



Committee Report

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

From: Edward Henley
Director of Corporate Services

Date: October 5, 2023

Re: Development Charges Recommendations

Staff Recommendation:

That the Development Charges Background Study dated July 20, 2023 be approved; and

That the draft Development Charges By-law, as presented, be recommended for approval.

Background:

The attached by-law includes the following:

- Exemption for rental housing
- Exemption for affordable housing
- DCs will be reduced by 100% for the remainder of 2023

The purpose of Development Charges (DCs) is to recover the capital costs associated with the residential and non-residential growth within a municipality. The capital costs are in addition to the costs that would normally be constructed as part of a subdivision (i.e. internal roads, sewers, watermain, sidewalks, streetlights, etc.).

Municipalities are empowered to impose these charges via the Development Charges Act. Development charges are typically collected prior to issuance of a building permit.

The County has engaged Watson and Associates, Economists (Consultants) to prepare a [Development Charges Background Study](#) to review the [County's growth plan](#) and calculate the County's Growth Forecast (pgs vi, 2-4 of [DC Background Study](#)) and determine what new capital or infrastructure projects could be eligible and to calculate how much funds could be raised in DCs to assist in the payment of those projects (B-2 of [DC Background Study](#)).

Some new capital or infrastructure projects involve paving new highway lanes or installing new roadway intersection improvements, while others may involve widening roads or bridges or building new or lengthening existing recreation trails. Still other projects may include the construction of new paramedic or long-term care facilities or the purchase of new equipment such as additional ambulances or roadways maintenance vehicles.

Without the use of revenue from DCs to pay for the costs of the new growth-related capital or infrastructure, the County would have to rely on increasing property taxes. If these costs are paid from DCs then the new property owners will be 'buying-in' to the existing services

by contributing to the cost to expand them. If these costs are paid from property taxes, then the existing property owners will be paying for the costs created by the new property owners.

Consequences of not collecting DCs

If the County decides not to collect DCs and still intends to maintain the existing standard of services, without deterioration due to growth, then the County would have to raise property taxes approximately 5.15%. If the County decides to collect DCs, without any exemptions or discounts, then this would offset this tax increase. Any discretionary exemptions or reductions will have to be offset from taxation as the costs that are not paid from DCs due to discretionary exemptions cannot be passed onto and added to future development. Future development is only required to pay DCs to offset the costs and impacts of their own growth and cannot be expected to pay for growth costs that were not charged to prior development.

Revision to Development Charges Background Study

The background study was posted to the County's website and made available at the County's Administration Centre in Walkerton on July 20, 2023. Subsequent to the release of the Background Study on July 20, 2023 it was identified that Schedule 2 in Appendix A included a labelling error in the column "Development Location", the Town of South Bruce Peninsula and the Municipality of South Bruce were reversed. This has been corrected. This correction does not impact the calculations throughout the report.

Both copies of the background study are available on the [County's DC webpage](#).

Consultation Process

The County has consulted all 8 local municipal councils with presentations at their council meetings made in-person by the County Director of Corporate Services and Treasurer, local municipal staff at 3 meetings, held a stakeholder meeting, and also held an official Public Meeting wherein all interested parties could comment and ask questions. ([2023-09-07 Report to Corporate Services Committee](#))

The County also established a [development charges webpage](#) that has links to the DC Background Study, reports, and videos of some of the meetings held during the consultative process. Links to presentations made to local municipal councils can be found on their respective websites.

Local Municipalities in Bruce County that Collect DCs

Effective September 9, 2023, 4 of the 8 local municipalities in the County collect DCs. Each of the municipalities have distinct DC by-laws that are unique to their municipality. The by-laws are similar in most ways due to the need to conform to the provincial legislation while there are differences in what types of development are exempted or provided discounts from DCs.

Table 1: Local Municipalities status regarding DC collection

Collect DCs effective 2023-09-01	Do NOT collect DCs effective 2023-09-01
Township of Huron Kinloss	Municipality of Arran-Elderslie
Municipality of Kincardine	Municipality of Brockton
Town of Saugeen Shores	Municipality of Northern Bruce Peninsula
Town of South Bruce Peninsula	Municipality of South Bruce

Proposed Rates

The DC Background Study calculates the DCs that can be collected using the following methodology:

Methodology - simplified steps

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.

