BRAMPTON

Report
Staff Report
The Corporation of the City of Brampton
5/29/2024

Date: 2024-05-14

Subject: **2024 Development Charges Study - Public Meeting**

Contact: **Nash Damer, Treasurer, Finance**
Raghu Kumar, Manager, Capital and Development Finance

Report number: Corporate Support Services-2024-338

RECOMMENDATIONS:

1. That the report from Raghu Kumar, Manager, Capital and Development Finance, Corporate Support Services, to the Council Meeting of May 29, 2024, re: **2024 Development Charges Study – Public Meeting,** be received.

OVERVIEW:

- **The City's current DC by-laws expires on August 1, 2024 and a full review of the DC by-laws and a new background study must be completed prior to August 1, 2024 to continue levying development charges.**
- **The newly enacted bylaws will be updated in three years to include the housing pledge units and services downloaded from the Region.**
- **The calculated rates are formulated to recover a net growth-related capital program of $4.2 billion.**
- **The residential rates will increase by 23% to 39% compared with the current rates, and the non-residential rates by 34% to 44%.**
- **Sharp increases in construction prices for engineered services is a key driver for the rate increase.**
- **Office developments are being considered for total exemptions from development charges as per Council direction.**
- **Implications of the three-year rate freeze requirements to access the Canada Housing Infrastructure Fund is being reviewed.**

- **A follow-up recommendation report to seek endorsement of the DC Study and by-laws will be brought back to the June 26, 2024 meeting of City Council.**

BACKGROUND:

Development charges (DC) is the primary revenue tool used by municipalities to fund growth-related infrastructure

The principal behind DCs is that “growth pays for growth” so that the burden of costs related to new development does not fall on the existing residents in the form of increased property taxes and/or user fees. DCs help to ensure that municipalities have funding to invest in the necessary infrastructure in order to maintain service levels as the City grows.

The *Development Charges Act, 1997* (the Act) requires that a full DC by-law approval process, including a background study and the holding of a public meeting

The City’s existing DC by-laws took effect in August 2019, and therefore a full review with the required supporting studies and stakeholder consultation must be completed and new by-laws approved no later than August 2, 2024 to continue to levy DCs.

The project was initiated in early 2023 with Hemson Consulting Ltd being retained as the main consulting lead and HDR lending their expertise for the transportation planning component. As in prior years, the exercise involved the efforts of staff from all disciplines across the organization in arriving at the revised rates, updating the bylaws and policies.

Several amendments have been made to the Development charges legislation since the last update to the DC Study in 2019, as detailed below:

- Bill 108, the *More Homes, More Choice Act*
- Bill 197, the *COVID-19 Economic Recovery Act*
- Bill 23, the *More Homes Built Faster Act*
- Bill 134, the *Affordable Homes and Good Jobs Act*
- Bill 185, the *Cutting Red Tape to Build More Homes Act (in second reading)*

Council has been apprised of the impact of these legislative changes through previous reports as released.

CURRENT SITUATION:

The DC Study, prepared pursuant to the prescriptive methodology was made available to the public for review on April 19, 2024

The key steps in determining the new DC rates as mandated by legislation are summarized below and described comprehensively in the DC Study:

1. Develop a growth forecast
2. Calculate the historic service levels for soft services
3. Identify the projects that required to service the growth identified in Step 1
4. Estimate the gross cost of the projects in Step 3 and identify the non-DC eligible shares
5. Allocate the DC eligible costs between types of development (e.g. – residential or non-residential)
6. Calculate the DC rates

The services for which the City collects DCs are summarized in the Figure 1 below.

