



Development Charges 101 – Council Workshop

Township of West Lincoln
April 29, 2024

Agenda

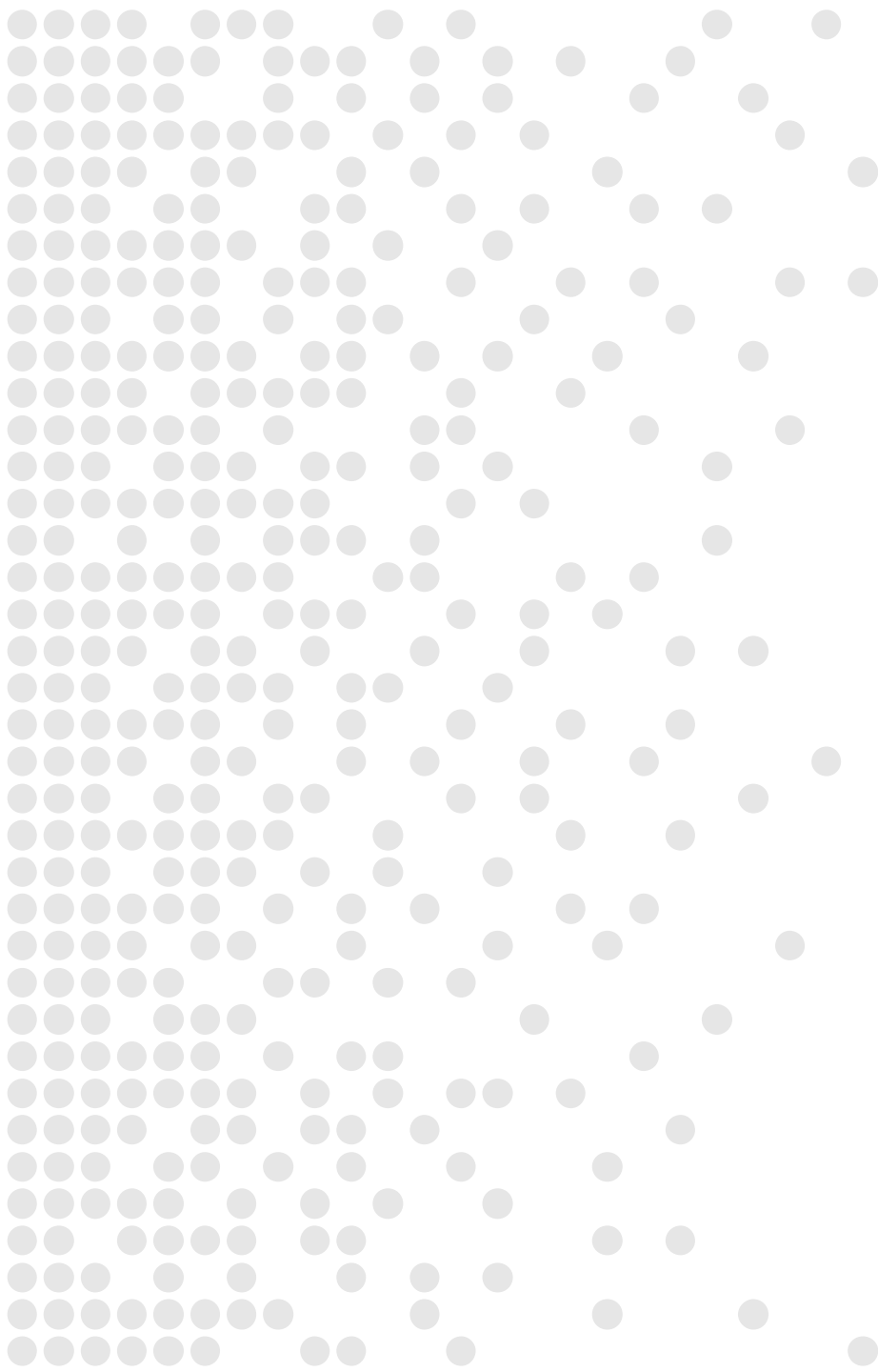


- Overview of Process – Timelines
- Development Charges Act Overview
- Changes to the Development Charges Act
- Current Charges and Policies
- Draft Growth Forecast, Capital, and Rates
- Survey of Municipal D.C.s
- Next Steps
- Questions

Overview of Process –Timelines



- 1** **July 2023 to April 2024**
Data collection, staff review, D.C. calculations and policy work
- 2** **April 18, 2024**
Stakeholder Meeting
- 3** **April 29, 2024**
Council Workshop
- 4** **May 13, 2024**
Release of Final Background Study
- 5** **May 27, 2024**
Mandatory Public Meeting
- 6** **July 15, 2024**
Council Consideration of By-law



Development Charges Act (D.C.A.) Overview

Township of West Lincoln

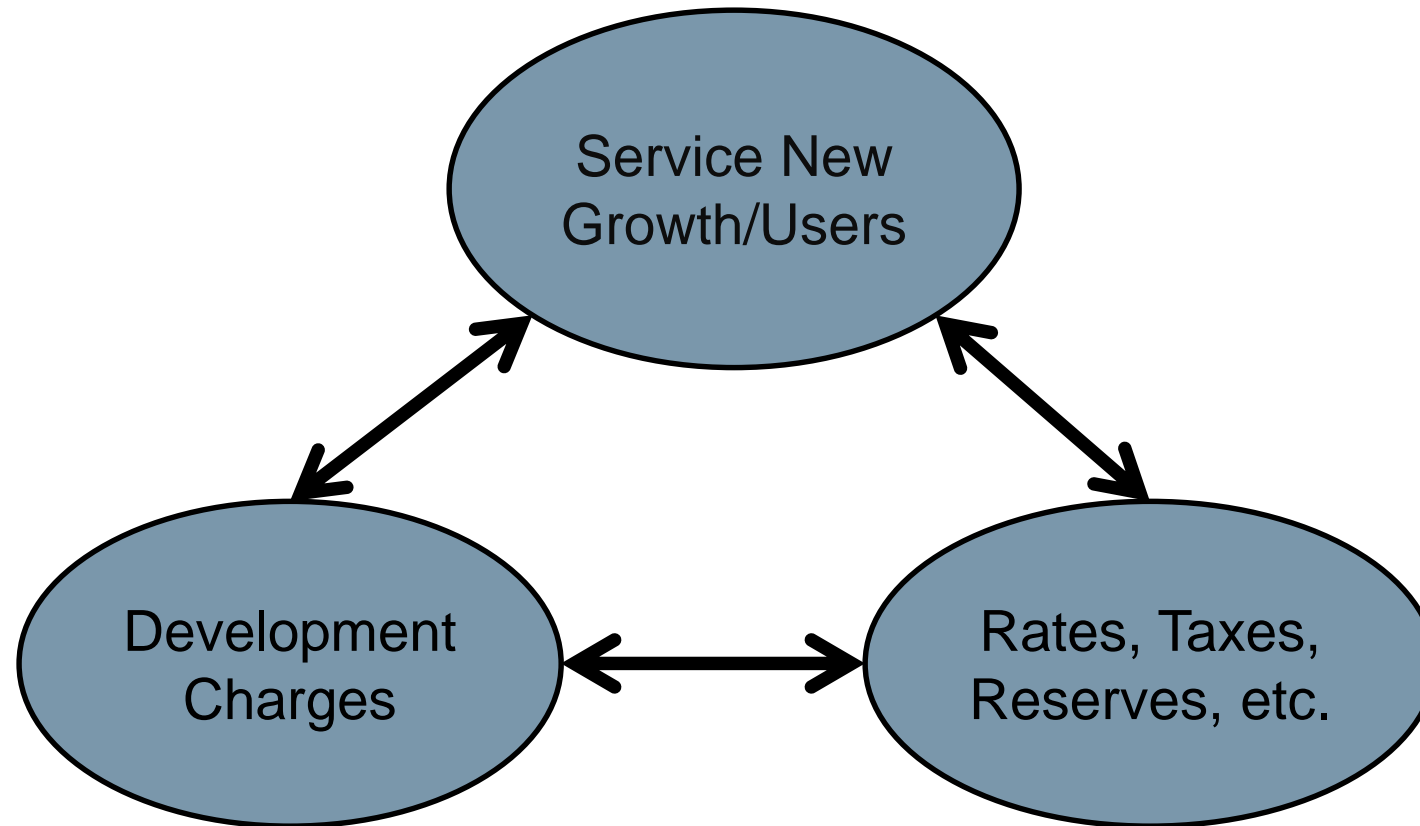
Development Charges (D.C.)



