



# Municipality of Middlesex Centre Development Charges Background Study

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Council Information Session  
March 20, 2024

# Introduction and Purpose



- Watson & Associates Economists Ltd (Watson) have been retained by the Municipality of Middlesex Centre to undertake the 2024 Development Charges (D.C.) Background Study
- Purpose of today's presentation is to review the D.C. methodology, legislative changes, preliminary findings and seek direction on select policies
- This presentation is supplemented by the 2024 D.C. Draft Findings Information Package which contains the draft:
  - Growth forecast projections;
  - Capital costs and D.C. recoverable cost calculations for each service; and
  - Calculated D.C.s by development type

# Agenda



1. Overview of Development Charges
2. Summary of Draft Findings
3. Proposed D.C. Policies
4. Next Steps



# 1. Overview of Development Charges

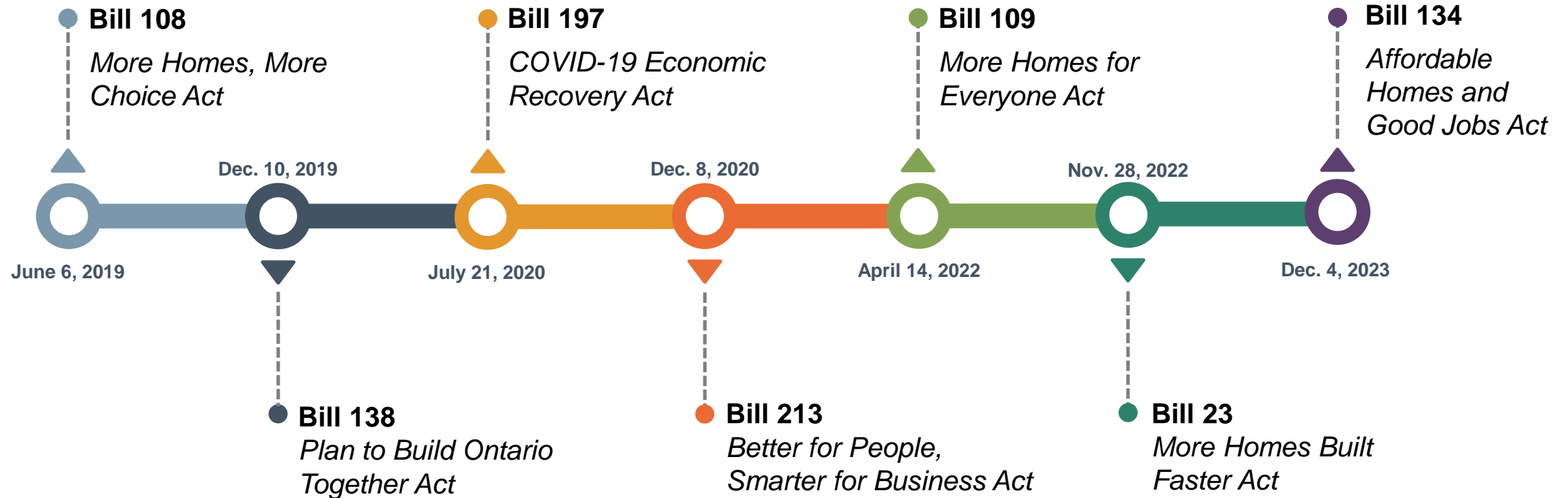
# Overview of Development Charges



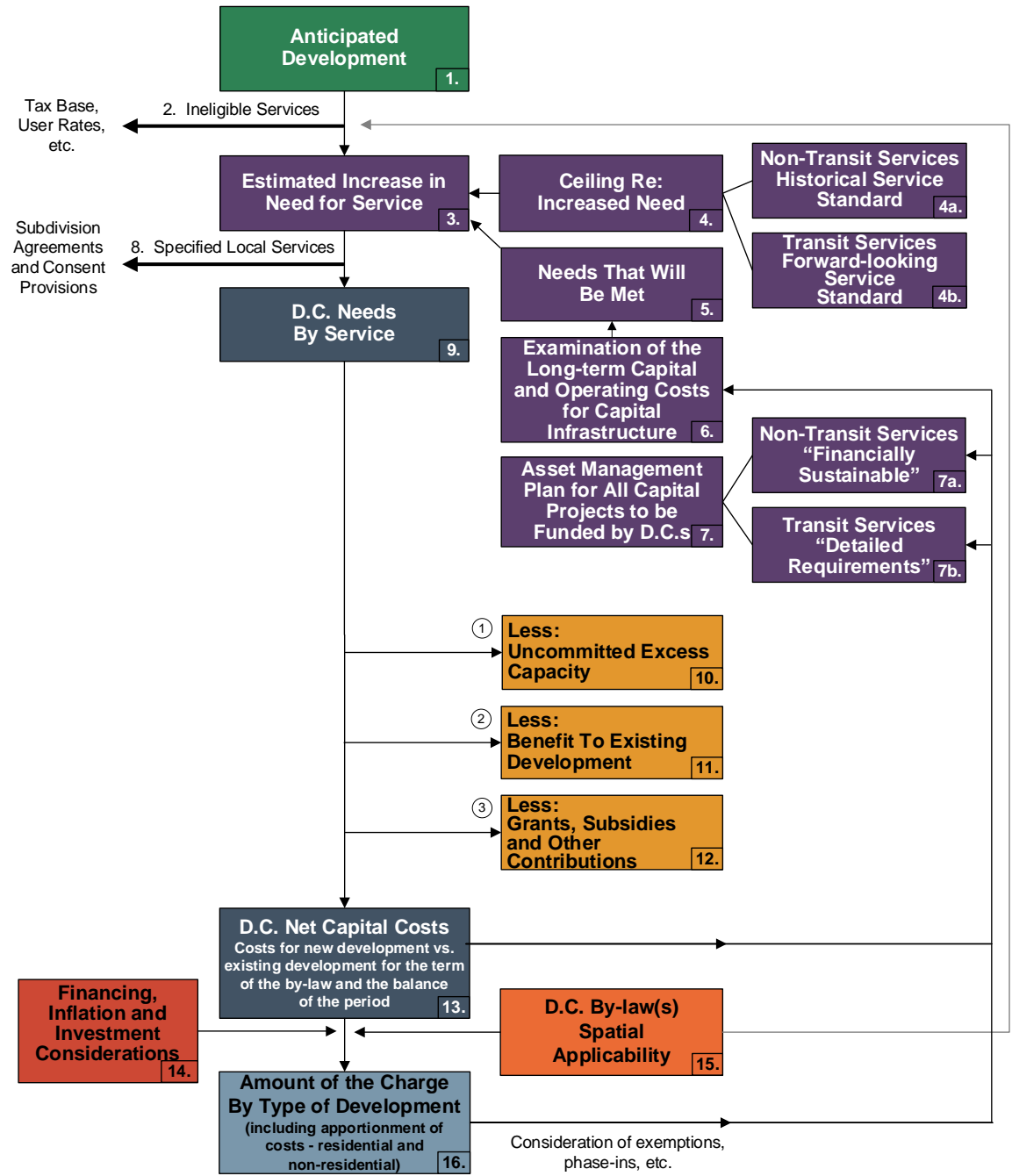
- Purpose of development charges (D.C.s) is to recover the capital costs associated with residential and non-residential growth within the municipality
- The capital costs are in addition to what costs would normally be constructed as part of a subdivision (e.g., internal roads, watermains, roads, sidewalks, streetlights, etc.)
- Municipalities are empowered to impose these charges via the *Development Charges Act* (D.C.A.), as amended
- The Municipality currently imposes development charges under By-law 2019-073, as amended

# Development Charges Act

## Legislative Changes Since 2019



The Process of Calculating a Development Charge under the Act that must be followed

