

Council Information Session

# Development Charges



MUNICIPALITY OF STRATHROY-CARADOC

Monday, June 17<sup>th</sup>, 2024 at 6:00 PM



# Today We Will Discuss...



Development Charges 101



DC legislation

*Development Charges Act*

Bills 108, 138, 197, 23, 185...and counting



DCs in Strathroy-Caradoc

Background Study Requirements



Common Questions



Next Steps

# Development Charges 101

# What Are Development Charges?

- Imposed on development to fund “growth-related” capital costs
- Pays for new infrastructure and facilities to maintain service levels
  - District
  - Area municipal
  - Education
- Principle is “growth pays for growth”



# Tools Given to Municipalities to Fund Capital



## **Growth Funding Tools**

- Funds a share of broader cost to expand community infrastructure
- DCs; community benefits charges; parkland dedication/cash-in-lieu

## **Direct Developer Contributions**

- Fund costs that would normally be required as part of a subdivision agreement (i.e. internal roads, sidewalks, streetlights, intersections, park elements)

## **Property Taxes**

- Statutory and non-statutory reductions on DCs
- Long-term repair and replacement of municipal infrastructure (as well as operating costs)

# Development Charges Legislation

# Development Charges Act Requirements (DCs)



- **DCs imposed by by-law**
- **Maximum life of a DC by-law is 10 years after the day it comes into force**
  - Increased from 5 years
- **Prior to passing a by-law municipality must**
  - undertake a background study
  - hold at least one public meeting
- **Appeals adjudicated at OLT**

# DCs Are Imposed On Services

Strathroy-Caradoc	Not Levied / Applicable
<ul style="list-style-type: none"> <li>• Water supply services, including distribution and treatment services (and rural area septage)</li> <li>• Waste water services, including sewers and treatment services</li> <li>• Storm water drainage &amp; control*</li> <li>• Services related to a highway</li> <li>• Fire protection services</li> <li>• Policing services</li> <li>• Parks and recreation services, but not the acquisition of land for parks</li> <li>• Services provided by a board within meaning of the <i>Public Libraries Act</i></li> <li>• Development Related Studies</li> </ul>	<ul style="list-style-type: none"> <li>• Child care &amp; early years</li> <li>• Ambulance services</li> <li>• Public health</li> <li>• Long term care</li> <li>• Transit services</li> <li>• Waste diversion services</li> <li>• Services related to proceedings under <i>Provincial Offences Act</i> (By-law Enforcement)</li> <li>• Long term care</li> <li>• Electrical power services</li> <li>• Services related to airports, but only in Regional Municipality of Waterloo</li> <li>• Services related to emergency preparedness</li> </ul>

*\*for linear works*



# Eligible Capital Costs



- **Costs to acquire and improve land (including leasehold interests)**
- **Building and structure costs**
- **Rolling stock with a useful life of 7 years or more**
- **Furniture and equipment, excluding computer equipment**
- **Library materials**
- **Interest and financing costs**
- **Development related studies (including EA, DC Studies etc.)**

# DC Legislation has Changed Since 2019

- Housing Supply Action Plan and subsequent legislation:
  - Bill 108, the *More Homes, More Choice Act*
  - Bill 197, the *COVID-19 Economic Recovery Act*
- Report on the Ontario Housing Affordability Taskforce (February 2022)
- June 2022 election mandate:
  - Affordability (house sales/rents are outpacing incomes)
  - Goal of 1.5 million new homes constructed by 2031
- Bill 23, the *More Homes Built Faster Act*
- Bill 185, *Cutting Red Tape to Build More Homes Act*

# Bill 23: Changes to the *Development Charges Act*



## **New exemptions:**

Additional units in existing rental housing  
Residential intensification in existing units  
Non-profit housing (defined by legislation)  
Inclusionary zoning (must be affordable and if applicable)



