

Subject: Draft Policy Report and Engagement Update

Report to: Regional Development Charge Policy Task Force

Report date: Thursday, July 29, 2021

Recommendations

1. That Report RDCPTF-C 6-2021, and the Draft Development Charge Policy Considerations (Appendix 1 of report RDCPTF-C 6-2021), **BE RECEIVED**;
2. That Regional Development Charges for water and wastewater services continue to **BE CALCULATED** on an urban-wide basis; and
3. That the approach to calculating Regional Development Charges for all other services on a uniform region-wide basis **BE APPROVED**.

Key Facts

- The purpose of this report is to provide the Task Force with the draft Regional Development Charge (DC) Policy Considerations Document for information, and to provide an update on the government and non-government stakeholder sessions held by Region staff on June 22, 2021.
- The Policy Consideration Document is prepared to outline the Region's current DC policy approaches, alternative options/best practice, discussion on the policies and policy recommendations.
- The Policy Consideration Document has been included as Appendix 1 to this report. This document is in draft form and will evolve and be updated as staff move through the DC background study process to incorporate comments from various stakeholders (e.g., Council, local area municipalities (LAM), development community). As staff continue through the DC background study process, final recommendations will be developed and presented for Council's consideration and approval.
- The Policy Consideration Document was circulated to the LAMs and development community in advance of the June 22, 2021 stakeholder sessions. At the session, staff provided an overview of certain policy considerations and held a survey/discussion regarding the current/proposed approach.

- The stakeholder sessions were well attended with approximately 50 at the LAM session (which included a cross section of finance, planning and economic development staff) and 25 at the non-government session (which included local developers and development consultants).
- Region staff was able to gain consensus on some of the policy considerations that were discussed, details of which are included in Appendix 2.

Financial Considerations

The financial impacts of policy consideration were not discussed in detail at the stakeholder engagement sessions. Decisions regarding indexing, for example, is an important consideration but have relatively minor financial impacts. Future discussion around discretionary grant programs will have significant financial impacts and will be considered as part of the Region's overall incentive review project. Consideration will be given to options that address the budget pressure as well as the greater level of incentives offered in the Region's by-law relative to other cities/regions.

Analysis

Included as Appendix 1 to this report is the DC Policy Consideration Document as completed by the Region's DC Consultant, Watson and Associates. As mentioned, this document is currently in draft form. As the Region moves through the DC background study and by-law process the policy document will be updated based on the feedback received by external stakeholders, LAM staff and Regional Council.

The Policy Considerations Document is organized into five sections. These sections include:

1. Introduction
2. DC Calculation Policies - Water and Wastewater
3. DC Calculation Policies – Services Related to a Highway
4. Other DC Calculation Policies
5. By-law Policies

Each of these sections are further divided into subsections where specific policy discussions can be found. The discussion in these subsections are organized in the following format:

- Description of Current Approach

- Alternative Options/Best Practices
- Discussion
- Recommended Approach

As the Task Force will note, the description of current approach adopted by the Region in the current DC background study and By-law has been populated in the draft Document. In many cases as well, a discussion on alternatives or best practices have also been included. As part of the discussion on alternatives or best practices, a summary of the current approach adopted by other comparable municipalities and LAMs has been included. As the Region advances through the background study and by-law process the Discussion and Recommended approach areas of the Document will be populated based on the feedback received from both key stakeholders and Regional Council.

As noted at the June 17, 2021 Task Force meeting, staff distributed the draft Policy Consideration Document to Regional DC stakeholders in advance of the stakeholder engagement sessions held on June 22, 2021 for both LAM and non-government groups. At these session Staff provided a general overview of the DC process including the next steps to be undertaken by the Region with an introduction of the Policy Considerations Document. At the stakeholder sessions, Region staff held discussions on various policy objectives contained in the Policy Consideration Document and had a brief survey to identify if there were any concerns with the Region's current approach to any of the policy objectives that were discussed. The specific policy items that were discussed included:

- Asset Management
- Annual Rate Indexing
- Mandatory DC Exemptions
- Area- Rating
- Residential and Non-Residential DC Categories
- Timing of Collection of Hard Services
- Re-development Credits

Included as Appendix 2 to this report is a summary of the current approach adopted by the Region for the aforementioned policy items as well as commentary received by the Region from the stakeholders. As can be seen in Appendix 2, for the most part there were no concerns expressed with any of the Region's currently adopted approaches for the individual policy items that were discussed. In total, there were 69 invitations for the engagement session sent to LAM staff members including the Area Planners, Chief

Building Officials, Area Treasurers and Economic Development staff which resulted in 50 in attendance at the session representing all 12 LAMs. For the non-government session, there were 108 invitations distributed to the business community including local chambers of commerce, homebuilders associations, local known developers and development consultants which resulted in 25 in attendance for the session. Based on the discussions that occurred at the stakeholder sessions, staff are prepared to make recommendations on the following that will be included in the next draft policy consideration document update pending feedback from the Task Force.

