

Staff Report 2024-0292

Meeting Date: May 14, 2024

Subject: 2024 Caledon Development Charges Report and By-laws

Submitted By: Robert Cummings, Commissioner of Finance and Chief Financial Officer, Finance

RECOMMENDATION

That the changes to the development charge background study and proposed by-laws subsequent to the statutory public meeting on March 19, 2024 are not considered a sufficient impact to create the need for a second public meeting to be held under sub-section 12(1) of the Development Charges Act, 1997;

That the Town of Caledon's 2024 Development Charges Background Study, attached as Schedule A to Staff Report 2024-0292, be approved;

That the proposed Development Charges By-laws, attached as Schedule B to Staff Report 2024-0292, be enacted to take effect May 30, 2024;

That the proposed Development Charges By-laws, attached as Schedule C to Staff Report 2024-0292, be enacted to take effect May 30, 2024; and

That the applicable capital needs identified in the Caledon's 2024 Development Charge Background Study be included in the Town's 10-year capital plan.

REPORT HIGHLIGHTS

- The Town of Caledon's current Development Charges (DC) by-law expires on May 29, 2024.
- In accordance with the *Development Charges Act, 1997*, the Town of Caledon has prepared a Development Charge Background Study prior to updating the Town's development charges by-law.
- A copy of the Development Charge Background Study and subsequent by-laws are attached as Schedule A and B to this report.
- A draft of the Town's DC Background Study and proposed by-laws were made available to the public on February 28, 2024 and March 2, 2024 respectively in advance of the statutory public meeting of Council which took place March 15, 2024.
- The published draft DC Background Study and proposed by-laws are in-line with the prevailing legislation. Most recently, the province announced additional proposed changes to the Development Charges Act (DCA) through Bill 185, Cutting Red Tape to Build More Homes Act, 2024. This legislation is not yet in force at the time of writing this staff report but a summary of the changes is included. Hemson Consulting is closely monitoring changes to the legislation and will advise if any further refinements to the by-law are necessary prior to passage.
- Based on stakeholder feedback minor policy updates and adjustments were made to the March 2, 2024 draft of the Town's DC background study and by-laws. The adjustments

are noted in this report and are considered minor in nature or not resulting in a sufficient impact that would create the need for a second public meeting to be held.

- For the purposes of this development charges update, the anticipated future development is based upon the Town’s Growth Management and Phasing Strategy Plan.
- The growth-related infrastructure identified in the DC Background Study is also based on the growth projections outlined in the approved official plans noted above and include the following service areas:
 - Services Related to a Highway: Roads & Related
 - Services Related to a Highway: Operations
 - Fire Protection Services
 - Parkland and Recreation
 - Library Services
 - By-law Enforcement
 - Development Related Studies (subject to amendment to the DCA)

Proposed development charge rate changes as calculated in the DC Background Study are as follows:

Table 1: Calculated Development Charge Rates

Type	Rate
Singles & Semis	\$58,899
Apartments (>70m²)	\$40,495
Small Units (70m² or less)	\$23,766
Other Residential Dwellings	\$53,397
Special Care Dwelling Units	\$16,185
Non-Residential Charge per m²	\$102.56

The proposed DC By-law policy changes include:

- Preparation of two DC By-laws: one dealing with the Services Related to a Highway: Roads and Related service and the other by-law pertaining to the remaining services;
- Additional definitions as provided for in the DCA;
- Previously a small apartment category applied only to apartment buildings whereas the 2024 DC By-law includes a “small unit under 70m²” irrespective of the type of building it’s situated in;
- Redevelopment credits now provided up to ten years following the demolition of a residential and non-residential property. Previously, non-residential properties were up to fifteen years;
- Attributing cost of Library, Parks & Recreation to residential development entirely rather than a 95% share to account for the way the Town plans for and delivers the service. This is consistent with many Ontario municipalities including Brampton and Mississauga;

- Removal of garden suite exemption as additional dwelling units are now dealt with through the DCA;
- Removal of “Green Incentives” from DC By-law for consideration for funding from other mechanisms;
- Definition for “place of worship” but no change to the treatment as an institutional use; and
- Addition of a “Special Care Facility / Unit” to the residential rates at an occupancy of one person per unit.

