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The Regional Municipality of Durham Report

To: Regional Council
From: Commissioner of Finance, Commissioner of Community Growth and Economic Development, Commissioner of Works, and Regional Solicitor and Director of Legal Services
Report: #2025-COW-16
Date: March 26, 2025

Subject:

Industrial Development Charge Deferral Program

Recommendation:

That Regional Council approve the following:

- A) That the Council-approved Industrial Development Charge Deferral Program be implemented subject to the following conditions:
- a. the applicable development charges owed under the Region's Residential and Non-residential Development Charges By-law No. 42-2023 and Transit Development Charges By-law No. 39-2022 for industrial developments to be paid in instalments over five years at the option of the applicant;
 - b. an initial payment due at occupancy;
 - c. deferral payments are subject to an interest rate of 2.6 per cent beginning at occupancy;
 - d. default provisions if deferral payments become overdue;
 - e. applicants electing to use the deferral program must enter into a deferral agreement with the Region; and,
 - f. other such terms and conditions as deemed appropriate by the Commissioner of Finance;
- B) That the Industrial Development Charge Deferral Program be available to building permit applications for industrial developments submitted on or after February 1, 2025;

- C) That Regional staff submit a report to Regional Council prior to March 31, 2026, with a review of the Industrial Development Charge Deferral Program to-date; and
 - D) That the Commissioner of Finance be authorized to enter into deferral agreements for purposes of the Industrial Development Charge Deferral Program, subject to the conditions set out in Recommendation A) and any additional conditions deemed appropriate by the Commissioner of Finance, to the satisfaction of the Regional Solicitor.
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Report:**1. Purpose**

- 1.1 The purpose of this report is to establish a Development Charge Deferral Program for industrial development in Durham Region as directed by Regional Council in response to the threat of new tariffs and heightened economic uncertainty.

2. Background

- 2.1 Development Charges (DCs) are fees collected from developers by municipalities to cover the costs of infrastructure and services needed for new developments. These charges ensure that growth-related capital expenses, such as roads, water treatment, sewage systems, police and paramedic stations are funded by those who benefit from the new developments, rather than existing taxpayers. The collection of DCs results in a reduction in financing from property taxes and water and sewer user rates for growth-related capital projects.
- 2.2 The Region currently collects industrial DCs for water supply, sanitary sewer, roads and Regional Transit services under the Region's Residential and Non-residential Development Charges By-law No. 42-2023 and the Region's Transit Development Charges By-law No. 39-2022 ("Region's DC By-laws").
- 2.3 On February 4, 2025, the President of the United States of America announced that a 25 percent tariff would be imposed on most Canadian goods, which came into effect on March 4, 2025.
- 2.4 In anticipation of the tariff announcement, the Regional Chair and the Mayors of the Area Municipalities in Durham Region released a statement on February 3, 2025, that stated, "we align to stand up for our people and businesses" and that "we must safeguard and support the businesses that are the backbone of our local economy and community".
- 2.5 Seeking opportunities to support expansion and growth of companies in Durham Region, as well as evaluating opportunities to provide financial relief to businesses seeking growth or expansion in Durham Region amidst the current uncertain economic climate, Regional Council approved a motion as provided in Attachment #1 (*Members Motion Re: Installment Program for Regional Development Charges*) to direct Regional Finance staff to develop a DC deferral

program to allow the payment of Regional DCs on industrial developments over a five-year period in installments with interest (“Industrial DC Deferral Program”).

3. Existing Treatment of Industrial Development under the DC Act and Region’s DC By-laws

3.1 The definition of “Industrial Use” in the Region’s DC By-laws is as follows:

Lands, buildings or structures used or designed or intended for use for manufacturing, producing, processing, fabricating or assembly of raw goods, research or development in connection therewith, and includes office uses, warehousing or bulk storage of goods and the sale of commodities to the general public where such uses are accessory to an Industrial use, but does not include the sale of commodities to the general public through a warehouse club or similar use.

3.2 For expansions of existing industrial buildings, the Development Charges Act, 1997 (“DC Act”) requires municipalities to provide a DC exemption for expansions that increase the existing floor area by up to 50%. For industrial expansions more than 50% of the existing floor area, applicants are required to pay DCs on only the expansion that exceeds 50% of the existing floor area.

3.3 The Region’s DC By-laws allow applicants to also use the statutory DC Act exemption for industrial expansions in new standalone structures that are located on the same parcel of an existing industrial building.

