

# Development Charges Primer

Municipality of Brockton

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# 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

<b>DC Collected 2010-2014</b>	
Sanitary	\$146,597.98
Water	\$106,562.89
Stormwater	\$23,951.22
Roads	\$217,979.69
Fire	\$34,393.01
Parks	\$26,900.88
Administration	\$35,808.84
Interest	\$17,295.29
<b>Total Collected</b>	<b>\$609,489.80</b>

# 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

## Hard Services

- Water Infrastructure
- Wastewater
- Stormwater
- Roads
- Waste Diversion
- Police Services
- Fire Protection

## Soft Services (capital costs must be reduced by 10%)

- Parks
- Libraries
- Recreation
- Administration/Capital Growth Studies



# 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.

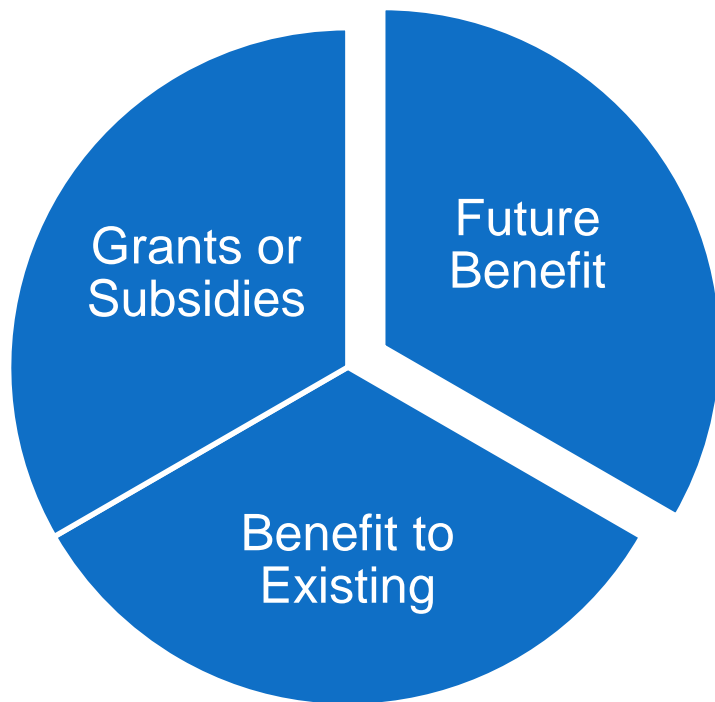
# DC – Ineligible Project Types

- 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

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

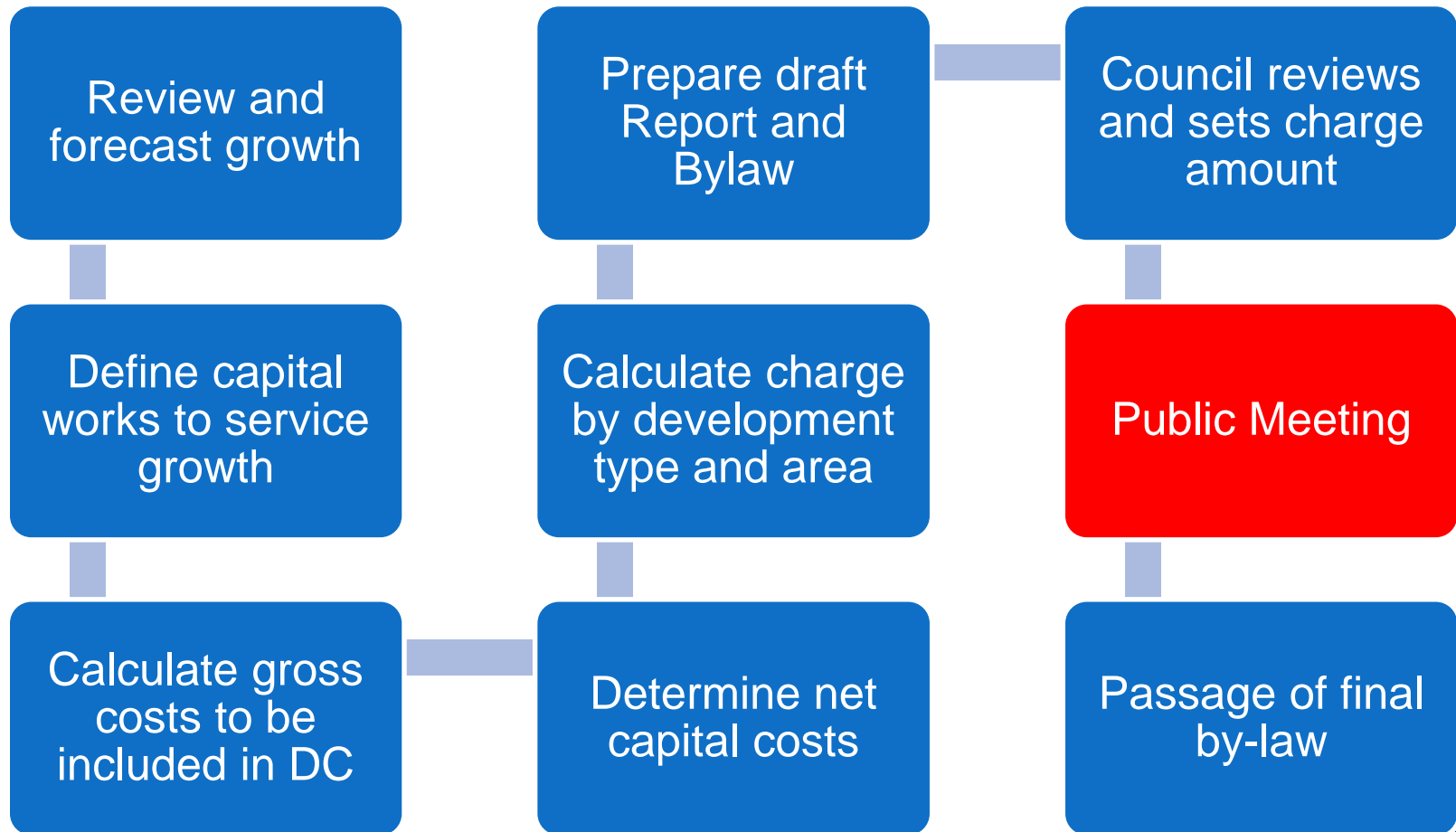
## Rural - Huron

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

# 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



# 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
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- Remember, DCs are based on projects. More projects = higher DCs



Photo Credit: ABC

# 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