



Bruce County 2023 Development Charges Background Study

Council Workshop

April 20, 2023

Agenda



- Development Charges (D.C.) Overview
 - History of D.C.s
 - Methodology
- Legislative Changes to the D.C.A.
- D.C. Exemptions and Policies
- Survey of D.C. Rates
- Study Process and Next Steps
- Questions



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

Bruce County
2023 D.C. Background Study

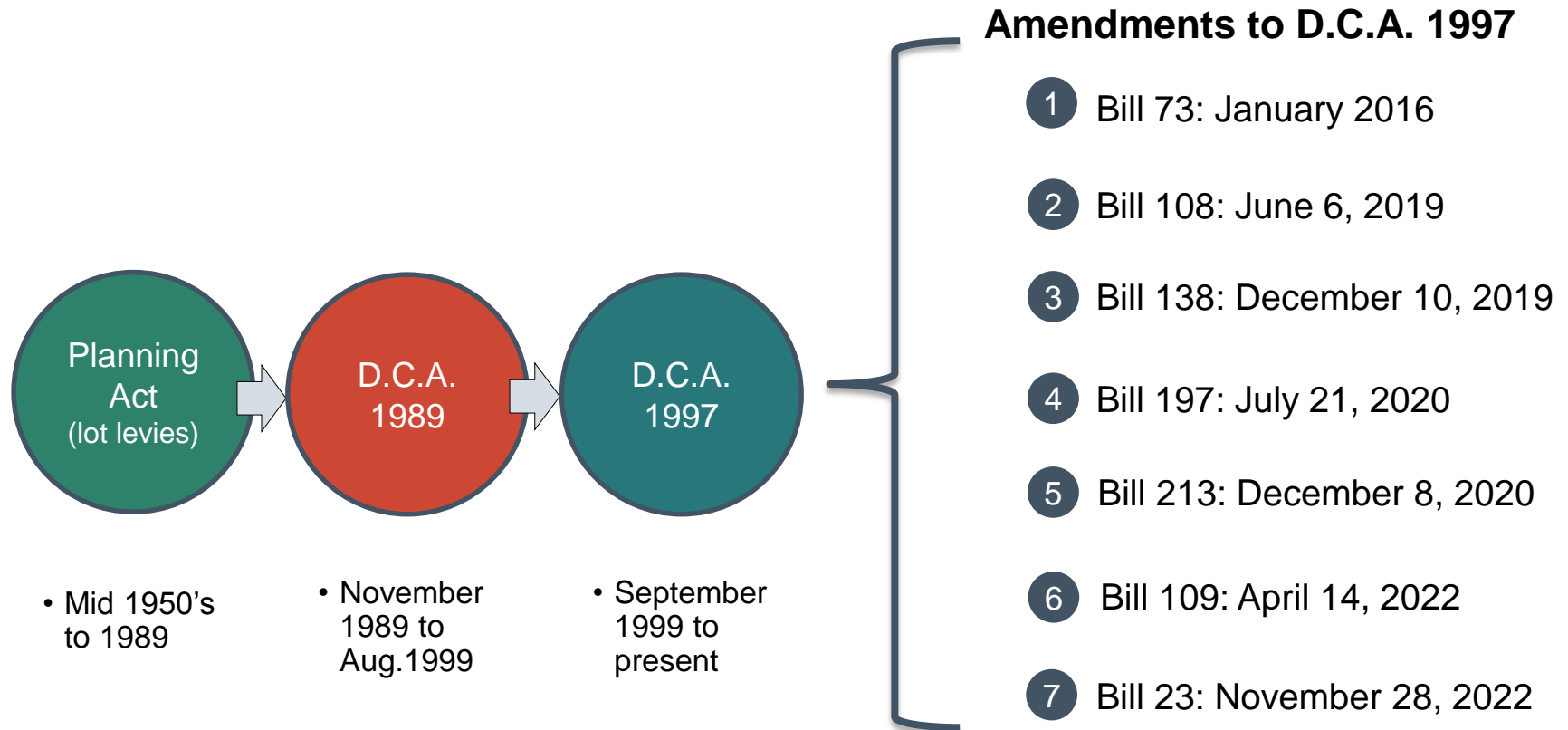
Development Charges (D.C.)