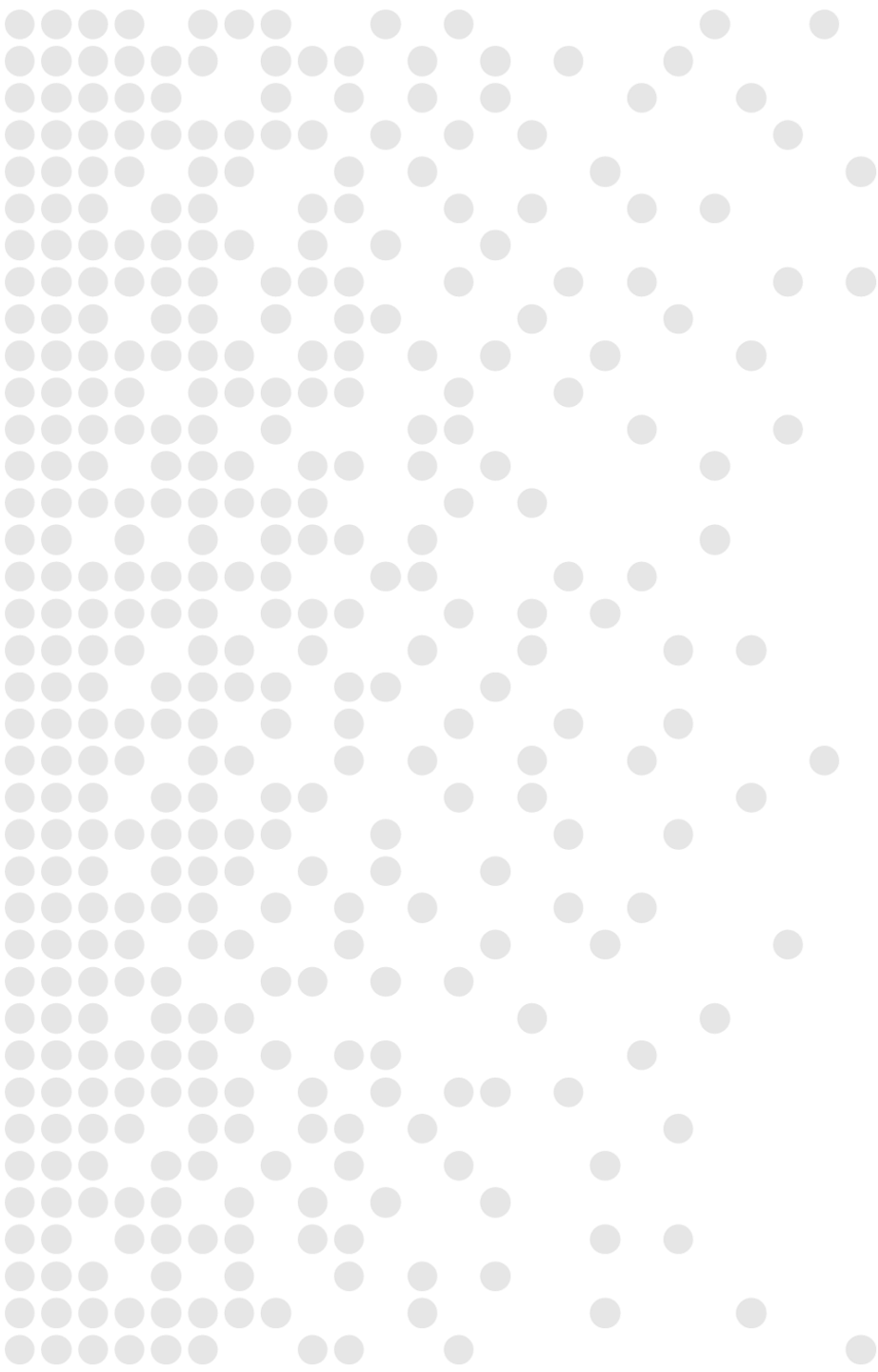


# Current Schedule of Development Charges



Service	Residential				Non-Residential (per m <sup>2</sup> of Gross Floor Area)		
	Single & Semi Detached	Multiples	Apartments with >= 2 Bedrooms	Apartments with < 2 Bedrooms	Other Non-residential	Agricultural Use	Industrial
<b>Municipal Wide Services/Classes:</b>							
Roads	\$ 6,044	\$ 3,967	\$ 3,870	\$ 2,439	\$ 29.60	\$ 2.82	\$ 11.84
Public Works	\$ 2,621	\$ 1,720	\$ 1,680	\$ 1,057	\$ 12.85	\$ -	\$ 5.14
Fire Protection	\$ 2,220	\$ 1,458	\$ 1,422	\$ 895	\$ 10.98	\$ 2.53	\$ 4.39
Parks & Recreation Services	\$ 5,654	\$ 3,712	\$ 3,619	\$ 2,282	\$ 8.33	\$ -	\$ 3.34
Library	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Growth-related Studies	\$ 678	\$ 445	\$ 435	\$ 274	\$ 3.35	\$ -	\$ 1.34
<b>Total Municipal Wide Services/Class of Services</b>	<b>\$ 17,217</b>	<b>\$ 11,302</b>	<b>\$ 11,026</b>	<b>\$ 6,947</b>	<b>\$ 65.11</b>	<b>\$ 5.35</b>	<b>\$ 26.05</b>
<b>Urban Services</b>							
Wastewater Services	\$ 15,667	\$ 10,284	\$ 10,032	\$ 6,321	\$ 35.12	\$ -	\$ 14.04
Water Services	\$ 2,454	\$ 1,611	\$ 1,572	\$ 990	\$ 5.52	\$ -	\$ 2.21
<b>Total Urban Services</b>	<b>\$ 18,121</b>	<b>\$ 11,895</b>	<b>\$ 11,604</b>	<b>\$ 7,311</b>	<b>\$ 40.64</b>	<b>\$ -</b>	<b>\$ 16.25</b>
<b>GRAND TOTAL RURAL AREA</b>	<b>\$ 17,217</b>	<b>\$ 11,302</b>	<b>\$ 11,026</b>	<b>\$ 6,947</b>	<b>\$ 65.11</b>	<b>\$ 5.35</b>	<b>\$ 26.05</b>
<b>GRAND TOTAL URBAN AREA</b>	<b>\$ 35,338</b>	<b>\$ 23,197</b>	<b>\$ 22,630</b>	<b>\$ 14,258</b>	<b>\$ 105.75</b>	<b>\$ 5.35</b>	<b>\$ 42.30</b>





