



To: COUNCIL
Meeting Date: 11/28/2023
Subject: Annual Indexing of Development Charges – December 1, 2023
Submitted By: Sheryl Ayres, Chief Financial Officer
Prepared By: Ben Irwin, Senior Financial Analyst – Investments & Treasury
Report No.: 23-139-CRS
File No.: C11
Wards Affected: All Wards

RECOMMENDATION(S):

THAT Report 23-139-CRS Annual Indexing of Development Charges – December 1, 2023 be received.

EXECUTIVE SUMMARY:

Purpose

To advise Council of the annual indexing of the City's development charges on December 1, 2023.

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 partially 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, 2023 development charges indexing represents a percentage increase of 6.6% since the previous indexing on December 1, 2022.

Rate increases are in accordance with the third quarter non-residential Statistics Canada Quarterly Construction Price Index of 6.6%.

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 (DCA) enables a municipality to, by by-law, impose development charges against land to pay for increased capital costs due to the increased need for services arising from development of the area to which the by-law applies. DC By-laws must be updated at least every five years.

The City of Cambridge Development Charges By-law 19-094, as amended, came into force on July 1, 2019 and expires on June 30, 2024. Council implemented the calculated rates as set out in the supporting Development Charges Background Study and those rates have been in effect since July 1, 2019, subject to annual indexing and as amended in January of 2022. The By-law requires the indexing of development charges annually on December 1st in each year in accordance with the Statistics Canada Quarterly Construction Price Statistics, catalogue number 62-007. As prescribed, the rates that came into effect on July 1, 2019 automatically indexed on December 1st of 2019 (3.3%), 2020 (2.3%), 2021 (11.8%), 2022 (15.7%) and are set to index December 1st, 2023. This date aligns with the indexing of the Regional development charges and some other area municipalities in the region.

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 Bylaw 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 third quarter 2022 and third quarter 2023 the construction price index for non-residential construction in the Toronto area is an increase of 6.6%.

Although inflation has come down from December 1, 2022 non-residential construction price index of 15.7%, non-residential construction index is still high at 6.6%. As a result of higher rates of inflation over the past year, like last year, we are still seeing lingering supply chain issues and a reduction in the number of suppliers, contractors and consultants with sufficient available capacity to bid on work. The City continues to experience significant cost increases through tenders awarded in 2023. Cost escalation is expected to have a significant impact on the development of the City's 2024-2033 capital budget and forecast. 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-law No. 19-094, as amended, came into force on July 1, 2019 and requires indexing of applicable City Development Charges on December 1 in each year, commencing on December 1, 2019.

FINANCIAL IMPACT:

Development charges fund a portion of the cost of growth-related capital projects as set out each year in the City's capital budget and forecast. Development charge indexing is an automatic 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, 2023 represents an increase of 6.6%. The following table summarize the changes in the City's residential and non-residential development charge rates.

Type of Development	Previous rates (\$ per unit)	New rates as of December 1, 2023 (\$ per unit)	Increase (\$ per unit)
Single / Semi Detached Dwelling	\$ 30,193	\$ 32,186	\$ 1,993
Other Multiples	\$ 21,229	\$ 22,630	\$ 1,401
Apartments	\$ 15,114	\$ 16,112	\$ 998
Special Care / Special Dwelling Units	\$ 9,490	\$ 10,116	\$ 626
Non-Residential			
Per m ² gross floor area	\$ 75.19	\$ 80.15	\$ 4.96
Per ft. ² gross floor area	\$ 6.98	\$ 7.44	\$ 0.46

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:

Not applicable.

PUBLIC INPUT:

Public consultation occurred at a public meeting for the development charges bylaw on April 9, 2019. No additional consultation is required for this annual indexing report.

INTERNAL / EXTERNAL CONSULTATION:

This report will be posted on the City of Cambridge website along with an information brochure for the public outlining the updated rates. The report will also be sent to the Waterloo Region Home Builders’ Association for information.

CONCLUSION:

The annual indexing of development charges allows the City to plan and fund new 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, 2023 Development Charge indexing represents an increase of \$1,993 per single/semi-detached dwelling, \$1,401 per unit for all other multiple residential uses (including townhouses), \$998 per apartment unit, \$626 per special care/special dwelling units, and an increase of \$0.46 per ft² (\$4.96 per 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:

1. 23-139-CRS Appendix A – Summary of Development Charges