Purpose:

- To recover the capital costs associated with residential and non-residential growth within a municipality
- The capital costs are in addition to what costs would normally be constructed as part of a subdivision (i.e. internal roads, sewers, watermains, sidewalks, streetlights, etc.)
- D.C.s are typically paid to the Municipality prior to receiving a building permit
- Municipalities are empowered to impose these charges via the Development Charges Act (D.C.A.)

Relationship Between Needs to Service Growth vs. Funding



Municipal Financial Planning Framework



Official Plan

Growth and
Development

Master Plans

Capital Needs to
Support Growth

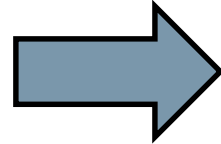
Development
Charges

Funding for Capital
Needs to Support
Growth

Overview of the D.C. Calculation

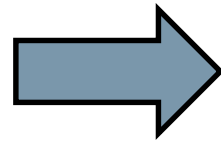


Cost of Infrastructure
Required to
Accommodate
Growth

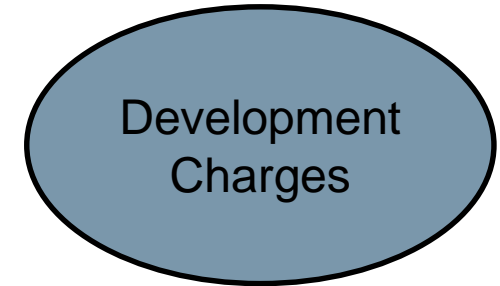


\$

Residential and Non-
residential Growth



Development Charge
per Unit
(for Residential Growth)



Development Charge
per Sq.ft.
(for Non-residential
Growth)

Methodology for Calculating a D.C.



The following provides the overall methodology to calculating the charge:

1. Identify amount, type and location of growth
2. Identify servicing needs to accommodate growth
3. Identify capital costs to provide services to meet the needs
4. Deduct:
 - i. Grants, subsidies and other contributions
 - ii. Benefit to existing development
 - iii. Amounts in excess of 15-year historical service calculation
 - iv. D.C. Reserve funds (where applicable)
5. Net costs then allocated between residential and non-residential benefit
6. Net costs divided by growth to calculate the D.C.

D.C. Eligible Services



1. **Water**
2. **Wastewater**
3. **Storm water drainage**
4. **Services related to a highway**
5. Electrical power services.
6. Toronto-York subway extension.
7. Transit
8. Waste diversion
9. Policing
10. **Fire protection**
11. Ambulance
12. **Library**
13. Long-term Care
14. **Parks and Recreation**
15. Public Health services
16. Childcare and early years services.
17. Provincial Offences Act
18. Emergency Preparedness
19. Airports (Waterloo Region only).

***Services examined in this D.C. Background Study**

Maximum Charge Capped by Service Standard Calculation



- Service standard measure provides a ceiling on the level of the charge which can be imposed
- The D.C.A. requires the calculation to be based on “quantity” and “quality” measures and are averaged over the past 15 years
- Note that this measure does not apply to water, wastewater, storm water and Transit (which now has a forward-looking service standard)

Capital Costs



- **Acquire land or interest in land**
- Improve land
- Acquire, lease, construct or improve buildings, facilities and structures (includes furniture and equipment)
- Equipment and rolling stock
- Capital component of a lease for the above
- Circulation materials for Libraries
- ~~Studies for above including a D.C. Background Study~~
- Interest on money borrowed to pay for the above

***Amended as per Bill 23 – potentially added back into the definition of capital costs if/when Bill 185 is passed**

Capital Costs (cont'd)



