

FORMAL REPORT

To: Mayor Strathdee and Members of Council

Prepared by: Jim Brown, Director of Finance

Date of Meeting: 28 November 2017

Subject: **FIN 23-2017 Development Charges By-Law**

PURPOSE

The purpose of this report is to seek Council's adoption of Development Charges By-law 99-2017

RECOMMENDATION

THAT Council approve the Development Charges Background Study dated September 29, 2017 and addendum issued November 7, 2017; and,

THAT Council has determined that no further public meetings are required under Section 12(3) of the Development Charges Act, 1997; and

THAT Council approve By-Law 99-2017, a by-law to set the development charges for the Town of St. Marys.

BACKGROUND

Development charges are one-time fees collected from developers and builders to help pay for the cost of capital infrastructure required to provide municipal services to new development, such as roads, fire, police facilities, water and wastewater. In St. Marys these fees are collected upon building permit issuance. The legislation providing municipalities to levy these charges is contained in the Development Charges Act, 1997. As stated in the legislation a Development Charge By-law has a maximum life of 5 years. The Town's current by-law expires February 28, 2018.

Included as an attachment to this report is an Addendum to Development Charges Study. The addendum provides details on how the water and wastewater rates were calculated as support to the background study. The addendum contains no changes that impact the background study.

REPORT

The following is a summary of the change from the current to the proposed background study rates.

	Current	Proposed	Change	
			\$	%
RESIDENTIAL				
Single Dwelling	\$7,568	\$8,230	\$662	8.7 %
Semi-Detached Dwelling	\$6,414	\$8,230	\$1,816	28.3%
Apartments – 2 Bedrooms +	\$4,703	\$4,897	\$194	4.1%
Apartments – Bachelor and 1 Bedrooms	\$3,057	\$3,390	\$333	10.9%
Other Multiples	\$5,582	\$5,622	\$40	.7%
NON-RESIDENTIAL				
per ft ² of Gross Floor Area	\$ --	\$7.21	\$7.21	

Discount for Semi-Detached Dwellings:

In the current development charge rates, semi-detached dwellings have been identified as a separate category with a DC rate of approximately 85% of single dwelling. Our development charge consultants, who do a significant number of these studies across the province, are not aware of any other municipality that has provided such a discount for semis.

Typically, the development charge for a semi-detached dwelling is the same as a detached single-family home. Development charges are a population based calculation and as Statistics Canada does not collect data on semi-detached homes separate of single-detached homes and therefore it is not a rate that can be determined through the background study. If statistics were available that would support a lower persons per unit for semis, then the study would reflect and justify a lower rate for semis compared to single-detached. However, the offset would be an increase in the single dwelling rate.

The discount for semis in St. Marys has been done by policy through a Council exemption with this year's impact being \$1,154 per unit. As all exemptions have to be alternately funded, the tax levy impact since 2013 on the discount for semi-detached has amounted to \$68,000.

In reviewing the history of this discount the concept of affordability has been mentioned in that the DC discount for semis is a policy approach for Council to encourage more affordable housing to be built in St. Marys. The building community supports this idea that the discount is an incentive to provide more affordable housing, and has pointed out that they can construct two semis within the same footprint of a single detached dwelling.

To continue providing this discount is a policy decision Council will need to make. A key consideration for Council is if this policy is truly advancing Council's strategic goals to create more affordable housing options in the Town.

In reviewing CMHC affordable housing literature prepared for municipalities, the only reference to development charges was actually including a charge within the DC to fund affordable housing initiatives. In addition, CMHC defines affordable housing as "In Canada, housing is considered affordable if shelter costs account for less than 30 per cent of before-tax household income."

As an initiative to increase affordable/attainable housing options in the Town, it's questionable if the current strategy is achieving Council's goal of having more housing on the market that is attainably priced. Council's policy to provide a discount on semi-detached construction has resulted in an uptake in the construction of semis, but the program is not necessarily targeted to those in need nor is there a target price point for these homes set by Council. Many semis that are constructed in St. Marys are priced for sale in excess of \$300,000. In addition, there is no means to measure whether the discount is in fact passed onto the initial buyer and, if so, once it is resold if the benefit ends.

The recommendation is to discontinue the current approach to discounting for semi-detached dwellings in the Development Charge By-law.

One of Council's key strategic goals is to create an environment to promote more attainable housing in Town. There are alternate approaches to affordable / attainable housing that would better achieve results. For example, Council could choose to establish a policy to provide a discount for a semi-detached construction only for those units that are sold within what would be considered an "attainable" price range.