DISCUSSION

Development Charges (DCs) are fees collected on new development and are currently the primary funding source for infrastructure needed to service growth. Development Charges are collected to pay for growth-related capital infrastructure such as roads, new recreational facilities, parks, fire stations and libraries. All municipalities in Ontario must follow the *Development Charges Act, 1997* (“DCA”) and related regulations in order to levy development charges. The DCA is based on the core principle that “growth pays for growth” so that the cost of growth-related infrastructure does not fall on the existing community in the form of higher property taxation or user fees. Development Charges help ensure that municipalities have adequate funding to invest, in a timely manner, in necessary capital improvements to maintain service levels as the Town grows. This capital financing tool is integral to the Town's long-term fiscal stability.

Development charges do not fully fund the cost of growth-related capital infrastructure. Statutory deductions within the DCA limit the Town's ability to recover the full cost of growth from DCs. Because of this, a portion of the cost of growth is funded from the Town's property tax base and other revenue sources. Development charges are a onetime charge that collected on new residential and non-residential developments typically within the Town at building permit stage, currently. The DC revenues are used by the Town to help offset the cost of the infrastructure needed to accommodate growth. Without development charge revenue, the Town has two choices:

- 1) Remove projects (e.g., new community centers, libraries, fire stations, road improvements) from the 10-year capital plan, thereby electing to not proceed with the construction or acquisition of the infrastructure necessary to support growth;
- 2) Increase property taxes in order to fully fund the capital infrastructure required to support the population and employment growth.

The proposed by-law continues many of the current non-statutory or discretionary DC exemption and discount policies in place in the current (2019) DC by-law including exemptions for on-farm diversified use and other agriculture-related exemptions. All DC exemptions reduce the amount of funding from developers to pay for growth-related infrastructure. That is, DC's collected from developers are deposited to specific reserve funds which are used, in the future, to partially pay for growth-related infrastructure, such as the construction of a new community center. DC discounts and exemptions reduce the amount that developers contribute to the growth-related infrastructure. However, the cost to construct the infrastructure remains the same so the reduction in developer

contributions, via DC discounts and exemptions, are made up (primarily) from taxpayer funding (e.g., existing residents pay more for growth-related infrastructure when DC discounts and exemptions are provided to developers). As such, it is important that careful consideration is given to each DC discount/exemption granted to ensure the benefit or contribution to the Town's long-term goals is worth the foregone DC revenue. The Town currently has a baseline funding of \$100,000 in its operating budget to fund discretionary exemptions or discounts and transfers the funding necessary from property taxation to the DC reserves when these exemptions or discounts are provided to developers. As noted above, it is necessary to fund the discretionary discounts/exemptions from property taxation revenue in order to have the funds necessary to fund the growth-related infrastructure, when required. Otherwise, there will not be sufficient development charge funds available to draw from in order to fund the growth-related capital projects.

The DCA requires that a development charge background study be completed prior to updating development charge by-laws. Under the Act, prior to changes through Bill 23 as of November 2022, this process was required to be undertaken at least every five years. The 2024 DC By-laws will be eligible to remain in place for up to ten years. The Town of Caledon's current Town-wide development charge by-law, By-law 2019-31, as amended, expires on May 29, 2024. In accordance with the DCA, the Town started the development charge background study process in 2023 through extensive internal and inter-municipal consultation. Stakeholder consultations were held with the development community in late 2023 and into early 2024. A "DC 101" workshop was held with Council on April 10, 2024. A draft copy of the DC Background Study, for discussion purposes, was made available to the public on February 28, 2024 and a statutory public meeting of Council was held on March 19, 2024. The DC Background Study has been prepared pursuant to Section 10 of the DCA and together with the proposed by-laws has been made available more than 60 days prior to the anticipated passage and more than two weeks prior to the public meeting, respectively.

