



Subject:	Development Charge Review
To:	Committee of the Whole – Planning & Economic Development
From:	Planning and Development Department

Report Number:	PD-15-24
Wards Affected:	All
Date to Committee:	April 2, 2024
Date to Council:	April 15, 2024

Recommendation:

Committee approve Report PD-15-24 regarding the Development Charge Review; and
That Committee:

- (a) Whenever appropriate, request that grants, subsidies and other contributions be clearly designated by the donor as being to the benefit of existing development or new development, as applicable;
- (b) Adopt the assumptions contained herein as an ‘anticipation’ with respect to capital grants, subsidies and other contributions;
- (c) Continue the development charge approach to calculate the charges on a uniform Town-wide basis for all services except water, wastewater and stormwater services;
- (d) Continue the development charge approach to calculate the charges on an urban-area basis for water, wastewater and stormwater services;
- (e) Continue the development charge approach to calculate the charges on an area-specific basis for stormwater services in the area of Campden;
- (f) Approve the capital projects listing as set out in Chapter 5 of the Development Charges Background Study Consolidated Report dated March 22, 2024, subject to further annual review during the capital budget process;
- (g) Approve the Development Charges Background Study Consolidated Report dated March 22, 2024 as set out in Appendix A;
- (h) Has determined that no further public meeting is required;
- (i) Approve the Development Charge By-laws as set out in Appendix B.

That the development charges in Appendix B be effective April 30, 2024 and then indexed by 6.57% (2024 rates) effective June 1, 2024.

Purpose:

This report provides a recommendation to Committee and Council regarding the Development Charges Background Study Consolidated Report dated March 22, 2024. The existing 2018 DCB will expire on April 30, 2024. A new DCB is required to permit the Town to continue to collect development charges (DCs) when the existing DCB expires. The new DCB also addresses legislative changes to the *Development Charges Act, 1997* (DCA).

Background:

The Town retained Watson & Associates Economists Ltd. (Watson) to undertake the Development Charge Review. They have completed the Development Charges Background Study Consolidated Report. The Consolidated Report includes the 2023 Development Charges Background Study, the 2024 Addendum to the Development Charges Background Study and the Development Charges By-law (DCB). A copy of the Development Charges Background Study Consolidated Report is included as Appendix A.

An update to the 2018 DCB was undertaken in 2022 to comply with legislated changes to the DCA through Bill 108, More Homes, More Choices Act, 2019 and Bill 197, COVID-19 Economic Recovery Act, 2019.

In Nov. 2022, the province approved changes to the DCA through Bill 23, More Homes Built Faster Act, 2022. In Dec. 2023, the province approved further changes to the DCA through Bill 134, Affordable Homes and Good Jobs Act, 2023. Bill 23 and Bill 134 included legislative changes to the DCA which are addressed in the new DCB.

On Dec. 13, 2023, the Province issued a News Release advising that it will be consulting with key stakeholders on the definition of attainable housing in the DCA. They are proposing that the definition of attainable housing only apply to modular home demonstration sites, including surplus lands and surplus lands made available by municipalities, in order to incentivize early development of modular, attainable homes. They are also consulting on the potential changes to the DCA, including:

- The requirement to phase-in DCs rates over 5 years for DCBs passed as of Jan. 1, 2022; and
- The removal of studies as an eligible capital cost for DCs.

As of the date of the preparation of this report, no further changes to the DCA have been approved by the Province.

Report:

Purpose of Development Charges

The purpose of DCs is to recover the capital costs of infrastructure required to service new residential and non-residential growth in the Town. Those services include roads,

fire, parks and recreation, library, water, wastewater and stormwater. The portion of any new infrastructure or any upgrade to existing infrastructure that benefits existing development is funded through various means such as taxes, user rates, reserves and long-term debt. The portion of that infrastructure that is required to service new growth is funded from DCs. DCs are a financial tool used by municipalities to recover the capital costs of infrastructure to service new growth. If the Town was unable to collect DCs, the costs of infrastructure to service growth would have to be funded from the tax base and user rates. DCs are collected at the building permit stage or at occupancy depending on the type of development.