Phase-in of new rates:

In the analysis of the increase in the proposed rates, with the exception of the removal of the semi-detached, the increase is as high at 11% and as low as 1% (a range of \$40 - \$662 in total increase over the existing rates). These increases are not significant and actually less than the annual phase-in increases applied during the previous study. The recommendation is to implement the rates as stated and not to implement a phase-in.

Non-residential Rates:

The non-residential category includes industrial, commercial and institutional for which the Town has historically not collected a charge. The following are the eligible rates as calculated in the Background Study.

	Non-Residential Rate as per Background Study (per ft ² of Gross Floor Area)
Municipal Wide Services:	
Services Related to Highway	\$2.26
Fire Protection Services	\$.35
Police Services	\$.07
Indoor & Outdoor Recreation Services	\$.05
Library Services	\$.11
Administration	\$.32
Wastewater Services	\$3.08
Water Services	\$.97
Total Urban Services	\$7.21

The decision to levy non-residential development may play a significant role in the attraction of industrial, commercial and institutional development. Non-residential charges are prevalent in the greater Toronto area and as you move outward the levy is less likely as the demand for land decreases.

To attract new business the rates must be competitive with the literature stating the industrial sector is more price sensitive than commercial. Also rates for hard services such as water and wastewater are more readily accepted by business rather than the softer services such as recreation and administration.

In Perth County the commercial rates vary from \$0 to \$3.00 and the industrial from \$0 to \$2.06 which are significantly less than the full rate of \$7.21 calculated in the Town's background study. To generate revenue for growth while remaining competitive a partial rate levy would be recommended with the wastewater services rate of \$3.08 being a likely match for commercial and institutional development.

As the City of Stratford has no industrial charge the recommendation is for the Town to continue without a charge.

Municipality	Commercial and Institution - per ft ²					Upper Tier
	Upper Tier Charges	Lower Tier Charges	Education DC's	Total Development Charges	Rank	
Thames Centre	\$0.00	\$15.29	\$0.00	\$15.29	1	Middlesex, C
Wilmot (New Hamburg/Baden)	\$9.52	\$3.27	\$1.73	\$14.52	2	Waterloo, R
Woolwich (Breslau)	\$9.52	\$2.83	\$1.73	\$14.08	3	Waterloo, R
Wellesley	\$9.52	\$2.50	\$1.73	\$13.75	4	Waterloo, R
Woolwich	\$9.52	\$1.84	\$1.73	\$13.09	5	Waterloo, R
St. Marys (Calculated)	\$0.00	\$7.21	\$0.00	\$7.21	6	Separated
Mapleton (Drayton)	\$1.36	\$3.73	\$0.00	\$5.09	7	Wellington, C
Middlesex Centre (Arva, Delaware, Ilderton, Kilworth/Komoka)	\$0.00	\$4.78	\$0.00	\$4.78	8	Middlesex, C
Mapleton (Moorefield)	\$1.36	\$3.26	\$0.00	\$4.62	9	Wellington, C
Minto	\$1.36	\$2.38	\$0.00	\$3.74	10	Wellington, C
St. Marys (Recommended)	\$0.00	\$3.08	\$0.00	\$3.08	11	Separated
North Perth (Listowel)	\$0.00	\$3.00	\$0.00	\$3.00	12	Perth, C
West Perth	\$0.00	\$2.06	\$0.00	\$2.06	13	Perth, C

North Perth (Atwood)	\$0.00	\$1.60	\$0.00	\$1.60	14	Perth, C
Stratford	\$0.00	\$2.85	\$0.00	\$2.85	15	Separated
North Middlesex (Parkhill)	\$0.00	\$0.76	\$0.00	\$0.76	16	Middlesex, C
North Middlesex (Ailsa Craig, Nairn & Petty)	\$0.00	\$0.75	\$0.00	\$0.75	17	Middlesex, C
Lucan Biddulph - Lucan Urban Area	\$0.00	\$0.00	\$0.00	\$0.00	18	Middlesex, C
Lucan Biddulph - Granton Urban Area	\$0.00	\$0.00	\$0.00	\$0.00	18	Middlesex, C
St. Marys (Current)	\$0.00	\$0.00	\$0.00	\$0.00	18	Separated

