

**AGENDA**  
of the  
**DEVELOPMENT CHARGES TASK FORCE**  
Monday, July 29, 2024  
11:00 o'clock  
Room 204, 350 City Hall Square West

**1. Call to Order**

READING OF LAND ACKNOWLEDGEMENT

We [I] would like to begin by acknowledging that the land on which we gather is the traditional territory of the Three Fires Confederacy of First Nations, which includes the Ojibwa, the Odawa, and the Potawatomi. The City of Windsor honours all First Nations, Inuit and Métis peoples and their valuable past and present contributions to this land

**2. Election of Chair**

**3. Declaration of Conflict**

**4. Business Items**

The Presentation entitled "DC Task Force Meeting #1 Development Charges Study, CBC Strategy, Parkland Dedication/Cash-In-Lieu & Related By-laws" is ***attached***.

- a) Development Charges 101
- b) Development Charges Legislation
  - o *Development Charges Act*
  - o Bills 108, 138, 197, 23 and 185
- c) Development Charges in Windsor
- d) Study Process
- e) Community Benefits Changes Update
- f) Policy Considerations

**5. Next Steps**

**6. Date of Next Meeting**

**7. Adjournment**

# DC Task Force Meeting #1

# Development Charges Study, CBC Strategy, Parkland Dedication/Cash-In-Lieu & Related By-Laws



CITY OF WINDSOR – DC Task Force  
July 29, 2024



# Today we will discuss...

- Development Charges 101
- DC Legislation
  - Development Charges Act
  - Bill 108, 138, 197, 23, and 185
- Development Charges in Windsor
- Study Process
- Policy Considerations
- CBC Study Update
- Next Steps

# New Framework for “Growth-Related” Capital



## Development Charges Act (DCs)

- Used to fund initial round of growth-related capital infrastructure
- Prescribed list of eligible services
- Certain “soft” services removed from list (e.g. parking, cemeteries, airports, affordable housing, studies)
- No more 10% discount for soft services



## Planning Act: Community Benefits Charges (CBCs)

- Initial round of capital, can overlap with DCs
- In-kind contributions permitted
- Capped at 4% of land value
- Imposed only on development with 5 or more storeys & 10 or more housing units
- Only local municipalities can charge



## Planning Act: Parkland Acquisition

- Parkland acquisition
- Standard rate of 5% for residential and 2% for non-residential
- Alternative, higher rate may apply based on units/ha – new rules which “cap” the amount conveyed or collected
- Cash In Lieu permitted

All tools are appealable to OLT (with conditions)

# Development Charges 101

# What Are Development Charges?

- Fees imposed on development to fund “growth-related” capital costs
- DCs pay for new infrastructure and facilities to maintain service levels
- Principle is “growth pays for growth”

# Tools Given to Municipalities to Fund Capital



## **Growth Funding Tools**

- Funds a share of broader cost to expand community infrastructure
- DCs; community benefits charges; parkland dedication/cash-in-lieu

## **Direct Developer Contributions**

- Fund costs that would normally be required as part of a subdivision agreement (i.e., internal roads, sidewalks, streetlights, intersections, park elements)

## **Property Taxes**

- Statutory and non-statutory reductions on DCs
- Long-term repair and replacement of municipal infrastructure (as well as operating costs)



# Development Charges Act Requirements (DCs)

- DCs imposed by by-law
- Maximum life of a DC by-law is now 10 years after the day it comes into force
- Prior to passing a by-law municipality must:
  - Undertake a background study
  - Hold at least one public meeting
- Appeals adjudicated at OLT

# Eligible Capital Costs



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

# Development Charge Legislation

# DC Legislation has Changed Since 2019

- Housing Supply Action Plan and subsequent legislation:
  - Bill 108, the *More Homes, More Choice Act*
  - Bill 197, the *COVID-19 Economic Recovery Act*
- Report on the Ontario Housing Affordability Taskforce (February 2022)
- June 2022 election mandate:
  - Affordability (house sales/rents are outpacing incomes)
  - Goal of 1.5 million new homes constructed by 2031
- Bill 23, the *More Homes Built Faster Act*
- Bill 185, *Cutting Red Tape to Build More Homes Act*

# Bill 23: Changes to the *Development Charges Act*



## **New exemptions:**

Additional units in existing rental housing  
Residential intensification in existing units  
Non-profit housing (defined by legislation)  
Affordable housing (defined by legislation and regulation)  
Inclusionary zoning (must be affordable and if applicable)



## **New discounts:**

Rental housing development (4+ units)  
based on number of bedrooms

# Bill 185: *Cutting Red Tape to Build More Homes Act*

## DC provisions

- Removed mandatory 5-year phase-in
- “Growth-related studies” reintroduced as DC-eligible costs
- Reduced frozen DC rate period (2 years to 18 months from approval)
- New notice requirements (allows digital options where local newspapers unavailable)

## DC exemptions for affordable and attainable housing

- Affordable exemptions effective June 1, 2024
- No mention of attainable exemption

# Affordable Housing Exemptions – Definitions

- **Rental** – rent no greater than lesser of
  - Income-based affordable rent = 30% of the household income “that, in the Minister’s opinion, is at the 60<sup>th</sup> percentile of gross annual incomes for renter households in the applicable local municipality”
  - Average market rent
- **Ownership** – price no greater than lesser of
  - Income-based affordable purchase price = price that would result in annual accommodation costs of 30% of the household income “that, in the Minister’s opinion, is at the 60<sup>th</sup> percentile of gross annual incomes for households in the applicable local municipality”
  - 90% of average purchase price
- Rental/sales agreements must be at arm’s length per s.251 of the *Income Tax Act*

# Affordable Residential Units Bulletin Sets Criteria

- Published by the Minister and amended “from time to time”
  - <https://www.ontario.ca/page/municipal-development-and-community-benefits-charges-and-parklands#section-4>
- Income-based thresholds
  - 2021 Census data, inflation-adjusted to 2023
  - Assume 5% down payment, 25-year amortization, 5-year fixed mortgage rate, 0.125% house value/month property taxes and 4.0% mortgage insurance premium
- Market-based purchase prices are Ministry estimates based on unspecified sales data
- Market-based rent based on CHMC Rental Market Survey
- Where data is unavailable at local level, values are substituted based on upper-tier/census division/regional data

Affordable Housing Thresholds in Windsor	
Affordable Purchase Price (all units)	\$301,800
Affordable Monthly Rent (Bachelor)	\$841
Affordable Monthly Rent (1 Bed)	\$1,042
Affordable Monthly Rent (2 Bed)	\$1,227
Affordable Monthly Rent (3+ Bed)	\$1,273



