

Staff Report 2019-63

Meeting Date: Tuesday, May 21, 2019

Subject: 2019 Development Charges Background Study and By-law

Submitted By: Hillary Bryers, Manager, Revenue/Deputy Treasurer, Finance and Infrastructure Services

RECOMMENDATION

That the changes to the development charge background study and proposed by-law subsequent to the statutory public meeting on April 23, 2019 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 2019 Development Charges Background Study, attached as Schedule A to Staff Report 2019-63, be approved;

That the proposed Development Charges By-law, attached as Schedule B to Staff Report 2019-63, be enacted to take effect May 29, 2019; and

That the applicable capital needs identified in the Caledon's 2019 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 June 25, 2019.
- 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-law is attached as Schedule A and B to this report.
- A draft of the Town's DC Background Study and proposed by-law were made available to the public on March 22, 2019 in advance of the statutory public meeting of Council which took place April 23, 2019.
- Based on stakeholder feedback minor policy updates and adjustments were made to the March 22, 2019 draft of the Town's DC background study and by-law. 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 approved growth projections in the Town's Official Plan Amendment 226.
- 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

- Operations
 - Fire Protection Services
 - Parkland and Trail Development
 - Indoor Recreation Facilities
 - Library Services
 - Development Related Studies
 - Animal Control
 - Provincial Offences Act
- Proposed development charge rate changes as calculated in the DC Background Study are as follows:

Table 1

Residential (Single Detached) Comparison

Service	Current (as of Feb 1, 2019)	Calculated
Municipal Wide Services:		
Services Related to a Highway	13,488	15,194
Operations	704	1,499
Fire Protection Services	1,200	1,248
Parkland and Trail Development	2,426	1,848
Indoor Recreation Facilities	6,209	8,206
Library Services	1,044	852
Development Related Studies	835	798
Animal Control	52	85
Provincial Offences Act	130	197
Total Municipal Wide Services	\$ 26,088	\$ 29,927

Non-Residential (per sq.ft.) Comparison

Service	Current (as of Feb 1, 2019)	Calculated
Municipal Wide Services:		
Services Related to a Highway	2.79	3.88
Operations	0.19	0.38
Fire Protection Services	0.32	0.32
Parkland and Trail Development	0.06	0.05
Indoor Recreation Facilities	0.15	0.22
Library Services	0.03	0.02
Development Related Studies	0.22	0.21
Animal Control	-	-
Provincial Offences Act	0.03	0.05
Total Municipal Wide Services	\$ 3.80	\$5.13

- The proposed DC By-law policy changes include:
 - Elimination of legal agreements to support DC exemption programs. Instead, securities will be utilized where appropriate;
 - Treatment of cannabis-related processing facilities as non-residential development;
 - New definitions for Stacked Townhomes and Back to Back Townhomes
 - Treatment of Nursing Homes and Special Care Residences as residential development;
 - Updated Industrial and Agricultural definitions to provide clarity and equity amongst developments;
 - Clarification that the non-statutory development charge exemptions for the Bolton Business Improvement Area and the Caledon East Commercial Core Area are for non-residential development only; and
 - Redevelopment credits for DC's will now be provided up to ten years following the demolition of a residential property and up to fifteen years following the demolition of a non-residential property to encourage more timely redevelopment of a building or structure that was demolished.

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 one-time charge that collected on new residential and non-residential developments 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 centres, 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 (2014) 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 centre. 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, this process must be undertaken at least every five years. The Town of Caledon's current Town-wide development charge by-law, By-law 2014-054, as amended, expires on June 25, 2019. In accordance with the DCA, the Town started the development charge background study process in 2018 through extensive internal and inter-municipal consultation. Stakeholder consultations were held with the development and agriculture communities in February 2019. A "DC 101" workshop was held with Council on March 5, 2019. A draft copy of the DC Background Study and by-law, for discussion purposes, was made available to the public on March 22, 2019 and a statutory public meeting of Council was held on April 23, 2019. The DC Background Study has been prepared pursuant to Section 10 of the DCA and together with the proposed by-law has been made available more than 60 days prior to the anticipated passage and more than two weeks prior to the public meeting.

Based on stakeholder feedback from the various meetings noted above, including feedback from the April 23, 2019 public meeting and subsequent correspondence/discussions with stakeholders from the development community, minor updates and adjustments were made to the March 22, 2019 draft of the Town's DC background study and by-law, 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 2019 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;
- 10-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 10 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. Services that are only 90 percent DC recoverable are referred to as discounted services compared with non-discounted fully recoverable services. Where amounts cannot be

funded from DCs, they must be funded from other revenue sources such as property taxes.

