
Subject: Engagement Session Update 4

Report to: Regional Development Charge Policy Task Force

Report date: Thursday, May 19, 2022

Recommendations

1. That Report RDCPTF 6-2022 **BE RECEIVED** for information.

Key Facts

- The purpose of this report is to provide the Task Force with updates on engagement related to the Development Charges (DC) background study and By-law update.
- Regional Staff attended the Agricultural Policy and Action Committee (APAC) meeting on April 29, 2022, and held the fourth government and non-governmental/business associated engagement session on May 4, 2022.
- The engagement sessions were well attended with approximately 52 at the government LAM session (a cross section of finance, planning, CBOs and economic development staff) and 37 at the non-governmental/business association session (including local developers, development consultants and business associations).
- Region Staff alongside Watson and Associates provided information and status updates relative to the DC Background Study, DC By-law update as well as an overview of growth forecast details and draft rate calculations.

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. RDC collections represent the major source of funding for growth projects in the capital budget. Without the collection of RDCs these capital projects would need to be funded by rate payers and/or property owners.

Analysis

Region staff alongside Watson and Associates have hosted four engagement sessions with government representatives from the 12 local area municipalities as well as business associations and interested parties. Outcome reports of the engagement sessions are included in Reports RDCPTF-C 6-2021, RDCPTF-C 8-2021 and RDCPTF-C 4-2022. At these engagement sessions, definitions and policy items were discussed

including mandatory and discretionary exemptions/grant programs. The proposed changes to the By-law and confirmation of current policy positions have been made in accordance with feedback from these engagement sessions. Engagement participants were reminded of the detailed incentive review process that was approved in October, 2021. This process consisted of significant engagement and discussion that resulted in all Regional discretionary grants and incentives being embedded in one policy, which included a review of the discretionary exemptions included in the DC By-law, which were proposed to be removed.

Engagement Sessions

On May 4, 2022, staff hosted the fourth government and non-governmental/business association engagement sessions. At the engagement sessions, Region staff along side the Region's DC Consultant, Watson & Associates provided information and updates on the DC Background Study and By-law update process. Staff reminded attendees of the collaborative and coordinated approach between the DC Background Study, Water/Wastewater Master Service Plan, Transportation Master Plan refresh and the Official Plan update to ensure consistency with timelines, inputs and community engagement. This overall project has been branded as Niagara 2051. For more information on these projects, please visit the Niagara 2051 project page on the Niagara Region website. The agenda for the sessions covered the following:

- Overview of Project Status
- Policy Report and Discussions with Local Area Municipalities and the Development Community
- Summary of Growth Forecast
- Draft Development Charges Calculations
- Survey of DCs
- Status of Transit Services
- Next Steps for Study Process

Overview of Project Status

The Region's DC Consultant, Watson and Associates provided an update on the status of the Development Charges Background Study and By-law including growth forecast, draft policy report, service standard and capital needs calculations. They noted that the policy report and background study will be presented to the Task Force on their May 19th meeting, the public meeting has been scheduled for June 30th and the By-law will be brought to Council for approval on July 21st.

There were no comments received from engagement session participants at either session.

Policy Report and Discussions with Local Area Municipalities and the Development Community

Watson and Staff have held 3 engagement sessions to date. Servicing policy matters were discussed with these groups to help inform the Policy Report.

Participants were provided with an update on the Water, Wastewater and Transportation DCs, in alignment with the Water and Wastewater Master Plan and Transportation Master Plan updates. For transportation, capital needs have been forecasted out to 2041, whereas Water & Wastewater have forecasted to 2051. The capital needs identified have been incorporated in the DC calculations.

There were no comments received from engagement session participants at either session.

Summary of Growth Forecast

Watson presented a summary of the growth forecast based on the ongoing Municipal Comprehensive Review work. This information has been translated into a development forecast for residential and non-residential development to 2051 with a summary by annual units and residential and non-residential growth. Watson noted that a more detail analysis will be included in Appendix A to the background study.

There were no comments received from engagement session participants at either session.