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.)
- Municipalities are empowered to impose these charges via the Development Charges Act (D.C.A.)

History of D.C.'s



Capital Costs



- **Capital Cost definition has been broadened to include:**
 - **Acquire land or interest in land (*nothing prescribed to date*)**
 - 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
 - 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



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 Services
10. Fire protection
11. **Ambulance**
12. Library
13. **Long-term Care**
14. **Parks and Recreation (Trails)**
15. Public Health services
16. **Childcare and early years services**
17. ~~Housing services~~
18. Provincial Offences Act
19. Emergency Preparedness
20. Airports (Waterloo Region only)

These D.C. eligible services are to be considered in the calculation for the County.

***Amended as per Bill 23**



Limitations on Capital

- 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

***Amended as per Bill 23**

Service Standards



- 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 “quality” and “quantity” measures and “averaged” over the past 15 years
- This involves reviewing capital inventories in detail over the past 15 years
- Note that this measure does not apply to water, wastewater, stormwater and transit (which now has a forward-looking service standard)

***Amended as per Bill 23**

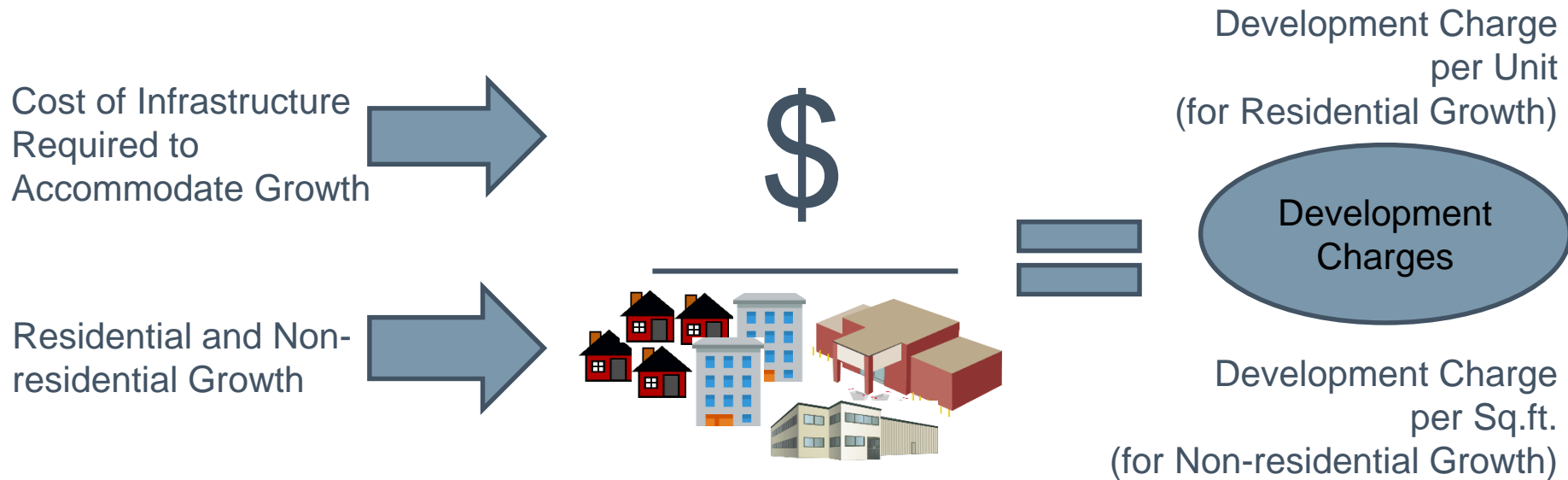
Methodology



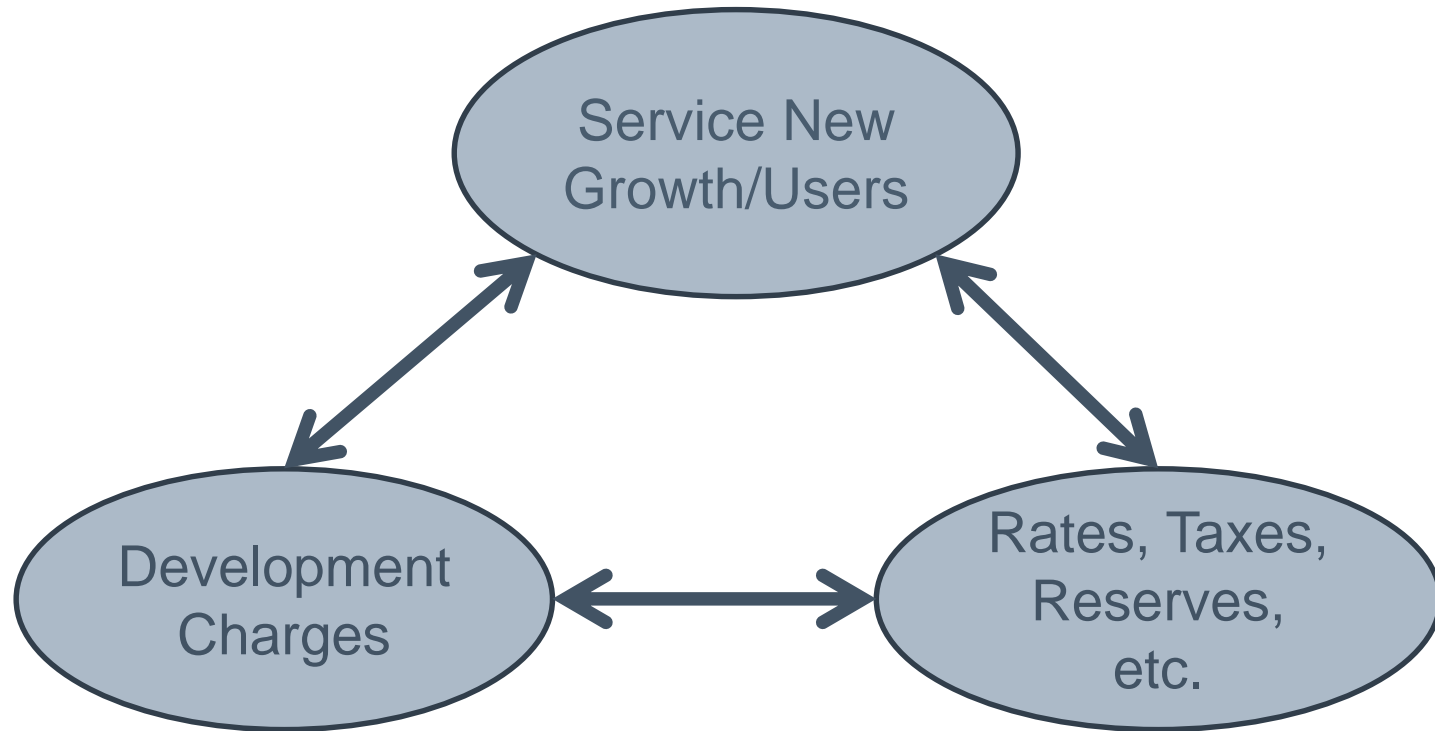
The following provides the overall methodology to calculating the charge:

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.

Overview of the D.C. Calculation



Relationship Between Needs to Service Growth vs. Funding



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, and
 - Stormwater.



Legislative Changes to the D.C.A.

Bruce County

2023 D.C. Background Study



Changes to D.C. Legislation

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

- Bills 108 and 138: More Homes, More Choice Act, 2019 and Plan to Build Ontario Together Act, 2019
 - Installment payments
 - D.C. Freeze for Site Plan and Zoning By-law Applications
 - Interest on the Above
- Bill 197: COVID-19 Economic Recovery Act, 2020
 - Removal of mandatory 10% deduction
 - List of eligible services
 - C.B.C. legislation (Planning Act)
- Bill 213: Better for People, Smarter for Business Act, 2020
 - Exemptions for universities
- Bill 109: More Homes for Everyone Act, 2022
 - Rules for Annual Treasurer's Statement
- Bill 23: More Homes, Built Faster Act, 2022

Changes to the D.C.A.