Services calculated on a 10-year forecast include:

- Parkland and Trail Development (90% DC recoverable)
- Indoor Recreation Facilities (90%)
- Development Related Studies (90-100%)
- Library Services (90%)
- Provincial Offences Courts (90%)
- Animal Control (90%)

Services calculated to build-out (2031):

- Fire (100%)
- Services Related to a Highway (Roads and Public Works) 100%

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 Official Plan Amendment 226, which provides for growth within the Town to 2031. 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. 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 2019 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 2020 budget process, where applicable. Highlights of these growth-related infrastructure projects include:

- **Fire and Emergency Services** – new fire stations, vehicles and equipment for stations in Bolton West and Mayfield West, additions to some existing fire stations.
- **Parks** – Caledon East (skatepark, neighbourhood parks), Mayfield West (community parks and neighbourhood parks), Town-wide Park, Bolton (hardball diamonds), Trails.
- **Indoor Recreation** – new Mayfield West 2 facility, Caledon East Phase 4 expansion, new indoor Bolton facility, Seniors Rotary Centre expansion, Mayfield Recreation expansion.

- **Library** – new Mayfield West 2 library branch and collection materials, Caledon East branch relocation.
- **Studies** – includes urban boundary expansions/municipal comprehensive reviews for settlement area boundary expansion studies, Official Plan five-year reviews.
- **Public Works** – additional public works yard to service growth in the South-west part of the Town, expansion of Yard 2 works yard, additional vehicles and equipment.
- **Roads** – growth-related roads program.
- **Animal Control** – additional square footage for Animal Shelter and additional animal control vehicles.
- **Provincial Offences Court** – an expansion of the court in Caledon East.

Local Services Policy

As part of the development charge background study process, the Town formalized its local services policy (“LSP”). The LSP 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 LSP 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 LSP that complies with both the DC and planning legislation.

Proposed Rates

Residential DC rates are differentiated based on the type of dwelling unit. Non-residential 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: Proposed DC Rates by Service and Property Type (in dollars \$)

Service	RESIDENTIAL				NON RESIDENTIAL (per sq. ft)
	Single and Semi-Detached	Apartments Larger than 70 s.m and Stacked Townhomes	Apartments 70 s.m or Smaller	Other Residential Dwellings Incl. Back to Back Townhomes	
Municipal Wide Services:					
Services Related to a Highway	15,194	8,828	5,181	11,567	3.88
Operations	1,499	871	511	1,141	0.38
Fire Protection Services	1,248	725	426	950	0.32
Parkland and Trail Development	1,848	1,074	630	1,407	0.05
Indoor Recreation Facilities	8,206	4,768	2,798	6,247	0.22
Library Services	852	495	291	649	0.02
Development Related Studies	798	464	272	608	0.21
Animal Control	85	49	29	65	-
Provincial Offences Act	197	114	67	150	0.05
Total Municipal Wide Services	29,927	17,388	10,205	22,784	5.13

The increase in the proposed 2019 calculated charges, compared to the current charges, can be broadly attributed to the following factors:

- Increasing land and construction costs;
- Updated Master Plans and Secondary Plans 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
- The Town's tax funded capital capacity has increased since 2014 allowing for a greater capacity of the Town to fund the non-growth share of DC eligible projects. Previous DC capital programs in 2009 and 2014, as well as the 2019 program, have had to be reduced in scope to accommodate the Town's inability to pay for the necessary non-growth portion.

DRAFT DC BACKGROUND STUDY AND BY-LAW FEEDBACK

Formal written correspondence (included in Schedule C 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:

- Requests that the Town categorize back-to-back townhouse under the Large Apartments category;

- B. Opposition to the proposed time limit for a DC redevelopment credit;
- C. Request for transition period or phase-in for non-residential developments and request for transition period, phase-in or provide early payment option for residential developments currently in a stage of development review/approval at the Town;
- D. Request that the field growing cultivation of Cannabis be exempted from Development Charges;
- E. Request that wedding barns for bona fide farmers be exempt from Development Charges or discounts for temporal operations be permitted; and
- F. Request that DC credits be provided for work done by developer that has been specified in the Town's DC background study in conjunction with subdivision and site plan works.

