



 Watson
& Associates
ECONOMISTS LTD.

2024 Development Charges Background Study: Council Workshop

Town of Tecumseh
April 23, 2024

Agenda



- Introductions
- Overview of Process – Timelines
- Development Charges Act Overview
- Changes to the Development Charges Act
- Overview of Current Charges and Policies
- Survey of Municipal D.C.s
- Next Steps
- Questions

Overview of Process –Timelines



1

January to April 2024

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

2

April 23, 2024

Council Workshop

3

May 2024

Release of Final Background Study

4

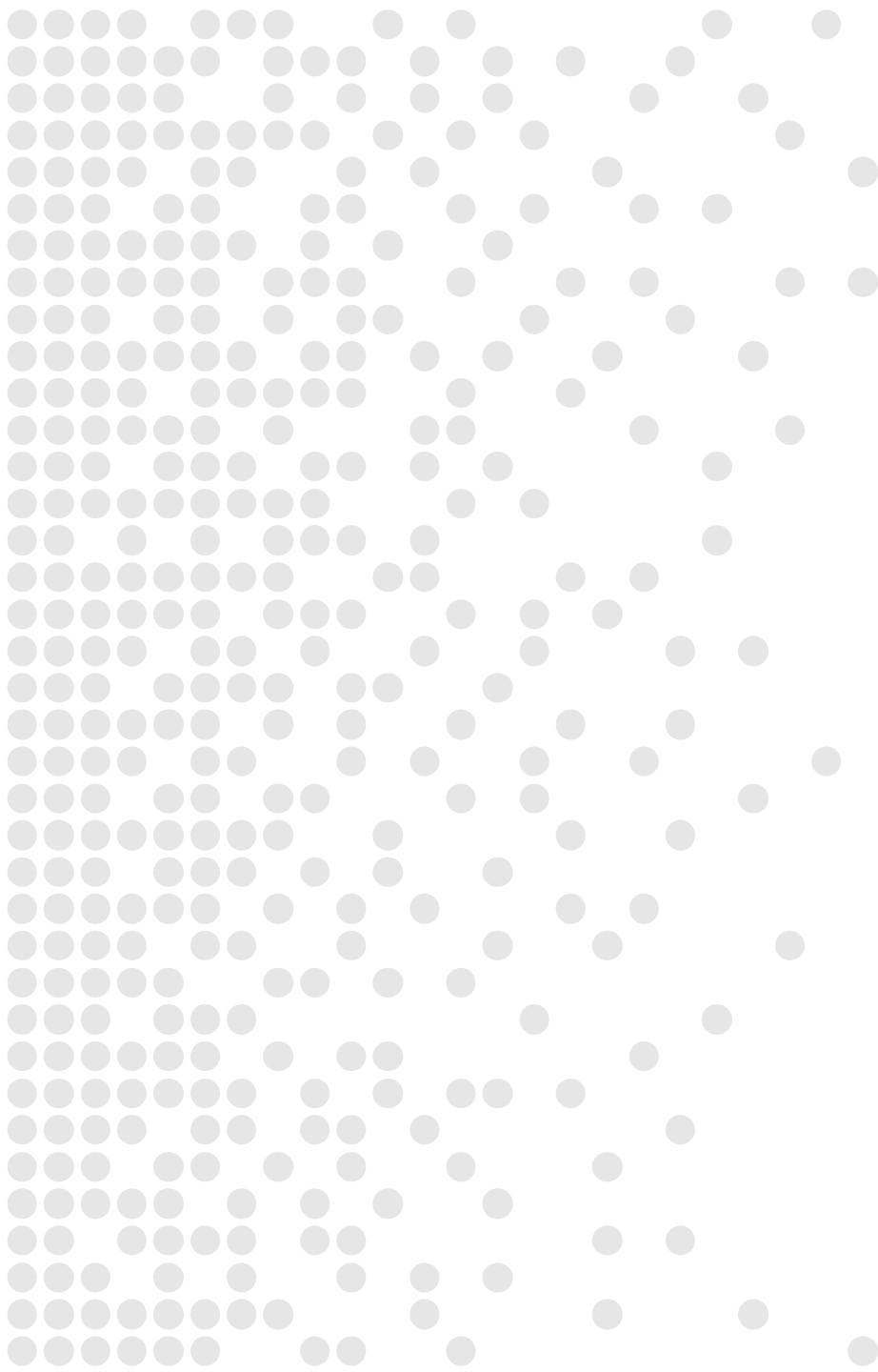
July 9, 2024 (tentative)

Mandatory Public Meeting

5

July 23, 2024 (tentative)