Bill 23



Additional DC Exemptions:

- **Affordable Rental Unit:** Where rent is no more than 80% of the average market rent, **as defined by a new Bulletin**, published by the Ministry of Municipal Affairs and Housing.
- **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**, published by the Ministry of Municipal Affairs and Housing.
- **Attainable Unit:** Excludes affordable units and rental units, **will be defined as prescribed development or class of development** and sold to a person who is at “arm’s length” from the seller.
 - Note: for affordable and attainable units, the municipality shall enter into an agreement which ensures the unit remains affordable or attainable for 25 years.

Currently
NOT 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 in
force

Changes to the D.C.A. (continued)

Bill 23



D.C. Discounts:

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

D.C. Revenue Reduction:

- Removal of Housing as an Eligible D.C. Service
- Capital Cost Amendments (restrictions to remove studies and land)
- 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
- Historical Levels of Service from 10 years to 15 years

Changes to the D.C.A. (continued)

Bill 23



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



D.C. Exemptions and Policies

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Exemptions



Mandatory Exemptions

- Upper/Lower Tier Governments and School Boards;
- Industrial building expansions (may expand by 50% with no D.C.);
- 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;
- Development of lands intended for use by a university that receives operating funds from the Government (as per Bill 213);
- Affordable and attainable units (to be in force at a later date);
- Affordable inclusionary zoning units;
- Non-profit housing;
- Discount for Rental units based on bedroom size; and
- Phase-in of D.C.s.

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; and
- Redevelopment credits to recognize what is being replaced on site (not specific in the Act but provided by case law).

Proposed Discretionary Exemptions from 2021 Study



- Places of worship;
- Cemeteries or burial grounds;
- Hospitals;
- Land, buildings, structures or additions constructed by a charitable or non-profit organization;
- Developments by a charitable or non-profit organization;
- Non-residential buildings used accessory to agricultural operation; and
- Temporary use buildings.



Survey of D.C. Rates

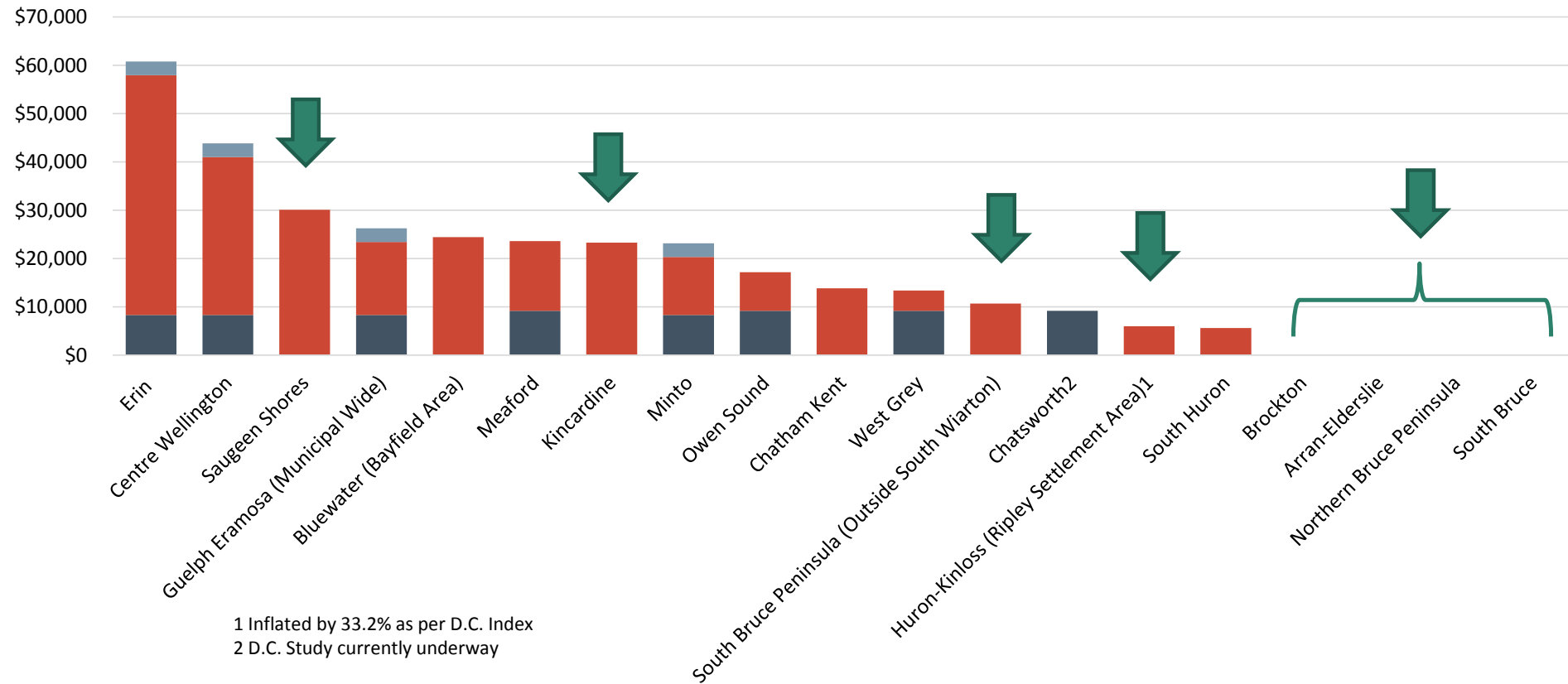
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Development Charge Rates for Bruce County and Select Municipalities