### 3. Summary of Draft Findings

# Growth Forecast



- Growth forecast was developed based on the Growth Management Strategy completed in 2022 as part of the Municipality's Official Plan Review
- The following planning horizons are used for each service:

Service	Planning Horizon
Services Related to a Highway	22-year (2024-2046)
Fire Protection	10-year (2024-2034)
Parks & Recreation	10-year (2024-2034)
Library	10-year (2024-2034)
Water	22-year Urban (2024-2046)
Wastewater	22-year Urban (2024-2046)

# Growth Forecast



Time Horizon	Residential		Non-residential	
	Net Population <sup>A</sup>	Dwelling Units <sup>A</sup>	Employment <sup>B</sup>	G.F.A. <sup>C</sup> (sq.m.)
Mid 2024	20,261	7,373	4,668	
Mid 2034	26,710	11,626	5,960	
Mid 2046	33,651	12,751	7,422	
Mid 2024 – Mid 2034	6,449	2,527	1,292	148,598
Mid 2024 – Mid 2046	13,390	5,378	2,754	300,235
Mid 2024 – Mid 2046 (Urban)	12,736	4,967	2,408	221,016

**A** Excludes Institutional Population/Dwellings  
**B** Excludes Work at Home and No Fixed Place of Work  
**C** Gross Floor Area



# D.C. Eligible Services

- Water
- Wastewater
- Stormwater\*
- Services related to a highway
- Electrical power
- Toronto-York subway extension
- Transit
- Waste Diversion
- Policing
- Fire
- Ambulance
- Library
- Long-term Care
- Parks and Recreation
- Public Health
- Childcare and Early Years
- Provincial Offences Act
- Emergency preparedness
- Airports (only for the Region of Waterloo)

D.C. Services under review for the Municipality

\*Potential area-specific DC that is currently under review



## D.C. Eligible 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
- ~~Studies in relation to any of the above, including a D.C. Background Study~~
- Interest on money borrowed to pay for the above

## D.C. Eligible Capital Costs (continued)



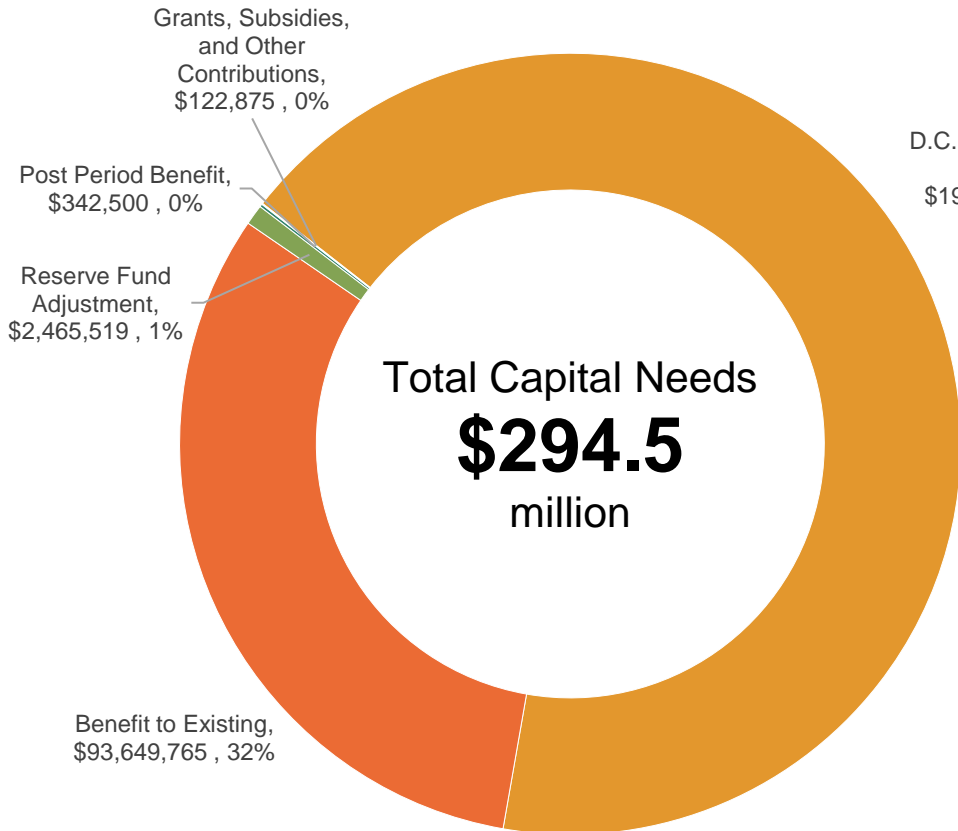
- Any planning horizon for future capital needs can be used, except for Transit (which is limited to 10 years)
- Capital costs must be reduced by grants, subsidies and other contributions.
- May include authorized costs incurred or proposed to be incurred by others on behalf of a municipality/local board
- Certain Capital Costs may not be included:
  - Parkland Acquisition
  - Vehicle & Equipment with average useful life of less than 7 years
  - Computer Equipment that is not integral to the delivery of the service

