

Report To:	Regional Chair and Members of Regional Council
From:	Keshwer Patel, Commissioner, Finance and Regional Treasurer
Date:	November 24, 2021
Report No:	FN-36-21
Re:	Update on the Activity of the Development Charges Advisory Committee (DCAC)

RECOMMENDATION

THAT Report No. FN-36-21 re: “Update on the Activity of the Development Charges Advisory Committee (DCAC)” be received for information.

REPORT

Executive Summary

- This report is to update Council regarding the activities of the DCAC in relation to the 2022 Development Charge (DC) By-law update process.
- The DCAC met 4 times during September and October 2021, which marked the beginning of the consultation process.
- The public consultation process will continue based on the schedule outlined in Attachment #1 to this report.
- The DC Background Study is scheduled to be released on December 15, 2021.

Background

This report is to update Council regarding the activities of the DCAC in relation to the 2022 DC update process. Earlier this year the Region initiated the 2022 DC update process in order to update the Region’s current DC By-law No. 36-17 which will expire on August 31, 2022. The Work Plan was introduced to Council through Report No. FN-02-21/PW-04-21 (re: Region’s 2021/2022 Development Charges (DC) Review) and outlined in more detail in Report No. FN-04-21/LPS14-21 (re: 2022 Development Charge (DC) Update and Development Charges Advisory Committee Work Plan). The 2022 DC update process includes a comprehensive consultation process, beginning with the input from the DCAC (September to October 2021) and will continue with the release of the DC

Background Study on December 15, 2021 until Council approval of the DC By-law (April 2022). The Schedule of the 2022 DC process is included in Attachment #1 to this report.

The DCAC is currently comprised of 15 members representing developers, builders, business, councillors including the Regional Chair and tax/rate payers. The current membership and representation is included as Attachment #2. As set out in the Committee's Terms of Reference, the goal is to advise and assist the Region with respect to the preparation of the DC Background Study. As outlined in Report No. FN-02-21/PW-04-21 this DC update will incorporate the legislative changes to the *Development Charges Act, 1997*, as amended (DCA), which came into effect in 2020, however will only represent the growth to 2031 based on the current Regional Official Plan and corresponding best planning estimates. The water, wastewater and transportation capital costs were updated through technical reports provided to Council through Report No. PW-32-21/FN-31-21 (re: 2022 Development Charge Update-Water, Wastewater and Transportation Technical Studies). The DCAC has reviewed and provided their advice on the methodology and assumptions used in the DC calculation and DC policies as outlined below.

The items reviewed and discussed at each of the meetings are as follows:

- **Meeting #1 – September 24, 2021 – Introductions & Growth Assumptions**
 - Introductions and election of Chair and Vice-Chair
 - Development Charges 101
 - DC Growth Assumptions
- **Meeting #2 – October 8, 2021 – DC Policies, adjusted Growth & General Services**
 - DC Policies and By-law Structure
 - Adjusted Growth for DC Calculations
 - General Services Calculation
- **Meeting #3 – October 21, 2021 – Water, Wastewater, Roads & DC Compare**
 - Water/Wastewater & Roads Capital Costs and Calculations
- **Meeting #4 – October 29, 2021 – Final Review**
 - Cost of Growth
 - DC Rate Review
 - Policy Review

At the September 24, 2021 meeting, Councillor Paul Sharman was elected as Chair of the DCAC and Councillor Clark Somerville as Vice-Chair.

During this process, relevant information was provided through staff presentations. Further supplementary information was also provided as requested by the committee, including an email address that was set up exclusively for related questions to which staff could respond outside of the meetings. The information presented to the DCAC including agendas, minutes, presentations and the technical studies, is available on Halton's website.

Discussion

Calculated 2022 DC rates

Based on the technical information provided to the DCAC, the DCs were calculated in accordance with the DCA and presented to the DCAC. It should be noted that the calculation of these proposed rates will not be finalized until the DC Background Study is released on December 15, 2021. As discussed at DCAC, for the 2022 DC By-law update consideration has been given to Area specific charges as required under the DCA. The most common approach to structuring DC By-laws in Ontario is to implement a uniform or municipal-wide charge. Currently Halton has Region-wide DC rates for all services except water/wastewater. This update will continue using the same Area specific approach (i.e. Greenfield/Built Boundary) for water/wastewater given that we have not changed the planning horizon or developed new masterplans. This will be reviewed as part of the next DC update when incorporating growth to 2051.

