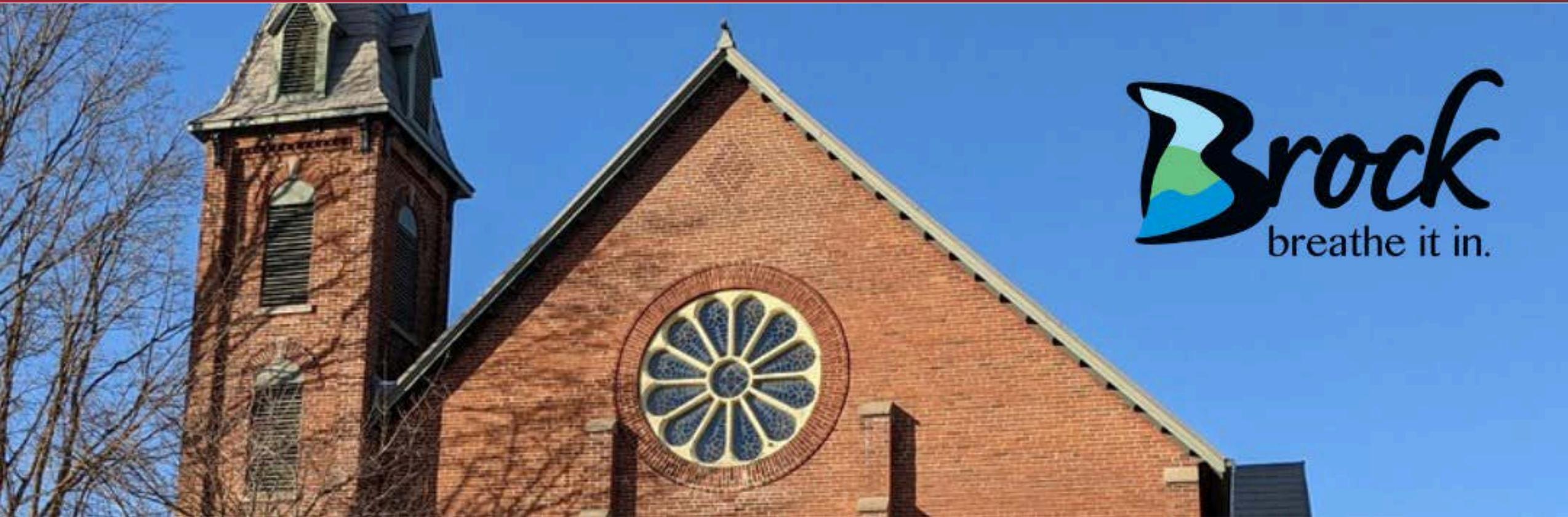


Council Information Session

# Development Charges 101



TOWNSHIP OF BROCK

April 3, 2023



# 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%

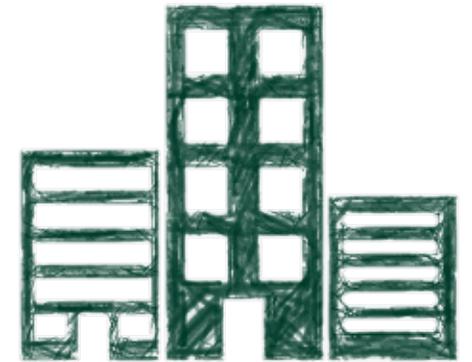
- Rental housing development (now defined as 4+ units)
  - 25% for 3+ bedrooms
  - 20% for 2 bedrooms
  - 15% for 1 bedroom and bachelor