## **New discounts:**

Rental housing development (4+ units)  
based on number of bedrooms

# Bill 185: *Cutting Red Tape to Build More Homes Act*

## DC provisions

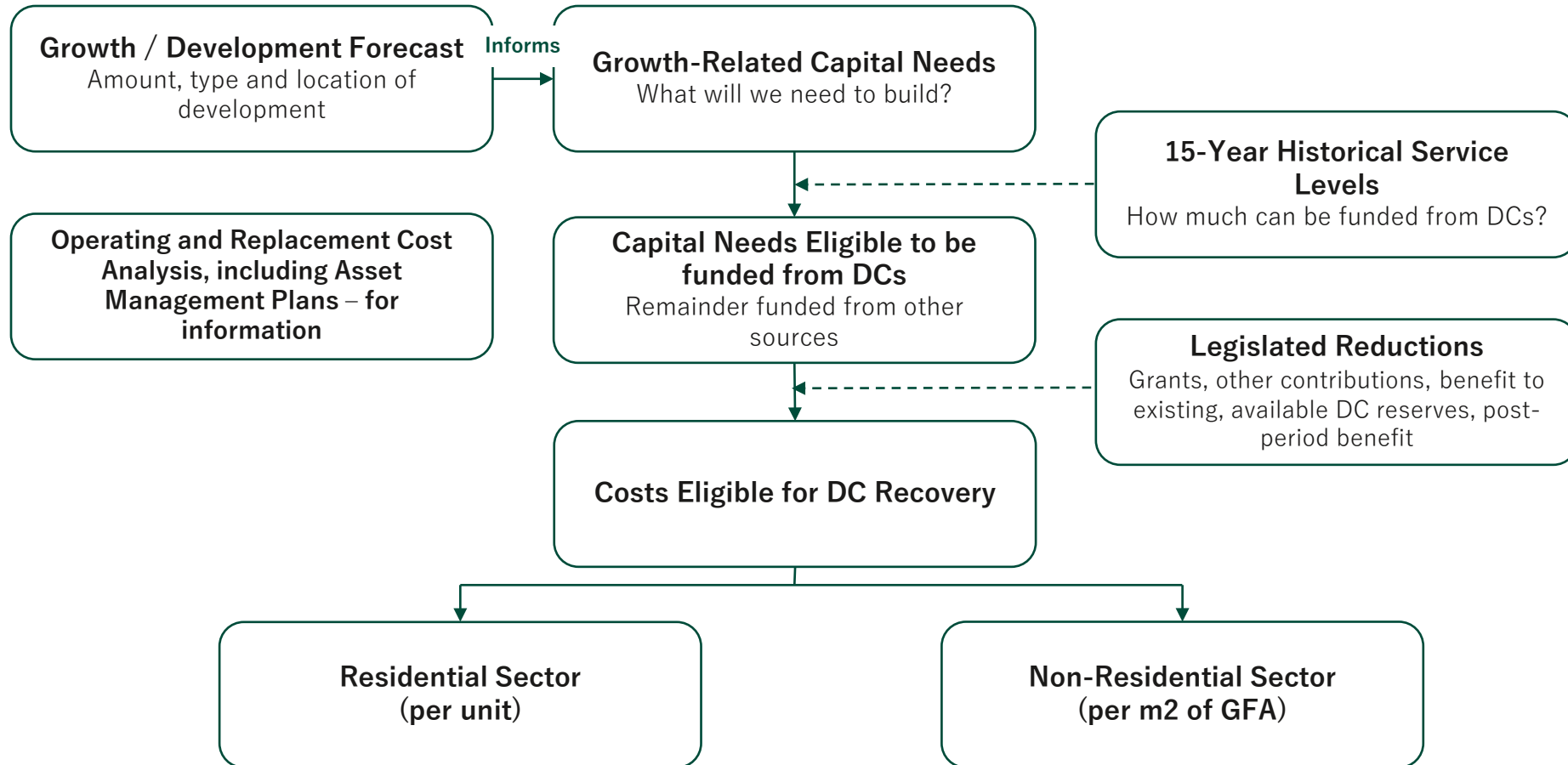
- Removed mandatory 5-year phase-in
- “Growth-related studies” reintroduced as DC-eligible costs
- Reduced frozen DC rate period (2 years to 18 months from approval)
- New notice requirements (allows digital options where local newspapers unavailable)