3.4 The Region does not collect industrial DCs under the GO Transit DC By-law No. 86-2001. The Region collects DCs for industrial developments based on rates for the Prestige Employment Land under the Seaton Area Specific DC By-law No. 2024-029 but collection is linked to DC credit arrangements under a Front Ending Agreement. It is proposed that the Industrial DC Deferral Program not apply to DCs under the Seaton Area Specific DC By-law.

4. Legislative Options for the Creation of a Development Charge Deferral Collection Program

4.1 Section 27 of the DC Act allows municipalities to enter into agreements that allow for an applicant to pay the applicable DC before or after it would otherwise be payable.

4.2 Any agreement made under Section 27 of the DCA allows the municipality to charge interest, at a rate stipulated in the agreement, on that part of the development charge paid after it would otherwise be payable.

4.3 The advantage of using Section 27 deferral agreements as part of the Region’s Industrial DC Deferral Program is that it will not require an amendment to the Region’s DC By-laws. The DC Act requires a lengthy public process for any amendments to a DC by-law and it is generally understood that immediate relief is

required by the industrial development. If the deferral program was incorporated into the Region's DC By-laws through an amendment, then any future changes to the program (including the decision to end the program at some unknown point in the future) would require a further amendment to the DC By-laws which would trigger another public process to pass such an amendment.

- 4.4 Currently Regional Council approval is required for the Region to enter into a section 27 deferral agreement for late payments of DCs. It is recommended that authorization be provided to the Commissioner of Finance to execute industrial DC deferral agreements, as outlined under section 27 of the DC Act with developers for water supply, sanitary sewerage, Regional roads and Regional Transit Industrial DCs.

5. Industrial DC Deferral Program Details

- 5.1 It is recommended that the Industrial DC Deferral Program be available to development proposals that meet the definition of "industrial use" as set out in the Region's DC By-laws (Nos. 42-2023 and 39-2022), including new developments and developments for enlargement of existing industrial buildings. The program would commence upon Regional Council approval of this report and be applicable to building permit applications for industrial developments retroactive to February 1, 2025 and up to March 31, 2026.
- 5.2 The Industrial DC Deferral Program will not be mandatory. If an Applicant elects to use the Industrial DC Deferral Program, the Applicant would be required to enter into a deferral agreement subject to the following terms:
- a. The total amount of a development charge payable is the amount of the development charge that would otherwise be required under the Region's DC By-laws.
 - b. Deferral of the DCs will be amortized over no more than 5 years and will consist of 6 equal annual payments. One sixth of the DC owed will be due at building occupancy with the remaining equal payments continuing the following five anniversaries of that date.
 - c. Any late payment, over 90 days and with at least two notices to the last known contact, would deem the agreement in default and the amount unpaid would be recovered by adding the amount to the property tax roll for collection pursuant to the DC Act.
 - d. Interest rates on the deferral payments are to be set at 2.6 per cent, which is the current rate of interest earnings on Regional Development Charge Reserve Funds. Interest charges start at occupancy.
- 5.3 Area Treasurers have been consulted as the collection of development charges resides at the local level. Their suggestion was to have the first due date at building occupancy as that aligns with the current changes they have made to tracking mechanisms for the new deferrals mandated by the Province for

developments such as purpose built rental. This allows for future tracking of due dates more effectively.

- 5.4 Developers can request the deferral along with the existing Regional Development Charge Information Form through the local area municipal processes for payment, prior to the issuance of a building permit.
- 5.5 If a building permit is required prior to the full execution of the deferral agreement, then the program would require the DCs to be paid in full or a letter of credit be provided, with it being refunded/returned once the agreement has been executed.
- 5.6 The Treasurer will report to Regional Council prior to March 31, 2026, with a review of the Industrial DC Deferral Program to-date, including a summary of the number of applications received, and recommendations whether to renew or terminate the program.

6. Financial Implications

- 6.1 Industrial DCs are currently collected at building permit issuance. Under a deferral program that allows for DC collection to be in annual installments starting at occupancy, the Region would be required to finance the cost of servicing that is completed in advance of building occupancy.
- 6.2 Over the past five years, there have been nearly 11.5 million sq. ft of industrial development in Durham Region for which DCs have been collected, which translated to roughly \$113.5 million in DCs collected over the period. Had an industrial deferral program been in place, the Region would have collected an estimated \$28.4 million over the same five-year period, resulting in a significantly lower cash flow. The impact would be significantly greater for other property classes. Based on the reduced cashflow, the Region would have to issue additional debt or defer capital projects to match the reduced available financing.
- 6.3 An increase in debt would add additional costs to the subsequent DC calculation which would put upward pressure on the future industrial DCs. However, applying interest to the deferral program will provide funding to offset the debt servicing costs.

