



Development Charge Primer

Finance and Administration Committee Meeting

January 17, 2023

What are Development Charges (DCs)?

- Development charges are a cost recovery tool that ensures that “growth pays for growth” (mostly)
- Levied on developers to recover a portion of the growth-related infrastructure costs associated with new development
- Charges are imposed on a per-unit basis for new residential development; imposed on a per square foot basis for non-residential
- Existing taxpayers and water/sewer rate payers fund operations, maintenance and rehabilitation, and replacement capital costs (and paid DCs when new)

New Development = Increased Service Demand



How a DC By-Law is Developed

Multi-Departmental Project



- Population and Employment Forecasts
- 10 year Capital Program
- Economic and Financial Analysis
- Policy Formulation
- Input from Regional Departments
- Feedback from Area Municipalities
- Development Industry Feedback
- Interested Parties Feedback & Public Consultation including BILD and Home Builders Associations

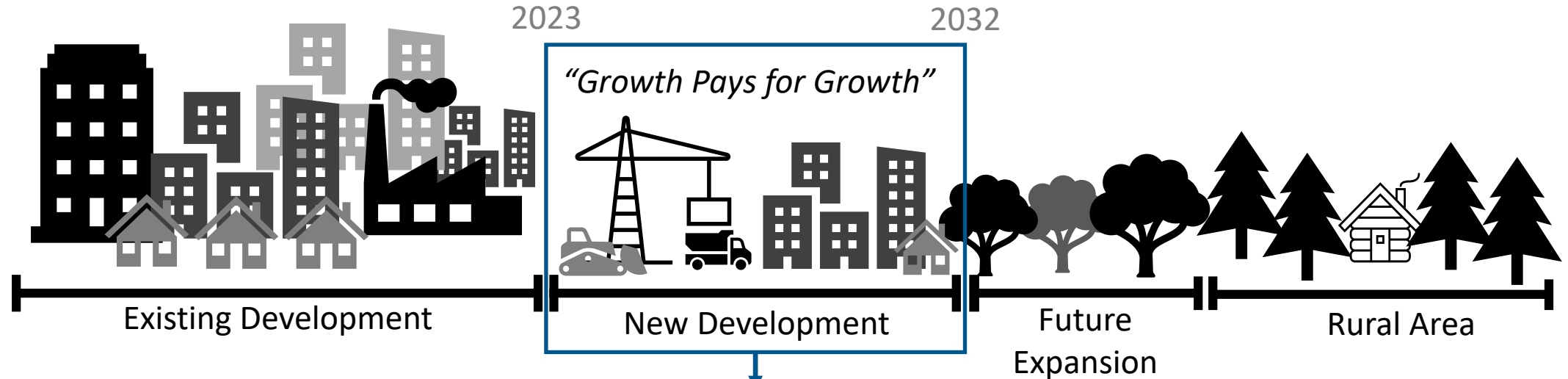
Procedure for Establishing a By-Law

Process	Task	Time Frame
Background Study	Analysis and Policy Review	Approx. a year
Public Consultation	Public Meeting Notice in newspapers	20 days prior to public meeting
	Release Background Studies & proposed by-laws	14 days prior to public meeting; 60 days prior to passage of By-law
	Consultation with interested parties	Before and after public release of Background Study
	Public Meetings of Council	Based on Regional Council Requirements
	Final Date for Public Comment	
Council Approval	COW-Final DC by-laws Regional Council	Based on Regional Council Requirements
Implementation	Implementation of DC by-laws	Based on Regional Council Requirements
Notice and Appeals	Newspaper & other notice of by-law passage	By 20 days after passage of by-law
	Last day for by-law appeal	By 40 days after passage of by-law
	Pamphlet	By 60 days after in-force date

How DC Rates are Determined

- Forecast the amount, type and location of growth
- Forecast the infrastructure required to accommodate that growth
- Estimate the capital cost of new growth-related infrastructure
 - Restricted to historical service levels for soft services
- Reduce the capital costs to only the Regional growth portion
 - Benefit to existing
 - Post-period benefit beyond forecast period
 - Grant/Subsidies
 - Existing Reserve Fund Balances
- Use the forecasted growth and infrastructure costs to calculate DC rates

Development Charge Calculation







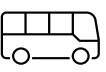



$$\text{DC Rate per Unit} = \frac{\text{New Residential Development Cost}}{\text{New Residential Units}}$$



$$\text{DC Rate per Square Foot} = \frac{\text{New Non-Residential Development Cost}}{\text{New Non-Residential Square Footage}}$$

