

Council Information Session

Development Charges Workshop + Bill 23



THE TOWN OF THE BLUE MOUNTAINS

Monday, February 13, 2023



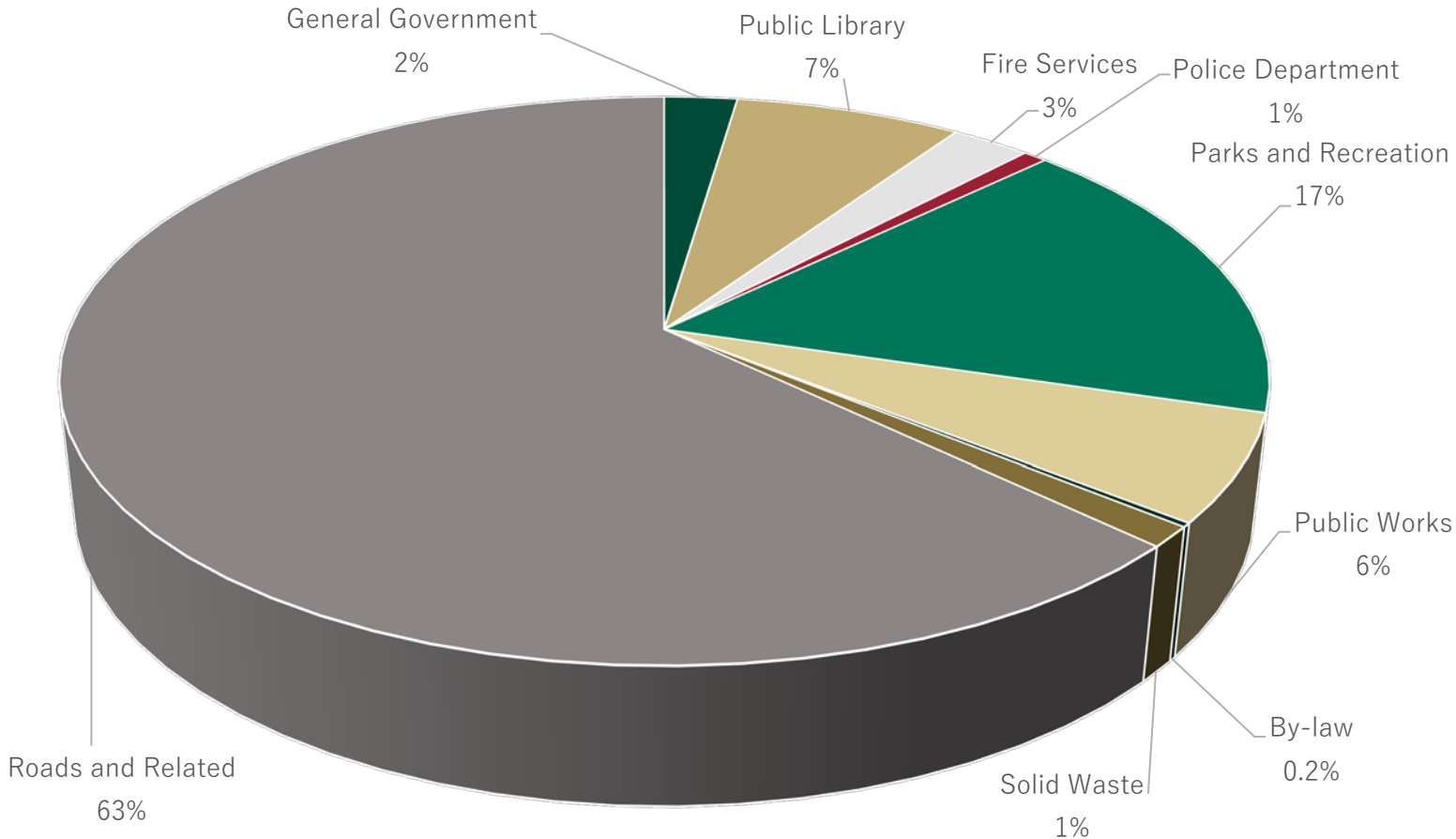
Today We Will Discuss...

- *Development Charges Act 1997* (DCA)
- Bill 23 Summary (DC Context)
- Blue Mountains DC By-law
- DC Study Update Process
- Specific questions

What Are Development Charges?