Council Consideration of By-law



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

Town of Tecumseh 2024 Development Charges Background Study

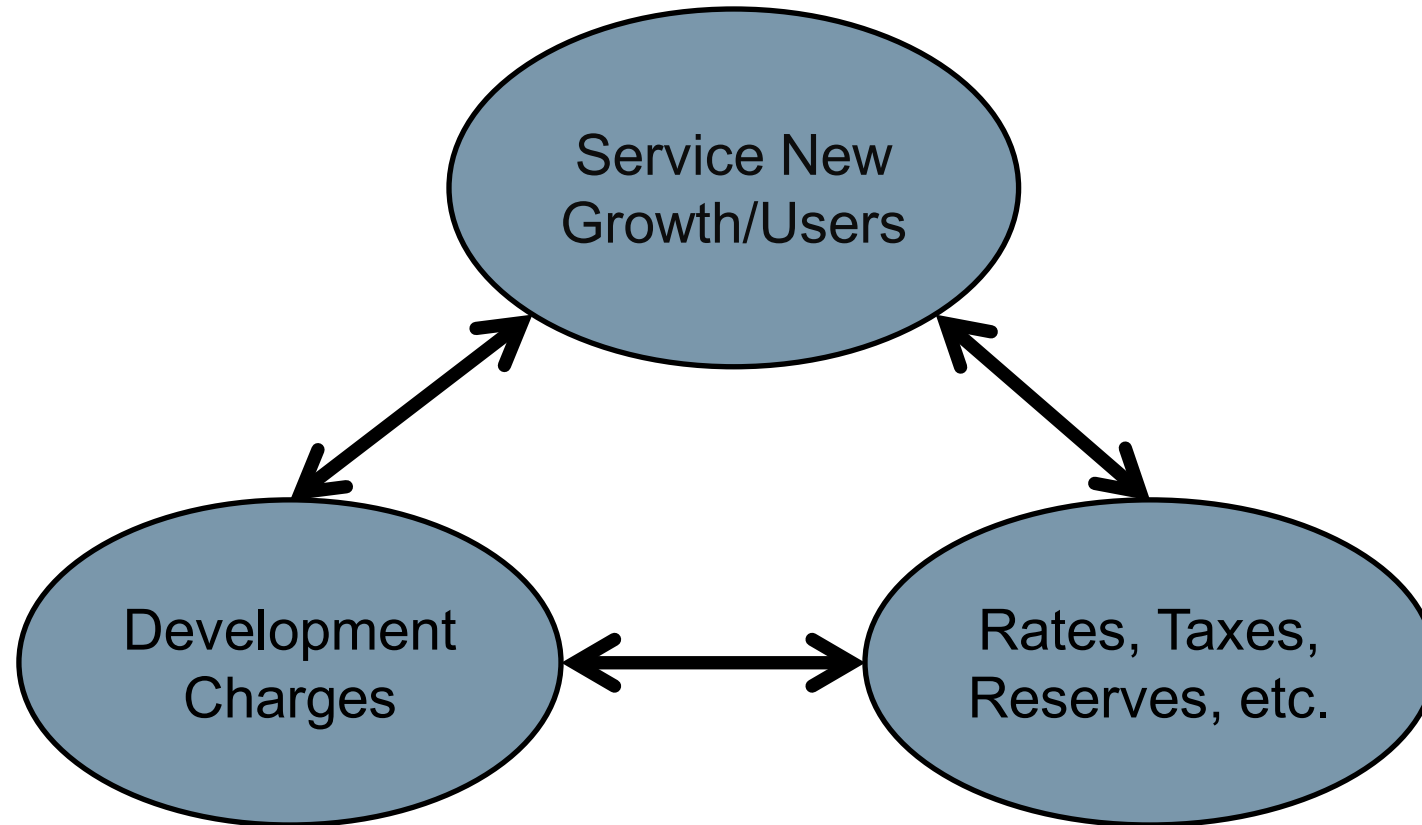
Development Charges (D.C.)



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.)
- 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



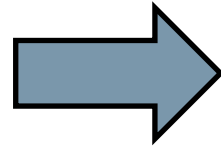
Development Charges

Funding for Capital Needs to Support Growth

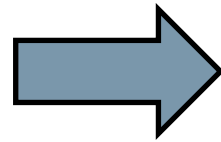
Overview of the D.C. Calculation



Cost of Infrastructure
Required to
Accommodate
Growth



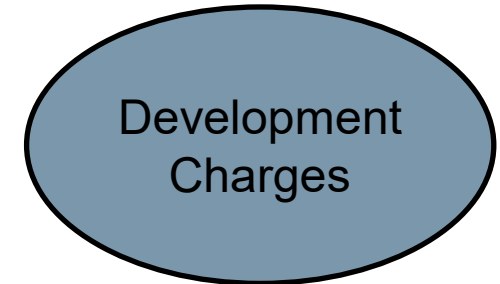
Residential and Non-
residential Growth



\$



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).

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)

2019 Service Standard Example



**Town of Tecumseh
Service Standard Calculation Sheet**

Service: Fire Facilities
Unit Measure: sq.ft. of building area

Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 Bld'g Value (\$/sq.ft.)	Value/sq.ft. with land, site works, etc.
Station # 1	6,480	6,480	6,480	6,480	6,480	6,480	6,480	6,480	6,480	6,480	\$284	\$351
Station # 2	6,088	6,088	6,088	6,088	6,088	6,088	6,088	6,088	6,088	6,088	\$274	\$485
Station # 2 Training Building (Smoke House)	800	800	800	800	800	800	800	800	800	800	\$48	\$55
Station # 2 Training Tower	-	-	-	-	112	112	112	112	112	112	\$1,720	\$1,720
Station # 2 Confined Space Training Facility	-	-	-	-	-	-	-	1	1	1	\$50,600	\$50,600
Total	13,368	13,368	13,368	13,368	13,480	13,480	13,480	13,481	13,481	13,481		

Population	23,836	23,713	23,610	23,469	23,348	23,270	23,168	23,228	23,421	23,467
Per Capita Standard	0.5608	0.5637	0.5662	0.5696	0.5774	0.5793	0.5818	0.5804	0.5756	0.5745

