



City of
Peterborough

To: Members of the General Committee

From: Richard Freymond, Commissioner, Finance & Corporate Support Services

Meeting Date: October 7, 2024

Report: Notice of Public Meeting - Development Charges City-wide Background Study, FCSFS24-022

Subject

A report to advise Council that a public meeting will be held Monday, October 7, 2024 at 4:45 pm in the Council Chambers to present a Development Charge Background Study and to hear public delegations.

Recommendations

That Council approve the recommendations outlined in Report FCSFS24-022, dated October 7, 2024 of the Commissioner, Finance & Corporate Support Services as follows:

- a) That Report CLSFS24-022 advising Council that a public meeting will be held on October 7, 2024 at 4:45 pm in the Council Chambers to present the City-wide Development Charge Background Study, attached as Appendix A, and to hear public delegations, be received.
- b) That the Development Charge Policy Memo and the Development Charge Implementation Memo, both authorized by Hemson Consulting Ltd and attached as Appendix C and D, respectively, be received for information.

Executive Summary

- The City-wide Development Charge by-laws expire on January 1, 2025. A new by-law must be passed to continue to impose development charges for growth-related infrastructure.
- The Development Charges Act stipulates the completion of a Development Charge Background Study and that before passing a development charge by-law, Council shall hold at least one public meeting.
- This report provides notice to Council that a public meeting will be held on Monday, October 7, 2024 in Council Chambers where Hemson Consulting Ltd. will present a Development Charges Background Study undertaken by the City and public delegations will be received.
- A further report will be presented at the October 28, 2024 General Committee meeting that will recommend changes to the City-wide Development Charges rate.
- The City-wide Development Charges By-law, in its final form, will then be presented to the November 4, 2024 Council meeting for approval.

Background

Development Charges (DC) have been levied in the City since 1999 and resulting by-laws typically have a shelf life of five years, with an increase to ten years arising from recent amendments to the Development Charges Act, 1997 (DCA). The DC background study process and ensuing rates fulfill several ongoing key objectives:

- to ensure that growth continues to pay for itself so that the burden arising from development related capital costs does not fall on existing residents in the form of higher taxation and user fees;
- to provide the appropriate level of DC capital funding for infrastructure required by ongoing development in the City, informed by Council approved service levels and Master Plans;
- to ensure that the resulting rates are fair and equitable to all stakeholders; and do not act as an unnecessary disincentive to growth occurring in the City.

On January 1, 2025, By-laws 19-095 and 19-096 (as amended by By-laws 22-061 and 22-062, respectively), which impose City-wide development charges for municipal services, will expire.

There are no changes proposed to the series of By-laws 22-053 to 22-062 inclusive, to impose DCs for the recovery of area-specific engineered services in each City Planning Area.

A public information session was held on September 18, 2024 to provide an overview of the Background Study, the methodology and assumptions used to calculate the

development charges and development charge policies, including exemptions and deferrals, and provide the public with an opportunity to comment and give feedback.

October 7, 2024 Public Meeting

A public meeting will be held on October 7, 2024 at 4:45 pm in the City Council Chambers during which Hemson Consulting Ltd. will present a Development Charges (DC) City-wide Background Study (the Study) (attached as Appendix A) and proposed DC by-laws (attached as Appendix B) undertaken by the City. Members of the public will then have an opportunity to make presentations to Council concerning the proposed new City-wide Development Charges.

The Study has been undertaken in compliance with the provisions of the Development Charges Act, 1997 (DCA) and its regulation (Ontario Regulation 82/98). The DCA stipulates that before passing a development charge by-law, Council shall hold at least one public meeting. The public meeting was advertised in the Peterborough Examiner on September 16, 2024 to provide 20 days advance notice to the public. The Background Study was available as of September 6, 2024 via the City's website.