Prior to the expiry of an existing DCB, the Town must undertake a background study and prepare a draft DCB. To calculate new DC rates, the municipality must identify the future growth that is anticipated to occur, identify the services required for the future growth, and identify the capital costs to provide services for future growth.

Bill 23 and Bill 134 Changes to the Development Charge Act

Bill 23 and Bill 134 included changes to the DCA which will be addressed in the new DCB. Those changes are summarized in Table 1.

Table 1
Bill 23 and Bill 134 Changes to the Development Charges Act

Changes to Development Charges Act	In Force Date
<ul style="list-style-type: none"> • <i>Additional residential units</i> in a single detached, semi-detached or rowhouse dwelling and/or on lands containing a single detached, semi-detached or rowhouse dwelling are exempt from the payment of DCs • Includes up to 2 additional residential units per lot (up to 1 additional unit in the main building and 1 additional unit in an accessory building or up to 2 additional units in the main building) • The change now exempts the second dwelling in a semi-detached and rowhouse whereas previously only the first additional unit was exempted in a semi-detached or rowhouse dwelling 	Nov 28, 2022
<ul style="list-style-type: none"> • <i>Affordable residential units</i> are exempt from the payment of DCs • 'Affordable ownership unit' is defined as a residential unit where the price of the unit is not greater than the lesser of: <ul style="list-style-type: none"> – The income-based affordable purchase price for the residential unit set out in the Affordable Residential Units bulletin; and – 90% of the average purchase price identified for the residential unit set out in the Affordable Residential Units bulletin • 'Affordable rental unit' is defined as a residential unit where the rent is no greater than the lesser of: <ul style="list-style-type: none"> – The income based affordable rent for the residential unit set out in the Affordable Residential Units bulletin; and 	TBD

Changes to Development Charges Act	In Force Date
<ul style="list-style-type: none"> - The average market rent identified for the residential unit set out in the Affordable Residential Units bulletin • The bulletins have yet to be provided by the Province to determine the threshold for affordable ownership and affordable rental residential units • Both the affordable ownership and rental units must be sold or rented to a person who is dealing at arm's length with the seller or landlord • Affordable ownership and rental units to be maintained as affordable for a minimum of 25 years via an agreement with the municipality 	
<ul style="list-style-type: none"> • Attainable housing units are exempt from the payment of DCs • 'Attainable' housing category excludes affordable ownership and rental housing units • The Province is proposing that the definition of 'attainable' will only apply to modular home demonstration sites, including surplus municipal lands • Information bulletins have yet to be provided by the Province to determine the threshold for attainable housing units • Attainable housing to be sold to the first purchaser (at arm's length) at an attainable purchase price. • Attainable housing to be maintained as attainable for a minimum of 25 years via an agreement with the municipality 	TBD
<ul style="list-style-type: none"> • <i>Inclusionary zoning affordable housing units</i> (not applicable within the Town) are exempt from the payment of DCs • Total number of units required to be affordable is limited to 5% of a development for a maximum period of 25 years, as part of inclusionary zoning 	Nov. 28, 2022
<ul style="list-style-type: none"> • <i>Non-profit housing</i> • Non-profit housing is exempt from the payment of DCs • The definition of non-profit housing development includes non-profit housing co-operatives 	Nov. 28, 2022
<ul style="list-style-type: none"> • <i>Additional rental units</i> within an existing rental building which contains 4 or more residential units are exempt from the payment of DCs 	Nov. 28, 2022
<ul style="list-style-type: none"> • <i>Discounted DCs for purpose built rental units:</i> <ul style="list-style-type: none"> - By 25% for a 3 or more bedroom unit - By 20% for a 2 bedroom unit - By 15% for all other unit types 	Nov. 28, 2022
<ul style="list-style-type: none"> • <i>Phasing in</i> of new DCs over 5 years: <ul style="list-style-type: none"> - Year 1-pay 80% of DCs - Year 2-pay 85% of DCs - Year 3-pay 90% of DCs - Year 4-pay 95% of DCs 	Nov. 28, 2022 Under review