Residential DCs

The following provides a summary which includes the new calculated DC rates in comparison to the existing DC rates (including GO, Transit, Front-end Recovery Payment and Recovery DC to show the total quantum).

Draft Residential DCs (SDE)

Service	As Of April 1, 2021		New Calculated	
	Area Specific		Area Specific	
	Greenfield	Built-Bndry	Greenfield	Built-Bndry
Water & Wastewater	\$ 18,965	\$ 7,679	\$ 29,537	\$ 10,221
Roads	19,284	19,284	30,366	30,366
General Services	2,405	2,405	2,439	2,439
Total DC Update	\$ 40,655	\$ 29,369	\$ 62,342	\$ 43,026
GO Transit ¹	\$ 1,280	\$ 1,280	\$ 1,280	\$ 1,280
Front-end Recovery Payment ¹	9,500	9,500	9,500	9,500
Recovery DC ¹	3,679	n/a	3,679	n/a
Total Payment	\$ 55,114	\$ 40,149	\$ 76,801	\$ 53,806

¹May not add due to rounding

1. GO Transit, Front-ending Recovery and Recovery DC requirements are beyond the scope of this study. However, GO DC is shown in this table for the purposes of presenting a total quantum of DCs.

As with the current DC By-law, the water and wastewater DCs have been calculated on an Area specific basis (i.e. Greenfield/Built Boundary). The new calculated DCs are compared to the current rates as follows:

- **Greenfield Area** – The water, wastewater, roads and general services (excluding Go Transit) result in the rate increasing from \$40,655 per SDE to \$62,342, representing a \$21,687 (53%) increase per SDE. When comparing the total payment (including GO Transit, Front-end Recovery Payment and Recovery DC) it results in an increase of 39%.
- **Built Boundary** - The water, wastewater, roads and general services (excluding GO Transit) result in the rate increasing from \$29,369 per SDE to \$43,026, representing a \$13,657 (47%) increase per SDE. When comparing the total payment (including GO Transit and Front-end Recovery Payment) it results in an increase of 34%.

Non-residential DCs

The proposed new Non-Residential DCs per square foot is summarized in the following table.

Non-Residential DCs (per Sq.Ft.)

Service	As Of April 1, 2021				New Calculated			
	Area Specific				Area Specific			
	Greenfield		Built-Bndry		Greenfield		Built-Bndry	
	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail
Water/Wastewater	\$ 7.226	\$ 7.226	\$ 3.233	\$ 3.233	\$ 9.142	\$ 9.142	\$ 3.393	\$ 3.393
Roads	30.279	5.978	30.279	5.978	46.049	8.585	46.049	8.585
General Services	0.393	0.393	0.393	0.393	0.299	0.299	0.299	0.299
Total	\$ 37.898	\$ 13.597	\$ 33.905	\$ 9.604	\$ 55.490	\$ 18.026	\$ 49.741	\$ 12.277

*May not add due to rounding

As discussed at DCAC, for the 2022 DC By-law update the Region will continue to calculate the differentiated Non-Residential DCs for Road services in the interest of continued economic development in the employment areas. The DC rate for roads was differentiated based on technical information that provided different trip generation rates relating to retail and other employment uses. The new calculated DCs are compared to the current rates as follows:

- **Non-Residential, Retail DC**
 - Greenfield Retail calculation - The Area Specific rate for the Greenfield Area results in the rate increasing from \$37.898 to \$55.490 representing a \$17.592 (46%) increase per square foot.
 - Built Boundary Retail calculation - The Area Specific rate for the Built Boundary Area results in the rate increasing from \$33.905 to \$49.741 representing a \$15.835 (47%) increase per square foot.

- **Non-Residential, Non-Retail DC**

- Greenfield Non-Retail calculation - The Area Specific rate for the Greenfield Area results in the rate increasing from \$13.597 to \$18.027 representing a \$4.430 (33%) increase per square foot.
- Built Boundary Non-Retail calculation - The Area Specific rate for the Built Boundary Area results in the rate increasing from \$9.604 to \$12.277 representing a \$2.673 (28%) increase per square foot.

