What are Development Charges

- A tool available to municipalities to fund infrastructure put in place to service development.
- Idea behind development charges is: **growth pays for growth**, so existing tax payers are not bearing the cost of servicing growth.
- Development Charges are legislated through the Development Charges Act (DCA) and associated regulations.
- DCA came into effect in 1989.
Development Charges Act

- Sets out the rules and process that must be followed for a municipality to enact a Development Charges Bylaw.
- Is the rulebook on what can be collected for through development charges, how to calculate charges, and how collected monies are administered.
- Requires that Development Charge Background studies and by-law are updated every 5 years.
Why Collect DCs?

- DCs allow municipalities to recoup costs associated with providing services and infrastructure future growth.
  - E.g./ installing a larger watermain to service a new development area or upgrades to a sewage treatment plant to increase capacity – a portion of the costs of these projects could be collected through DCs.
- Collecting DCs is a way to make future growth pay for its share of infrastructure and servicing.
- Takes the burden off the existing tax-base.
## Lucan Biddulph DC Collection

<table>
<thead>
<tr>
<th>DC Collected 2010-2014</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanitary</td>
<td>$146,597.98</td>
</tr>
<tr>
<td>Water</td>
<td>$106,562.89</td>
</tr>
<tr>
<td>Stormwater</td>
<td>$23,951.22</td>
</tr>
<tr>
<td>Roads</td>
<td>$217,979.69</td>
</tr>
<tr>
<td>Fire</td>
<td>$34,393.01</td>
</tr>
<tr>
<td>Parks</td>
<td>$26,900.88</td>
</tr>
<tr>
<td>Administration</td>
<td>$35,808.84</td>
</tr>
<tr>
<td>Interest</td>
<td>$17,295.29</td>
</tr>
<tr>
<td><strong>Total Collected</strong></td>
<td><strong>$609,489.80</strong></td>
</tr>
</tbody>
</table>
How DCs are charged

- Development charges can be collected for new residential and non-residential development.
- Residential charges are often charged per unit type (i.e. a single family dwelling, apartment).
- Non-residential charges may be identified for commercial, industrial, institutional (and other) developments.
- Non-residential charges are charged per square meter of gross floor area.
- Council has ability to exempt individual developments or entire development categories from DCs.
How DCs are charged (con’t)

- Through the Background Study process, eligible projects and eligible amounts are calculated.
- Some projects may benefit only specific areas, and therefore can only be collected from new development in that specific area.
- E.g. – for a project to increase capacity at the water treatment plant in Walkerton, development charges for this project can only be collected against new development in Walkerton (the benefiting area).
## DC Eligible Project Types

<table>
<thead>
<tr>
<th>Hard Services</th>
<th>Soft Services (capital costs must be reduced by 10%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Water Infrastructure</td>
<td>• Parks</td>
</tr>
<tr>
<td>• Wastewater</td>
<td>• Libraries</td>
</tr>
<tr>
<td>• Stormwater</td>
<td>• Recreation</td>
</tr>
<tr>
<td>• Roads</td>
<td>• Administration/Capital Growth Studies</td>
</tr>
<tr>
<td>• Waste Diversion</td>
<td></td>
</tr>
<tr>
<td>• Police Services</td>
<td></td>
</tr>
<tr>
<td>• Fire Protection</td>
<td></td>
</tr>
</tbody>
</table>
DC Eligible Capital Costs

- These costs can be collected for projects through development charges:
  - Costs to acquire and improve land;
  - Costs to acquire, construct or improve buildings or structures;
  - Costs of rolling stock (useful life of 7+ years)
  - Costs of furniture and equipment (but not computer equipment)
  - Costs of development-related studies (including the DC Background Study); and
  - Interest and financing costs.
DC – Ineligible Project Types

- Can’t collect under development charges for:
  - Cultural and entertainment facilities
  - Tourism facilities
  - Parkland acquisition
  - Hospitals
  - Municipal administration centres
  - Landfills
Calculating a DC

Capital Cost of a Project

- The amount of a capital works project attributed to future growth is further split between residential and non-residential development.
- Depending on project type there may also be a 10% reduction.
Calculate DC for area and unit type