Council is not required to make any final decisions during the public meeting or give direction to staff. Council can ask questions of presenters for clarification. A staff report will be presented at the October 28, 2024 General Committee meeting, setting out the final recommendations and the proposed by-law, and it will address any issues raised during the public meeting. The DC By-law, in its final form, will then be presented to the November 4, 2024 Council meeting for approval.

Study Complies with the Act

The Study has been undertaken in compliance with the provisions of the **Development Charges Act, 1997** (DCA) and its regulation including amendments that came into force through the More Homes, More Choice Act, the COVID-19 Economic Recovery Act, the More Homes Built Faster Act (Bill 23), and the Cutting Red Tape to Build More Homes Act (Bill 185), the latter of which came into force on June 6, 2024.

Development Forecast

The Development Charges Act (DCA) requires the City to estimate "the anticipated amount, type and location of development" for which development charges may be imposed. The forecasts of population, households, employment and non-residential building space were prepared by Hemson Consulting Ltd. and are structured to achieve:

- A population of 125,000 and employment of 63,000 by 2051 as set out in Policy 3.2 b. of the City's Official Plan. These forecasts are in accordance with the population and employment forecasts in Schedule 3 of the Provincial Plan A Place to Grow: Growth Plan for the Greater Golden Horseshoe.

- The City's pledge to build 4,700 new homes between 2022 and 2031. The Housing Pledge has been endorsed by City Council in order to achieve a housing target assigned to the City by the Minister of Municipal Affairs and Housing.

The Study considers two planning horizons: A 10-year development forecast, from 2025 to 2034, has been used for all general services in the City. For Services Related to a Highway and Sewage Services, a long-term forecast from 2025 to 2051 has been used.

The City's population is forecast to grow from 92,653 in 2024 to 101,174 in 2034, an increase of 8,522. Households are forecast to increase by 5,270 units over the same 10-year period. Over the long-term (to 2051) the City's population is forecast to grow to 121,938 (or 125,000 with Census net undercoverage) with a total of 17,640 new units.

The non-residential portion of the forecast is based on the projected increase in employment levels and amount of new building space required to accommodate them. The forecast projects a growth of approximately 2,913 new employees in roughly 278,650 square metres of new non-residential building floor area. This is lower in comparison to 2019, when the forecasted growth in employment was 5,233 new employees accommodated in 327,039 square metres of new non-residential building space. Between 2025 and 2051 overall growth in new non-residential building space across the City will be 928,800 m², to accommodate 9,595 new employees. A decrease in the development forecast has put upward pressure on the proposed development charge rates.

Development Related Capital Program

As shown in Table 1, the net municipal cost of the development related capital program is \$2.4 billion and can be broken down into General Services and Engineered Services. The DCs for the majority of services are limited by the average level of service provided in Peterborough over the last 15 years (the funding cap). There are deductions made from the net-municipal costs for the benefit to existing (BTE) residents, available DC reserves, a disallowance due to the limitations of historical service levels (the funding cap), and a recognition that some of these investments will provide a post-period benefit and should not be captured in the current DC charge. Of the \$2.4 billion net-municipal costs, \$1.0 billion growth-related costs are included in the calculation of the development charges. The benefit to existing shares of \$1.1 billion are required to be funded from non-DC sources (i.e. the tax base). The post-period shares of \$301.8 million are growth-related in nature but will not be funded over the life of the upcoming DC by-law. Interim funding may be required for these works.