10 Year Average	2009-2018
Quantity Standard	0.5729
Quality Standard	\$402
Service Standard	\$230

D.C. Amount (before deductions)	20 Year
Forecast Population	6,875
\$ per Capita	\$230
Eligible Amount	\$1,583,863

2019 Service Standard Example (cont'd)



**Town of Tecumseh
Service Standard Calculation Sheet**

Service: Fire Facilities
Unit Measure: Value of facilities (\$)

Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Station # 1	2,274,480	2,274,480	2,274,480	2,274,480	2,274,480	2,274,480	2,274,480	2,274,480	2,274,480	2,274,480
Station # 2	2,952,680	2,952,680	2,952,680	2,952,680	2,952,680	2,952,680	2,952,680	2,952,680	2,952,680	2,952,680
Station # 2 Training Building (Smoke House)	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000
Station # 2 Training Tower	-	-	-	-	192,640	192,640	192,640	192,640	192,640	192,640
Station # 2 Confined Space Training Facility	-	-	-	-	-	-	-	50,600	50,600	50,600
Total	5,271,160	5,271,160	5,271,160	5,271,160	5,463,800	5,463,800	5,463,800	5,514,400	5,514,400	5,514,400

Population	23,836	23,713	23,610	23,469	23,348	23,270	23,168	23,228	23,421	23,467
Per Capita Standard	221.14	222.29	223.26	224.60	234.02	234.80	235.83	237.40	235.45	234.99

10 Year Average	2009-2018
Service Standard \$ per Capita	\$230



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 (County responsibility)
- ~~Studies for above including a D.C. Background Study~~
- Interest on money borrowed to pay for the above

Capital Costs must be related to eligible services

***Amended as per Bill 23 – potentially adding back in via Bill 185**



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)