## DC exemptions for affordable and attainable housing

- Affordable exemptions effective June 1, 2024
- No mention of attainable exemption

# Development Charges Background Study

# Development Charges Study Process



# Step 1 – Development Forecast



- **Forecast amount, type and location of development**
- **Establish areas to which DCs apply (municipal-wide/area-specific)**
  - Review with staff/council
  - Area rating must be considered
- **Establish planning period(s)**
- **Types of development**
  - Residential: population and housing by type
  - Non-residential: employment and non-residential floor space

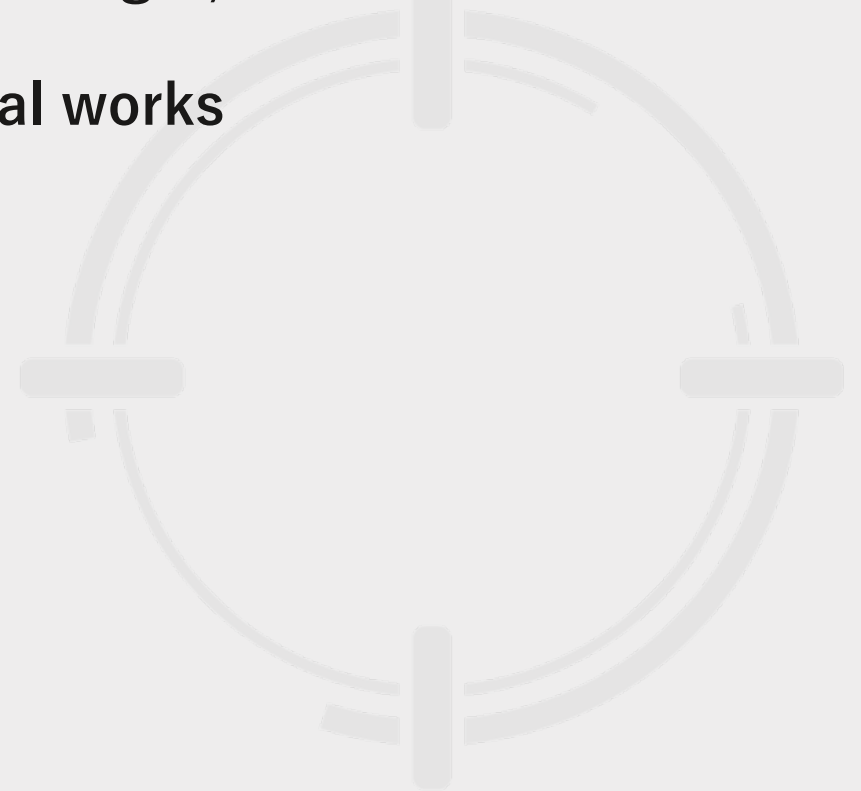
## Step 2 – Historical Service Level Analysis

- Cannot use DCs to increase level of service above 15-year historical average (on service-by-service basis)
- Average service level sets limit on eligible DC funding or “maximum allowable funding envelope”
- Both quantity and quality of service must be considered
  - “Quality” measure must be replacement cost
- Typically, no service level limitation for water and sewer



# Step 3 – Development Related Capital Program

- Future capital costs must be identified through budget, Master Plan etc.
- Council must express intent to undertake capital works
- **Costs must be reduced by**
  - Grants, subsidies & contributions
  - Benefits test (benefit to existing; replacement)
  - Uncommitted DC reserve funds
  - “Post-period” benefit