# Development Charges in Windsor

# Services Applicable in City of Windsor

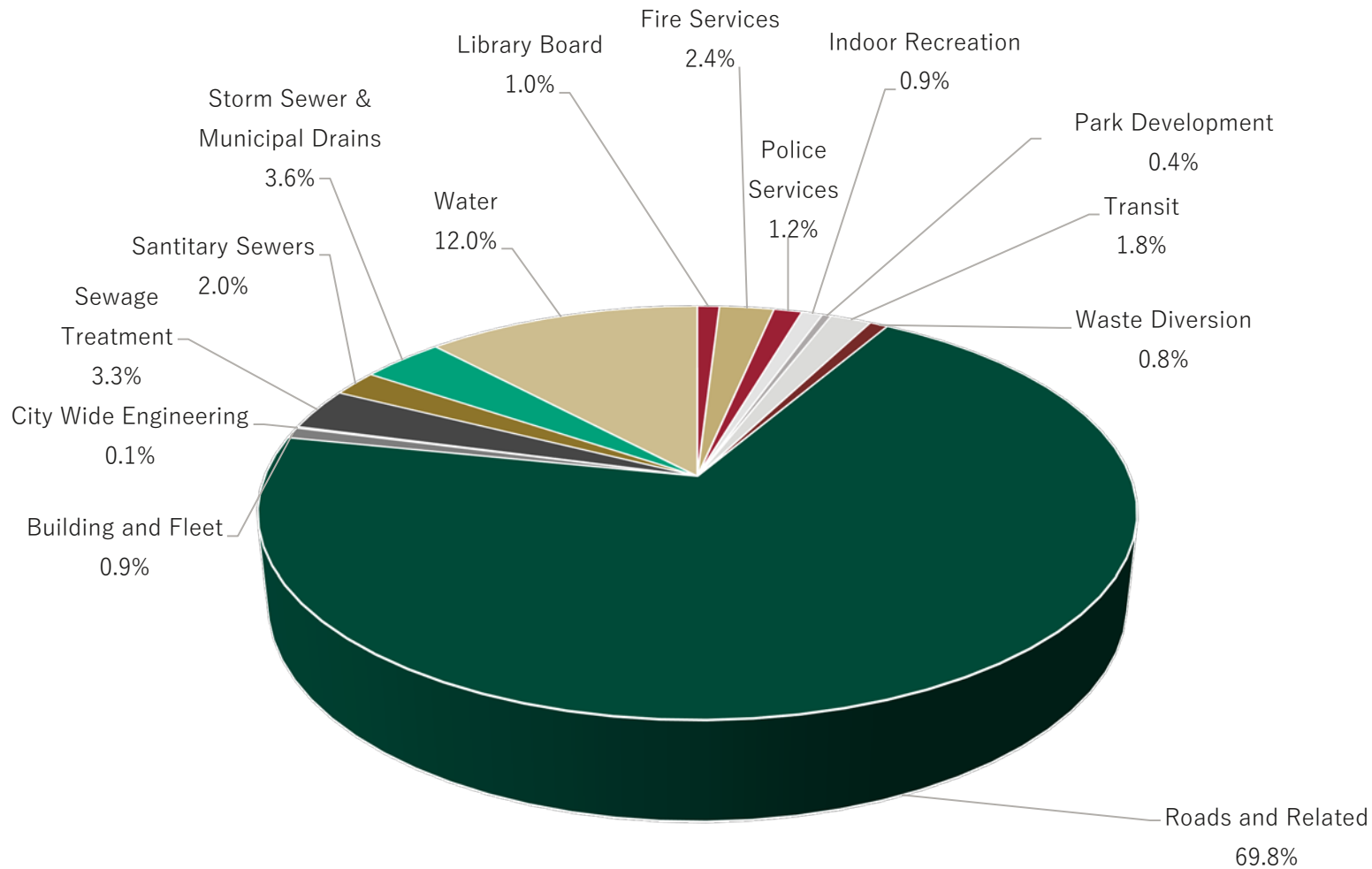
Municipal-Wide	Area-Specific	Other Available & Not Applicable Services
<p><b>General Services</b></p> <ul style="list-style-type: none"> <li>▪ Library Board</li> <li>▪ Fire Services</li> <li>▪ Police Services</li> <li>▪ Indoor Recreation</li> <li>▪ Park Development</li> <li>▪ Transit</li> <li>▪ Waste Diversion</li> <li>▪ General Government (re-eligible)</li> </ul> <p><b>Engineering Services</b></p> <ul style="list-style-type: none"> <li>▪ Roads and Related</li> <li>▪ Building and Fleet</li> <li>▪ Sewage Treatment</li> <li>▪ Sanitary Sewers</li> <li>▪ Storm Sewer &amp; Municipal Drains</li> <li>▪ Water</li> </ul>	<p><u>Services:</u></p> <ul style="list-style-type: none"> <li>▪ Roads and Related</li> <li>▪ Sanitary Sewers</li> <li>▪ Storm Sewer &amp; Municipal Drains</li> <li>▪ Water</li> </ul> <p><u>Benefiting Areas:</u></p> <ul style="list-style-type: none"> <li>▪ Sandwich South</li> </ul>	<p><u>Other Available</u></p> <ul style="list-style-type: none"> <li>▪ Services related to emergency preparedness</li> <li>▪ Public Health</li> <li>▪ Child Care</li> <li>▪ By-law enforcement and court services</li> </ul> <p><u>Not Applicable</u></p> <ul style="list-style-type: none"> <li>▪ Electrical Power Services</li> <li>▪ Toronto-York Subway Extension</li> <li>▪ Yonge North Subway Extension</li> <li>▪ Services related to airports, but only in the Regional Municipality of Waterloo</li> </ul>