Single Detached and Semi-Detached Dwellings

■ Upper Tier Charges ■ Lower Tier Charges ■ Education DC's

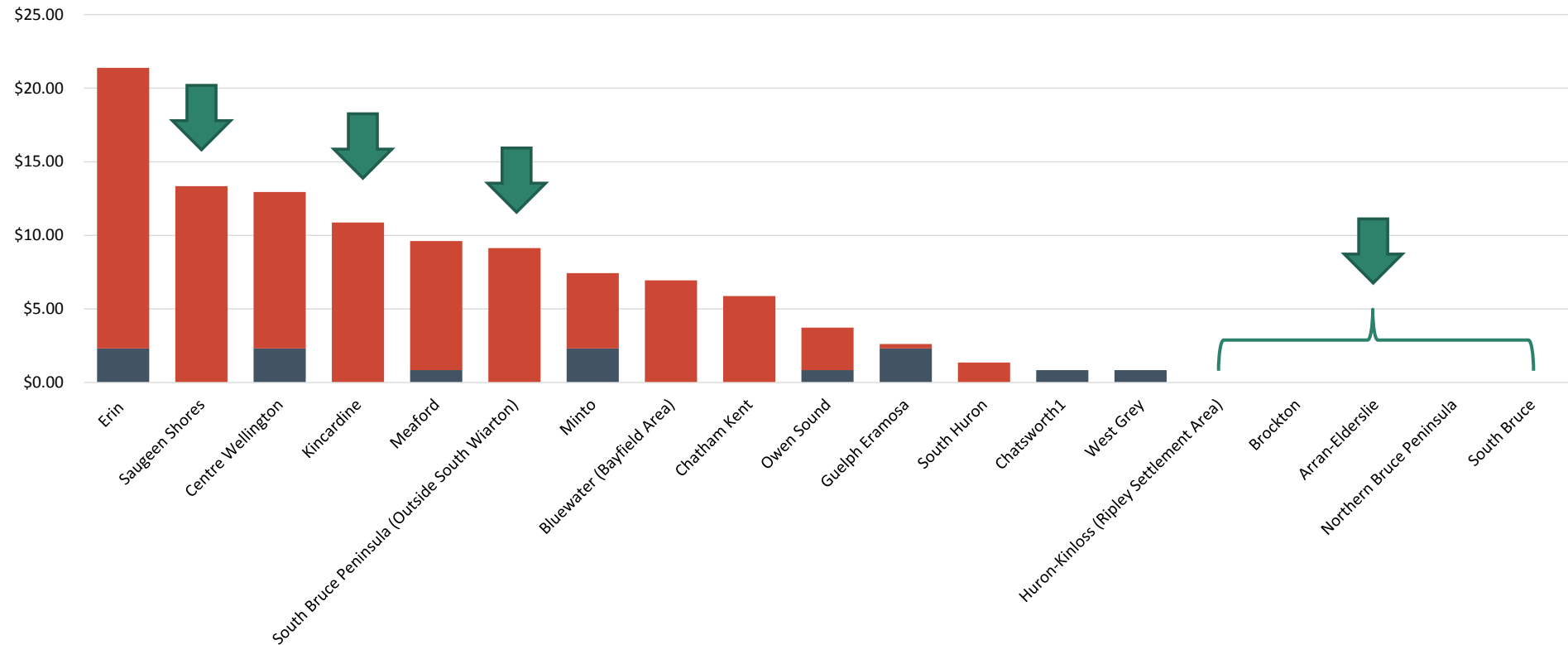