***Amended as per Bill 23 – potentially added back in via Bill 185**



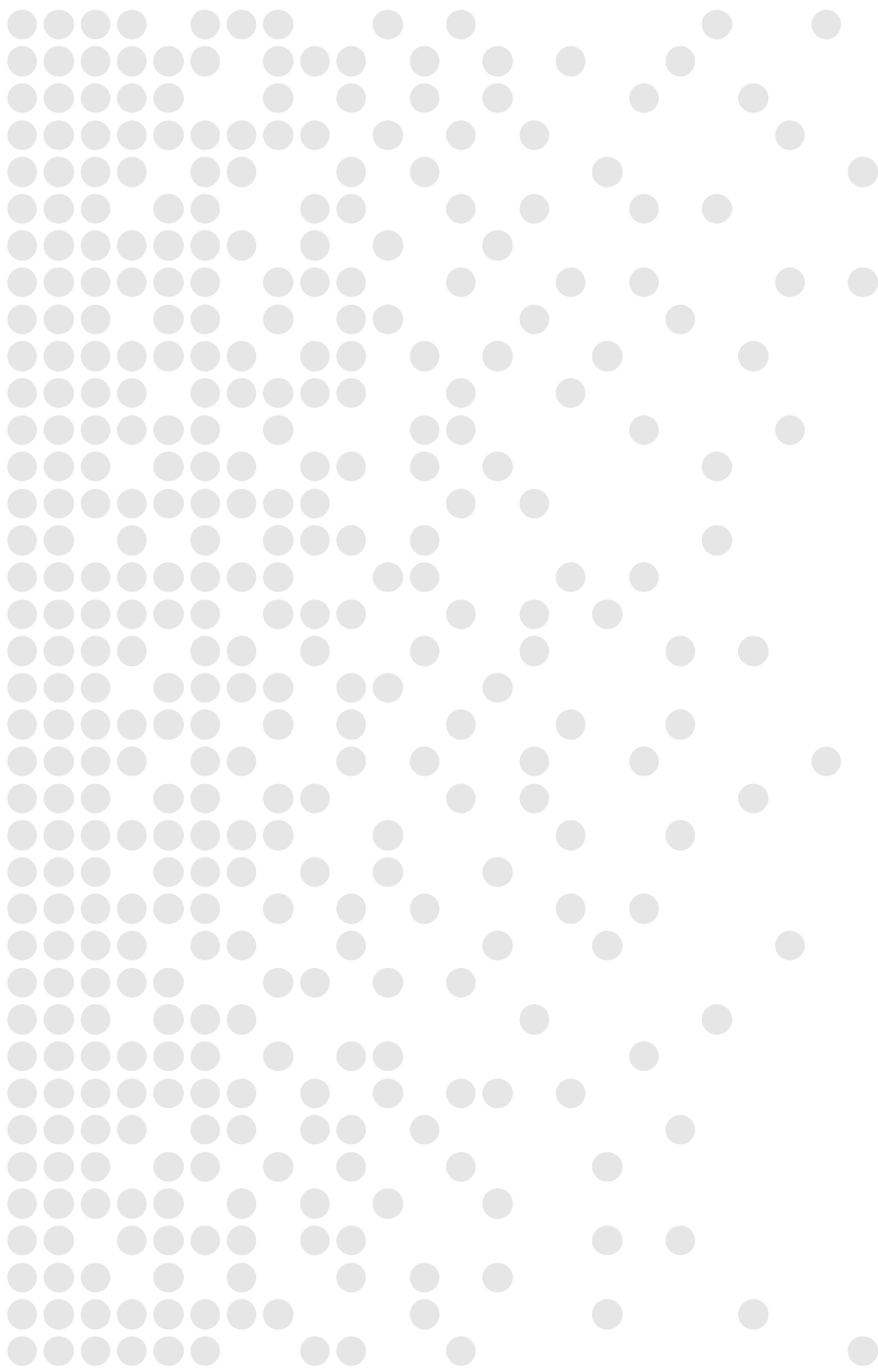
2019 Capital Worksheet Example



Infrastructure Costs Included in the D.C. Calculation

Town of Tecumseh
Service: Fire Facilities

Prj .No	Increased Service Needs Attributable to Anticipated Development 2019-2038	Timing (year)	Gross Capital Cost Estimate (2019\$)	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 71%	Non-Residential Share 29%
1	Station 1 Office and Truck Bay Addition	2021	1,260,000	-		1,260,000	-		1,260,000	894,600	365,400
	Reserve Fund Adjustment						269,844		(269,844)	(191,589)	(78,255)
	Total		1,260,000	-	-	1,260,000	269,844	-	990,156	703,011	287,145

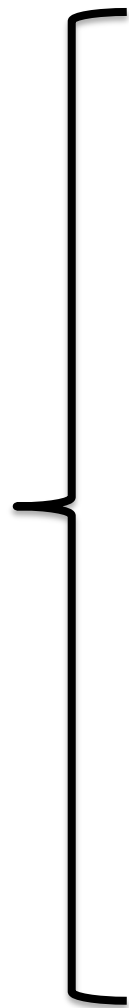
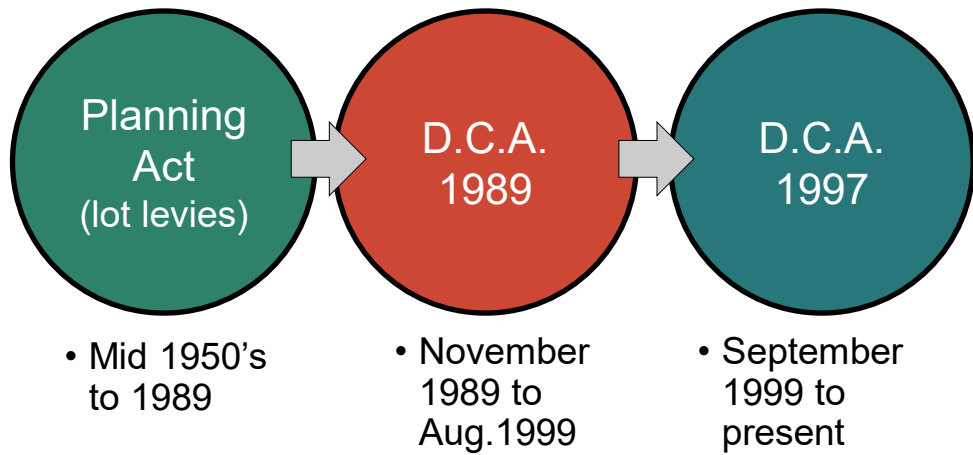


Changes to the D.C.A.

Town of Tecumseh 2024 Development Charges Background Study



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: April 2024 (not proclaimed)*



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
 - Removed instalment payments for commercial and industrial developments (identified in Bill 108)
- 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
 - Additional reporting requirements
- Bill 23: *More Homes Built Faster Act*, 2022
- Bill 134: *Affordable Homes and Good Jobs Act*, 2023
- **Bill 185: *Cutting Red Tape to Build More Homes Act*, 2024 (not yet proclaimed)**

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 60 th 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 60 th 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

Implementation of the Affordable Residential Unit exemptions expected to occur on June 1, 2024 (note: does not include Attainable Units).

*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: expected to be removed by Bill 185

Changes to the D.C.A.

Bill 185



- Bill 185 was released on April 10, 2024, and proposes the following changes:
 - Removal of the mandatory phase-in of charges
 - Re-inclusion of studies as an eligible capital cost
 - D.C. rate freeze for site plan/zoning by-law amendment applications: reduction from two years to 18 months
 - Implementation of Affordable Residential Unit exemption (June 1, 2024)
 - Introducing process for minor amendments to D.C. by-laws
 - Modernizing public notice requirements



Overview of Current Charges and Policies

Town of Tecumseh 2024 Development Charges
Background Study

Current D.C. Rates



Service	Residential					Non-Residential
	Single & Semi Detached	Multiples	Apartments with >= 2 Bedrooms	Apartments with < 2 Bedrooms	Special Care/Special Dwelling Units	Per sq.ft. of Gross Floor Area
Municipal Wide Services						
Services Related to a Highway	7,902	5,037	4,404	3,404	2,845	3.90
Fire Protection Services	642	410	358	277	231	0.31
Policing Services	189	120	105	81	68	0.10
Parks and Recreation Services	6,479	4,130	3,613	2,791	2,333	0.46
Library Services	222	141	124	96	80	0.01
Growth Studies	2,245	1,431	1,252	967	808	1.41
Water Services	2,099	1,339	1,171	904	2,301	0.98
Total Municipal Wide Services	19,777	12,608	11,028	8,521	8,665	7.17
Urban Services						
Wastewater Services	6,389	4,072	3,562	2,753	756	2.81
Total Urban Services	6,389	4,072	3,562	2,753	756	2.81
GRAND TOTAL RURAL AREA	19,777	12,608	11,028	8,521	8,665	7.17
GRAND TOTAL URBAN AREA	26,166	16,680	14,590	11,274	9,421	9.98



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) (e.g. A.D.U.s);
- Add one additional unit or 1% of existing units in an existing rental residential building (e.g. A.D.U.s);
- Affordable inclusionary zoning units (not currently applicable to the Town)
- Non-profit Rental Housing;
- Phase-in of D.C.s;
- Affordable units (Expected to be in force June 1, 2024); and
- Attainable units (to be in force at a later date).

