



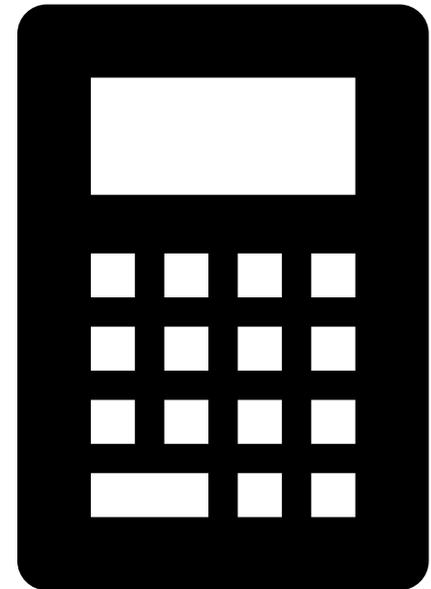
Development Charges 101

MUNICIPALITY OF BROCKTON

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What are Development Charges (DCs)?

- ▶ A tool available to allow municipalities to recover **capital costs** associated with infrastructure and services put in place that benefit growth. This includes:
 - ▶ New infrastructure and services that support growth; and
 - ▶ Pay down existing debt for past growth works or services;
- ▶ General idea is that 'growth pays for its share' so that the existing tax-payers are not bearing the cost of servicing growth
- ▶ **Development charges cannot be collected for operating or maintenance costs.**
- ▶ Development charges are collected from new development (not existing development)



Development Charges

- ▶ DCs are collected from **new** residential and non-residential development.
 - ▶ DCs cannot be collected from existing development.
- ▶ DCs are calculated based on a capital works plan set out in the DC Background Study that sets out what projects are being paid for through DCs.
 - ▶ Lots of rules around DCs – especially how they are calculated, what can be collected for
 - ▶ Calculating DCs is a mix of accounting, planning and engineering
 - ▶ DC money must go towards DC projects.
- ▶ DCs are ultimately set by Council.

Overview of DCs



DCs are calculated for residential and non-residential growth



Residential DCs are typically charged on a per unit basis (e.g. per single detached unit or per apartment unit)



Non-Residential DCs are typically charged per sq. ft. (or sq. m) for new commercial, institutional and industrial growth



Where projects have specific benefiting areas (e.g. a sewage treatment system), the DC should be area-specific.



In many other communities, there is often a different DC in urban areas vs. the rural area, because of area-benefiting services like water and wastewater.

Different categories of development are split so residential development isn't paying for the non-residential share of growth and vice-versa.

The Rule Book (Development Charges Act)

- ▶ The *Development Charges Act* sets out the rules and requirements for enacting a Development Charge By-law and collecting DCs.
 - ▶ Sets out what types of projects can be collected for
 - ▶ How DCs are calculated
 - ▶ Requirement for a new Background Study and By-law **every 10 years**
 - ▶ Reporting requirements
- ▶ Originally put into place in 1989, the Act has been amended many times since then.
 - ▶ Suspect more amendments to come...

Statutory Exemptions to DCs

- ▶ Under the DC Act, DCs cannot be collected for:
 - ▶ Enlargement of an existing dwelling unit;
 - ▶ The creation of additional dwelling units in prescribed classes of existing residential buildings or prescribed structures ancillary to existing residential buildings
 - ▶ A second and third dwelling unit in prescribed classes of proposed new residential buildings, including structures ancillary to the dwelling
 - ▶ Non-profit housing developments
 - ▶ For industrial development where the gross floor area is enlarged by 50% or less
 - ▶ Affordable and attainable residential units*
 - ▶ *Not yet in effect



Municipalities can put their own exemptions in their bylaw.

What types of projects are DC eligible?

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- ▶ Water Supply (including treatment and distribution)
- ▶ Wastewater (sewers and treatment)
- ▶ Stormwater services
- ▶ Services related to a highway (transportation)
- ▶ Transit
- ▶ Waste diversion services
- ▶ Policing
- ▶ Fire Protection
- ▶ Ambulance services
- ▶ Library services
- ▶ Long-term care services
- ▶ Parks and Recreation services
- ▶ Public Health services
- ▶ Childcare and early years programs and services
- ▶ By-law enforcement and municipally-administered court services
- ▶ Emergency preparedness services



Only services listed in DC Act can be included in DCs

Types of projects not eligible for DCs

- ▶ Municipal offices and administration centres
- ▶ Cultural buildings – theatres, museums, etc.
- ▶ Parking lots
- ▶ Studies
- ▶ Cemeteries



'Capital Costs' collected through DCs

- ▶ For the different types of eligible projects, you can collect against costs related to:
 - ▶ Costs to acquire land or interest in land;
 - ▶ Costs to improve land;
 - ▶ Costs to acquire, lease, construct or improve buildings or structures;
 - ▶ Costs to acquire, lease, construct or improve facilities including:
 - ▶ Rolling stock with useful life of more than 7 years;
 - ▶ Furniture and equipment (but not computer equipment);
 - ▶ Materials for circulation, reference and information purposes at a library
 - ▶ Interest on money borrowed to pay for these costs.

Process for Implementing a DC Bylaw

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- ▶ Undertake a Background Study
 - ▶ Forecast of future growth
 - ▶ Review of projects for inclusion in the DCs
 - ▶ Calculation of DCs for each project
- ▶ Present calculated DCs to staff and Council. Council sets proposed DC.
- ▶ Background Study must be available for review 60 days prior to passage of By-law
- ▶ Prepare draft By-law (available 2 weeks prior to Public Meeting)
- ▶ Host Public Meeting to get feedback on proposed DC
- ▶ Council passes DC By-law
- ▶ Issue Notice of Passage
- ▶ 40-day appeal period starts immediately after by-law passed.

How DCs are Calculated

Forecast future growth and development

Forecast capital needs to service future growth and development

Determine net capital costs for projects

- Need to subtract any grants/subsidies received
- Subtract portion of costs attributable to the existing population

Allocate costs to residential and non-residential growth

Calculate the DC per capita and per sqft (or sqm) for non-residential based on forecasted growth

Administration of DCs

- ▶ Most DCs are collected upon issuance of a building permit unless the DC by-law specifies otherwise (e.g. upon entering agreement for a consent)
- ▶ For rental housing and institutional uses:
 - ▶ DC can be paid in equal annual installments over 6 years
- ▶ For developments requiring a Site Plan or Zoning By-law Amendment:
 - ▶ The DC is based on the charge the day the Site Plan/ZBA application is made.
 - ▶ If more than 2 years have passed since the Site Plan/ZBA application, the DC is based on the charge the day the building permit is issued.
 - ▶ If a Site Plan or Zoning Bylaw is not required – DC is the amount at the issuance of building permit or occupancy (whichever is earlier)

Recent Changes to DC Act

- ▶ Exemptions for third dwelling units
- ▶ Housing services no longer eligible for collection through DCs
- ▶ Exemptions for affordable and attainable housing (not yet in effect)
- ▶ Exemption for non-profit housing and inclusionary zoning residential units
- ▶ Studies no longer eligible for collection through DCs
- ▶ **DCs must be phased in (starting at 80% of calculated cost) over four years**
- ▶ **Bylaws expire after 10 years (change from 5)**
- ▶ Discounts for rental housing units (discount depends on number of bedrooms in units)
- ▶ Municipalities must spend or allocate 60% of the DC reserves for water, wastewater and roads annually.



Questions