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

A. Requests that the Town categorize back-to-back townhouse under the Large Apartments category

The Town's current DC by-law does not include definitions for stacked and back-to-back townhomes. As the mix of housing being developed within the Town of Caledon changes, the proposed DC by-law will include definitions and prescribed treatment of these types of homes as follows:

	Definition	Treatment
Stacked Townhome	A building containing two or more dwelling units where each dwelling unit is separated horizontally from another dwelling by a common wall	Large Apartment Rate Applies
Back to Back Townhome	A building that has three or more dwelling units, joined by a common side and rear walls above grade, and where no dwelling unit is entirely or partially above another.	Other Residential Multiples (Townhomes) Rate Applies

Under the Town's 2014 D.C By-law, both back-to-back townhomes and stacked townhomes were classified as "other residential dwellings" and charges as such, similar to other townhouse and row dwelling units. This is also consistent with the Region of Peel's treatment of back-to-back and stacked townhomes in the definition of a

townhouse and treatment of them as “other residential units”. For the 2019 D.C. By-law update, it is proposed that stacked townhomes be treated as large apartments while back-to-back townhomes remain treated as other residential dwellings.

Based on the Town’s review of Census definitions, back-to-back townhomes most closely reflects the definition of a townhouse from a built form perspective. With regard to average housing occupancy, or average persons per unit (PPU), back-to-back townhouses more closely resemble the characteristics of a townhouse as opposed to an apartment. Further, in the Town’s review of Census data, stacked townhomes most closely resemble an apartment with less than five storeys. In terms of average household occupancy, a stacked townhouse most closely resembles a large apartment based on the results of the 2016 Census. Based on the foregoing, the D.C. growth forecast and methodology treats back-to-back townhouses as “other residential dwellings” and stacked townhouses as apartments. As such, the proposed D.C.s are intended to be imposed consistent with these assumptions.

B. Opposition to the proposed time limit for a DC redevelopment credit

In order to promote timely redevelopment of buildings/structures that are demolished, it was recommended that a time limit be established for the redevelopment DC credit (e.g. no development charges payable if a building permit is issued within a fixed number of years of the demolition). The majority of municipalities in Ontario with D.C. by-laws provide for a five-year period between demolition and the subsequent redevelopment in order to encourage more timely redevelopment. This timing also typically reflects the required assessment of the increased needs for the new development arising from the 5-year D.C. review and the time period for which municipalities will reserve the service capacity vacated by a demolition. In the March 22, 2019 public draft of the DC Background Study and by-law, the Town proposed a 5 year and 10 year limit for redevelopment DC credits related to residential and non-residential redevelopments, respectively. However, based on concerns raised from the development community, the proposed DC by-law (included in Schedule B of this report) now incorporates an expiry of redevelopment DC credits of 10 years (from 5) and 15 years (from 10) following the demolition of a qualifying structure for residential and non-residential redevelopments, respectively.

Further, in response to the comments received following the initial stakeholders consultation meeting, the Town now has included a further transition of this policy, whereby qualifying structures demolished between November 6, 1991 and May 28, 2019 (prior to the date of the by-law) will have 10 years and 15 years, for residential and non-residential, respectively, from the enactment date of the 2019 DC by-law (i.e. 10 years or 15 years from May 28, 2019, subject to Council approval of the DC Background Study

and By-law on May 28, 2019) to undertake the subsequent redevelopment of a residential and non-residential development and qualify for the DC credit. This transition policy is reflected in the Town's DC Background Study and proposed by-law (attached as Schedule A and B to this report).

C. Request for transition period or phase-in for non-residential developments and request for transition period, phase-in or provide early payment option for residential developments currently in a stage of development review/approval at the Town

The DC background study indicates an increase in residential and non-residential DC rates. The Town has been requested to consider phasing-in or providing an early payment option for developments.

Development Charges are based on the principle that "growth pays for growth". However, the *Development Charges Act, 1997* contains legislation that limits this principle. The *Development Charges Act, 1997* contains mandatory reductions, (such as ineligible services, the 10-year service level cap, which limits the amount of DC's municipalities may collect based on the average level of service in place over the past 10 years, and statutory 10% reduction on the capital costs), that dramatically reduces the amount that may be included in development charges recoverable from developers. These mandatory reductions shift the burden to pay for growth-related infrastructure from new development to the tax base.

As detailed in the 2019 DC Background Study (attached as Schedule A), the Town's growth-related infrastructure (e.g. roads, libraries, recreational centres, fire stations, etc. required to support the anticipated growth) totals approximately \$721.5 million. However, after applying the statutory reductions required in the DCA, Caledon's development charges are projected to fund \$360.2 million or approximately 50% of the projected \$721.5 million of growth-related infrastructure:

Table 3:

Growth Related Infrastructure Costs	\$721.5 million
Less: Statutory Deductions	
Post Period Benefit	(\$109.0 million)
Benefit to Existing Development	(\$198.8 million)
10% Statutory Deduction	(\$12.2 million)
DC Reserve Fund	(\$36.9 million)
Other Deductions	(\$4.3 million)
Sub-Total Deductions (Deductions from DC calculation)	(\$361.3 million)
Remaining Growth Related Infrastructure to be	
Recovered from Development Charges	\$360.2 million