Changes to Development Charges Act	In Force Date
– Year 5-pay 100% of DCs	
• Studies have been removed as an eligible service	Nov. 28, 2022 Under review
• Historical level of services from 10 years to 15 years	Nov. 28, 2022
• New DCBs to be in effect for 10 years instead of 5 years	Nov. 28, 2022
• Maximum interest rate for DC installment payments and DC freeze set at the average prime rate plus 1%	Nov. 28, 2022

Anticipated Growth

The Town's population is anticipated to reach approximately 32,360 by mid-2033 and approximately 38,680 by mid-2043. This represents an increase of approximately 6,200 and 12,250 people, respectively. This population growth equates to approximately 24% by mid-2033 and 48% by mid-2043. Approximately 1,003,300 square feet of non-residential development is anticipated to occur by 2043. The majority of the residential and non-residential growth is expected to occur within Beamsville and Prudhommes. The growth forecast provides for the anticipated development for which the Town will be required to provide services over a 10-year time horizon (2023 to 2033) and a longer-term time horizon (2023 to 2043). Details of the anticipated growth is outlined in Chapter 3 of the Background Study in Appendix A of this report.

Services to be Included in Development Charge By-law

The DCB will include the following categories of services:

- Parks and recreation services (town-wide);
- Services related to a highway (roads, facilities and fleet) (town-wide);
- Fire services (town-wide);
- Library services (town-wide);
- Water services (areas serviced with water);
- Wastewater services (areas serviced with wastewater); and
- Stormwater services (areas serviced with stormwater).

The details of the services for each class of service is outlined in Chapter 5 of Appendix A.

The 2018 DCB included administration studies, but those were removed by recent changes to the DCA. Although the Province is undertaking consultation regarding administration studies, no changes to the DCA have yet been made by the Province. Depending on the outcome of that consultation and the timing of any resulting changes, an update to the Final Background Study and DCB may need to be considered after the new DCB is approved by Council. Alternatively, administration studies could be considered through the community benefits review.

Draft Development Charges By-law

The detailed breakdown for the proposed DCs for each type of residential unit and for each type of non-residential development are detailed in Schedule B of Appendix G in the Background Study (Appendix A to this report).

As outlined in this report, the existing DCB will expire on Apr. 30, 2024. Staff are recommending that the new rates come into effect on Apr. 30, 2024. This will allow applicants who are ready to submit building permits time to submit their applications before the new rates come into effect. A summary of the new DCs which includes the total DCs for each year of the phase in provisions is provided in Table 2 below.

Table 2
Phase-in Provisions

80%									
80% Mandatory Phase-in (Year 1)	RESIDENTIAL					NON-RESIDENTIAL (per sq.m of Gross Floor Area)			
	Single and Semi-Detached Dwelling	Multiples	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Special Care/Special Dwelling Units	Primary	Commercial	Industrial	Institutional
Total Town-Wide	25,304	20,939	17,906	11,602	9,698	27.81	166.80	69.49	123.57
Total Town-Wide + Urban	35,310	29,220	24,987	16,191	13,533	27.81	248.78	103.59	184.28
Campden Area-Specific	15,021	12,430	10,630	6,887	5,757	-	-	-	-

85%									
85% Mandatory Phase-in (Year 2)	RESIDENTIAL					NON-RESIDENTIAL (per sq.m of Gross Floor Area)			
	Single and Semi-Detached Dwelling	Multiples	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Special Care/Special Dwelling Units	Primary	Commercial	Industrial	Institutional
Total Town-Wide	26,886	22,248	19,026	12,328	10,305	29.55	177.22	73.84	131.29
Total Town-Wide + Urban	37,517	31,046	26,549	17,203	14,379	29.55	264.32	110.07	195.80
Campden Area-Specific	15,960	13,207	11,294	7,318	6,117	-	-	-	-