Asset Management Recommendation

No comments were received from the stakeholders expressing significant concern with the current approach. Therefore, staff recommendation is to proceed with the current approach as identified in policy document.

Annual Rate Indexing Recommendation

A comment was received from a non-government stakeholder regarding indexing of the new DC rate on January 1, 2023. The individual did not feel that indexing on January 1, 2023 was fair given the new DC by-law would have only been in effect starting September 1, 2022. While this is true, indexing is intended to ensure that DCs collected in a given year are reflective of growth costs to be incurred in that year. As such, indexing starting in 2023 would be appropriate. No other comments were received. Therefore, staff recommendation is to proceed with the current approach of indexing annually on January 1 of each year.

Mandatory DC Exemptions

A comment was received from a government stakeholder regarding DC exemptions for post-secondary institutions and the scope of the current exemption (i.e., current incentive based on land ownership and not use). Since this is a mandatory exemption as legislated by the Province the Region does not have any authority to amend the current exemption for post-secondary institutions and therefore would be outside of the scope of the DC background study review. No other comments were received. Therefore, staff recommendation is to proceed with the current approach of including the mandatory exemptions in the next DC by-law.

Area-Rating

No comments were received from the stakeholders expressing significant concern with the current approach. The current approach utilized by the Region is calculating DCs on a uniform Region-wide basis for all services except water and wastewater which are calculated on an urban-wide basis. Therefore, staff recommendation is to continue with the current approach of area rating for water and wastewater DCs based for urban boundaries only as provided in Recommendation 2 of this report.

Residential and Non-Residential DC Categories

No comments were received from the stakeholders expressing concerns with the current Residential DC categories (i.e., Single/Semi detached, Apartment 1 bedroom, Apartment 2+ bedroom, Other Multiples, Special Care) or Non-Residential categories (i.e., Commercial, Industrial, Institutional, Wind Turbines). Therefore, staff recommendation is to continue with current DC categories of dwelling types as noted in Appendix 2.

Timing of Collection of Hard Services

No comments were received from the stakeholders expressing significant concern with the current approach. Therefore, staff recommendation is to continue with full collection of DCs at time of building permit issuance unless the property is eligible for a deferral or installment plan.

Re-development Credits

A comment was received regarding the demolition credit extension that is available for brownfield sites. The comment received indicated that the available extension to the base 5 years should be increased to 5 years from 3 years (i.e., total demolition credit eligibility timeframe including extension be increased to 10 years from 8 year for brownfield properties). The rationale for this suggestion was that many brownfield properties take significant time to remediate and may not fit within the current 8 year window. Staff note that since the implementation of the 2017 DC by-law, there have only been two requests for brownfield demolition credit extensions beyond the base 5 years whereas there has been 14 brownfield re-development projects initiated since 2017 (based on Brownfield DC grant applications). As such, staff are not recommending a change to the current approach for demolition credits.

In summary, the government stakeholders were aligned with the policy approaches that were discussed at the session. The non-government stakeholders were also for the

most part aligned with the Region's current approach to the policy items as well. For the non-government sessions, there was at least one individual of the 25 in attendance that expressed a concern via the survey with the Region's current policy approach for each policy item (as can be seen in Appendix 2). However, when prompted for follow up discussion there were limited verbal comments received by the stakeholder identifying why that concern existed. Follow up emails to the concerned stakeholders resulted in only one follow up response regarding information on indexing dates.

At the next stakeholder engagement session currently being targeted for September 28, 2021, staff will include on the agenda, discussion of the other policy sections of the draft policy considerations document (i.e., section 2 and 3). An update will then be provided to the Task Force for consideration.

Alternatives Reviewed

Section 10 (2) (c.1) of the Development Charges Act requires that the development background study shall include consideration of the use of more than one development charge by-law to reflect different needs for services in different areas (commonly referred to as "Area-Rating"). Presently, the Region's by-law includes area rated charges for water and wastewater services only. These charges are for recovery of costs specific to the urban serviced areas that benefit directly from these water and/or wastewater systems. All other Region services are recovered based on a uniform, Region-wide basis. At the Region's stakeholder sessions, staff provided participants with an overview of area-rating and a summary of the current approach. There were no participants at the sessions that were in favour of adopting area-rates for services other than water/wastewater. As such, staff are **NOT RECOMMENDING** that the Region adopt area rating for services other than water/wastewater.

Relationship to Council Strategic Priorities

DC are a major source of funding for growth projects in the capital budget. As such, DCs assist in achieving the strategic priorities of a fiscally sustainable government.

Other Pertinent Reports

None.

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Appendices

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| Appendix 1 | Draft Development Charges Policy Report |
| Appendix 2 | Summary of Stakeholder Engagement Policy Item |