Development Charge Rates for Bruce County and Select Municipalities

Commercial Development - per sq.ft.

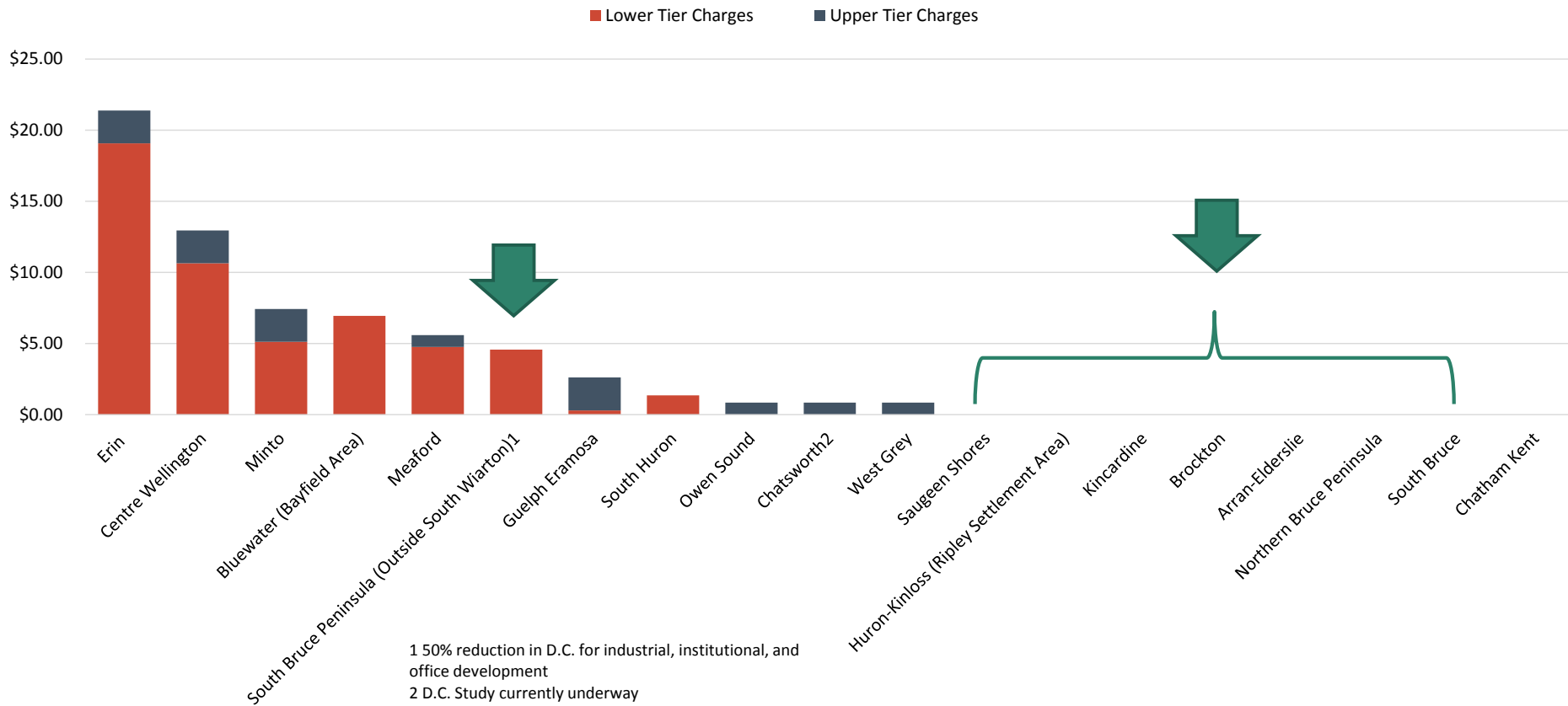
■ Upper Tier Charges ■ Lower Tier Charges





