

Council Information Session

Development Charges 101



Today We Will Discuss...

- Overview of Development Charges
- Development Charges Legislation
 - *Bill 23, More Home Built Faster Act, 2022*
- DC Process in Brock
 - Timeline of changes to DC Rates and Capital Program
- Paying for Growth-Related Projects
 - DC eligible and ineligible portions
- Next Steps



What Are Development Charges?

- Charges imposed on development to fund “growth-related” capital costs
- Pays for new infrastructure and facilities to maintain service levels
 - County
 - Area municipal
 - Education
- Other tools available:
 - Development Charges, Community Benefits Charges and Parkland Provision
 - Direct Developer Contributions
 - Property Taxes

Principle is “growth pays for growth”

Development Charges Act Requirements (DCs)

- DCs imposed by by-law
- Maximum life of a DC by-law is now 10 years after the day it comes into force (for new by-laws)
- Prior to passing a by-law municipality must:
 - undertake a background study
 - hold at least one public meeting
- Right of appeal



Bill 23: Background

- Housing Supply Action Plan and subsequent legislation
 - Bill 108, the *More Homes, More Choice Act*
 - Bill 197, the *COVID-19 Economic Recovery Act*
- June 2022 election mandate:
 - Affordability (house sales/rents are outpacing incomes)
 - Goal of 1.5 million new homes over next 10 years

Bill 23: Mandatory Phase-In of ALL New DC Rates + Rental Housing Discount

- 5 year phase-in of **total** DC imposed by by-law
- Retroactive to DC by-law passed since January 1, 2022

Year	Maximum DC
1	80%
2	85%
3	90%
4	95%
5	100%

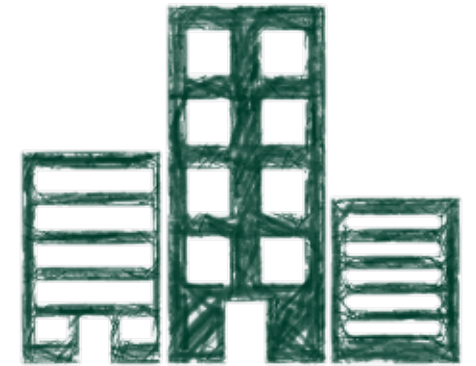
- Rental housing development (now defined as 4+ units)
 - 25% for 3+ bedrooms
 - 20% for 2 bedrooms
 - 15% for 1 bedroom and bachelor

Bill 23: Exemptions from DCs (in effect now)

- In existing rentals (4+ units), greater of:
 - One unit
 - 1% of existing units
- Residential intensification in existing and new units
- Non-profit housing (now defined)
- Inclusionary zoning units (must be affordable)

Bill 23: Exemptions for Affordable & Attainable

- Affordable
 - Rental – 80% of average market rent
 - Ownership – 80% of average purchase price
 - Province to issue bulletins to establish market rents and purchase price
 - Administered through agreement – 25 years, with ability to register on title
 - Possible standard forms of agreement
- “Select” Attainable
 - Not affordable and not rental
 - Administered through agreement – until unit is sold, with ability to register on title
 - What is “select” is to be prescribed



Bill 23: Other Changes

- Removal of Housing as an eligible service
- Removal of Studies as an eligible cost
- Historical service levels basis extended from 10 years to 15 years prior
- Services for which land is an ineligible cost may be prescribed
- Maximum life of DC by-law extended from 5 years to 10 years
- Interest rate for DC freezes and payment plans now prescribed
 - Prime +1%
- Must spend or allocate at least 60% of reserve fund balances each year for
 - Water, wastewater, and roads DCs
 - Other DC services may be prescribed

