



Municipality of Port Hope Staff Report

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Report Title: Repeal 2022 DC Amendment

Report to: Council

Date of meeting: December 20, 2022

Report Author:

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Department responsible:

Finance

Report Number: FS-27-22

Recommendation:

Refer to By-Laws.

Highlights:

- The current Development Charges (DC) By-law 63-2019 is set to expire in 2024.
- DC Update Study was completed in 2022 and the resulting amendment was passed through By-law 62-2022 in September 2022 to reflect these changes.
- The introduction of Bill 23 (in November 2022) has resulted in further significant changes that unfavourably affect the Municipality's Development Charges.
- There is an opportunity for the Municipality to repeal the DC amendment made in September, 2022 and mitigate potential revenue loss of approximately \$557K.

Background:

The current DC By-law 63-2019 is set to expire in 2024. A DC Update Study was completed earlier in 2022 to amend the Municipality's 2019 DC Background Study and By-law 63-2019. The amendments were made to align with legislative changes and to update a few growth related cost estimates. The amendments to the By-law were approved by Council on September 20th, 2022. The amendments were as follows:

Legislative Amendments

- DC Recoverable costs - Removal of 10% statutory deduction.
- DC Recoverable costs – Removal of Parking as an eligible service.
- DC Recoverable costs – Reallocation of service specific growth-related studies.
- Timing of calculation and collection of DCs.
- Statutory exemptions.
- Instalment payments.

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- Rental housing and institutional developments will pay DCs in 6 equal annual payments.
 - Non-profit housing will pay DCs in 21 equal annual payments.
 - DCs resulting from the Site Plan or Zoning By-law amendments will be determined based on the charges in effect on the date of application.
 - Interest in instalment payments and charges will be administered according to the DC Interest Policy.
 - Was approved along with the amending DC By-law.

Optional Cost Estimate Amendments

- Updated capital cost estimates for Roads & Related.
 - Victoria Street road construction and widening project.
 - Rose Glen Rd reconstruction and widening project.
- Updated capital cost estimates for Parks & Recreation services.
 - Town Park Recreation centre addition and renovations.

Administrative Amendments

- Updated period for *Redevelopment credits* to align with Northumberland County's DC By-law.
- Updated some definitions to align with Northumberland County's DC By-law.

Discussion:

With Bill 23 receiving Royal Assent (*More Homes Built Faster Act*) on November 28, 2022, there are several significant and noteworthy changes that affect Development Charges.

- Any new by-laws will be phased in over 5 years reducing DC revenues by approximately 10%.
- Introduction of new exemptions that would reduce DC revenues by approximately 10-15%.
- Water/Wastewater master plans will no longer be funded by DCs.
- Removal of municipal housing as an eligible service.
- Additional Residential unit exemption.
- Removal of Housing as an eligible DC service.
- New statutory exemptions
- Historical level of service will be extended to a 15 year period.
- Revision of definitions of capital costs.
- DC By-law life extended from 5 years to 10 years.
- Non-profit housing no longer eligible for instalment payments as they are now exempt.
- Rental housing discount.
- Interest rate for instalments is now capped at prime plus 1%.

New requirement to spend or allocate at least 60% of monies in a reserve fund at the beginning of the year for water, wastewater and services related to highway.

Financial Considerations:

As per the 2021 Development Charges report presented in September, the municipality's DCs are already in a financially challenged position, with an over \$9 million deficit after all commitments are taken into account. This is especially the case for the water and wastewater DCs which makes up most of the deficit. The impacts of Bill 23 and its proposed changes are expected to further impact DC funding unfavourably.

The DC Amendments approved in September, 2022 were projected to increase DC funding by 4%. As per Bill 23, the full amount of the Development Charges would now have to be phased in over 5 years. The first year would see a 20% reduction, followed by a 15%, 10% and 5% reduction in the following three years.

As the current By-law is set to expire in 2024, the amendments will only be 2 years into the phasing-in period (20% reduction year 1, 15% reduction year 2) before the By-law is set to be updated again, triggering another 5 year phase-in period with annual reductions in the first four years of the new 10-year By-law.

Port Hope is in a different circumstance than many municipalities, having amended the DC By-law during 2022 to align with changes in legislation and as a result are now immediately negatively impacted by the phasing. As the current By-law is still in effect until 2024 and would have to be updated to reflect the changes resulting from Bill 23, repealing the amendment passed in 2022 now would reduce the unfavourable impact on DCs for the remainder of the current By-law's term.

Below is a summary of the impact of repealing the 2022 DC Amendments by the categories detailed above.

	Impact if 2022 Amendments are repealed
Legislative Amendments	<p>These amendments will still be in effect as they are a legal requirement. Further legislative amendments resulting from Bill 23 will also be in effect although they wouldn't be reflected in the By-law until the 2024 update.</p> <p>Bill 23 will take precedence where items/policies were addressed in both the 2022 update and Bill 23 update.</p>
Optional Cost Estimate Amendments	<p>These estimates will not be reflected in study and therefore the By-law until 2024.</p> <p>The Municipality will still recover costs of these projects but will do so after the 2024 update and will</p>

	not be able to charge for them as part of the present charges.
Administrative Amendments	These amendments were made to align the Municipality with the County. These amendments would be deferred to the 2024 update and would have no significant impacts on the DC revenue.

If the repeal was to not be pursued and the phase in period implemented, the Municipality would see a reduction in DC revenue of \$557K over the remaining two years, based on the 2021 DC collections of \$1.6 million.

Due to Port Hope's unique timeline regarding the updates, the action of repealing the 2022 Amendment has not been tested and may be challenged.

There is also risk that the Provincial Government may repeal or significantly modify current legislation further resulting in a requirement for another amendment and update to the By-law and procedures. The estimated turnover to investigate, analyze, draft and implement an update is approximately 2-3 months and \$10K.

Bill 23 was introduced and implemented very quickly, providing Municipalities with minimal time to consider impacts. While repealing the current Municipal DC By-law amendment is not required, it does provide an opportunity to mitigate the negative financial impacts to Municipal Development charges during a period of significant need. As a result, this report has been brought forward directly to Council for consideration.

Communication and Public Engagement:

Not applicable related to this report. The negative financial impacts related to the passing of Bill 23 have been noted by Council and concern expressed to the Province of Ontario.

Conclusion:

Having amended the DC By-law during 2022 to align with changes in legislation the Municipality as a result is now immediately negatively impacted by the phasing imposed by Bill 23. Repealing the 2022 amendment will reduce the unfavourable impact of this phasing by an estimated \$557K over the next two years, mitigating additional financial burden on the already underfunded DC reserves.

Attachments:

None.