When the costs were presented to DCAC, some members indicated that they expected a cost increase however not to the magnitude presented. Some members indicated that they may want the opportunity to undertake a more comprehensive review of the costs presented in Report No. PW-32-21/FN-31-21 (Re: Development Charges Update – Water, Wastewater, and Transportation Technical Studies), during the public consultation process. Given that DCAC dissolves at the release of the DC Background Study, staff indicated that they could make submissions individually through the public consultation process.

Members also raised that being competitive was an important factor especially for the non-residential, non-retail sector. A competitiveness review was undertaken and will be discussed below.

Competitiveness

For the 2022 DC By-law update, a survey of the comparator municipalities in the Greater Toronto and Hamilton Area (GTHA) and Greater Golden Horseshoe (GGH) was undertaken by Watson & Associates Economists Ltd. to examine the competitiveness based on the Region's new calculated DC rates. The results are shown in Attachment #3. As stated at DCAC, it is important to note that municipalities update their DC By-laws at different times and Halton's newly calculated rates in this analysis may be compared to rates that have not been updated for 2, 3 or even 4 years.

The analysis observed that Halton (including the local municipalities) is on the higher-end for all Residential Greenfield DC's as well as for built boundary in Oakville. However, for non-residential we are in the middle of the range for both retail and non-retail with the exception of Greenfield for Oakville and Burlington which are a little on the higher-end.

DCAC in general concurred with the outcome of the analysis and reiterated that competitiveness, especially for the non-residential, non-retail sector should be an important consideration. Other members indicated that DCs are not the only factor companies use to locate in Halton.

There was also concern with some members with regards to the residential rate based on the cost increase discussed above.

DC Policies

A summary of all of the existing policies along with the proposed changes was provided to the Committee. The policies are provided in Attachment #4 to this report. Changes mandated through Bill 108 as of January 2020 have been included. Following is a brief description of the proposed policy changes and feedback provided by DCAC.

- Agricultural

Currently the Regional By-law exempts agricultural uses, which are defined as bona fide farming operations including greenhouses which are not connected to Regional water services or wastewater services. This does not exempt on-farm diversification uses (i.e. related commercial/retail) or residential. It is being proposed to modify the current commercial expansion to include on-farm diversification in this by-law update. This will allow on-farm diversification to be exempt from DCs for:

- First 3,000 sq. ft.,
- As long as at least 6 months have elapsed since the last building permit,
- The owner provides written confirmation that the existing farming operation is continuing; and
- Additionally, a bona fide farm operation may extend beyond multiple legal lots so long as the lots are adjoining and form part of the bona fide farm operation.

- Industrial Expansion

The industrial expansion exemption in the current by-law is based on the mandatory exemption under the DCA. This allows for the enlargement of up to 50% of the floor area of an existing building to be exempt from DCs. The current industrial expansion does not include separate buildings, which is sometimes required for storage tanks and garbage enclosures. However, the commercial expansion (up to 3,000 sq.ft.) under the by-law does not require the expansion to be attached to the existing building, as long as it is incidental to or subordinate in purpose and exclusively devoted to the use in the existing building.

It is being proposed to amend the expansion exemption of existing industrial buildings to allow up to 3,000 sq. ft. to be located in a separate building. This exemption can be used at the same time as the mandatory expansion however the overall DC exemption will be capped at 50% of existing industrial Total Floor Area (TFA).

The DCAC did not raise any concerns regarding the proposed policy changes.

Cost of Growth

The DCA is an important tool for Halton to recover growth-related costs in order to provide infrastructure in a timely way to support growth and more importantly the Provincial

Growth Plan. However, there are two funding gaps experienced by Halton in accommodating growth:

- Significant upfront growth related infrastructure requirements, and
- Ensuring that growth pays for growth.

At the request of Regional Council staff reviewed these costs, and the DCAC was provided with further information regarding the second funding gap.