# What Should be Included in the Capital Program?

- Tie-in with **capital forecast** and **master plans**
  - Water & Wastewater Master Plan,
  - Transportation Master Plan / Roads Needs Study,
  - Parks & Recreation Master Plan,
  - Library Master Plan,
  - Fire Master Plan, etc.
- Projects that benefit development and/or expands the Municipality servicing capacity
- “Development-related” debt or negative DC reserve fund balances



## Step 4 – Rate Calculation

- Allocate costs between residential and non-residential sectors
- Calculate charge using cash flow analysis
- Charge typically levied as follows:
  - Residential – per unit-by-unit type
  - Non-residential – per square foot of gross floor area

# Step 5 – Asset Management Plan and Impacts

- Long term capital and operating impact analysis
- Background Study must include an Asset Management Plan (AMP) that
  - deals with all assets that are proposed to be funded in whole or in part by DCs
  - demonstrates that all assets are “financially sustainable” over their useful life

# DCs in Strathroy Caradoc

# Existing By-laws

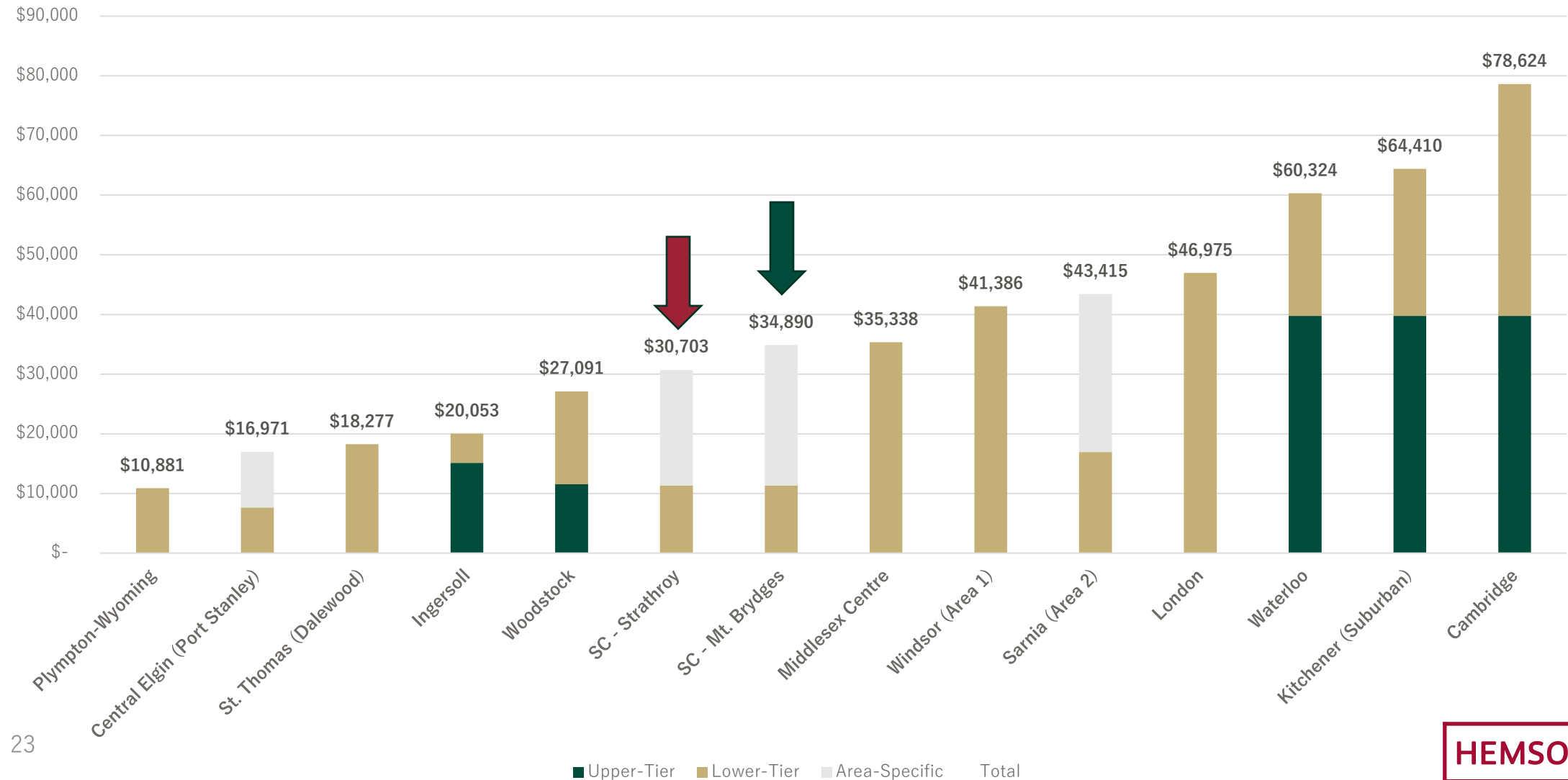
- **Municipal-wide By-law No. 34-22**
  - Parks and Recreation
  - Development Related Studies
- **Municipal-wide By-law No. 10-20**
  - Fire
  - Police
  - Services Related to a Highway: Public Works and Municipality-wide Engineering
  - Strathroy Engineering (Services Related to a Highway and Storm water Drainage)
  - Strathroy Water
  - Strathroy Wastewater
  - Mount Brydges Water Services
  - Mount Brydges Wastewater Services
- **Mount Brydges Area-Specific By-law No. 76.18**
  - Engineered Services

