2017 Development Charge Bylaw update process, Regional staff reviewed various options for the treatment of hotels. Staff reported to the Committee of the Whole on March 10, 2016 with information regarding hotel development in York Region. The report was referred back to staff.

Hotel development charges in York Region are high compared to neighboring municipalities. This reflects the high cost of growth infrastructure in the Region, which covers a large geography and lacks direct access to Lake Ontario. The comparatively higher rate also reflects the blended rate (retail plus small apartment) in the current bylaw. As part of the 2017 bylaw update, staff intend to consider a non-residential, non-retail rate for hotels that would be more consistent with the rates charges in other Greater Toronto Area municipalities.

4. Analysis and Options

External stakeholders will be engaged throughout the 2017 Development Charge Bylaw process

Staff intend to engage with local municipalities, representatives of the Building Industry and Land Development Association – York Chapter (BILD), non-residential developers and the public. This consultation process will help ensure that stakeholders understand the Region’s infrastructure investments, and methodologies and assumptions for calculating and attributing growth-related capital costs.

A number of methodological and policy issues will be reviewed when updating the Bylaw

A number of methodological and policy issues will be reviewed as part of the Bylaw update. Some of the issues are noted in Table 1. This is not an exhaustive list, as the need to review other methodologies and/or policies may be identified

during the consultation process. A list of proposed policy changes will be brought forward to Council in Fall 2016.

Table 1
Issues to Review for 2017 Development Charge Bylaw Update

	Area	Description
Methodologies and assumptions	Timing and distribution of employment and population growth	Revise 2012 Development Charge Background Study forecasting assumptions
	Forecast period	The <i>Act</i> sets out limitations for the forecast period for some services. However a municipality can choose the recovery period for services such as water and wastewater, roads and police (e.g., 10 years, 20 years, 25 years)
	Planned level of service for transit	Develop a methodology for calculating planned level of service for transit
	Employment Density Assumption (Floor Space per Worker - FSW)	Review 2012 Development Charge Background Study assumptions on floor space per worker for non-residential development charge calculation
	Residential density assumption (Persons Per Unit – PPU)	Review 2012 Development Charge Background Study assumptions regarding Persons per Unit in residential developments
	Cost attribution between residential and non-residential development	Review 2012 Development Charge Background Study attribution of capital costs between residential and non-residential development, and within the non-residential category, as well as underlying rate structures

	Area	Description
Policies	Region-wide charges versus area-specific development charges	Consider options for implementing area-specific development charges within York Region
	Deferral and exemptions policies	Evaluate whether deferral and exemption policies should be broadened and how to recover any lost revenue
	Rate structure for hotel development	Evaluate alternatives to the existing blended rate based on gross floor area and the small apartment rate
	Apartment Development charge rate structures	Evaluate the Region's small versus large apartment threshold and consider a per square foot charge
	Treatment for Leadership in Energy and Environmental Design (LEED) certified building	Evaluate the potential for a more favorable development charge treatment for LEED certified developments
	Pre-paid development charge credit and front-ending agreements	Potential for the use of these agreements to shift financial risk away from the Region

The proposed Development Charge Bylaw will be brought forward for Council's consideration at the May 2017 meeting

Table 2 describes the key statutory requirements, Council engagements, and the applicable dates. This proposed timeline provides staff with time to consider and resolve potential issues that arise from the public meeting.

**Table 2
Key Dates in Regional Bylaw Process**

Deliverables	Tentative Key Dates		Time Elapsed
Committee of the Whole Report on potential policy changes	Fall 2016		
Notice of Public Meeting (at least 20 days prior to meeting)	February 2, 2017	}	21 days
2017 Background Study and Bylaw tabled with Regional Council and publicly released (minimum of 60 days prior to Bylaw passage)	February 23, 2017*		
Public meeting at Committee of the Whole	March 9, 2017*	}	70 days
New bylaw to Council for consideration of passage	May 18, 2017*		
2017 Development Charges Bylaw comes into force	June 17, 2017*		84 days

*Note: These dates are preliminary and subject to revision when the 2017 Council schedule is available.

Link to key Council-approved plans

The Development Charges Background Study and associated bylaw would enable the Region to recover a portion of its growth-related capital costs, potentially support several objectives in York Region’s 2015-2019 Strategic Plan, including: “Optimizing critical infrastructure systems capacity”, “Encouraging growth along Regional Centres and Corridors”, “Ensuring optimal locations for business and employment growth are available”, and “Ensuring a fiscally prudent and efficient Region”.

