

**DATE:** April 29, 2024

**REPORT NO:** T-10-2024

**SUBJECT:** **Development Charges Council Workshop**

**CONTACT:** Katelyn Repovs, CPA, CA Acting Director of Finance

**OVERVIEW:**

- This report complements the Development Charges Council Workshop, led by the Township's consultants, Watson & Associates Economists Ltd.
- This report also serves to provide Council with important information concerning the Township's Development Charges, including background details, financial implications of exemptions, and status of the 2024 background study.
- A public meeting will be held on May 27, 2024 where a formal presentation of the Background Study and proposed Development Charge By-Laws will be made.
- The Township's Development Charge By-Law expires on July 15, 2024; the final By-Laws will be presented for Council approval on July 15, 2024.

**RECOMMENDATION:**

- 1) That, Information Report T-10-2024 regarding "Development Charges Council Workshop", be received for information.

**ALIGNMENT TO STRATEGIC PLAN:**

- **BUILD** a safe connected, caring and active community
- **CHAMPION** strategic and responsible growth
- **ADVANCE** organizational capacity and effectiveness

**BACKGROUND:**

Development charges (DC) are one-time fees charged by the Township to those who develop or build upon an area of land. Municipalities have the authority to impose development charges through the Development Charges Act, 1997, S.O. 1997, c. 27.

The municipality collects development charges to recover the cost of growth that occurs as a result of providing municipal services to new residential and non-residential development. For the Township, those municipal services include:

- Roads and Related Infrastructure
- Public Works Facilities, Equipment and Fleet
- Fire Protection
- Parks and Recreation
- Library

- Stormwater
- Wastewater
- Water

One of the key elements in establishing development charges is the need to prepare a Development Charges Background Study and pass a By-Law, setting out the development charge fees to be collected.

The Township's current DC By-Law 2019-51 came into effect on July 15, 2019 and expires on July 15, 2024. In September 2022, Staff undertook an amendment to the 2019 DC Background Report and the Development Charges By-Law. This was done in order to comply with changes legislated through Bill 108, *More Homes, More Choices Act, 2019* and Bill 197, *COVID-19 Economic Recovery Act, 2020*. A public meeting was held on August 11, 2022 where the updated background study was presented. On September 26, 2022, Council approved the updated background study and amended DC By-Law.

Because of the DC By-Law expiration date of July 15, 2024, the Township is required to complete a background study and adopt new By-Laws on or before this date, in order to continue collecting development charges.

### CURRENT SITUATION:

Staff are currently working with consultants from Watson & Associates Economists Ltd. to finalize the 2024 background study and proposed By-Laws. A public meeting is being held on May 27, 2024 where the 2024 background study and proposed DC By-Laws will be presented and the public is invited to make comments.

In accordance with the Development Charges Act (where applicable), Staff will ensure that the following milestone requirements and the planned dates related to the adoption of the 2024 DC By-Laws are adhered to, as noted below:

Process Steps	Date
Stakeholder/Developer Information Meeting	April 18, 2024
DC Council Workshop	April 29, 2024
Advertisement Notice of Public Meeting of Council ( <i>written notice of at least 20 days must be given</i> )	Week of April 29, 2024 & Week of May 13, 2024
Release of Background Study and Proposed DC By-Laws ( <i>must be made available to public at least 2 weeks before Public Meeting, &amp; 60 days prior to passing of DC By-Laws</i> )	On or before May 13, 2024
Mandatory Public Meeting of Council ( <i>before passing DC By-Laws, at least one public meeting must occur</i> )	May 27, 2024
Council Consideration of Background Study and Proposed DC By-Laws	June 10, 2024
Council Approval of DC By-Laws & New By-Laws in Effect	July 15, 2024
Written Notice of DC By-Laws Passing	Week of July 15, 2024
Deadline to Appeal DC By-Laws ( <i>must provide appeal period of 40 days after By-Law is passed</i> )	August 25, 2024

## Development Charge Exemptions

The Development Charges Act provides for exemptions from DCs under two classifications: mandatory exemptions are required by legislation, and discretionary exemptions are established by the municipality at the time of By-Law creation. Providing an exemption means that a developer or builder does not need to pay for development charges, either in whole or part.