# Summary of Total Charges (As of March 2, 2024)

Service	Charge by Unit Type		
	Single & Semi Detached	Multiples	Apartments
Total Residential Charge - Rural	\$11,339	\$9,347	\$5,893
Total Residential Charge - Strathroy	\$30,703	\$25,311	\$15,955
Total Residential Charge – Mt. Brydges	\$34,890	\$25,577	\$18,132

Service	Commercial / Institutional	Industrial
Total Charge per m <sup>2</sup> – Rural	\$23.92	\$23.92
Total Charge per m <sup>2</sup> – Strathroy	\$132.01	\$132.01
Total Charge per m <sup>2</sup> – Mt. Brydges	\$233.97	\$186.50

# Single Family Detached Residential DC Rate Comparison





# Non-Residential (Commercial) DC Rate Comparison



## Common Questions:

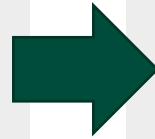
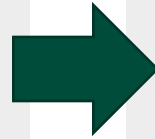
### Does a municipality have to precisely follow the DC Study Capital Program listing?

- No, as actual costs and priorities change Council may use DCs for different projects as long as they are growth-related
- May result in less funds for other DC projects
- Municipality should follow identified growth & replacement shares unless scope changes

# Common Questions:

## What is Required to Update the DC Study?

- Release a background study detailing all calculations
- Release a draft DC by-law
- Hold a statutory public meeting of Council
- Prepare a notice of by-law passage with Ontario Land Tribunal (OLT) appeal date



## Considerations for Renewal:

- Legislated requirement (by-law expires)
- Completion of Master Plans/ Servicing Plans which will better inform future capital plans
- Settlement/Urban Boundary Expansions (could be addressed through ASDC)
- Significant Changes in Capital Needs and/or Costs or Growth Projections from Study

# Common Questions: When are DCs Determined and Paid?

## DC Base Rates Established

- Applies to development applications received after Jan 1, 2020
- The day of application for site plan control; or, if not applicable
- The day of application for rezoning; or, if neither apply
- The day of building permit issuance