The DC background study has calculated that for 2023 the DCs to be collected from an eligible Single Dwelling Unit (SDU) is \$7,655 and per square foot for eligible non-residential construction is \$2.94 (G-28 of [DC Background Study](#)). There are additional rates for other types of eligible residential construction. The amounts for these other types of residential construction are based on provincial regulations or rulings.

Phase-in of rates

Section 3.14 of the Draft Development Charge By-law provides the following phase-in of the residential and non-residential development charge rates, plus annual inflators, as follows:

the remainder of 2023 shall be 0%,
2024 shall be 80% (residential) and 50% (non-residential),
2025 shall be 85% (residential) and 85% (non-residential)
2026 shall be 90% (residential) and 90% (non-residential)
2027 shall be 95% (residential) and 95% (non-residential)
2028 shall be 100% (residential) and 100% (non-residential)

The province’s Bill 23 introduced a new requirement to phase-in the development charges over a 5-year period instead of implementing them all at once. This has a negative impact on the amount of money that can be collected from DCs and shifts the costs to the taxpayers.

The phase-in is as follows:

Table 2: Maximum Phase-In Percentages for DCs as mandated by the Province

Year	1	2	3	4	5
Maximum Percentage	80%	85%	90%	95%	100%

The guidelines that the province provides are the maximum rates. The recommendation is to charge 0% for the remainder of 2023 in order to provide constancy for the fees for the current 2023 construction year and to provide time for staff to implement the program including; producing relevant brochures and documentation, setting-up internal administration and reporting and tracking forms, and assisting in the training of staff in the local municipality building departments.

The collection would then start effective January 1, 2024 which allows a single rate for the entire calendar year instead of changing rates in the middle of the construction season. The background study utilized 2023 costs and produced a DC rate based on 2023 calculations. The annual inflator for 2023 shall be applied for the 2024 DC rates, as prescribed by provincial regulation.

The indexing of the DCs shall be implemented on a mandatory basis annually, commencing on January 1, 2024 and each anniversary date thereafter, 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.

Comparison of Development Charge Rates to local Counties

Huron County does not currently collect DCs. Grey County has collected residential DCs for many years however only approved the collection of non-residential DCs in December 2021 with a phased-in approach. Grey County’s residential SDU rate for 2023 is \$9,183 compared to Bruce County’s proposed \$7,655 which would be phased-in at 0% or \$0 for 2023 and then 80% or \$6,132 plus inflator for 2024 which is significantly lower.

Grey County's phased-in approach for non-residential DCs is to collect \$31.28 per square meter (\$2.91 per square foot) in 2021 dollars plus annual inflators. Grey County's rate would be phased-in over 5 years at the rate of 0% for 2021 and 2022, 25% for 2023, 50% for 2024, 75% for 2025 and 100% for 2026. This compares to the current legislation which has a maximum mandatory phase-in as noted above. The following chart shows the progression of the rates for non-residential in Grey and Bruce County using assumptions for the future inflator rates.

Table 3: Comparison of Grey County and Bruce County non-residential DC rates

<i>County</i>	2022	2023	2024	2025	2026	2027	2028
Grey %	0%	25%	50%	75%	100%	100%	100%
Grey initial m2	\$ -	\$ 7.82	\$15.64	\$23.46	\$31.28		
<i>Grey initial sf</i>	\$ -	\$ 0.73	\$ 1.45	\$ 2.18	\$ 2.91		
<i>Grey with inflation m2</i>	\$ -	\$ 9.05	\$19.54	\$30.78	\$43.09	\$45.25	\$47.51
<i>Grey with inflation sf</i>		\$ 0.84	\$ 1.82	\$ 2.86	\$ 4.00	\$ 4.20	\$ 4.41
<i>Bruce %</i>			80%	85%	90%	95%	100%
Bruce initial phase-in		\$ 2.94	\$ 3.18	\$ 3.33	\$ 3.50	\$ 3.68	\$ 3.86
Bruce blended with inflation			\$ 2.54	\$ 2.83	\$ 3.15	\$ 3.49	\$ 3.86
Proposed Bruce phase-in		0%	50%	85%	90%	95%	100%
Estimated rate + inflation		\$ 0.00	\$ 1.59	\$ 2.83	\$ 3.15	\$ 3.49	\$ 3.86

Development Charges (DCs) to be Collected for the Following Services

The draft by-law includes collecting DCs for services related to a highway, Fleet, Parks and Recreation services, Long-term Care services, Child Care and Early Years programs, and Ambulance services. The summarized amounts for these services are in the Background Study.

