

INTERNAL MEMO



DATE February 11, 2019

TO **City Council**

FROM Tara Baker, GM Finance/City Treasurer

DEPARTMENT Finance

SUBJECT 2018 Development Charges Background Study and 2019
Development Charge By-law

Executive Summary

The purpose of this memo is to provide Council with responses to the additional information requested at the January 21, 2019 Council meeting in order to enable Council to approve the proposed 2018 Development Charges Background Study (DC Study) and 2019 Development Charges By-law (DC By-law). Further, staff has amended the proposed DC By-law to include the changes to the University of Guelph exemption given Council's direction on January 21, 2019. The following recommendations should be considered by Council as a result of this memo in addition to those referred on January 21, 2019:

"That the 2018 Development Charges Background Study dated December 12, 2018 be amended with a revised Schedule H as included in ATT-1 and a revised Schedule E as included in ATT-2 to the staff memo to CS-2019-03."

"That the 2018 Development Charges Background Study dated December 12, 2018, be approved as amended, enacted through By-law and come into force on March 2, 2019."

Additional information

On January 21, 2019, Council referred report CS-2019-03 2018 Development Charges Background Study and 2019 Development Charges By-law to the February 11, 2019 Council meeting for approval.

At this meeting, Council amended the proposed DC By-law to provide the University of Guelph a full (100 per cent) DC exemption, and requested staff follow up on the following items:

- Social Housing
- Affordable Housing

The 2019 DC By-law has been updated to reflect Council's direction to fully exempt the University of Guelph and can be found in ATT-1. Additionally, staff has prepared detailed responses to the social and affordable housing questions as they relate to the DC Study.

Finally, through staff review of the delegation correspondence received on January

21, 2019, a minor edit was made to a summary table on page E-8 of the Local Service Policy (LSP) to provide consistency with the corresponding text on page E-7. The amended LSP is attached in ATT-2 to this memo. There are no financial implications from this change and it will not impact the original intent of the policy.

Development Charge Act (DCA) Considerations

At the January 21, 2019 Public Meeting, Council requested staff look into the feasibility of adding Social Housing and Affordable Housing services to the DC rate. As Mr. Gary Scandlan from Watson explained at the meeting, in order for a new service to be added to the DC rate, two criteria must be met:

1. Council must demonstrate a commitment to provide that service through a project in the capital budget or approved action plan; and
2. The capital project must provide a benefit to new residents

However, there are additional considerations as legislated in the DCA that also are required in order to determine the eligibility of including the capital costs within the DC rate. These include:

- DCA section 5(1) outlines the methodology that MUST be used to determine the development charges that may be imposed. Two of those restrictions specifically are relevant to Social Housing and Affordable Housing:
 - 5(1)(4) The eligible expenditures cannot increase the level of service beyond the average level of service that has been provided by the municipality over the ten-year period immediately preceding the preparation of the background study.
 - 5(1)(6) The increase in the need for service must be reduced by the extent to which an increase in service to meet the increased need would benefit existing development.
 - The expenditure type meets DCA section 5(3) which sets out the eligibility of costs:
 - Costs to acquire land or an interest in land, including a leasehold interest.
 - Costs to improve land.
 - Cost to acquire, lease, construct, or improve facilities including,
 - Rolling stock with an estimated life of seven years or more,
 - Furniture and equipment, other than computer equipment, and
 - Materials acquired for circulation, reference or information purposes by a library board as defined in the Public Libraries Act.
 - Costs to undertake studies in connection with any of the matters referred to above.
 - Costs of the development charge background study required under section 10 of the DC Act.
- Interest on money borrowed to pay for costs described above.

Social Housing

Social Housing within the City of Guelph is delivered and managed by the County of Wellington (County), who is the designated Consolidated Municipal Service Manager (CMSM) by the province. The City and County work collaboratively on the distribution of funding through City staff participation on both the Social Services Committee and the Community Advisory Board, as well as provide inputs into the County's development of their Housing and Homelessness Plan.