The total funding gap resulting from a DC recovery under DCA versus the growth pays for growth principle, mandatory institutional exemptions and Council approved discretionary exemptions is \$21.2 million per year. The following is a summary of these costs:

- **DCA versus growth pays for growth - \$15.5 million per year:**
 - \$7.4 million per year for Ineligible Services, including services such as waste management (excluding waste diversion), social services, acquisition of parkland, municipal administration buildings, museums and computer equipment are not covered, even though demand for these services directly relates to the level of growth.
 - \$3.9 million per year is calculated as the cost of average service level as the DCA limits the DC recoverable cost based on the average service level provided throughout the 10 years leading up to a DC Background Study.
 - \$4.2 million per year is the cost of Industrial Expansion Exemption as the DCA contains the 50% industrial expansion exemption that was not in the previous *Development Charges Act, 1989* (DCA, 1989).
- **Mandatory Institutional Exemptions - \$2.3 million per year:**
 - Board of Education – Although the Province is responsible for funding new schools, the municipalities are required to provide a mandatory DC exemption under the DCA for municipal infrastructure.
 - Local/Regional Municipalities buildings.
- **Discretionary Exemptions - \$3.4 million per year:**
 - The Region provides a number of discretionary exemptions, relief and credits including demolition/conversion, commercial expansion, places of worship, hospital, Conservation Authority and agricultural.

At DCAC only “DCA versus growth pays for growth” was presented, however the order of magnitude of the other mandatory and discretionary exemptions was given. Supplementary information was distributed to the members and posted on-line with the cost of the other exemptions.

DCAC commented that this was only a part of the picture and that the additional tax assessment should also be considered. This is outside the scope of this review.

FINANCIAL/PROGRAM IMPLICATIONS

The financial implications arising from the new development charges and related policies will be reviewed a part of the 2022 Development Charge Process and final recommendations made to Council in April 2022.

Respectfully submitted,



Matthew Buist
Director, Capital Development Financing



Keshwer Patel
Commissioner, Finance and Regional
Treasurer

Approved by



Jane MacCaskill
Chief Administrative Officer

If you have any questions on the content of this report,
please contact:

Matthew Buist

Tel. # 7873

- Attachments:
- Attachment #1 – Process Chart
 - Attachment #2 – DCAC Members
 - Attachment #3 – DC Comparison
 - Attachment #4 – Existing and Proposed Policies

**Attachment #1 to
Report No. FN-36-21**

Process	Date
1. Release DC Background Study to Public	December 15, 2021
2. Advertise Notice of Public Meeting	At least 20 days prior to Public Meeting
3. Public Meeting under the DC Act (Statutory Public Meeting & Hearing Committee)	February, 2022
4. Final DC Proposals to Council	March, 2022
5. Passing of DC By-law(s) by Council	April, 2022
6. Advertise Notice of passage of DC By-law	Within 20 days of passage
7. Last day for DC By-law Appeal	40 days after passage

NOTE: Under the DCA:

- **the DC Background Study must be available to the public at least 60 days before the By-law is passed and continue to be available until the by-law expires (by posting on the municipal website).**
- **The DC Background Study AND the By-law must be available to the public at least 2 weeks before the first Public Meeting.**

2021-2022 DCAC MEMBERS

Regional Council Representatives:

Gary Carr, Regional Chair
Rob Burton, Mayor, Town of Oakville
Mike Cluett, Regional Councillor, Town of Milton
Paul Sharman, Councillor, City of Burlington
Clark Somerville, Regional Councillor, Town of Halton Hills

Citizen Representatives:

Lisa Brown
Carmen Gucciardi
Herb Lewington
Ric Robertshaw

Recognized Organization Members

Residential Home Builders Representatives:

Steven Frankovich, West End Homebuilders Association (WEHBA)
Gary Gregoris, Building Industry and Land Development Association (BILD)