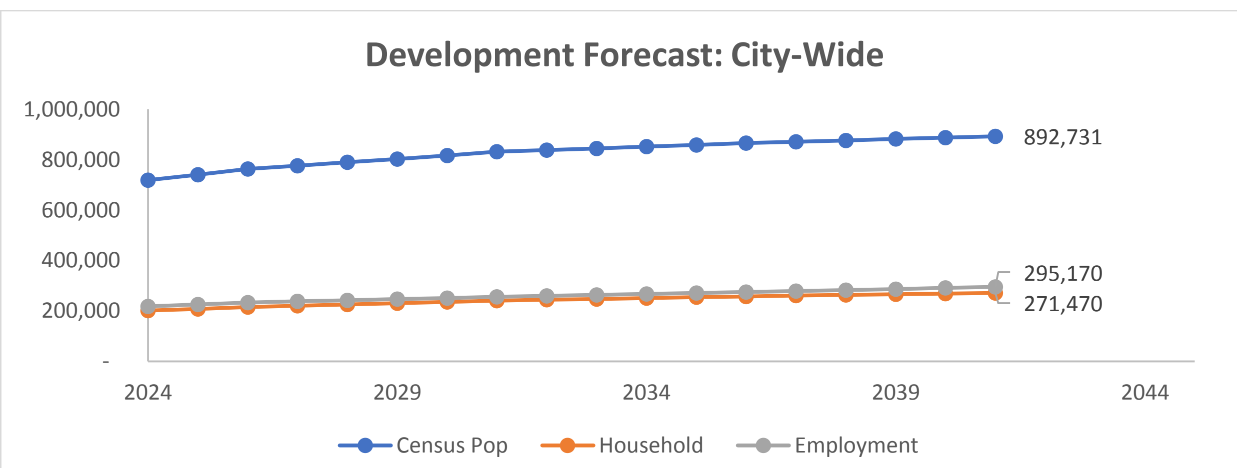
Figure 1: DC Eligible Services

- Development Related Studies
- By-Law enforcement
- Library
- Fire and Emergency Services
- Recreation (including Parks)
- Public Works
- Transit
- Roads and Related (including intersection improvements, sidewalks, active transportation, grade separations)

The newly enacted bylaws will be updated in three years

The development forecast used in the DC Study is based on Schedule 3 of the Provincial *Growth Plan* official plans of the Region of Peel and council approved Brampton Plan. A planning horizon to 2041 has been used in the study for forecasts of population, households, and employment. Figure 2 as presented below, summarizes the City's forecasted projections from 2024 to 2041.

Figure 2: Growth projections 2024 to 2041



The forecasts used does not include the housing pledge targets assigned by the Province stemming from the recommendations of Housing Affordability Task force. Consequently, a two phased approach is being adopted, with an update to the current by-law to be conducted after three years that will include updated infrastructure plans needed to service the additional housing pledge units and other downloaded regional services.

The City's population is forecasted to increase by approximately 196,000 persons and creation of additional 85,000 jobs from 2024 to 2041

This population increase can be accommodated by housing growth of roughly 77,000 dwelling units. The City is expected to see a shift in the housing mix to higher density forms of housing. As a result, apartments and row/other multiples are estimated to represent 36% and 31% of the anticipated new housing units, with single and semi-detached units rounding out the balance 33%.

The *Growth Plan* envisions an additional 85,000 jobs to be added to the City's employment base. The majority of these jobs are related to the industrial sector, while the remaining shares are population-related (i.e. – commercial and institutional sectors) and major office jobs.

All services other than Roads have a ten-year forecast period

The DC Act allows for a ten-year recovery period for soft services, which in this Study include Development Related Studies, By-law enforcement, Fire, Recreation, Public Works, and Transit. Roads services have a forecast period of 2024-2041.

The growth-related capital program for the purposes of the DC study has been developed relying upon various previously approved Master Plans (Transportation Master Plan, Transit Business Plan, Fire Master Plan and Library Master Plan), the 2024 Council approved Capital program and discussions with staff.

Development related studies is a new category of service added as part of this update These costs were formerly included under General Government Services, but they were made ineligible through Bill 23 amendments to the legislation.

The proposed reinstatement of Development related studies as a DC eligible expense through Bill 185 will permit the recovery of $16 million from future development charges.

The calculated rates are formulated to recover a net growth-related capital program of $4.2 billion

The total gross cost of projects for all soft services amounts to $8.7 billion. The Roads and Related capital program, which extends out to 2041, totals to $3.3 billion.

The DC Act then requires municipalities to reduce their growth-related capital program by the following shares:

- Grants, subsidies, or other recoveries

- Capital replacement or other benefits to the existing community
- Existing DC reserve fund balances
- Amounts that exceed historic service levels (post period share)

After the above noted reductions, the net DC recoverable share amount to $4.2 billion, with soft services accounting for $1.6 billion and $2.6 billion for Roads. These are the expenditures included in the development charges calculation.

Figure 3 summarizes the growth-related capital program and their funding shares.

