REPORT N° ADMIN 2019-016

Date	18/11/2019
Submitted by	Helen Collier, CAO
Subject	2019 Development Charge By-law Update
File N°	n/a

1) NATURE/GOAL:

The purpose of this report is to respond to Council inquiries raised at the October 22, 2019 Public Meeting in relation to the 2019 Development Charge Bylaw Update and recommend adoption of the 2019 Development Charge By-law Update and Background Study.

2) DIRECTIVE/PREVIOUS POLICY:

At the mandatory development charge public meeting held on October 22, 2019 Council received representations from the public regarding the draft Development Charge By-law and Background Study.

Arising out of that meeting, Council directed staff to:

(a) review the 10-year capital works program to determine the feasibility of recommending modifications to the capital works contained in the Background Study to lower the proposed residential and non-residential development charge increases; and

(b) investigate the feasibility and impacts of implementing a "tiered" non-residential charge in order to promote economic development within the municipality.

3) DEPARTMENT'S RECOMMENDATION:

WHEREAS the City of Clarence-Rockland must update its current Development Charges By-law by February 2, 2020; and

WHEREAS a public meeting was held on October 22, 2019 in accordance with the requirements of the *Development Charges Act*; and

WHEREAS staff has reviewed the Development Charge By-law and associated Background Study in relation to comments received at the public meeting; and

WHEREAS staff has incorporated amendments to the By-law and Background Study based on the staff review;

BE IT RESOLVED that Committee of the Whole recommends that Council adopt the updated Development Charge By-law appended to Report No. ADMIN2019-016; and

BE IT FURTHER RESOLVED that Council confirms that the changes made to the draft by-law presented at the public meeting of October 22, 2019 are minor changes and therefore no further public meetings are required for passage of the proposed Development Charge By-law.

ATTENDU QUE la Cité de Clarence-Rockland doit mettre à jour son règlement actuel sur les redevances d'aménagement d'ici le 2 février 2020; et

ATTENDU QU'une réunion publique a eu lieu le 22 octobre 2019 conformément aux exigences de la *Loi sur les redevances d'aménagement*; et

ATTENDU QUE le personnel a examiné le règlement sur les redevances d'aménagement et l'étude révisée des redevances d'aménagement suivants les commentaires reçus lors de la réunion publique; et

ATTENDU QUE le personnel a incorporé des modifications au règlement et à l'étude révisée sur le règlement en fonction de l'examen du personnel;

QUE le Comité plénier recommande au conseil d'adopter le règlement sur les redevances d'aménagement proposé, tel qu'annexé au rapport no. ADMIN2019-016; et

QUE le Conseil confirme que les changements apportés à l'ébauche de règlement qui a été présenté lors de la réunion public du 22 octobre, 2019 sont des changements mineurs et que par conséquent, il n'est pas nécessaire de tenir une autre réunion publique avant l'adoption du règlement sur les redevances d'aménagement proposé.

4) BACKGROUND:

On October 22, 2019 Council received delegations with regard to proposed updates to the City's Development Charge By-law and Background Study.

Arising out of the staff presentation and comments from the public, Council requested staff to investigate the feasibility of:

- revisiting the standards and costs for capital works projects—particulary roadway undertakings, to determine if amending the standards could result in reduced capital costs and, in turn, reduce the draft residential and non-residential development charge rates; and

- the feasibility of a two-tiered commercial rate system which could result in an incentive for non-residential developments in order to stimulate economic development opportunities in the municipality.

Staff was directed to bring back a follow-up report to the November 18, 2019 Council meeting to address Council's directions.

It should also be noted that since the October 22, 2019 meeting, staff has received the following additional input from developers regarding the Development Charge Background Study:

- a meeting occurred with Regional Groups consultant regarding development charge capital works associated with the Clarence Crossing Development. The consultant's response is provided in Attachment 1;

- correspondence has been received from Spacebuilders and is found in Attachment 2; and

- correspondence dated October 31, 2019 from Longwood Building Corporation (refer to Attachment 3).