Summary of Capital Needs by Service

Watson presented a summary of the capital needs by service area including a breakdown of deductions that have been made to result in the net growth related portion of the capital that will be recovered through the DC charges. For the Region-wide Services, the gross capital cost estimate is \$2.2 Billion, the total Urban Services has a gross capital cost estimate of \$1.9 Billion for a total Regional gross capital cost estimate of \$4.1 Billion. Approximately 10% or \$400 Million has been identified as post period benefit after the forecast period. After other deductions and grants/subsidies/other contributions brings the net capital program to \$1.9 Billion on which the DC calculation

will be based on. This is broken down into the residential and non-residential share of \$1.6 Billion and \$300 Million respectively.

There were no comments received from engagement session participants at either session.

Draft Development Charges Calculations

Watson presented an outline of the current DC charges from January 1 to August 31, 2022, broken out by Residential and Non-residential categories in comparison to the draft charges under the new DC By-law excluding Transit. Watson noted that in all service areas with the exception of Housing, Transportation, and Wastewater the proposed charges are either the same or lower than current rates. It was noted that these charges are in draft form and subject to approval of RDC Policy Task Force meeting on May 19th.

There were no comments received from engagement session participants at either session.

Survey of DCs

Watson provided a comparison of DC rates for Niagara and Surrounding Municipalities. It was noted that charges for Niagara are at or considerably lower than its surrounding municipalities.

A question was received regarding the survey of development charge rates for commercial properties specifically regarding the area labeled as Niagara Falls (Urban Area – excluding tourist core). The session participant asked if there was a separate rate for Niagara Falls (tourist core). Watson noted that the Regional DC charge would remain the same across all 12 municipalities, however several municipalities choose to differentiate areas to reflect a different level of investment in Water and Wastewater services. Staff took Report RDCPTF-C 6-2021 in July 2021, to discuss DC area rating and Council approved a Region wide DC. At a Regional level, the Region provides for the most part water and waste water treatment which has not been identified to have a variation in cost to treat depending on where it is going to or coming from.

Status of Transit Services

Watson noted that due to the approval to amalgamate transit services and establish a Niagara Transit Commission, transit services are being reviewed for inclusion in the D.C. by-law. Dillon Consulting is assisting in performing this work. It is anticipated D.C. rates will be shared through a parallel public process in the later half of the year. Watson noted that the resultant DCs calculated would be in addition to the proposed charges presented and that Transit DCs would take effect on January 1, 2023.

There were no comments received from engagement session participants at either session.

Next Steps for Study Process

Participants were provided with the next steps and the following dates:

Table 1 – Next Steps in Study Process

Study Task	Date
Ongoing Community Engagement	2021 & 2022
Finalization of Policy Report	May 19, 2022
Regional D.C. Taskforce	May 19, 2022
Release of D.C. Background Study	May 19, 2022
Public Meeting	June 30, 2022
By-law Passage	July 21, 2022

Open Discussion

Following the formal presentation Region Staff provided time for participants to ask questions and engage in open discussion around the material presented.

Government Session

The following items were raised at the session along with the staff/consultant response:

1. LAM staff asked when they can expect to see the draft DC By-law for review
 - Staff noted that the draft By-law will take into account the policy considerations discussed at previous engagement sessions and the recommended items approved by the RDC Policy Task force on April 7th. The

- draft By-law will be included in the agenda with the draft Background Study for the May 19th RDCPTF Meeting.
2. LAM staff asked if there are any intentions of providing detached Accessory Dwelling Unit (ADU) exemptions.
 - Watson noted that the mandatory exemptions related to ADUs have been incorporated in the draft By-law which will be brought to the May 19th RDCPTF Meeting.

Non-Governmental/Business Associations

The following items were raised at the session along with the staff/consultant response:

1. Participants posed questions around the Region's discretionary grants and incentives, in particular around the Industrial Use Development Charge Grant, Brownfield DC Reduction Program and Smart Growth Program
 - Staff noted that the incentive review process approved in October 2021 included all Regional discretionary grants and incentives into one policy. Staff noted:
 - Industrial Development Charge Grant program will cease to exist with the expiry of the DC By-law and will be replaced with the incentives in the Gateway and Employment RDC based grant equal to a percentage of RDCs payable based on the creation of full time jobs in manufacturing and professional, scientific and technical services sectors.
 - Brownfield Development Charge Reduction Program – program will cease to exist with expiry of the DC By-law and will be replaced with the Brownfield RDC Deferral Program included in the Incentives Policy. This program will provide 100% deferral of DCs until occupancy permit is issued or up to five years from signing of agreement.
 - Smart Growth – Council approved an extension of the program beyond the current RDC By-law until October 1, 2024.
2. A participant inquired about the increase in draft DC charges related to housing services and why it increased more than the other services.
 - Watson noted that housing services saw an adjustment as a result of the capital costs that have been included for the housing units identified. This charge has been put into place related to growth and timing of the growth, there is a variety of different drivers impacting this component.