- Charges imposed on development to fund “growth-related” capital costs
- Pays for new infrastructure and facilities to maintain service levels
 - County
 - Area municipal
 - Education
- Principle is “growth pays for growth”
- Other tools available:
 - Development Charges, Community Benefits Charges and Parkland Provision
 - Direct Developer Contributions
 - Property Taxes

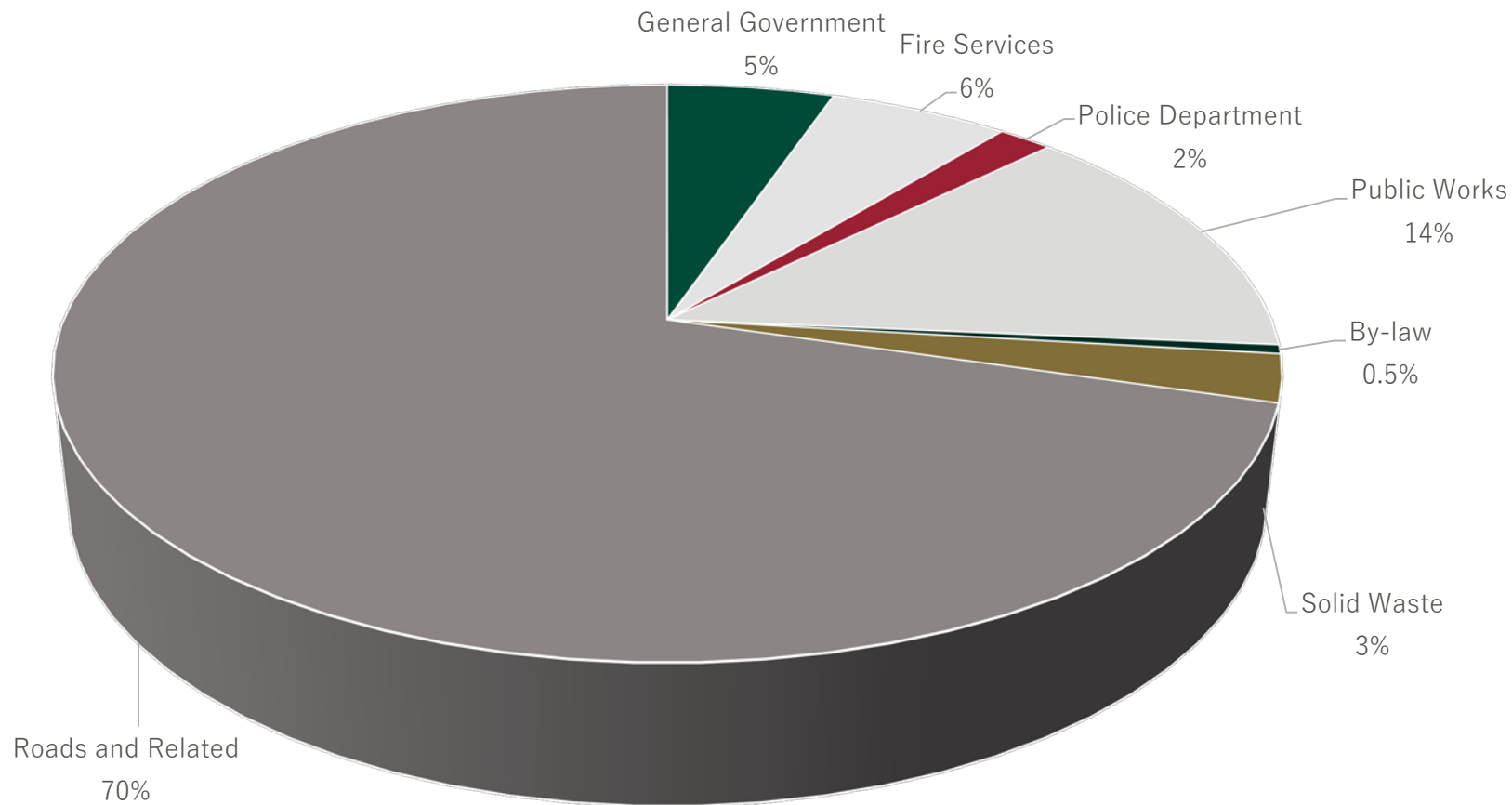
What do residential DCs fund in Blue Mountains (Town-wide)?



| Type of Residence | Charge per Unit* |
|-----------------------------------|------------------|
| Single & Semi-Detached | \$19,514 |
| Rows and Other Multiples / Hotels | \$15,610 |
| Apartments | \$11,709 |

*Town-wide uniform charge as of September 19, 2022, excluding Castle Glen

What do non-residential DCs fund in Blue Mountains (Town-wide)?