15 Note: A DC by-law may provide for a class of service comprising studies for the above.

# Development Charges in Windsor

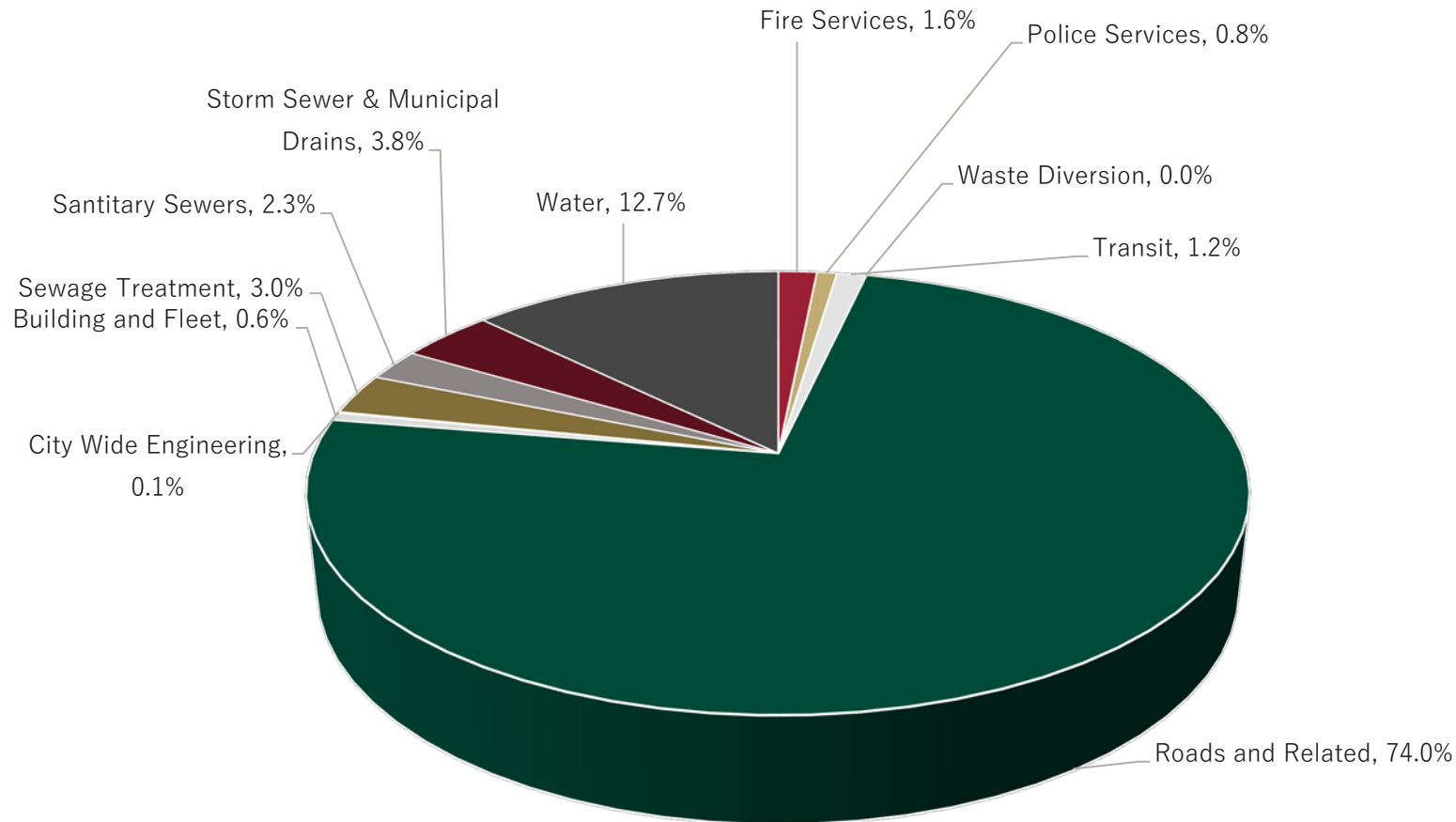
Planning Area	Residential Charge per Unit			Non-Residential Charge per Square Metre	
	Single Detached	Semis, Rows & Other Multiples	Apartments	Industrial	Non-Industrial
City-wide	\$41,386	\$23,269	\$19,152	\$0.00	\$199.29
Sandwich South	\$64,880	\$36,479	\$30,024	\$0.00	\$288.41

# What Do DCs Fund in Windsor?



<b>City-Wide Residential Charges Per Unit</b>
Single Detached <b>\$41,386</b>
Semis, Rows & Other Multiples <b>\$23,269</b>
Apartments <b>\$19,152</b>

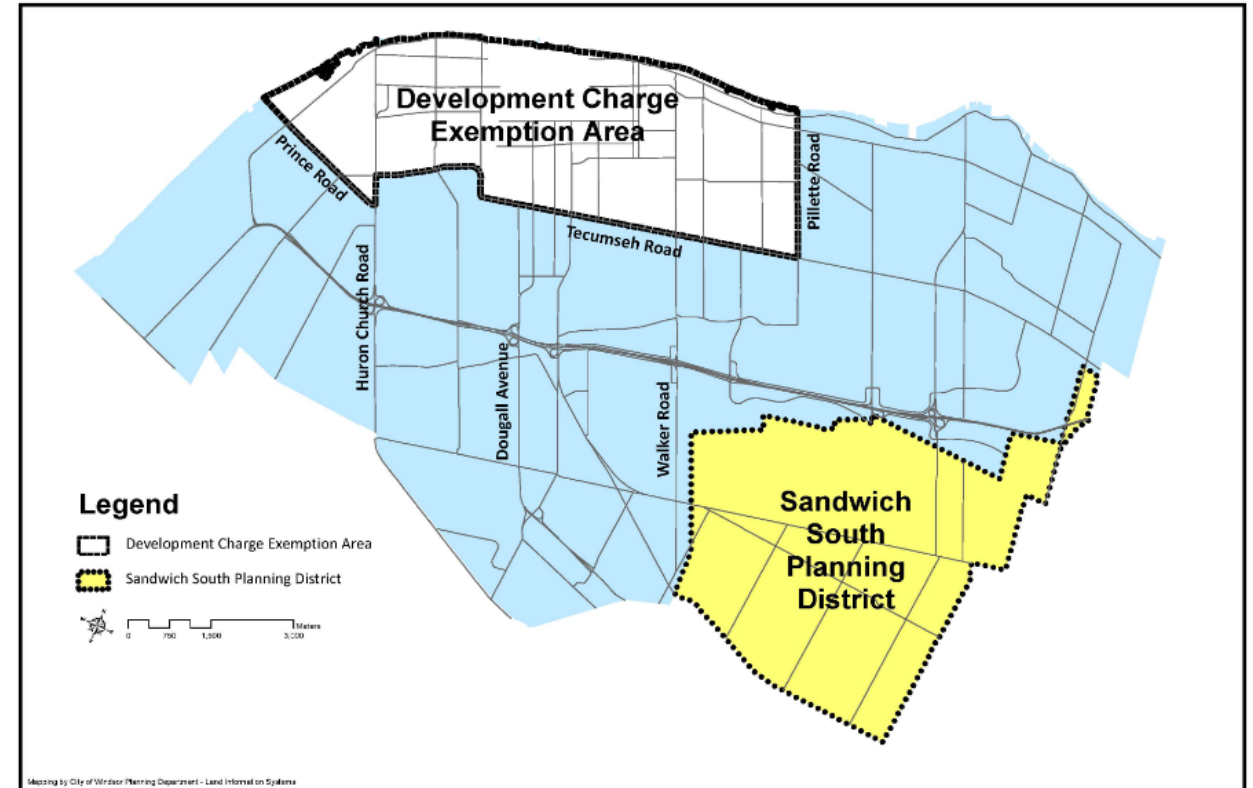
# What Do DCs Fund in Windsor?