Residential DC Services and Current Rates

	Service Area	Single/Semi Rate
	Water Supply	\$12,342
	Sanitary Sewerage	\$12,013
	Regional Roads	\$12,119
	Regional Police Services	\$936
	Long-term Care	\$312
	Paramedic Services	\$246
	Regional Transit ¹	\$1,747
	GO Transit ²	\$814
Total ^{3,4}		\$40,529


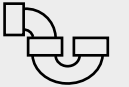

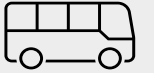
¹ Regional Transit DC by-law #39-2022 are now phased-in at 80%

² GO Transit DC by-law #86-2001 (as amended by Province)

³ Regional DC by-law expires June 30, 2023

⁴ Housing Services DC of \$562 now ineligible

Non-Residential DC Services and Current Rates (per sq. ft.)

	Service Area	Industrial	Commercial	Institutional
	Water Supply	\$3.66	\$4.59	\$1.11
	Sanitary Sewerage	\$4.41	\$7.71	\$1.36
	Regional Roads	\$4.24	\$11.16	\$9.40
	Regional Transit ¹	\$0.79	\$0.79	\$0.79
Total ²		\$13.10	\$24.25	\$12.66

¹ Regional Transit DC by-law #39-2022 and now phased-in at 80%

² Regional DC by-law expires June 30, 2023

Where do the funds go?

- Shown as Deferred Revenue and held in Reserve Funds
 - DCs are allocated to DC reserve funds for each service type and used to fund growth-related capital projects
 - Held in trust to spend on eligible growth-related projects
- Water/Sewer growth related capital projects are funded primarily through user rates and DC's
- Roads and other services' capital projects are funded primarily through property taxes and DC's

Reporting and Auditing DCs

- Treasurer's Annual Statement (F&A report done in June)
 - As prescribed by the DCA
 - Opening/Closing reserve fund balances of each year
 - Current distribution of the DC proceeds
 - Financing
 - Interest
- Annual Financial Audited Statements of the Region

DC Policies

- **Redevelopment Charge Credit**

- Provides credit for a reduction in DCs where existing buildings and structures are demolished and replaced/converted to another use

- **Region Share Policy**

- Region to pay for the share of oversizing of infrastructure beyond what is required by the developer

- **Well Interference Policy**

- Provides relief to residential property owners in situations where their private well has potentially been negatively impacted by the construction of Regional services

- **Indexing**

- Non-Residential Building Construction Price Index (Statistics Canada)

Other Policies and Exemptions

- **Collection Policy**

- Residential Subdivision Agreements: 100% at signing OR

50% of Water/Sewer/Roads DC at signing and balance by 1 year anniversary of signing and letter of credit for 55%

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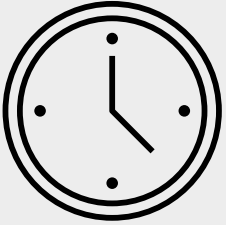
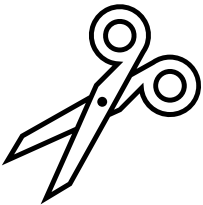
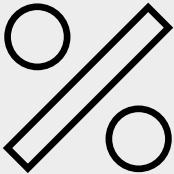
100% at Building Permit, whichever is first

- Other: At Building Permit issuance or on deferred payment basis for rental housing, retirement, and long-term care homes starting at occupancy


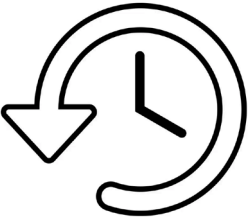
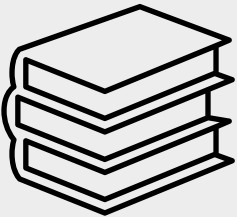
- **Non-Statutory Exemptions**

- Agricultural uses
- Places of worship
- Parking structures (above or below ground)
- 2018 DC by-law broadened exemptions for secondary units within an existing residential unit to include units detached from the existing unit

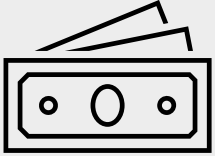
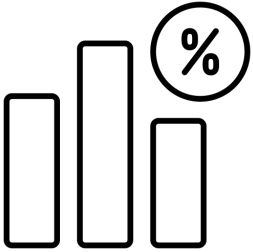

Bill 23: What is changing?

	Development charge by-law expires ten years after it comes into force (previously expired after five years)
	<u>Retroactive</u> 5 year phase-in of DC rates for new by-laws as of January 1, 2022 (Impacted the Region's transit DC by-law of July 1, 2022)
	Discounts for rentals and exemptions for affordable, attainable, non-profit and inclusionary zoning developments

Bill 23: What is changing?