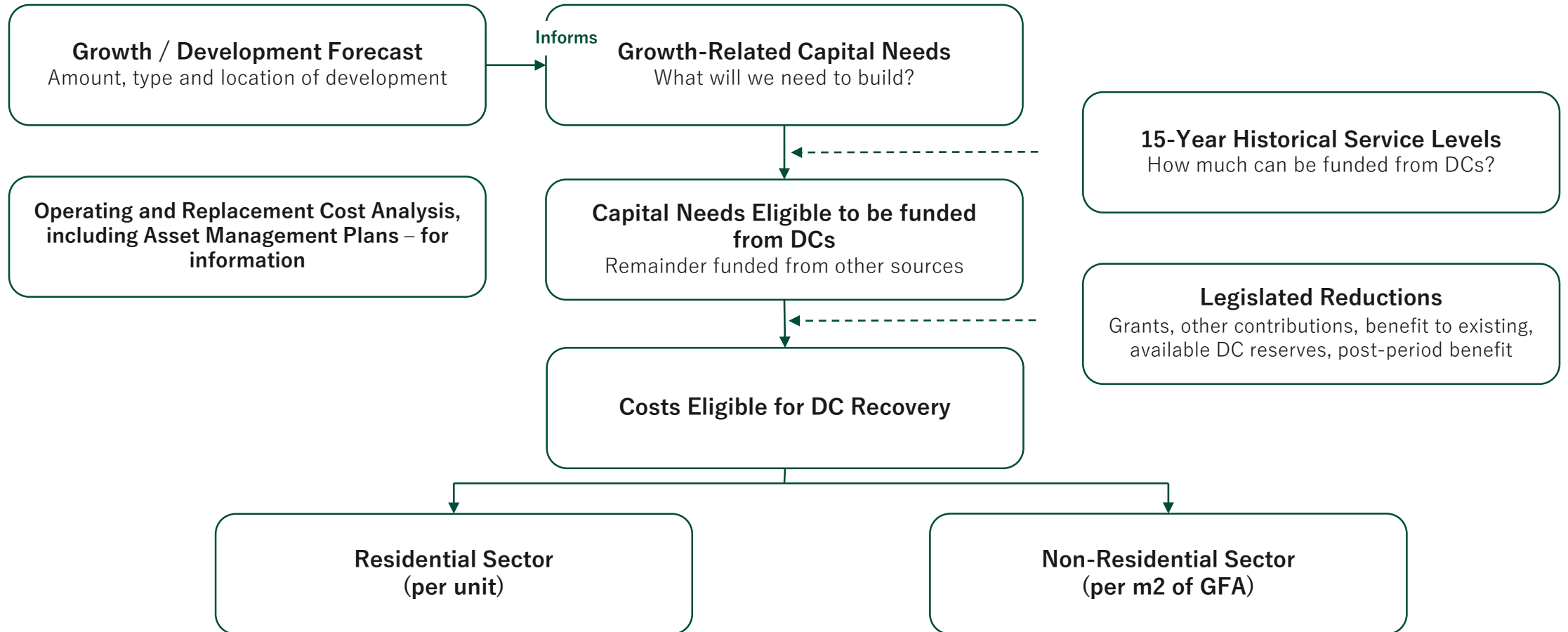
DC Eligible Services (DCA)

- Water Supply Services
- Wastewater Services
- Stormwater Drainage and Control Services
- **Services Related to a Highway (Roads, Public Works Buildings, and Fleet)**
- Transit
- **Waste Diversion**
- Policing Services
- **Fire Protection Services**
- Ambulance Services

- **Public Libraries (Including resources)**
- **Recreation (Arena, centres, etc.)**
- **Park Development (Excluding parkland acquisition)**
- Long-term Care
- Public Health
- **Provincial Offences Act incl. By-law Enforcement**
- Emergency Preparedness
- Child Care

Note: Parking, Cemeteries, Housing, and Studies are no longer eligible for recovery through DCs.