Development Charge Rates for Bruce County and Select Municipalities

Industrial Development - per sq.ft.





Impacts of D.Cs on Development

- D.C.s are perceived to have a negative impact on development, however, D.C.s generally represent a small portion of the price of a new home.
- Historically D.C.s were a larger percentage of a new house price (6% to 8%), however currently D.C.s represent approximately 4% to 5% of a new house price for single detached homes across the province.
- Example:

Walkerton (Brockton)	Sale Price Range	Brockton DC	Bruce County DC*	Local Municipal DC as % of Home Price	County DC as % of Home Price	Combined DC as % of Home Price
Singles	\$659,990	\$0	\$6,355	0.00%	0.96%	0.96%
	\$799,990	\$0	\$6,355	0.00%	0.79%	0.79%

**Calculated rates from the 2021 DC study, indexed to 2023*

Port Elgin (Saugeen Shores)	Sale Price Range	Saugeen Shores DC	Bruce County DC*	Local Municipal DC as % of Home Price	County DC as % of Home Price	Combined DC as % of Home Price
Townhomes	\$590,900	\$19,741	\$3,935	3.34%	0.67%	4.01%
	\$675,000	\$19,741	\$3,935	2.92%	0.58%	3.51%

**Calculated rates from the 2021 DC study, indexed to 2023 with Housing DCs removed*

- Through competitiveness studies undertaken across Canada, one-time costs such as D.C.s are a smaller factor of consideration for non-residential development than on-going operating costs such as utility rates.
- Some of the highest growth municipalities have the highest D.C. rates.



Study Process and Next Steps

Bruce County
2023 D.C. Background Study

Overview of Project



STUDY STEPS	2023						
	March	April	May	June	July	August	September
1 Study Start-up (1) - V	2-Mar						
2 Data Collection and Review of Background Material							
3 Growth Projection Development							
4 Service Standard and Capital Needs Analysis							
5 DC 101 Workshop (1)* - P		20-Apr					
6 Development Charge Calculation and Rules (1) - P							
7 Local Service Policy Development							
8 Examination of Long Term Capital/Operating							
9 Asset Management Plan							
10 Council Workshop (1)* - P				15-Jun			
11 Prepare Draft Background Study and By-law for staff review				DR			
12 Stakeholder Meetings (1)* - P					5-Jul		
13 Finalize DC Background Study					FR		
14 Public Meeting (1)* - P						3-Aug	
15 By-law Passage (1)* - P							21-Sep
16 Implementation Process							

* Hours for Meetings include preparation and travel time

SM - Staff Interviews/Meetings

SK - Stakeholder Meeting

CW - Council Workshop

DR - Draft Report Released to Staff

FR - Final Report Release Date

PM - Public Meeting

BL - By-law Passage



Next Steps and Anticipated Dates

- Finalize historic service standard and capital worksheets (in progress)
- Develop growth forecast
- Update local service policy
- Prepare Draft D.C. Calculations
- Council Workshop – June 15, 2023
- Draft D.C. report
- Stakeholder Meeting – July 5, 2023
- Finalize D.C. background study
- Public Meeting – August 3, 2023
- By-law Passage – September 21, 2023

Questions



Questions