Development Charges are not proposed to be collected for Water Services or Wastewater Services or Stormwater Services. The County does not provide these services. Local municipalities can collect DCs for these services, if eligible and if they choose to establish a Development Charges program of their own.

Note: The DC regulations require the County to spend the DCs that they collect on the eligible projects specifically stated in the DC Background Study. The DC regulations do not permit the County to collect DCs for County services and then transfer the funds to a local municipality for them to spend on local municipal services, such as water and sewer services.

Blended or Separate Non-residential Development Charge Rates

The draft by-law provides for a single blended rate for non-residential development.

The County has the option to have a single or blended rate for non-residential DCs or it could have a rate for industrial and a separate rate for non-industrial development, which would also include institutional. Non-residential development charges are calculated by eligible

area of the new development. The proposal is to calculate charges on a per square foot (sf) basis.

Table 4: Comparison of Single Blended and Separate non-residential DCs

Non-Residential Development	Single Blended Rate/sf	Separate Rates/sf
Industrial	\$2.94	\$1.60
Commercial	\$2.94	\$5.33
Institutional and Other	\$2.94	\$5.33

Having two separate rates could create a potential disparity between the various types of non-residential development. It could also lead to additional concern from developers as to why certain non-residential development has higher or lower DCs.

Three of the four local municipalities in the County (Kincardine, Saugeen Shores and South Bruce Peninsula) have a single rate for non-residential DCs while the fourth (Huron-Kinloss) does not collect non-residential DCs. Grey County has a single rate for non-residential DCs.

Having a single or blended rate for non-residential development charges offers the best alignment with the local municipalities and comparators and it is easier to implement.

Affordable and Attainable Housing Exemptions and Discounts

Sections 3.8, 3.9 and 3.10 of the draft Development Charge By-law provides exemptions from DCs for rental housing and affordable housing.

The province’s Bill 23, More Homes Built Faster Act (2022) received Royal Assent in November 2022. This Bill proposed a number of exemptions and reductions relating to affordable and attainable homes, along with other related types of housing. Some of these are currently in effect and others are waiting for the province to publish Bulletins that provide for definitions for some terms, including “Affordable Rental Unit”, “Affordable Owned Unit”, and “Attainable Unit”, among others.

The Province published a [News Release on August 23, 2023](#) stating:

“As part of the government’s work to support the construction of a range of housing types, Steve Clark, Minister of Municipal, Affairs and Housing, announced that the province will be moving forward with a proposed definition of affordable housing for the purpose of development charge discounts and exemptions. This definition would take local incomes into account in determining which units should be eligible for development charge discounts and exemptions. This approach will reflect the ability of local households to pay for housing and recognizing the variety of housing markets across the province.”

While not stated in the News Release, the timeline for these definitions to be published by the province is before the end of 2023.

The amended DC by-law has exemptions for additional dwelling units, rental housing as defined by the Act, and affordable housing.

Mandatory Exemptions related to Affordable/Attainable housing:

- 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 inclusionary zoning units.
- Non-profit housing.
- Discount for Rental units based on bedroom size.

Bruce County's Affordable Housing DC Exemption Policy

Affordable housing will be exempt from DCs subject to approval by the County's CAO as per the County's affordable housing development charge exemption policy. County staff will review existing affordable housing evaluation criteria used currently by the County and other relevant measurements. Staff will develop this policy before the start date of the collection of DCs on January 1, 2024.

The by-law also includes wording to align with proposed affordable and attainable housing exemptions and reductions announced by the Province in Bill 23.

Collect at Subdivision Approval or at Building Permit Approval

Section 3.15 of the draft Development Charges by-law provides that DCs will be collected at the building permit approval.

DCs can be collected at Subdivision Approval and/or Building Permit Approval. If there is a desire to collect DCs at subdivision approval, then only DCs for water systems, wastewater systems, stormwater systems and roadways can be collected at subdivision approval. All other DCs are only permitted to be collected at building permit approval. The County would receive roadways DCs often years earlier than if it was at building permit approval however it means that the developer would pay years earlier than they could start construction and this could mean additional financing costs for them. The DCs would also have to be collected twice - a portion at subdivision approval and a portion at building permit approval. This would double the administrative burden for the local municipalities.

