

# Planning Primer: Ontario's Development Charges System

Presented by the Planning and  
Growth Management Department

# Agenda

- What are Development Charges?
- The Development Charges Act, 1997
- Development Charges in Ottawa
- Smart Growth for our Communities Act (Bill 73)

# What are Development Charges?

Development charges – a one-time fee levied by municipalities on new residential and non-residential developments – are a primary tool in ensuring that “**growth pays for growth**”.

Development charges pay for a portion of growth-related capital infrastructure requirements and are determined and accounted for by the type of service component.

# What are Development Charges?

Development charges are a revenue tool designed to assist municipalities in paying for a portion of growth-related capital costs incurred to provide services to new residents and businesses.

Development charges pay for increased capital costs related to growth. They do not pay for operating costs or the future repair and rehabilitation of infrastructure.

# Development Charges Act, 1997

The Development Charges Act provides the authority and the rules for municipalities to levy a development charge.

It is designed to ensure that a municipality's existing taxpayers are not required to pay the capital costs of services and facilities required to serve new development.

# Development Charges Act, 1997

Development charges can be used to fund the growth-related capital cost of:

- Roads and related services
- Sanitary sewer
- Water supply services
- Stormwater drainage and ponds
- Police, Fire and Paramedic services
- Public transit
- Parks development
- Indoor recreation services
- Library services
- Affordable housing
- Corporate studies
- Homes for the aged

# Development Charges Act, 1997: Processes

To determine a development charge, a municipality must first do a **background study**, which provides:

- Detailed analysis of a Municipality's anticipated growth (residential and non-residential);
- Services needed to meet the demands of growth;
- Detailed account of the capital costs for each infrastructure project needed to support the growth.

# Development Charges Act, 1997: Processes

The growth-related capital costs identified in the **background study** are subject to legislated deductions and adjustments, required by the Act:

- Requiring a service level cap tied to a 10-year historical average;
- Reductions for benefit to existing development;
- Reductions for future benefit related to excess capacity;



# Development Charges Act, 1997: Processes

- Reductions for grants, subsidies and other contributions;
- Reductions for soft surfaces (e.g. recreation, libraries) by 10%.

# Background Study: Deductions and Adjustments

**Identifying services ineligible for a development charge.** The reason some services are exempt from development charges is that they are considered “discretionary” and not required for development to occur (e.g. entertainment and cultural facilities).

# Background Study: Deductions and Adjustments

**Requiring a service level cap tied to a ten-year historical average.** Capital costs for each service must be reduced by the costs associated with a service level greater than a 10-year historical average. This ensures that new residents/businesses do not receive a service level greater than that provided to current residents/businesses.

# Background Study: Deductions and Adjustments

**Reducing capital costs by the amount of growth-related infrastructure that benefits existing development.** For example, installation of a new transit line needed to service growth becomes part of the overall municipal system and therefore also benefits existing residents. Municipalities must estimate the financial impact of this benefit and reduce growth-related capital costs accordingly.

# Background Study: Deductions and Adjustments

**Reducing capital costs by an amount that reflects any excess capacity for a particular service.** For example, if a municipality wants to construct a new library they must examine if the current municipal library system is at capacity. If not, a deduction to growth-related capital costs for the new library must be made. An exception is made if a municipal council indicates that excess capacity at the time it was created is to be paid for by new development.

# Background Study: Deductions and Adjustments

**Reducing capital costs by adjusting for grants, subsidies or other contributions.** If a municipality receives a grant, subsidy or other contribution for a municipal service for which a development charge is being levied, growth-related capital costs must be reduced to reflect the grant, subsidy or other contribution. This attempts to prevent “double-dipping”.

# Background Study: Deductions and Adjustments

**Reducing capital costs for soft surfaces (e.g. recreation, libraries) by 10%.** The legislation specifically identifies “hard” municipal services for which growth-related capital costs are not subject to a discount.

- Water & Wastewater;
- Stormwater;
- Roads;
- Electrical services;
- Police and Fire;
- Transit.

# Background Study: Deductions and Adjustments

**Reducing capital costs for soft surfaces (e.g. recreation, libraries) by 10%, cont.** This measure was put in place so that a portion of growth-related costs is paid out of municipal general revenues.



# Transparency and Accountability

**Public input.** Municipalities must pass a development charge by-law within one year of the completion of a background study. Before passing the by-law, a municipality is required to hold at least one public meeting, making the background study publicly available at least 60 days prior to passing the by-law.

# Transparency and Accountability

**Appeal to the Ontario Municipal Board.** The content of the by-law may be appealed to the OMB within 40 days of passing, after which imposition of a specific development charge may be challenged within 90 days of the charge payable date.

The OMB has broad powers to change or cancel (repeal) a by-law or to make the municipality do so. If the Board orders a change to the by-law, it is considered to come into force on the day the by-law is passed and the municipality may need to refund any amounts owed to anyone who paid the higher charge, with interest, within 30 days of the decision.

# Transparency and Accountability

**Reserve funds.** Municipalities must establish an “obligatory” reserve fund for each service for which a development charge is collected. The development charge funds must be spent on the infrastructure projects for which they were collected.

# Transparency and Accountability

**Treasurer's Statement.** Each year the treasurer of a municipality is required to submit a development charge statement to council and the Minister of Municipal Affairs and Housing, providing a detailed account on the use of funds as well as a statement as to compliance with the Act.

## Ottawa Context: By-law 2014-229

For example, the City of Ottawa published a Background Study in April 2014 and adopted a new Development Charges by-law in June 2014.

