

To: COUNCIL
Meeting Date: 11/5/2024
Subject: Annual Indexing of Development Charges – December 1, 2024
Submitted By: Sheryl Ayres, Chief Financial Officer
Prepared By: Kate Hyde, Senior Financial Analyst Development
Report No.: 24-060-CRS
File No.: C11
Wards Affected: All Wards

RECOMMENDATION(S):

THAT Report 24-060-CRS Annual Indexing of Development Charges – December 1, 2024 be received.

EXECUTIVE SUMMARY:

Purpose

To advise Council of the annual indexing of the City's development charges on December 1, 2024.

Key Findings

- The City's Development Charge By-law allows for the indexing of development charges annually on December 1st without requiring an amendment to the By-law.
- Development charges are imposed on new development to recover the cost of new municipal infrastructure needed to service a growing community.
- Annual indexing of development charges ensures the proceeds from development charges maintain pace with the inflationary increases on infrastructure construction costs required to support growth in the City.

Financial Implications

The December 1, 2024 development charges indexing represents a percentage increase of 4.8% since the previous indexing on December 1, 2023.

Rate increases are in accordance with the second quarter 2024 non-residential Statistics Canada Quarterly Construction Price Index of 4.8%. The Region of Waterloo will also apply a rate increase in accordance with the second quarter 2024 non-residential increase of 4.8%.

Annual indexing of development charges ensures the City is collecting adequate funds for the construction of necessary infrastructure to support the growth of the community.

STRATEGIC ALIGNMENT:

Strategic Action

Objective(s): Not Applicable

Strategic Action: Not Applicable

OR

Core Service

Program: Finance

Core Service: Financial Planning

Development Charges are collected to offset the growth-related costs incurred to provide the necessary infrastructure to support growth.

BACKGROUND:

The *Development Charges Act, 1997* (D.C.A.) enables a municipality to impose development charges to fund capital costs due to the increased need for services arising from development of the area to which the by-law applies.

Council approved the calculated rates as set out in the Development Charges Background Study completed by Watson & Associates Economists Ltd. in early 2024. The City of Cambridge Development Charges By-laws No. 24-040, 24-041, 24-042, 24-043, 24-044, 24-045, 24-046, and 24-047 came into force effective June 1, 2024. As per the Bill 185 changes to the Development Charges Act proclaimed into law on June 6, 2024, the Development Charges By-laws were further amended on October 23, 2024 for the addition of growth studies and the removal of the mandatory phase-in discounts.

The By-law requires the indexing of development charges annually on December 1st in each year in accordance with prescribed index in the D.C.A. The City uses the Statistics Canada Quarterly Construction Price Statistics to calculate the indexing of rates. The previous D.C. By-law came into effect on July 1, 2019, and those rates were indexed annually on December 1st of 2019 (3.3%), 2020 (2.3%), 2021 (11.8%), 2022 (15.7%), and 2023 (6.6%).

The indexing date of December 1 also aligns with the indexing of the Regional development charges.

ANALYSIS:

Development Charges are collected to offset the costs incurred to support growth of the community and provide the necessary infrastructure to maintain levels of service. The City's Development Charges By-law includes an automatic provision for annual indexing of development charges to ensure the City is collecting adequate funds to offset the costs of growth-related infrastructure required to support development in the City.

The Statistics Canada Quarterly Construction Price Statistics measures the change over time in building construction prices. The indexing factor is derived by calculating the quarterly percentage change for construction costs such as materials, labour, and equipment. Between the second quarter 2023 and second quarter 2024 the construction price index for non-residential construction in the Toronto area is an increase of 4.8%.

Without indexing, the development charge revenue collected over the term of the By-law would not be sufficient to finance project cost increases resulting from inflation, potentially resulting in the deferral of capital projects or the issuance of additional growth-related debt. Indexing of the City's development charges ensures rates are keeping pace with the cost of constructing growth related infrastructure.

EXISTING POLICY / BY-LAW(S):

The City of Cambridge Development Charges By-laws No. 24-040, 24-041, 24-042, 24-043, 24-044, 24-045, 24-046, and 24-047 came into force on June 1, 2024. As per the Bill 185 changes to the *Development Charges Act, 1997* proclaimed into law on June 6, 2024, the Development Charges By-laws were further amended on October 23, 2024 for the addition of growth studies and the removal of the mandatory phase in discounts.

The City of Cambridge Development Charges By-laws Section 10 states that development charges shall be adjusted annually on December 1st in each year, commencing on December 1, 2024, as prescribed in the *Development Charges Act, 1997*, Section 5 (1) (10).

FINANCIAL IMPACT:

Development charges fund growth-related capital projects as set out each year in the City's capital budget and forecast. Development charge indexing is a provision within the Development Charges By-law to ensure that rates are adjusted annually by the cost of constructing infrastructure.

The indexing of development charges at December 1, 2024 represents an increase of 4.8%. The following table summarize the changes in the City’s residential and non-residential development charge rates.

Type of Development	Rates amended October 23, 2024 (\$ per unit)	New rates effective December 1, 2024 (\$ per unit)	Increase (\$ per unit)
Single / Semi Detached Dwelling	\$ 38,986	\$ 40,857	\$ 1,871
Other Multiples	26,070	27,321	1,251
Apartments – 2 Bedrooms or more	22,171	23,235	1,064
Apartments – Bachelor & 1 Bedroom	12,041	12,619	578
Special Care / Special Dwelling Units	11,224	11,763	539
Non-Residential Per m ² gross floor area	93.43	97.89	4.46
Non-Residential Per ft. ² gross floor area	8.68	9.09	0.41

PUBLIC VALUE:

Annual indexing of the City’s development charges supports Sustainability by focusing on the responsible management of financial resources, ensuring transparency and accountability of the public’s tax dollars.

ADVISORY COMMITTEE INPUT:

Advisory Committees Consulted:

Not applicable.

PUBLIC INPUT:

Public consultation occurred at a public meeting for the development charges by-law on April 16, 2024. No additional consultation is required for this annual indexing report.

INTERNAL / EXTERNAL CONSULTATION:

The December 1, 2024 indexed rates, as presented in this report, will be posted on the City of Cambridge Development Charges website.

CONCLUSION:

The annual indexing of development charges allows the City to fund growth in a

sustainable way to support the prosperity of a highly competitive local economy through the delivery of infrastructure in alignment with the strategic plan.

The December 1, 2024 Development Charge indexing represents an increase of \$1,871 per single/semi-detached dwelling, \$1,251 per unit for all other multiple residential uses (including townhouses), \$1,064 per apartment unit - 2 or more bedrooms, \$578 per apartment unit – bachelor and 1 bedroom, \$539 per special care/special dwelling units, and an increase of \$41 per 100 ft² (\$446 per 100 m²) of non-residential floor space.

REPORT IMPACTS:

Agreement: **No**

By-law: **No**

Budget Amendment: **No**

Policy: **No**

APPROVALS:

This report has gone through the appropriate workflow and has been reviewed and or approved by the following as required:

Director

Deputy City Manager

Chief Financial Officer

City Solicitor

City Manager

ATTACHMENTS:

Not applicable.