# Anticipated Increase in Need for Service



- A review of available background documents has been completed to identify the increase in need for services attributable to development, including the following:
  - 2019 D.C. Background Study and 2021 D.C. Update Study
  - 2022 Age Friendly Community Action Plan
  - 2023 Roads Needs Study
  - 2023 Organizational Review
  - 2023 Transportation Master Plan
  - 2023 Fire Services Master Plan
  - 2023 Community Services Master Plan
  - 2024 Master Servicing Plans (Water and Wastewater)

# Capital Needs and D.C. Recoverable Share



D.C. Recoverable Costs,  
\$197,871,348 ,  
67%

Service	D.C. Recoverable <sup>1</sup>	Financing Costs	Total
Services Related to a Highway	\$ 36,540,797	\$ 2,312,215	\$ 38,853,012
Fire Protection Services	\$ 5,286,502	\$ 214,301	\$ 5,500,802
Parks & Recreation Services	\$ 12,718,190	\$ 234,658	\$ 12,952,849
Library Services	\$ -	\$ -	\$ -
Wastewater Services	\$ 110,075,545	\$ 2,224,148	\$ 112,299,693
Water Services	\$ 33,250,314	\$ 747,002	\$ 33,997,316
<b>Total</b>	<b>\$ 197,871,348</b>	<b>\$ 5,732,324</b>	<b>\$ 203,603,672</b>

<sup>1</sup> Includes DC Reserve Funds in a negative balance as of Jan. 1, 2024



# Comparison of Charges

## Residential (per Single Detached Dwelling)



Service/Class of Service	Residential (Single Detached)				
	Current	Calculated	Difference (Calculated vs. Current)	Yr-1 at 80% Phase-in	Difference (Yr-1 vs. Current)
<b>Municipal Wide Services/Classes:</b>					
Services Related to a Highway	\$ 8,665	\$ 6,503	\$ (2,162)	\$ 5,202	\$ (3,463)
Fire Protection Services	\$ 2,220	\$ 1,908	\$ (312)	\$ 1,527	\$ (693)
Parks & Recreation Services	\$ 5,654	\$ 5,144	\$ (510)	\$ 4,115	\$ (1,539)
Library Services	\$ -	\$ -	\$ -	\$ -	\$ -
Growth-related Studies	\$ 678	\$ -	\$ (678)	\$ -	\$ (678)
<b>Total Municipal Wide Services/Classes</b>	<b>\$17,217</b>	<b>\$ 13,555</b>	<b>\$ (3,662)</b>	<b>\$10,844</b>	<b>\$ (6,373)</b>
<b>Urban Services</b>					
Wastewater Services	\$15,667	\$ 20,933	\$ 5,266	\$16,746	\$ 1,079
Water Services	\$ 2,454	\$ 6,337	\$ 3,883	\$ 5,070	\$ 2,616
<b>Total Urban Services</b>	<b>\$18,121</b>	<b>\$ 27,270</b>	<b>\$ 9,149</b>	<b>\$21,816</b>	<b>\$ 3,695</b>
<b>Grand Total - Urban Area</b>	<b>\$35,338</b>	<b>\$ 40,825</b>	<b>\$ 5,487</b>	<b>\$32,660</b>	<b>\$ (2,678)</b>

# Non-residential Development Charges

## Uniform vs. Differentiated Charge



- Two options for calculating non-residential development charges have been considered and are presented for Council's consideration
- Option 1 maintains a uniform rate calculation methodology for all non-residential development, which is consistent with the Municipality's historical practice.
- Option 2 calculates separate D.C.s for Agricultural, Industrial, and Other Non-residential (i.e., commercial and institutional) development types, based on the anticipated capital needs and development densities.

