



Meeting Date: March 20, 2024

Prepared By: Tiffany Farrell, Director of Corporate Services

Report No: CPS-18-2024

Subject: Development Charge Study 2024

Recommendation:

THAT Report CPS-18-2024, re: Development Charge Study be received as information.

Purpose:

To present to Council information on the timeline and progress of the 2024 Development Charge Study and outline additional options and information for the study that require direction from Council.

Background:

Development Charges (or DCs) are fees levied by municipalities to help cover the costs associated with infrastructure and services required due to new developments/growth. These charges typically fund the construction or expansion of infrastructure like roads, sewers, water systems, parks, and community facilities. The purpose of DCs is to ensure that new developments contribute their fair share toward the necessary infrastructure improvements to support growth.

Middlesex Centre hired Watson & Associates Economists Ltd (Watson) in December 2023 to complete the 2024 DC Background Study and associated by-law(s) as per report, CPS-56-2023.

Watson & Associates has previously completed the municipality's 2009, 2010, 2014 and 2019 DC background studies as well as the 2017 and 2021 DC by-law amendments. Middlesex Centre has chosen to continue to work with one consulting company with respect to the DC background studies, by-laws, and by-law amendments as they bring consistency, have a vast knowledge of Middlesex Centre's assets and growth, and are well-respected in their field. Watson & Associations has also completed the municipality's growth studies in the past.

Municipal staff and Watson & Associates have been diligently working on the information required to complete the study and by-law(s) since January 2024. Staff have held multiple meetings with Watson & Associates and provided all documentation requested. The information being presented by Watson & Associates in Council on March 20, 2024, is based on the work completed to date. It is important to note that the information used to complete the draft findings is based on the municipality's master plans, budgets, growth forecasts, prior DC studies, and other supporting information.

Middlesex Centre's current development charge By-law expires on July 17, 2024. Therefore, a new By-law will need to be approved before this date.

Timeline for the Study

Council Workshop – March 20, 2024

- Education session with council on DCs
- Discussion of draft findings including capital infrastructure, policy discussion and direction and draft charges
- Direction and questions received by Council on the draft findings

Developer Workshop – March 27, 2024

- Education session on DCs
- Discussion of draft findings including capital infrastructure, policy discussion and direction and draft charges

Final Draft Report – week of April 1, 2024

- Report will be reviewed by staff and comments sent back to Watson & Associates

Final Report – posted on the municipal website April 19, 2024

Public Meeting – May 15, 2024

- Council and the public will have an opportunity to ask questions and provide comments
- Staff will present a report with information and feedback received from the public prior to the meeting

Final Study and By-law(s) – June 19, 2024

Analysis:

Staff are requesting Council provide direction on the following information for the Development Charge Study:

- Infrastructure needs (capital projects included in the 2024 DC Study)
- Exemptions, specifically non-statutory exemptions
- Differentiated calculation for non-residential versus uniform calculation

Infrastructure Needs

All infrastructure needs that have been presented to Watson & Associates have been included in their 2024 DC Draft Findings Information Package. Council will be familiar with these capital projects as they have been identified through previous DC background studies, the various master servicing plans, master plans and budgets. Council will need to provide direction on any projects that are not to be included.

Exemptions

Statutory Development charge exemptions in Ontario refer to specific instances where certain developments or projects are exempted from paying DCs. Understanding and describing DC exemptions is crucial for developers, municipalities, and individuals involved in the planning and execution of projects in Middlesex Centre.

Types of Exemptions

In Ontario, DC exemptions can fall into the following categories:

Non-Statutory: Municipalities may establish policies that exempt certain types of developments from DCs. Middlesex Centre has two non-statutory exemptions that were included in the 2019 DC Study:

1. Agricultural Development – 77%/89%/100% exemption. In the 2019 DC Study, Council approved a resolution to exempt agricultural development to the same level of the 2014 study, which resulted in a 77% exemption for fire protection, 89% exemption for roads, and 100% exemption of public works, parks and recreation, and major studies.
2. Industrial Exemption – 60% exemption. In the 2019 DC Study, Council approved a resolution to exempt 60% of the DC for industrial development to provide an incentive for industrial development coming to Middlesex Centre. This was consistent with the 2014 DC Study.

Statutory: The provincial government may introduce programs or initiatives that provide exemptions for specific types of developments. For instance, there might be exemptions for affordable housing and rental units. In certain cases, DC exemptions may be mandated by provincial legislation. These exemptions are typically aimed at developments that serve the public interest, such as hospitals, schools, or government buildings.