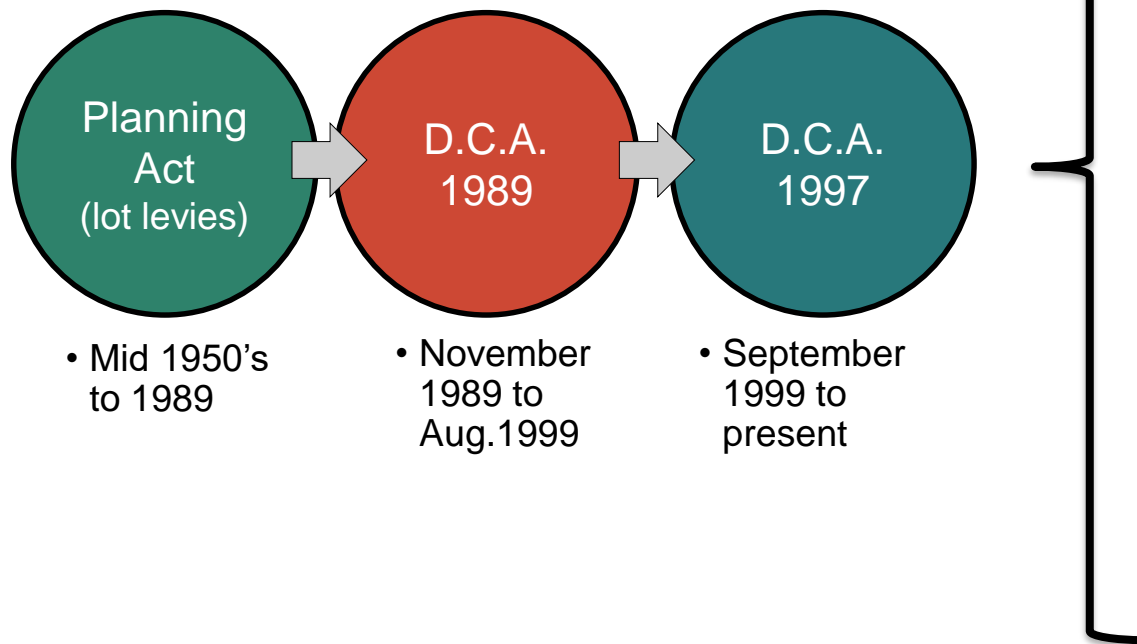
- Any planning horizon for future capital needs can be used, except for Transit (which is limited to 10 years)
- Capital costs must be reduced by grants, subsidies and other contributions.
- May include authorized costs incurred or proposed to be incurred by others on behalf of a municipality/local board
- Certain Capital Costs may not be included:
 - Parkland Acquisition
 - Vehicle & Equipment with avg. life of <7 yrs.
 - Computer Equipment that is not integral to the delivery of the service
 - **Studies****
 - **Possible removal of land acquisition for services (yet to be defined by the regulations)**



Changes to the Development Charges Act

Township of West Lincoln

History of D.C.s



Amendments to D.C.A. 1997

1. Bill 73: January 2016
2. Bill 108: June 2019
3. Bill 138: December 2019
4. Bill 197: July 2020
5. Bill 213: December 2020
6. Bill 109: April 2022
7. Bill 23: November 2022
8. Bill 134: December 2023
9. Bill 185: Proposed 2024

Recent Changes to the D.C. Legislation



There were a number of recent changes to the D.C.A. These changes were provided through:

- Bill 108: *More Homes, More Choice Act*, 2019
- Bill 138: *Plan to Build Ontario Together Act*, 2019
- Bill 197: *COVID-19 Economic Recovery Act*, 2020
- Bill 213: *Better for People, Smart for Business Act*, 2020
- Bill 109: *More Homes for Everyone Act*, 2022
- Bill 23: *More Homes Built Faster Act*, 2022
- Bill 134: *Affordable Homes and Good Jobs Act*, 2023

Bill 23 Overview



- The Province passed Bill 23: More Homes Built Faster Act, 2022 on November 28, 2022
- This Bill amends a number of pieces of legislation, including the Development Charges Act (D.C.A.), and the Planning Act
 - These changes impact development charges (D.C.s), community benefits charges (C.B.C.s), and parkland dedication
- The changes provided through Bill 23 negatively impact Municipalities' ability to collect revenues to fund growth-related capital expenditures

Changes to the D.C.A.

Bill 23



Additional D.C. Exemptions:

Currently in Force:

- **Inclusionary Zoning Units:** Affordable housing units required under inclusionary zoning by-laws
- **Non-Profit Housing:** Non-profit housing units are exempt from D.C. installment. Outstanding installment payments due after this section comes into force will also be exempt from payment of D.C.s.
- **Additional Residential Unit Exemptions:** units in existing rental buildings, 2nd and 3rd units in existing and new singles, semis, and rowhouses

Currently Not in Force (additional details provided on next slide):

- **Affordable Rental Unit**
- **Affordable Owned Unit**
- **Attainable Unit**

Changes to the D.C.A. – Affordable/Attainable Definitions

Bill 23/Bill 134



Definitions for “affordable” under the D.C.A. were updated by Bill 134, which received Royal Assent on December 4, 2023:

Bill 23 Definitions

Affordable Rental Unit: where rent is no more than 80% of the average market rent, as defined by a new Bulletin*

Affordable Owned Unit: where the price of the unit is no more than 80% of the average purchase price, as defined by a new Bulletin*

Bill 134 Definitions

Affordable Rental Unit: rent is less than 30% of the 60th percentile of income for rental households or average market rent set out in a new Bulletin*

Affordable Owned Unit: cost is less than 30% of the 60th percentile of income for households in the municipality or 90% of the average purchase price as defined in a new Bulletin*

Attainable Unit: yet to be defined by legislation

*Bulletin to be published by the Ministry of Municipal Affairs and Housing

Changes to the D.C.A.

Bill 23



D.C. Discounts:

- Rental Housing Discount (based on number of bedrooms – 15%-25%)

D.C. Revenue Reduction:

- Removal of Housing as an Eligible D.C. Service
- Capital Cost Amendments (**restrictions to remove studies** and land)
- Historical Levels of Service from 10 years to 15 years
- **Mandatory Phase-In of D.C. (Maximum charge of 80%, 85%, 90%, 95%, 100% for first 5 Years of the by-law) - These rules apply to a D.C. by-law passed on or after January 1, 2022**

D.C. Administration:

- Maximum Interest Rate for Installments and D.C. Freeze (maximum interest rate would be set at the average prime rate plus 1%)
- Requirement to Allocate 60% of the monies in the reserve funds for Water, Wastewater, and Services Related to a Highway
- D.C. by-law expiry extended to 10 years

Note: The Province released Bill 185 on April 10, 2024, which if passed will change these clauses (see next slide)

Pending Changes to the D.C.A. (as of time of preparation)

Bill 185



- On April 10, 2024, the Province gave first reading to Bill 185 (*Cutting Red Tape to build More Homes Act*). The Bill proposed a number of changes to a number of Statutes including the D.C.A.
 - The proposed D.C.A. changes include:
 - The definition of eligible capital costs (to include certain studies);
 - The removal of the mandatory phase-in of charges;
 - The process for minor amendments to development charge (D.C.) by-laws;
 - A reduction of time for the D.C. rate freeze related to site plan and zoning by-law amendment planning applications;
 - Modernizing public notice requirements; and
 - Implementation of the Affordable Residential Unit exemptions.



