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# HALDIMAND COUNTY

## Report CS-FI-07-2018 Development Charges – 2018 Rate Adjustment

For Consideration by Council in Committee on April 24, 2018

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### OBJECTIVE:

To obtain Council approval for the 2018 Development Charges rate adjustment, as per By-law 1441/14 which authorizes Development Charges on growth-related lands within Haldimand County.

### RECOMMENDATIONS:

1. THAT Report CS-FI-07-2018 Development Charges – 2018 Rate Adjustment be received;
2. AND THAT a by-law be passed, effective May 20, 2018, to reflect the Development Charges as per report CS-FI-07-2018, and amend Schedule “B” and Schedule “C” of the Corporation of Haldimand County By-law No. 1441/14 accordingly.

**Prepared by:** Mark Merritt, CPA, CA, Treasurer

**Respectfully submitted:** Karen General, CPA, CGA, General Manager of Corporate Services

**Approved:** Donald G. Boyle, Chief Administrative Officer

### EXECUTIVE SUMMARY:

Haldimand County's Development Charges By-law prescribes an annual indexing of Development Charges rates, for both residential and non-residential development, based on the percentage change year over year, as recorded in the *Statistics Canada Quarterly, Construction Price Statistics, Non-residential Index for the Institutional Building* category. This annual indexing shall be applied on the anniversary of the date of the passing of the by-law which was May 20, 2014. Using this index, the increase to be applied in 2018 is 2.9%. The resulting increased Development Charge rates will apply to all applicable building permits issued on and after May 20, 2018.

### BACKGROUND:

On May 20, 2014, Council passed By-law No. 1441/14 to authorize Development Charges on lands within Haldimand County, with revised rates effective May 21, 2014. Paragraph 12 of the By-law provides for an annual revision to the amount of the Development Charges, as follows:

12. *As authorized in paragraph 10 for Section 5(1) of the Act, the development charges provided for in this by-law shall be adjusted annually by the percentage change during the preceding year, as recorded in the Statistics Canada Quarterly, Construction Price Statistics, Non-residential Index for the Institutional Building category in the Toronto area.*
  - a. *The initial adjustment shall be one year from the date of passage of this by-law, and*
  - b. *thereafter, adjustment shall be made each year on the anniversary date of the passage of this by-law.*

As such, the annual indexing is required on the anniversary date of the effective passage of the Development Charges By-law which is May 20<sup>th</sup>. It should be emphasized that the annual adjustment is mandatory, not optional. Annual indexing is required in all of the years that the By-law remains in force (maximum of five years from date of passage). Given that the current By-law will expire on May 20, 2019, staff are in the process of securing consulting services to assist with the updating of the legislated Development Charges Background Study and public input processes.

## ANALYSIS:

The By-law provides that the Statistics Canada Quarterly, Construction Price Statistics, Non-residential Index for the Institutional Building category in the Toronto area, be used to calculate the revised Development Charges. The related Statistics Canada indices are provided in the table below:

Table 1  
Statistics Canada Construction Price Index  
Table 327-0043

Historical Annual Indexing		
<u>Year</u>	<u>Quarter I</u>	<u>% Change (year over year)</u>
2007		6.5%
2008		6.8%
2009		4.7%
2010		(1.6)%
2011		3.6%
2012		3.2%
2013		0.8%
<u>Year</u>	<u>Quarter IV</u>	<u>% Change (year over year)</u>
2013	151.1	
2014	154.4	2.2%*
2015	157.1	1.8%
2016	161.2	2.6%
<b>2017</b>	<b>165.9</b>	<b>2.9%</b>

\* As the current by-law was enacted in 2014, the charges were not indexed in that year

The index to be utilized for annually amending the County's rates is specifically outlined in section 12 of the by-law. As the wording in the by-law specifically requires that the charges **shall** be indexed annually, we are required to adjust the rates by the year over year change as outlined above. Under the previous by-law, Haldimand consistently utilized the first quarter statistic for revisions as indexing was completed in August of each year. The current by-law (No.1441/14) was passed on May 20, 2014 and first quarter statistics are not released until after the required time to index the County's current by-law (typically late May). As a result, indexing of the current by-law utilizes the fourth quarter statistics (ending December of the prior year). This methodology has been used consistently over the life of the current by-law. The resulting increase of 2.9% will be applied to Haldimand County's current Development Charges. All residential and non-residential rates have been adjusted accordingly and rounded to the nearest cent, as reflected in Attachments #1 and #2 respectively.

Upon passage of the applicable by-law, the Development Charges should be adjusted as listed in the attached schedules, effective May 20, 2018. These new rates will affect all applicable building permits issued on and after that date. The required Development Charges Pamphlet will also be amended to reflect the change in rates.

The current by-law and charges must be reviewed within five (5) years of initial passage. The current by-law (No. 1441/14) was passed on May 20, 2014. The County has initiated a comprehensive update of the current Development Charges By-law. Due to the significant preparatory work required as part of the development charges background study, a consultant will be retained in 2018 to assist with this work. It is anticipated that a new by-law and applicable charges will be in place prior to May 20, 2019.

## **FINANCIAL/LEGAL IMPLICATIONS:**

Based on Paragraph 12 of By-law No.1441/14, the annual indexing of Development Charges rates based on the prescribed index, for both residential and non-residential, is mandatory, not optional.

Revenue received from Development Charges is restricted to the financing of capital expenditures resulting from anticipated growth in Haldimand County (as outlined in the County's most recent Development Charges Background Study). This revenue source is important to ensure that, as the community grows, the municipality is able to continue an appropriate level of services without burdening existing property owners with tax or rate increases caused by development. On an annual basis, staff monitors the timing of the receipt of these charges in relation to the planned capital works to ensure the current rates meet the anticipated needs. A summary of the development charges reserve fund balances is presented with the annual capital budget (rate and tax supported) and forecasts. As well, a separate report for consideration at the April 24, 2018 Council in Committee meeting provides the unaudited 2017 financial transactions for each development charges reserve fund, as required by Provincial legislation.

## **STAKEHOLDER IMPACTS:**

All staff involved in administering Development Charges will be notified of the updated rates in time to provide notice to affected developers. The increased Development Charges will apply to all building permits issued on or after May 20, 2018.

## **REPORT IMPACTS:**

Agreement: No

By-law: Yes

Budget Amendment: No

Policy: No

## **ATTACHMENTS:**

1. Residential Development Charges by Service and Unit Type – Revision to Schedule “B” of By-law No. 1441/14.
2. Non-Residential Development Charges by Service and Per Square Foot of GFA – Revision to Schedule “C” of By-law No. 1441/14.
3. Draft By-law to amend By-law No. 1441/14 Schedule “B” and Schedule “C”