Figure 3 - Summary of Capital Program (in Millions)

Service	Gross Costs	Grants/Developer Share	Benefit to Existing	Available Reserves	In-Period Costs	Other Dev. Related
					2024-2033	
Development-Related Studies*	$33.2	$0.0	$17.4	$0.0	$15.9	$0.0
By-Law Enforcement	$69.0	$0.0	$0.0	$0.0	$14.3	$54.7
Library Services	$120.0	$0.0	$32.9	$0.0	$48.3	$38.9
Fire Services	$76.2	$0.0	$0.0	$0.0	$57.0	$19.2
Recreation	$956.0	$4.0	$29.2	$12.7	$598.2	$311.9
Public Works	$124.7	$0.0	$0.0	$0.0	$69.6	$55.1
Transit Services	$7,393.8	$4,626.3	$1,637.9	$0.0	$828.1	$301.5
TOTAL $	**$8,773.1**	**$4,630.3**	**$1,717.3**	**$12.7**	**$1,631.4**	**$781.4**
					2024-2041	
Roads & Related	$3,287.2	$184.4	$294.2	$134.8	$2,570.8	$103.0
TOTAL $	**$3,287.2**	**$184.4**	**$294.2**	**$134.8**	**$2,570.8**	**$103.0**

*****_Bill 185 Cutting Red Tape to Build More Homes Act which is in its second reading proposes to make these a DC eligible service_

The residential rates will increase by 23% to 39% compared with the current rates, and the non-residential rates by 34% to 44%

The preparation of the 2024 DC Study has resulted in the following draft calculated rates for each of the following land use categories. Bill 23, *More Homes Built Faster Act* that came into force in November 2022 introduced a phase-in provision, whereby, the newly calculated rates must be phased in gradually over a five-year period starting with twenty percent discount in the first year, depleted in increments of five percent in subsequent years. Figure 4 shows the comparison between the current and calculated rates, along with the phase-in of the rates over a five-year period.

Figure 4 : Draft calculated rates compared to current rates and Phase-in

Charge Type	Current	Calculated	Change	Year 1	Year 2	Year 3	Year 4	Year 5
Singles / Semis	$53,803	$70,000	*30%*	$56,000	$59,500	$63,000	$66,500	$70,000
Rows /Other Multiples	$39,639	$55,222	*39%*	$44,178	$46,939	$49,700	$52,461	$55,222
Large Apartments> 750 Sq. Ft.	$32,146	$39,588	*23%*	$31,670	$33,650	$35,629	$37,609	$39,588
Small Apartments< = 750 Sq. Ft.	$18,522	$24,363	*32%*	$19,490	$20,709	$21,927	$23,145	$24,363
Industrial	$84.06	$120.94	*44%*	$96.75	$102.80	$108.85	$114.89	$120.94
Non-Industrial / Non-Office	$166.73	$225.26	*35%*	$180.21	$191.48	$202.74	$214.00	$225.26
Major Office*****	$333.46	$435.57	*31%*	$348.46	$370.23	$392.01	$413.79	$435.57
Phase-in				*80%*	*85%*	*90%*	*95%*	*100%*

Major Office discounted to zero as per direction from Council

Bill 185, the *Cutting Red Tape to Build More Homes Act* currently in its second reading proposes to rescind the phase-in clause which will mitigate a potential revenue loss of $180 million over a period of 5 years

Sharp increases in construction prices for engineered services a key driver for the rate increase

The escalation in construction prices have far outstripped the non-residential construction price index used for inflating DC rates. The majority of the DC rate relates to the movement of people and goods within the City of Brampton. Approximately 72% and up to 95% of the calculated residential and non-residential DC rates, respectively, are attributed to significantly expanded transit services and a revised roads capital program that incorporates active transportation and other sustainable elements in place of the traditional lane expansions. On the residential DC rate, a further 22% is attributable to the provision of Recreation services.

Office developments exemptions from development charges

The draft calculated rates as shown in Figure 4 are the maximum allowable DC rates that are permissible under the rules of the DC Act. Council may choose to provide full or partial discounts of the DC rates. Generally, discounts are only provided in cases where a basis for relief is substantial, and the fully calculated DC rate would otherwise produce negative effects for the City.
To support Council’s long-standing commitment to bringing good jobs to the community and making Brampton “open for business”, Council approved a total development charges exemption for office developments that support key sectors of economic activity and are consistent with the Brampton Plan, subject to further consultation. In this context staff is considering exemptions for speculative and purpose-built office developments. The foregone DC revenue will be offset from the tax base.

The definition of a “canopy” in the by-law is being amended to include free standing shade structures to align with the exemption currently provided to similar structures used for a gas bar or service station.

An asset management plan has been prepared in accordance with the Act to ensure long term financial sustainability

The requirement to include an Asset Management Plan (AMP) was introduced as part of the DCA amendments that came into effect on January 1, 2016. The primary purpose of the AMP is to demonstrate that all assets proposed to be funded under the development charges by-law are financially sustainable over their full life cycle.