**Amended as per Bill 23*

**Expected to be removed as per Bill 185*



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)
 - The Town's by-law states that development is only eligible for redevelopment credits if the existing building was demolished within 60 months prior to the date of payment of D.C.s

Town's Current Discretionary Exemptions:

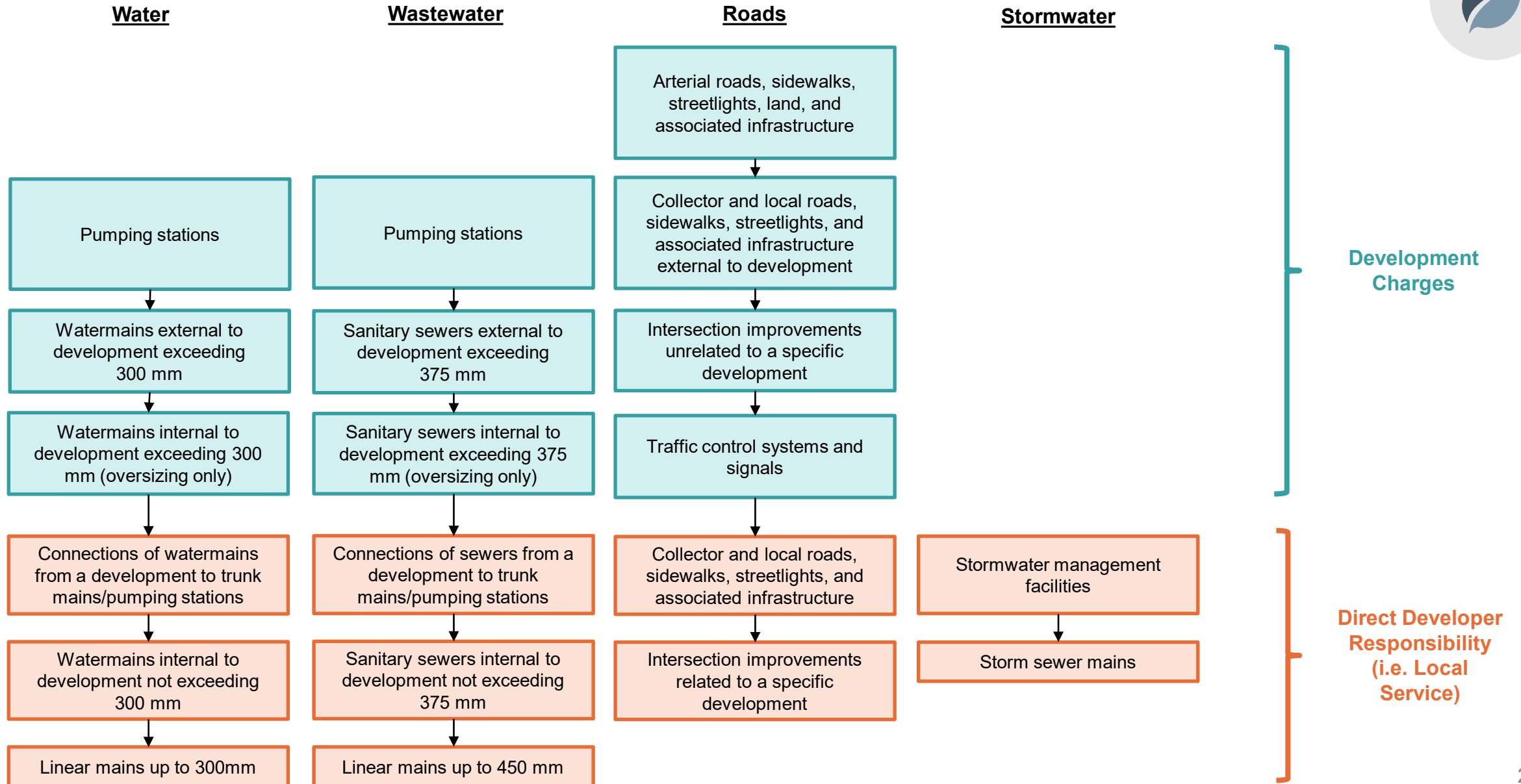
- Non-residential farm buildings constructed for bona fide farming uses

Local Service Policies



- New 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.

Current Local Service Policy Schematic



*Parkland development not included above

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.