Development Charges Study Process

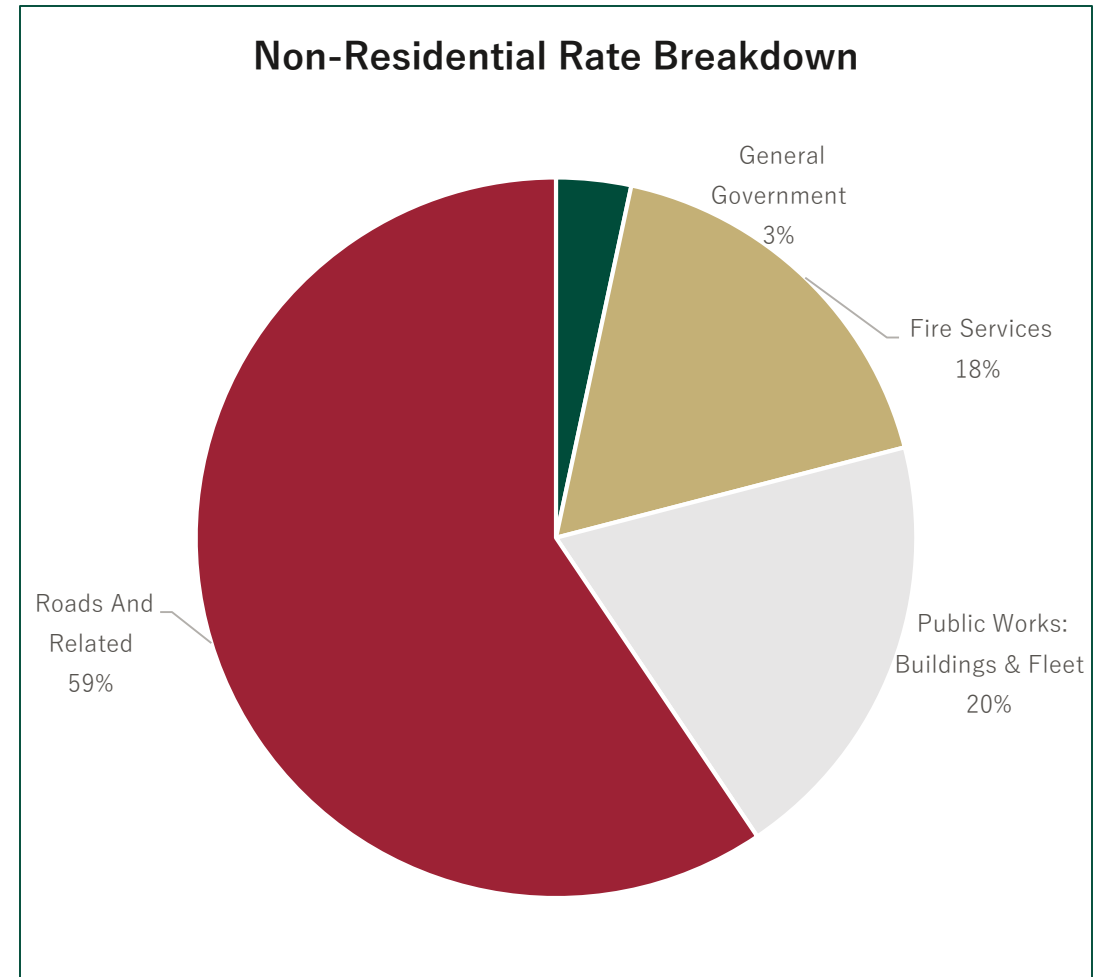
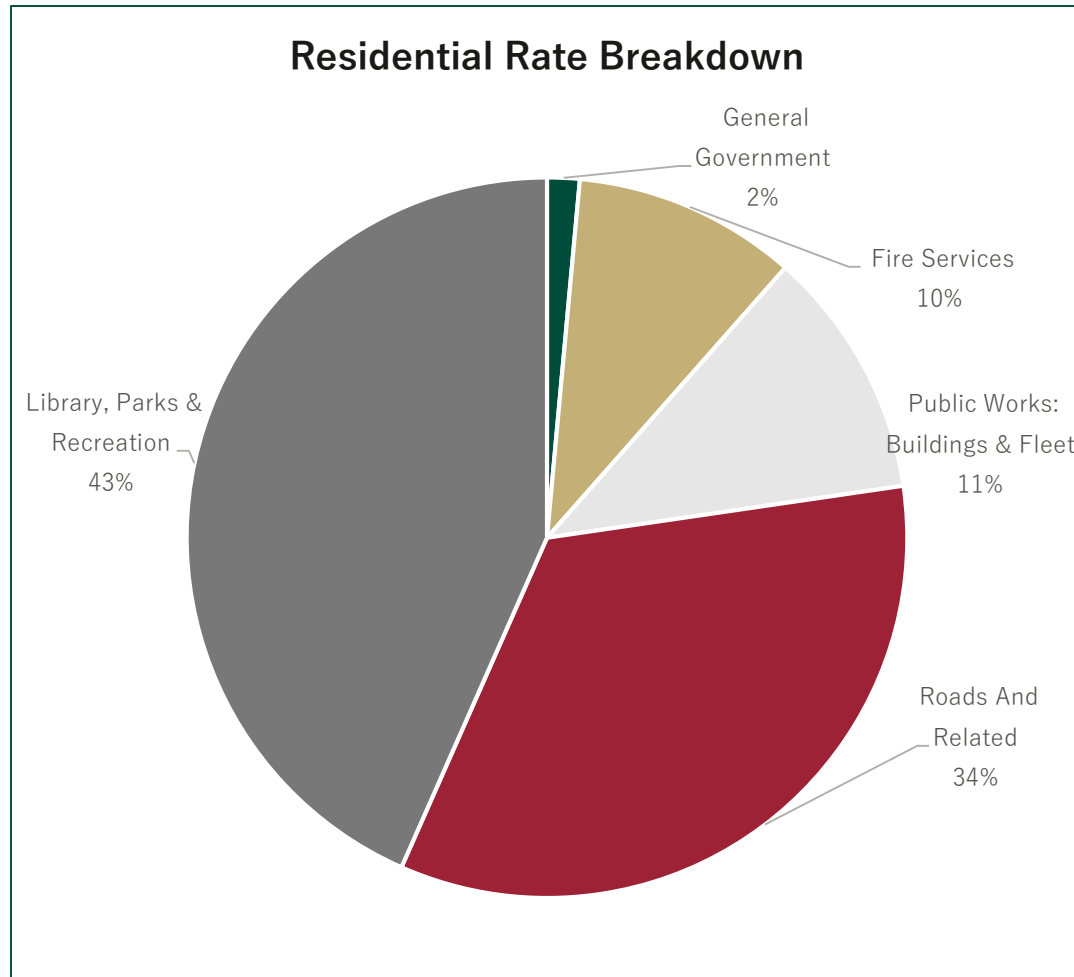