Municipality	Industrial - per ft ²					Upper Tier
	Upper Tier Charges	Lower Tier Charges	Education DC's	Total Development Charges	Rank	
Woolwich (Breslau)	\$4.77	\$2.83	\$1.73	\$9.33	1	Waterloo, R
Wellesley	\$4.77	\$2.50	\$1.73	\$9.00	2	Waterloo, R
Woolwich	\$4.77	\$1.84	\$1.73	\$8.34	3	Waterloo, R
Wilmot (New Hamburg/Baden)	\$4.77	\$1.51	\$1.73	\$8.01	4	Waterloo, R
St. Marys (Calculated)	\$0.00	\$7.21	\$0.00	\$7.21	5	Separated
Mapleton (Drayton)	\$1.36	\$3.73	\$0.00	\$5.09	6	Wellington, C
Mapleton (Moorefield)	\$1.36	\$3.26	\$0.00	\$4.62	7	Wellington, C
Minto	\$1.36	\$2.38	\$0.00	\$3.74	8	Wellington, C
West Perth	\$0.00	\$2.06	\$0.00	\$2.06	9	Perth, C
Middlesex Centre (Arva, Delaware, Ilderton, Kilworth/Komoka)	\$0.00	\$1.91	\$0.00	\$1.91	10	Middlesex, C
North Perth (Listowel)	\$0.00	\$1.78	\$0.00	\$1.78	11	Perth, C
North Middlesex (Parkhill)	\$0.00	\$0.76	\$0.00	\$0.76	12	Middlesex, C
North Middlesex (Ailsa Craig, Nairn & Petty)	\$0.00	\$0.75	\$0.00	\$0.75	13	Middlesex, C
North Perth (Atwood)	\$0.00	\$0.38	\$0.00	\$0.38	14	Perth, C
Thames Centre	\$0.00	\$0.00	\$0.00	\$0.00	15	Middlesex, C
Lucan Biddulph - Lucan Urban Area	\$0.00	\$0.00	\$0.00	\$0.00	15	Middlesex, C
Lucan Biddulph - Granton Urban Area	\$0.00	\$0.00	\$0.00	\$0.00	15	Middlesex, C
Stratford	\$0.00	\$0.00	\$0.00	\$0.00	15	Separated
St. Marys (Current & Recommended)	\$0.00	\$0.00	\$0.00	\$0.00	15	Separated

*The County of Perth, Perth East and Perth South do not have Development Charges.

Implementation of New Rates:

The timing of the new rates is typically on the date the by-law passes which would be November 28 in this instance. As the rates are based on 2017 values the by-law states that the rates would be indexed January 1 each year starting 2018. Rather than implement rates at the end of November and then index them the following month, the current rates will be in effect for the remainder of the year with the new indexed rates taking effect January 1, 2018.

SUMMARY

This report presents the results of the Development Charge Study that was initiated in March of this year. During this process various meeting where held with staff to review the data collected, a Council workshop was held, the DC Background Study was issued, a meeting and additional discussions were held with stakeholders and most recently the public meeting took place. The requirements of the Development Charges Act have been fulfilled.

FINANCIAL IMPLICATIONS

The Town developed the Development Charge rates with the intent of collecting the true cost of growth from developers rather than through drawing on the tax base. The implementation of the rates will recover the full cost from residential development and a partial recovery from institutional and commercial while remaining competitive with neighbouring municipalities.

STRATEGIC PLAN

- ☒ This initiative is supported by the following priorities, outcomes, and tactics in the Plan.
- Pillar #1 Infrastructure:
 - Outcome: St. Marys is committed to developing a progressive and sustainable infrastructure plan that meets the infrastructure needs of today and tomorrow. This will require a balance between building and regular maintenance.
 - Pillar #3 Balanced Growth:
 - The Town will develop a sustainable growth plan to ensure new revenue sources can meet the increasing costs of existing service demands to satisfy population growth and economic development plans, all while continuing to support existing and new industrial and commercial ventures.
 - Pillar #5 Economic Growth:
 - The Town will view economic development as one of the essential keystones to growth and sustainability. A targeted approach in this area will focus on supporting, attracting, and retaining a beneficial mix that is realistically tailored to the strengths and needs of St Marys

OTHERS CONSULTED


Senior Management Team
Watson and Associates Economists Ltd.

ATTACHMENTS

Development Charges Background Study 2017 - Addendum


REVIEWED BY

Recommended by the Department



Jim Brown
Director of Finance

Recommended by the CAO



Brent Kittmer
CAO / Clerk