The City contributes approximately \$15.9 million annually to the County for Social Housing, and of this, approximately \$2.3 million is for capital project expenditures to County-owned housing units. The ten-year capital plan shows this capital investment starts at \$2.3 million in 2018, escalating to \$2.9 million in 2028. Per discussions with the County, 100 per cent of this capital plan is budgeted for life cycle renewal and replacement of current owned-units over the next ten years. In other words, there are no capital projects for the creation of new Social Housing units in the next ten years. This means that per DCA section 5(1)(3), there are no eligible capital expenditures that can be incorporated into the DC rate at this time because Council has not "demonstrated that it intends to ensure that an increase in need will be met".

Further, the County provided the annual waiting list figures for Guelph Wellington Social Housing units totalling 1,982 applicants in 2018 up from 1,242 in 2014. This backlog will need to be reduced before a Social Housing capital project is eligible to be included in the DC rate. In reference to DCA 5(1)(6), Mr. Scandlan advised Council that until this waitlist was reduced and Council approved policies that guided service level goals, every new unit built for Social Housing will be considered to be fully "benefit to existing" development.

It is worth noting that the Federal government has announced municipal funding for Social Housing through the National Housing Strategy. The County/City allocation will be determined in the spring of 2019 and it may help with the provision of new Social Housing units to address the backlog. Also in accordance with DCA 5(2), capital costs must be reduced to adjust for capital grants, subsidies and other contributions made to a municipality with respect to the capital costs.

Staff recognize that while there is no opportunity to include Social Housing in the DC Study in 2019, it is important to begin to build this service into the DC framework. DCs would be a new revenue source for a service in our community that has demonstrated need through the current waitlist and that will inevitably grow with an increasing population.

Council could consider the following motion on February 11, 2019:

"That staff work collaboratively with the County of Wellington to create a ten-year historical service standard for Social Housing and report back to Council with the governing policies that would be required to address the

apportionment of capital costs to “Benefit to Existing Development” with the intent of adding Social Housing to the Development Charge By-law either through an amendment or through the next available Development Charges Background Study.”

Staff believe this would provide Council with the confidence that staff are making progress towards including Social Housing as an eligible service but with the understanding that there are a number of considerations which need to be addressed before this will be allowable under the DCA.

Affordable Housing

Council requested staff evaluate the feasibility of adding affordable housing to the DC rate. Staff referenced back to the [Affordable Housing Strategy \(AFS\)](#) and [Affordable Housing Financial Incentives Program \(AHFIP\)](#) that was approved by Council on July 4, 2017 and determined that Council’s approved approach for incentivizing market housing is through an annual grant program. These types of costs are not eligible capital costs as provided in DCA 5(3) and therefore are not eligible to be added to the DC Study.

At a Special meeting of Council on January 30, 2019, Council questioned whether capital project PN0020 Beverley Street Monitoring and Remediation would be an eligible expenditure given the partnership arrangement in place and the development plan for affordable housing to be built on this site. Staff have considered these costs and would concur that they meet the definition of DCA section 5(3) however section 5(1)(4) would preclude these costs from being imposed through a DC rate because there is no defined ten-year historical service level standard. The City does not have an existing inventory of affordable housing units owned by the City or any other agency on the City’s behalf. Any capital investment in affordable housing would be considered an enhancement to services provided by the City and therefore would not be eligible to impose on new development through DCs.

Administrative Change

Staff reviewed the correspondence received from the IBI Group, for the public meeting held January 21, 2019, and found that an error was identified in Appendix E: Local Service Policy that needed to be corrected. The table on page E-8 of the LSP has since been updated to match the corresponding text on page E-7. There are no financial implications from this change and it will not impact the original intent of the policy.

Attachments

ATT 1: Revised Development Charges By-law

ATT 2: Revised Local Service Policy

City Council
February 11, 2019

RE: 2018 DC Study and 2019 DC By-law

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File #CS-2019-03 2018 Development Charges Background Study and 2019 Development Charges By-law