Current DC Rates in Force

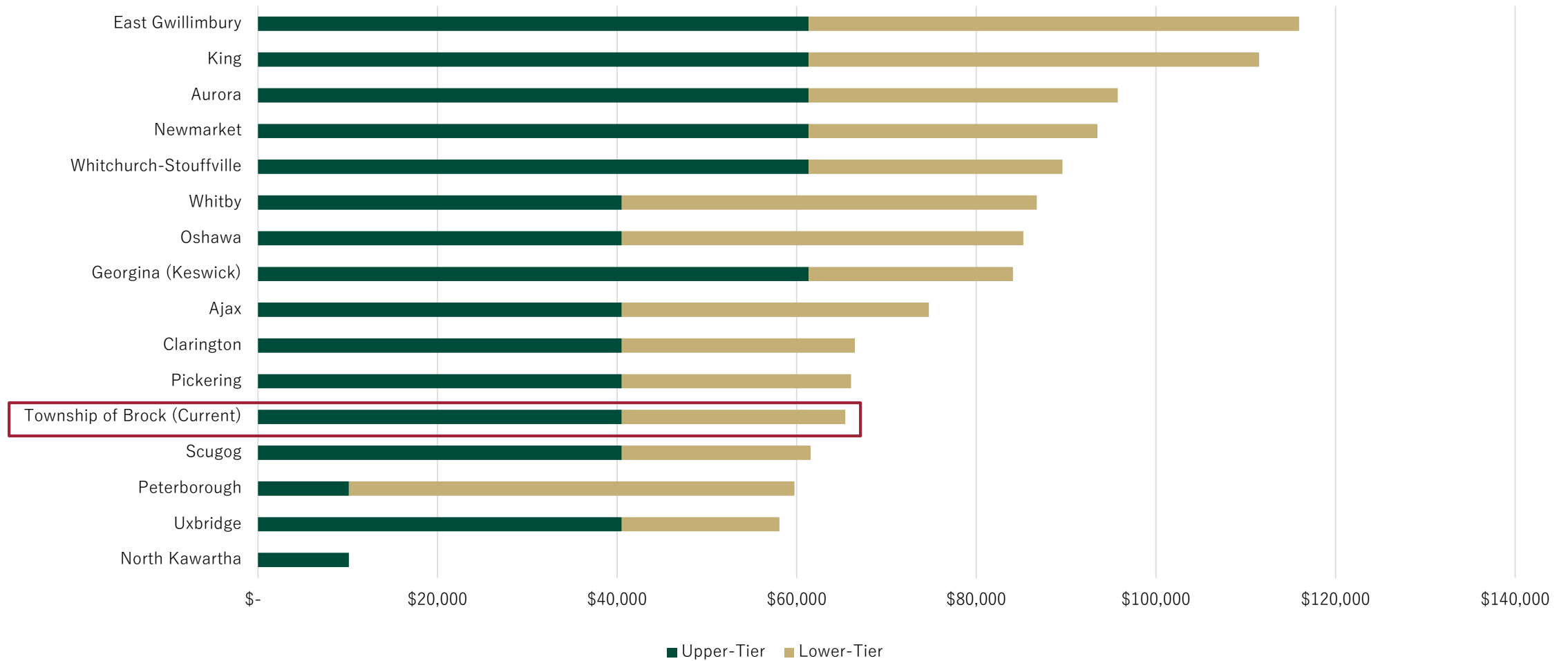
Service	Single & Semi – Detached Dwelling	Row Dwelling	Apartment & Garden Suite Dwelling	(%)	Non- Residential (\$/m ²)	(%)
General Government	\$363	\$296	\$215	1%	\$0.75	3%
Library, Parks and Recreation	\$10,797	\$8,788	\$6,392	43%	\$22.37	0%
Fire Services	\$2,502	\$2,036	\$1,481	10%	\$5.18	18%
Public Works	\$2,784	\$2,266	\$1,648	11%	\$5.77	20%
Roads and Related	\$8,444	\$6,873	\$4,999	34%	\$17.50	59%
Current Rates	\$24,889	\$20,259	\$14,734	100%	\$51.57	100%

As of July 1, 2022.