Benefits and Implications of DC Exemptions

DC exemptions offer various benefits and implications for developers and communities.

Some benefits include:

1. **Incentivizing Development:** Exemptions can incentivize certain types of developments by reducing the financial burden on developers. This can lead to increased investment in affordable housing, community infrastructure, or other projects that provide public benefits. Additionally, it can encourage industrial and commercial growth with corresponding benefit of balancing tax base.
2. **Promoting Affordable Housing:** DC exemptions can play a crucial role in promoting affordable housing initiatives. By waiving or reducing DCs, municipalities encourage the creation of affordable housing options, making them more economically viable.

Some implications include:

1. **Impact on Municipal Revenue:** DC exemptions can have implications for municipal revenue. When exemptions are granted, the waived fees no longer contribute to the municipality's revenue stream. This may necessitate the exploration of alternative funding sources or adjustments to the municipal budget to ensure the continued provision of essential services and infrastructure.
2. **Impact on Municipal Expenses:** Shortfalls caused by DC exemptions need to be funded by the municipality.
3. **Limitations and Conditions:** DC exemptions are subject to limitations and conditions to ensure they are applied appropriately, and this is an administrative burden.

Currently, the draft findings being presented to Council do not include any non-statutory exemptions. In the previous DC studies as noted above, there were non-statutory exemptions included for:

- Agriculture
- Industrial

As an agricultural exemption is a non-statutory exemption, Council can define an agricultural use as broadly or narrowly as they see fit.

If Council would like different options on non-statutory exemptions for the above categories, or other categories, staff and the consultant will need that direction. It is important to remember the lost revenue resulting from DC exemptions will need to be funded by the tax levy and/or water/wastewater rates as appropriate.

Once Council provides this direction and the DC study and by-law are approved, staff will be preparing a new DC exemption policy and associated tax levy supported reserve fund in 2024.

Differentiated Charge vs. Uniform Charge

Two options for calculating non-residential development charges are being considered as part of the 2024 DC Background Study.

The first option maintains a uniform rate calculation methodology for all non-residential development, which is consistent with the Municipality's historical practice.

The second option calculates separate DCs for Agricultural, Industrial, and Other Non-residential (i.e. commercial and institutional) development types, based on the anticipated capital needs and development densities.

The results of these two calculation options and impacts will be summarized in the 2024 DC Draft Findings Information Package and presented by Watson at the Council Workshop on March 20th. Watson will be seeking direction from on which of the two options should be used for final charge calculations and reflected in the DC by-law(s) that will be presented at the Public Meeting on May 15th.

Changes in Legislation

In addition, it is important to note that the municipality's DCs can also change based on the direction given by the province. Specifically, since June 6, 2019, there have been seven different bills have passed that have impacted DCs:

- Bill 108 More Homes, More Choice Act
- Bill 128 Plan to Build Ontario Together Act
- Bill 197 COVID-19 Economic Recovery Act
- Bill 213 Better for People, Smarter for Business Act
- Bill 109 More Homes for Everyone Act
- Bill 23 More Homes Built Faster Act
- Bill 134 Affordable Homes and Good Jobs Act

Financial Implications:

As presented in the DC Background Study

Tax levy impact for 2024 to 2034 will depend on the DC exemptions decided by Council. The cost of the non-statutory exemptions from the 2019 DC Study are \$2,266,284.29 from July 2019 to December 2023, while the cost of the statutory exemptions were \$208,886.43.

Strategic Plan:

This matter aligns with following strategic priorities:

- Responsive Municipal Government

This report responds to the legislative requirement under the Development Charges Act and additionally it responds directly to Objective 5.3– Foster a culture of innovation, continuous improvement, and cost-effective services by sharing information and gathering input, by continuing our timely and effective communication to the public.

- Sustainable Infrastructure and Services - Objective 4.3 – Continue with our asset management plan and apply a financial sustainability lens to all municipal assets and infrastructure

By communicating our approach to capital projects and communicating clearly with the public on capital spending priorities in terms of costs, benefits, funding sources and timing.

- Sustainable Infrastructure and Services - Objective 4.2 – Expand existing services in accordance with the pace of new development, and apply a financial sustainability lens to all municipal services and programs

By analyzing and projecting the operating cost impacts of new residential development.

Attachments:

N/A