Non-Residential Development Charge*

Per square meter
\$69.54

Per square foot
\$6.46

*Town-wide uniform charge
as of September 19, 2022,
excluding Castle Glen

Development Charge Service Areas



Total DCs by Service Area

| Service Area | Single & Semi-Detached | Rows and Other Multiples/ Hotels | Apartment | Non-Residential Total Charge (per m ²) |
|--------------------------|------------------------|----------------------------------|-----------|--|
| Craigleith | \$32,024 | \$25,618 | \$19,214 | \$121.88 |
| Camperdown | \$39,826 | \$33,854 | \$27,888 | \$212.39 |
| Castle Glen | \$41,997 | \$33,598 | \$25,198 | \$185.75 |
| Swiss Meadows | \$19,514 | \$15,610 | \$11,709 | \$69.54 |
| Lora Bay Service Area #1 | \$51,381 | \$41,106 | \$30,831 | \$219.71 |
| Lora Bay Service Area #2 | \$36,589 | \$29,271 | \$21,957 | \$194.95 |
| Lora Bay Service Area #3 | \$36,123 | \$28,900 | \$21,677 | \$164.39 |
| Clarksburg | \$53,419 | \$42,736 | \$32,055 | \$360.52 |
| Osler | \$70,547 | \$56,437 | \$42,329 | \$531.32 |
| Thornbury – East | \$33,978 | \$27,184 | \$20,389 | \$144.05 |
| Thornbury – West | \$59,714 | \$47,772 | \$35,830 | \$266.55 |

Bill 23: Background

- Housing Supply Action Plan and subsequent legislation
 - Bill 108, the *More Homes, More Choice Act*
 - Bill 197, the *COVID-19 Economic Recovery Act*
- Report on the Ontario Housing Affordability Taskforce (February 4, 2022)
- June 2022 election mandate:
 - Affordability (house sales/rents are outpacing incomes)
 - Goal of 1.5 million new homes over next 10 years

Government Aims to Reduce Housing Costs by Reducing Municipal Fees and Charges

- Legislative changes will freeze, reduce and exempt DCs
 - Exemptions
 - Phase-ins
 - Discounts
- Also reviewing other fees levied by Provincial ministries, boards, agencies, and commissions
- Housing Accelerator Fund – could be used to compensate municipalities to pay for critical growth-related infrastructure

Bill 23: Exemptions from DCs (in effect now)

- In existing rentals (4+ units), greater of:
 - One unit
 - 1% of existing units
- Residential intensification in existing and new units
 - 1 new unit in main unit with 1 ancillary unit (3 units total)
 - 2 new units in main unit with no ancillary unit (3 units total)
 - 1 new unit in ancillary unit with up to 2 main units (3/4 units total)
- Non-profit housing (now defined)
- Inclusionary zoning units (must be affordable)

Bill 23: Exemptions for Affordable & Attainable

- Affordable
 - Rental – 80% of average market rent
 - Ownership – 80% of average purchase price
 - Province to issue bulletins to establish market rents and purchase price
 - Administered through agreement – 25 years, with ability to register on title
 - Possible standard forms of agreement
- “Select” Attainable
 - Not affordable and not rental
 - Administered through agreement – until unit is sold, with ability to register on title
 - What is “select” is to be prescribed

Bill 23: Mandatory Phase-In of ALL New DC Rates + Rental Housing Discount

- 5 year phase-in of **total** DC imposed by by-law
- Retroactive to DC by-law passed since January 1, 2022

| Year | Maximum DC |
|------|------------|
| 1 | 80% |
| 2 | 85% |
| 3 | 90% |
| 4 | 95% |
| 5 | 100% |

- Rental housing development (now defined as 4+ units)
 - 25% for 3+ bedrooms
 - 20% for 2 bedrooms
 - 15% for 1 bedroom and bachelor

Bill 23: Other Changes

- Removal of housing as an eligible service
- Removal of Studies as an eligible cost
- Historical service levels now based on 15 years prior
- Services for which land is an ineligible cost may be prescribed
- Maximum life of DC by-law extended from 5 years to 10 years
- Interest rate for DC freezes and payment plans now prescribed
 - Prime +1%
- Must spend or allocate at least 60% of reserve fund balances each year for
 - Water, wastewater, and roads DCs
 - Other DC services may be prescribed