The development of a Background Study and bylaw also support the “Liveable Cities and Complete Communities” and “Open and Responsive Government” areas in Vision 2051.

The Development Charges Background Study, bylaw and all associated products support a number of Regional Official Plan policy areas, including the “Economic Vitality”, “Growth Management” and “Implementation”.

5. Financial Implications

Development charges are the primary source of funding for growth-related capital infrastructure in the Region. In the Region’s 2016 Ten-Year Capital Plan, development charges fund approximately 68 per cent of the cost of growth-related capital.

Development charge rates are based on proposed residential and non-residential development forecasts and the requisite capital infrastructure during the forecast period. Current Region-wide development charge rates are set out in Table 3:

**Table 3
Current Development Charge Rates***

Class	Development Charge Rate (as of November 9, 2015)
Single-and Semi Detached	\$41,920
Multiple Unit Dwelling	\$36,673
Apartments greater or equal to 650 square feet	\$25,970
Apartments less than 650 square feet	\$17,626
Non-retail rate (Industrial/ Office/Institutional), per square foot	\$19.97
Retail, per square foot	\$39.08

*Please see Attachment 1 for a comparison of development charge rates with other municipalities

The updated rates will be determined as part of the detailed modelling exercise currently underway.

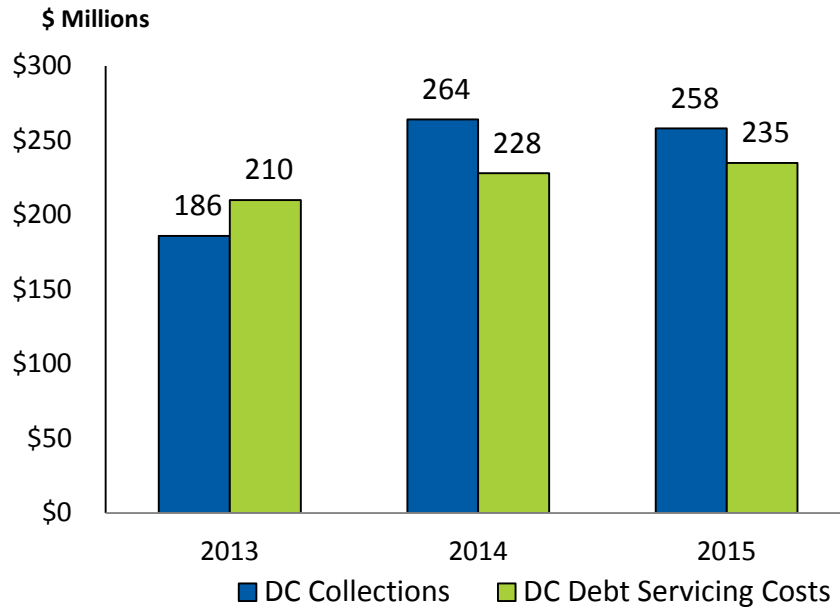
DC collections are critical to managing debt levels and debt servicing

Debt is often issued to finance growth-related infrastructure. In 2015, it is estimated that 87 per cent of the Region's outstanding debt is development charge debt. As development charges are collected, they are used to service and repay that debt.

In recent years, development charge collections have frequently been close to the amounts required to service development charge debt. From 2013 to 2015, the Region's development charge collections slightly exceeded debt servicing costs. Furthermore, as Graph 1 shows, in 2013, development charge debt servicing costs outstripped collections by \$24 million.

If collections fall below forecast, the cost of debt to the Region could increase and deferral of growth-related capital projects may be required as part of the Region's capital planning process.

Graph 1
Development charge collections versus development charge debt servicing costs



6. Local Municipal Impact

Both the quantum and the timing of development charge collections are critical to building growth-related infrastructure. Development charges collections affect the timing of growth-related infrastructure investments.

In addition, local municipalities often choose to mirror regional development charge policies. Regional staff will consult the local municipalities throughout the process in order to ensure that any concerns are appropriately considered.

7. Conclusion

Every five years, the Region must update its development charges bylaw. This provides an opportunity to revisit assumptions and methodologies to achieve maximum cost recovery. Staff have initiated the process for the 2017 development charges bylaw update.

The Act requires the Region to prepare a background study and make it publicly available 60 days prior to the bylaw being passed by Council. It is anticipated that

Status of 2017 Development Charges Bylaw Update

the Background Study will be tabled with Council in February 2017, and the proposed bylaw will be considered by Council for passage in May 2017.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at ext. 71644.