# Comparison of Charges

Non-residential (per m<sup>2</sup> of Gross Floor Area)



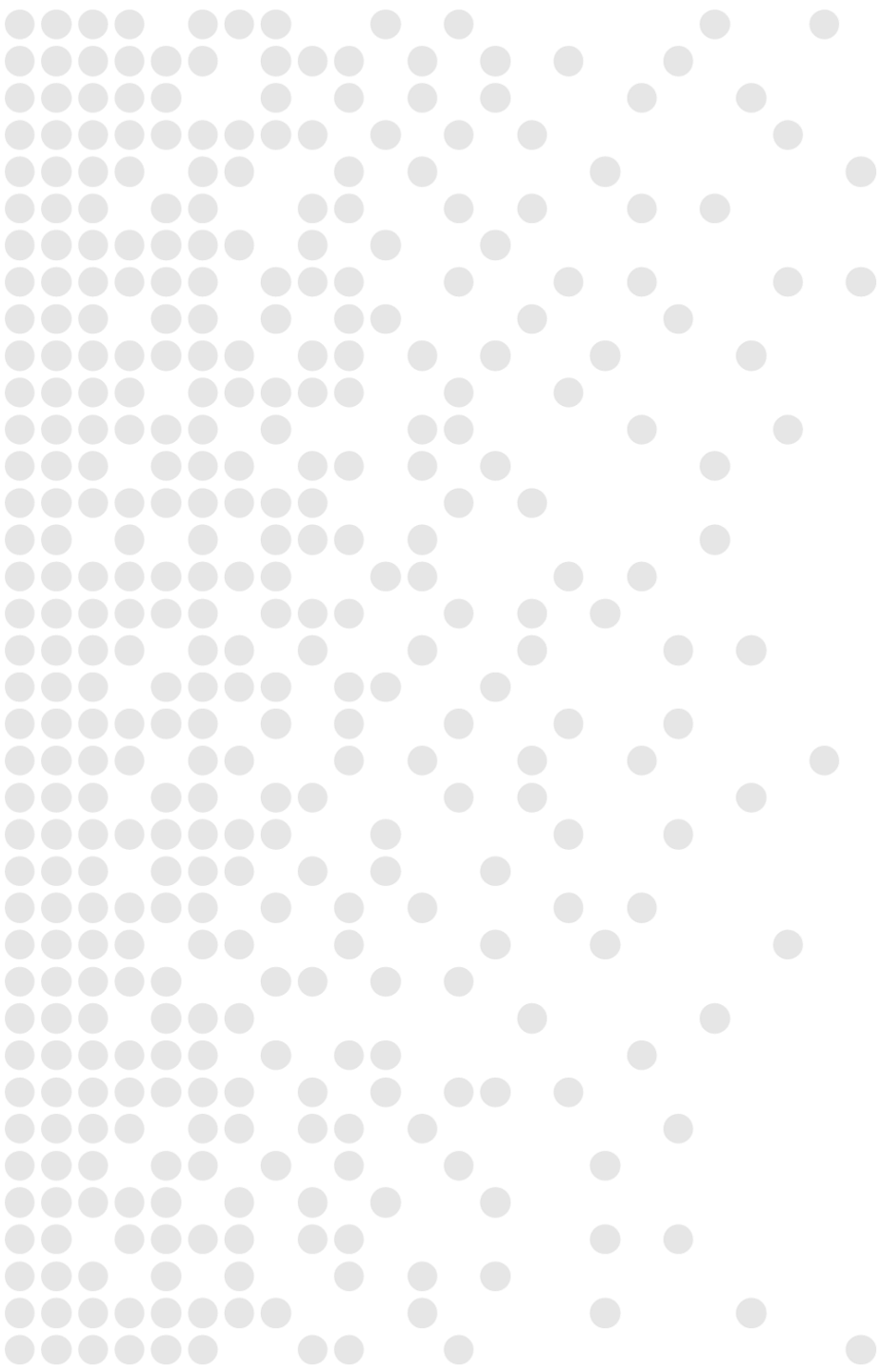
## Option 1: Uniform Rate

## Option 2: Differentiated Rate

Development Type	Current
<b>Industrial</b>	
Municipal-wide Services	\$ 26.05
Water & Wastewater	\$ 16.25
<b>Total Industrial</b>	<b>\$ 42.30</b>
<b>Agricultural</b>	
Municipal-wide Services	\$ 5.35
Water & Wastewater	\$ -
<b>Total Agricultural</b>	<b>\$ 5.35</b>
<b>All Other Non-Residential</b>	
Municipal-wide Services	\$ 65.11
Water & Wastewater	\$ 40.64
<b>Total All Other Non-Residential</b>	<b>\$105.75</b>