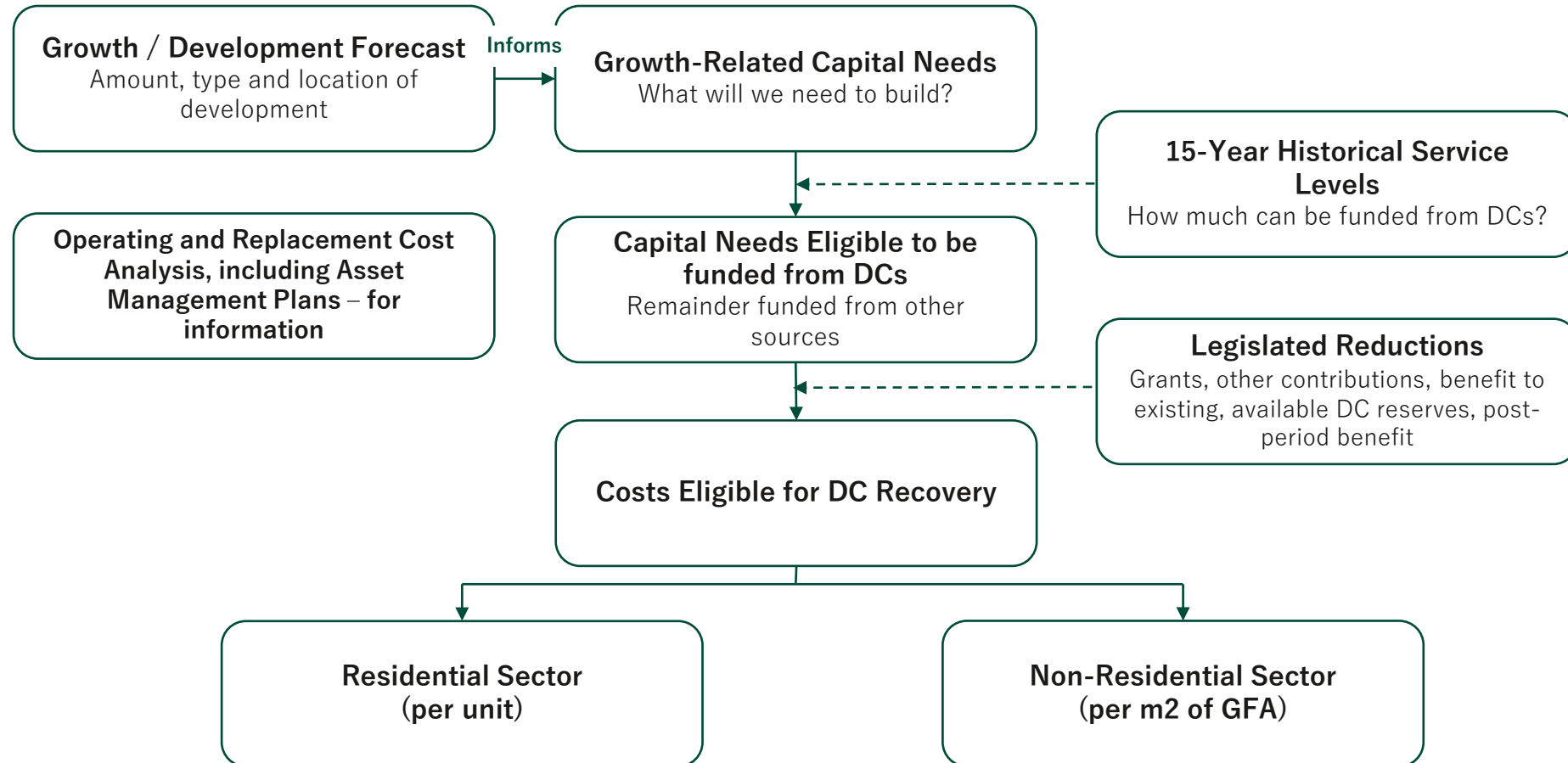
City-Wide Non-Residential Charge Per Square Metre
Industrial <b>\$0.00</b>
Non-Industrial <b>\$199.29</b>

# Sandwich South Fiscal Impact Analysis

- Hemson currently working with City on a fiscal impact analysis of two of the Sandwich South secondary plan areas:
  - East Pelton
  - County Road 42
- The analysis contains a review of the necessary capital works and estimate of DC rate impacts – intended to inform this DC Study update.



# Development Charges Study Process



# Step 1 – Development Forecast



- **Forecast amount, type and location of development**
- **Establish areas to which DCs apply (municipal-wide/area-specific)**
  - Review with staff/council
  - Area rating must be considered
- **Establish planning period(s)**
- **Types of development**
  - Residential: population and housing by type
  - Non-residential: employment and non-residential floor space



## Step 2 – Historical Service Level Analysis

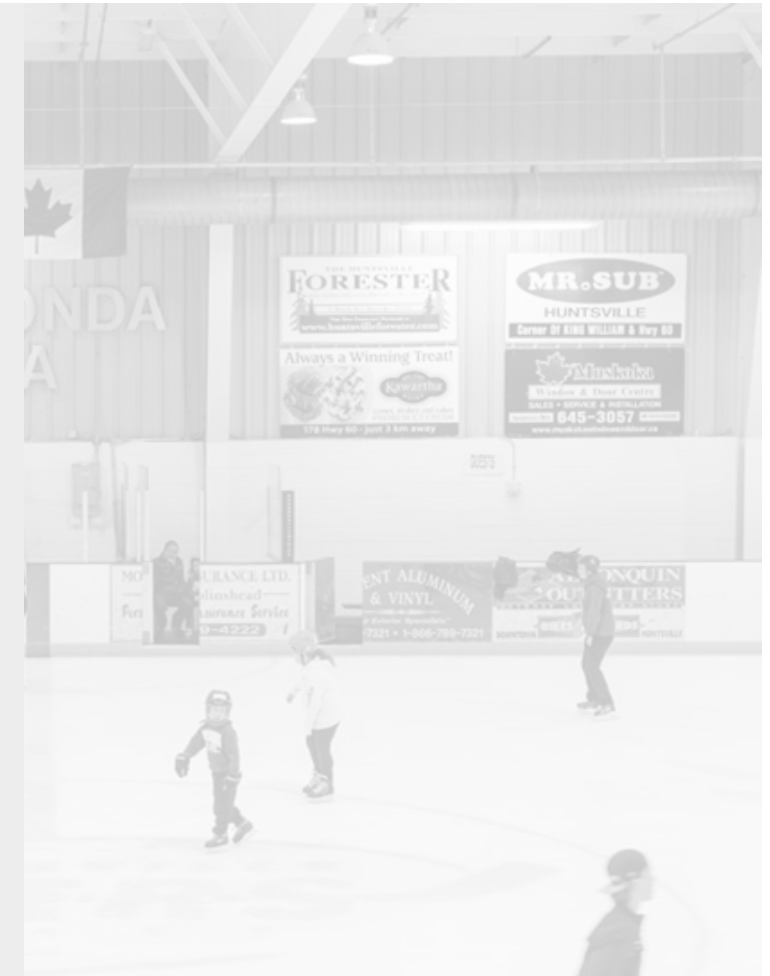
- Cannot use DCs to increase level of service above 15-year historical average (on service-by-service basis)
- Average service level sets limit on eligible DC funding or “maximum allowable funding envelope”
- Both quantity and quality of service must be considered
  - “Quality” measure must be replacement cost
- Typically, no service level limitation for water and sewer

# Step 3 – Development Related Capital Program

- Future capital costs must be identified through budget, Master Plan etc.
- Council must express intent to undertake capital works
- **Costs must be reduced by**
  - Grants, subsidies & contributions
  - Benefits test (benefit to existing; replacement)
  - Uncommitted DC reserve funds
  - “Post-period” benefit