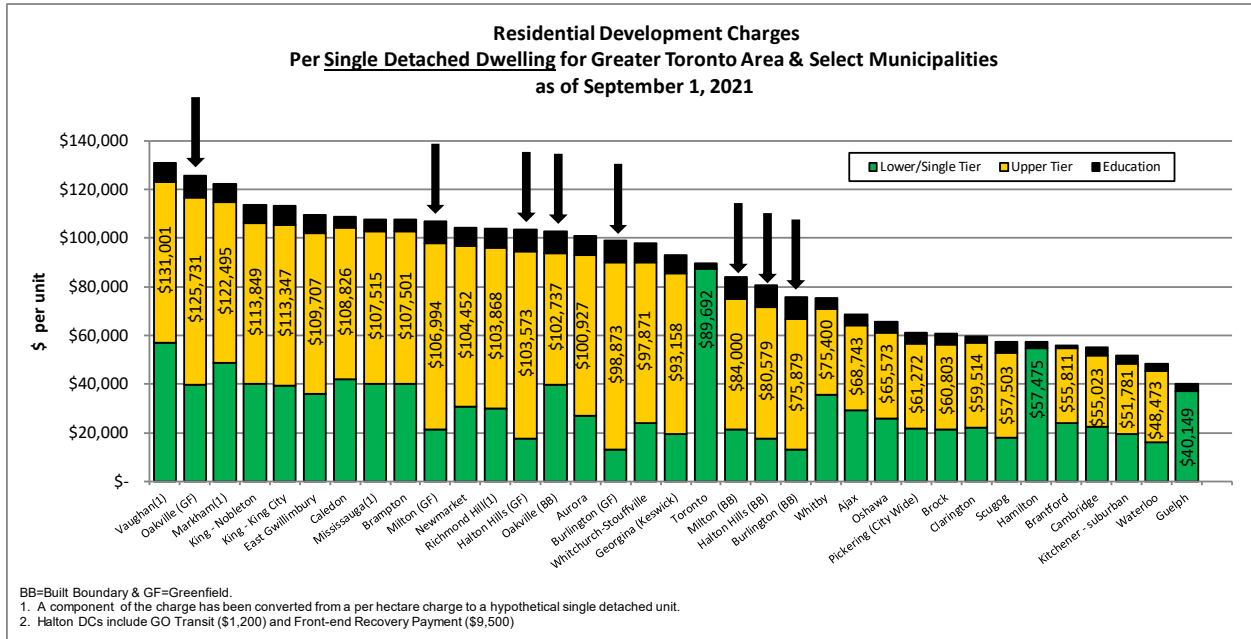
Non-Residential Developer Representatives:

Shane Cooney, ADI Developments
Jason Sheldon, Remington Group

Business/Chamber of Commerce Representatives:

Ray Chesher, Your Home Today Realty Inc.
Leisl Dukhedin-Lalla, Zeton Inc.

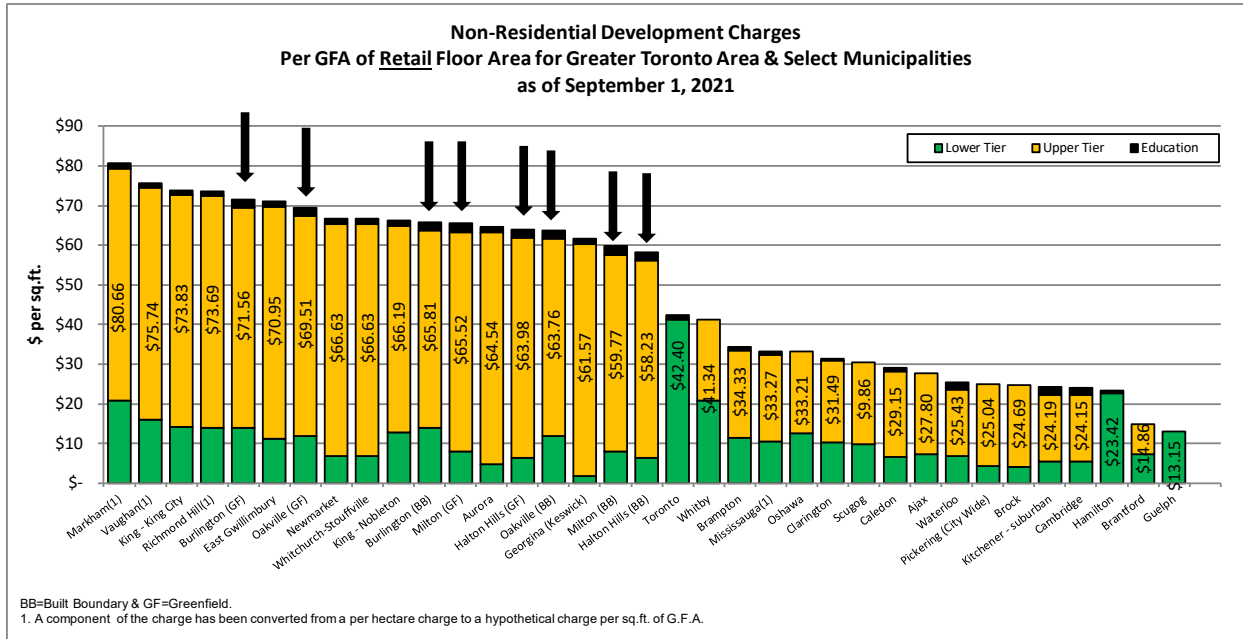
Halton's Proposed Residential DC compared to GTA and Other Selected Municipalities