As shown in Table 3, the DC rates were calculated to collect and pay for 50% of capital costs to support the anticipated growth. A delay in implementing the new rates and/or phase-in of the new DC rates will further reduce the percentage (50%) of capital costs paid for by development, and increase the percentage of growth-related capital paid for by existing taxpayers, or result in a reduced scope for growth-related projects, or delay the timing of growth-related capital. That is, a phase-in of the DC rates is effectively a DC discount. The DC funds are used for future growth-related capital infrastructure, such as a new community centre, library and fire station. Accordingly, if the future community centre, library or fire station is to be built per the DC Study, taxpayer funds must be transferred into the DC reserves in lieu of collecting the difference between the new fee and old fee (during a phase-in period) from developers.

The phase-in proposal requested at the public meeting was for all registered developments to be subject to the old DC rates regardless of when building permits are issued. For some larger developments, building permits may be pulled over several years. As shown in Table 4 below, it is projected that the Town would have to use approximately \$3.0 million in taxpayer funds to subsidize the discounts provided to developers for such as phase-in request:

Table 4:

		Qualifying Status to be met pre June 25, 2019		Financial Impact of the Proposed Change
		Units	Increase in DC rates (per unit)	Total
Residential				
Singles (units)	SFD	516	\$3,838.98	-\$1,980,913.68
Townhouses (units)	TH	173	\$964.43	-\$166,846.39
Apartments (units)	APT	0	-\$795.17	\$0.00
Total (units & \$)		689		-\$2,147,760.07
Non Residential (m²)				
			Increase in DC rates (per m ²)	
Non Residential (m ²)	NR	60,684	\$14.33	-\$869,529.32
Total (m² & \$)		60,684		-\$869,529.32
Total Projected Financial Impact				-\$3,017,289.39

The projections in the table above are optimistic building permit activity figures based on the current stage of development for each application (e.g. draft approved, not draft approved, registered). Actual building permit activity will be dependent upon many factors such as clearing of conditions for draft approval/registration, and pace at which each developer will pull building permits in a year.

The Town currently budgets for \$100,000 per year for discretionary DC discounts (e.g. tax dollars the Town utilizes to “top-up” DC reserves for discretionary DC discounts). If a phase-in of the rates were implemented, a 2020 operating budget increase (e.g. 2020 tax increase) may be required subsidize/fund this non-statutory DC discount and keep DC reserves “whole” for future growth-related capital expenditures (e.g. new recreational facilities, libraries, etc.). Accordingly, a phase-in period for the proposed/new DC rates (and the resulting projected \$3.0 million transfer to DC reserves collected from property taxes) is not recommended by staff.

Further, on May 2, 2019, the Province of Ontario passed first reading of Bill 108 – the *More Homes, More Choice Act*, which currently incorporates proposals to:

- 1) Remove “soft services” as eligible DC services, potentially replacing the funding for these costs of service from Community Benefits Charges under the authority of the Planning Act
- 2) For development proceeding under site plan or zoning by-law approval, the DCs payable would be determined based on the rates in effect at the time of planning application. However, DC’s would still be payable, by developers, at the building permit stage; and
- 3) Have DC’s related to rental housing, institutional, industrial, commercial and non-profit housing to be payable in equal annual installments over a six-year period starting at building permit occupancy and then each anniversary date thereafter.

Currently, Town DC’s are calculated (based on current rates and the DC by-law in place) and payable at building permit stage. The proposed changes to the DCA under Bill 108 is still subject to further refinement and related regulations. However, the current draft of Bill 108 will further challenge the Town’s ability to have sufficient developer funding (collected through DC and allocated to DC reserves) to pay for the construction or acquisition of growth-related capital infrastructure, e.g. infrastructure to support the additional population and employment growth, in a timely manner. If the growth-related infrastructure is still to be built to the size and scope identified in the Town’s DC study, more of the burden of funding the construction will likely be shifted to the Town (i.e. from the developer (DC’s) to tax payers (property taxes)).

D. Request that the field growing cultivation of Cannabis be exempted:

Municipalities have the ability to provide “rules” within the D.C. by-law to provide for non-statutory (or “discretionary”) discounts/exemptions from the payment of D.Cs. However, while Council has this authority under the Development Charges Act, to the extent that Council elects to provide exemptions from payment of D.C’s, these foregone revenues cannot be made up by an increase in D.C. for other types of development. As such, these exemptions must be funded from a non-D.C. source of funding, such as property taxation (as detailed in the previous section).