Mandatory exemptions under the Development Charges Act include:

- Upper/Lower Tier Governments and School Boards
- Industrial Building Expansions (may expand square footage up to 50% of existing industrial space)
- Universities & Colleges
- Enlargement/Intensification of Existing Dwelling
- Affordable and Attainable units (to be in force at a later date);
- Affordable Inclusionary Zoning units;
- Non-profit Rental Housing; and
- Discount for Rental units, based on bedroom size.

Of these, in 2023, the Township's mandatory DC exemptions amounted to **\$202,954**.

Another mandatory exemption under the Development Charges Act relates to the DC phase-in over a five year period. On November 28, 2022, Bill 23, the *More Homes Built Faster Act, 2022*, was passed, applicable to DC By-Laws passed after January 1, 2022. The Act introduced a five year phase-in period for development charges. The phase-in begins with a 20% reduction in the first year, with the reduction decreasing by 5% each year until after year five when the full new rate applies. Staff have calculated the 2023 impact of this mandatory exemption as being **\$21,846**.

On April 10, 2024, the Province announced Bill 185, *Cutting Red Tape to Build More Homes Act, 2024*. This proposed legislation is currently under review and has not yet received royal assent. If passed, this mandatory phase-in of DC charges would be eliminated.

The Township's DC By-Law, section 3.7, allows for the following discretionary exemptions:

- Redevelopments credit to recognize what is being replaced/demolished
- Cemeteries or burial grounds
- Places of worship
- Agricultural uses
- Granny flats
- Canopies, including gas station canopies and those intended for the parking and loading/unloading of vehicles
- Affordable Housing projects and Municipal housing project facilities that receive funding through an agreement with Niagara Regional Housing or a department or designated agency of the Niagara Region

Of these, in 2023, the Township's discretionary DC exemptions amounted to **\$62,300**.

A summary of the Township's 2023 DC exemptions is presented below. Where applicable, with respect to the same permits that received DC exemptions, the below table also shows the portion of the DC that the Township was able to retain. This analysis does not factor in the potential for a property's tax assessment to increase as a result of the permit activity, which could result in higher property tax revenue for the Township.

Exemption Type	# of Permits	Retained DC Amount	Exempted DC Amount
Mandatory – Industrial Building Expansion	3	\$2,626	\$202,954
Mandatory – Bill 23 DC Phase-In	9	\$84,759	\$21,846
Discretionary – Redevelopment Credits (Residential demolition and re-build)	5	\$0	\$62,300
Totals	17	\$87,385	\$287,100

It is very important to note that when a development is exempt from DCs, the municipality must fund the foregone DC amount back into the DC reserve funds. In other words, the DC reserve funds need to reflect the DC exemption amounts, as if the reserve had actually received the DC monies. This required funding applies to all forms of exemptions. This is a requirement of the Development Charges Act, as the Act does not allow exemptions or reductions to one type of development to be made up through higher DC charges to other forms of development.

Therefore, the Township must fund the costs of exemptions from existing tax and ratepayers, in the absence of upper level funding programs. As seen above, the total exempted DCs in 2023 was \$287,100. In 2023, this was funded through a transfer from the Township's contingency reserve.

The Township has not previously budgeted for the funding of DC exemptions. Because of its potentially large financial impact, Staff will be bringing forth a staff report to a future 2024 Council meeting to discuss a funding strategy for DC exemptions.

#### **FINANCIAL IMPLICATIONS:**

Development charges are a key component in financing growth-related capital items. The new DC By-Laws must come into effect by July 15, 2024 for the Township to continue collecting DCs. If DCs are no longer collected, the costs associated with growth-related capital projects would have to be funded from other sources, such as property taxes and user fees.

#### **INTER-DEPARTMENTAL COMMENTS:**

The development of the 2024 background study and proposed DC By-Laws was a Township-wide project with input from all Directors.

#### **CONCLUSION:**

It is recommended that Council receive this staff report as an item of information. The public meeting on May 27, 2024 will be an opportunity for Council to have any questions

and concerns addressed regarding the Background Study and Draft By-Laws. These documents will be available on or before May 13, 2024.

**Prepared & Submitted by:**



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**Katelyn Repovs, CPA, CA**  
**Acting Director of Finance**

**Approved by:**



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**Donna DeFilippis, CPA, CA**  
**Interim CAO/Treasurer**