Calculated	Difference (Calculated vs. Current)	Yr-1 at 80% Phase-in	Difference (Yr-1 vs. Current)
\$ 32.61	\$ 6.56	\$ 26.09	\$ 0.04
\$ 108.84	\$ 92.59	\$ 87.07	\$ 70.82
<b>\$ 141.45</b>	<b>\$ 99.15</b>	<b>\$113.16</b>	<b>\$ 70.86</b>
\$ 32.61	\$ 27.26	\$ 26.09	\$ 20.74
\$ -	\$ -	\$ -	\$ -
<b>\$ 32.61</b>	<b>\$ 27.26</b>	<b>\$ 26.09</b>	<b>\$ 20.74</b>
\$ 32.61	\$ (32.50)	\$ 26.09	\$ (39.02)
\$ 108.84	\$ 68.20	\$ 87.07	\$ 46.43
<b>\$ 141.45</b>	<b>\$ 35.70</b>	<b>\$113.16</b>	<b>\$ 7.41</b>

Calculated	Difference (Calculated vs. Current)	Yr-1 at 80% Phase-in	Difference (Yr-1 vs. Current)
\$ 29.97	\$ 3.92	\$ 23.97	\$ (2.08)
\$ 82.72	\$ 66.47	\$ 66.17	\$ 49.92
<b>\$ 112.69</b>	<b>\$ 70.39</b>	<b>\$ 90.15</b>	<b>\$ 47.85</b>
\$ 11.13	\$ 5.78	\$ 8.90	\$ 3.55
\$ -	\$ -	\$ -	\$ -
<b>\$ 11.13</b>	<b>\$ 5.78</b>	<b>\$ 8.90</b>	<b>\$ 3.55</b>
\$ 66.16	\$ 1.05	\$ 52.93	\$ (12.18)
\$ 180.92	\$ 140.28	\$144.73	\$ 104.09
<b>\$ 247.07</b>	<b>\$ 141.32</b>	<b>\$197.66</b>	<b>\$ 91.91</b>



## 4. D.C. By-law Policies

# D.C. By-law Policies



- A review of various D.C. By-Law policies is currently underway, including the following:
  - Municipal-wide uniform charges (note, suggest separate by-laws for each service to aid in future amendments)
  - Timing of imposition of the charge
  - Indexation
  - Redevelopment credits for demolition or conversion of occupied structures

# Statutory D.C. 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);
- Enlargement of an existing residential unit;
- Residential intensification (additional residential units, with limits by building type);;
- Affordable and Attainable residential units (not yet in effect);
- Affordable inclusionary zoning units;
- Non-profit housing development; and
- Discount for Rental units based on bedroom size;

# Discretionary D.C. Exemptions



- In addition to statutory exemptions under the D.C.A., non-statutory exemptions within the Municipality's existing by-law include:
  - Full exemption for temporary buildings or structures;
  - Partial exemption for industrial development – 60% reduction from full non-residential charge; and
  - Partial exemption for agricultural development – reduction from the full non-residential charge, as only approximately 9.5% of the Roads and 23.0% of the Fire Protection components of the D.C. are payable.
- The D.C.A. does not allow shortfalls resulting from exemption policies to be made up through higher charges on other development.

# Example Agricultural DCs



Agricultural Structure	GFA (m <sup>2</sup> )	Current			Option 1 - Uniform Non-Res. Rate		Option 2 - Agricultural Rate	
		Increase in need for service (full D.C.)	DCs paid by applicant under current partial exemption	Funded by tax payers	Calculated (Yr-1 at 80% Discount)	Diff.	Calculated (Yr-1 at 80% Discount)	Diff.
Barn	1,600	\$ 104,176	\$ 8,560	\$ 95,616	\$ 41,741	\$ 33,181	\$ 14,248	\$ 5,688
Grain Bin	200	\$ 13,022	\$ 1,070	\$ 11,952	\$ 5,218	\$ 4,148	\$ 1,781	\$ 711
Shed/Storage	400	\$ 26,044	\$ 2,140	\$ 23,904	\$ 10,435	\$ 8,295	\$ 3,562	\$ 1,422



