

For Information

DATE: December 22, 2010

REPORT TITLE: **DEVELOPMENT CHARGES BY-LAW REVIEW**

FROM: Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

OBJECTIVE

This report provides Regional Council with an overview of the process that will support the review and update of the Regional development charges (DC) By-law and DC rates.

REPORT HIGHLIGHTS

- Report outlines the process and timetable necessary to update the current DC By-law and rates which expire October 4, 2012.
- The 2011 Capital Budget Plan and Capital Plan will form the basis for the DC Background Study.
- As per past experience the DC Background Study will be completed by Regional staff and will undergo an external peer review.
- The DC By-law review process will be subject to consultations with key stakeholders such as the development industry, lower-tier municipalities and others interested.

DISCUSSION**1. Background**

The *Development Charges Act, 1997* (the *DC Act*) requires a municipality to adopt a DC By-law every five years, if not sooner, to implement its DC rates. A DC Background Study is required to be conducted to support the implementation of a council adopted DC By-law. Regional Council adopted By-law 115-2007 on October 4, 2007, which was based on the 2007 DC Background Study, and will expire on October 4, 2012.

a) Development Charges By-law Review Process

This report updates Regional Council on the work that constitutes the review process of the Regional DC By-law update and the associated timetable. Various stakeholders on the 2011 DC Background Study will be consulted and engaged in order to develop proposed rates in preparation for the approval of the DC By-law in 2012. A project charter has been completed for the DC By-law update and provides the framework regarding project scope, deliverables and schedule. The DC By-law update consists of three major deliverables:

- Preparation of the 2011 DC Background Study which establishes the average service levels and determines proposed DC rates;
- Review of DC policies to support the DC B-law; and
- Preparation of new updated DC By-law including the new DC rates.

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Finance staff has initiated meetings with various Regional programs that will be involved in the review to form technical teams. Finance staff will begin working with the technical teams to calculate the increased capital infrastructure services required as a result of development. The calculations will be in keeping with the principle that growth should pay for growth, while at the same time be in compliance with provisions set out in the *DC Act*. This phase of work will also identify the eligible growth related capital expenditures that will be outlined in the 2011 DC Background Study.

The proposed DC By-law process timetable outlined below is based on previous experience with the required time to develop the documentation and Background Study to support a DC By-law update, including the statutory public consultation process, and to enable Council adoption prior to the expiry of the current by-law. Accordingly, a draft process timeline is set out below.

Development Charges By-law Review Process	
Phase of Work	Draft Timeline
1. Collection of technical data	Winter 2010 - 2011
2. Data review and analysis	Spring – Summer 2011
3. Draft Background Study and potential consultations	Late Fall 2011
4. Background Study released for public review	Winter 2011 - 2012
5. Public meeting	Winter 2011 - 2012
6. Council approval of DC By-law	Spring – Summer 2012

2. Scope of Work**a) Average Levels of Service**

Finance staff will work with various program technical teams to determine the average service levels over the last ten years. The average service levels represent a cap under the current *DC Act* that limit the amount of increase in capital expenditure services eligible for DC funding.

The DC Background Study will be prepared based on the anticipated growth in accordance with the approved Regional Official Plan using the Council approved ROPA 24 population forecast to 2031. Staff will monitor any developments arising from the provincial government's review, as well as any third party interest, of ROPA 24 population estimates and will adjust accordingly, if needed. The increase in capital infrastructure services required for development will be based on the eligible growth related costs arising from the 2011 Capital Budget Plan and 10-Year Capital Plan. The financial analysis conducted as part of the Background Study utilizes the Regional DC model, whose assumptions and calculations will be subject to a peer review by an external subject matter expert to ensure integrity of our approach.

b) Policy Review

Staff will review existing and potential new policies to provide both added clarity and to support the updated DC By-law. Provincial legislation such as the *Places To Grow Act* and the Regional Official Plan both promote intensification. Staff will soon be reporting to Council regarding ROPA 26, which addresses among other things intensification. Staff will examine potential options to promoting intensification while also balancing the cost of any proposed financial incentives. The *DC Act* prohibits any reduction in DC rates to be made up through development charges. Therefore incentives involving a

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reduction applied to development charges will need to be offset through taxes and/or utility rates.

c) Consultation Process

As has been past practice, it is proposed that staff will consult with interested stakeholders, including the area municipalities, throughout the entire process. Staff will also liaise with representatives of the development industry through the Building Industry Liaison Team (BILT). The team consists of senior members and staff from the development industry as well as Public Works and Finance. An invitation will be extended to the Boards of Trade and Chamber of Commerce as well as any other organizations expressing an interest in the By-law review process.

3. Application of Development Charges – Region of Peel

This section of the report briefly highlights some of the more significant details about the *DC Act* under which Regional development charges are governed. According to Section 26.(1) of the *Act*, a development charge is payable for a development upon a building permit being issued for a development unless the Development Charge By-law provides otherwise. Development charges are levied against all new or re-developed structures within the Region of Peel in order that substantial capital works required to facilitate growth can occur, without eroding current service levels. The growth related capital costs are apportioned among various types of development (residential, industrial and non-industrial) in a manner that reflects the increased need for each service attributed to each type of development. A development charge rate is imposed for each type of development and is applied consistently across the entire region as the provision of infrastructure is viewed to benefit the region as a whole and is not specific to one area.

The determination of development charges for a structure reflects the availability of services to the property and not the actual usage of specific services. Where municipal water and wastewater services are not available, a discount is applied to the DC rate. Development charges are not levied in the case of an addition to an existing residential dwelling unit, however, if a new residential unit is constructed, development charges would be assessed based on the services available to the development. Agricultural uses are excluded, but a residence on agricultural lands is included. Municipal and school board properties are exempt from development charges.

Section 13 of the *DC Act* provides that a municipality's DC By-law can be subject to appeal to the Ontario Municipal Board (OMB) up to 40 days following adoption of the by-law. As per Section 20, a property owner may register a complaint up to 90 days after the development charge is payable if the owner believes there has been an error in either application or calculation of the charge.

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Services for which a Regional development charge is imposed under Regional by-law 115-2007 are as follows:

Water	Wastewater	Regional Roads
Regional Police	Long Term Care	Transhelp
Ambulance	Growth Studies	Social Housing
Homeless Shelters	Children's Services	

The area municipalities collect development charges on behalf of the Region and remit the revenues collected to the Region on a monthly basis. Development charge rates are indexed twice a year on February 1 and August 1 using the Statistics Canada Capital Expenditure Price Statistics Index in accordance with provisions in the *DC Act*. The *DC Act* also states that the cost of borrowing for development charges cash flow needs is fully financed by the development charge rates.

The *DC Act* requires a municipality to establish a separate reserve fund for each service to which the charge relates and allocate development charge revenues collected to each reserve fund to which the charge relates. The money in a reserve fund can be spent only for eligible capital costs. The Treasurer is required to provide an annual financial statement reporting on all activity within the development charge reserve funds including opening and closing balances and transactions within the reserve funds for that year.

FINANCIAL IMPLICATIONS

The 2011 DC Background Study will be completed internally by Regional staff and as a result project spending is expected to be minimal. The Background Study will benefit from a peer review by an economic consultant. In addition, internal legal costs (project support and for by-law preparation) and communication services (for public notice/consultations) are also included for a total budget of \$50,000. These costs are eligible for development charges funding and will be recovered through the updated DC rates.

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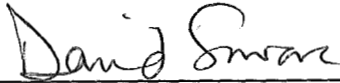
CONCLUSION

The Region of Peel DC Background Study is planned to be completed and presented for public review in winter 2011 - 2012. This will allow for the presentation of a new DC by-law to Council for adoption in the first half of 2012. As has been the practice at the Region of Peel the by-law review process will be open and consultative with all interested stakeholder groups. Council will be provided status updates prior to the adoption of a new DC By-law which will continue to meet Council's objectives ensuring that growth related costs are funded by future development.



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