Municipality	Lower Tier	Upper Tier	Education	Total
Oakville (GF)	\$ 39,970	\$ 76,801	\$ 8,961	\$125,731
Milton (GF)	\$ 21,233	\$ 76,801	\$ 8,961	\$106,994
Halton Hills (GF)	\$ 17,812	\$ 76,801	\$ 8,961	\$103,573
Oakville (BB)	\$ 39,970	\$ 53,806	\$ 8,961	\$102,737
Burlington (GF)	\$ 13,112	\$ 76,801	\$ 8,961	\$ 98,873
Milton (BB)	\$ 21,233	\$ 53,806	\$ 8,961	\$ 84,000
Halton Hills (BB)	\$ 17,812	\$ 53,806	\$ 8,961	\$ 80,579
Burlington (BB)	\$ 13,112	\$ 53,806	\$ 8,961	\$ 75,879

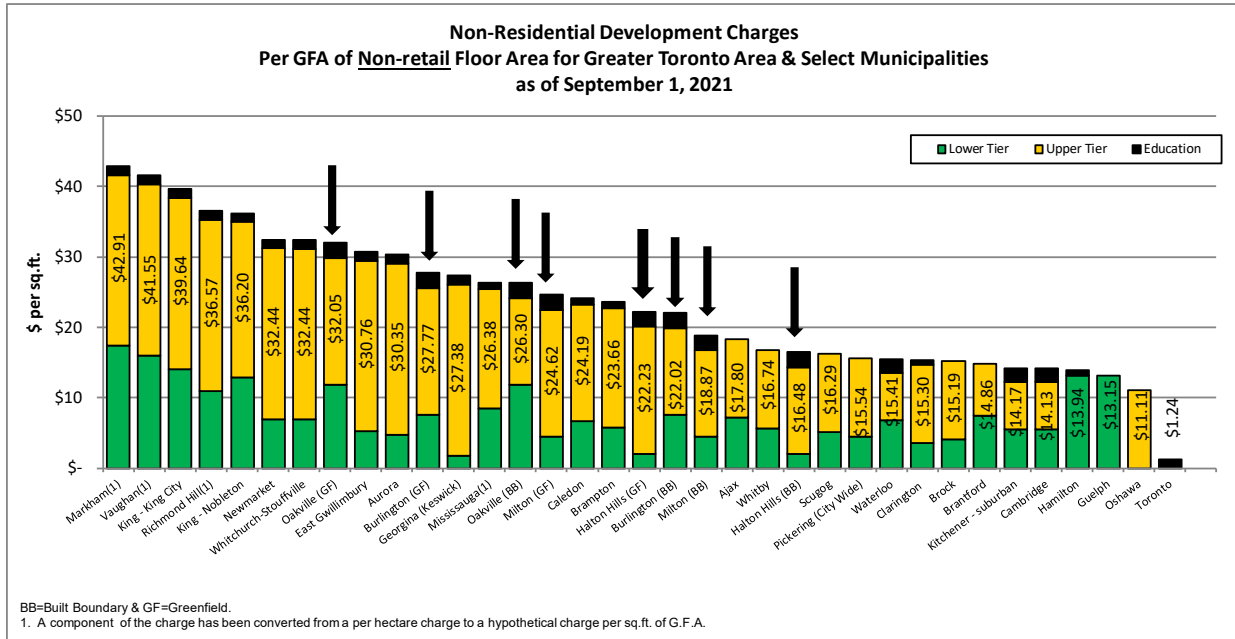
*May not add due to rounding

Halton's Proposed Non-Residential Retail DC compared to GTA and Other Selected Municipalities