7. Previous Reports and Decisions

- 7.1 There are no previous reports

8. Relationship to Strategic Plan

- 8.1 This report aligns with/addresses the following Strategic Direction(s) and Pathway(s) in Durham Region's 2025-2035 Strategic Plan:
 - a. Connected and Vibrant Communities

- C1. Align Regional infrastructure and asset management with projected growth, climate impacts, and community needs.
- b. Resilient Local Economies
- R1. Attract and retain quality employers that strengthen key economic sectors, including energy and technology.
 - R2. Support the growth of new business startups and small to medium local businesses.
 - R3. Develop, attract, and support a skilled and qualified workforce, including youth and newcomers.
- 8.2 This report aligns with/addresses the following Foundation(s) in Durham Region's 2025-2035 Strategic Plan:
- a. People: Making the Region of Durham a great place to work, attracting, and retaining talent.
 - b. Processes: Continuously improving processes to ensure we are responsive to community needs.

9. Conclusion

- 9.1 It is recommended that the Commissioner of Finance be authorized to implement an Industrial DC Deferral Program for industrial development charges under the Region DC By-laws (Nos. 42-2023 and 39-2022). The delegation of authority to execute agreements is intended to ensure that each agreement can be directly negotiated and implemented without individual reports to Council for each agreement.

10. Attachments

Attachment #1: Motion Regarding Installment Program for Regional Development Charges Approved By Regional Council On February 26, 2025

Respectfully submitted,

Original Signed By

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance and Treasurer

Original Signed By

Ramesh Jagannathan, MBA, M.Eng.
P.Eng., PTOE
Commissioner of Works

Original Signed By

Brian Bridgeman, MCIP, RPP, PLE
Commissioner of Community Growth and
Economic Development

Original Signed By

Jason Hunt
Regional Solicitor and Director of Legal
Services

Recommended for Presentation to Council

Original Signed By

Elaine C. Baxter-Trahair
Chief Administrative Officer



Direction Memorandum

TO: Nancy Taylor, Commissioner of Finance and Treasurer
Elaine Baxter-Trahair, Chief Administrative Officer

FROM: Alexander Harras, Director of Legislative Services/Regional Clerk

DATE: February 26, 2025

RE: Resolution adopted by Regional Council at its meeting held on
February 26, 2025

Corporate Services
Department –
Legislative Services

DEPARTMENTAL RESOLUTIONS AND OTHER REPORTS

10.4. Motion Regarding Installment Program for Regional Development Charges

SEE ATTACHED.

Alexander Harras

A. Harras
Director of Legislative Services/Regional Clerk

c. J. Hunt, Regional Solicitor/Director of Legal Services

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Council of the Region of Durham, at its meeting held on February 26, 2025, referred the following resolution to staff:

“Whereas Regional Development Charges are collected on all new developments across the Region of Durham including residential, industrial and commercial developments; and

Whereas City of Oshawa has taken a position to exempt industrial developments from City Development Charges in an effort to support investment leading to job creation across the City; and

Whereas on February 4, 2025 the United States Government had announced it would impose a 25 percent tariff on most Canadian goods and a 10 percent tariff on energy; and

Whereas this initial announcement was postponed by a minimum of 30 days yet the proposed tariffs continue to create an environment of economic uncertainty and delay business investment; and

Whereas the Regional Chair and Mayor’s of area municipalities released a statement on February 3, 2025 that stated “we align to stand up for our people and businesses” and that “we must safeguard and support the businesses that are the backbone of our local economy and community”; and

Whereas seeking opportunities to support expansion and growth of companies in the Region of Durham is directly aligned to Goal 3.2 of Invest Durham’s Ready Set Future economic development strategy; and

Whereas evaluating opportunities to provide financial relief to businesses seeking growth or expansion in the Region of Durham may assist in developing a robust economic ecosystem which can begin to alleviate reliance on global markets and establish made in Canada solutions; and

Whereas the Region of Durham could consider an installment program for the payment of Regional Development Charges on industrial developments to provide a program that could stimulate further development from new and existing businesses in the Region while still accumulating the required funds for the infrastructure needed to service the expansions;

Now therefore be it resolved:

That Council direct Finance Services staff to develop an installment program for the payment of Regional Development Charges on industrial developments to allow for payment over a five-year period in installments with interest and should the company cease to exist in the future that the Regional Development Charges be added to the property tax bill;

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That the program be back dated to be available to industrial developments effective February 1, 2025 to be aligned with support extended under tariff relief programs; and

That Regional staff be directed to amend the associated bylaws required to incorporate the terms of the installment program.”