90%									
90% Mandatory Phase-in (Year 3)	RESIDENTIAL					NON-RESIDENTIAL (per sq.m of Gross Floor Area)			
	Single and Semi-Detached Dwelling	Multiples	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Special Care/Special Dwelling Units	Primary	Commercial	Industrial	Institutional
Total Town-Wide	28,467	23,557	20,145	13,053	10,911	31.29	187.65	78.18	139.02
Total Town-Wide + Urban	39,724	32,873	28,111	18,215	15,224	31.29	279.87	116.54	207.31
Campden Area-Specific	16,898	13,984	11,958	7,748	6,476	-	-	-	-

95%									
95% Mandatory Phase-in (Year 4)	RESIDENTIAL					NON-RESIDENTIAL (per sq.m of Gross Floor Area)			
	Single and Semi-Detached Dwelling	Multiples	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Special Care/Special Dwelling Units	Primary	Commercial	Industrial	Institutional
Total Town-Wide	30,049	24,865	21,264	13,778	11,517	33.03	198.07	82.52	146.74
Total Town-Wide + Urban	41,931	34,699	29,672	19,227	16,070	33.03	295.42	123.02	218.83
Campden Area-Specific	17,837	14,761	12,623	8,179	6,836	-	-	-	-

100%									
100% Mandatory Phase-in (Years 5-10)	RESIDENTIAL					NON-RESIDENTIAL (per sq.m of Gross Floor Area)			
	Single and Semi-Detached Dwelling	Multiples	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Special Care/Special Dwelling Units	Primary	Commercial	Industrial	Institutional
Total Town-Wide	31,630	26,174	22,383	14,503	12,123	34.77	208.50	86.86	154.46
Total Town-Wide + Urban	44,138	36,525	31,234	20,239	16,916	34.77	310.97	129.49	230.35
Campden Area-Specific	18,776	15,538	13,287	8,609	7,196	-	-	-	-

The projects in the initial Dec. 2023 Background Report are based on 2023 costs and the proposed DCs in the draft DCB in that report have been calculated using the 2023 project

costs. The DCB includes a provision to adjust the DCs annually based on the Statistics Canada Quarterly, Non-Residential Building Construction Price Statistics. The DCs for the existing 2018 DCB were indexed at 6.57% on Jan. 1, 2024. Therefore, Staff are recommending that new April 30, 2024 DCs as shown in Table 2, be indexed by 6.57% on June 1, 2024 to reflect 2024 project costing. The DCs will then be adjusted Jan. 1, 2025, for 2025 costs, and each subsequent Jan. 1 each year thereafter until the end of the term of the new DCB.

The new DCB will be in effect for 10 years, whereas previously DCBs were for 5 years. As a result, an amendment may be required to the DCB to add new projects due to new development proposals, changes in development proposals or to address changes in the cost of projects. At this time, it is unclear if the phase in rates would be restarted when an amendment to a DCB is approved. Therefore, Watson has recommended that a separate DCB be provided for each service category. The DCB included in Appendix B currently consolidates all of the services into 1 by-law. The DCBs presented to Council for approval will separate DCBs for each service category.

Financial, Legal, Staff Considerations:

Financial:

As outlined in this report, the purpose of DCs is to recover the estimated capital costs of infrastructure required to service new residential and non-residential growth in the Town over the term of the DCB. DCs are a financial tool used by municipalities to recover the capital costs of infrastructure to service new growth. If the Town is unable to collect DCs, the costs of infrastructure to service growth would have to be funded from taxes and user rates. DCs are collected at the building permit stage or at occupancy depending on the type of development. As a result, the Town must first construct the infrastructure before DC revenue is collected to pay for that infrastructure.

Staffing:

N/A

Legal:

The Town's legal counsel has reviewed the draft by-law and necessary changes have been made to Appendix B.

Public Engagement Matters:

The Background Study and DCB were posted on the Speak Up Lincoln website page in Dec. 2023. The Addendum was posted on the Speak Up Lincoln website page in Feb. 2024. Notice of the Feb. 20, 2024 public meeting for the Development Charge Review was placed in the newspaper and on the Speak Up Lincoln website page. Notice of the public meeting was also provided to the development community and stakeholder groups. An information session with the development community and stakeholder groups was

held on Feb. 14, 2024, and an information meeting was held with the homebuilder associations on Feb. 28, 2024.