Municipality	Lower Tier	Upper Tier	Education	Total
Burlington (GF)	\$ 13.92	\$ 55.49	\$ 2.15	\$ 71.56
Oakville (GF)	\$ 11.87	\$ 55.49	\$ 2.15	\$ 69.51
Burlington (BB)	\$ 13.92	\$ 49.74	\$ 2.15	\$ 65.81
Milton (GF)	\$ 7.88	\$ 55.49	\$ 2.15	\$ 65.52
Halton Hills (GF)	\$ 6.34	\$ 55.49	\$ 2.15	\$ 63.98
Oakville (BB)	\$ 11.87	\$ 49.74	\$ 2.15	\$ 63.76
Milton (BB)	\$ 7.88	\$ 49.74	\$ 2.15	\$ 59.77
Halton Hills (BB)	\$ 6.34	\$ 49.74	\$ 2.15	\$ 58.23

Halton's Proposed Non-Residential Non-Retail DC compared to GTA and Other Selected Municipalities



Municipality	Lower Tier	Upper Tier	Education	Total
Oakville (GF)	\$ 11.87	\$ 18.03	\$ 2.15	\$ 32.05
Burlington (GF)	\$ 7.59	\$ 18.03	\$ 2.15	\$ 27.77
Oakville (BB)	\$ 11.87	\$ 12.28	\$ 2.15	\$ 26.30
Milton (GF)	\$ 4.44	\$ 18.03	\$ 2.15	\$ 24.62
Halton Hills (GF)	\$ 2.05	\$ 18.03	\$ 2.15	\$ 22.23
Burlington (BB)	\$ 7.59	\$ 12.28	\$ 2.15	\$ 22.02
Milton (BB)	\$ 4.44	\$ 12.28	\$ 2.15	\$ 18.87
Halton Hills (BB)	\$ 2.05	\$ 12.28	\$ 2.15	\$ 16.48

**Attachment #4 to
Report No. FN-36-21**

DC Policies (By-law No. 36-17)	Current Policy	Proposed Changes
Intensification		
Industrial Expansion Exemption (<i>Mandatory</i>)	Exempt 50% of Existing TFA	Included in 50% exemption, exempt up to 3,000 sq. ft. of a separate, accessory building
Commercial Expansion (Non-Retail)	Exempt first 3,000 sq.ft. in existing or accessory building	No change
Non-Residential Lot Coverage Relief	DCs payable on TFA <= 1X lot area exempt for TFA > 1X lot area	No change
Demolition Credit	Credit for 5 years	No change
Conversion Credit	Retail conversion - exempt greater of 25% of TFA or 10,000 sq. ft. (930 sq. m.);	No change
Additional dwelling units in existing residential buildings or a structure ancillary to it (<i>Mandatory</i>)		No change
Accessory Dwelling Units	DC payable at special care unit rate	No Change
Affordable Rental Housing	Greater of 25% or 10 units at or below affordable rent, as defined (for min. 20yrs) Deferral of DCs by annual payments over 20 yrs commencing at BP No interest, Subject to allocation	No Change
Bill 108 DCA changes		
Additional dwelling units in new residential buildings or a structure ancillary to it (<i>Mandatory</i>)		No change
Rental housing (that is not non-profit) (<i>Mandatory</i>)	Payment of DCs by 6 annual installments commencing at occupancy Interest applies	No change
Non-profit housing (<i>Mandatory</i>)	Payment of DCs by 21 annual installments commencing at occupancy No interest	No change
Institutional (<i>Mandatory</i>)	Payment of DCs by 6 annual installments commencing at occupancy Interest applies	No change
Economic Development:		
Non-Residential Payment Deferral	Deferral of DCs by annual payments over 10 yrs commencing at BP Interest applies	No change
Non-Residential Categories	Differentiated between Retail and Non-retail	No change
Temporary Non-Residential Building	Exempt for 3 years	No change
Seasonal Structures (to be removed after a single season)	Exempt	No change
Temporary Venues (to be removed within 1 week)	Exempt	No change
Other		
Municipal and School Board Exemptions (<i>Mandatory</i>)	Exempt	No change
Parking Garages	Exempt	No change
Temporary Residential Building - Garden Suite, Other	Exempt	No change
Agricultural	Exempt (except for residential & retail/commercial use)	Exempt (except for residential & retail/commercial use). Exempt first 3,000 sq.ft. of accessory retail/commercial TFA definition to exclude cannabis production
Hospital	Exempt	No change
Places of Worship	Exempt	No change
Conservation Authority	Exempt (except for retail/commercial use)	No change