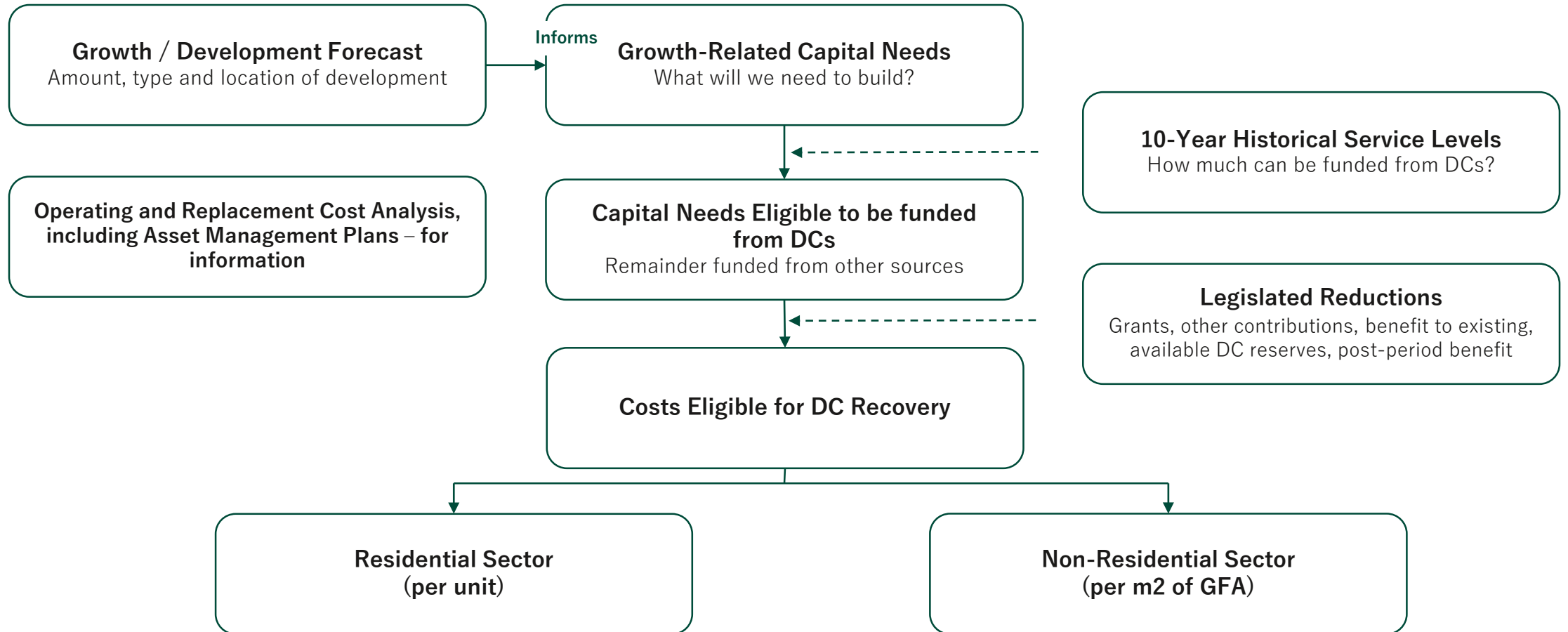
DC Eligible Services (DCA)

- Water Supply Services
- Wastewater Services
- Stormwater Drainage and Control Services
- Services Related to a Highway (Roads, Public Works Buildings, and Fleet)
- **Transit**
- Waste Diversion
- Policing Services
- Fire Protection Services
- Ambulance Services

- Public Libraries (Including resources)
- Recreation (Arena, centres, etc.)
- Park Development (Excluding parkland acquisition)
- Long-term Care
- Public Health
- **Provincial Offences Act incl. By-law Enforcement**
- Emergency Preparedness
- Child Care

Note: Parking, Cemeteries, Housing, and Studies are no longer eligible for recovery through DCs.

Development Charges Study Process



Key Decision Points for Council

- Consider and approve development-related capital program
 - Direction to proceed with drafting Background Study
- Consider area rating
- Consider whether to hold another public meeting
- Implementation options
 - Full or partial rates
 - Phase-ins or delayed effective dates
 - Exemptions

DC By-law Policy Review

- The DC Study will examine:
 1. Local services guidelines
 2. Use of area-specific development charges
 3. Consideration of new services (Transit, Emergency Preparedness, Public Health etc.)
 4. Non-statutory exemptions
 5. By-law administration and implementation (including alignment to legislative changes)
- Policy recommendations, where required, will be brought forward to Steering Committee and/or Council for consideration