# What Should be Included in the Capital Program?

- Tie-in with **capital forecast** and **master plans**
  - Water & Wastewater Master Plan,
  - Transportation Master Plan / Roads Needs Study,
  - Parks & Recreation Master Plan,
  - Library Master Plan,
  - Fire Master Plan, etc.
- Projects that benefit development and/or expands the City's servicing capacity
- "Development-related" debt or negative DC reserve fund balances



## Step 4 – Rate Calculation

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

# Step 5 – Asset Management Plan and Impacts

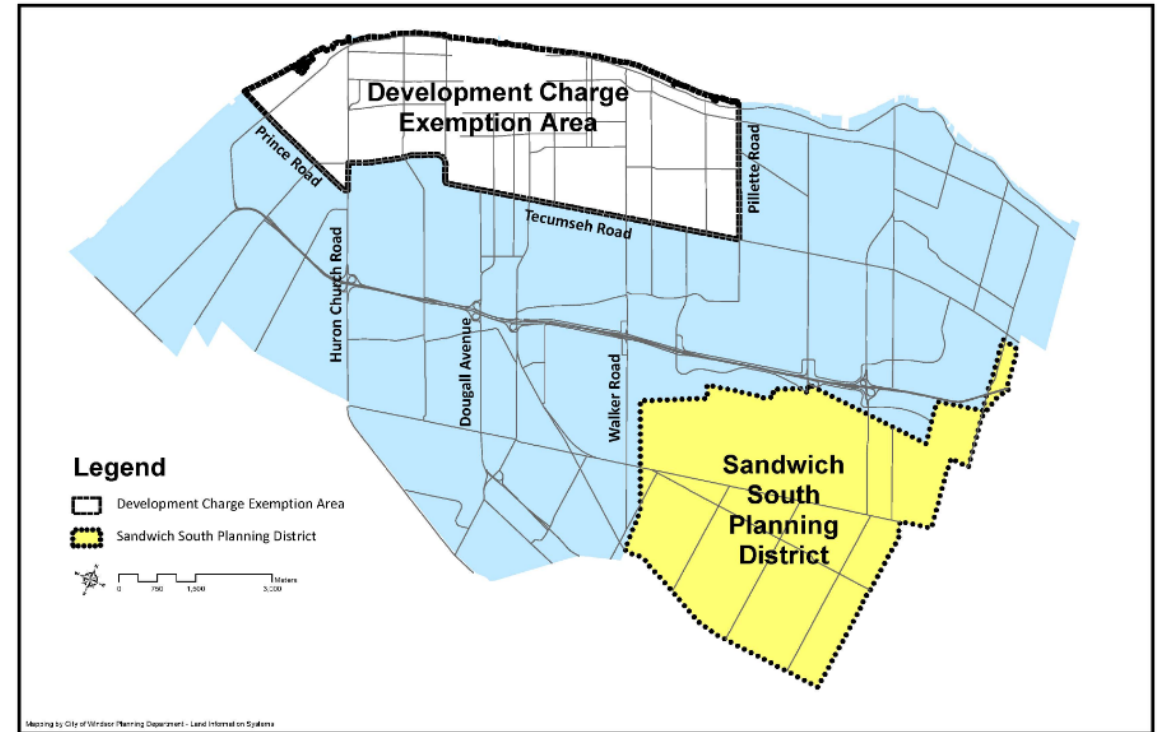
- Long term capital and operating impact analysis
- Background Study must include an Asset Management Plan (AMP) that
  - Deals with all assets that are proposed to be funded in whole or in part by DCs
  - Demonstrates that all assets are “financially sustainable” over their useful life

# Key Steps in Passing a DC By-law

- Release background study 60 days prior to by-law passage (including on website)
- Advertise public meeting
- Release DC study and proposed by-law
- Hold statutory public meeting
- Receive feedback and amend proposed charges and by-law if warranted
- Determine if additional public meeting is required
- By-law passage

# Current DC By-law Policies

- Statutory exemptions
  - Land owned and used by City and school boards
  - Enlargement of existing residential dwelling and creation of additional dwelling per *O.Reg. 82/89*
  - Enlargement of existing industrial development (by 50% or less)
- Discretionary exemptions
  - Enlargement of existing dwelling unit
  - Creation of two additional dwelling units
  - Conversion of existing buildings from a commercial, institutional or industrial use to a residential use
  - Parking garage or portions of development devoted to parking
  - Industrial use
  - Colleges and universities
  - Brownfield redevelopment (partial – max. 60%)
  - Infill development (in DC exemption area)