Overview of Current Charges and Policies

Township of West Lincoln

Current D.C. Rates



Service	Residential				Non-Residential	
	Single and Semi-Detached Dwelling	Multiples	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Wind Turbines	per sq.ft.
Services Related to a Highway	6,836	4,556	4,350	2,693	6,836	2.54
Fire Protection Services	461	308	293	181	461	0.18
Parks and Recreation Services	5,434	3,622	3,458	2,140	-	0.40
Library Services	977	650	622	384	-	0.06
Growth Studies	401	266	254	158	401	0.16
Total Municipal Wide Services	14,109	9,402	8,977	5,556	7,698	3.34
Urban Services						
Stormwater	85	58	53	34.00	-	0.02
Wastewater Services	530	353	336	209.00	-	0.18
Water Services	1,293	861	823	510.00	-	0.46
Total Urban Services	1,908	1,272	1,212	753	-	0.66
GRAND TOTAL URBAN AREA	16,017	10,674	10,189	6,309	7,698	4.00



Mandatory Exemptions

- Upper/Lower Tier Governments and School Boards;
- Industrial building expansions (may expand by 50% with no D.C.);
- Development of lands intended for use by a university that receives operating funds from the Government (as per Bill 213);
- Discount for Rental units based on bedroom size;
- May add up to 2 apartments in an existing or new detached, semi-detached, or rowhouse (including in an ancillary structure);
- Add one additional unit or 1% of existing units in an existing rental residential building;
- Affordable and Attainable units (to be in force at a later date).
- Affordable inclusionary zoning units; and
- Non-profit Rental Housing.

***Amended as per Bill 23**

Discretionary Exemptions



- Reduce in part or whole D.C. for types of development or classes of development (e.g. industrial or churches)
- May phase-in over time
- Redevelopment credits to recognize what is being replaced on site (not specific in the Act but provided by case law)

Township's Current Discretionary Exemptions



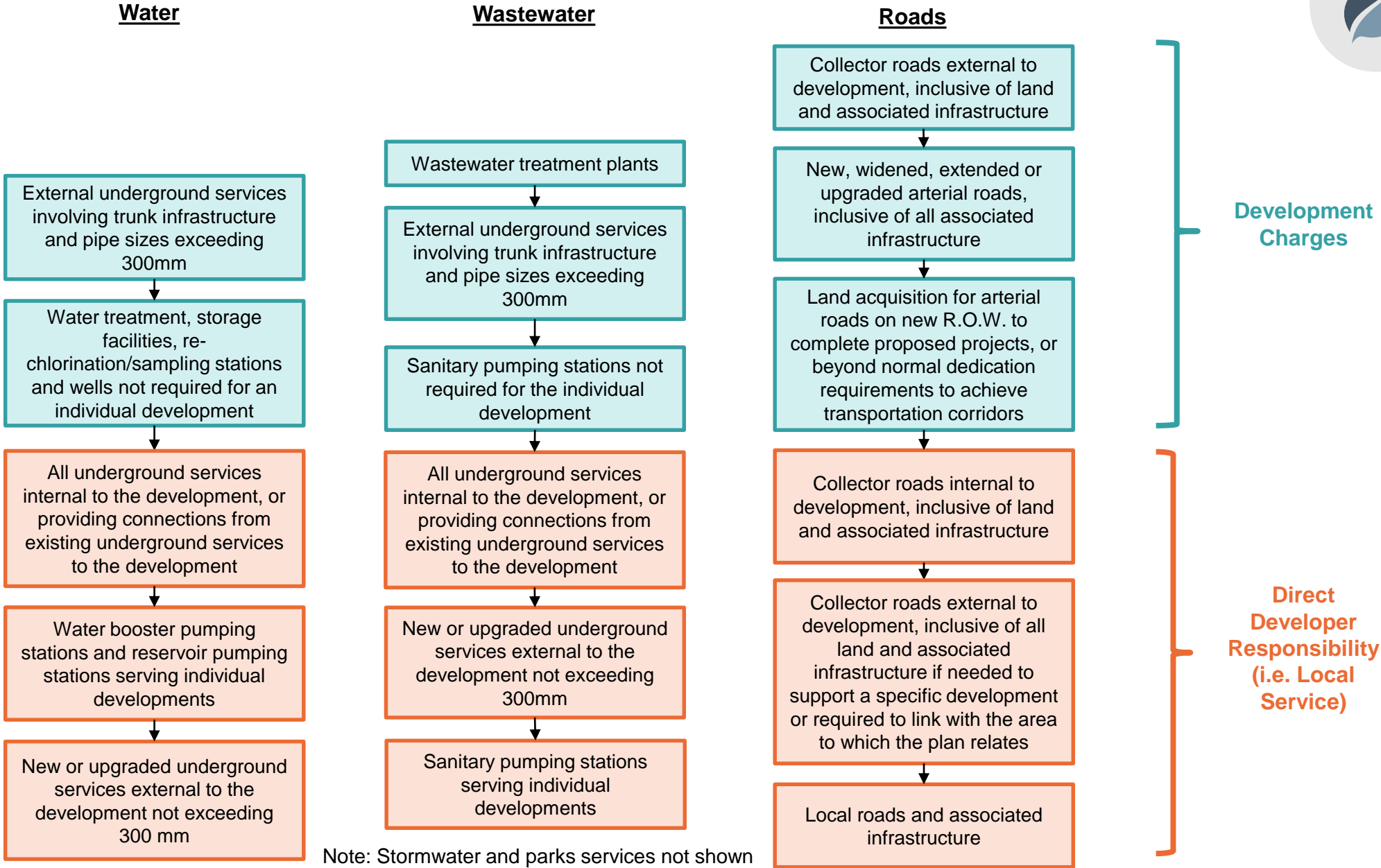
- Cemeteries or burial grounds;
- Places of worship;
- Granny flats;
- Agricultural uses;
- Affordable Housing projects and Municipal housing project facilities that receive funding through an agreement with Niagara Regional Housing or a department or designated agency of the Niagara Region; and
- Canopies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

Local Service Policies



- Section 59.1(1) and (2) of the Act “No Additional Levies” - prohibits municipalities from imposing additional payments or requiring construction of a service not authorized under the D.C.A., therefore, need to be clear:
 - What will be included in the D.C.; and
 - What will be required by developers as part of their development agreements
- Items considered in Local Service Policies may include:
 - Local, rural, collector & arterial roads,
 - Intersection improvements & traffic signals,
 - Streetlights & sidewalks,
 - Bike Routes/Bike Lanes/Bike Paths/Multi-Use
 - Trails/Naturalized Walkways,
 - Noise Abatement Measures,
 - Land dedications/easements,
 - Water, Wastewater & Stormwater, and
 - Park requirements.