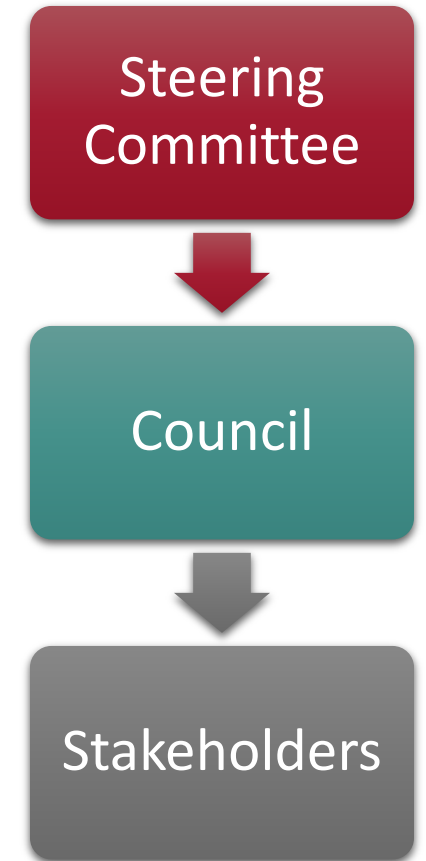
Consultation with Council

- Early communication with Council regarding the project is proposed
 - Helps to provide transparency
 - Greater understanding of DC eligible and ineligible costs (i.e. growth does not pay for growth)
- Prior to the release of the DC Study, Council will:
 - Be made aware of the proposed policies and DC rates
 - Be aware of the comments/questions raised by the development industry and public prior to By-law adoption



Stakeholder Consultation

- Meetings with industry stakeholders will be prior to the release of the 2024 DC Background Study
 - Provides opportunity to address issues/concerns early on in the process
 - Enhances communication and transparency
- Will be used to discuss key inputs of the DC Study (i.e. forecast, service levels, capital programs etc.)
- These meetings will be in addition to the statutory public meeting



Supplementary Review in for 2023 DC By-law

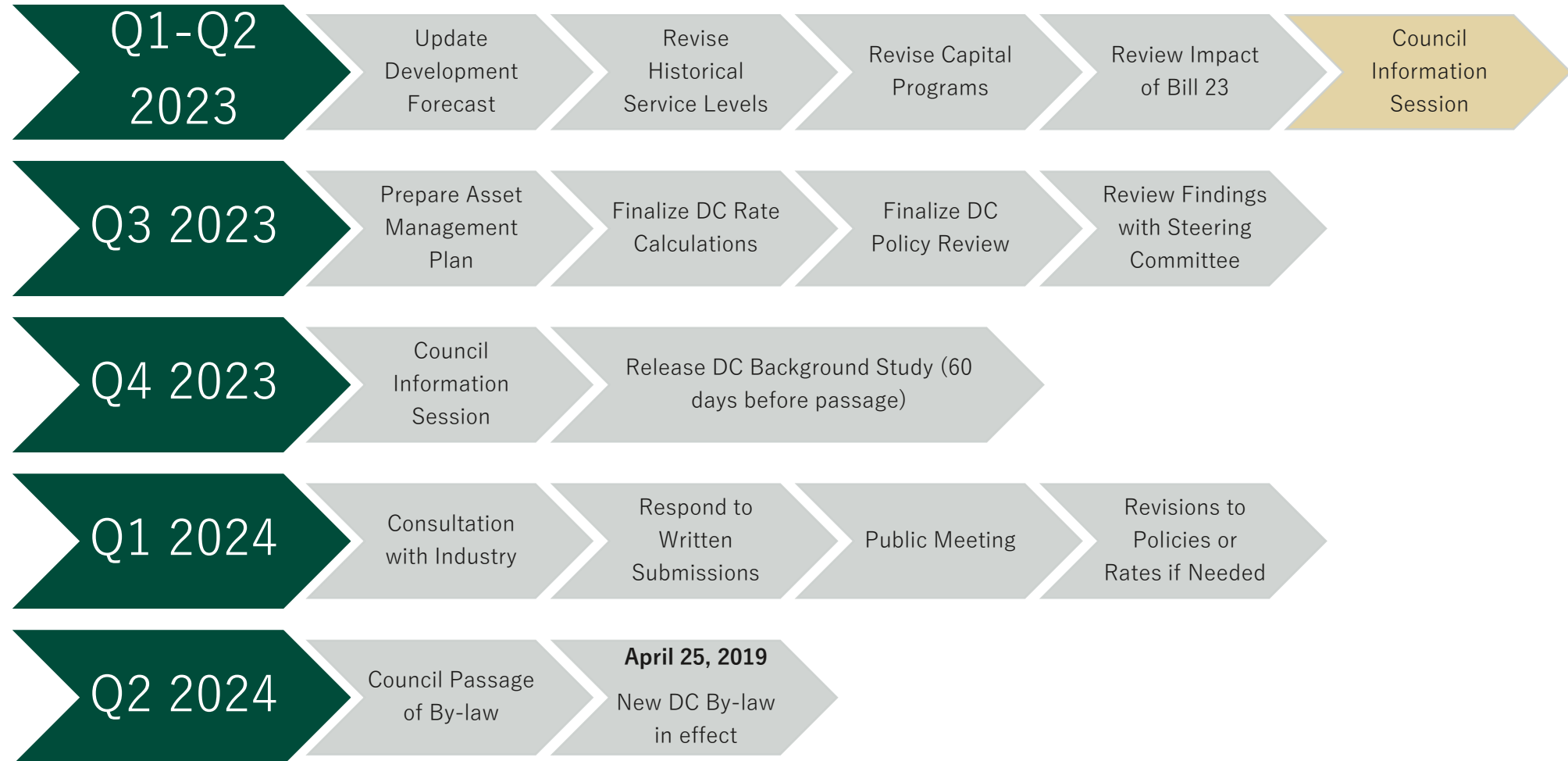
- Transit
 - Denis Fletcher and Associates have been retained to review including transit capital costs in the 2022 DC Study
 - Act requires a forward looking 10yr capital plan, ridership forecast, detailed asset management plan and others
- Engineering Costs
 - HDR has been retained to review cost estimate inputs



