
Subject: Regional Development Charges Background Study and By-law Update

Report to: Regional Development Charges Policy Task Force

Report date: Thursday, May 19, 2022

Recommendations

1. That the draft Regional Municipality of Niagara Development Charges Background Study **BE APPROVED**; and
2. That the Task Force **RECOMMEND** that the draft Regional Municipality of Niagara Development Charges By-law in Appendix 2 be prepared for Regional Council consideration on July 21, 2022.

Key Facts

- The purpose of this report is to seek approval from the Regional Development Charges Policy Task Force of the draft Development Charges (DC) Background Study and proposed DC By-law.
- Region Staff alongside Watson and Associates have held four engagement sessions with government and non-governmental/business associations to provide information and status updates relative to the DC Background Study and DC By-law update.
- The feedback received at these engagement sessions has been used to update the Policy Considerations Document and DC By-law.
- On April 7, 2022 the Task Force approved recommendations in RDCPTF-C 5-2022 which included archaeological demolition credit extensions, confirmation of conversion credits, and removal of discretionary incentives from the draft by-law to align with the Incentives Policy
- The DC Act requires that the DC Background study be made available 60 days in advance of DC By-law passing. The DC Background study has been posted on the DC page of the Region's website to comply with this requirement.

Financial Considerations

This report is provided for information purposes only and as such, there are no direct financial impacts on the Region as a result; however, RDC incentives represent a significant component of the Region's annual general tax levy. There has been \$177 million in RDCs collected from 2018 – 2021, representing the majority of the term of the

existing RDC By-law, and \$27 million in RDC incentives provided over that same timeframe, representing over 15% of the DC revenue. The DC Act specifies that DC collection deficits as a result of offering DC incentives cannot be made up from future DC collections; therefore, the Region funds RDC incentives from the annual tax levy in order to keep the DC reserves whole.

In October 2021 Regional Council approved the Niagara Region Incentives Policy (PDS 31-2021) as amended. It is important to note that with the implementation of the Incentives Policy all RDC incentive budgets are transitioning to the Incentives Policy programs. . These programs are aligned with priority areas as directed by Council however do include a redesign of many DC grant programs to better support policy objectives. These changes are itemized in RDCPTF 5-2022.

Analysis

The draft Regional Municipality of Niagara DC Background Study and DC By-law are attached in Appendix 1 and Appendix 2 of this report respectively.

Staff along with consultants, Watson and Associates Economists LTD are recommending the following items for approval from the Task Force and Council which are included in Appendix 1.

- Development Charges Background Study
- Policy items/changes in the By-law
- Proposed Residential and Non-Residential Rates

The DC Background Study outlines the forecasted increased services needs attributable to anticipated development. These capital needs identified by service area are summarized in Table 1, further details of these capital needs is outlined in Appendix 1. These capital needs have been included in the calculations of proposed DC rates. The Residential and Non-Residential Rates proposed in the DC Background Study are outlined in Table 2 and Table 3 detailed rate information can be found on pages 6-2, 6-3 and 6-6 of Appendix 1.

Table 1 – Summary of Expenditures Anticipated Over the Life of the By-law

Summary of Expenditures Anticipated Over the Life of the By-law	Expenditure Amount
Total gross expenditures planned over the next five years	\$1,543,146,339
Less: Benefit to existing development	\$635,823,402
Less: Post planning period benefit	\$117,387,803
Less: Ineligible re: Level of Service	\$1,283,333
Less: Grants, subsidies and other contributions	\$19,055,950
Net costs to be recovered from development charges	\$769,595,851

Table 2 – Rate Comparison – Residential (per single detached unit)

Service/Class of Service	Current	Proposed
Total Region-wide Services/Classes	12,804	15,352
Total Area Specific Services	9,645	11,513
Total - Urban Area	22,449	26,865

Table 3 – Rate Comparison – Non-Residential (per square foot of gross floor area)

Service/Class of Service	Commercial Current	Commercial Proposed	Industrial Current	Industrial Proposed	Institutional Current	Institutional Proposed
Sub-total Region-wide Services Classes	7.27	8.13	3.01	2.68	5.19	6.14
Urban Services						
Sub-total Area Specific Services	6.93	9.68	2.88	3.78	4.95	7.85
Total - Urban Area	14.20	17.81	5.89	6.46	10.14	13.99

The draft 2022 Regional Development Charge (RDC) By-law has been amended to remove the inclusion of discretionary DC incentive programs as noted above in the Financial Implications.

Additionally, the draft 2022 RDC By-law has been amended to align with the changes that have occurred to the DC Act since the previous By-law became in effect on September 1, 2017. This allows for the draft 2022 RDC By-law to be in compliance with the DC Act.

Staff recommends that the Task Force approve the Background Study and By-law in order to update the By-law and rates for public release by June 30, 2022. In order to align with the requirements of the DC Act the Background Study has been posted on the Development Charges page of the Region's website.

Alternatives Reviewed

No alternatives have been reviewed at this time.

Relationship to Council Strategic Priorities

Development charges are a major source of funding for growth projects in the capital budget. As such, RDCs assist in achieving the strategic priority of a fiscally sustainable government.

Other Pertinent Reports

- PDS 31-2021
- RDCPTF-C 5-2022

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Appendices

Appendix 1	Draft Development Charges Background Study
Appendix 2	Draft Development Charges By-law