# 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

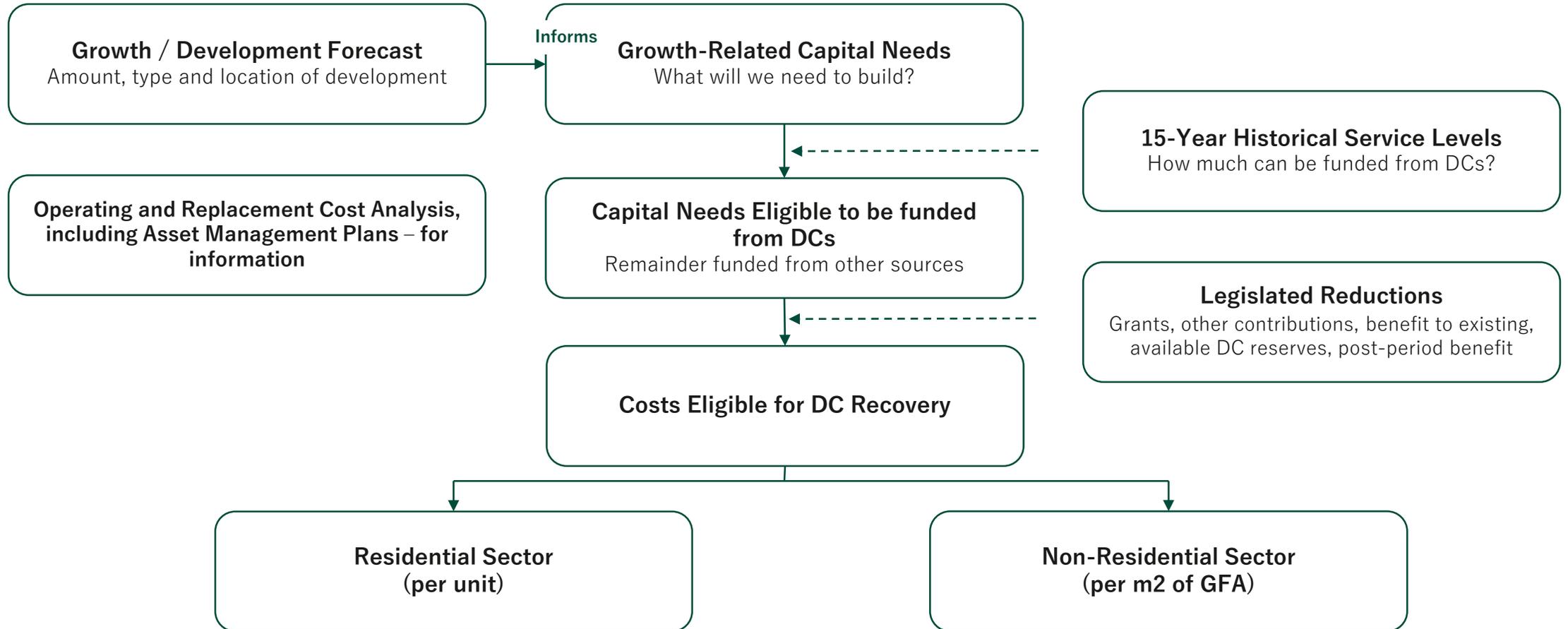
# DC Eligible Services (DCA)

- 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

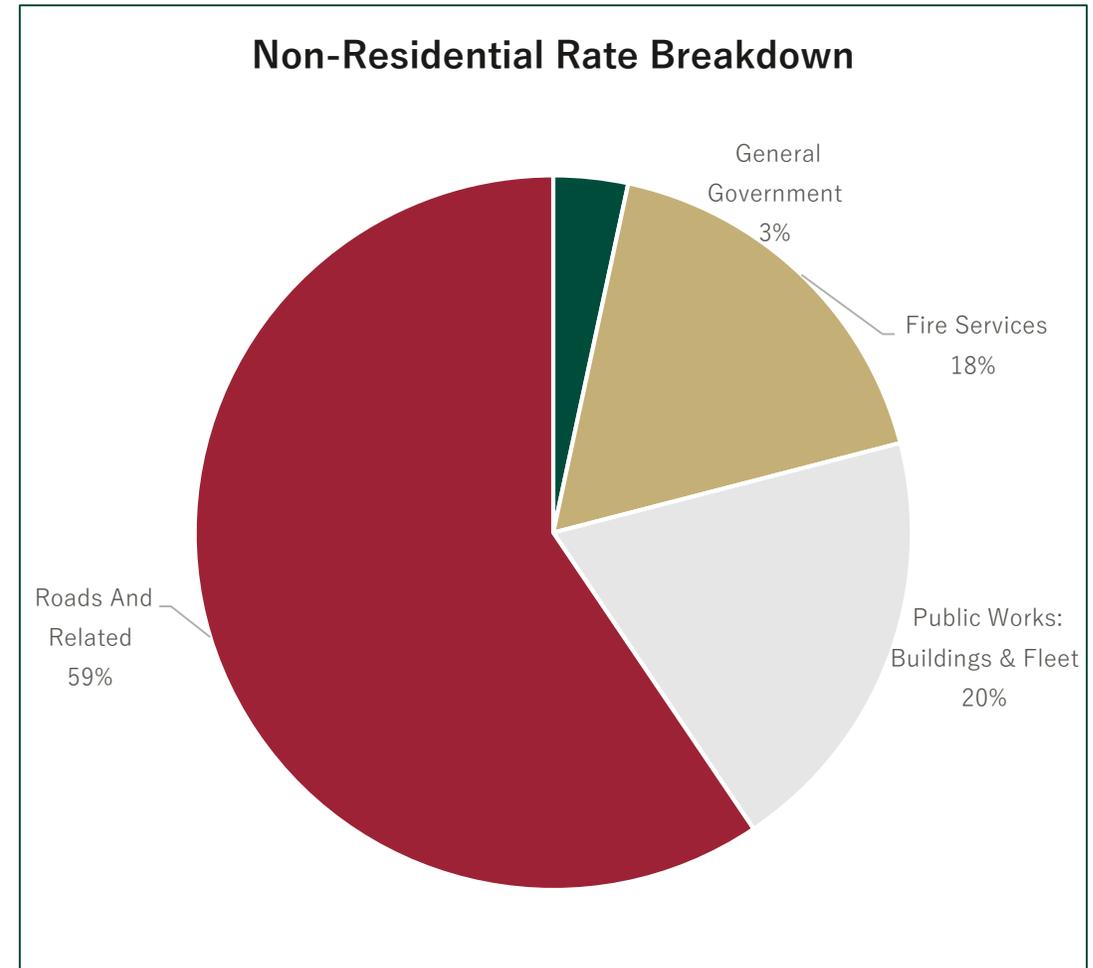
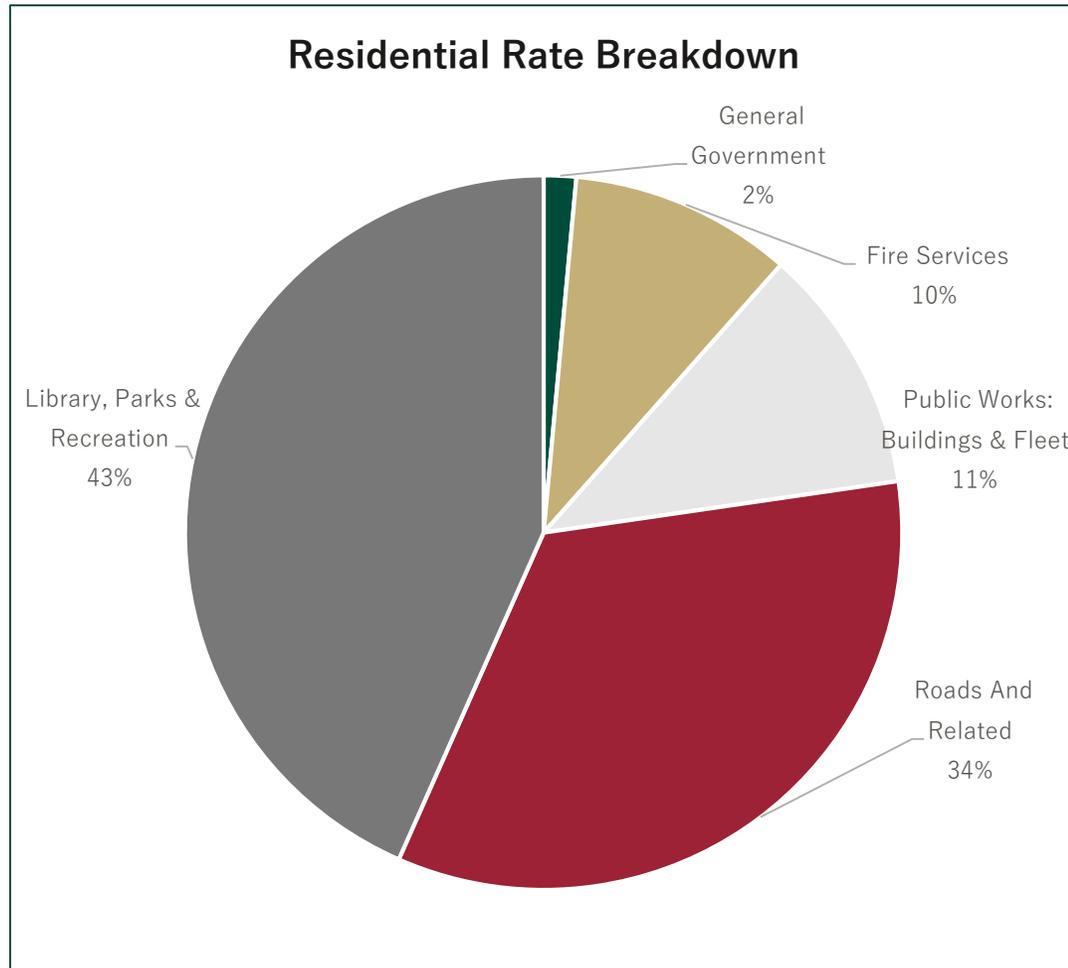