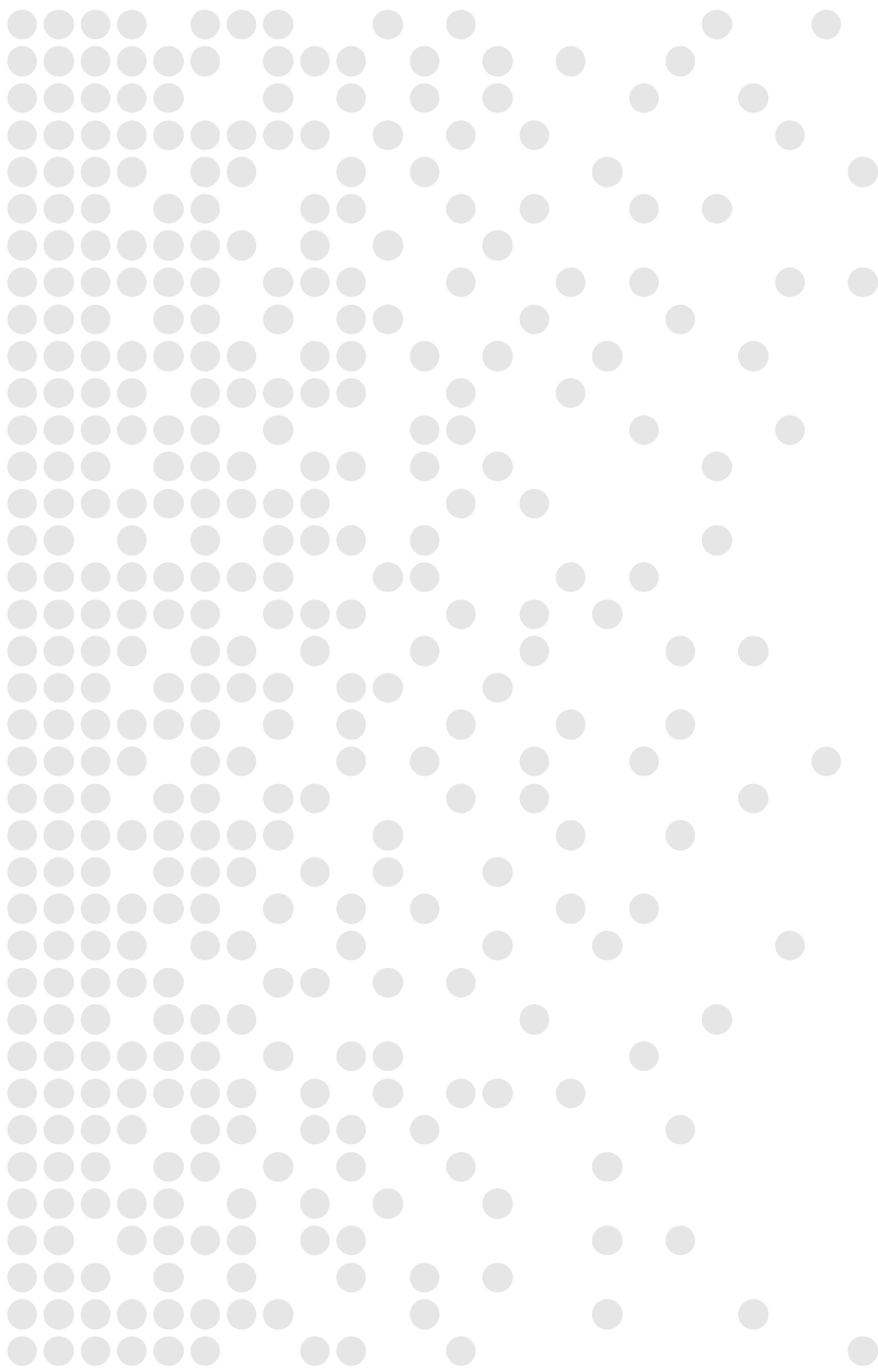


Other Matters (Cont'd)