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3. A participant inquired about Education DCs and why they did not appear on the graphs showing DC survey results for Niagara and Surrounding Municipalities.
 - Watson noted that these Education DCs have been included in the graph, however due to how small the amount paid in Niagara is relative to the comparison municipalities their component of the bar graph shown is so small it might not be legible on smaller screens, however this is in fact included in the total DCs paid in the Niagara Region.
 4. A participant inquired about consideration of waving DCs in downtown areas to incentivise intensification in Niagara's larger cities.
 - Staff noted that a comprehensive review of incentives was performed and the funding spent on incentives has been refocused on Council's four priority incentive areas – brownfields, public realm, affordable housing and employment. Although the downtown core is not a specific priority area at this time it would be eligible for any of the areas that might be applicable to the Downtown core area.

In summary both government and non-government/business associations DC engagement sessions were well attended. A listing of attendees from each session is in Appendix 2. There were no significant concerns at either session by those in attendance. There are no further engagement sessions planned for this project.

Agricultural Policy & Action Committee

On April 29, 2022, staff attended the APAC meeting and provided an overview of the DC Background and By-law project and a review of the recommendations approved by the RDC Policy Task Force during the April 7th meeting as they relate to agriculture.

Staff highlighted that Section 11 of the current DC By-law provides a discretionary grant for non-residential agricultural use which provides a grant for DCs owing on all commercial and industrial farm uses such as structures (greenhouses/barns) used for the cultivation of crops, raising of animals and other bona fide farming purposes as defined in the DC By-law. Under the proposed draft By-law this discretionary grant has been removed per the RDC Task Force's recommendations as this incentive is not aligned with incentive priority areas of affordable housing, employment, brownfield remediation and public realm. Any new incentive will require budget dollars to support the initiative. Agricultural developments could be eligible for the new Employment RDC Grant program which was approved under the Niagara Region Incentives policy if they meet the outlined criteria. This Employment RDC Grant is equal to a percentage of RDCs payable based on the creation of full time jobs in manufacturing and professional,

scientific and technical services sectors. Most agricultural developments occur in rural areas without Water and Wastewater Services. RDCs are not charged for Water or Wastewater management where those services are not available. As a result, under the proposed commercial rates rural agricultural developments will therefore only be paying 50% of the total DC Charge. In addition, of the DC charge paid 78% of the DC charge paid relates to Transportation related growth. This Transportation related growth is important for the transportation of agricultural goods and access to these developments for employment purposes.

Staff addressed questions regarding treatment of farm help houses in the DC By-law. There is no proposed changes to the DC By-law for the treatment of Farm Help Houses. Farm Help Houses will continue to be treated under the DC By-law as Residential use which is defined in the DC By-law as use or intended use for human habitation and includes such use related to agricultural use. The unit type on which the Residential DC charge is based is dependent on the type of structure being built and determined based on the definitions outlined in the DC By-law. The Special Care Rate charge would not apply as this defined as a residence designed to accommodate persons with specific needs such as meal preparation, nursing and respite care as examples. Committee members were also reminded that for the purposes of Property Taxes, Farm Help Houses are taxed in the Farm Property Tax Class which is 25% of the Residential Rate.

Additionally, committee members expressed several concerns on planning related items around the cost of building permits and delays in the building permit process as well as zoning and permitted property uses.

Alternatives Reviewed

No alternatives considered at this time.

Relationship to Council Strategic Priorities

DCs 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

- RDCPTF-C 6-2021
- RDCPTF-C 8-2021
- RDCPTF-C 4-2022

- RDCPTF-C 5-2022
- RDCPTF-C 6-2022
- RDCPTF-C 7-2022

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Appendices

Appendix 1	By-law Comparison Municipalities
Appendix 2	List of May 4, 2022 Engagement Session Participants