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## **Development Charges By-Law Extension Staff Report to Council**

Report Number: 2023-48

Department(s): Financial Services, Legal & Procurement Services

Author(s): Mike Mayes, Director, Financial Services / Treasurer

Meeting Date: June 19, 2023

### **Recommendations**

1. That the report entitled Development Charges By-Law Extension dated June 19, 2023, be received; and,
2. That in 2024, staff bring forward an amending by-law to the current Development Charge By-Laws to extend the expiry date for another five years; and,
3. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

### **Executive Summary**

The Town's current Development Charge (DC) By-Laws will expire on July 21, 2024. Rather than undertaking the full update process, it is recommended that the expiration date be amended to allow for up to a further 5 years.

This is in consideration of:

- Bill 23 – there are still some outstanding issues
- Provincial audit of municipal finances – awaiting the results
- No significant change in service levels
- Short to mid-term predictability of development charge rates

### **Purpose**

The purpose of the report is to obtain Council approval of deferring the Development Charge update by extending the expiration date.

## Background

### Current By-Laws

Municipalities in Ontario use Development Charges (DCs) to recover costs associated with residential and non-residential growth. Development charges fund growth-related capital costs for soft services, like library and fire services, recreation and parking and hard services like engineering and infrastructure. The Development Charges Act is the statutory basis that governs development charges.

Accordingly, the Town of Newmarket enacted the following DC By-Laws on July 18, 2019: the legislation of that time, the

- 2019-46, A By-Law To Establish Development Charges For Non-Discounted Services For The Town Of Newmarket. (Town-Wide Excluding Northwest Quadrant Area)
- 2019-47, A By-Law To Establish Development Charges For Discounted Services For The Town Of Newmarket. (Town-Wide)
- 2019-48, A By-Law To Establish Area Specific Development Charges For Non-Discounted Services For The Town Of Newmarket. (Northwest Quadrant Development Area)

In compliance with the legislation in effect at that time, these by-laws were set to expire in five years, on July 18, 2024.

By-Law 2022-34, June 6, 2022, amended some of the provisions in these by-laws but did not alter the expiration date.

### Bill 23

The Province of Ontario passed Bill 23, the *More Homes Built Faster Act* on November 28, 2022. Amongst the changes it made to the *Development Charges Act, 1997*, are:

- Extending the maximum life of a DC By-Law from five to ten years.
- Phasing DC rates over a 5-year period from the enactment of the by-law:
  - 20% discount for the 1<sup>st</sup> year
  - 15% discount for the 2<sup>nd</sup> year
  - 10% discount for the 3<sup>rd</sup> year
  - 5% discount for the 4<sup>th</sup> year
  - No discount in the 5<sup>th</sup> year and thereafter.

It has been confirmed that an amendment, such as we did in 2022 and are proposing for 2024, would reset the phase-in clock.

There are still a number of items that require clarifying regulations, such as for attainable housing.

## **Being Kept Whole**

On a number of occasions, the Minister of Municipal Affairs has stated that municipalities will be kept whole. To date, the only action on this has been that the Town of Newmarket has been selected by the Ministry of Municipal Affairs to undergo an audit of municipal finances. The stated goal is to “get the facts on municipal finances, including municipal reserve funds and development charge administration.” The scope of the audit includes: “an independent estimate of the financial impacts of Bill 23 assuming the Town would meet/exceed the new housing targets, over the 10-year period, 2022 to 2031.”

The audit has not started yet and we may not know the result until the end of the year.

## **Discussion**

Considering the following, it would be prudent to defer a full update of our development charge rates and by-laws.

### **Bill 23 – there are still some outstanding issues**

At this time, we do not know the full impact of Bill 23

- Outstanding regulations to define new items, such as attainable housing.
- No guidance has been provided on how municipalities will be kept whole.

Without this information, it is not possible to prepare a proper growth forecast – revenues and expenditures –the foundation of any development charges study and update.

### **Provincial audit of municipal finances – awaiting the results**

Similarly, we need the findings from the provincial audit. If there are some areas where there is an opportunity to improve, they could impact our future DC rates.

However, we do not expect to be made aware of the results until the end of the year.

### **No significant change in service levels**

One of the prime motivations for updating DC rates is to capture increases in service levels. Service levels are measured as investment per capita (adjusted for inflation). Enhanced service levels allow for increased DC charges to be applied to growth.

The Town is about to undertake major capital expenditures, but there has been no significant indexed in recent history – now extended to 15 years. As DC's are indeed to the non-residential construction price index, only real growth in the asset inventory enhances service levels.

### **Short to mid-term predictability of development charge rates**

Traditionally a new Development Charges bylaw results in higher DC rates. By not doing an update in 2024, the development industry can reasonably project what the rates will be for the next few years.

## **Conclusion**

If Council accepts this recommendation, Staff will propose amendments to the current development charge by-laws in the spring of 2024. (It would likely be for the maximum term, with the option to terminate sooner if circumstances change.)

## **Business Plan and Strategic Plan Linkages**

This report supports Financial Sustainability which is a foundational piece for the Council priorities of:

- Community and economic vibrancy – Attracting and retaining amazing people and businesses to ensure Newmarket's long-term viability.
- Customer-first way of life – Ensuring the community has timely access to services that enhance their quality of life.
- Extraordinary places and spaces – Creating exceptional experiences for the community in shared and accessible public spaces.
- Environmental sustainability – Preserving our environmental assets.

## **Consultation**

Internally- discussion with the Strategic Leadership Team, and Legal and Procurement Services.

Externally – feedback from our Development Charges consultant and external legal counsel.

## **Human Resource Considerations**

N/A.

## **Budget Impact**

Amending the by-laws can be done with internal resources and would have no budget impact.

A Development Charge Background Study and By-Law update would cost in the \$50-\$100,000 and can no longer be funded from DC's.

## **Attachments**

None

## **Approval**

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Director, Financial Services/Treasurer

Karen Reynar, LL.B

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## **Contact**

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