Based on the benchmarking, feedback received from the Peel Federation of Agriculture, and comments from the public meeting, the Town has proposed some changes to the draft 2019 DC by-law that would exempt agricultural activities such as the growing, storage and any accessory processing (drying, milling etc) of cannabis for bona fide

farmers. By making this change the Town is being consistent in the application of DC exemptions to be applied to all farm crops and agricultural processes. If cannabis is allowed to be grown outdoors on an agricultural property, the intention of the DC by-law policy is to treat cannabis as any other crop and allow farmers to use their barns and silos to store and perform any accessory processing without incurring development charges.

Any buildings solely designed, used or intended to be used for processing, hydroponics, production or sale of cannabis would be treated as industrial and would not be exempt from development charges. This is consistent with how other municipalities have treated such facilities and is equitable to other Cannabis production facilities located in industrial areas. The Town has benchmarked the experience of other Ontario municipalities who are currently the location of Cannabis production facilities. They have experienced an increase need for municipal infrastructure, such as roads, as a result of the increased trips on municipal roads to and from Cannabis production facilities. While many municipalities are in the process of updating their own development charge by-laws, our benchmarking shows that Cannabis processing is not exempt in other areas and will be treated as an industrial property for the purposes of development charges.

Also, it is not recommended that this processing, production and sale of Cannabis be allowed as an on-farm diversified use activity since from a planning perspective, Cannabis production facilities are seen to be more industrial in their character, function and operation in terms of servicing requirements, noise, odour, and security requirements than agricultural properties. The character, function and operation of a Cannabis Production Facility is more appropriate for industrially zoned areas. From an equity perspective, it would not be equitable to treat a Cannabis related facility located on agricultural lands differently from one located in an Industrial area. To do so would cause inequity between competing businesses. The other consideration, the production and processing of cannabis is quite specialized and is unlikely to be a secondary use on the agricultural property, farming being the primary use. Therefore, it would not meet the definition of on-farm diversified use.

E. Request that wedding barns for bona fide farmers be exempt from Development Charges or discounts for temporal operations be permitted

Discretionary development charge discounts and exemptions are reviewed every five years as part of the Development Charge background study process and are included, along with appropriate definitions within the Town's DC by-law. These discounts and exemptions exist to incentivize development that supports Council's strategic goals. They can be designed in a way that Council sees fit and do not necessarily have to match a definition used by another policy or organization or planning policy. Once passed by Council, Town staff must administer and interpret the by-law as passed by Council.

For the agricultural DC exemptions provided for in the Town's current DC by-law, they are available to bona fide farmers where the exempt activity or structure is secondary to

the primary use of agriculture. They would not be available where the primary use of the property is commercial in nature nor where the property is leased to a third party.

The intention of these discretionary exemptions is to protect bona fide farmers from additional cost when expanding their operations to be more financially sustainable and to increase rural employment through the addition of value-added processes or agritourism on the farm premises. The intention is not to provide an incentive to convert an agricultural property to a non-farm use such as a banquet facility that could also be located within a commercially zoned area. This would provide an unfair advantage to businesses located on traditionally agricultural properties versus the same type of business located in a commercially zoned area. In addition, these types of businesses increase the number of cars travelling on the Town's roads. The additional commercial traffic on our rural roads increases the demand for DC funding needing to be paid towards infrastructure. Currently, over 70% of the Town's non-residential DC rate goes towards supporting road infrastructure. In order to be consistent with the intention of the discretionary agricultural exemptions, language has been added to the agricultural definitions within the draft by-law to specifically exclude banquet and wedding facilities from the discretionary DC exemptions (that must be funded/"topped-up" from property tax dollars). This is consistent with the current practice of the Town and will provide more certainty to business owners by being specific on the DC definition within the DC by-law.

In response to the request for temporal considerations, the Town's D.C. By-law provides exemptions for temporary buildings if erected for a maximum of 8 months. Most municipalities provide exemptions for temporary buildings as these types of development do not reflect a permanent increase in need for service over the long-term. However, the suggestion that D.C.'s should be imposed based on the period of operation of a building that is permanent, disregards the peak service demands and associated increase in need for service being accommodated by the municipality continuously over the long-term. Development Charges are governed under the *Development Charges Act*. It does not promote a mandatory exemption or discount for properties used part of the year. Any discount over and above the mandatory exemptions is a choice of Council and must be supported through the transfer of property tax revenues to development charge reserves.

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 inforce date.

FINANCIAL IMPLICATIONS

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

COUNCIL WORK PLAN

Sustainable Growth - Advance proactive infrastructure development solutions for growth management

ATTACHMENTS

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