DCs payable at first building permit issuance

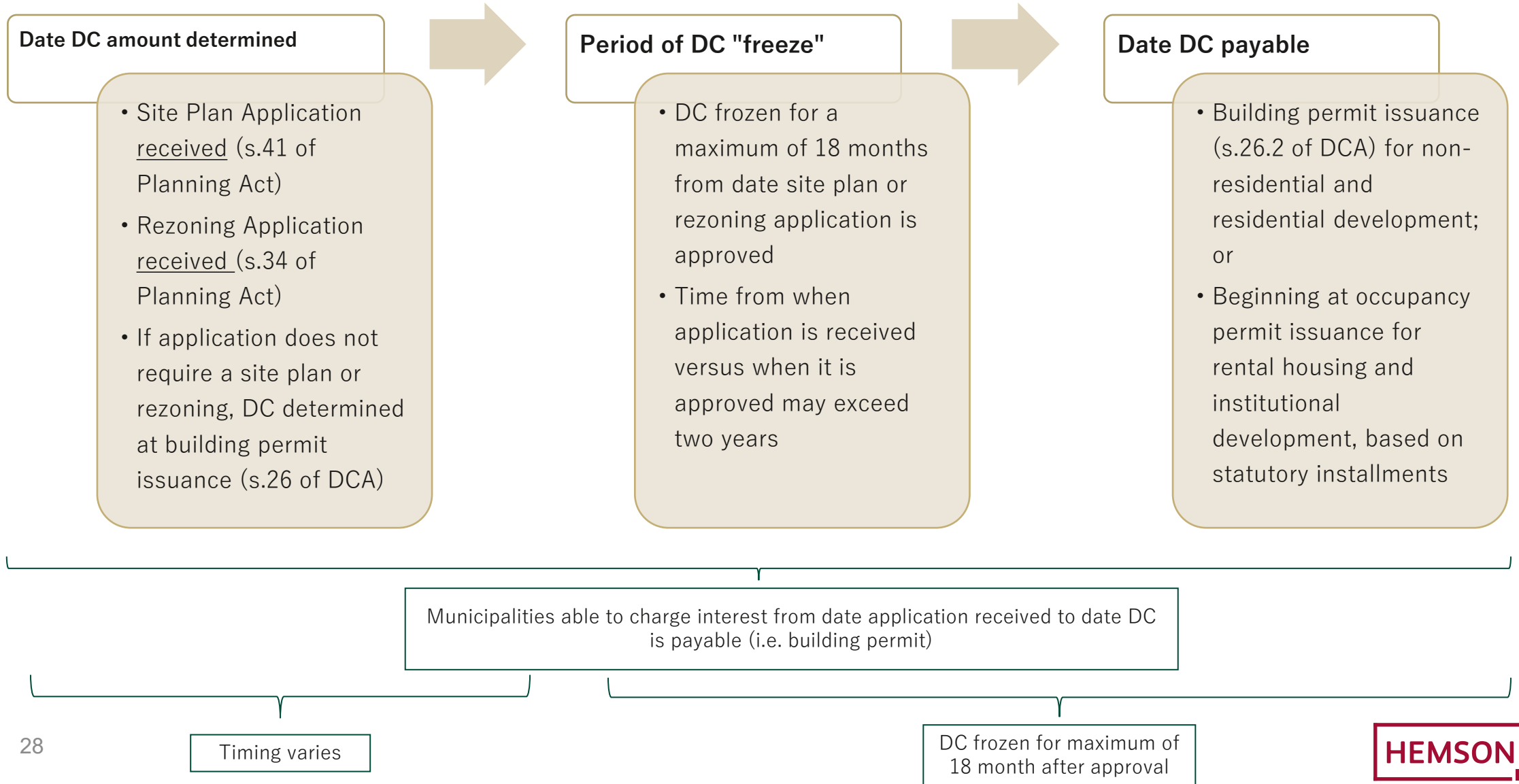
## DC Payment Deferred

- Applies to rental housing and institutional development
- Prescribed development is defined in DC Act
- 5 year payment plan; 6 installments