The Senior Management Group has reviewed this report.

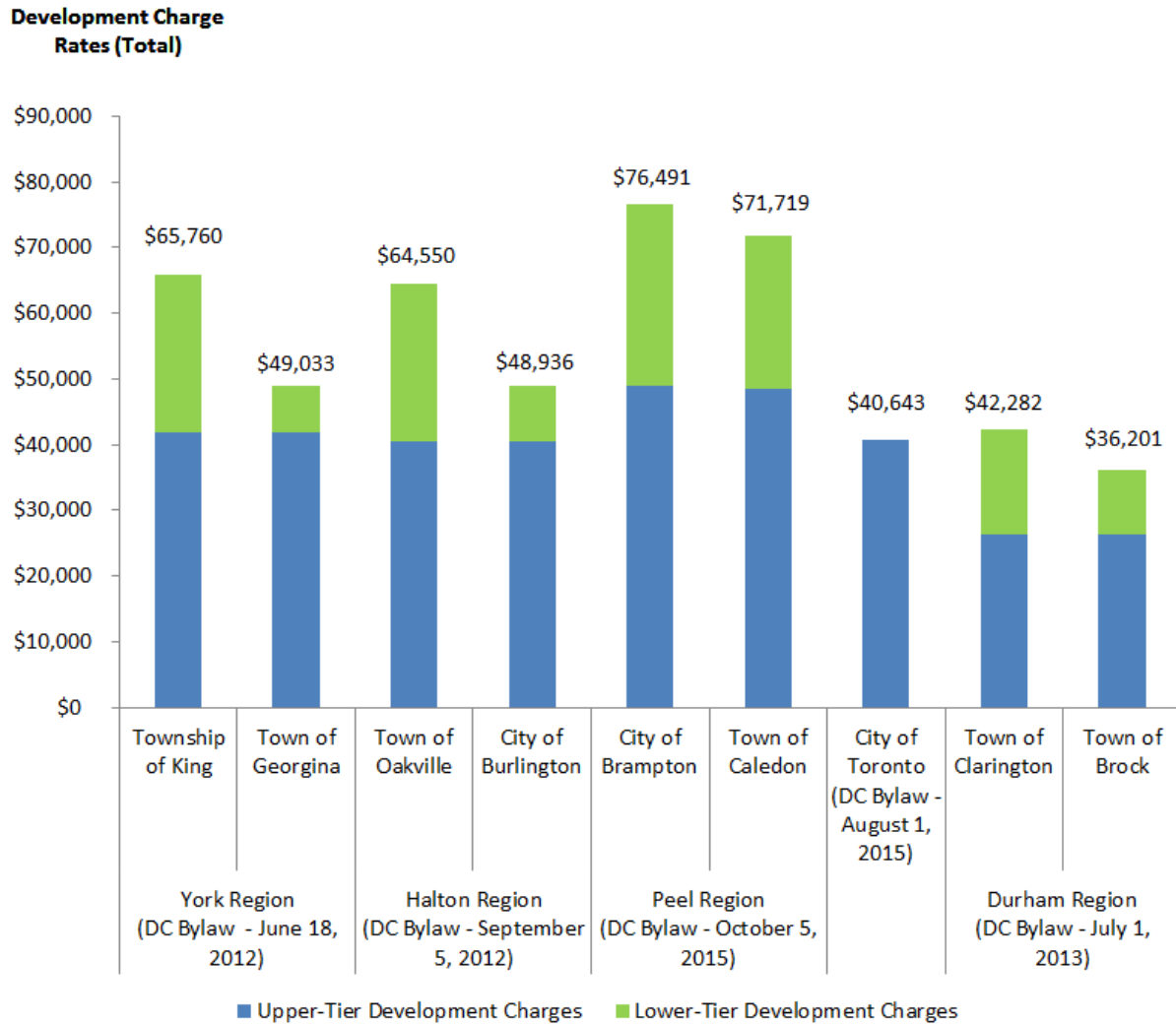
June 1, 2016

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Attachments (1)

Accessible formats or communication supports are available upon request

A Comparison of Development Charge Rates* Lower Tier Municipalities are Highest and Lowest



*Rates as of March, 2016 (includes GO Transit development charge, where applicable)
Region of Peel has a separate development charge for the Town of Caledon