

Date: March 12, 2021	Originator's files:
To: Chair and Members of General Committee	
From: Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer	Meeting date: March 31, 2021

Subject

Development Charges Background Study and Community Benefits Charge Strategy Project Update

Recommendation

That the report entitled "Development Charges Background Study and Community Benefits Charge Strategy Project Update" dated March 12, 2021, from the Commissioner of Corporate Services and Chief Financial Officer, be received for information.

Report Highlights

- Recent legislative changes have triggered the need to update the 2019 Development Charges (DC) Background Study and by-law and to develop a Community Benefits Charge (CBC) Strategy and by-law. This will allow the City to collect additional and new revenue related to growth.
- The DC Background Study update will include a review of new eligible services, removal of the 10% discount on current soft services and remove non-eligible services (e.g. parking).
- A CBC Strategy and by-law will determine rates (not to exceed 4% of land value of high density developments), which can be charged toward growth related services that are not eligible for recovery under the DC by-law.
- Hemson Consulting has been retained to work on the DC Background Study, CBC Strategy and Parkland Conveyance By-law. Staff will work with Hemson through the project process to review DC policy issues, historic data, growth forecasts, determine the rates, etc. Hemson will also assess COVID-19 impacts on transit ridership and the growth forecasts.
- The DC Background Study work will include a review of policy issues such as benefit to existing, post period benefit, industrial floor space per worker, and other policy matters.

- Council endorsed growth forecasts are a key component of developing the DC Background Study, CBC Strategy and related transportation studies. A report from the Commissioner of Planning and Building entitled “Mississauga’s Population and Employment Forecasts for the Development Charges & Community Benefits Charge By-law Review”, on this same agenda, presents city-wide population forecasts for the purposes of use in the aforementioned plans.
- The DC and CBC by-laws require Council approval by September 2022. Staff aim to present the by-laws for Council consideration and seek approval in Q1 of 2022.

Background

The City’s last Development Charges (DC) by-law was approved in June 2019. As per the *Development Charges Act*, DC by-laws are required to be reviewed and updated every five years. The City’s next review would have been completed by 2024, however, given the significant changes to legislation in 2020, the City needs to initiate an update to the background study and by-law in order to benefit from those changes. This review will meet all the legislative requirements in updating a background study as stipulated in the *DC Act*.

Legislative Changes

On July 8, 2020, the Province introduced an omnibus bill, the *COVID-19 Economic Recovery Act, 2020* (Bill 197), which included a number of changes to the *Development Charges Act* and *Planning Act*.

The following legislative changes will be reviewed as part of the DC By-law update:

- Eligible new services
- Removal of the 10% discount on current soft services
- Removal of services no longer eligible for DCs (e.g. parking)

The *Planning Act* has been amended to replace the Bonus Zoning (Section 37) provisions with a new revenue tool called the Community Benefits Charge (CBC) to be used to recover capital costs related to growth that are not eligible through DCs. The CBC is capped at 4% of land value and is imposed on developments with five or more storeys and 10 or more units.

The changes to comply with the amended legislation are to be completed by September 2022. Staff aim to seek Council approval on the new by-laws in Q1 of 2022.

Procurement

On December 2, 2020 General Committee considered the report “Single Source Procurement with Hemson Consulting Ltd. for the DC Background Study, CBC Strategy and Parkland Conveyance By-law”. Committee endorsed the sole-source procurement for Hemson Consulting Ltd. to undertake the update to the 2019 DC Background Study, a new CBC Strategy and to update the Parkland Conveyance by-law. The three projects will be completed in tandem. The

DC and CBC projects will be lead by Finance staff, and the Parkland Conveyance work will be lead by Parks Planning staff.

Comments

The update to the DC Background Study and development of the CBC Strategy aligns with the legislated requirements including stakeholder consultation, advance release of the documents and holding a statutory public meeting. The timeline for completing these projects is significantly condensed compared to the planning time provided with a normal five-year review. Aside from the related transportation studies, no update of the various Master Plans will be required in order to prepare for this process.