Allocation of DC Rate by Service Category



Residential DC Rate Comparison: (Single Detached Unit - SDU)



DC Process in Brock (2019)

Date	Event	Comments	SDU Rate
February 11, 2019	Presentation to Council with draft DC rates	<ul style="list-style-type: none"> Rates included in this meeting were based on a \$3.0M cost for the Sunderland Arena 	\$18,007
March 6, 2019	DC Background Study	<ul style="list-style-type: none"> Rates generally unchanged from those presented to Council. Capital program maintains \$3.0M cost for the Arena. 	\$18,096
April 2, 2019	Public Meeting	<ul style="list-style-type: none"> As directed by staff, Hemson had increased the Arena costs from \$3.0M to \$7.0M (with \$6.5M being Township share). <ul style="list-style-type: none"> Detailed plans were not available and the direction was that this cost would only reflect the expansion related share of cost At this meeting Council directed the rates to be lower than the calculated. 	\$22,701
May 2, 2019	Bill 108, More Homes More Choice Act	<ul style="list-style-type: none"> Proposed that all “discounted”* services be removed from DC eligible and moved under Planning Act. 	N/A
May 6, 2019	DC By-law Passage	<ul style="list-style-type: none"> Council passed DC rates that were lower than the maximum permitted. <ul style="list-style-type: none"> Rate deduction disproportionately applied to the Library, Parks and Recreation and General Government Rates to mitigate potential Bill 108 Impact on DC revenue collections An updated DC Background Study (staff consolidation) was prepared following by-law passage. 	\$20,000

**Under previous DCA rules, certain services (including Library, Parks and Recreation) were subject to a 10% legislated discount. Additionally, these services were proposed to be removed from DCs to a separate charge under the Planning Act. Later in 2019, this was reversed and the services were codified as eligible in the Act and the 10% statutory deduction was no longer required.*

Fire Service Capital Program: Sample from 2019 DC Study

Project Description	Timing	Gross Project Cost	Grants/ Subsidies/Other Recoveries	Net Municipal Cost	Ineligible Costs			Total DC Eligible Costs	DC Eligible Costs		
					Replacement & BTE Share		0% Reduction		Available DC Reserves	2019-2028	Post 2028
					\$	%					
3.0 FIRE SERVICES											
3.1 Buildings, Land, Furniture & Equipment											
3.1.1 Brock Fire Station #1 Debenture Principal Payment	2019	\$ 70,897	\$ -	\$ 70,897	\$ 45,891	65%	\$ -	\$ 25,006	\$ 25,006	\$ -	\$ -
3.1.2 Brock Fire Station #1 Debenture Principal Payment	2020	\$ 1,006,690	\$ -	\$ 1,006,690	\$ 651,616	65%	\$ -	\$ 355,074	\$ 355,074	\$ -	\$ -
Subtotal Buildings, Land, Furniture & Equipment		\$ 1,077,587	\$ -	\$ 1,077,587	\$ 697,507		\$ -	\$ 380,080	\$ 380,080	\$ -	\$ -
3.2 Vehicles and Equipment											
3.2.1 Tanker (increased to 3,000gal from 1,500gal)	2019	\$ 300,000	\$ -	\$ 300,000	\$ 150,000	50%	\$ -	\$ 150,000	\$ 145,484	\$ 4,516	\$ -
3.2.2 SUV	2019	\$ 35,000	\$ -	\$ 35,000	\$ -	0%	\$ -	\$ 35,000	\$ -	\$ 35,000	\$ -
3.2.3 Auto Extrication Equipment	2019	\$ 15,000	\$ -	\$ 15,000	\$ -	0%	\$ -	\$ 15,000	\$ -	\$ 15,000	\$ -
3.2.4 Auto Extrication Equipment	2020	\$ 15,000	\$ -	\$ 15,000	\$ -	0%	\$ -	\$ 15,000	\$ -	\$ 15,000	\$ -
3.2.5 Pumper (Aerial)	2021	\$ 950,000	\$ -	\$ 950,000	\$ -	0%	\$ -	\$ 950,000	\$ -	\$ 930,484	\$ 19,516
Subtotal Vehicles and Equipment		\$ 1,315,000	\$ -	\$ 1,315,000	\$ 150,000		\$ -	\$ 1,165,000	\$ 145,484	\$ 1,000,000	\$ 19,516
TOTAL FIRE SERVICES		\$ 2,392,587	\$ -	\$ 2,392,587	\$ 847,507	35%	\$ -	\$ 1,545,080	\$ 525,564	\$ 1,000,000	\$ 19,516

Notes:

- DC in-period recoverable \$1.0M < Funding Envelope \$1.3M
- Amounts allocated in “Available Reserves” does not commit Township to spend in that manner

Library, Parks and Recreation Capital Program: Sample from 2019 DC Study

Project Description	Timing	Gross Project Cost	Grants/ Subsidies/Other Recoveries	Net Municipal Cost	Ineligible Costs			Total DC Eligible Costs	DC Eligible Costs		
					Replacement & BTE Share		10% Reduction		Available DC Reserves	2019-2028	Post 2028
					\$	%					
2.0 LIBRARY, PARKS & RECREATION											
2.1 Library											
2.1.1 Provision for Additional Collection Materials	Various	\$ 158,000	\$ -	\$ 158,000	\$ -	0%	\$ 15,800	\$ 142,200	\$ -	\$ 142,200	\$ -
Subtotal Library		\$ 158,000	\$ -	\$ 158,000	\$ -		\$ 15,800	\$ 142,200	\$ -	\$ 142,200	\$ -
2.2 Indoor Recreation											
2.2.1 Sunderland Memorial Arena Expansion (Township Share)	2021	\$ 7,000,000	\$ 500,000	\$ 6,500,000	\$ -	0%	\$ 650,000	\$ 5,850,000	\$ 2,074,098	\$ 3,775,902	\$ -
2.2.2 Cannington Curling Club	2020	\$ 250,000	\$ -	\$ 250,000	\$ -	0%	\$ 25,000	\$ 225,000	\$ -	\$ 225,000	\$ -
Subtotal Indoor Recreation		\$ 7,250,000	\$ 500,000	\$ 6,750,000	\$ -		\$ 675,000	\$ 6,075,000	\$ 2,074,098	\$ 4,000,902	\$ -
2.3 Parks											
2.3.1 Harbour Infrastructure Expenditures	Various	\$ 400,000	\$ -	\$ 400,000	\$ 300,000	75%	\$ 10,000	\$ 90,000	\$ -	\$ 90,000	\$ -
2.3.2 New Playground Equipment	2019	\$ 50,000	\$ -	\$ 50,000	\$ -	0%	\$ 5,000	\$ 45,000	\$ -	\$ 45,000	\$ -
2.3.3 New Playground Equipment	2020	\$ 50,000	\$ -	\$ 50,000	\$ -	0%	\$ 5,000	\$ 45,000	\$ -	\$ 45,000	\$ -
2.3.4 New Playground Equipment	2021	\$ 50,000	\$ -	\$ 50,000	\$ -	0%	\$ 5,000	\$ 45,000	\$ -	\$ 45,000	\$ -
2.3.5 New Playground Equipment	2022	\$ 50,000	\$ -	\$ 50,000	\$ -	0%	\$ 5,000	\$ 45,000	\$ -	\$ 45,000	\$ -
2.3.6 Beaverton King Street Soccer Pitch	2020	\$ 60,000	\$ -	\$ 60,000	\$ -	0%	\$ 6,000	\$ 54,000	\$ -	\$ 54,000	\$ -
2.3.7 Sunderland Park Construction (0.3355ha)	2020	\$ 38,583	\$ -	\$ 38,583	\$ -	0%	\$ 3,858	\$ 34,724	\$ -	\$ 34,724	\$ -
2.3.8 Marydel Park Construction	2025	\$ 68,583	\$ -	\$ 68,583	\$ -	0%	\$ 6,858	\$ 61,724	\$ -	\$ 61,724	\$ -
2.3.9 Trail Development (1.5km per year)	Various	\$ 375,000	\$ -	\$ 375,000	\$ -	0%	\$ 37,500	\$ 337,500	\$ -	\$ 337,500	\$ -
2.3.10 Cannington Claire Hardy Park	Various	\$ 300,000	\$ -	\$ 300,000	\$ -	0%	\$ 30,000	\$ 270,000	\$ -	\$ 270,000	\$ -
Subtotal Parks		\$ 1,442,165	\$ -	\$ 1,442,165	\$ 300,000	21%	\$ 114,217	\$ 1,027,949	\$ -	\$ 1,027,949	\$ -
TOTAL LIBRARY, PARKS & RECREATION		\$ 8,850,165	\$ 500,000	\$ 8,350,165	\$ 300,000	4%	\$ 805,017	\$ 7,245,149	\$ 2,074,098	\$ 5,171,051	\$ -

Notes:

- DC in-period recoverable \$5.17M < Funding Envelope \$5.95M
- Available Reserves were “allocated” for DC Study purposes. Council has discretion through annual capital budgets to allocate those reserves to other growth-related capital costs

Spending DC Reserves and Key Considerations

- Through the DC Study process, Council expresses its intent to undertake the capital program

Key Considerations:

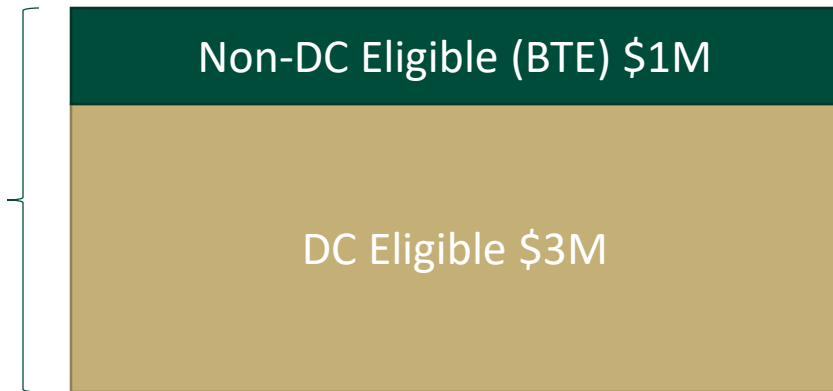
- DC Capital program is a snapshot in time and the DCA provides flexibility for Council to adjust projects
 - Funding of capital projects subject to annual capital budget review
- DC monies can only be spent on the growth-related shares of capital costs. Non-DC eligible shares of the project must be paid for from non-DC sources (i.e. property taxes)
- DC monies could be allocated to projects which are not included in the current DC Background Study but must still be growth-related and follow the same rules to address the non-growth share of the project

Example Facility Funding

- The Benefit to Existing (BTE) share is required to be recalculated if the scope of the project changes
- Increased cost of the project does not always mean the BTE value or share remains the same
- Ability to fund the growth and non-growth components of the project should be considered