Sample Local Service Policy Schematic



Other Matters



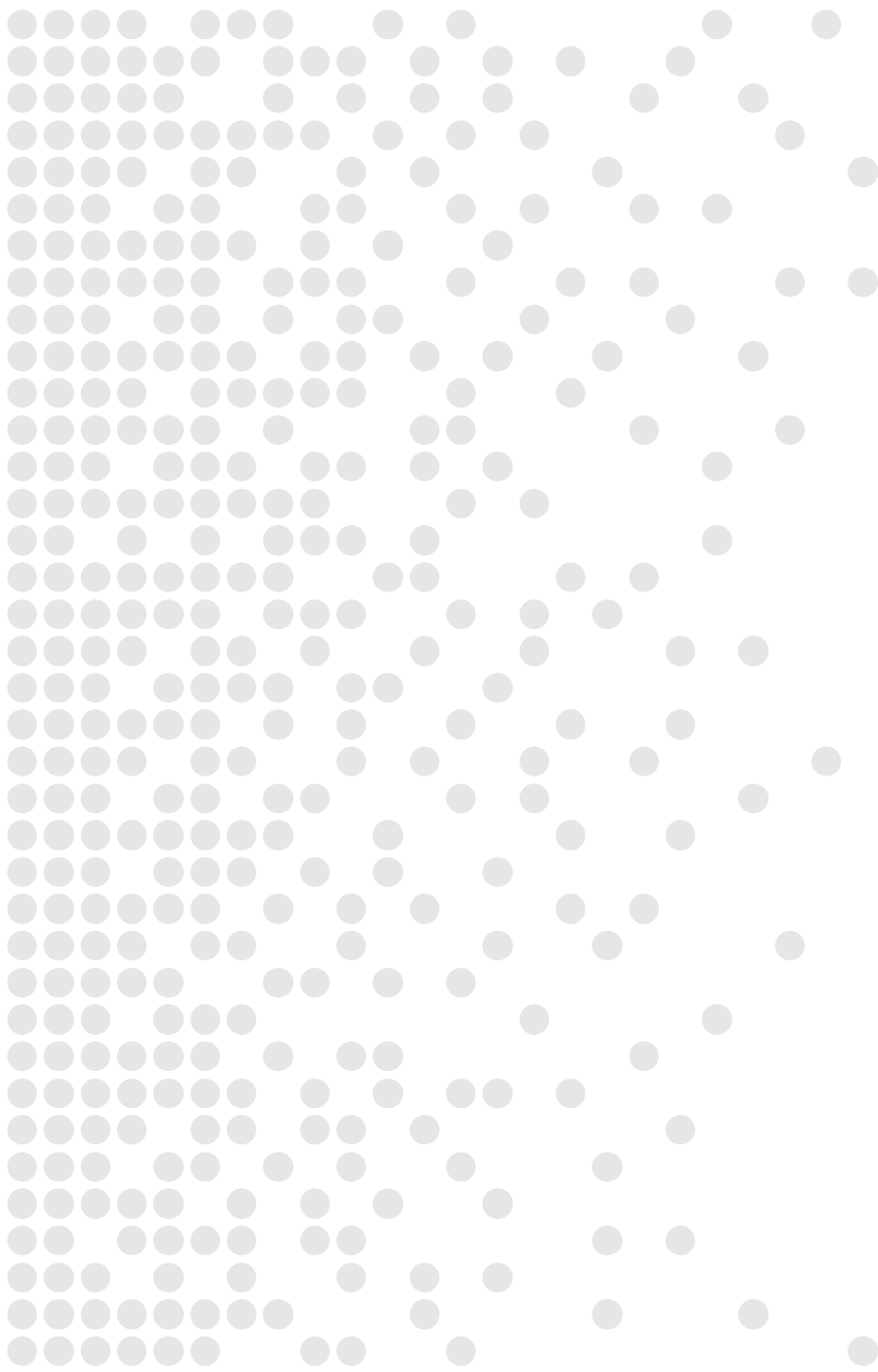
- **Cross Subsidization** - the act clarifies that a cost recovery shortfall from one type of development may not be made up through higher charges on other development. However, it also clarifies that the charge for any particular development does not have to be limited to the cost increase attributable to that development
- **Background Study** - It is mandatory that a D.C. Background Study be prepared and be available to the public (along with a draft D.C. by-law) at least two weeks prior to the public meeting and 60 days prior to by-law passage
- **Indexing:** Without amendment to the D.C. by-law, D.C.s shall be indexed on a mandatory basis every January 1st in accordance with the Statistics Canada Quarterly, Non-Residential Building Construction Price Index (Table 18-10-0276-02) for the most recent year-over-year period.

Other Matters (Cont'd)



- **Timing of Payment:** Typically, D.C.s for all services are payable upon issuance of a building permit for each dwelling unit, building, or structure, subject to early or late payment agreements
 - **Instalment Payments:** Rental housing and institutional developments pay D.C.s in 6 equal annual payments commencing at occupancy, subject to annual interest charges at a maximum interest rate of the average prime rate plus 1%
 - **Rate Freeze:** The D.C. amount for all developments occurring within **two (2) years** of a site plan or Zoning By-law Amendment planning approval shall be determined based on the D.C. in effect on the day the applicable Site Plan or Zoning By-law Amendment application was submitted, subject to annual interest charges at a maximum interest rate of the average prime rate plus 1%

Note: If/when Bill 185 is passed, the timeframe will reduce to 18 months



Growth Forecast, Draft Capital Program, and Rates

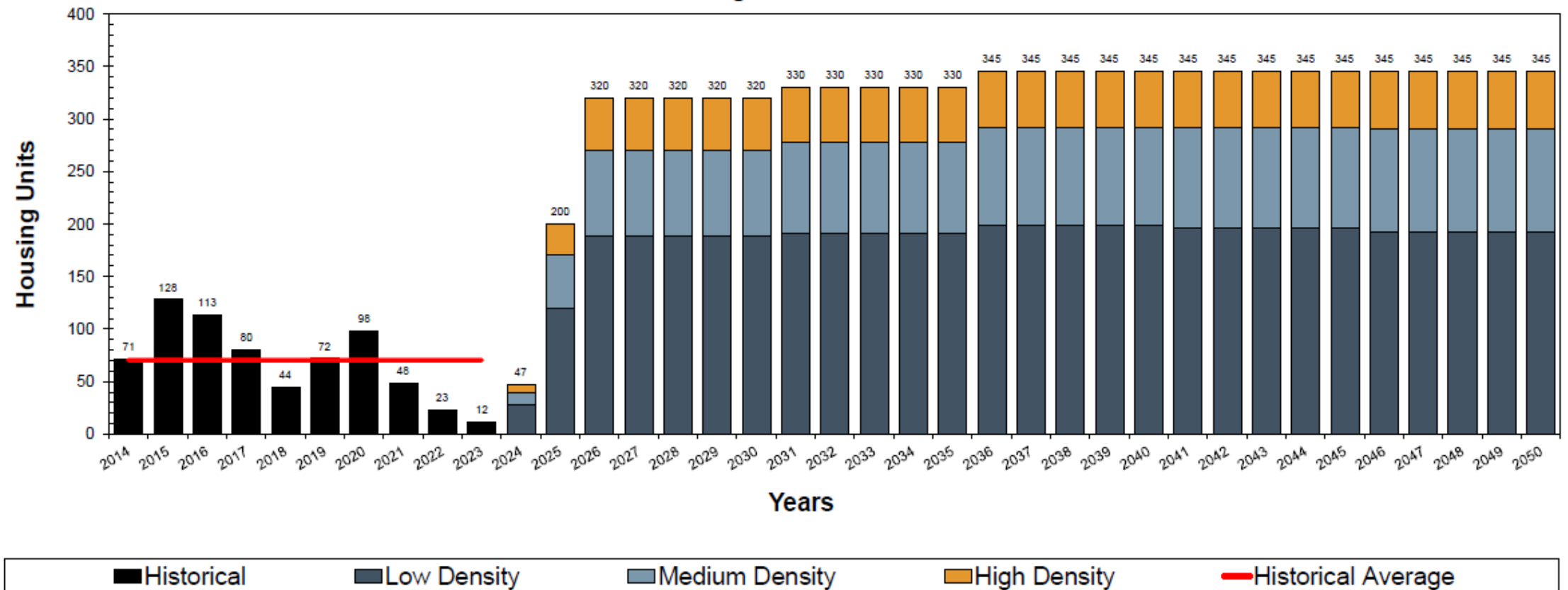
Township of West Lincoln

Draft Growth Forecast



Figure A-1

Annual Housing Forecast¹



Source: Historical housing activity derived from Statistics Canada building permit data for the Township of West Lincoln , 2014-2023.

^[1] Growth forecast represents calendar year.

Draft Growth Forecast



Measure		10-Year	Long-Term
		2024 to 2034	2024 to 2051
(Net) Population Increase Excluding Undercount		7,120	21,760
Residential Unit Increase		2,840	8,670
Total Employment	Including WAH and NFPOW ¹	1,950	5,820
Increase	Excluding WAH and NFPOW ¹	1,170	3,410
Non-Residential Gross Floor Area Increase (sq.ft.) ²		1,035,700	2,906,200

¹ Work at Home (WAH) and No Fixed Place of Work (NFPOW).

² G.F.A. and employment associated within special care institutional dwellings treated as residential. Total employment growth presented in this table has been downwardly adjusted to account for institutional employment associated with special care facilities for the purposes of future non-residential gross floor area needs.

Note: Figures have been rounded.

Timing	Single & Semi-Detached	Multiples ¹	Apartments ²	Total Housing Units
2024 to 2034	1,670	730	440	2,840
2024 to 2051	4,990	2,340	1,340	8,670

¹ Includes townhouses and apartments in duplexes.

² Includes bachelor, 1-bedroom and 2-bedroom+ apartments.

Note: Figures have been rounded.

Source: Watson & Associates Economists Ltd.

Timing	Gross Floor Area in Square Feet (Estimated) ¹				
	Primary ²	Industrial	Commercial/Population Related	Institutional ³	Total
2024 to 2034	36,000	625,300	223,000	151,400	1,035,700
2024 to 2051	102,000	1,622,400	689,500	492,300	2,906,200

¹ Township-wide Average Square Foot Per Employee Assumptions

Primary	3,000
Industrial	1,300
Commercial/ Population Related	500
Institutional	690

² Primary industry includes bona-fide, non bona-fide farming and cannabis growing operation related employment.

³ Forecast institutional employment and gross floor area has been adjusted downward to account for employment associated with special care units.

Note: Figures may not sum precisely due to rounding.

Source: Watson & Associates Economists Ltd.

Assumptions and Key Drivers for the Capital Program



- New Capital identified through the Smithville Integrated Municipal Class Environmental Assessment.
- For projects identified in the prior D.C. study (yet to be constructed) their cost estimates have increased due to
 - Tender Prices/Budget Estimates increasing significantly
 - Indexing through NRBCPI (Stats-Canada) from 2019 to 2024 is approximately 43%

Draft Capital Program



Increased Service Needs Attributable to Anticipated Development	Forecast Period	Gross Capital Cost Estimate (2024\$)	Post Period Benefit	Other Deductions	Net Capital Cost	Less:		Potential D.C. Recoverable Cost		
						Benefit to Existing Development	Grants, Subsidies and Other Contributions Attributable to New Development	Total	Residential Share	Non-Residential Share
Fire Protection Services	2024 to 2034	8,771,595	2,500,000	-	6,271,595	-	-	6,271,595	5,456,288	815,307
Parks and Recreation Services	2024 to 2034	20,954,635	3,073,700	-	17,880,935	1,184,750	-	16,696,185	15,861,376	834,809
Library Services	2024 to 2034	3,113,289	-	-	3,113,289	-	-	3,113,289	2,957,625	155,664
Stormwater	2024 to 2034	61,510	-	-	61,510	-	-	61,510	52,899	8,611
Services Related to a Highway - Roads and Related Infrastructure	2024 to 2051	183,058,000	-	-	183,058,000	31,158,283	4,200,000	147,699,717	128,498,754	19,200,963
Services Related to a Highway - Public Works Facilities, Equipment, and Fleet	2024 to 2051	17,190,000	-	-	17,190,000	5,650,000	-	11,540,000	10,039,800	1,500,200
Wastewater Services	2024 to Urban 2051	48,928,000	-	-	48,928,000	4,087,626	570,000	44,270,374	38,957,929	5,312,445
Water Services	2024 to Urban 2051	4,782,000	-	-	4,782,000	2,564,392	-	2,217,608	1,951,495	266,113
Total		\$286,859,030	\$5,573,700	\$0	\$281,285,330	\$44,645,051	\$4,770,000	\$231,870,279	\$203,776,166	\$28,094,114

Draft Development Charges



Service	RESIDENTIAL					NON-RESIDENTIAL	
	Single and Semi-Detached Dwelling	Multiples	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Special Care/Special Dwelling Units	Wind Turbines	(per sq.ft. of Gross Floor Area)
Municipal Wide Services							
Services Related to a Highway	18,824	12,888	12,068	7,820	6,536	18,824	7.12
Fire Protection Services	2,256	1,545	1,446	937	783	2,256	0.79
Parks and Recreation Services	6,558	4,490	4,204	2,724	2,277	-	0.80
Library Services	1,223	837	784	508	425	-	0.15
Total Municipal Wide Services	28,861	19,760	18,502	11,989	10,021	21,080	8.86
Urban Services							
Stormwater	22	15	14	9	8	-	0.01
Wastewater Services	5,325	3,646	3,414	2,212	1,849	-	1.96
Water Services	267	183	171	111	93	-	0.10
Total Urban Services	5,614	3,844	3,599	2,332	1,950	-	2.07
GRAND TOTAL URBAN AREA	34,475	23,604	22,101	14,321	11,971	21,080	10.93

Note: The above D.C. rates are subject to the mandatory phase-in from Bill 23

Draft Rate Comparison - Residential



Service	Current	Calculated
Municipal Wide Services:		
Services Related to a Highway	6,836	18,824
Fire Protection Services	461	2,256
Parks and Recreation Services	5,434	6,558
Library Services	977	1,223
Growth Studies	401	-
Total Municipal Wide Services	14,109	28,861
Urban Services:		
Stormwater Services	85	22
Wastewater Services	530	5,325
Water Services	1,293	267
Total Urban Services	1,908	5,614
Grand Total - Urban Area	16,017	34,475

Note: The draft calculated D.C. rates would equal to \$27,580 due to the mandatory phase-in

Draft Rate Comparison – Non-Residential



Service	Current	Calculated
Municipal Wide Services:		
Services Related to a Highway	2.54	7.12
Fire Protection Services	0.18	0.79
Parks and Recreation Services	0.40	0.80
Library Services	0.06	0.15
Growth Studies	0.16	-
Total Municipal Wide Services	3.34	8.86
Urban Services:		
Stormwater Services	0.02	0.01
Wastewater Services	0.18	1.96
Water Services	0.46	0.10
Total Urban Services	0.66	2.07
Grand Total - Urban Area	4.00	10.93

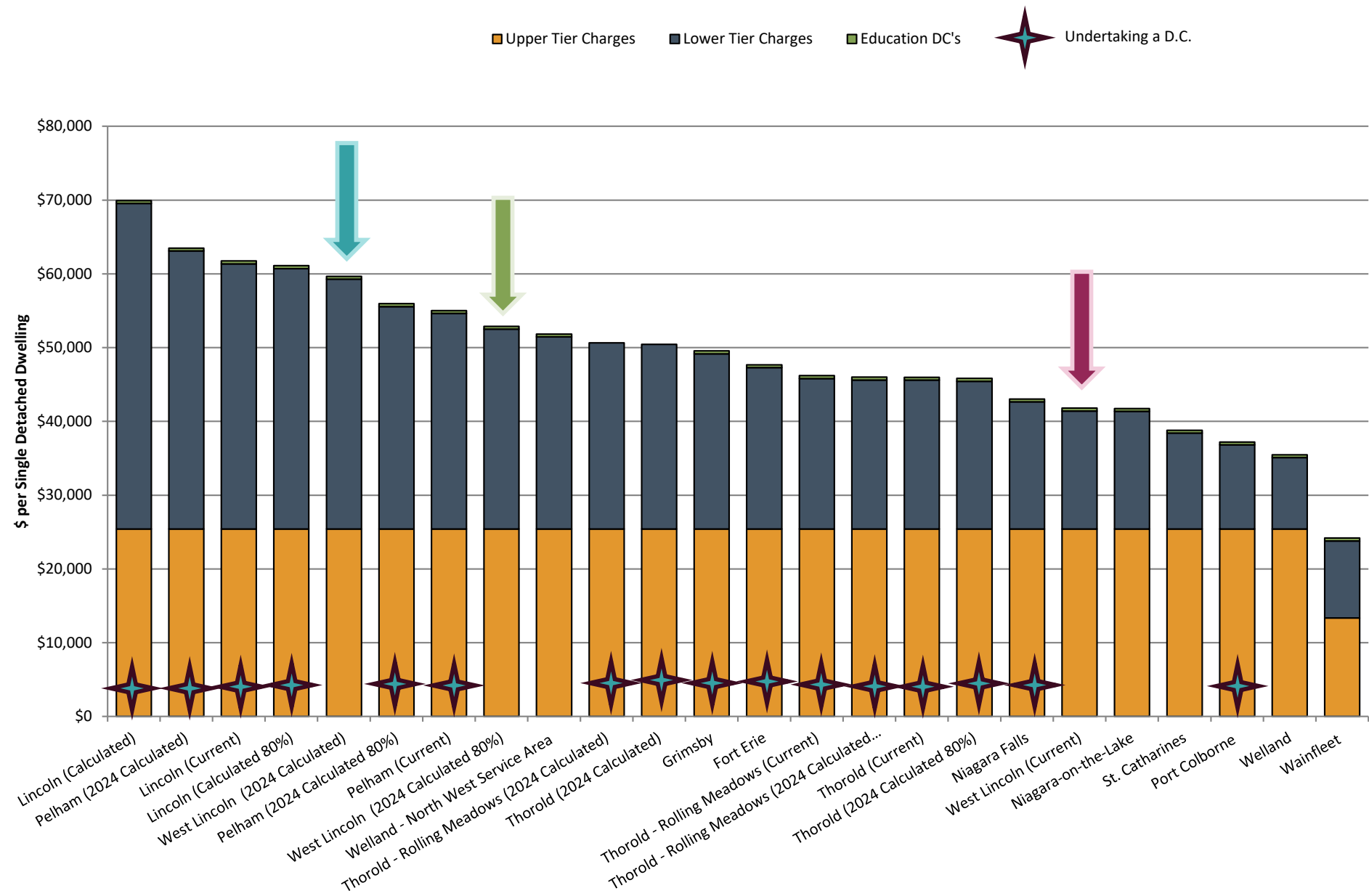
Note: The draft calculated D.C. rates would equal to \$8.74 per sq.ft. due to the mandatory phase-in