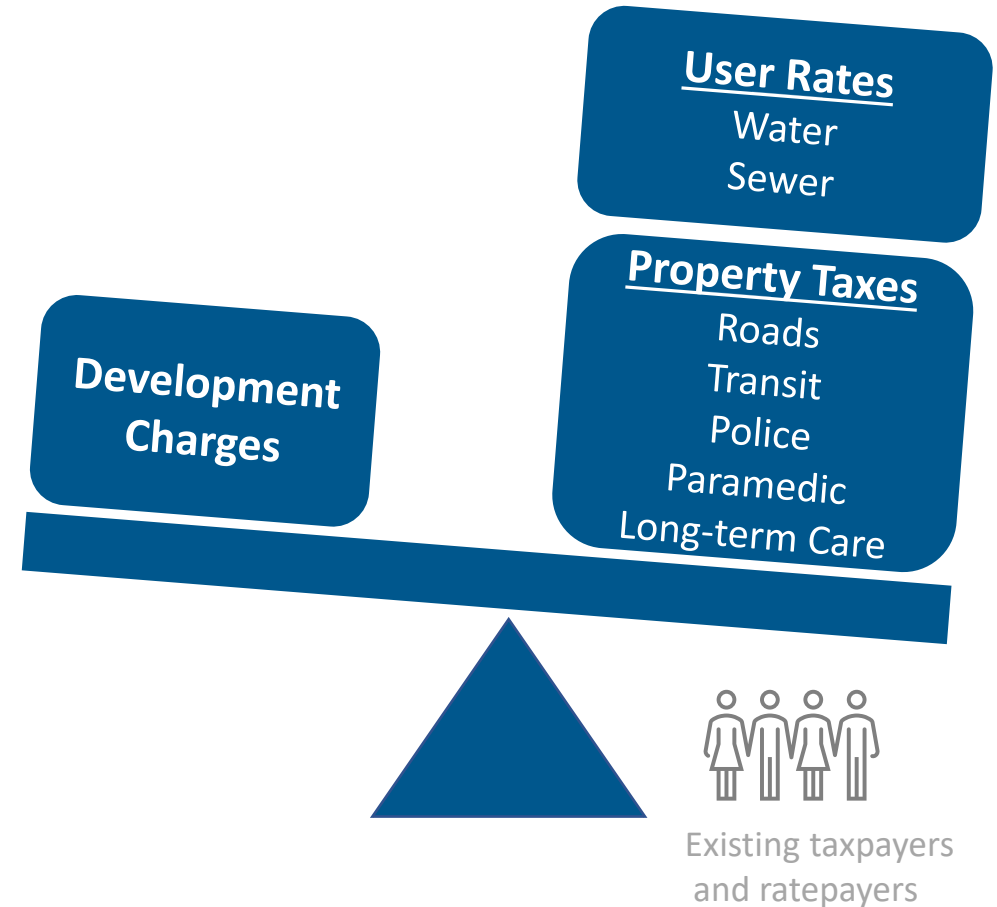
	Remove Housing Services DC of \$562/single unit
	Historical Level of Service Extended to 15 years from 10 years
	Remove the cost of certain studies from DC calculation (and potentially certain land, however Province has not yet identified)

Bill 23: What is changing?

 An icon of a wallet with two bills sticking out of it, representing money or a reserve fund.	Spend or allocate at least 60 per cent of the monies that are in a reserve fund
 An icon showing three vertical bars of increasing height, with a percentage symbol (%) to the right, representing interest rates.	Maximum interest rates that municipalities can charge
 An icon of a simple house with a chimney, representing residential properties.	Exemptions for second and third units on existing residential properties

Financial Implications

- Development charges mainly fund growth-related capital costs for roads, transit, police, paramedic, and long-term care
- Property Taxes and User Rates are used to pay for infrastructure rehabilitation/replacement and operating costs
- DC shortfalls are funded through user rate (Water/Sewer) and property tax increases



New By-Law Update Needed Spring 2023

Public Consultation	Public Meeting Notice placed in newspapers	March 8, 2023
	Release of Background studies & proposed by-laws	March 14, 2023
	Consultation with interested parties	March-April
	Public Meetings of Council	March 29, 2023
	Final Date for Public Comment	April 21, 2023
Council Approval	COW-Final DC by-laws	May 10, 2023
	Regional Council	May 24, 2023
Implementation	Implementation of DC by-laws	July 1, 2023
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Questions

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