



## City of North Bay Report to Council

Report No: CSBU-2024-043

Date: August 1, 2024

Originator: Beverley Hillier

Business Unit:

Department:

Community Services

Planning & Building Department

Subject: Development Charge By-law – Extension to Expiry Date

Closed Session: yes  no

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### Recommendation

That Council:

1. authorize an amendment to By-Law 2019-72, being a By-Law to Establish Development Charges for The Corporation of the City of North Bay, as amended by By-Law 2022-36, to reflect an expiry date of October 10, 2029, unless it is extended by statute, regulation or By-Law, or repealed at an earlier date; and
2. direct staff to complete a Background Study in accordance with the Development Charges Act, 1997, prior to the expiry of the City's Development Charges By-Law being October 10, 2029.

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### Background

The City's Development Charges By-law, [By-law 2019-72](#), came into effect on October 9th, 2019. Schedules B1 and B2 to the By-law outline the development charge rates in effect for residential and non-residential development for the period October 9th, 2019, to October 8th, 2024.

Upon passing of the By-law, residential rates were reduced to nil for the period October 9th, 2019, to November 14th, 2022. In February of 2022, Council passed Resolution No. 2022-68 directing staff to commence the process of amending the Development Charges By-law No. 2019-72 to further extend the moratorium period for residential Development Charges to May 31st, 2023. The extension of the moratorium period for residential Development Charges to May 31, 2023 was approved by Council in May 2022 upon completion of the requirements of the Act and through the passing of

amending [By-law 2022-36](#). Residential development charges came back into effect on June 1, 2023, in accordance with the Development Charges By-law.

Through Resolution 2023-163, on April 11, 2023, Council directed staff to complete a Background Study in accordance with the Development Charges Act, 1997, prior to the expiry of the City's current Development Charges By-law 2022-36 being October 10, 2024. At that time all changes to a Development Charges By-law required a Background Study.

Since that time, through Bill 185, the Development Charges Act was amended to allow municipalities to pass an amendment to their Development Charges By-law to extend the expiration date of the By-law to 10 years (rather than the current 5 years) without the need to complete a new Background Study, providing that the rates stay at the existing approved rates. Under the Act, a change to the expiry date requires no public meeting and there is no appeal mechanism available to the public.

Staff informed the Developers Liaison Advisory Committee of this upcoming report and invited any comments they had. At their request, staff convened a meeting with the Committee on July 30, 2024. At a high-level, a majority of the group indicated that they were against development charges indicating that the City should be investigating all means possible to encourage housing development and that because of new housing development, the City then obtains new property taxes which should be used to cover growth related costs.

As outlined in this Report and to the Developers Liaison Advisory Committee the purpose of Development Charges is to pay for growth related capital costs. Development charge rates, as set out in the Background Study, are calculated on a cost recovery basis, implementation of lower rates will require either a reduction in the development-related capital plan and reduced service levels or financing from other sources (such as through property tax increases or higher water and wastewater user rates). Development charges are meant to be a financial tool rather than a sole driver of development in the City and that the City has an obligation to ensure development is serviced in a fiscally responsible manner.

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## **Financial/Legal Implications**

The City completed a Background Study in 2019 as part of the implementation of By-law 2019-72. Through this Study it was determined that the maximum permitted charge for a single/semi-detached dwelling was \$20,760. At that time, the Council decided to hold the rate at the 2014 rate already in effect for single/semi-detached dwellings being \$9,814.

In addition, several changes were made to development charge related policies during the development of the 2014 By-law as well as through subsequent amendments to the by-law over the last several years. Some of these notable changes are as follows:

- Residential charges were separated into three different categories based on the size of dwelling unit to promote entry level homes and homes for seniors. 3 different categories for new single/semi-detached dwellings
  - under 1200 sq ft, \$0 Development Charges,
  - between 1200-1500 sq ft, a reduced development charge of \$4,907, and
  - over 1500 sq ft a development charge of \$9,814.
- Entry level definition was changed from “1,050 sq. ft. or less” to “1,200 sq. ft or less” and the charge was removed from this category thereby exempting entry level homes from development charges.
- The by-law includes a clause to provide the City with the ability to enter into an agreement with a person required to pay development charges to defer all or part of the fees to be paid later than the time the building permit is issued.
- Credit provided for redevelopment of previously exempt properties (i.e. schools).

Additionally, the City’s by-law includes additional exemptions beyond those exemptions that are required under the Act. These exemptions include land that is owned and used for the purpose of:

- Local Boards
- Place of Worship
- Universities and Colleges
- Public Hospital
- Non-Profit Housing, Group Homes and Additional Dwelling Units
- Industrial Uses
- Downtown Improvement Area

The rate for single/semi-detached dwelling units has remained at the same rate since 2014, with the exception of a moratorium on residential development charges between October 2019 and June 1, 2023. Additionally, there has been no indexing of the rates since 2014 despite the municipality having the authority under the Development Charges Act to index rates on an annual basis.