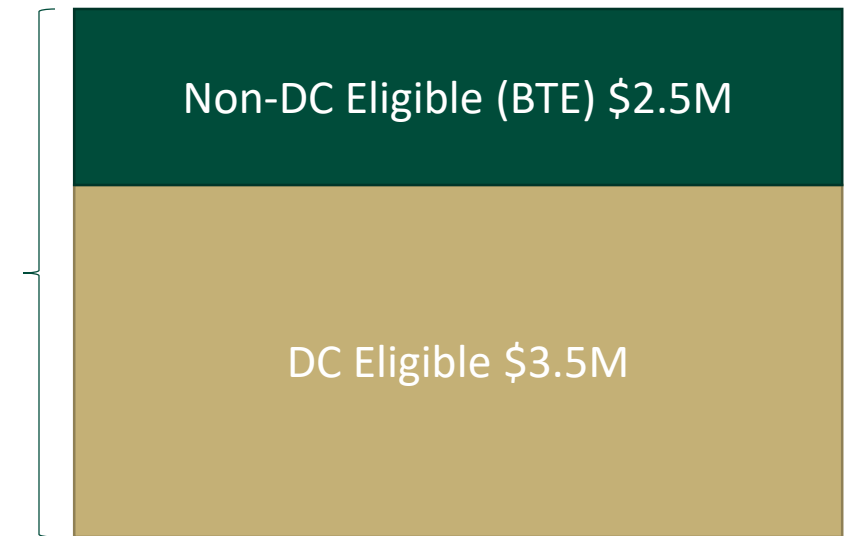
Scope 1

Total project cost \$4M

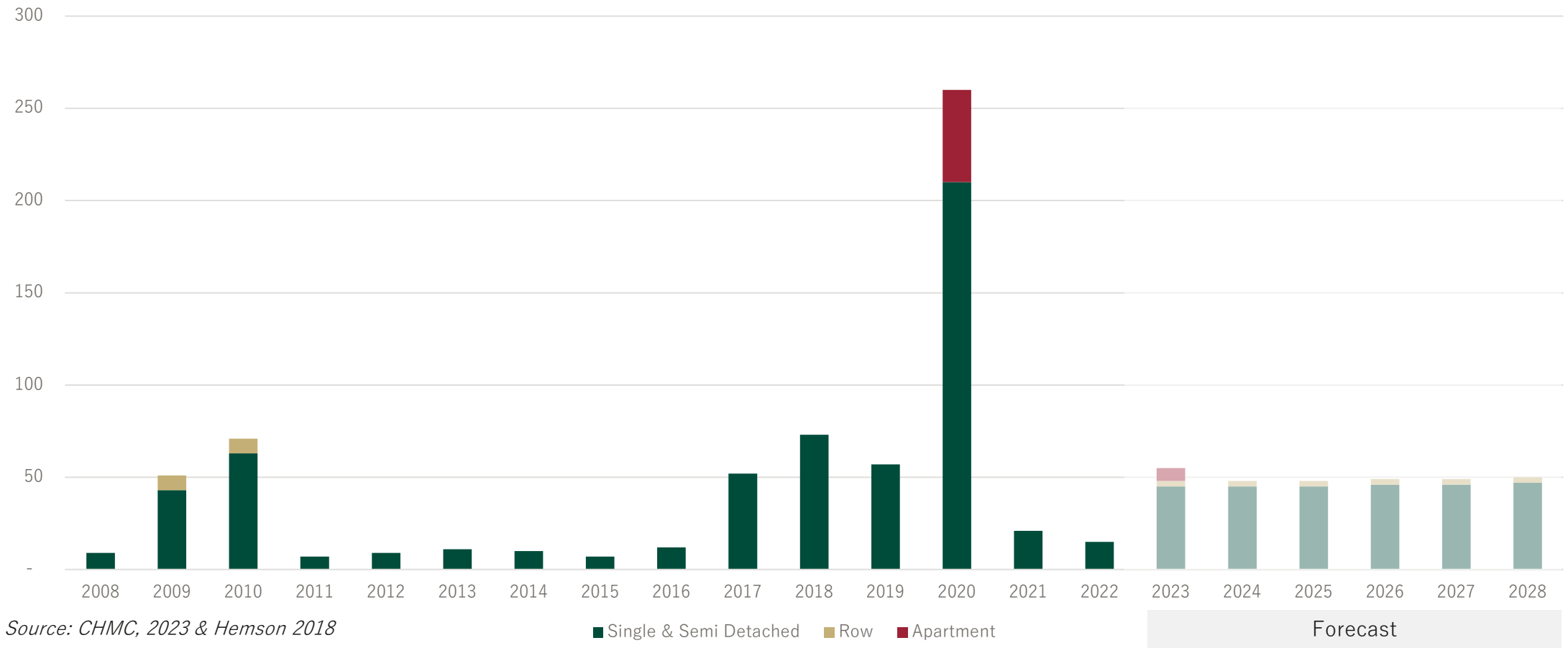


Scope 2

Total project cost \$6M



Residential Completions & Forecast (2008-2028)



Projected growth:

- Regional servicing constraints (Water & Wastewater) effecting development in Sunderland and Cannington
- Continued growth projected in Beaverton

Summary of DC Reserves: Library, Parks and Recreation

- 2018 year-end balance = \$2.07M (2019 DC Study)
- 2021 year-end DC Reserve Balance for Library, Parks & Recreation = **\$2.9M** (excludes \$910k for Sunderland Area project committed)
- Since 2021, the Township collected a total of **\$874,000*** to date
 - \$379,000 or 43% of residential collections allocated to Library, Parks and Recreation DC Reserve
- Bill 23 may further impact the collections for Brock.

Overview of Proposed Arena Expansion

- Changes to the design and use of the facility directly impact the amount which could be funded from DCs.
 - If a share of the project is not related to expanding the capacity of the service being delivered, that portion cannot be funded from DCs.
- In 2021 the Township received estimates for construction from A.W. Hooker for a renovation and addition to the Sunderland Arena
- DC-eligible share would be determined once final design plan is agreed upon and incorporated into the next DC by-law update



Next Steps

- Township's DC By-laws 2880-2019-PL & 2881-2019-PL expire on June 17th, 2024
- New DC by-law(s) must be passed prior to the expiry to permit Township in continuing collecting DCs
- New rules under *Bills 108, 109 & 23* will apply to future Township DC By-laws. Notably:
 - Mandatory 5-year phase-in (starting at 80% of maximum)
 - Removal of studies as an eligible capital cost (potentially land as well)
 - Extending historical inventory from 10 years to 15 years
 - Removal of 10% discount for Library, Parks and Recreation
 - Increased life of the by-law from 5 years to 10 years
 - Other legislative changes forthcoming?