# Discretionary Exemptions

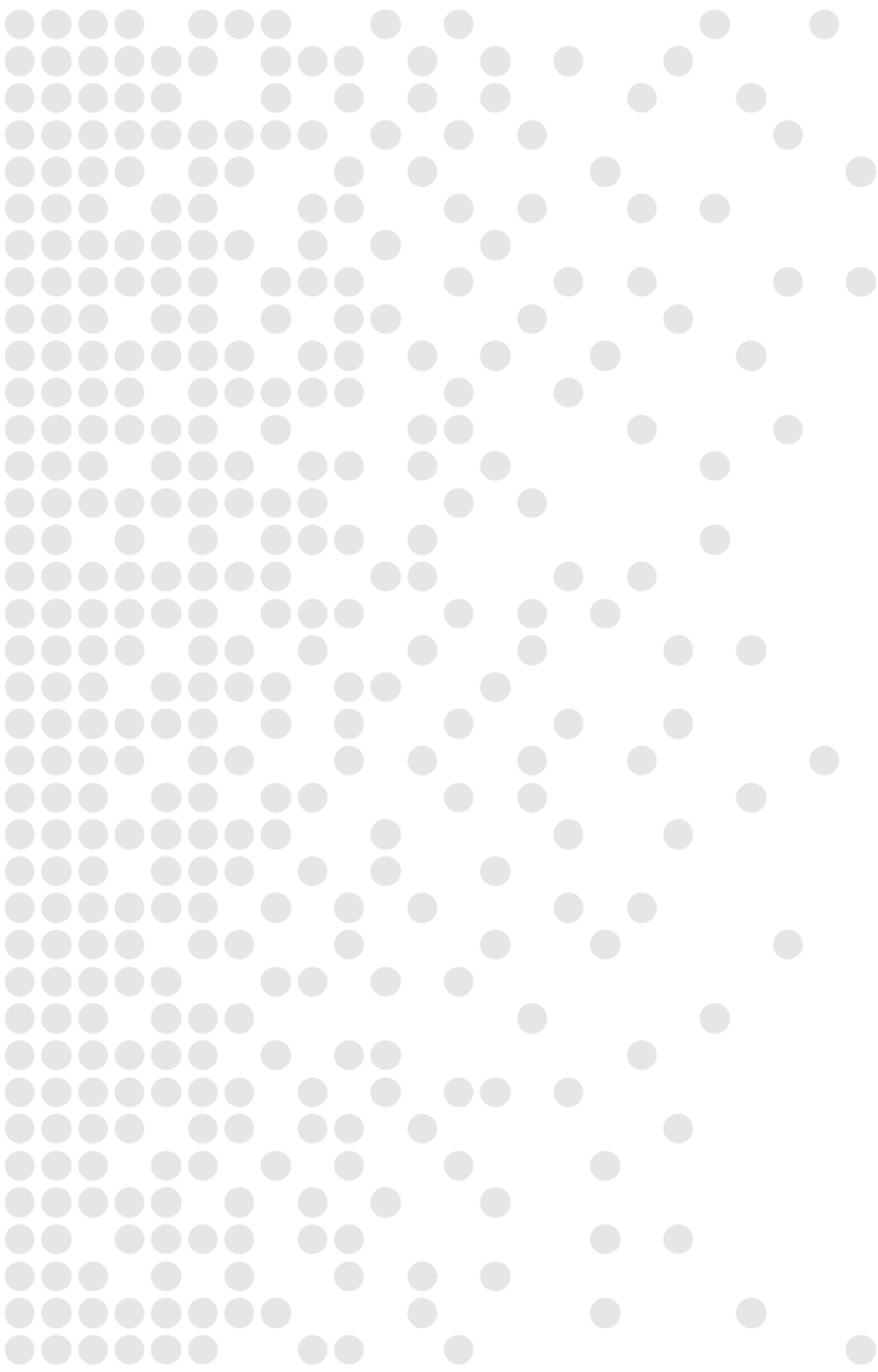
## Financial Impacts



- Existing exemption policies for industrial and agricultural development have resulted in the following D.C. revenue shortfalls over the past five years:

Year	Agricultural	Industrial	Total
2019	\$212,765	\$0	\$212,765
2020	\$286,749	\$123,640	\$410,388
2021	\$560,291	\$0	\$560,291
2022	\$381,729	\$0	\$381,729
2023	\$640,471	\$60,639	\$701,111
<b>Total</b>	<b>\$2,082,005</b>	<b>\$184,279</b>	<b>\$2,266,284</b>

- These revenue shortfalls need to be funded from non-D.C. sources (i.e., property taxes and user fees)



## 5. Next Steps

# Next Steps



- Receive feedback from Council
- Development Industry Stakeholder Consultation (March 27)
- Publish the D.C. Background Study and Draft By-law on the Municipality's website (April 19)
- Hold statutory Public Meeting (May 15)
- Council to consider approval of the D.C. Background Study and adoption of new DC by-laws (June 19)



# Discussion