

The Corporation of the City of Kawartha Lakes

Council Report

Report Number EA2019-015

Date: November 5, 2019

Time: 10:00 a.m.

Place: Council Chambers

Ward Community Identifier: All Wards

Title: Direction Regarding Development Charges By-Law

Description: This report expands on key recommendations to staff by the Development Charges Task Force with the intent of obtaining further direction from Council in advance of enactment of a new development charges by-law.

Author and Title: Adam Found, Manager of Corporate Assets

Recommendation(s):

That Report EA2019-015, **Direction Regarding Development Charges By-Law**, be received;

That the proposed development charges (DC) by-law be revised to reflect a uniform DC rate for industrial, commercial and institutional development for each municipal service, and a 50% DC exemption for industrial development that does not qualify for the legislated industrial DC exemption;

That the effective date of the proposed DC by-law and proposed DC assistance policy be revised from January 1, 2020 to April 1, 2020; and

That the DC study, proposed DC by-law and proposed DC assistance policy, as revised, be presented to Council for adoption at the December 10, 2019 Council meeting.

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

Background:

At the Committee of the Whole meeting of October 8, 2019, members of Council were presented with information relating to the following documents that were published in draft or proposed form on the City's website on October 7, 2019:

1. Development Charges Background Study
2. Development Charges By-Law
3. Development Charges Assistance Policy

At the meeting, presentations relating to these documents were given on behalf of staff, the Development Charges (DC) Task Force and Watson and Associates, preparer of the DC study. At the conclusion of the presentations, members of Council were advised staff would bring to the November 5, 2019 Council meeting recommendations regarding further direction on the proposed DC by-law. This report fulfills that commitment.

Rationale:

As Council is aware, the DC Task Force has made 28 recommendations to staff pertaining to the 2019 DC by-law update and more generally to the City's DC framework. The recommendations reflect the Terms of Reference for the DC Task Force, as subsequently expanded by Council Resolution CR2019-275 based on Mayor Letham's memo to Council dated April 9, 2019. For Council's information, this memo and the DC Task Force's recommendations to date are attached hereto as Appendices A and B, respectively.

Many of the DC Task Force's recommendations have already been implemented or reflected in the DC study, by-law and or assistance policy to the extent applicable, while others pertain to incidental and background matters such as prioritization of growth-related works and DC reserve management. Still others pertain to more strategic and comprehensive considerations such as the undertaking of a fiscal impact and competitiveness study.

Of the DC Task Force's 28 recommendations, staff has identified the following for further examination in partnership with Council:

1. Recommendation #21: That industrial, commercial and institutional (ICI) DC rates be blended into a uniform ICI DC rate to make DC rates applied to commercial development more competitive.
2. Recommendation #22: That a 50% DC exemption or defrayal be provided for industrial development that does not qualify for the legislated industrial DC exemption, if a uniform ICI DC rate is adopted.

3. Recommendation #13: That the DC By-Law and DC Assistance Policy take effect January 1, 2020, with the intent of being amended or replaced as needed to align with Bill 108 by January 1, 2021.
4. Recommendation #14: That an owner with a development in the approval process be permitted to enter into an agreement to lock in 2019 DC rates for the development, provided there is sufficient time to have the agreement prepared by staff and approved by Council by December 10, 2019, but subject to the DCs for the development being indexed on January 1, 2020 and paid by June 30, 2020.

The rationale for extracting these recommendations for further examination with Council at this time is that staff understands they are of particular interest to Council, based on its direction to the DC Task Force, and that their effects warrant special consideration by staff and Council as part of the ongoing public consultation for the proposed DC by-law.

Recommendation #21 makes the City's commercial DC rates more competitive without causing a shortfall in the DC reserve balance that would have to be made up by non-DC sources supported by existing ratepayers. But this comes at the expense of making industrial and institutional DC rates less competitive than otherwise. Recommendation #22 proposes a DC exemption designed to offset the particularly acute impact of Recommendation #21 on industrial DC rates. Like any other exemption, however, this exemption could have financial consequences for existing ratepayers. Recommendations #21 and #22 should be considered as effectively a single recommendation; the latter should not be adopted without the former, and should subsequently be reviewed for its effectiveness if adopted. With that understanding, and recognizing Council's objective of balancing fiscal responsibility with investment in growth and development, staff is supportive of Recommendations #21 and #22 and has incorporated them into this report's recommendations.

Recommendation #13 reflects the need to implement the newly calculated DC rates as soon as practicable in order to support growth-related capital works and solvency of the DC reserve. By contrast, Recommendation #14 reflects the sentiment that owners of developments in the planning approval process ought to have the opportunity to lock in current DC rates for a reasonable period of time, subject to indexation on January 1, 2020. While this measure has no financial consequences for existing ratepayers like a DC rate phase-in or exemption would, it could place further pressure on the DC reserve. Balancing each other, Recommendations #13 and #14 should be considered as effectively a single recommendation; the latter arises only because of the former. With that understanding, staff is supportive of the general intent underlying these recommendations, and has incorporated that intent into this report's recommendations.

Other Alternatives Considered:

As staff is supportive of Recommendations #21 and #22 on a combined basis, the relevant alternative for Council would be to not direct staff to update the proposed DC by-law accordingly.

Staff proposes an effective date of April 1, 2020 for the new DC by-law to reflect the intent underlying Recommendations #13 and #14. The relevant alternative for Council would be to establish a different effective date that is prior to November 25, 2020, the date the current DC by-law expires. Staff's position, however, is that extension of the proposed effective date from January 1, 2020 to April 1, 2020 reasonably safeguards the DC reserve while providing ample time for developments legitimately in the approval process to reach building permit or development agreement stages prior to the new higher DC rates taking effect.

Financial/Operation Impacts:

Among the four DC Task Force recommendations examined in this report, only Recommendation #22 carries a financial implication for existing ratepayers. Assuming a blended ICI DC rate and that industrial development primarily occurs in urban areas of the City, the 50% industrial DC exemption could cost the DC reserve an estimated \$199,000/year to \$385,000/year (in 2019 dollars), where the limits of this range reflect historical and aggressive forecasted rates of industrial development, respectively, as determined by Watson and Associates based on building permit data and the Growth Management Strategy.

As required by the DC Act, the resulting shortfall in the DC reserve must be paid for by ratepayer-supported (i.e. taxpayer-supported and water-wastewater user-supported) sources. Based on direction received by Council, and considering this exemption offsets the industrial DC rate increase arising from making commercial DC rates more competitive, staff are supportive of this recommendation with the understanding it will be subsequently reviewed for its effectiveness, ideally during the next DC by-law update.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

The recommendations of this report align with the "Vibrant and Growing Economy" strategic goal.

Consultations:

Watson and Associates Economists Limited
DC Task Force
Mayor
CAO

Attachments:

Appendix A: Memo to Council by Mayor Letham Entitled “Development Charge Review for New 2020 By-Law”



20190409 Mayor DC
Memorandum.pdf

Appendix B: Development Charges Task Force Recommendations as of October 29, 2019



20191029 DC Task
Force Recommendati

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