- **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%

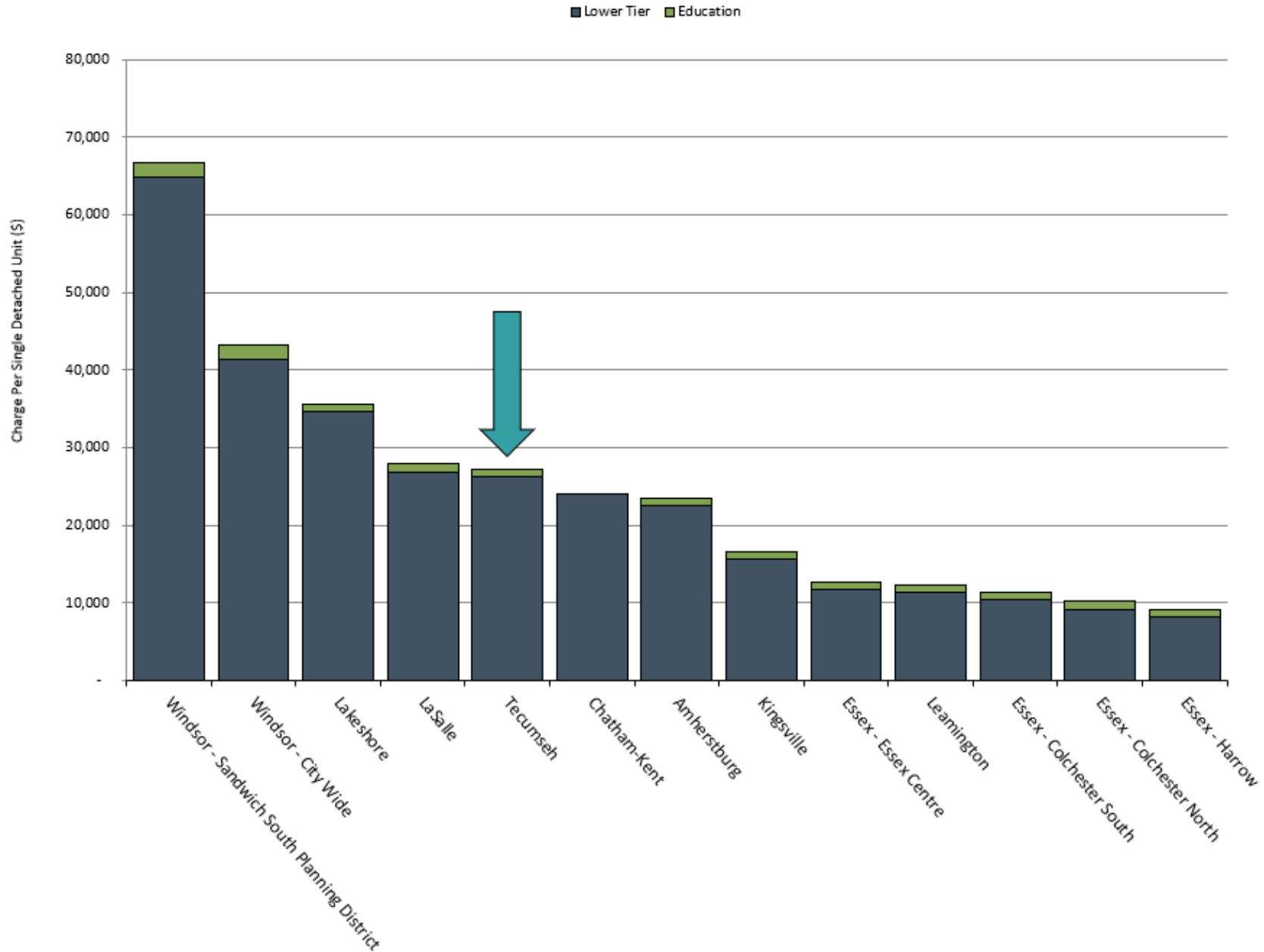
*Proposed to be within 18 months as per Bill 185