Table 1 Summary of Development-Related Capital program for General & Engineering Services

General Services	Development-Related Capital Program (2025-2034)				
	Net Municipal Cost	Replacement & Benefit to Existing	Available DC Reserves	Post-2034 Benefit	Total DC Eligible Costs for Recovery
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Development-Related Studies	\$ 4,055.6	\$ 950.0	\$ -	\$ -	\$ 3,105.6
Library Services	\$ 21,725.0	\$ 7,098.7	\$ -	\$ 10,000.0	\$ 4,626.3
Fire Services	\$ 61,810.8	\$ 6,879.8	\$ 862.8	\$ 47,541.6	\$ 6,526.7
Police Services	\$ 82,209.5	\$ 33,340.0	\$ 222.7	\$ 45,559.1	\$ 3,087.7
Emergency Medical Services	\$ 1,107.0	\$ -	\$ -	\$ -	\$ 1,107.0
Recreation	\$ 129,500.0	\$ 24,315.0	\$ 5,155.7	\$ 64,523.4	\$ 35,505.9
Parks	\$ 31,655.2	\$ 10,125.5	\$ 1,727.0	\$ 7,015.6	\$ 12,787.2
Transit Services	\$ 31,694.3	\$ 10,056.6	\$ 1,878.9	\$ -	\$ 19,758.8
Waste Management	\$ 10,176.8	\$ -	\$ 139.8	\$ 8,730.0	\$ 1,307.0
Long-Term Care	\$ 52,907.8	\$ 41,126.0	\$ -	\$ 9,164.6	\$ 2,617.2
TOTAL - GENERAL SERVICES (2025-2034)	\$ 426,842.1	\$ 133,891.6	\$ 9,986.9	\$ 192,534.2	\$ 90,429.3

Engineered Services	Development-Related Capital Program (2025-2051)				
	Net Municipal Cost	Replacement & Benefit to Existing	Available DC Reserves	Post-2051 Benefit	Total DC Eligible Costs for Recovery
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Services Related To A Highway	\$ 1,617,301.4	\$ 813,517.7	\$ 16,133.3	\$ 109,301.9	\$ 678,348.6
Sewage Services	\$ 386,307.2	\$ 115,741.7	\$ -	\$ -	\$ 270,565.6
TOTAL - ENGINEERED SERVICES (2025-2051)	\$ 2,003,608.6	\$ 929,259.3	\$ 16,133.3	\$ 109,301.9	\$ 948,914.2

TOTAL GENERAL & ENGINEERED SERVICES	\$ 2,430,450.73	\$ 1,063,150.96	\$ 26,120.19	\$ 301,836.10	\$ 1,039,343.49
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General Services

The City's General Services capital forecast is estimated to be \$513.8 million. Approximately \$87.0 million in grants are anticipated to offset the cost, reducing the net municipal cost for the City to \$426.8 million. Of this capital program, \$133.9 million is a benefit to existing residents, and \$292.9 that are growth related costs. Of this \$10.0 million has been recovered through previous development charges from the DC reserves. Of the remaining \$282.9 million of growth-related costs, \$90.4 million is recovered in the proposed DC rate. This is limited to the imposed funding cap which maintains historical service levels, the timing of investments, and a recognition that some projects will benefit future growth beyond the 10-year planning period.

Of the \$426.8 million net municipal cost related to General Services, approximately 30%, or \$129.5 million, is related to capital works for Recreation. This capital program comprises various recreation facilities including Phases 1 and 2 of the Miskin Community Complex for \$115.0 million; \$35.5 million in costs are eligible for recovery in the proposed DC rate. The next largest capital program belongs to Police Services. The program provides various facilities and equipment. The total Police Services capital program amounts to \$82.2 million or 19% of the general services costs, with \$3.1 million eligible for recovery in the proposed DC rate.

The capital forecast associated with Fire Services includes three fire stations as well as additional vehicles and equipment. The total municipal cost of the Fire capital program is \$61.8 or 14% of the total net municipal cost, with \$6.5 million recovered through the proposed DC rates. The capital program associated with Long-Term Care amounts to \$52.9 million, or 12% of the total municipal cost, and provides for a 128-bed expansion at the Fairhaven Facility; \$2.6 million is recoverable through the proposed DC rate.

