

# CSD 5-2019

## 2018 Development Charges Grant and Exemptions

Corporate Services Committee

January 9, 2019

# The Purpose of Development Charges

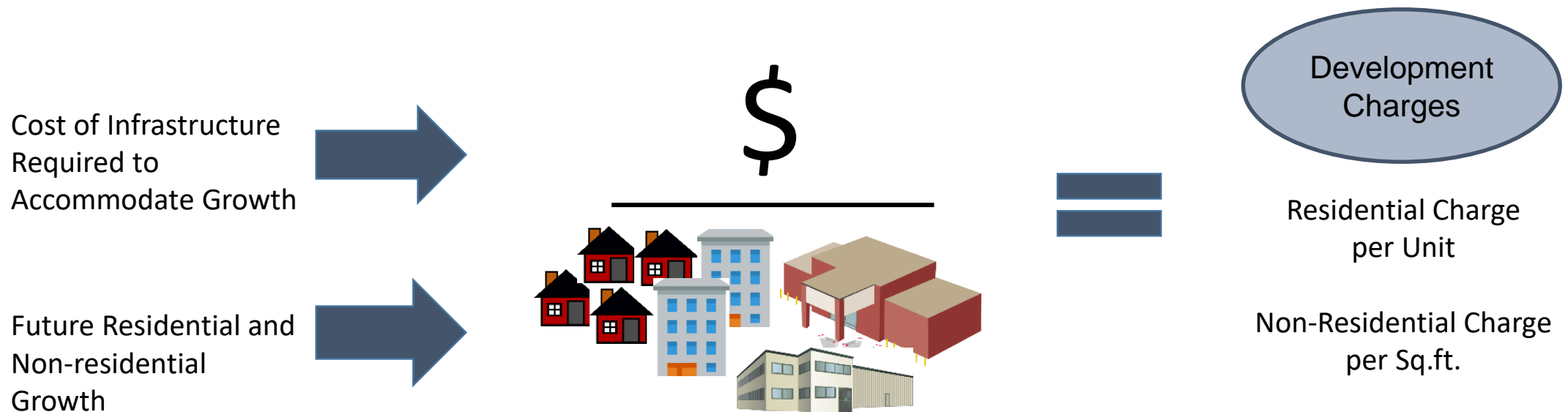
To recover the cost of infrastructure required to accommodate residential and non-residential Growth within the Region – “Growth Pays for Growth”

Municipalities are empowered to impose these charges via the Development Charges Act

For more information on Development Charges:

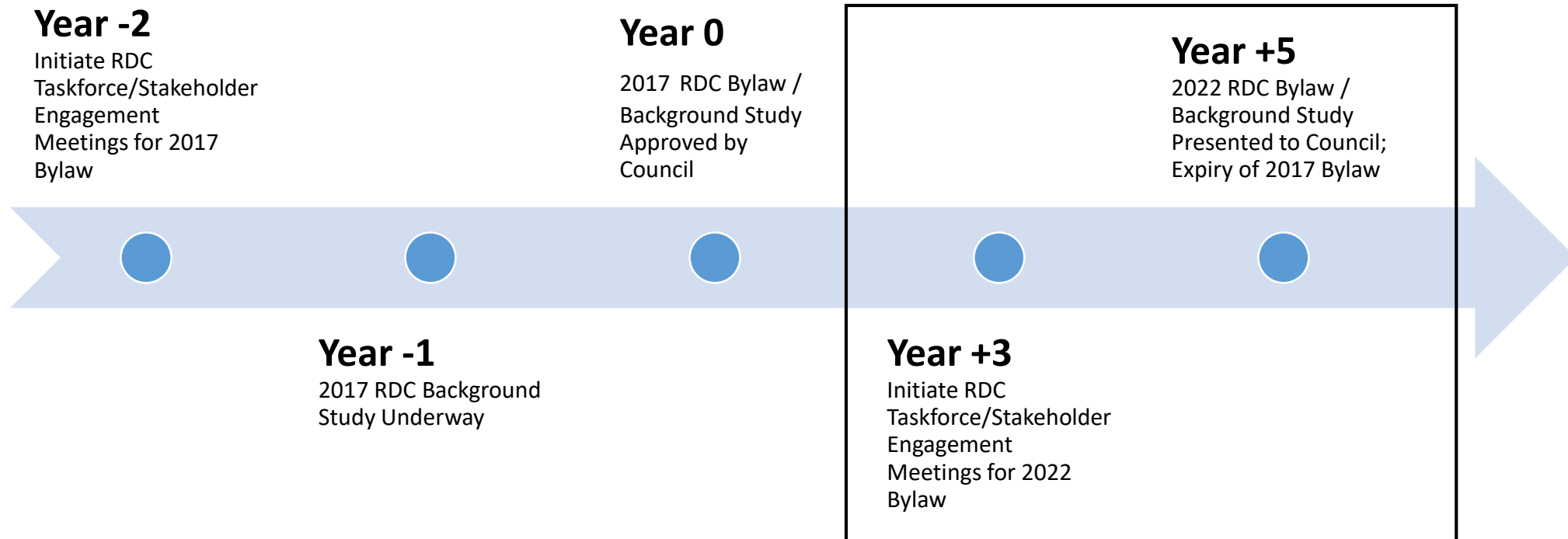
<https://www.youtube.com/watch?v=Dyd6hQLvc2g>

# How development charges are calculated



# Bylaw 2017-98

- Timeline of events for Regional Development Charge (RDC) bylaw review/approval*



# Bylaw 2017-98

RDC bylaw contains **mandatory** and **discretionary** exemptions:

- **Mandatory Exemptions**

are those that are required to be provided as per current Provincial Legislation.