If DCs are collected at building permit approval then they would be paid closer to the construction start date which would reduce the financial carrying cost for developers and it would be reduced administrative burden for the local municipalities.

All 4 local municipalities that collect DCs currently collect DCs at Building Permit approval stage. Collecting DCs at building permit approval aligns with local municipalities.

Consideration of Area-specific Development Charges

The County's Development Charge by-law applies to all properties across the County, without the use of area-specific charges, as all projects have no restrictions for usage.

The County is collecting Development Charges for projects that have no restrictions for usage. The Development Charges Act requires a municipality to consider area-specific

charges for services that are restricted to use by only development in that particular area. This consideration typically only applies to water services, wastewater services, and stormwater services wherein the mains and treatment facilities are only available to properties that currently are, or potentially can be, connected to these services.

For example, a wastewater treatment facility in one town may not be accessible to a property in another town, or even in most rural areas, unless there are plans to connect those properties to that system. In a situation such as this, the usage of area-specific charges wherein properties within the current or future service area of the system only would be eligible for the imposition of DCs.

The County does not currently own or operate nor is considering the construction of any water, wastewater or stormwater systems. The services that the County will be collecting DCs for are all available for use by residents in the County. The usage of area-specific charges, for consideration of collecting DCs, is not warranted.

Discretionary Exemptions and Reductions

The County has included a provision to implement eligible exemptions and/or reductions for each municipal area in order to be consistent with the local development charges by-law currently in place for those areas, future amendments and new DC by-laws, and as permitted by current regulation.

Each of the 4 local municipalities that currently have DC by-laws have different exemptions and reductions. A desire for the County DC to be consistent with each of those 4 local municipalities, rather than a single standard for the entire county, was expressed during the Public Meeting.

The amended County DC by-law is structured in a manner so as to offer the same exemptions and reductions at each of the local municipalities as they appear currently or amended in the future, subject to meeting current or future provincial changes to the DC Act or related regulations. There is also a provision that if a local municipality implements DCs in the future, that their exemptions and reductions shall also be followed at the County level as mentioned above.

Community Improvement Plans (CIPs)

The County is reviewing options for Community Improvement Plans (CIPs) that will assist in creating incentives that will off-set costs for development and increase in assessed value. To date the focus of this work has been for industrial and commercial uses. Further to the Association of Municipalities of Ontario (AMO) delegation in August 2023, there is also interest in considering creation of a CIP for affordable housing.

Financial/Staffing/Legal/IT Considerations:

The DC background study has determined that over the study period that the County is eligible to collect up to \$203,849,599 in Development Charges however the County is not seeking to maximize the amount it can collect and instead is seeking to only collect enough to cover eligible projects and provisions for future projects that have been identified in the [DC Background Study](#) (pg B-2). The Background Study has identified up to \$43,917,650 is

eligible to be collected in DCs with \$34,513,288 coming from residential DCs and a further \$9,404,362 coming from non-residential DCs. This amount is only 22% of the amount that the County could collect from DCs.

This would result in an average DC revenue of \$3,190,155 per year (Slides 11-12 [Staff presentation Public Meeting](#)). The amount to be collected would be \$7,655 for Single Dwelling Unit (SDU), with reductions for other types of residential units, and \$2.94 per square foot for non-residential constructions. This is only 22% of the maximum amount of DCs that the County could seek to collect, which could be as high as \$35,532 per SDU and \$13.65 per square foot for non-residential construction.

Financial Implications of Discretionary Exemptions and Reductions

The DC Background Study determines the projects that are eligible for DC funding and the portion that can be attributed to growth. This amount is then calculated into DCs per unit for residential or per square foot for non-residential. Any DC amount that is exempted, reduced, or otherwise not collected, cannot be assigned to future development. This is because future development is only responsible for paying their calculated share and cannot include any share not paid or collected from prior development.

Any exempted, discounted, or otherwise uncollected DCs, excepting municipal properties, are required to be funded from the taxpayers or specifically from the property tax levy. The non-DC funded portion should be tracked in non-DC accounts to ensure separate tracking from DC revenues. When the DC Background Study is next updated then this tracking and funding of uncollected DC revenues allows for an accurate update.