Staff's comments on these matters are presented in the Discussion section of this report.

5) DISCUSSION:

This section of the report will address the directions given to staff by Council at the October 22, 2019 Public meeting and subsequent discussions/correspondence that have been received from the development community since that meeting.

1. Roundabouts:

Council requested staff to look into the feasibility of eliminating the need for roundabouts and substituting these with more traditional intersection improvements (i.e. turning lanes and traffic control signals). This would have the effect of reducing the capital cost of the intersection improvements.

The City's draft Background Study (projects 20, 21 and 22) provides for the construction of roundabouts in the 10-year timeframe. There is an ability to modify these capital undertakings

by reducing the cost by 50% to reflect a more traditional intersection improvement program.

The modification would have minimal impact on the development charge rates since 57% of the total cost is reflected in the Post Period Allocation. The change would reduce the residential and non-residential development charge rates by $425 per single detached unit and $3.00 per square meter of non-residential space respectively.

Recommendation: since only 43% of the total cost of the roundabouts is in the Net Growth time period, it is questionable whether there is a significant enough benefit to this modification. In addition, the projects, as identified in the DC Background Study (dated September 18, 2019), correspond to the recommended works in the Transportation Master Plan approved by City Council. Therefore, staff does not recommend this change to the proposed capital program.

2. *Sidewalk Standards:*

There was an inquiry as to whether or not the City could amend its local improvement standards to require sidewalks on only one side of a collector roadway. A review of the collector road projects identified in the Background Study confirms that with the exception of the Sterling Avenue Extension, sidewalks are identified on only one side of the street.

Staff recommends retaining the sidewalks on both sides of Sterling Avenue since Sterling is the continuation of an existing collector that has sidewalks on both sides of the roadway.

If sidewalks were constructed only on one side of this roadway, it would result in a $173,500 in capital savings which would reduce the single detached unit residential development charge by approximately $105 and $0.75 per square meter of non-residential development.

Recommendation: given the limited impact to the development charge rates while considering the need to construct new sidewalks throughout the City staff supports retaining the status quo for Sterling Avenue.

3. *Fire Station No. 4 Construction:*

The removal of Fire Station No. 4 does not have any impact on the proposed development charge rates since the full cost of this undertaking is reflected in the Post Period Allocation.

4. Tiered Non-Residential Development Charge:

At the October 22, 2019 meeting, Council inquired about the use of a tiered non-residential structure to provide an incentive to small-scale businesses. The intention was to retain the current DC rate of $88.81 for non-residential development below a certain size and to impose the calculated non-residential rate of $119.08 on developments above an established threshold.

A sensitivity test was undertaken to determine what the impact would be if a tiered rate structure was implemented on non-residential development within the City. The analysis considered a threshold limit of 20,000 $ft.^2$. In other words, developments with a gross floor area less than 20,000 $ft.^2$ would be charged the current non-residential rate of $88.81. Developments in excess of this threshold would pay the current rate on the first 20,000 $ft.^2$ and the calculated rate of $119.08 for additional area above 20,000 $ft.^2$.

The sensitivity analysis assumes that 5% of all new non-residential space identified in the development charge study will pay the fully calculated rate for development in excess of 20,000 $ft.^2$ threshold limit. Therefore, the impact on forecasted revenue is approximately $860,000 over the 10-year period or $430,000 over the five-year life of the DC by-law.

Leaving the non-residential charge at its current rate would result in a revenue shortfall of $985,000.

Generally, municipalities use Community Improvement Plans (CIPs) to promote non-residential incentives as they allow for greater flexibility, accountability and ease of administration. Community Improvement Plans are implemented under s.28 (4) of the *Planning Act.* CIPs are policy documents that can apply municipality-wide or to a specific geographic area. Incentives included in a CIP include things like grants, building and planning fee reductions as well as DC reductions. A CIP can have a start and end date different from a DC By-law and can be evaluated on the economic impact and uptake of the program as any DC reductions are made up from the CIP fund and are easy to track. CIPs are a more versatile tool to incentivize non-residential development rather than through DC By-law.