Continuation of the application of DCs on a city-wide basis is being proposed for the 2024 DC by-law

DCs may be levied on a city-wide or area-specific basis. The 2016 amendment to the DC Act requires Council to consider the usage of area specific DCs. For various reasons set out in the DC Study, the proposed 2024 DC by-law continues to apply DCs on a city-wide basis. The primary reason being the suite of services offered by the City of Brampton lends itself well to City-wide charges. Area-specific charges are typically levied for those services that have defined benefitting boundaries (e.g. Water and wastewater services). Whereas the services for which Brampton levies DCs (i.e. – Recreation, Library, Roads, etc.) are services that are accessible by all residents and business in Brampton.

Staff is recommending that the current DC By-laws remain in effect until their normal expiry date of August 1, 2024.

The approved DC Study and by-laws and associated policies are then proposed to come into effect on August 2, 2024. The passing of the by-laws, which is proposed to be on June 26, would provide an effective transition period for the development industry to adjust to the newly calculated DC rates.

The DC Study and draft by-laws are tabled for information and consultation at this time and is subject to changes predicated by public input.

Council approval will be sought for the adoption of the new proposed DC by-laws, including:

- Adoption of the DC Background Study, including the associated development-related capital program.
- Acknowledgement that Council gave due consideration to the use of area specific DCs and determined that the charges should be calculated on a City-wide basis.
- Adoption of the planned level of service for transit, as set out in the DC Background Study.
- A determination that no further public meetings are required.
- Confirmation that Council intends to ensure that the increase in need for services attributable to anticipated development identified in the DC Background Study will be met.
- Confirmation that Council intends that all future excess capacity identified in the DC Background Study shall be paid for by development charges; and
- Direction to the City Solicitor, in consultation with the City Treasurer, to revise the DC by-laws as necessary to give effect to adopted recommendations.

CORPORATE IMPLICATIONS:

Financial Implications:

DCs remain the most important revenue tool for the City to fund growth-related infrastructure

Existing statutory constraints limit municipalities' ability to fully recover growth-related costs from DCs and a portion of the cost of growth is required to be funded from the City's property tax base and user fees. As one of fastest growing municipalities in the Province, this revenue stream requires careful monitoring and informed advocacy positions to ensure that the existing taxpayers are not unduly burdened.

The retraction of the phase-in provision and reinstatement of growth-related studies as DC eligible costs as proposed in the recently tabled Bill 185 is a positive move that mitigates some of the revenue shortfall that resulted from the amendments introduced through Bill 23.

The exemptions contemplated in this report will help with Brampton's efforts to attract investment from business that need office space in support of Council's intention to incentivize employment growth.

Access to the $ 6 billion Canada Housing Infrastructure Fund

On April 2, 2024, the Federal government announced the launch of a Canada Housing Infrastructure Fund to support the development and refurbishment of vital housing infrastructure, supporting the construction of more homes.

The $6 billion fund consists of $1 billion provision for municipalities to support urgent infrastructure needs that will directly create more housing, with no further details are available at this time. The remaining $5 billion is allocated for provincial and territorial long-term priorities, contingent on their commitment to actions that augment housing supply.

One of the requirements to access this fund is to implement a three-year freeze on development charges at the rates prevalent on April 2, 2024 for municipalities with a population greater than 300,000. The province has until January 1, 2025, to secure an agreement with the federal government.

On April 18, 2024 the Minister of Municipal Affairs and Housing sent a letter to AMO's President proposing a collaborative "Team Ontario" approach to federal infrastructure funding agreement negotiations. It is anticipated that the Minister will convene the heads of Councils represented by the Ontario Big City Mayors and AMO representatives to collaboratively develop "Team Ontario's" approach.

City staff are reviewing the implications, while engaging with AMO, and will report back to Council with analysis and recommendations.

STRATEGIC FOCUS AREA:

This report supports the Strategic focus area of Government and Leadership by ensuring financial sustainability and accountability in adequately planning for the City's growth.

CONCLUSION:

This report supports the tabling and public release of the 2024 Development Charges Background Study and draft by-laws for information and consultation. It also provides Council with the information related to the proposed development charges rates and by-law amendments.

This report further recommends that the input received at the statutory public meeting be referred to staff, including the results of any further consultation and other recommended changes to the proposed by-laws and DC rates, to be brought back to Council on June 26, 2024 for adoption of the by-laws and Development Charge Study.

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