

# Staff Report



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To **City Council**

Service Area Corporate Services

Date Monday, March 26, 2018

Subject **2018 Development Charge Study: Area-specific Rating Consideration**

Report Number CS-2018-35

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## Recommendation

That the City will continue to calculate development charges using a citywide rate and not pursue area-specific development charges in the 2019 Development Charge By-law.

## Executive Summary

### Purpose of Report

The purpose of this report is to establish Council's preferred approach for area-specific rating and the 2019 Development Charge (DC) By-law. It is an important direction to receive from Council early in the DC Background Study process because of the significant amount of time and resources required to pursue this option.

### Key Findings

The Province recently introduced changes to the Development Charges Act 1997 (DCA 1997), through Bill 73, which came into effect in January of 2016.

A new requirement of the DC Background Study is for Council to demonstrate that the implementation of area-specific rating was considered as part of the background study process.

Area-specific rating means having different DC rates for different areas within a municipality. The City currently has a citywide DC rate that is applied uniformly across the City. Prior to the 2009 DC By-law, the City had three different rates for; the downtown area, the older built-up area and everything outside of these areas. The 2008 DC Background Study (FIN 08-32) evaluated the impact of the area-specific rating and determined that a citywide rate could provide increased financial flexibility that is necessary to achieve strategic objectives and improve transparency to the taxpayer. It was decided at that time, that a Downtown Community Improvement Plan was the preferred way of encouraging certain types of development instead of the use of policies implemented through the DC By-law.

The DC Background Study consultant from Watson & Associates held a Council workshop on February 21, 2018 to provide Council with an overview of DCs and the implications of area-specific rating vs. citywide rating. A discussion was held regarding the merits of both options for the 2019 DC By-law.

After a comprehensive review, it was determined that a citywide rate would be preferred because it would result in a larger pool of DC funds allowing for greater flexibility in funding infrastructure priorities. It will also allow for a greater amount of DC's to be collected as the City is not capped by service standards in certain geographical areas. This will result in more strategic investment in growth-related infrastructure across the City and significantly reduce the administrative burden of an area-specific methodology.

Citywide rates are generally perceived to be the more equitable approach to the DC policy.

### **Financial Implications**

Although there are no direct financial implications to the City in regards to this decision at this time, this decision will have a significant impact on the DC revenue that the City will be able to collect for growth-related development.

## **Report**

The 2018 DC Background Study started in June 2017 and is on schedule to be completed and approved before the By-law expiration date of March 2, 2019. Gary Scandlan from Watson and Associates is the consultant hired to facilitate the DC Background Study process for the City.

The 2018 DC Background Study must reflect the recent changes made to the DCA 1997 through Bill 73 which came into effect in January of 2016. One of the new requirements outlined in the Act is that Council must demonstrate that area-specific rating was considered as part of the DC Background Study update process.

In order to meet this new requirement, the Consultants presented the benefits and risks of area-specific rating to Council during a special Council workshop on February 21, 2018.

### Citywide Rates

- DCs collected for a service can be spent anywhere throughout the municipality without restriction, allowing for more strategic investment in infrastructure.
- A citywide rate results in more DC revenue which can be used to fund growth-related projects sooner because service standard caps are not as limiting.
- A citywide rate allows for more flexible resource management and reduced administrative burden as there are fewer restrictions on inter-DC Reserve

Fund borrowing, significantly minimizing the need for debt to manage cash flow issues.

- Evidence shows that fewer DC By-law appeals occur under this methodology as generally, Developers perceive this to be the more equitable approach to funding growth-related infrastructure.

#### Area-specific Rates

- Ensures that DCs collected from a particular area are spent in that same area. If growth is not materializing at the projected pace however, there will be a delay in investment of growth-related infrastructure.
- A higher charge in one area compared to another may impact housing competitiveness.
- Area-specific rates may encourage more infill development in built-up areas if DC rates are lower in these areas.
- Area-specific rates increase the administrative requirements for the City related to accounting and reporting purposes (e.g. one pooled Water DC Reserve Fund vs. two or more Water DC Reserve Funds for different geographical service areas).
- Area-specific rates can also increase the complexity where there are differing charges based on the services applicable and/or service areas where a development is located.
- Area-specific rates may require additional debenture financing as funds are isolated to individual areas, thus removing the ability to pool or access other DC contributions for cash flow purposes.
- Services that require a 10 year service standard to be calculated in order to establish a ceiling (parks, recreation, libraries etc.), may not be eligible to collect sufficient DC revenues based on current service levels/asset inventories.
- Most of the services included in the DC rate do not restrict use to a specific area and are often used by all city residents (e.g. roads, parks, recreation, library, fire, etc.).
- Most municipalities that implement area-specific rates only do it for Water, Wastewater and Stormwater.
- Moving to area-specific rates may require transitional agreements because most of this infrastructure is built prior to development occurring.

After a comprehensive review of the implications of both citywide rates and area-specific rates, staff recommends that the City continue to utilize a citywide development charge in the 2019 DC By-law. The key reasons supporting this decision are that citywide rates are better able to fund infrastructure priorities because they generate a larger pool of DC revenues that increases flexibility and permits more strategic decision making.

## **Financial Implications**

There are no direct financial implications to report from this decision.

## Consultations

DC Oversight Committee (pending)

## Corporate Administrative Plan

### Overarching Goals

Innovation  
Financial Stability

### Service Area Operational Work Plans

Our Resources - A solid foundation for a growing city

## Attachments

None

## Departmental Approval

None noted

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