Emerging Issues (2019 Study & Other Municipalities)

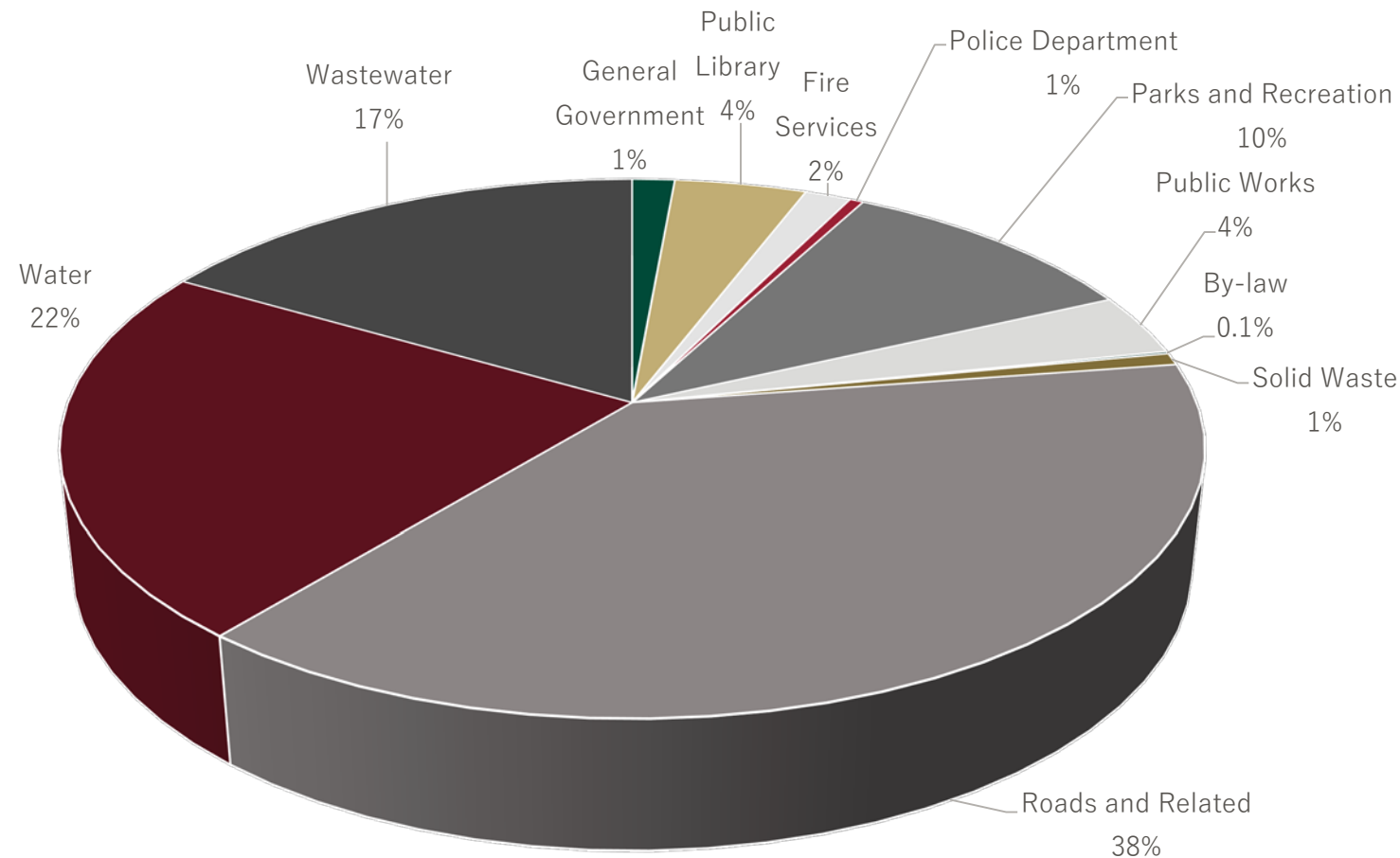
- Significant construction cost pressures for municipalities
 - Increases in replacement costs for historical service levels &
 - Increased capital program costs
- Increase development industry scrutiny and review
 - Early involvement in the process is recommended
 - Additional review by HDR for unit prices
- Development Industry: “DCs and other government charges are negatively impacting on housing supply and affordability.”
- Potential additional legislative changes?

