



# Development Charges Overview

---

Council Meeting  
October 23, 2023

# Agenda



- Introductions
- Development Charges Act Overview
- Changes to the Development Charges Act – Bill 23
- Potential Services
- Development Charges in the County
- Implementation of Development Charges
- Questions



# Development Charges Act (D.C.A.)

---

## Overview

# Development Charges (D.C.)



## Purpose:

- To recover the capital costs associated with residential and non-residential growth within a municipality
- The capital costs are in addition to what costs would normally be constructed as part of a subdivision (i.e. internal roads, sewers, watermains, sidewalks, streetlights, etc.)
- D.C.s are typically paid to the Municipality prior to receiving a building permit
- Municipalities are empowered to impose these charges via the Development Charges Act (D.C.A.)

# Municipal Financial Planning Framework



Official Plan

Growth and Development



Master Plans

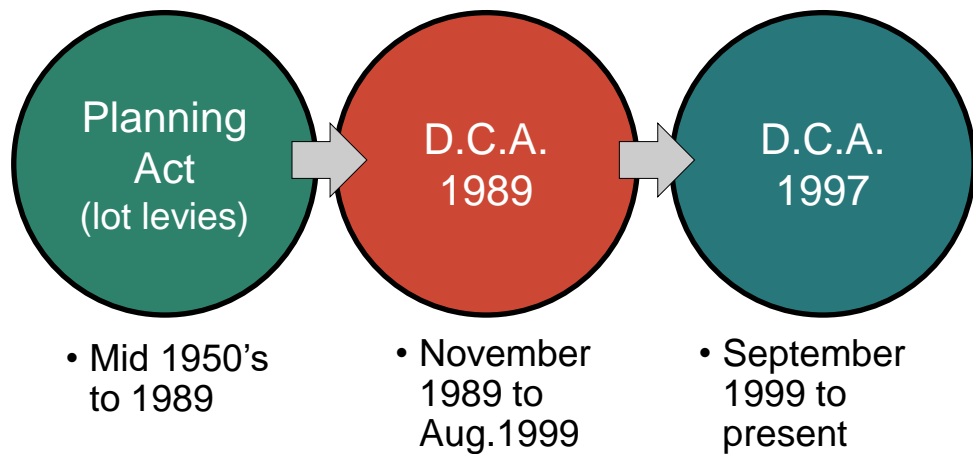
Capital Needs to Support Growth



Development Charges

Funding for Capital Needs to Support Growth

# History of D.C.s



## Amendments to D.C.A. 1997

1. Bill 73: January 2016
2. Bill 108: June 2019
3. Bill 138: December 2019
4. Bill 197: July 2020
5. Bill 213: December 2020
6. Bill 109: April 2022
7. Bill 23: November 2022

## D.C. Eligible Services



1. Water
2. Wastewater
3. Storm water drainage
4. Services related to a highway.
5. Electrical power services.
6. Toronto-York subway extension.
7. Transit
8. Waste diversion
9. Policing
10. Fire protection
11. Ambulance
12. Library
13. Long-term Care
14. Parks and Recreation
15. Public Health services
- ~~16. Housing Services~~
17. Childcare and early years services.
18. Provincial Offences Act
19. Emergency Preparedness
20. Airports (Waterloo Region only).

# Capital Costs



- Acquire land or interest in land
- Improve land
- Acquire, lease, construct or improve buildings, facilities and structures (includes furniture and equipment)
- Equipment and rolling stock
- Capital component of a lease for the above
- Circulation materials for Libraries
- ~~Studies for above including a D.C. Background Study~~
- Interest on money borrowed to pay for the above

# Capital Costs (cont'd)



- Any planning horizon for future capital needs can be used, except for Transit (which is limited to 10 years)
- Capital costs must be reduced by grants, subsidies and other contributions.
- May include authorized costs incurred or proposed to be incurred by others on behalf of a municipality/local board
- Certain Capital Costs may not be included:
  - Parkland Acquisition
  - Vehicle & Equipment with avg. life of <7 yrs.
  - Computer Equipment that is not integral to the delivery of the service
  - **Studies**

# Maximum Charge Capped by Service Standard Calculation



- Service standard measure provides a ceiling on the level of the charge which can be imposed
- The D.C.A. requires the calculation to be based on “quantity” and “quality” measures and are “averaged over the past 15 years
- Note that this measure does not apply to water, wastewater, storm water and Transit (which now has a forward-looking service standard)

# Service Standard Example



## Municipality of ABC Service Standard Calculation Sheet

Service: Fire Protection Services - Facilities  
Unit Measure: sq.ft. of building area

Description	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 Bld'g Value (\$/sq.ft.)	Value/sq.ft. with land, site works, etc.
Fire Station #1	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	\$400	\$466
Fire Station #2	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	\$400	\$466
Fire Station #3	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	\$400	\$466
<b>Total</b>	<b>6,700</b>	<b>6,700</b>	<b>6,700</b>	<b>6,700</b>	<b>6,700</b>	<b>6,700</b>	<b>6,700</b>	<b>6,700</b>	<b>6,700</b>	<b>6,700</b>	<b>6,700</b>	<b>6,700</b>	<b>6,700</b>	<b>6,700</b>	<b>6,700</b>		

Population	4,000	4,200	4,410	4,631	4,862	5,105	5,360	5,628	5,910	6,205	6,516	6,841	7,183	7,543	7,920
Per Capita Standard	1.6750	1.5952	1.5193	1.4469	1.3780	1.3124	1.2499	1.1904	1.1337	1.0797	1.0283	0.9793	0.9327	0.8883	0.8460

15 Year Average	2008-2022
Quantity Standard	1.2170
Quality Standard	\$466
Service Standard	\$567

D.C. Amount (before deductions)	20 Year
Forecast Population	8,000
\$ per Capita	\$567
Eligible Amount	\$4,537,040

# Service Standard Example



## Municipality of ABC Service Standard Calculation Sheet

Service: Fire Protection Services - Facilities  
Unit Measure: Value of facilities (\$)

Description	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fire Station #1	699,000	699,000	699,000	699,000	699,000	699,000	699,000	699,000	699,000	699,000	699,000	699,000	699,000	699,000	699,000
Fire Station #2	1,025,200	1,025,200	1,025,200	1,025,200	1,025,200	1,025,200	1,025,200	1,025,200	1,025,200	1,025,200	1,025,200	1,025,200	1,025,200	1,025,200	1,025,200
Fire Station #3	1,398,000	1,398,000	1,398,000	1,398,000	1,398,000	1,398,000	1,398,000	1,398,000	1,398,000	1,398,000	1,398,000	1,398,000	1,398,000	1,398,000	1,398,000
<b>Total</b>	<b>3,122,200</b>	<b>3,122,200</b>	<b>3,122,200</b>	<b>3,122,200</b>	<b>3,122,200</b>	<b>3,122,200</b>	<b>3,122,200</b>	<b>3,122,200</b>	<b>3,122,200</b>	<b>3,122,200</b>	<b>3,122,200</b>	<b>3,122,200</b>	<b>3,122,200</b>	<b>3,122,200</b>	<b>3,122,200</b>
Population	4,000	4,200	4,410	4,631	4,862	5,105	5,360	5,628	5,910	6,205	6,516	6,841	7,183	7,543	7,920
Per Capita Standard	780.55	743.38	707.98	674.27	642.16	611.58	582.46	554.72	528.31	503.15	479.19	456.37	434.64	413.94	394.23
<b>15 Year Average</b>	<b>2008-2022</b>														
Service Standard \$ per Capita	\$567														

# Local Service Policies

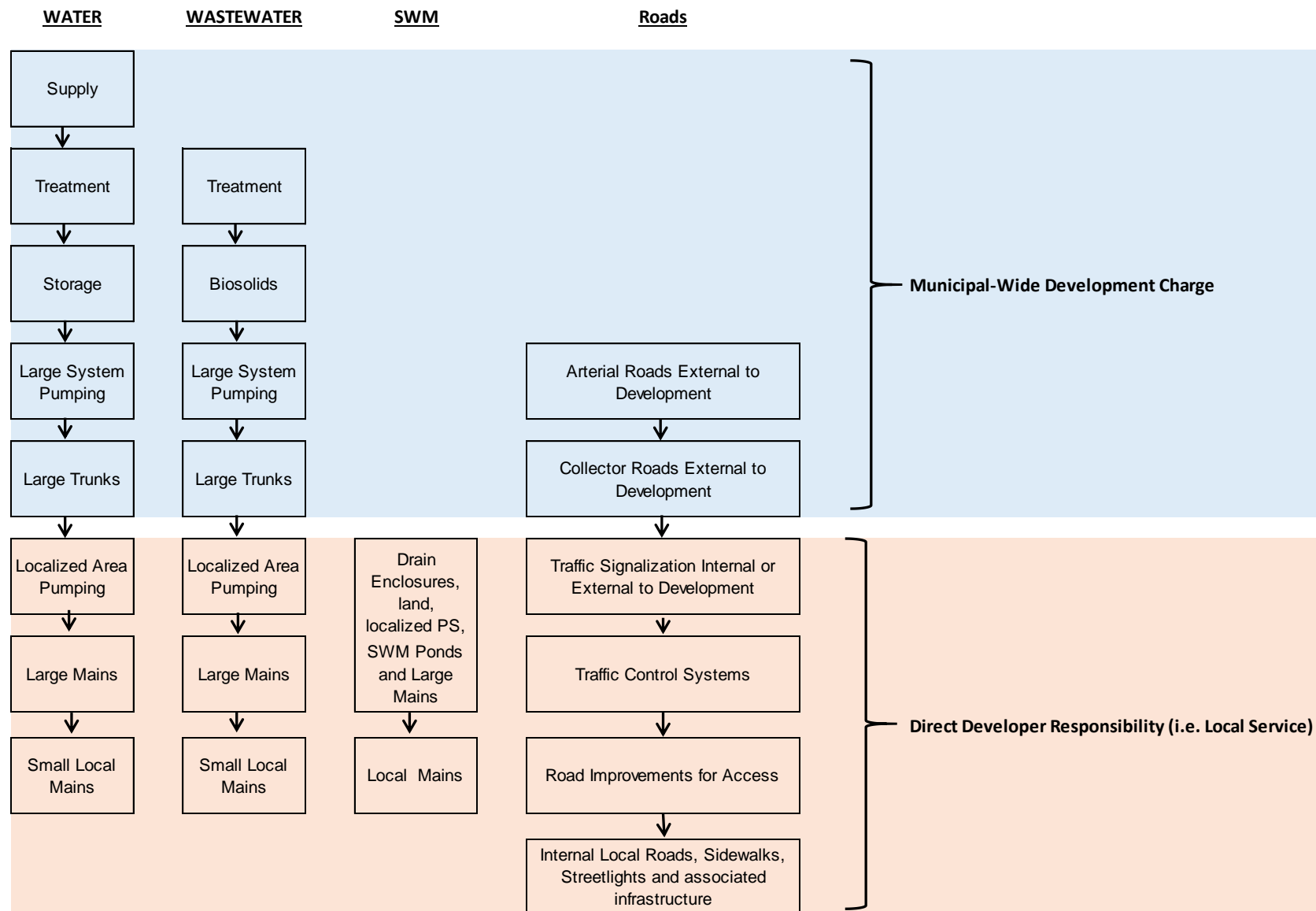


- New section 59.1(1) and (2) of the Act “No Additional Levies” - prohibits municipalities from imposing additional payments or requiring construction of a service not authorized under the D.C.A., therefore, need to be clear:
  - What will be included in the D.C.; and
  - What will be required by developers as part of their development agreements
- Items considered in Local Service Policies may include:
  - Local, rural, collector & arterial roads,
  - Intersection improvements & traffic signals,
  - Streetlights & sidewalks,
  - Bike Routes/Bike Lanes/Bike Paths/Multi-Use
  - Trails/Naturalized Walkways,
  - Noise Abatement Measures,
  - Land dedications/easements,
  - Water, Wastewater & Stormwater, and
  - Park requirements.

# Local Service Policies - Schematic



## Allocations of Services Included in Capital Charges



# Methodology for Calculating a D.C.



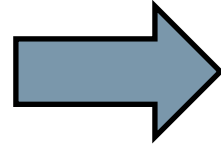
The following provides the overall methodology to calculating the charge:

1. Identify amount, type and location of growth
2. Identify servicing needs to accommodate growth
3. Identify capital costs to provide services to meet the needs
4. Deduct:
  - i. Grants, subsidies and other contributions
  - ii. Benefit to existing development
  - iii. Amounts in excess of 15-year historical service calculation
  - iv. D.C. Reserve funds (where applicable)
5. Net costs then allocated between residential and non-residential benefit
6. Net costs divided by growth to calculate the D.C.

# Overview of the D.C. Calculation

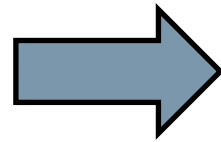


Cost of Infrastructure  
Required to  
Accommodate  
Growth

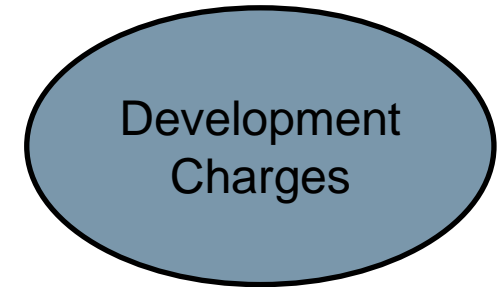


\$

Residential and Non-  
residential Growth

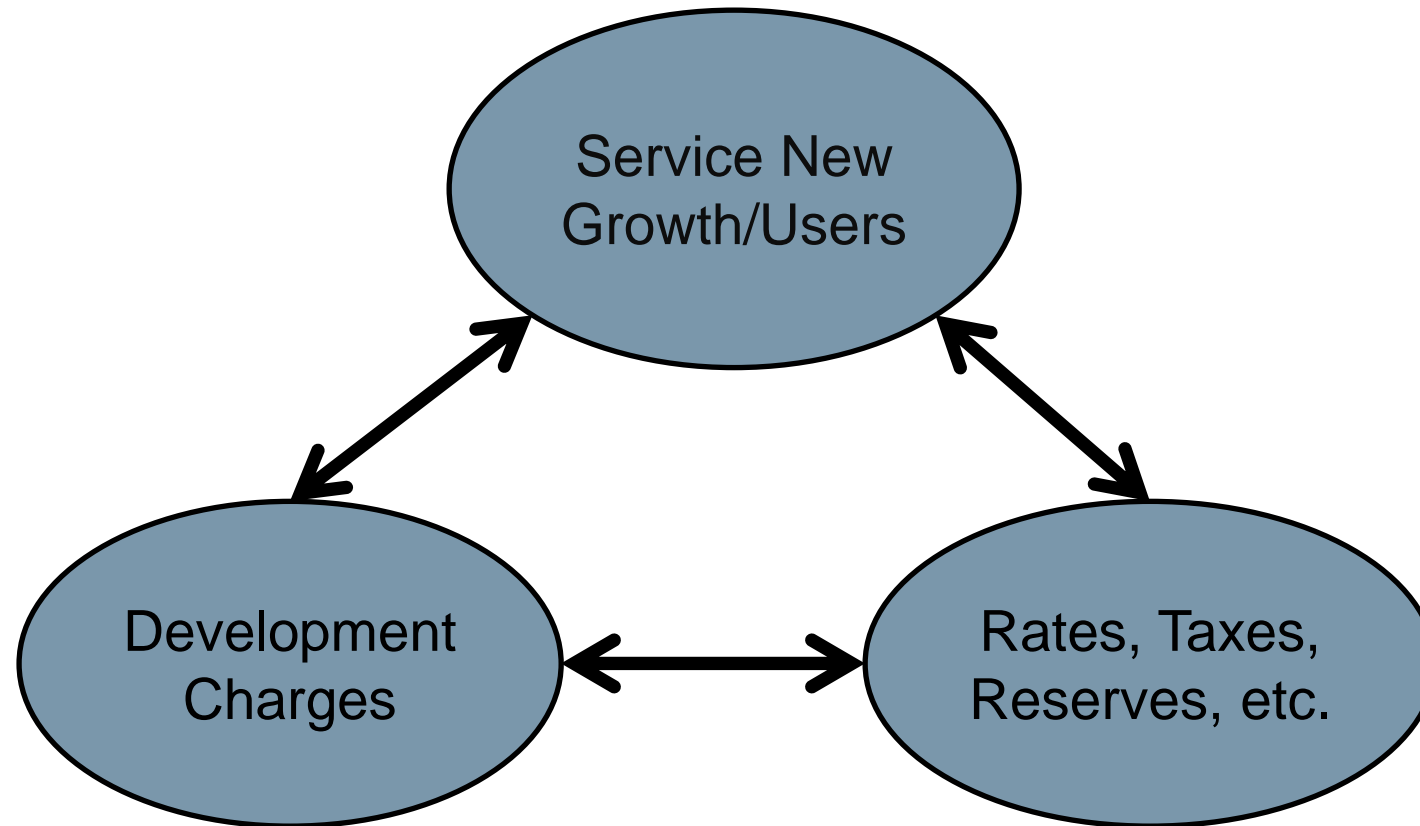


Development Charge  
per Unit  
(for Residential Growth)



Development Charge  
per Sq.ft.  
(for Non-residential  
Growth)

# Relationship Between Needs to Service Growth vs. Funding





# Changes to the Development Charges Act

Bill 23

# Bill 23 Overview



- The Province passed Bill 23: More Homes Built Faster Act, 2022 on November 28, 2022
- This Bill amends a number of pieces of legislation, including the Development Charges Act (D.C.A.), and the Planning Act
- These changes impact development charges (D.C.s), community benefits charges (C.B.C.s), and parkland dedication

# Changes to the D.C.A. – Bill 23



## Additional DC Exemptions:

- **Affordable Rental Unit:** Where rent is no more than 80% of the average market rent, **as defined by a new Bulletin**, published by the Ministry of Municipal Affairs and Housing.
- **Affordable Owned Unit:** Where the price of the unit is no more than 80% of the average purchase price, **as defined by a new Bulletin**, published by the Ministry of Municipal Affairs and Housing.
- **Attainable Unit:** Excludes affordable units and rental units, **will be defined as prescribed development or class of development** and sold to a person who is at “arm’s length” from the seller.
  - Note: for affordable and attainable units, the municipality shall enter into an agreement which ensures the unit remains affordable or attainable for 25 years.
- **Inclusionary Zoning Units:** Affordable housing units required under inclusionary zoning by-laws will
- **Non-Profit Housing:** Non-profit housing units are exempt from D.C. installment. Outstanding installment payments due after this section comes into force will also be exempt from payment of D.C.s.
- **Additional Residential Unit Exemptions** (units in existing rental buildings, 2nd and 3rd units in existing and new singles, semis, and rowhouses)

Currently  
NOT in  
force

Currently  
in force

# Changes to the D.C.A. – Bill 23 - continued



## **D.C. Discounts:**

- Rental Housing Discount (based on number of bedrooms – 15%-25%)

## **D.C. Revenue Reduction:**

- Removal of Housing as an Eligible D.C. Service
- Capital Cost Amendments (restrictions to remove studies and land)
- Mandatory Phase-In of D.C. (Maximum charge of 80%, 85%, 90%, 95%, 100% for first 5 Years of the by-law) - These rules apply to a D.C. by-law passed on or after January 1, 2022
- Historical Levels of Service from 10 years to 15 years

# Changes to the D.C.A. – Bill 23 – continued.



## **D.C. Administration:**

- Maximum Interest Rate for Installments and D.C. Freeze (maximum interest rate would be set at the average prime rate plus 1%)
- Requirement to Allocate 60% of the monies in the reserve funds for Water, Wastewater, and Services Related to a Highway
- D.C. by-law expiry extended to 10 years