- **Discretionary Exemptions**

are not required by Legislation, but are optional policy decisions adopted by Regional Council.

# Mandatory Bylaw Exemptions

## Required by Provincial Legislation and includes:

- Industrial building expansions (may expand 50% with no DC)
- Up to two apartments for a single detached, as long as the size of the home does not double
- One additional unit in medium & high density buildings
- Upper/Lower Tier Governments and School Boards

2018 estimate of Mandatory Exemption of \$724 Thousand

# Discretionary Bylaw Exemptions

Non-legislated Regional Council policy decisions and includes:

## Full Exemptions

- Granny Flats
- Parking structures
- buildings used for agricultural use
- the portion of a place of worship used for religious services
- municipal housing project facilities
- buildings used for affordable housing projects
- gas station canopies and those intended for the loading and unloading of vehicles

## Partial Exemptions

- Long-term care home shall be reduced by 50%.

## Other Reductions

- Phasing of Development Charges
- Brownfields Rehabilitation RDC Reduction
- Smart Growth - 50% rebate for achieving Smart Growth criteria
- Industrial RDC grant
- Non-Profit RDC grant

2018 estimate of Discretionary Exemption of \$11 Million

# Funding of Exemptions/Grants

Funds still needed to fund growth related infrastructure even if development charges are not collected.

Development Charges Act – Any Mandatory or Discretionary Exemption, Grants or Reductions in Development Charges payable must still be available in the reserves in order to have fund growth infrastructure.

Exemptions must be appropriately tracked and the RDC reserve shortfalls must be paid for from Operating Revenue (i.e., the annual Tax Supported Operating Budget).

Year	2014	2015	2016*	2017	2018**
Gross Budget Available for RDC Exemptions (in 000's)	\$ 800	\$ 800	\$ 3,300	\$ 1,200	\$ 4,238

\* One-time funding of \$2.5 million (GE)

\*\* One-time funding \$2.5 million for incentives

# Forecasted RDC Exemptions

1. Deliberations of the 2017 Regional Development Charges bylaw = \$16.7 million
2. Preparation of the 2018 Operating Budget = \$16.7 million
3. Q3 2018 Quarterly Financial Update Report = \$ 11.8 million
4. Preparation of the 2019 Operating Budget = \$11.1 million

# Forecasted RDC Exemptions Deficit 2018

As presented with most recent Quarterly Financial Update report (Q3 2018).

	2018 (Values in 000's)	
	Annual Budget	Updated Forecast
<b>Mandatory Exemptions:</b>		
50% Industrial Expansion	599	599
Residential Intensification	124	124
<b>Subtotal Mandatory Exemptions</b>	<b>\$ 724</b>	<b>\$ 724</b>
<b>Discretionary Exemptions:</b>		
Phase in costs	2,314	2,167
Brownfield	-	1,508
Smart Growth Niagara	-	402
Board of Education	-	36
NRH	-	1,089
Parking garage	-	-
Agriculture	-	4,463
Hotels/Motels	-	170
Non-Profit	150	150
Industrial and Gateway	1,050	1,054
<b>Subtotal Discretionary Exemptions</b>	<b>\$ 3,514</b>	<b>\$ 11,040</b>
<b>Total Exemptions</b>	<b>\$ 4,238</b>	<b>\$ 11,763</b>
<b>Total Variance</b>		<b>\$ (7,526)</b>

# 2018 Strategy – Payback provision

- Historically DC reserves were not sufficient to fund growth related projects
- As a result, Levy and Rate supported programs paid for growth related infrastructure
- The Background Study identified that the DC reserves are required to “payback” these capital investments totalling \$67 million
  - Water \$20 million
  - Wastewater \$37 million
  - Roads \$10 million

# 2019 & Future Strategy

- 2019 Budget Summary:

<b>Forecasted Exemptions</b>	<b>\$ 11.1 million</b>
Base Budget	\$ 1.7 million
Allocation of Tax Growth	\$ 3.6 million
<b>Total Budget</b>	<b>\$ 5.3 million</b>
<b>Forecasted Deficit</b>	<b>\$ 5.8 million</b>

- Strategy to utilize in-year surplus plus payback provision to offset forecasted 2019 deficit.

# RDC Exemptions Funding Strategy

As per report CSD 5-2019, recommendations are:

- That the transfer from the DC reserves occur as part of the Year-End Results and Transfer report
- First, utilize actual year end operating surplus
- Second, utilize payback provision - Funds be transferred from the development charge reserve to Tax Supported Operations
  - Based on current trends this option is available over 6 to 8 years
- Manage payback impact of future growth with budget increases over time

# Questions?