The Transit Services capital program includes provisions for the recovery of debt, transit facilities, shelters (including stops, loops and signs) and additional transit

buses/specialized vans. The total cost of the Transit capital program is \$31.7 million (7%); \$19.8 million is recoverable through the proposed DC rate. Parks also represents 7% of the total net municipal cost and includes the recovery of outstanding debt payments, parkland and park facilities for \$31.7 million. Of this \$19.8 million is recoverable through the DC rate. The capital program associated with Library Services amounts to \$21.7 million, or 5% of the total municipal cost; \$4.6 million is recoverable through the proposed DC rate.

The capital program for Waste Management includes debt related to the Organics Facility, vehicles and an expanded facility for \$10.2 million (2%). The portion of the City's program that relates to the Development-Related Studies amounts to \$4.1 million. Lastly, Emergency Medical Services includes \$1.1 million in net municipal costs.

The capital forecast incorporates those projects identified to be related to development anticipated in the next 10 years. It is not implied that all of these costs are to be recovered from new development by way of development charges. Portions of the capital forecast may be related to replacement of existing facilities, shares of projects that benefit the existing population, or development anticipated to occur beyond the 2025–2034 or 2025–2051 planning period.

Engineered Services

The gross capital cost total engineered services which includes Services Related to a Highway and Sewage Services is \$2.0 billion.

The largest portion of the net municipal cost is related to Services Related to a Highway with a cost of \$1.6 billion or 81% of the engineered service net related costs. The capital projects included align with the City's recent 2023 Transportation Master Plan. The Sewage Services net capital program totals \$386.3 million or 19% and includes works developed through the ongoing Sanitary Master Plan.

The capital forecast incorporates those projects identified to be related to development anticipated to 2051. It is not implied that all of these costs are to be recovered from new development by way of development charges. Portions of the capital forecast may be related to replacement of existing facilities, shares of projects that benefit the existing population, or development anticipated to occur beyond the 2025–2051 planning period. Of the \$2.0 billion capital costs related to engineered services, \$949,000 will be recovered through the proposed development charges.

Proposed Rates

As shown in Table 2, the proposed rate for the City-wide DC residential rate (Singles and Semis) to take effect January 1, 2025 would be 48.0% (\$48,014 to \$70,953) more than the current rate and the non-residential rate will be 55.0% (\$173.65 to \$268.61) higher.

Table 2

Current and Proposed Residential City-wide DC Rates to Take Effect January 1, 2025

Service	Residential A Singles & Semis Current Charge*	Residential A Singles & Semis Calculated Charge	Difference in Charge	
Development-Related Studies	\$315	\$579	\$264	84%
Library Services	\$1,353	\$1,224	(\$129)	-10%
Fire Services	\$994	\$1,397	\$403	41%
Police Services	\$552	\$661	\$109	20%
Emergency Medical Services	\$0	\$230	\$230	N/A
Recreation	\$9,677	\$10,195	\$518	5%
Parks	\$3,648	\$3,369	(\$279)	-8%
Transit Services	\$2,767	\$3,658	\$891	32%
Waste Management	\$184	\$271	\$87	47%
Long-Term Care	\$0	\$655	\$655	N/A
Subtotal - General Services	\$19,490	\$22,239	\$2,749	14%
Services Related To A Highway	\$27,076	\$37,410	\$10,334	38%
Sewage Services	\$1,448	\$11,304	\$9,856	681%
Subtotal - Engineered Services	\$28,524	\$48,714	\$20,190	71%
TOTAL CHARGE PER UNIT	\$48,014	\$70,953	\$22,939	48%

*Charge as of August 1, 2024

Table 3 provides a comparison of the current and calculated rates for both the City-wide charge and Area Specific Development Charge to take effect January 1, 2025, assuming the proposed rate increase is approved. All DC rates will be subject to indexing January 1, 2025.