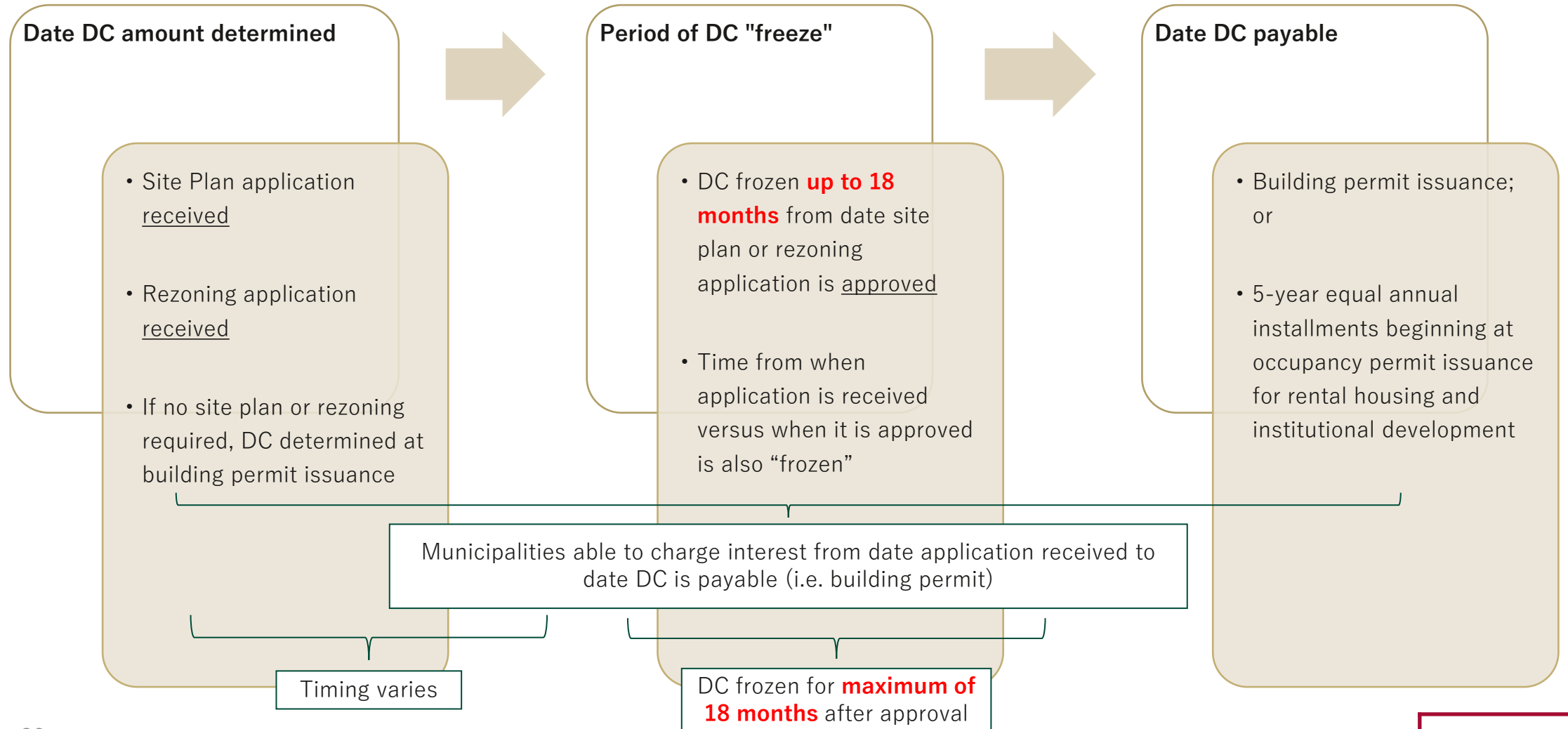


# Development Charge Policy Considerations

1. Area rating
  - Maintain area-specific approach to engineered services rates for Sandwich South?
2. Review Non-Statutory DC exemptions
  - Exemption for Industrial Development
    - Should it continue?
    - Should it be City-wide?
  - Infill Exemption
    - Should it continue?
    - Review delineation of the exemption area
3. Structure of charge
4. Local services policies & developer costing agreements
5. Annual DC index date
6. Other

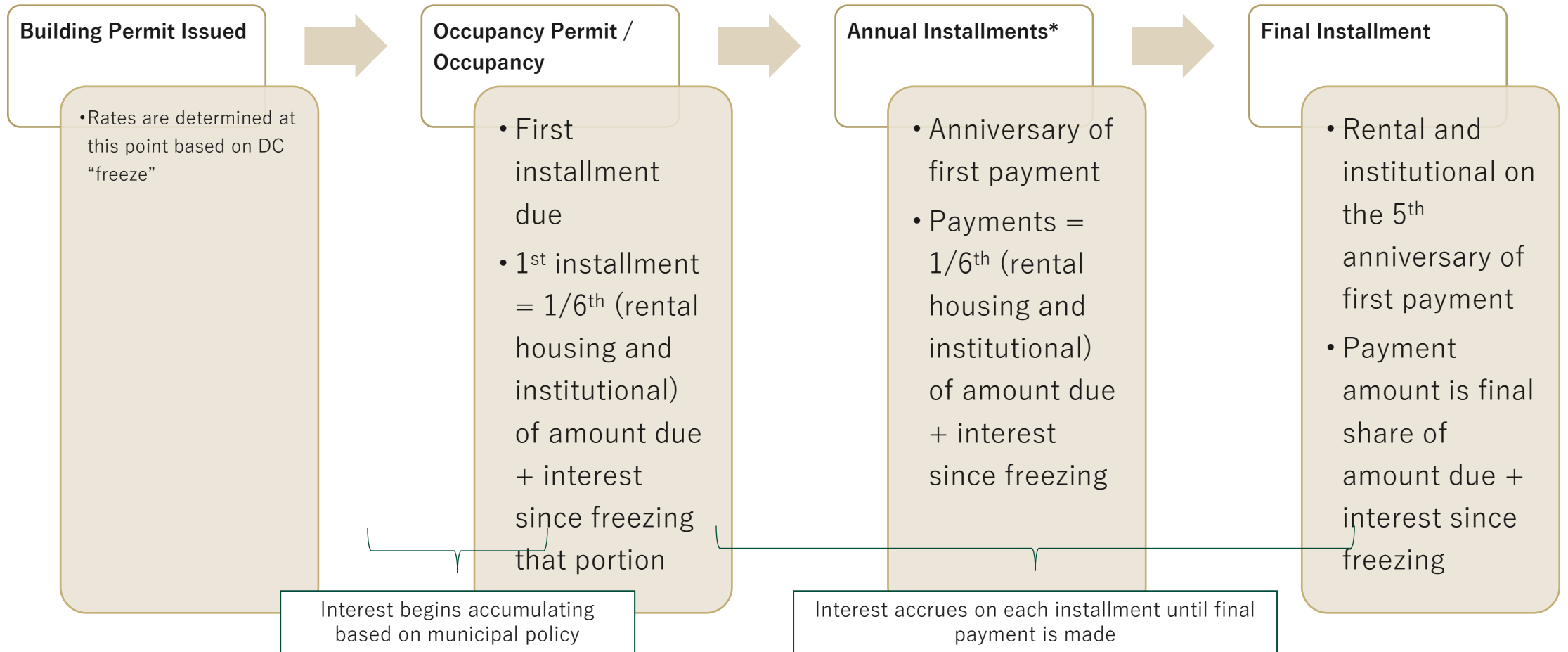


# Timing of DC Determination and Payment (s. 26.2)



# Types of Development Subject to Deferred DCs (s. 26.1)

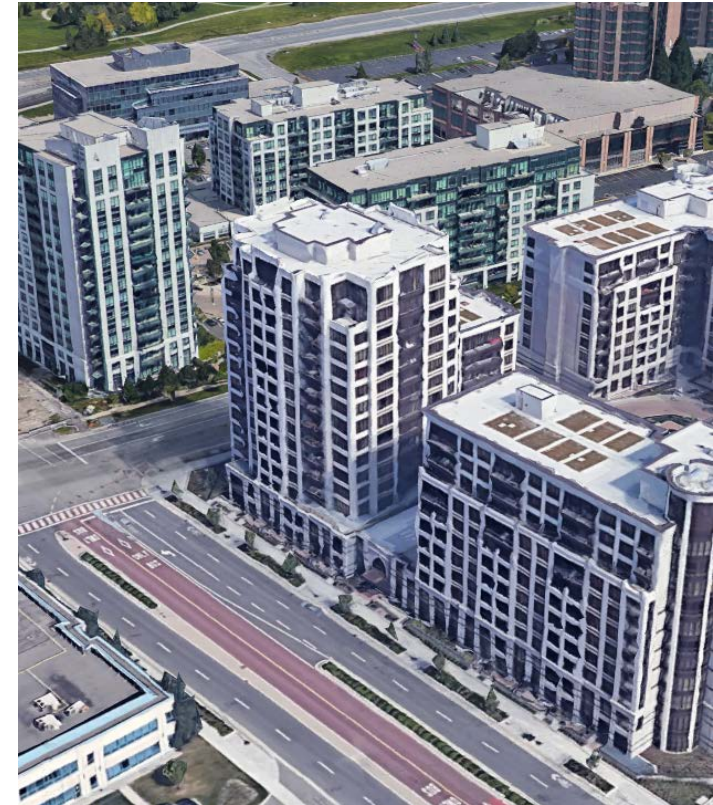
- s. 26.1 of DCA requires DCs to be paid in installments for **rental housing** and **institutional development**.
  - **Rental housing** and **institutional development** required to pay DCs in equal installments over 6 years



