



A People Place, A Change of Pace
SHELBURNE
ONTARIO, CANADA

Meeting Date:	Monday, July 25, 2022
To:	Mayor Mills and Members of Council
From:	Steve Wever, Town Planner
Report:	P2022-25
Subject:	Town of Shelburne Development Charge Annual Indexing

Recommendation

Be it Resolved that Council receive Report P2022-25 for information;

AND THAT, notwithstanding the provisions of the Town's Development Charges By-law Nos. 31-2015, 19-2020, 20-2020, 21-2020, 46-2020 and 11-2021 regarding the annual indexing of development charges, Council direct staff to implement the annual adjustment for 2022 in two phases effective July 25, 2022, and October 31, 2022, with transition provisions, as outlined in Report P2022-25.

Background

The Development Charges Act, 1997, c. 21, s. 2 (1), enables a municipality to pass by-laws for the application of development charges to new development based on future capital needs. The purpose of a development charge (DC) is to recover the growth-related costs associated with the capital infrastructure needed to service new development.

By passing a by-law under the Development Charges Act, the Town of Shelburne may impose development charges for new or expanding development. The Town currently has six (6) in-effect development charge by-laws, being By-laws No. 31-2015, 19-2020, 20-2020, 21-2020, 46-2020 and 11-2021. All land within the Town of Shelburne is subject to development

charges, with additional area-specific charges imposed on developments in the defined School Road Area, East Area, and West Area.

Analysis

The DC Act and the Town's Development Charge By-laws provide for the annual inflationary adjustment of development charges without amending the By-law. Annual adjustments are made based on the most recent twelve-month change in the Non-residential Building Construction Price Index for the Toronto Census Metropolitan Area (CMA), published quarterly by Statistics Canada.

The building construction price indexes are a quarterly series that measure change over time in the prices contractors charge to construct a range of new developments in 11 census metropolitan areas, including Toronto.

The Statistics Canada building construction price index for Q1 2021 to Q1 2022 is the most recent data available and shows an inflationary increase of 17.3%. Using the same index, annual inflationary increases for the past 5 years are as follows:

- Q1 2020 to Q1 2021: 3.3%
- Q1 2019 to Q1 2020: 3.0%
- Q1 2018 to Q1 2019: 5.2%
- Q1 2017 to Q1 2018: 3.2%
- Q1 2016 to Q1 2017: 3.8%

The 17.3% inflationary increase from Q1 2021 to Q1 2022 is well outside of the typical range and is reflective of the current inflationary environment. The economy continues to face inflationary pressures caused by the supply-demand imbalances attributed to pandemic-related supply chain disruptions and ongoing labour shortages. Significant construction cost escalation is impacting both private development and municipal infrastructure projects.

Several municipalities in Ontario have applied significant inflationary increases to their 2022 development charges. Some of these include:

- City of Hamilton: 9.5% increase effective July 2022
- City of London: 11.6% increase effective January 2022
- Township of Centre Wellington: 11.6% increase effective January 2022
- City of Guelph: 11.6% increase effective March 2022
- Town of Halton Hills: 14.9% increase effective April 2022
- Regional Municipality of Durham: 17.3% increase effective July 2022

Some municipalities, such as the Town of Caledon, index the development charges semi-annually rather than as a single increase. For example, a 10% annual increase would be applied as two increases of 5% each (not compounded), the first on February 1st and the second on August 1st.

Given the significant increase for 2022, and in consideration of the approaches adopted by other municipalities and recognizing the significant cost escalation of municipal infrastructure projects, it is recommended that Council direct staff to implement the annual indexing of DC's for 2022 in two phases:

- 1) Firstly, an increase of 8.65% being half the rate identified in the prescribed index, effective July 25, 2022; and
- 2) Secondly, an increase of the lesser of 8.65% or half the rate identified in the most recent twelve month change in the Statistics Canada Non-Residential Building Construction Price Index for Toronto, for the period of Q2 2021 to Q2 2022, not compounded on the first increase, provided the total of the first and second adjustment shall be a combined increase of no less than 10%, effective October 31, 2022.