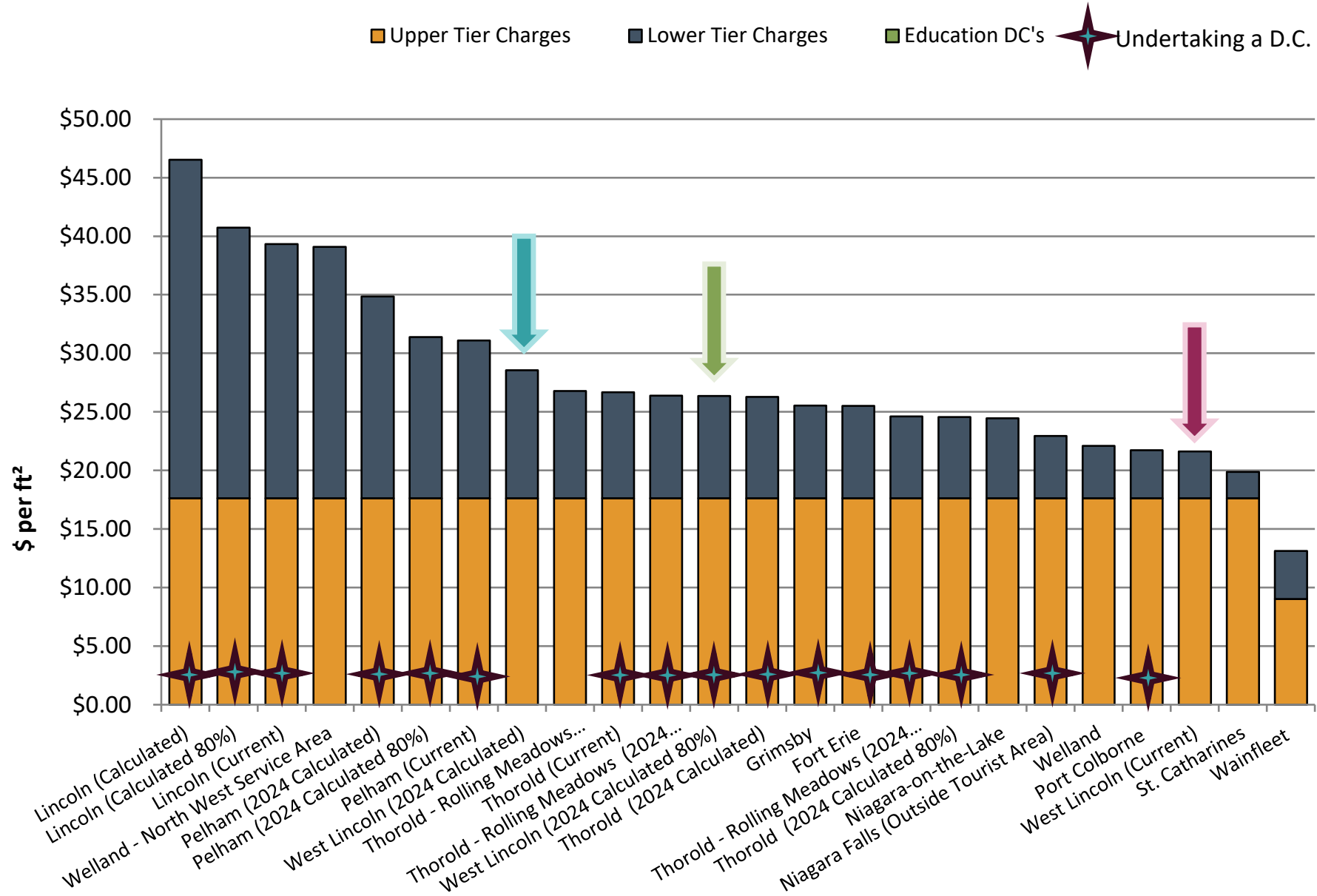
Survey of Municipal D.C.s

Township of West Lincoln

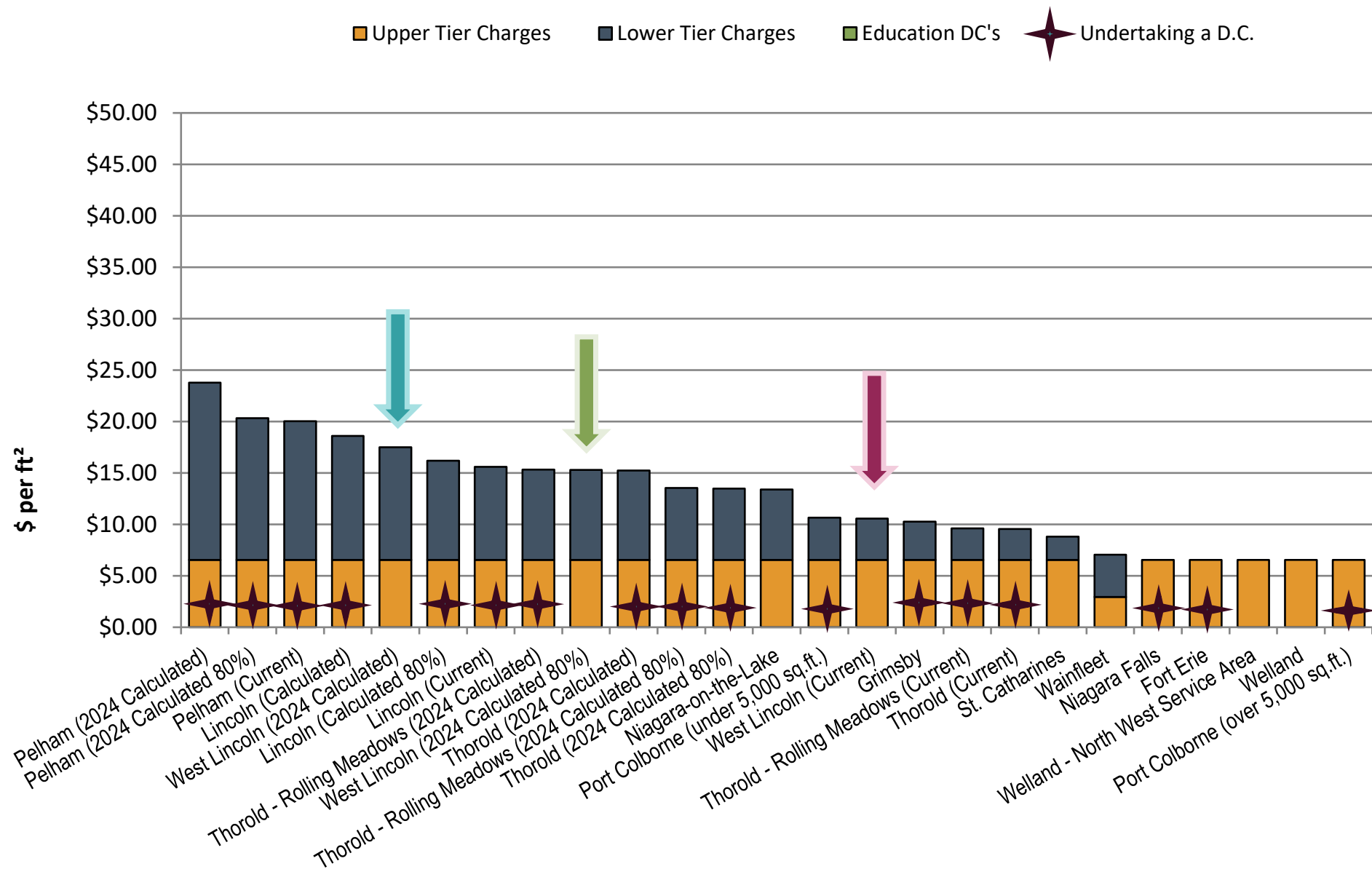
Survey of Comparator Municipalities – Single/Semi-Detached



Survey of Comparator Municipalities – Commercial (per sq.ft.)



Survey of Comparator Municipalities – Industrial (per sq.ft.)



Next Steps



July 2023 to April 2024

Data collection, staff review, D.C. calculations and policy work



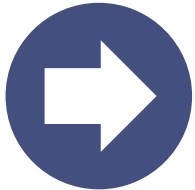
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Stakeholder Meeting



April 29, 2024

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May 27, 2024

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July 15, 2024

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Questions