# Community Benefits Charges (CBC) Strategy

# Planning Act: Community Benefits Charges (CBCs)

- Height/density “bonusing” under s.37 of Planning Act now gone
- Replaced by CBC for growth-related capital—can overlap with DCs
- In-kind contributions permitted (credits given)
- Can only be levied against higher density development
  - 5 or more storeys, and
  - 10 or more residential units
- Regulation sets cap at **4%** of land value the day before a building permit is issued

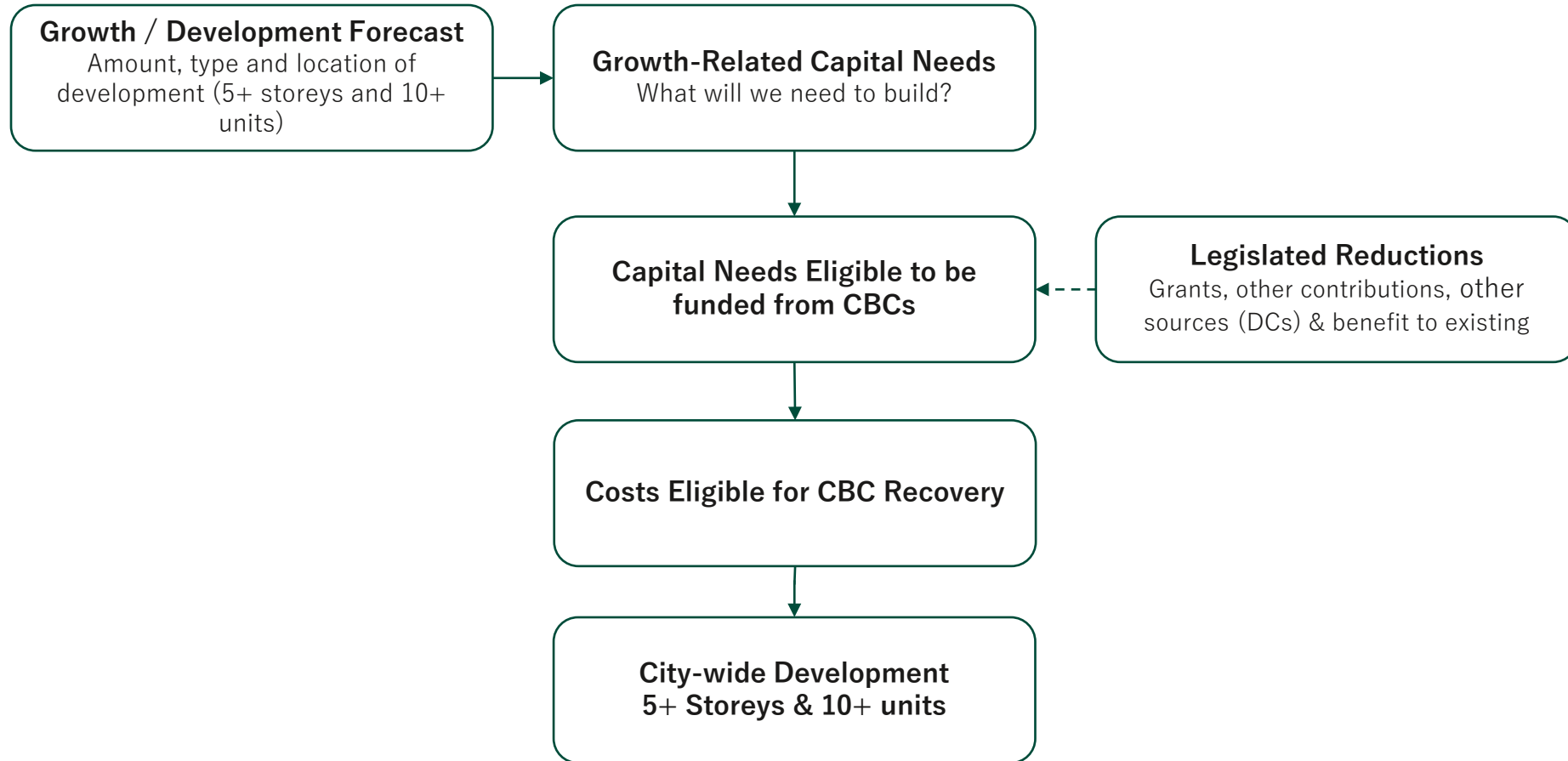


Source: Google Earth Pro, 2020

# What Can CBCs Fund?

- Can recover any “growth related” capital cost
  - Parking (previously DCs)
  - Studies (previously DCs)
  - Parkland development
  - Active transportation
  - Eligible DC services (no overlap with DCs)
  - Parkland acquisition (no overlap with s.42)
  - Other services (Public Art & Culture, Affordable housing etc.)
  - Service level increases?
- Still requires “nexus tests” between servicing needs and development
  - Community benefits
  - Servicing needs arising from buildings with 5 or more storeys and 10 or more residential units

# CBC Strategy Process



# CBC Implementation and Administration

- Requirements of CBC By-law adoption process:
  - Consultation required but not defined
  - Only one CBC By-law allowed
  - Notice of passage
  - Right of appeal to OLT
- Administration and Reporting
  - Must establish CBC “special account” (reserve fund)
  - In each calendar year, a municipality shall *spend or allocate* at least 60% of the monies that are in the special account at the beginning of the year
  - List of (at least 3) appraisers under agreement with the municipality must be maintained
  - Annual report showing opening and closing balances of special account and all transactions