Based on stakeholder feedback from the various meetings noted above, including feedback from the March 19, 2024 public meeting and subsequent correspondence/ discussions with stakeholders from the development community, minor updates and adjustments were made to the February 28, 2024 draft of the Town's DC background study and by-laws, where appropriate. The adjustments are noted in this staff report and are considered minor in nature or not resulting in a sufficient impact that would create the need for a second public meeting to be held under sub-section 12(1) of the DCA.

The DC Background Study provides full details and supporting materials for the proposed 2024 DC by-law including:

- The requirements under the *Development Charges Act, 1997*;
- The Town's current development charge policy and rates;
- Anticipated development in Caledon;
- 15-year average level of service based on a detailed inventory of the Town's assets;
- Capital infrastructure needs to accommodate the forecasted growth within the limits set out by the 15-year average service standard cap;

- Development Charge calculations, including statutory deductions to the cost of growth-related infrastructure that will be borne by developers;
- A local service policy; and
- Proposed development charge rates by type of development (e.g., residential, and non-residential)

The DCA prescribes the services that are eligible for DC funding, the degree to which they can be recovered and the time horizon that is to be used in the rate calculation. Where amounts cannot be funded from DCs, they must be funded from other revenue sources such as property taxes.

All services calculated on a 10-year forecast including:

- Services Related to a Highway: Roads & Related
- Services Related to a Highway: Operations
- Fire Protection Services
- Parkland and Recreation
- Library Services
- By-law Enforcement
- Development Related Studies (subject to amendment to the DCA)

Legislative Changes

Numerous legislative changes have been brought forward since 2019 to the DCA. The passing of Bill 108, More Homes, More Choice Act brought forward numerous changes most impactful of which were sections 26.1 and 26.2 of the DCA which outlines requirements for installment payments and DC freezes for eligible developments.

Bill 23, More Homes Built Faster Act enacted in November 2022, made additional changes. These include introducing new exemptions for non-profit housing, additional units in existing rental housing and residential intensification in existing units. Affordable and attainable housing exemptions are part of Bill 23 but are not yet in force. Additional discounts for rental housing based on number of bedrooms and a mandatory phase-in of the maximum calculated rates over a 5-year period. Amendments to the DCA include extending the DC By-law from 5-year life to 10 years, requirement to use 15-year historical service level extended from 10-years and others.

In light of these additional statutory discounts and exemptions, many municipalities are moving away or considering moving away from providing any additional non-statutory exemptions. All non-statutory exemptions or discounts may result in revenue loss for the Town. This revenue loss must be made up from other sources – mainly property taxes. Development Charge policies require careful consideration of who will be paying for the infrastructure necessitated by development as the burden cannot be shifted to other development types under the DCA it must be made up from existing residents and businesses.

The Town's current exemptions and discounts are not intended to be changed or removed aside from garden suites (which are now dealt with under the DCA) and are discussed further below.

Bill 185 Summary



1. Re-introducing studies as an eligible capital cost for all services.
2. Entirely removing the requirement to discount the maximum calculated rates annually for five years.
3. Enabling municipalities to make minor amendments to the DC by-law in select circumstances.
4. A minor reduction in the time allocated to length of time during which the DC rates are frozen for zoning bylaw amendment and site plan applications.
5. Updating notice requirements where local newspapers are not provided.
6. Gearing up for the implementation of affordable housing exemptions by June 1, 2024.

Growth Related Infrastructure

For the purposes of this development charge update, the anticipated future development is based upon the approved growth projections in the Town's Growth Management and Phasing Strategy Plan, which provides for growth within the Town to 2051. The growth-related infrastructure identified in the DC Background Study is also based on the growth projections outlined in the Town's current approved official plan noted above. Masterplans, servicing studies, corporate policies and infrastructure models were used by departmental managers to identify the capital infrastructure and costs required to provide services for the Town's projected growth. Growth-related infrastructure included in this DC Background Study incorporates the 10-year capital projection included in the 2024 budget process. Adjustments to the 10-year capital projection/plan following work on the DC Study will be incorporated into the 10-year capital projection/plan as part of the 2025 budget process, where applicable. Detailed capital program by service area can be found in Appendix B and C of the attached 2024 DC Background Study.