The Act stipulates that development charges collected from new development must be set aside in interest bearing reserve accounts segregated by service category (i.e. parks and recreation, roads, water, wastewater, etc.) and can only be applied to fund growth related capital infrastructure costs. The Treasurer is required to report annually on reserve balances and the use of funds during the fiscal year. The Treasurer’s Statement on Development Charges for the year ended December 31, 2023 is presented to Council through Report to Council CORP 2024-067 on August 13, 2024.

The City has entered into an Agreement with the North Bay and District Home Builders Association that allows members of this organization to defer their

development charges to 18 months, or occupancy, whichever is sooner. This allows the payment to occur at the end of the permit process rather than at the initial stages of permit issuance.

Should the City's existing Development Charge By-law expire, the City will not be permitted to collect Development Charges on any category including residential and non-residential projects. The revenue potential with maintaining the current rates will provide financing for growth related infrastructure projects in the City's 10 year plan. Over the last several years, there have been growing pressures within the capital budget for City owned infrastructure requirements as well as those of the Service Partners. Therefore, development charges provide an important revenue tool to assist in financing capital projects and help to relieve some of the pressures on the tax levy and water and wastewater rates to finance new capital infrastructure.

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### **Corporate Strategic Plan**

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|---|---|
| <input type="checkbox"/> Natural North and Near                           | <input type="checkbox"/> Economic Prosperity                |
| <input checked="" type="checkbox"/> Affordable Balanced Growth            | <input checked="" type="checkbox"/> Spirited Safe Community |
| <input checked="" type="checkbox"/> Responsible and Responsive Government |   |

### **Specific Objectives**

- Consider all aspects of decisions to fund new infrastructure
- Facilitate the development of housing options to service the needs of the community
- Ensure the efficient and effective operations of the city, with particular consideration to the impact of decisions on the property tax rate

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### **Options Analysis**

Option 1:

Extend the expiry date. Staff are recommending that the expiry date be extended for the full 5 years to allow for appropriate planning to complete the background study. Staff are anticipating that this would be completed in 2027. This would align with the time required to complete the work, which is anticipated to take approximately one year. In addition, this timing would allow for the background study to be completed in conjunction with updated census (2026), population and household forecasts work. This option provides maximum flexibility for this and future Councils to revisit the Development Charges By-Law through to October 10, 2029.

That Council:

1. authorize an amendment to By-Law 2019-72, being a By-Law to Establish Development Charges for The Corporation of the City of North Bay, as amended by By-Law 2022-36, to reflect an expiry date of October 10, 2029, unless it is extended by statute, regulation or By-Law, or repealed at an earlier date; and

2. direct staff to complete a Background Study in accordance with the Development Charges Act, 1997, prior to the expiry of the City's Development Charges By-Law being October 10, 2029.

Option 2:

Extend the expiry date to a period less than 5 years. Staff are anticipating that this would be completed in 2027. This would align with the time required to complete the work, which is anticipated to take approximately one year. In addition, this timing would allow for the Background Study to be completed in conjunction with updated census (2026), population and household forecasts work.

That Council:

1. authorize an amendment to By-Law 2019-72, being a By-Law to Establish Development Charges for The Corporation of the City of North Bay, as amended by By-Law 2022-36, to reflect an expiry date of October 10, 2027, unless it is extended by statute, regulation or By-Law, or repealed at an earlier date; and
2. direct staff to complete a Background Study in accordance with the Development Charges Act, 1997, prior to the expiry of the City's Development Charges By-Law being October 10, 2027.

Option 3: Do not extend the expiry date.

This option is not recommended. If the expiry date of the By-law is not extended, the By-law will expire and the City not have the authority to collect any development charges on any category (residential or non-residential) after October 8<sup>th</sup>, 2024.

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### **Recommended Option**

Option 1 is the recommended option.

That Council:

1. authorize an amendment to By-Law 2019-72, being a By-Law to Establish Development Charges for The Corporation of the City of North Bay, as amended by By-Law 2022-36, to reflect an expiry date of October 10, 2029, unless it is extended by statute, regulation or By-Law, or repealed at an earlier date.
2. direct staff to complete a Background Study in accordance with the Development Charges Act, 1997, prior to the expiry of the City's Development Charges By-Law being October 10, 2029.

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Respectfully submitted,

Name: Beverley Hillier, MCIP, RPP

Title: Manager, Planning & Building Services

**I concur with this report and recommendation**

Name: Ian Kilgour, MCIP, RPP

Title: Director, Community Services

Name: Shannon Saucier, CPA, CA

Title: Director, Strategic Initiatives

Name: Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer

Name: John Severino, P.Eng., MBA

Title: Chief Administrative Officer

Personnel designated for continuance:

Name: Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer