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UPDATE ON DEVELOPMENT CHARGE LEGISLATION CHANGE REQUESTS

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, October 17, 2008, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. This report be received for information.

2. This report be shared with local municipalities.

2. PURPOSE

The purpose of this report is to provide Council with an update regarding requests to the Province to amend the *Development Charges Act ("the Act").*

3. BACKGROUND

Council has requested amendments to Development Charges Act to reflect "Growth paying for Growth"

The Region has requested amendments to the Act a number of times over the last several years.

The changes that have been requested include the reintroduction of hospital expansion costs as an eligible service; amendments to the service level methodology to reflect current or forward looking services levels as opposed to the mandated previous ten year period average; and changes to legislation to allow for a GO transit charge that provides the full cost of growth as a development charge for the portion of cost required to be borne by the municipalities.

Premiere announces that Development Charge legislation will not be changing

The Premier of Ontario at the Building Industry and Land Development Association (BILD) industry dinner on September 25, 2008 indicated in his dinner address that the Province will not be making changes to the Development Charges Act.

4. ANALYSIS AND OPTIONS

Development Charges for Hospitals

The Region's initial Development Charge ("DC") By-law enacted in 1991, provided for a two-thirds portion of the local hospital's one-third capital funding share (net of the Provincial funding) to be eligible for DC funding.

The Development Charges Act, 1997 removed solid waste management, administration facilities, and the hospitals as eligible development charge categories. Consequently, the Region's DC By-law approved by Council and enacted in June 1998 eliminated the collection of development charges for future hospital capital funding purposes.

The Region has requested a reversal of this element several times since that time in order to assist local hospitals to generate the local funding requirement for hospital expansion or development.

Development Charges for Transit

An issue that impacts all growth municipalities is the required methodology for determining an eligible service level. The Act requires that service levels be based on the service levels in place over the previous ten year period and determines the average for that period. For services that are being improved or expanded dramatically, this methodology restricts the growth component to an historical level notwithstanding that the improved service level is primarily driven by growth needs. For York Region this impacts services such as public transit and emergency medical services significantly.

The amendment to the Act related to the Spadina Subway extension recognized this shortcoming and the service level for that project reflects a forward looking service level instead of a historical calculation.

GO Transit

In accordance with development charge legislation, municipalities imposing a transit charge must make a mandatory 10% contribution towards the growth-related transit capital costs. Thus, municipalities were required to fund a portion of the cost of GO Transit from the tax levy.

In addition, restrictions placed on capital costs eligible for recovery from development charges have resulted in the majority of the growth-related capital costs to be funded from the tax levy. The current DC By-law provides for approximately 40% of capital costs to be recovered from development charges. The result is that a significant burden is placed on existing York Region residents.

In response to this situation Council approved the following recommendations in October 2006:

1. *The Province of Ontario be requested to amend the Development Charges Act such that the GO Transit Growth Capital Plan is fully recovered from development charges.*

2. *Should the Development Charges Act not be amended, the York Region contribution to the GO Transit Growth Capital Plan be limited to the amount of development charges collected, consistent with the position taken by Peel Region.*

No action was taken on the part of the Province related to the request and the Region has been paying GO Transit only the amounts that have been received in development charges since 2007. The annual shortfall is approximately $7 million.

5. FINANCIAL IMPLICATIONS

There is no direct impact on the Region's budgets related to the issues that are outlined in the report since budgets are based upon the existing legislation. The improvements to the legislation that have been requested would each have a positive impact on the Region's budgets and ability to raise funding for various program areas.

6. LOCAL MUNICIPAL IMPACT

Many of the local municipalities have also requested changes to the development charge legislation to deal with issues related to their specific services. While their issues may be somewhat different than the Region's, they will also see no improvement in the financing of their services due to the announcement to make no changes to the Act.

7. CONCLUSION

Over the last several years Regional Council has made a number of request for changes to the Development Charges Act. These changes were requested in order to ensure that new growth paid their full share of infrastructure costs that are required to service the new growth. The Premier of Ontario recently indicated to the building and development industry that changes to the Development Charges Act will not be forthcoming in the near future.

For more information on this report, please contact Lloyd Russell at Ext.1600.

The Senior Management Group has reviewed this report.