Staff are currently working on the DC/CBC background and policy analysis and will be examining the development forecasts to determine growth impacts. In Q2 of this year, staff will work with the consultant to compile historic service levels and prepare the DC and CBC capital program. Council can expect an education session on the draft rates in early Fall. The draft Background Study and CBC Strategy are planned to be released in the latter part of this year, with a public meeting to be held in January. Staff will seek Council approval of the by-laws in Q1 of 2022. See Appendix 1 for project timeline.

Policy Issues

Policy issues will be examined and incorporated into the background study. Some of the issues that will be investigated include the following:

- Benefit to existing (BTE) and post period benefit (PPB)
- Review of Industrial Floor Space per Worker
- Application and expiration of demolition credits
- Financial and other impacts of discretionary exemptions and/or credits
- Alignment with affordable housing objectives of the Region, City and Province
- The use of development securities for non-residential developments and when they are appropriate

CBC

The City can now implement a CBC which replaces Section 37 Bonus Zoning in the *Planning Act*. The CBC is only applicable to high density developments. The CBC Strategy will review the following:

- Determine the services to be funded through a CBC
- Estimates of the anticipated amount, type and location of development and redevelopment
- Estimates of the increase in need for facilities, services and matters attributable to the anticipated development and redevelopment
- Identify excess capacity that exists in relation to the facilities, services and matters attributable to the anticipated development and redevelopment

- Benefit to existing attributions based on new services identified
- Estimates of capital costs
- An assessment of whether the CBC should be applied based on a city-wide approach or an area-specified approach.

COVID Impacts

The COVID-19 pandemic has had an impact on factors to be considered as part of the DC background study work. Two main matters to be reviewed under this lens include: impacts to transit ridership and the growth forecasts, with particular consideration for the impacts over the next few years. The pandemic has had a significant short-term impact on transit ridership, however, there may be longer-term impacts that will be reviewed. Similarly, growth patterns may be different given travel restrictions which has impacted expected population growth through immigration. Impacts to the forecasts may affect capital planning and budgeting. These matters will be reviewed in depth.

Growth Forecasts

Growth Forecasts are a key component of developing the DC Background Study and will be a fundamental part of the CBC Strategy. Growth forecasts are also used as input into the transportation modeling used in the Transportation Master Plan that will be updated and used in the DC background study.

A report from the Commissioner of Planning and Building entitled “Mississauga’s Population and Employment Forecasts for the Development Charges & Community Benefits Charge By-law Review”, on this same agenda, presents city-wide population and employment forecasts for the purposes of use in the aforementioned plans. Proceeding with these forecasts from the Planning department will ensure a level of certainty in defending the final DC and CBC rates and reduce the risk of lost revenue.

Engagement and Collaboration

The DC Background Study and CBC Strategy require input from all departments in the corporation. A Steering Committee has been formed with directors, primarily those who are responsible for capital programs for both the DCs and CBC. The Steering Committee will be responsible for providing direction and making decisions through the process. A Working Team with staff representation from all departments has also been formed and preliminarily background work is underway.

Consultation with the development industry has been scheduled at key points through the duration of the projects. As well, as required by legislation, the background study will be released 60 days in advance of the public meeting as required. The CBC strategy will be released at the same time. This gives the industry substantial time to review the documents and provide their comments to the City.

Finance staff will work with Strategic Communications to develop a communication plan that will detail communication tactics including social media outreach at key milestones of the projects and news releases when appropriate.

Financial Impact

The capital project (PN #20603) to fund the 2022 DC Background Study and CBC Strategy was approved as part of the 2020 Budget. The sole source procurement for Hemson Consulting for completion of the DC Background Study, CBC Strategy, Parkland Conveyance and CIL work and all by-laws is valued at \$300,000. There are no additional costs for these projects as a result of this report.

Conclusion

Staff have started the update to the 2019 DC Background Study and work on the new CBC Strategy. Hemson Consulting has been retained to assist with these projects. A timeline of key milestones has been developed to assist staff in completing these projects by Q1 of 2022. Staff have engaged all internal stakeholders and plan on hosting engagement sessions with the development industry and other key stakeholders.

Attachments

Appendix 1: DC/CBC Project Workplan



Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer

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