Recommendation: staff does not feel that the tiered approach offers much of an incentive to non-residential development. By way of example, it is noted that several properties along Laurier Street remain vacant even with the current non-residential rate. As well, if the tiered approach were to be adopted by Council, it would result in a loss of revenue of approximately $860,000 over the 10-year period. The City would have to fund this lost revenue from non DC sources (mainly property taxes or utility rates).

Staff, therefore, does not recommend the adoption of a tiered non-residential rate and support the implementation of the fully calculated development charges.

5. *Non-Profit Housing Exemption*

The 2019 Draft DC By-law includes a new non-statutory 50% exemption for non-profit housing developments in the City (for reference: the existing DC by-law has no exemption for this type of development). Staff is seeking Council direction on the quantum of the non-statutory exemption for this type of development. It is important to note that any lost revenue associated with the exemption provided has to be made up by non-DC funding sources (likely property taxes or utility rates).

6. *Clarence Crossing Development (Attachment 2)*

Subsequent to the October 22, 2019 Public Meeting, staff met with Novatech Engineers, Planners and Landscape Architects to discuss the development charge background study as it relates to the Clarence Crossing Development by the Regional Group.

At that meeting, several projects were discussed in relation to the local improvement standards for development charge projects. Novatech referenced a Council report and draft Memorandum of Understanding (MOU) that was approved by Council on February 21, 2018. The MOU specified that the capital program for the intersection of De Laberge and County Road 17 in the amount of $450,000 would be included in the City's Background Study as a development charge eligible project.

Recommendation: based on Council direction for this development, this project should be included into the City's DC Background Study. The addition of this project will have an impact of increasing the single detached unit rate by $289 and $2.03 per square meter for the non-residential development.

7. *Spacebuilder's Correspondence (Attachment 3)*

Spacebuilders correspondence focuses on the impact of the residential rate increases and its adverse impacts on new-home sales and profitability.

They cite excessive design requirements, particularly for the St. Jean Street Reconstruction with respect to implementation of 4 lanes, roundabouts and medians. As noted by staff at the public meeting, development charge project costs are determined using benchmark costing that considers the gross cost per kilometre for roads or the gross cost per meter for underground infrastructure.

In the instance of the St. Jean Street project, the consultant for two developers has completed a preliminary design for this roadway. It is noted that staff has not yet had the opportunity to review the details of the preliminary design. Regardless, the developer's consultant appears to be using design standards accepted by the industry and the City. It would be premature, at this point in time, to consider any design revisions such as roadway cuts, medians, etc. until proper design reviews are completed. The costs reflected in the Background Study for St. Jean Street have been taken from those provided by the developer's consultant.

Again, it is premature to discuss the merits of a 5.0-meter concrete median until design reviews have been completed. Such reviews are not normally carried out in the determination of preliminary costs for inclusion in development charge Background Studies.

The Department has developed local servicing standards to provide greater clarity and consistency in dealing with the placement of growth related infrastructure. The standards have been well received by the development industry. Arbitrarily "scaling back" on the capital program will have either an adverse impact on growth potential and/or create a shortfall in revenues required to support growth infrastructure. Any revenue shortfalls will have to be addressed through non DC sources (property taxes and utility rates). This would result in "penalizing" our existing tax payers who have already paid for their infrastructure through the purchase price of their homes.

8. *Longwood Building Corporation Correspondence (Attachment 3):*

Longwood's correspondence included a graphic that depicts the relevant charges associated with the construction of a home valued at approximately $420,000. It is interesting to note that the lowest housing cost is the development charge component at 4% of the total value.