The Background Study was 401 pages, with additional supplemental information related to area-specific stormwater management charges.

# Ottawa Context: By-law 2014-229

The 2014 Background Study includes the following sections:

- City of Ottawa Development Charges
- Anticipated Development in Ottawa
- Increase in the need for Service
- Calculation Requirement and Rules
- By-law Adoption and Implementation
- Appendices

## Ottawa Context: By-law 2014-229

As required by the DC Act, the development forecasts prepared by the City estimated “**The anticipated amount, type and location of development, for which development charges can be imposed...**”

# Ottawa Context: By-law 2014-229

2014 projections of:

- Future population
- Housing units by type
- Gross floor area (commercial, industrial, institutional)

were prepared by geographical area.



# Ottawa Context: By-law 2014-229

	Dwelling Units (DU)			Population (Pop)			DU Growth		Pop Growth	
	2014	2024	2031	2014	2024	2031	14-24	14-31	14-24	14-31
Inside Greenbelt	246,011	270,024	286,819	529,498	570,337	598,155	24,014	40,808	40,880	68,658
Urban Outside Greenbelt	121,342	152,152	168,927	325,753	388,588	425,711	30,828	47,603	62,835	99,958
Rural	32,995	38,173	41,295	93,631	105,090	111,974	5,178	8,300	11,460	18,343
City of Ottawa	400,330	460,349	497,041	948,881	1,064,056	1,135,840	60,019	96,711	115,175	186,959
% Inside GB	61.5%	58.7%	57.7%	55.8%	53.6%	52.7%	40.0%	42.2%	35.5%	36.7%
% Urban Outside GB	30.3%	33.1%	34.0%	34.3%	36.5%	37.5%	51.4%	49.2%	54.6%	53.5%
% Rural	8.2%	8.3%	8.3%	9.9%	9.9%	9.9%	8.6%	8.6%	9.9%	9.8%

Table CW2: Background Study

City of Ottawa, Total Dwellings and Population, 2014, 2024 and 2031

2014-2024						
	Total Employment Growth	Total Employment Growth Associated with Non-Res GFA	GFA (sq. ft.)			
			Commercial	Industrial	Institutional	Total
City of Ottawa	74,043	59,889	16,966,204	5,899,527	4,144,899	27,010,630
2014-2031						
	Total Employment Growth	Total Employment Growth Associated with Non-Res GFA	GFA (sq. ft.)			
			Commercial	Industrial	Institutional	Total
City of Ottawa	117,297	95,094	26,893,875	9,322,982	6,645,978	42,862,835

Table C5W: Background Study

City of Ottawa, Employment and GFA Projections, 2014-2031

GFA excludes Work at Home and No Fixed Place of Work Employment

## Ottawa Context: By-law 2014-229

For example, based on the 2014 Background Study, the gross capital cost of the entire program is **\$6.45 billion**.

Of this amount, \$2.4 billion was deemed to be development charge-recoverable (\$1.73 billion from residential development and \$748M from non-residential development).

# Ottawa Context: By-law 2014-229

The difference between the gross and development charge-recoverable amounts was comprised of the following deductions, pursuant to the *Development Charges Act*:

- \$395 million Beyond 10-year Service Level Cap
- \$1,303 million Benefit to Existing Development
- \$630 million Post Period Capacity
- \$1,673 million Subsidies, Other Contributions, and 10 per cent Statutory Deduction
- \$(36) million Reserves and Reserve Fund Adjustments

## Ex. B-1 Roads and Related Services

### B-1.2 Service Coverage and Capital Program

*Program Coverage:* roads and related projects including streetlights, traffic signals, pedestrian facilities structures, studies, bike lanes, intersection modifications, transit priority projects and public works facilities.

*Capital Program:* prepared by PGM based on the 2013 TMP, Council approved population and employment projections for 2011-2031, the Long Range Financial Plan and the following supporting documents:

- (1) Road Network Development Report;
- (2) Rapid Transit and Transit Priority Report.

# Ottawa Context: Residential Charge

The residential rates are broken down into three charges based on recognized geographic areas of the city:

- Inside the Greenbelt
- Outside the Greenbelt
- Rural
  - Serviced
  - Unserviced

# Ottawa Context: Residential Charge

The 2014 residential charges were greater than the past charge (2009) in all 3 cases, but the increase varies. It is generally attributed to an:

- increase in Public Transit DC recoverable costs;
- increase in Sanitary Sewer DC recoverable costs.

# Ottawa Context: 2014 Residential Charge

Category	Inside the Greenbelt	Outside the Greenbelt	Rural - Serviced	Rural – Un-serviced
Single-Detached and Semi-Detached dwelling, \$ per unit	\$22,173	\$30,362	\$19,900	\$17,474
Apartment Dwelling (2+ Bedrooms) \$ per unit	\$13,051	\$16,114	\$11,419	\$10,028
Apartment Dwelling (<2 Bedrooms) \$ per unit	\$9,610	\$11,865	\$8,408	\$7,382
Townhouse, Multiple, Row and Mobile Dwelling \$ per unit	\$17,360	\$22,839	\$12,953	\$11,376



# Ottawa Context: 2014 Non-Residential Charge

The non-residential charge is differentiated between:

- Industrial Uses; and
- Non-Industrial Uses.

Category	Inside the Greenbelt	Outside the Greenbelt	Rural - Serviced	Rural – Un-serviced
Non-Industrial Use - Charge \$ per square foot	\$19.55	\$19.55	\$19.55	\$17.50
Industrial Use - Charge \$ per square foot.	\$8.43	\$8.43	\$8.43	\$7.47