### Lakeshore

<table>
<thead>
<tr>
<th>Residential Type</th>
<th>Persons Per Unit</th>
<th>Sanitary</th>
<th>Water</th>
<th>Transportation</th>
<th>Fire Protection</th>
<th>Administration</th>
<th>Less 10%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single and Semi-Detached</td>
<td>2.6</td>
<td>$ -</td>
<td>$683.11</td>
<td>$895.40</td>
<td>$ -</td>
<td>$236.37</td>
<td>$181.49</td>
<td>$1,633.39</td>
</tr>
<tr>
<td>Multiple Units and Townhouses</td>
<td>2.1</td>
<td>$ -</td>
<td>$551.74</td>
<td>$723.21</td>
<td>$ -</td>
<td>$190.92</td>
<td>$146.59</td>
<td>$1,319.28</td>
</tr>
<tr>
<td>Apartments</td>
<td>1.5</td>
<td>$ -</td>
<td>$394.10</td>
<td>$516.58</td>
<td>$ -</td>
<td>$136.37</td>
<td>$104.70</td>
<td>$942.34</td>
</tr>
<tr>
<td>Residential Nursing/Retirement</td>
<td>1 per bedroom</td>
<td>$ -</td>
<td>$262.73</td>
<td>$344.38</td>
<td>$ -</td>
<td>$90.91</td>
<td>$69.80</td>
<td>$628.23</td>
</tr>
<tr>
<td>Non-Residential</td>
<td>per sq. ft.</td>
<td>$ -</td>
<td>$0.07</td>
<td>$0.12</td>
<td>$ -</td>
<td>$0.01</td>
<td>$0.02</td>
<td>$0.19</td>
</tr>
</tbody>
</table>

### Rural - Huron

<table>
<thead>
<tr>
<th>Residential Type</th>
<th>Persons Per Unit</th>
<th>Sanitary</th>
<th>Water</th>
<th>Transportation</th>
<th>Fire Protection</th>
<th>Administration</th>
<th>Less 10%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single and Semi-Detached</td>
<td>2.6</td>
<td>$ -</td>
<td>$ -</td>
<td>$895.40</td>
<td>$ -</td>
<td>$236.37</td>
<td>$113.18</td>
<td>$1,018.60</td>
</tr>
<tr>
<td>Multiple Units and Townhouses</td>
<td>2.1</td>
<td>$ -</td>
<td>$ -</td>
<td>$723.21</td>
<td>$ -</td>
<td>$190.92</td>
<td>$91.41</td>
<td>$822.71</td>
</tr>
<tr>
<td>Apartments</td>
<td>1.5</td>
<td>$ -</td>
<td>$ -</td>
<td>$516.58</td>
<td>$ -</td>
<td>$136.37</td>
<td>$65.29</td>
<td>$587.65</td>
</tr>
<tr>
<td>Residential Nursing/Retirement</td>
<td>1 per bedroom</td>
<td>$ -</td>
<td>$ -</td>
<td>$344.38</td>
<td>$ -</td>
<td>$90.91</td>
<td>$43.53</td>
<td>$391.77</td>
</tr>
<tr>
<td>Non-Residential</td>
<td>per sq. ft.</td>
<td>$ -</td>
<td>$ -</td>
<td>$0.12</td>
<td>$ -</td>
<td>$0.01</td>
<td>$0.01</td>
<td>$0.12</td>
</tr>
</tbody>
</table>
How are DCs implemented?

- Must complete a Background Study and pass a by-law
- Council decides what the Development Charges are set at
- The process includes a mandatory public meeting and opportunity to review the background study and draft by-law.
Development Charge Process

1. Review and forecast growth
2. Define capital works to service growth
3. Calculate gross costs to be included in DC
4. Prepare draft Report and Bylaw
5. Calculate charge by development type and area
6. Determine net capital costs
7. Council reviews and sets charge amount
8. Public Meeting
9. Passage of final by-law
Legislative Requirements

- Public Meeting
  - Must be advertised at least 20 days prior in local newspaper.

- Background Report
  - Must be available 60 days prior to passage of the by-law.
  - Draft By-law must be available 2 weeks before Public Meeting.

- Notice of Passage of By-law and Appeal Period
  - 40 day appeal period after passage
  - Must issue Notice of Passage (not later than 20 days after passage) stating end of appeal period.
Administering DCs

- DCs are usually collected when the building permit is issued.
- DC monies are split into reserve accounts specific to project categories – i.e. wastewater, water, fire fighting, etc.
- Money from the reserves can be taken out to pay for the projects specified in the DCs – can’t use the DC money for non-DC expenses.
Comparing with neighbours

**Municipalities that collect DCs**

- Kincardine
- Huron-Kinloss
- Saugeen Shores
- West Grey
- Grey Highlands
- County of Grey

Remember, DCs are based on projects. More projects = higher DCs
Next Steps

- If the Municipality wants to proceed with DCs
  - Undertake a Background Study
    - Identify projects for inclusion in DCs
    - Examine growth trends and develop forecasts
    - Analyze projects and calculate DCs
  - Can do a Development Charges 101 session
  - Kitchen-table meeting with local development industry