County-determined exemptions and discounts

The County shall assign from its financial resources an amount equivalent to any County-determined exemptions and discounts to DCs to represent the uncollected funds from eligible growth. This is done in order to ensure funds are provided to pay for the growth costs that are not collected from eligible development.

Provincially-mandated exemptions and discounts

The County shall take the position that provincially-mandated exemptions and discounts are determined at the sole discretion of the Province and that the County should seek financial remedy from the Province to compensate for the reduced DCs. Staff shall track these uncollected amounts.

Staffing implications for local municipal staff and County staff

County staff will be preparing reporting forms and reconciliation forms for the local municipalities, along with all required brochures and forms. Training will also be offered as will support to local municipalities in calculating DCs, as requested.

The assistance of local municipal staff would be required for the implementation of the County DC initiative. This is due to the provincial legislation tying the collection of the DCs to the issuance of the building permits. The extra staff time at the local level will result in tens of millions of dollars in capital and infrastructure improvements spent in the local municipalities over a 10-year period that will benefit all of their residents and not have to be paid in full from property taxes.

There was discussion of the County calculating and collecting the fees. This could be a possibility however it would significantly lengthen the time for a building permit to be issued. Once the file was draft approved by the local municipality the file would then have to be sent to the County for the County to calculate the required payment, issue a request for payment to the developer, wait for the developer to pay, return the paper file (if not sent electronically) to the local municipality and confirm payment so that the local municipality could collect their fees before the permit approval can be issued. This could add days or more to the time for a building permit to be issued. If all done locally, it could be completed at the same time as the other fees are collected.

The County consulted other DC collecting Counties that are a combination of upper and lower-tier and all of them had a single point of DC collection at the local municipality and was done without compensation due to the benefits of the improvements paid from the County DCs for each of the local municipalities.

The implementation would be easiest for the municipalities that currently collect DCs. In most residential development, if a local municipal DC is being collected then also a County DC would be collected. Similarly, the same would typically occur with non-residential DCs. The added time would be to request an additional DC from the developer at the time that the local DC is requested and then to record the collected amount on a reporting sheet that is e-mailed to the County on a monthly basis, along with a cheque for the total collected that month. The additional time could range from none in months where no DCs are collected to an hour or two in the busiest months as most of the determination for DC eligibility is already determined for the collection of the local municipal DCs.

The implementation would be more involved for the municipalities that do not currently collect DCs. County staff would provide training and ongoing assistance to the building and finance staff in order to get to the same comfort level of collecting DCs as the local municipalities that collect local municipal DCs. Several of the local municipalities that do not currently collect DCs are considering setting up their own local municipal DC and this training could benefit the municipality by increasing staff familiarity with DCs prior to their own implementation. Additionally, it could be an example to the local municipalities of the benefits of the DCs and improve the ability for their staff implement their own local municipal DCs to improve the local municipal infrastructure and meet growth pressures, without having to rely solely on property tax increases and asking existing taxpayers to subsidize growth pressures.

County staff will have added responsibilities of producing up to 5 separate annual DC brochures, preparing monthly reporting forms, annual reports, extra schedules to be completed in the provincial FIR reporting, forms to assist with DC collection at the local level (if required), training and ongoing assistance to local municipalities, among other additional tasks. Staff do not currently anticipate that any new staff would be required to accomplish this additional work, although significant time may be required for the implementation in order to develop the templates. Staff will add these ongoing tasks while trying to find efficiencies elsewhere such as the implementation of improved accounting software.

There are no legal or IT considerations associated with this report.

Interdepartmental Consultation:

The following departments were involved in the preparation and review of the DC Background Study: Office of the CAO, Transportation and Environmental Services, Human Services, Bruce County Public Library, Paramedic Services, Long Term Care and Senior Services, Planning and Development, and Corporate Services.

Link to Strategic Goals and Elements:

Goal 4 - Promote responsible growth.

- Develop and implement a long-term financial plan that includes revenue growth and diversification strategies.
- Increase external sources of revenue and reduce reliance on property taxes.
- Reduce the county municipal infrastructure deficit/gap.
- Through the budget process review current capital and operating plans to identify areas for improvement in forward thinking and evidence-based decision-making.
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Approved for Submission:

Derrick Thomson
Chief Administrative Officer