Local Services Guidelines

As part of the development charge background study process, the Town has reviewed and updated its local services guidelines ("LSG"). The LSG outlines the growth-related amenities and infrastructure that are the direct responsibility of a developer as well as which items are to be funded through the DC. The LSG typically includes local services that directly benefit a development, such as roads, streetlights, and trails within the subdivision. This infrastructure is generally transferred to the Town following the completion of the development through the assumption process governed by the subdivision agreement.

Subsection 59 of the DCA states that a municipality cannot generally impose charges related to a development or a requirement to construct a service by way of a subdivision condition or agreement or as a condition of consent (severance) under section 53 of the *Planning Act*. Section 59 of the DCA further states that a municipality cannot impose a charge or requirement to construct a service

related to a development except as permitted by the DCA or another Act. The construction costs of local service items are directly funded or emplaced by a specific developer/group of developers or private landowners and therefore have no impact to existing taxpayers and not included in the Town-wide DC calculations paid by all Developers. Following the assumption of this infrastructure, the Town of Caledon taxpayers are responsible for the future maintenance, repair, and eventual replacement of the infrastructure as DC's are not permitted to fund operating costs (e.g., repair/maintenance) nor replacement.

Staff from across the organization worked to refine the Town's LSG that complies with both the DC and planning legislation.

Through the consultation process, an adjustment has been made to the LSGs to better align with the draft Multi-Modal Transportation Master Plan (MMTMP) released publicly on April 20, 2024 by changing the right-of-way that is considered a local service from 24.0 to 26.0 meters. This change had no impact to the capital program or the calculated rates as the capital program was based on the draft capital program identified in the MMTMP.

Proposed Rates

Residential DC rates are differentiated based on the type of dwelling unit. Nonresidential DC rates are calculated based on growth non-residential gross floor area for all industrial, commercial, and institutional development types. The calculated DC and current rates are presented in the table below.

Table 2: Comparison of Current and Calculated Residential DCs (per Single and Semi-Detached in dollars \$)

Service	Current Charge	Calculated Charge	Difference (\$)	Difference (%)
Fire Protection Services	\$2,963	\$4,139	\$1,176	40%
Parks & Recreation	\$21,116	\$21,398	\$282	1%
Library Services	\$2,430	\$1,532	-\$898	-37%
By-law Enforcement	\$465	\$378	-\$87	-19%

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Services Related to a Highway: Combined	\$28,436	\$30,848	\$2,412	8%
Class of Service: Development Related Studies	\$1,195	\$604	-\$591	-49%
Total Municipal Wide Services	\$56,605	\$58,899	\$2,294	4%

Table 2: Comparison of Current and Calculated Non-Residential DCs (per Square Meter of GFA in dollars \$)

Service	Current Charge	Calculated Charge	Difference (\$)	Difference (%)
Fire Protection Services	\$8.15	\$11.80	\$3.65	45%
Parks & Recreation	\$6.06	\$0.00	-\$6.06	-100%
Library Services	\$0.70	\$0.00	-\$0.70	-100%
By-law Enforcement	\$0.95	\$1.08	\$0.13	13%
Services Related to a Highway: Combined	\$78.23	\$87.96	\$9.73	12%
Class of Service: Development Related Studies	\$2.02	\$1.72	-\$0.30	-15%
Total Municipal Wide Services	\$96.12	\$102.56	\$6.44	7%

The increase in the proposed 2024 calculated charges, compared to the current charges, can be broadly attributed to the following factors:

- Increasing land and construction costs far exceeding the normal due to COVID-19 pandemic and other economic factors;
- Updated Growth Management and Phasing Strategy Plan resulting in an update of the capital infrastructure required to support the projected growth and refinement of project costs from the last DC Study; and
- New Census information available as of 2021 including occupancy data for unit types reflecting increased densities in Rows, Other Multiples, Apartments and Small units.

