

Meeting Date: June 17, 2024
Department: Building, By-law & Planning
Report No.: BBP-2024-63
Submitted by: Jennifer Huff, Director of Building & Planning
Approved by: Trisha McKibbin, Chief Administrative Officer

SUBJECT: Development Charges Background Information Prior to DC Update

RECOMMENDATION: THAT: Council receive report BBP-2024-63 on development charges, including the Council presentation, as background information prior to the next Municipal Development Charge Update.

BACKGROUND:

On a number of occasions Council members have inquired about Development Charges and when an update is scheduled to occur.

Prior to the update, staff have requested that Hemson Consulting provide a presentation to Council on development charges as an information summary and to outline what a DC update includes. Hemson Consulting has prepared updates to the Municipality's Development Charge By-law since at least 2010 and has completed Development Charge studies for many municipalities across Ontario, including City of Toronto, Waterloo, Markham, Vaughan, Region of Waterloo, Elgin County, County of Oxford and more.

Hemson has also been asked to highlight the changes to the Development Charges Act made by Bill 185 and to be available to answer Council's questions as they relate to DCs.

It is anticipated that the Development Charge update will occur in 2025, after the completion of the Master Servicing Plan and upon completion of the Settlement Boundary Review project so that the findings of both can be addressed / incorporated into the background study.

WHAT ARE DEVELOPMENT CHARGES

Development Charges (DCs) are fees levied on new development or redevelopment projects by municipalities. These charges are intended to cover the costs associated with infrastructure and

services necessitated by new growth. This report provides an overview of Development Charges, their purpose, calculation methods, and the impact they have on municipalities and developers.

WHAT IS THE PURPOSE OF DEVELOPMENT CHARGES

Development Charges serve several critical functions:

- **Infrastructure Funding:** DCs fund the expansion and improvement of infrastructure such as roads, water supply systems, sewage systems and public transit (where applicable)
- **Service expansions:** They cover costs for expanding public services, including fire and police protection, libraries, parks and recreational facilities
- **Equitable Cost Distribution:** DCs ensure that the financial burden of new development is not borne by existing residents, but by those who directly benefit from the new infrastructure.

LEGAL FRAMEWORK

Development Charges are governed by specific legislation, being in Ontario the “Development Charges Act”. Bill 185 proposes a number of changes to the legislation that would ‘undue’ previous government changes to the Act. Notwithstanding the changes, the DC Act would continue to outline:

- **Eligibility:** Which types of development can be charged
- **Calculation Methodology:** How charges are to be calculated
- **Exemptions and Reductions:** Conditions under which developments may be exempt or receive reduced charges.
- **Public Consultation:** Requirements for public input and transparency.

CALCULATION OF DEVELOPMENT CHARGES

The calculation of DCs typically involves several steps:

- **Growth Forecasting:** Estimating the population and employment growth that the new development will support.
- **Infrastructure Needs Assessment:** Identifying the infrastructure and services required to accommodate the forecasted growth. Needs are largely identified in Master Plans.
- **Cost Allocation:** Assigning the costs of new infrastructure to the new development based on their projected use vs. costs attributed to taxation where the benefit it to existing residents.
- **Rate Setting:** Establishing the charge per unit of development, such as per residential unit or per square meter of commercial space.

FINANCIAL IMPLICATIONS:

Development Charges are a vital tool for municipalities to finance the infrastructure and services required by new development. While they do increase costs for developers, they ensure that growth is sustainable and that the financial responsibility for new infrastructure is equitably distributed. As our municipality continues to grow, it is essential to regularly review and update our Development Charge policies to reflect changing needs and ensure that we are effectively managing growth.

STRATEGIC PLAN ALIGNMENT:

This matter is in accord with the following strategic priorities:

- 1) *Economic Development:* Strathroy-Caradoc will have a diverse tax base and be a place that offers a variety of economic opportunities to current and prospective residents and businesses.
- 2) *Growth Management:* Strathroy-Caradoc will be an inclusive community where growth is managed to accommodate a range of needs and optimize municipal resources.

**ATTACHMENTS:
HEMSON DC COUNCIL PRESENTATION**