



Committee Report

To: Warden Chris Peabody and
Members of the Corporate Services Committee

From: Edward Henley
Director of Corporate Services

Date: April 20, 2023

Re: County Development Charges Workshop

Staff Recommendation:

The County Development Charges Workshop report is for information.

Background:

On November 24, 2022 the Corporate Services Orientation discussed the current lack of reserves to fund replacement of existing assets and the costs to improve or expand infrastructure to meet growth needs. The implementation of Development Charges (DC) was discussed as a way to pay for some of the costs for meeting the need for growth-related infrastructure improvements.

The 2023-2027 Budget and Forecast presentations also discussed the need for Development Charges in order to reduce tax levy increases that would be required to pay for the growth-related infrastructure improvements. The budget included a DC Background Study project and Watson and Associates Economists Ltd. were retained to update the 2021 DC Background Study. This is the same firm that conducted the growth study for the County and it was determined to use the same firm in order to have consistent growth data for the DC calculations. The consultants will be presenting a number of meetings to members of Council and members of the public.

Brief Summary of DCs

This will primarily be presented by the consultants and the following is a very high-level summary.

Development Charges (DCs) are a fee charged by a municipality for the recovery of growth costs. They are authorized by a DC By-law that sets out the DC rates to charge as determined by a DC Background Study. The DC By-law has a maximum life of five years and must be replaced by a new DC By-law with updated DC rates to charge as determined by an updated DC Background Study.

Growth costs are recovered to:

- build new infrastructure supporting growth,
- pay down existing debt for past growth works,
- avoid taxpayers paying for costs that serve growth.

DCs do not pay for operating costs or infrastructure renewal. That is paid for by new taxes from new homes and businesses, also known as assessment growth. DCs would be charged for: new buildings, expanded buildings and converted buildings and are split into different classifications; residential, commercial, institutional and industrial.

There is also an opportunity to make special fees or exemptions for some of the classifications or sub-classifications such as seniors special care facilities or wind turbines. The provincial government amended the DC regulations and made a number of changes which reduce the DCs that can be collected including the exclusion of collecting DCs for the construction of affordable housing by the County and furthermore made certain reductions in collecting DCs for certain types of housing, including affordable housing. Certain statutory or non-statutory reductions on DCs would have to be paid by property taxes, however currently in the absence of DCs most if not all of the capital costs of growth are paid by property taxes.

General strategy and intent

If approved, these will be the first DCs charged by the County. The intent is to establish a reasonable amount of DCs for currently identified growth pressures and to provide capacity for studies that will identify and quantify other current and future growth pressures.

Sometimes municipalities identify every single item that could be collected for and include that immediately and it results in a high DC to be collected.

The County intends to pursue a more graduated approach to implementing DCs and over time will update the DCs to be collected while taking into consideration:

- the business climate including housing demand,
- the pressures on the County and residents which may be leading to imbalances that can be addressed, in part, by DCs, and
- a reflection of the DC costs in comparison to the County's neighbours,
- plus other considerations not identified here.

Future Meetings - Dates are tentative and subject to change:

| <u>Date</u> | <u>Time</u> | <u>Purpose</u> |
|--------------------|------------------|---------------------------------|
| April 20, 2023 | 9:30 am | Council Workshop - DC 101 |
| June 15, 2023 | 9:30 am | Council Workshop - Review Draft |
| July 5, 2023 | To be determined | Stakeholder Meeting |
| August 3, 2023 | 9:30 am | DC Public Meeting |
| September 21, 2023 | 9:30 am | By-law Consideration |

Financial/Staffing/Legal/IT Considerations:

The collecting of Development Charges (DCs) will require additional reporting by the Finance Division at Bruce County and each of the lower tiers. Monthly reporting of DCs collected are required. Additionally, there is a requirement for annual reporting of DCs collected and utilized along with additional schedules to be prepared in the Provincial Financial Information Reports. Each of the areas that DCs are collected will also need to be

separately tracked in the accounting general ledger with their own set of revenue, expense, asset and liability accounts. And oftentimes these are subject to annual review by the County's auditors.

Annual reports are required to be made and posted online along with the DC by-law and the charges. Many municipalities will set up a separate web page for Development Charges and this has been put in place for the County. The web page is:

www.brucecounty.on.ca/development-charges

The DC process is highly regulated and there is an appeal period that follows the approval of the DC by-law. It is not uncommon for appeals to occur and there have been instances where the appeal resulted in an unfavourable ruling which required changes in the DCs to be collected and necessitated refunds to be issued to affected parties.

Interdepartmental Consultation:

This project has involved cross-departmental collaboration with affected departments.

Link to Strategic Goals and Elements:

None identified.

Approved for Submission:

Derrick Thomson
Chief Administrative Officer