Initial installment paid at occupancy (permit or actual) and annually thereafter

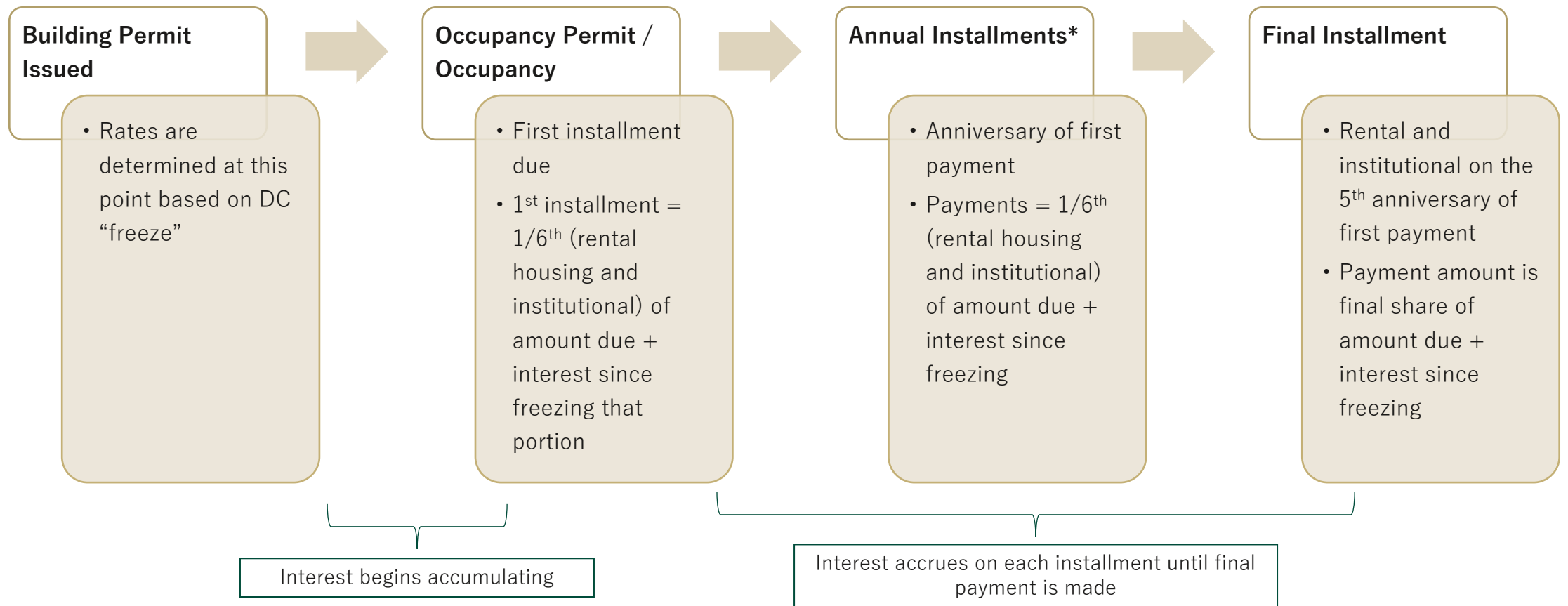
*Note: Municipality may charge interest from time of DC calculation and time of payment at an amount no more than prime +1%.*

# Timing of DC Determination and Payment (s. 26.2)



# Types of Development Subject to Deferred DCs (s. 26.1)

- s. 26.1 of DCA requires DCs to be paid in installments for **rental housing** and **institutional development**.
  - **Rental housing** and **institutional development** required to pay DCs in equal installments over 6 years



# Common Questions:

## Can DCs be Appealed to the OLT and what happens when an Appeal is Made?

- Yes, there is a 40-day period following by-law passage.
- Any person or organization may appeal a development charges by-law to the OLT by filing with the Clerk of the Municipality, on or before the last day for appealing the by-law, a notice of appeal setting out the objection to the by-law and the reasons supporting the objection.
- OLT process can be lengthy pending on the scope of the issues.

# Timelines and Next Steps



# Next Steps

- Municipality undertaking Servicing Master Plan
- Settlement Boundary Expansion
- Once complete – initiate DC process