Proposed DC Project Timeline



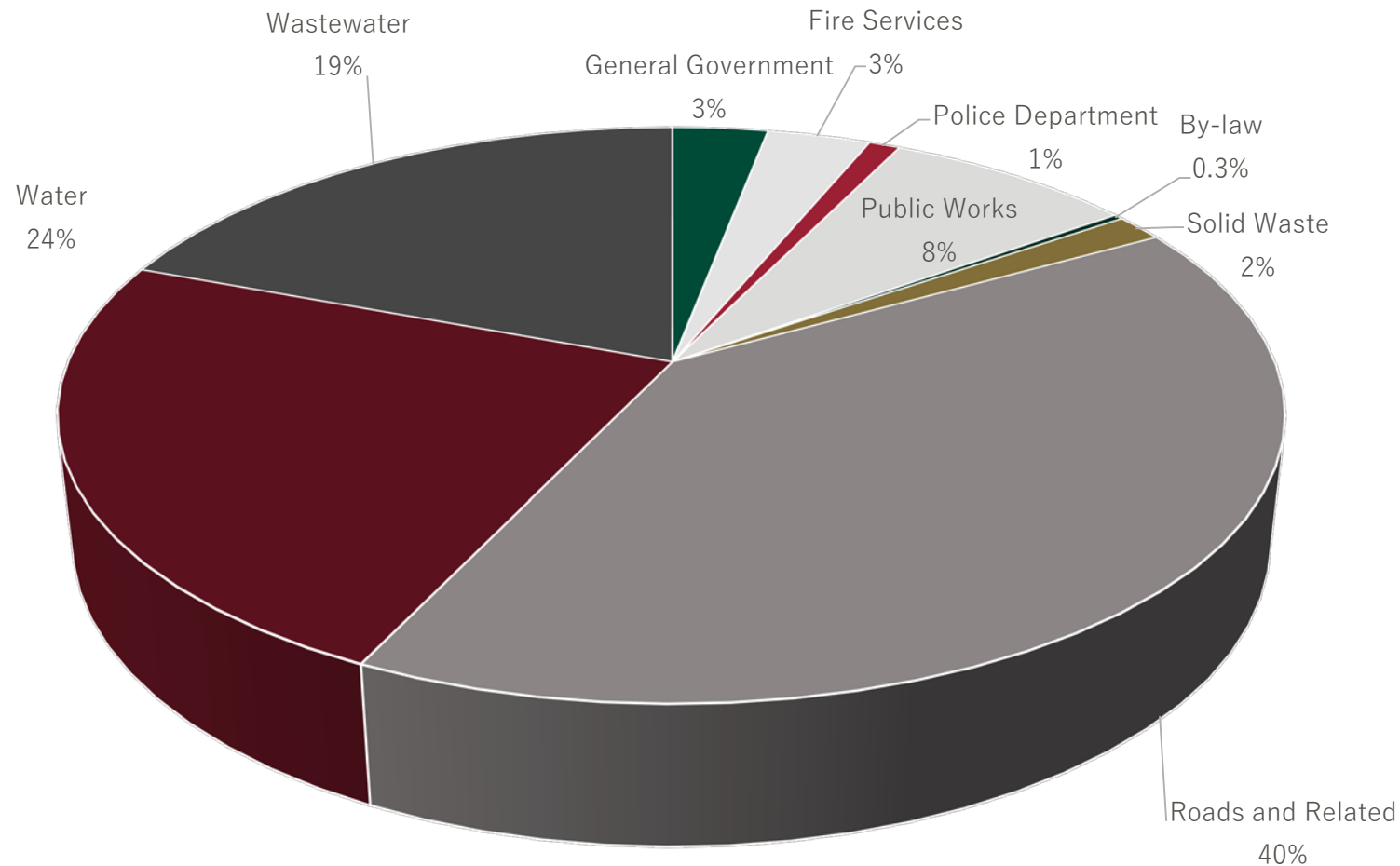
Additional Slides

What do residential DCs fund in Blue Mountains (Craigleith ASDC)?



| Type of Residence | Charge per Unit* |
|-----------------------------------|------------------|
| Single & Semi-Detached | \$ 32,023 |
| Rows and Other Multiples / Hotels | \$ 25,618 |
| Apartments | \$ 19,214 |
| *Charge as of September 19, 2022 | |

What do non-residential DCs fund in Blue Mountains (Craigleith)?