# Current DC Rates in Force

Service	Single & Semi – Detached Dwelling	Row Dwelling	Apartment & Garden Suite Dwelling	(%)	Non- Residential (\$/m <sup>2</sup> )	(%)
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%
<b>Current Rates</b>	<b>\$24,889</b>	<b>\$20,259</b>	<b>\$14,734</b>	<b>100%</b>	<b>\$51.57</b>	<b>100%</b>

*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"> <li>Rates included in this meeting were based on a \$3.0M cost for the Sunderland Arena</li> </ul>	\$18,007
March 6, 2019	DC Background Study	<ul style="list-style-type: none"> <li>Rates generally unchanged from those presented to Council.</li> <li>Capital program maintains \$3.0M cost for the Arena.</li> </ul>	\$18,096
April 2, 2019	Public Meeting	<ul style="list-style-type: none"> <li>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"> <li>Detailed plans were not available and the direction was that this cost would only reflect the expansion related share of cost</li> </ul> </li> <li>At this meeting Council directed the rates to be lower than the calculated.</li> </ul>	\$22,701
May 2, 2019	Bill 108, More Homes More Choice Act	<ul style="list-style-type: none"> <li>Proposed that all “discounted”* services be removed from DC eligible and moved under Planning Act.</li> </ul>	N/A
May 6, 2019	DC By-law Passage	<ul style="list-style-type: none"> <li>Council passed DC rates that were lower than the maximum permitted.                             <ul style="list-style-type: none"> <li>Rate deduction disproportionately applied to the Library, Parks and Recreation and General Government Rates to mitigate potential Bill 108 Impact on DC revenue collections</li> </ul> </li> <li>An updated DC Background Study (staff consolidation) was prepared following by-law passage.</li> </ul>	\$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
					\$	%					
<b>3.0 FIRE SERVICES</b>											
<b>3.1 Buildings, Land, Furniture &amp; Equipment</b>											
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	\$ -	\$ -
<b>3.2 Vehicles and Equipment</b>											
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
<b>TOTAL FIRE SERVICES</b>		<b>\$ 2,392,587</b>	<b>\$ -</b>	<b>\$ 2,392,587</b>	<b>\$ 847,507</b>	<b>35%</b>	<b>\$ -</b>	<b>\$ 1,545,080</b>	<b>\$ 525,564</b>	<b>\$ 1,000,000</b>	<b>\$ 19,516</b>