With this approach, an initial increase of 8.65% will be applied to the current DC rates (last indexed in July 2021) effective July 25, 2022, and a second 8.65% increase (calculated in simple, not compound) will be applied on October 31, 2022, unless new data is available for Q2 through the prescribed index indicating a lesser increase. At this time, the Q2 2022 construction price statistics are not yet available, and it is not known how this data will compare with the Q1 2022 data. The proposed approach would allow consideration of the Q2 data, assuming the information is available on or before October 31, 2022, to determine if the rate of inflation has been sustained through Q2. If the Q2 data reflects a lesser annual increase, half of the Q2 2021 to Q2 2022 annual increase would be applied as the second increase, provided that the total of the first and second increase is not less than 10%. If the Q2 data indicates the same or greater increase as the Q1 data, the full 8.65% would be applied in the second adjustment. In either case, the combined total adjustment will not exceed 17.3% for 2022 as per the prescribed index.

Currently, the Town-wide DC rate for single and semi-detached dwellings is \$23,696 which would increase to \$25,745 with the first adjustment on July 25, 2022, and to \$27,600 with the second adjustment proposed on October 31, 2022 (these amounts exclude area-specific charges). Note: these calculations include a small adjustment to the development charges as required on September 18, 2022, as legislative changes require that DC's for parking services cannot be levied after that date. Currently, the parking services portion of the DC rate for single and semi-detached dwellings is \$180.

It would also be helpful to implement a transition period for the application of the increased DC rates to provide time for the Town to process any outstanding complete applications. The transition period would allow municipal staff additional time to issue building permits under the current rates for applications with all completed documentation. If a building permit is not issued within the transition period, or if any changes are made to the

building permit application documents, the transition opportunity would be void and the new indexed rates would apply. The following transition periods are recommended:

- 1) Complete applications for building permit received on or before July 15, 2022, being 10 days before the effective date of the first increase, will be subject to the 2021 adjusted development charges, as applicable;
- 2) Complete applications for building permit received from July 17 to October 21, 2022, will be subject to the 2022 partially adjusted development charges effective July 25, 2022;
- 3) Complete applications for building permit received after October 21, 2022, will be subject to the 2022 fully adjusted development charges effective October 31, 2022.

There are a range of other options that Council may consider. Standard application of the Town's DC By-laws would require staff to immediately increase the development charges by 17.3% as per the prescribed index and does not require Council direction as the by-laws clearly authorize this increase based on the index without formal amendment to the by-laws. Council direction is requested for the 2022 increase only because of the unusually high rate of inflation. The recommendation in this report seeks to soften the immediate impact of the DC increase on the cost of development for projects currently in process while accounting for and recognizing the recent significant cost escalation of municipal infrastructure projects as well as providing for simple and fair phase-in and transition to the adjusted rates. There is no obligation for Council to adopt the recommendation herein nor any other alternative option to the standard application of the by-law. Further, the annual adjustment of development charges is not subject to appeals.

Policies & Implications (if any) Affecting Proposal

Development Charges Act (1997)

Town of Shelburne Development Charge By-laws (Nos. 31-2015, 19-2020, 20-2020, 21-2020, 46-2020 and 11-2021)

Financial Impact

Indexing the Town of Shelburne's development charges annually based on inflation helps to ensure that development charge revenues adequately fund or offset the increasing cost of growth-related infrastructure projects and the increase in need for municipal services related to growth and development as the costs of municipal capital projects continue to rise with high inflation.

Consultation and Communications

This report was prepared in consultation with the CAO. Additional consultation with the Director of Financial Services/Treasurer will be carried out as soon as possible. Staff have also inquired with the County and other area municipalities to share information and consider a range of approaches.

The annual indexing of development charges does not require public notice or consultation. Staff will update the DC Pamphlet and website information and typically notify developers and those with building permit applications in process once the amount and timing of the adjustment(s) have been determined.

Council Strategic Priorities

Council's Strategic Priorities has three Goals - Sustainable, Engaged and Livable. There are a total of 12 targets with the three Goals.

This report aligns with the Sustainable and Livable Goals within the Targets:

T3 Invest and fund critical infrastructure for future

T4 Promote balanced growth

Supporting Documentation

N/A

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