Table 3
Current and Proposed City-wide and Area Specific DC Rates January 1, 2025

Development Charges by Growth Area	Charge per Unit			
	Residential A - Singles & Semis			
	Calculated 2024 City-wide Uniform plus Area Charge	Current City-wide Uniform plus Area Charge	Difference in Charge	
\$			%	
1 Jackson	\$75,911	\$52,972	\$22,939	43%
2 Carnegie East	\$84,825	\$61,886	\$22,939	37%
3 Carnegie West	\$80,696	\$57,757	\$22,939	40%
4 Lily Lake	\$78,822	\$55,883	\$22,939	41%
5 Chemong - East	\$83,388	\$60,449	\$22,939	38%
6 Chemong - West	\$85,945	\$63,006	\$22,939	36%
7 Liftlock	\$84,465	\$61,526	\$22,939	37%
8 Coldspring	\$82,528	\$59,589	\$22,939	38%
9 City-Wide Dev. Area	\$70,953	\$48,014	\$22,939	48%

City-Wide Uniform Charge	Charge per Square Metre of Gross Floor Area			
	Calculated 2024 Charge	Current Charge	Difference in Charge	
			\$	%
Total Charge	\$268.61	\$173.66	\$94.95	55%

The overall increase in the proposed development charge rates (both residential and non-residential) is primarily attributed to the capital costs associated with the Transportation Master Plan and the City's upcoming Sanitary Master Plan, which outline the capital needs to 2051 in the City. The Services Related to a Highway and Sewage Services charges account for almost 90% of the \$22,940 increase in the residential rate for Singles & Semis. Another contributing factor to the increased rate (with focus on the general services) is the increase in costs since the previous DC study which results in higher service levels and the ability to fund a greater share of capital project costs. There are also differences in growth forecasted over the DC planning periods compared to the City's previous DC studies (2019 and 2022), as well as changes to eligible services, which affect rates, both residential and non-residential.

The proposed charges are in line with comparable municipalities as shown in Figure 1 and Figure 2.

Figure 1
Current and Proposed Development Charges Compared to Other Municipalities (Residential A – Singles & Semis)