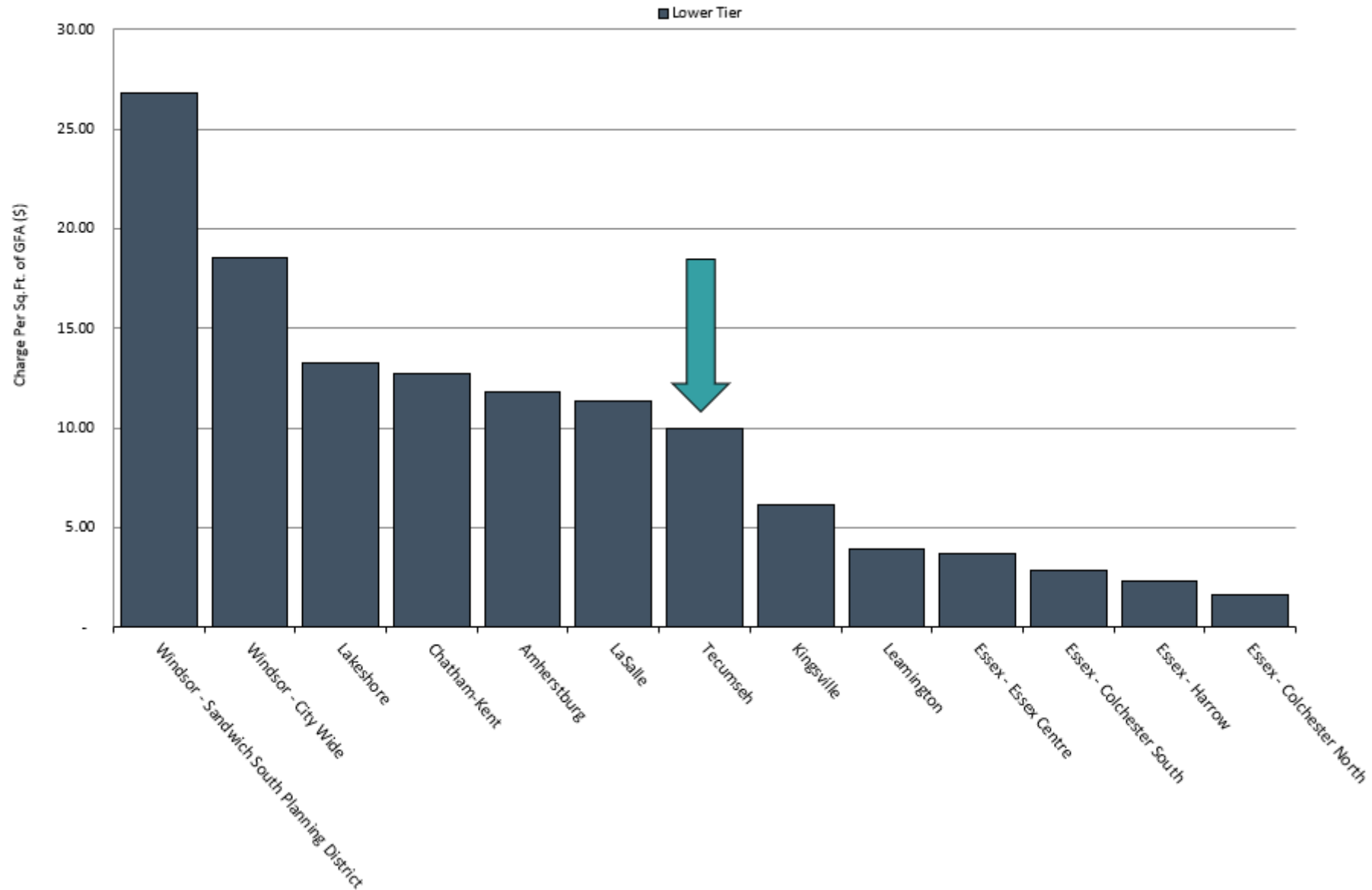
Survey of Municipal D.C.s

Town of Tecumseh 2024 Development Charges Background Study

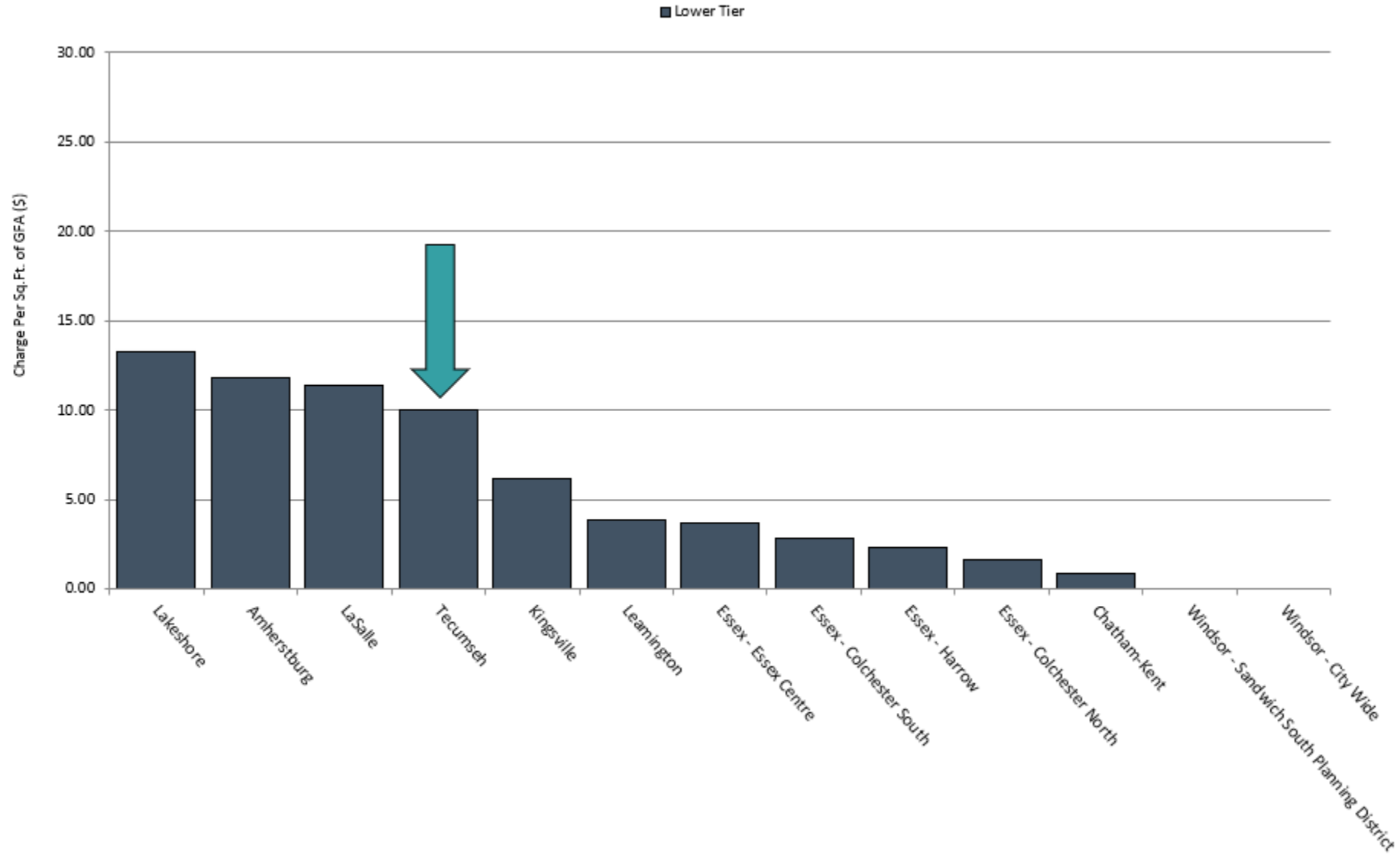
Survey of Comparator Municipalities – Single/Semi-Detached



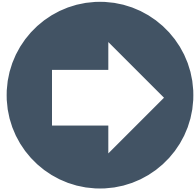
Survey of Comparator Municipalities – Commercial (per sq.ft.)



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



Next Steps



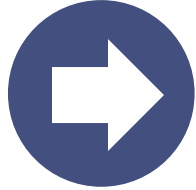
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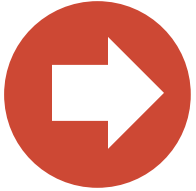
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