New Unit Type

In addition to the existing four unit types of residential development, through the consultation period, an additional type was added to account for special care units where the occupancy of each dwelling unit or room would be typically one person per unit. The calculated rate for this unit type is set at the per capita rate or \$16,185 per unit. This type of definition exists in the Region of Peel, City of Brampton, and Mississauga's DC By-laws. The draft definition for "special care facility" is:

"special care facility" means a residential building or portion thereof providing or intending to provide habitable units to unrelated individuals requiring special care, where such units may or may not have exclusive sanitary and/or culinary facilities, and the occupants have access to common areas and additional medical, personal and/or supervisory care. For clarity, a special care facility includes a long-term care home within the meaning of subsection 2(1) of the Fixing Long-Term Care Act, 2021, S.O. 2021, c. 39, Sched. 1, a home for special care within the meaning of the Homes for Special Care Act, R.S.O. 1990, c. H.12, or a residential hospice for end-of-life care.

DC BACKGROUND STUDY AND BY-LAW FEEDBACK

Formal written correspondence (included in Schedule D of this report) and feedback from the public meeting related to the Town's Development Charge Background Study and proposed by-law centered around the following themes:

- A. Clarification on the Benefit to Existing shares used for determining DC eligible components of the capital program across most services.
- B. Clarification on details of capital projects and timing in Services Related to a Highway: Roads and Related service area.
- C. Clarification on the Level of Service (LOS) inventories and inclusion of particular assets within select services.
- D. Inclusion of Development Related Studies as a service for recovery in the 2024 Draft DC By-laws.
- E. Clarification on the use of PPU assumptions in the development forecast.

Full details of the correspondence/questions received, and the Town's written responses are included in Schedule D of this report. A summary of the Town's response to the items noted in A to E, above, are as follows:

A. Clarification on the Benefit to Existing shares used for determining DC eligible components of the capital program across most services.

Hemson along with staff provided details on how methodology for specific projects was arrived at and details are included in the attached response memorandums to the development industry.

B. Clarification on details of capital projects and timing in Services Related to a Highway: Roads and Related service area.

Hemson along with staff input provided details on the projects included in the service area and noted that the timing of capital works was not used for the cash flowing of rates and could be updated based on the Town's annual capital budget process.

C. Clarification on the Level of Service (LOS) inventories and inclusion of particular assets within select services.

Hemson along with staff made modifications to the assets included in the LOS based on comments from the development industry. Details on the changes made can be found in the attached correspondence.

D. Inclusion of Development Related Studies as a service for recovery in the 2024 Draft DC By-laws.

In anticipation of the enactment of Bill 185, the rates for Development Related Studies are included in the Draft DC By-laws. Hemson will monitor the timing of legislative changes and make adjustments to the by-law if needed before passage.

E. Clarification on the use of PPU assumptions in the development forecast.

Hemson and Town staff provided clarification that the PPUs used in the 2024 DC Background Study were a blend of actual 2021 Census Special run data for the Town and broader data from the Region for smaller unit types as there were data limitations.

NEXT STEPS

- Subject to Council approval, the Town will provide notice of the passage of the by-law via the newspaper, Town website and written notice provided to the Region of Peel, School Boards, Ministry of Municipal Affairs and Housing within 20 days after passage of the by-law;

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- Stakeholders may appeal the Town's DC by-law within 40 days after passage (date); and
- The Town will make available a DC pamphlet within 60 days after the in-force date.

FINANCIAL IMPLICATIONS

The financial implications are included in other sections of this report.

COUNCIL WORK PLAN

Strategic Plan 2023-2035

This report is directly related to the following priority in Caledon's 2023-2035 Strategic Plan:

Service Excellence and Accountability

Details about Caledon's 2023-2035 Strategic Plan can be found at caledon.ca/strategicplan.

Sustainable Growth - Advance proactive infrastructure development solutions for growth management

ATTACHMENTS

- Schedule A – Development Charge Background Study
- Schedule B – Development Charge Proposed By-law (Town)
- Schedule C – Development Charge Proposed By-law (Roads)
- Schedule D – Public Feedback Received and Town Responses