Non-Residential Development Charge*

Per square meter
\$130.34

Per square foot
\$12.11

Step 1 – Forecasting Development

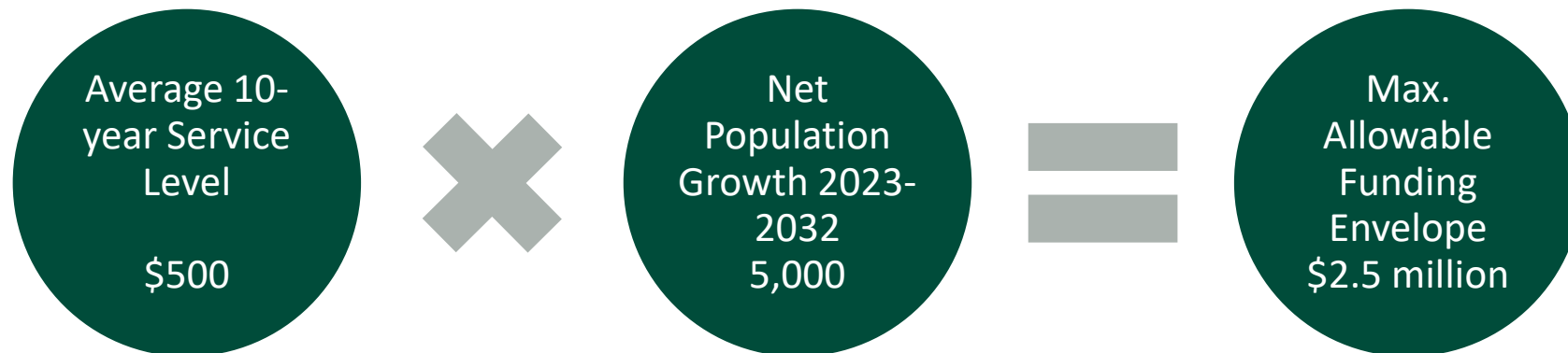
- Forecast amount, type and location of development
- Establish areas to which DCs apply (Town-wide/area-specific)
- Establish planning periods
- Types of development
 - Residential – population and household forecast (including seasonal in the Town)
 - Non-residential – forecast non-residential floor space and employment

Background Study Must “Consider” Area Rating

- Study shall include:
 - “consideration of the use of more than one development charge by-law to reflect different needs for services in different areas;” (s. 10 (2)c.1)
- What you should address
 - Are any services suitable for area-specific charges?
 - How and when are you going to give “consideration”?
 - When is it appropriate to discuss with Council and do you need specific direction?
- Note that Town does extensive area rating for water and wastewater services

Step 2 – Calculating Service Levels

- Cannot use DCs to increase level of service above 15-year historical average (on service by service basis)
- Average service level sets limit on eligible DC funding or “maximum allowable funding envelope”
- Both quantity and quality of service must be considered



Step 3 – Establishing a Development-Related Capital Program

- Future capital costs must be identified and Council capital program must reflect Council's intent to undertake works
- Costs must be reduced by
 - Grants, subsidies & other contributions
 - Benefits test (benefit to existing; replacement)
 - Uncommitted DC reserve funds
 - “Post-period” benefit

Eligible Capital Costs

- Costs to acquire and improve land (including leasehold interests)
- Building and structure costs
- Rolling stock with a useful life of 7 years or more
- Furniture and equipment, excluding computer equipment
- Library materials
- ~~■ Development-related studies~~
- Interest and financing costs

Step 4 – Final Adjustments

- Allocate costs between residential and non-residential sectors
- Calculate charge using cash flow analysis
- Charge typically levied as follows:
 - Residential – per unit by unit type
 - Non-residential – per square foot of GFA

Step 5 – Asset Management Plan and Impacts

- Long term capital and operating impact analysis
- Background Study must include an Asset Management Plan (AMP) that
 - deals with all assets that are proposed to be funded in whole or in part by DCs
 - demonstrates that all assets are “financially sustainable” over their useful life
- Regulation only addresses AMP requirements for Transit *and they are extensive*