# CBC Strategy Capital Program

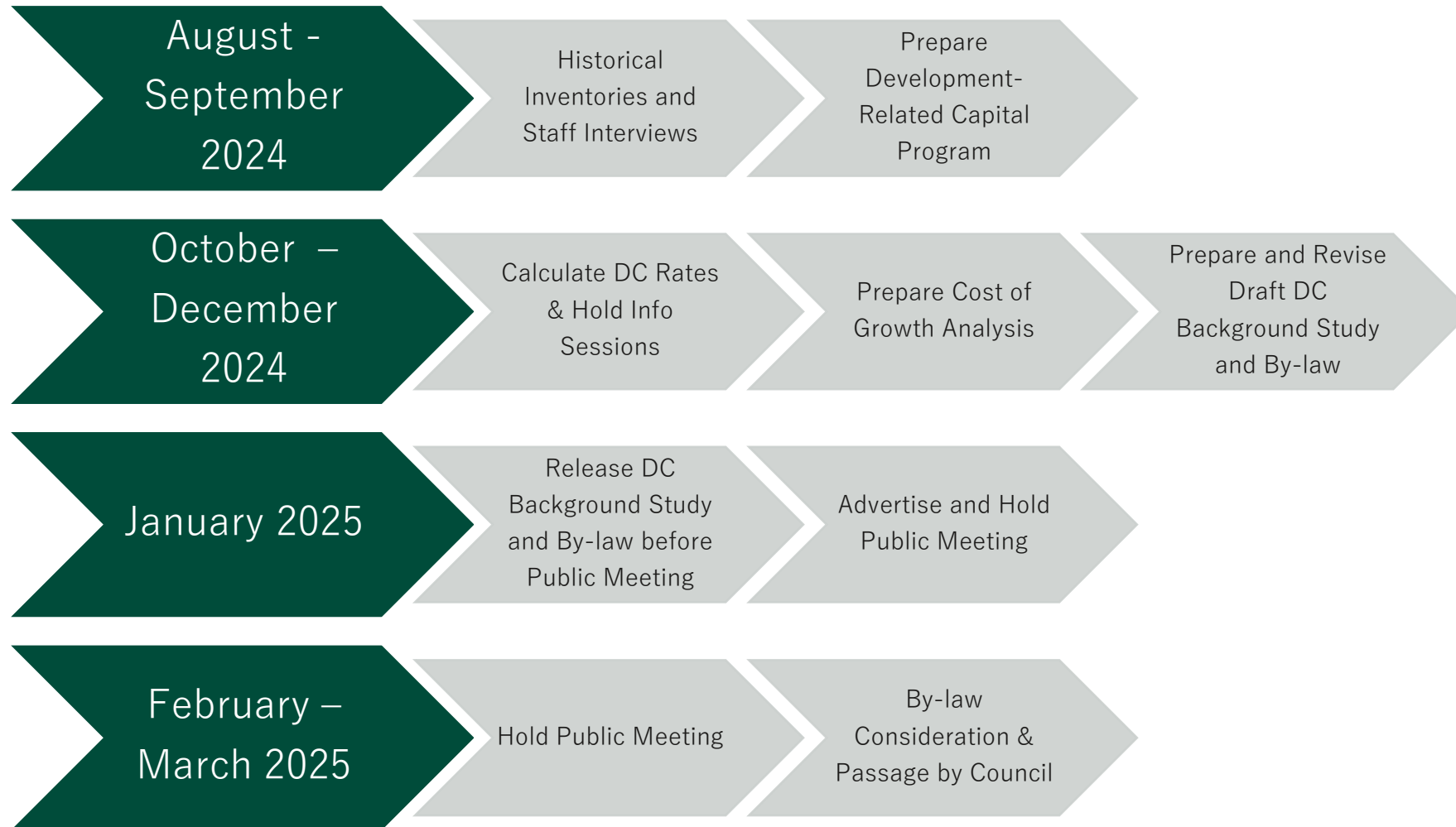
- Will need to include list of services and projects
- Project includes basic information
  - Description
  - Timing
  - Gross costs and other funding sources (including DC and parkland revenue)
  - Similar to DC Study capital program



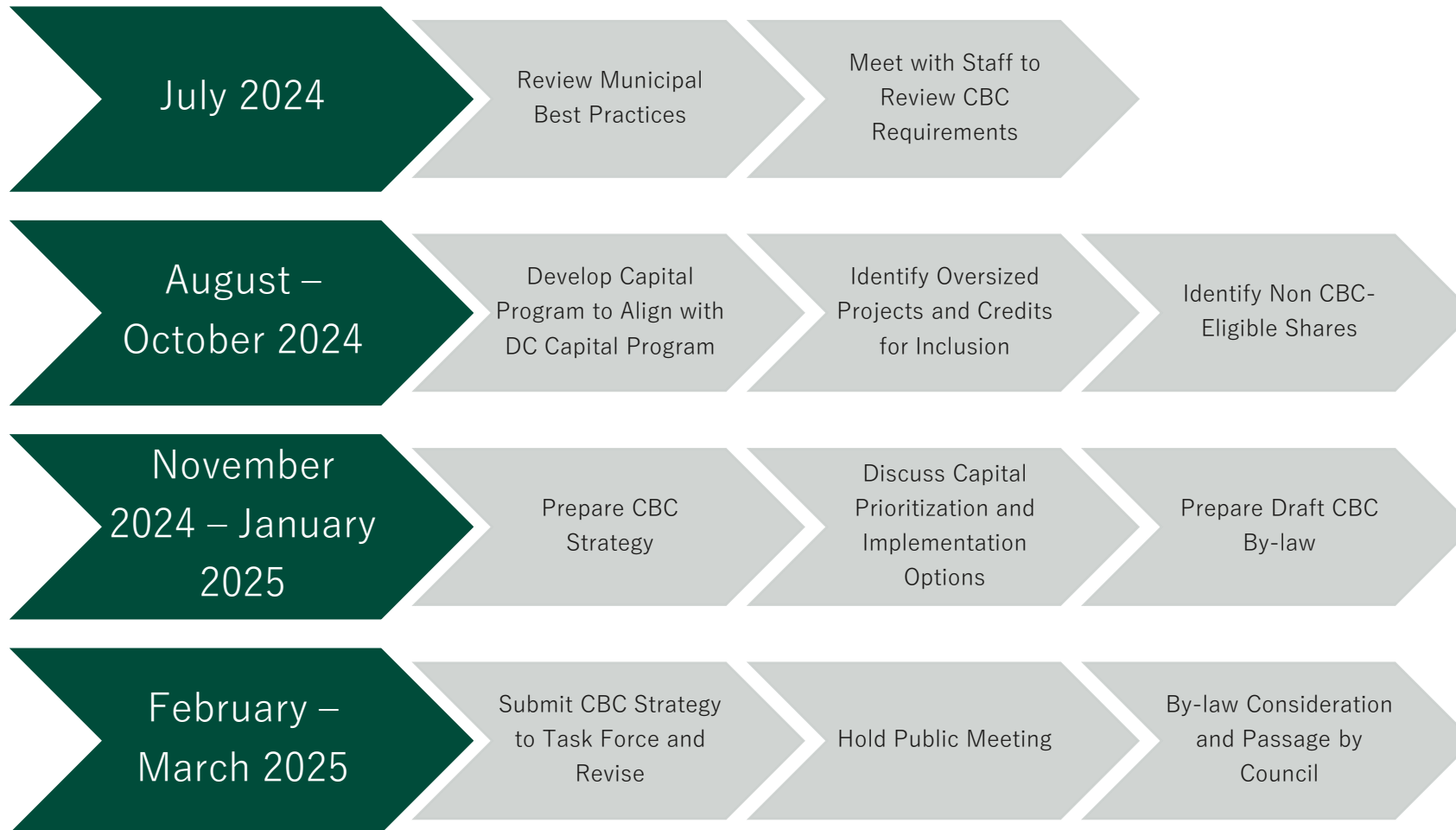
# Next Steps

- Individual department meetings
- Develop capital programs
- Calculate draft rates
- Next Task Force meeting: mid-October 2024 (presenting preliminary draft rates)

# Proposed DC Project Timeline



# Proposed CBC Project Timeline



# Hemson Contacts

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