



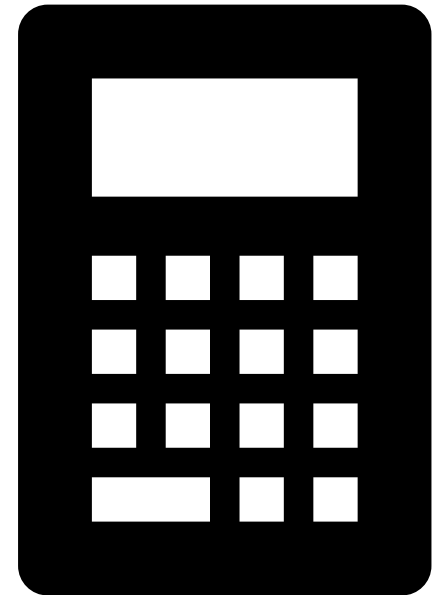
Development Charges 101

TOWNSHIP OF HURON-KINLOSS

MARCH 4, 2024

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

- ▶ 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?

- ▶ 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



Process for Implementing a DC Bylaw

1. Undertake a Background Study
 - a) Forecast of future growth
 - b) Review of projects for inclusion in the DCs
 - c) Calculation of DCs for each project
2. Present calculated DCs to staff and Council. Council sets proposed DC.
3. Background Study must be available for review 60 days prior to passage of By-law
4. Prepare draft By-law (available 2 weeks prior to Public Meeting)
5. Host Public Meeting to get feedback on proposed DC
6. Council passes DC By-law
7. Issue Notice of Passage
8. 40-day appeal period starts immediately after by-law passed.

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.

Current DCs in Huron-Kinloss – Single Detached Residential Unit

Service Area	DC for Single Detached Unit (per unit)
Lucknow	\$4,104.16
Ripley	\$4,499.72
Lakeshore Area	\$2,086.55
Rural Huron	\$1,123.74
Rural Kinloss	\$377.64
Finlay St. Service Area	\$58,247.71

Note: The Township does not currently collect non-residential development charges
Current by-law expires in October 2024.



Questions