Speak Up Lincoln Webpage

A total of 249 participants visited the Speak Up Lincoln webpage between Aug. 1, 2023, and Mar. 14, 2024. A total of 48 participants downloaded a document which indicates a deeper level of review of the material provided. One question was asked and the Town's response to that question is included in Appendix D.

Public Comments

At the time of the preparation of this report, the following comments have been received:

- There are limited resources in a small community
- Developers not existing residents should bear community expansion
- It is an older population with many on fixed income and given the aging population, this will not change
- Traffic has been getting worse as QEW congestion and closures have forced traffic onto local roads
- Widening options are limited without negatively affecting homeowners and merchants
- In a medical emergency, congestion makes it dangerous for residents to get to a hospital.

Staff Response: The scope of a DCB is to address the financial implications to provide the infrastructure to support growth. DCs also assist in ensuring that the costs of servicing new growth are primarily borne by the new growth rather than through taxes and rates. This is to ensure that the costs are not passed onto existing residents and businesses in the community.

A copy of the comments submitted to date are included as Appendix C.

Development Community and Stakeholder Groups

On Feb. 14, 2024, an information session was held with the development community and stakeholder groups. Watson provided an overview of the DC Review to the attendees of the session and a copy of the presentation was provided to those on the community and stakeholder list after the session. A summary of the questions received and staff responses to the questions is included as Appendix D.

Homebuilder Associations

On Feb. 28, 2024, an information meeting was held with the homebuilder associations to discuss the DC Review. A summary of the questions received and staff responses to the questions is included in Appendix E.

General – Prepayment of Development Charges

Should someone want to prepay their development charges prior to the approval and effective date of the new DCB or prior to an increase due to the phase-in rates, a financial analysis must be completed by Staff, and the following conditions should be satisfied:

- The applicant enters into a prepayment agreement and pay the applicable development charges prior to the effective date of the new by-law or the effective date of a phase-in rate;
- The agreement should include the following conditions:
 - Payment of the DCs;
 - A building permit must be issued within 1 year of the date of the agreement and construction must have commenced within that year. Where the development charge rate is frozen (zoning and site plan applications for 2 years), the building permit must be issued by the later of 1 year after the date of the agreement and the expiry of the frozen rate;
 - If a building permit has not been issued and construction commenced within the 1 year time frame, the applicant will be required to pay the difference between the rate paid at the time of the prepayment agreement (which excludes any phase-in rate) and the rate in effect at the time of the issuance of the building permit;
- The applicant would be responsible for the staff time and legal costs of preparing the agreement, and administrative costs of monitoring the agreement; and

The request for prepayment would only be entertained for those lands where the applicant has obtained planning approvals such as zoning approved, complete site plan application submitted, draft approval in place and it can reasonably be anticipated that a building permit and construction will commence within 1 year of the effective date of the agreement.

Conclusion:

As outlined in this report, the existing 2018 DCB will expire on April 30, 2024. A new DCB is required to permit the Town to continue to collect DCs when the existing DCB expires. The new DCB addresses legislative changes to the DCA. The Development Charge Review aligns with Council's strategic objective of being Responsible and Resilient through sustainable financial management. The specific strategic objective includes

utilizing strategies as key decision-making tools to address long-term planning of projects and infrastructure needs.

Respectfully submitted,

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Appendices:

Appendix A Development Charges Background Study Consolidated Report
Appendix B Draft By-law
Appendix C Public Feedback
Appendix D Development Questions from the Development Community and Stakeholder Groups
Appendix E Questions from the Homebuilder Associations

Notification:

Upon adoption, notice of the new DCB will be in accordance with the requirements of the *Development Charges Act*.

Report Approval:

The Director of Finance/Treasurer has reviewed the report. Final approval is by the Chief Administrative Officer.