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
					\$	%					
<b>2.0 LIBRARY, PARKS &amp; RECREATION</b>											
<b>2.1 Library</b>											
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	\$ -
<b>2.2 Indoor Recreation</b>											
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	\$ -
<b>2.3 Parks</b>											
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	\$ -
<b>TOTAL LIBRARY, PARKS &amp; RECREATION</b>		<b>\$ 8,850,165</b>	<b>\$ 500,000</b>	<b>\$ 8,350,165</b>	<b>\$ 300,000</b>	<b>4%</b>	<b>\$ 805,017</b>	<b>\$ 7,245,149</b>	<b>\$ 2,074,098</b>	<b>\$ 5,171,051</b>	<b>\$ -</b>

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

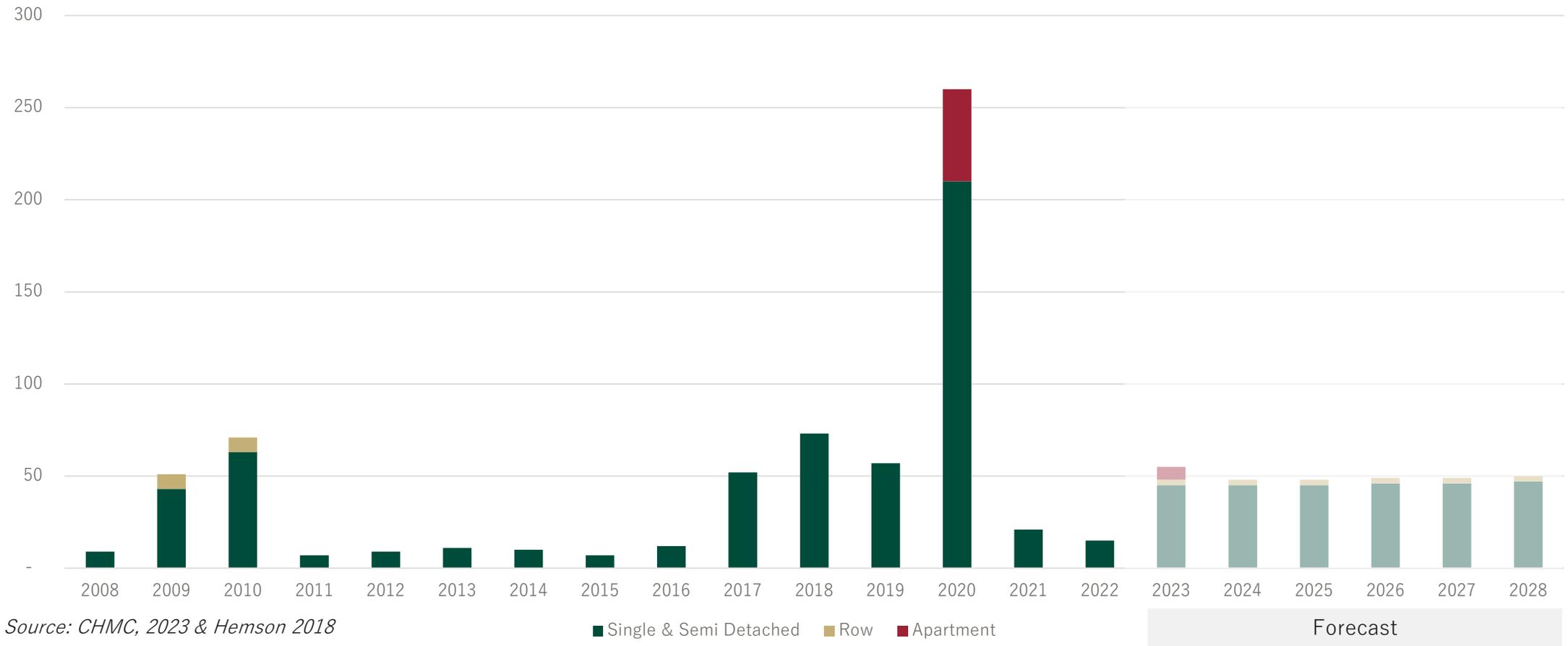


**Scope 2**

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 17<sup>th</sup>, 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?