When prospective homeowners are considering the purchase of a home, staff contends that factors other than development charges are more influential in the decision as to where to buy. While the cost of buying a home is a consideration for a prospective purchaser, prospective homeowners are as interested in proximity to shopping centres, recreational facilities, place of work, cultural venues, schools, the cultural identity of the community (e.g. bilingual) etc.

Summary of Changes and Staff Recommendation:

Based on the comments received from the development community as well as the council directions received at the public meeting to review the capital program to reduce the calculated residential and non-residential development charge rates. The table below summarizes the following:

1. The development charge rates presented at the Public Meeting on October 22nd 2019 (which reflect the rates included in the DC Background Study dated September 18, 2019).

2. The calculated development charges for a single detached unit and non-residential charge per sq.m considering the changes to the capital programs given the direction to staff by Council at the October 22, 2019 Public meeting and subsequent discussions/correspondence that have been received from the development community since that meeting (i.e. all changes incorporated from points 1-8 noted above).

3. The development charge rates recommended by staff. These charges reflect the capital program as identified in the DC Background Study dated September 18, 2019 plus the one additional project -County Road 17 in the amount of $450,000. This project is to be included in the City's Background Study as identified in the Council report and draft Memorandum of Understanding (MOU) that was approved by Council on February 21, 2018. This scenario would have the least impact on the tax and user base to fund growth-related infrastructure.

	DC Rates: Public Meeting (Oct. 22)	DC Rates: Sensitivity Test	DC Rates: Staff Recommended
Residential Rate per SDU	$19,911	$19,641	$20,172
Non-Residential Rate per SqM	$119.08	$117.19	$120.92

The Sensitivity Test column assumes the changes identified in points 1. – 8. are incorporated into the Background Study. The Staff Recommended Rates column assumes the inclusion of only the Clarence Crossing intersection work ($450,000).

6) CONSULTATION:

The development charge update process has provided numerous opportunities for consultation with our residents and development stakeholders. The development community was given over a month to review the draft Background Study and associated development charge rates and encouraged to provide written comment back to staff. Additionally, staff developed local servicing guidelines and again solicited stakeholder input on the document which provided clear guidelines with respect to the developer/builder and municipal role in constructing growth related infrastructure.

City staff also circulated the draft development-related capital programs and resulting rates to the development industry in mid July 2019 seeking feedback on the capital programs and rates. The industry was invited to submit comments through to the end of August 2019.

The October 22, 2019 Public Meeting was a mandated meeting under the Development Charge Act and provided interested parties with an opportunity to review and provide comment on the draft background study and development charge bylaw.

7) RECOMMENDATIONS OR COMMENTS FROM COMMITTEE/ OTHER DEPARTMENTS :

N/A

8) FINANCIAL IMPACT (expenses/material/etc.) :

Approval of the development charge Background Study and by-law will have significant financial impacts on the municipality. There is a requirement for the City to finance the non-growth share of the proposed capital programs. This is estimated to be approximately $14 million over the ten-year period, however, this share is related to fund key pieces of infrastructure which will service the City over a much longer period than 10-years.

9) LEGAL IMPLICATIONS :

The Development Charge Act requires municipalities to update their development charge by-law and supporting background studies at least every five years. Failure to do so would preclude the municipality's ability to collect development charges. Currently, the

City must pass a new development charge by-law by no later than February 2, 2020.

10) RISK MANAGEMENT:

There is a risk of not being able to collect development charges for growth related infrastructure if a new development charge by-law is not enacted before February 2, 2020.

11) STRATEGIC IMPLICATIONS:

The Development Charge By-law update process is consistent with the City’s approved Strategic Plan since it supports financial stability in relation to economic development commercial/industrial growth and the optimization of funding opportunities for growth.

12) SUPPORTING DOCUMENTS:

Attachment 1 – Novatech Correspondence

Attachment 2- Spacebuilder Correspondence

Attachment 3 - Longwood Building Correspondence

Attachment 4 - proposed Development Charge Bylaw