## D.C. Exemptions and Policies

---

# Mandatory Exemptions

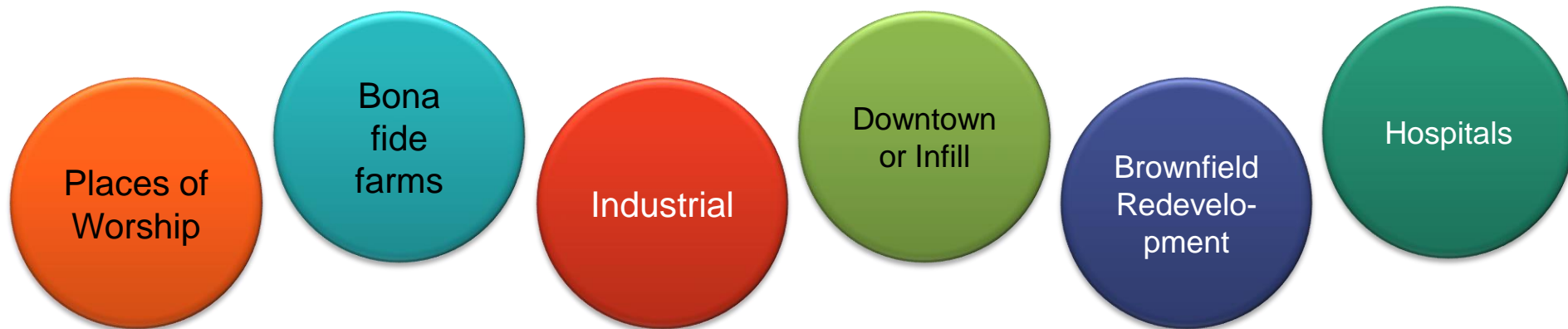


- Upper/Lower Tier Governments and School Boards;
- Industrial building expansions (may expand by 50% with no D.C.);
- Development of lands intended for use by a university that receives operating funds from the Government (as per Bill 213);
- May add up to 2 apartments in an existing or new detached, semi-detached, or rowhouse (including in an ancillary structure);
- Add one additional unit or 1% of existing units in an existing rental residential building;
- Affordable and Attainable units (to be in force at a later date);
- Affordable inclusionary zoning units;
- Non-profit Rental Housing;
- Discount for Rental units based on bedroom size; and
- Phase-in of D.C.s.

# Discretionary Exemptions



- Reduce in part or whole D.C. for types of development or classes of development (e.g. industrial or churches)
- May phase-in over time
- Redevelopment credits to recognize what is being replaced on site (not specific in the Act but provided by case law)



# Other Matters



- **Cross Subsidization** - the act clarifies that a cost recovery shortfall from one type of development may not be made up through higher charges on other development. However, it also clarifies that the charge for any particular development does not have to be limited to the cost increase attributable to that development
- **Background Study** - It is mandatory that a D.C. Background Study be prepared and be available to the public (along with a draft D.C. by-law) at least two weeks prior to the public meeting and 60 days prior to by-law passage
- **Prescribed Index** - use of the Statistics Canada Quarterly, Non-Residential Building Construction Price Index



# Potential Services for Inclusion in a D.C. By-law

---

# Potential Services to be Considered under the D.C. (Based on 2021 FIR)



- Fire Services;
- Police Services;
- Services Related to a Highway (roads and public works);
- Parks & Recreation;
- Water Services;
- Wastewater Services; and
- Waste Diversion Services.



## D.C.s in the County

---

# D.C.s in the County



- The following municipalities impose D.C.s:
  - Kincardine
  - Saugeen Shores
  - South Bruce Peninsula
- The following municipalities are considering D.C.s:
  - Bruce County
  - Brockton (released an RFP for a D.C. study and by-law)
  - South Bruce (released an RFP for a D.C. study and by-law)



## Implementation of D.C.s

---

# Implementation of D.C.s



## Typical D.C. study process:

1. Kickoff meeting with municipal staff
2. Data collection and review of background material (master plans, council reports, etc.)
3. Growth project development
4. Consultant to provide worksheets for staff to fill in
5. Detailed meetings with service areas
6. Draft D.C. calculations
7. Stakeholder meeting & council workshop (optional)
8. Prepare and make public D.C. background study
9. D.C. Public Meeting
10. By-law Passage

Typical  
timeline  
of 6-8  
Months



## Summary and Recap

---

# Summary and Recap



- D.C.s are a revenue tool that municipalities may utilize to ensure “growth pays for growth” – new development requires capital expenditures
- D.C.s are paid by new development. These costs are imposed directly on new development rather than being recovered from taxes and/or rates
- There are a number of mandatory exemptions from D.C.s and Council has the discretion to apply further exemptions/reductions
- Most municipalities in the County are already imposing D.C.s or considering imposing D.C.s

# Questions



# Questions