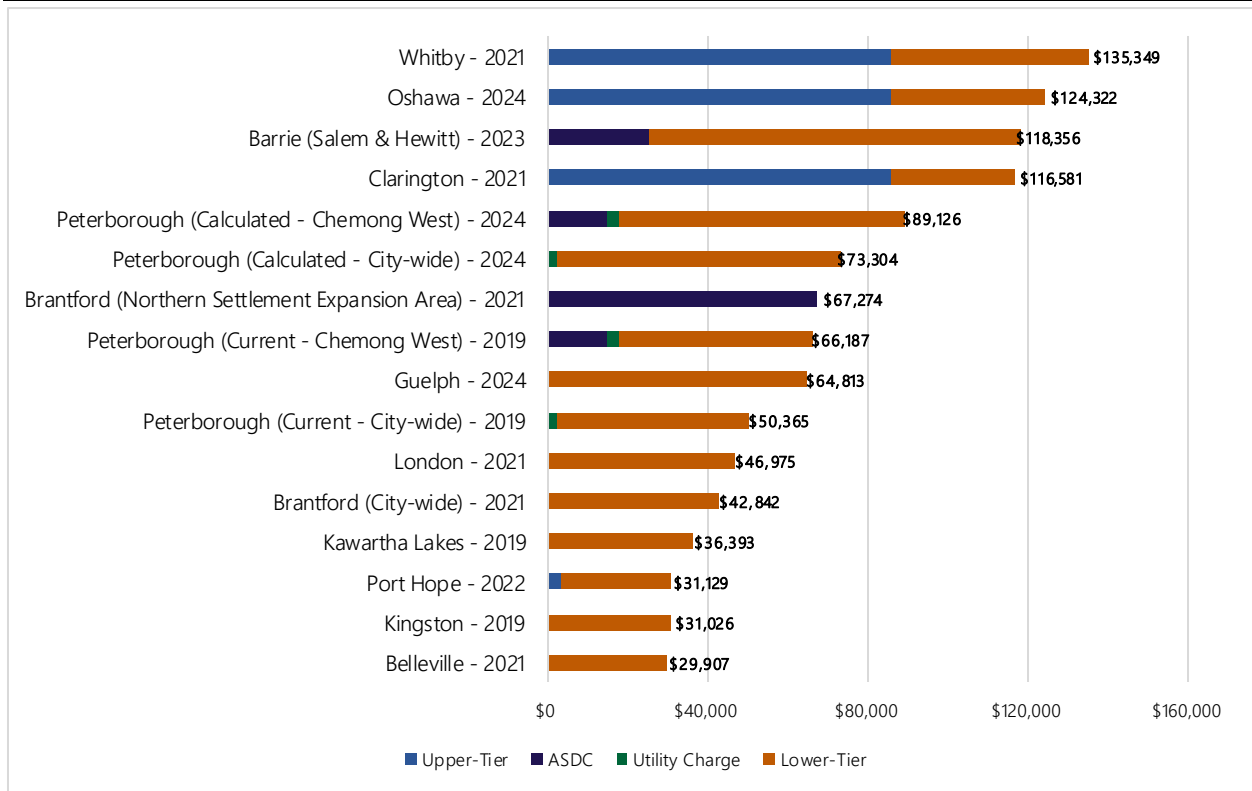
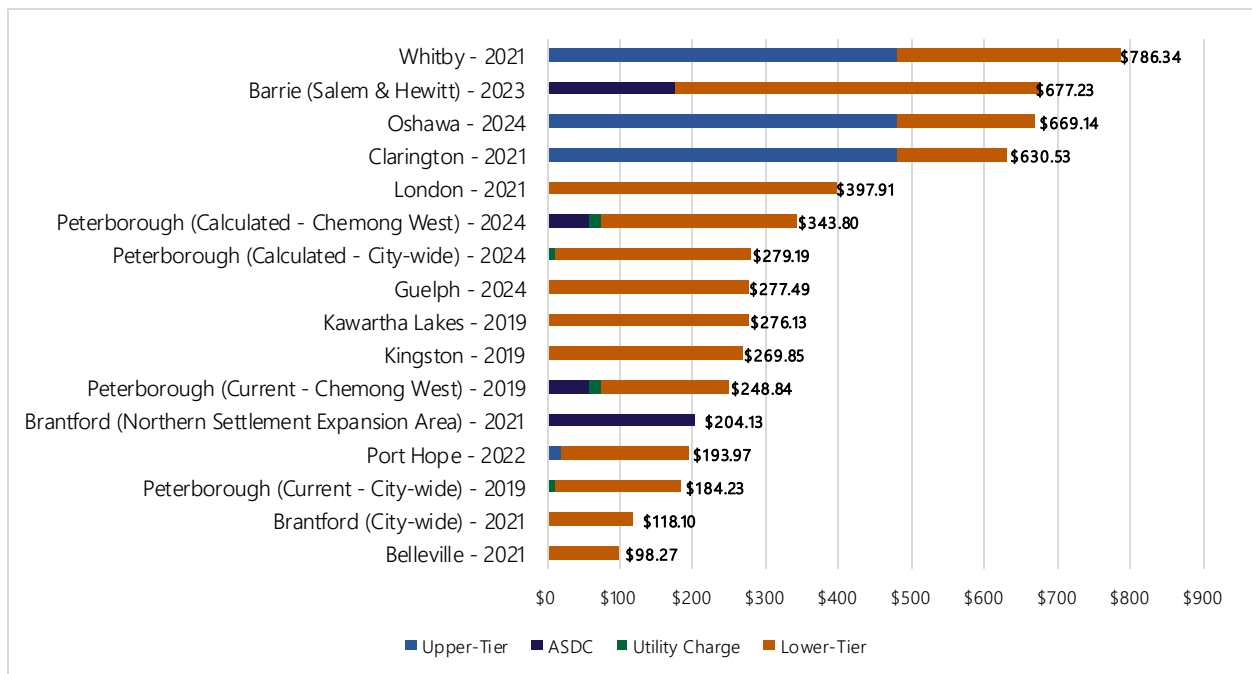


Figure 2
Current and Proposed Development Charges Compared to Other Municipalities (Non-Residential - Commercial)



The large increase in proposed development charges are due to the significant number of large capital projects in which the City is looking to invest over the planning horizon. Portions of the capital forecast that are related to the replacement of existing facilities, shares of projects that benefit the existing population, or growth anticipated to occur beyond the planning period are accounted for as a reduction. After these reductions, the remaining development related capital costs are brought forward to the development charges calculation. Staff are of the opinion that although the 48.0% increase is significant, the overarching principle that “growth pays for growth,” should be adhered to. Any reduction to the charge, including the phase-in of rates, would effectively place the burden of the cost of growth-related infrastructure onto the taxpayer.

Policy Changes

As part of the City’s 2024 DC Study update, the following changes have been introduced:

- Alignment with new legislative changes;
- Removal of Affordable Housing and Parking Services, as per the DCA
- Addition of Long-term Care and Emergency Medical Services DCs
- Update of local service guidelines; and
- Review of DC By-law definition and exemptions.

Central Area DC Exemption

Peterborough’s Central Area has been defined in its official plans for decades and a Central Area Master Plan has been in effect since 1991. The City’s DC exemptions for the Central Area were first introduced in 2009 through DC by-laws 09-166 and 09-167. The exemptions focused on commercial redevelopment within specific sub-areas of the Central Area as well as, more broadly, the redevelopment of buildings that were older than 2005. These exemptions were maintained in DC by-laws that were passed in 2014 and 2019. However, in April 2018, the scope of the exemptions was expanded to include a range of higher density apartment forms and associated commercial uses in mixed use developments across the entire Central Area.

The Official Plan continues to identify the Central Area as the heart of the community and promotes substantial growth in the Central Area. The Official Plan authorizes the City to exempt some or all of the DCs “as a means to promote specific development, redevelopment or revitalization objectives in accordance with this Plan” (Policy 7.15 c).

Given the recent changes to the DC Act, some of the new statutory exemptions and discounts — particularly for affordable and purpose-built rental housing — will overlap with the existing Central Area exemption framework. But of greater concern is the financial exposure to the taxpayer of continuing these exemptions given the amount of growth planned for the Central Area. The taxpayer is required to top-up the DC reserves for municipal imposed DC exemptions. Staff recommend sunseting the Central Area exemptions within the DC by-law on December 31, 2026 and concurrently modernizing the Central Area Community Improvement Plan (CIP) to be the main vehicle for

providing DC exemptions. Council approval of the CIP incentive budgets will allow for control over the cost of the program to the taxpayer.

Development Charge Deferral Agreements

On October 30, 1995, Council approved a report of the City Solicitor dated October 19, 1995 recommending a policy be established so that the actual payment of Residential A development charges be delayed until the earlier of sale or occupancy rather than at the building permit issuance date. In 2005 a formal agreement was struck with the Peterborough and District Home Builders Association (PDHBA), although it allowed individual developers who are not members of the PDHBA to avail of the deferral. The agreement requires that the DC payable upon the first unit passing an occupancy inspection be the current DC rate in effect at the time of the occupancy inspection, including any indexing or phase-in increases that have occurred from the date at which the building permit was issued. The deferral applies to Residential A, B or C buildings

It was thought that although the deferral policy would create more of an administrative burden on staff to ensure development charges are paid when due, and there would be a financial impact of lost interest revenue, such a policy may help entice construction, which may help ease housing shortages in the City. It is unclear if this enticement has been successful. Staff nor Hemson Consulting are aware of any other municipality that alters the timing of payment of DCs for all residential development in a municipality.

Over recent years, the City's Building department has received feedback on numerous occasions from homeowners whereby the burden of the increased development charge from the time of building permit issuance to that at time of occupancy has been passed onto the homebuyer by the developer. This unexpected cost to the homeowner at occupancy is burdensome and the homeowner is viewing the municipality as the cause. By eliminating the Development Charge deferral agreement, effective at the time of DC by-law passage, homebuyers will be protected from the increases that may occur between building permit issuance and date of occupancy.

Strategic Plan

Strategic Pillar: Governance & Fiscal Sustainability

Strategic Initiative: Support a culture of continuous improvement, safety, and innovation to enhance cost-effective delivery of City programs and services.

Updating the City-wide Development Charge by-law will provide much needed capital financing for growth-related capital works to facilitate development within the City.

Engagement and Consultation

The Development Charges Steering Committee was established to oversee the Study and provide stakeholders the opportunity to participate throughout the Study process. The Steering Committee included two representatives from the Peterborough and Kawarthas Homebuilders Association. Regular meetings have been held throughout the development of the Study. Although the City advertised for community representatives to participate, no applicants came forward. The Committee included:

- Chief Administrative Officer
- Commissioner, Infrastructure, Planning and Growth Services
- Commissioner, Finance and Corporate Services
- Commissioner, Legislative Services
- Commissioner, Municipal Operations
- Commissioner, Community Services
- Director, Financial Services
- Director, Asset Management and Capital Planning
- Director, Planning, Development and Urban Design
- Manager, Permit Systems
- Manager, Water Resource Systems
- Manager, Transportation Planning
- Specialist, Asset Management
- Financial Analyst, Special Projects
- Paul Deitrich, representative from the PKHBA
- Jason Armstrong, Engage Engineering, representative from the PKHBA,
- Stefan Krzeczunowicz of Hemson Consulting Ltd

On September 18, 2024, the City invited residents and stakeholders to a Public Information Session in relation to the Draft City-wide Development Charges Background Study prepared by Hemson Consulting Ltd. The purpose of the session was to provide an overview of the Draft City-Wide Development Charges Background Study, by way of presentation by Hemson Consulting Ltd and provide the public with an opportunity to give comments and feedback on the study, rates and associated policies.

The meeting was attended by members of the development community, members of City Council and staff. Developers raised concerns over multiple issues including:

- significant increases in DC rates and the elimination of the DC deferral agreement will hinder development in Peterborough;
- the City ensure that DC reserves are topped-up for Central Area exemptions; and
- concern that the legislated DC exempted development (ie: affordable housing developments, non-profit housing developments, etc.), for which there is no mandatory top-up, becomes the development community's expense to bear through future higher DCs.

Budget and Financial Implications

There are no budget and financial implications of receiving this report. A report will be presented to the October 28, 2024 General Committee containing specific recommendations stemming from the Development Charge Background Study which will address any issues that may arise during the October 7, 2024 public meeting.

Conclusion

The City-wide Development Charge by-laws expire on January 1, 2025. A new by-law must be passed to continue to impose development charges for growth-related infrastructure. The Development Charges Act stipulates the completion of a Development Charge Background Study and that before passing a development charge by-law, Council shall hold at least one public meeting.

This report provides notice to Council that a public meeting will be held on Monday, October 7, 2024 in Council Chambers where Hemson Consulting Ltd will present a Development Charges Background Study undertaken by the City and public delegations will be received. A further report will be presented to the October 28, 2024 General Committee meeting that will recommend changes to the City-wide Development Charges rate. The City-wide Development Charges By-law, in its final form, will then be presented to the November 4, 2024 Council meeting for approval.

Attachments

Appendix A: 2024 Draft Development Charges City-wide Background-Study

Appendix B: Draft City-wide DC By-law

Appendix C: Development Charge Policy Memo

Appendix D: Development Charge Implementation Memo

Submitted by,

Richard Freymond
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