

REPORT TO COUNTY COUNCIL

Development Charges Study and Update - 2024

To: Warden and Members of County Council

From: Director of Corporate Services

RECOMMENDATIONS

1. That the Local Services Policy 6.23, as attached to Report CS 2024-09, be approved and included in the County's General Policy Manual;
2. That the Development Charge Exemption Policy 6.24, as attached to Report CS 2024-09, be approved and included in the County's General Policy Manual;
3. That the Development Charge Interest Policy 6.25, as attached to Report CS 2024-09, be approved and included in the County's General Policy Manual;
4. That County Council confirms that the following provisions be included in the draft updated County development charge by-laws:
 - a. Policy standards
 - i annual indexing of development charges on June 13 of each year;
 - ii expression of residential and non-residential development charge rates;
 - iii default collection point of development charges at time of building permit, unless otherwise provided for through agreement; and
 - iv front-ending and service in lieu agreements.
 - b. Non-statutory exemptions
 - i non-residential farm buildings;
 - ii places of worship;
 - iii public hospitals;
 - iv Central Business Districts and Entrepreneurial Districts as designated in the Official Plan;
 - v long term care homes;
 - vi temporary dwelling units;
 - vii temporary structures; and
 - viii private schools.

- 5. And further, that a public meeting for the purposes of considering an updated Development Charge Background Study and related Development Charge By-laws for county-wide and area specific water and wastewater development charges, be held on May 8, 2024, at County Council's regular scheduled meeting.**

REPORT HIGHLIGHTS

- Establish policies used for setting development charges and funding local services, offsetting the loss of development charge revenue resulting from exemptions, phasing-in and other financial concessions, and compensating interest income for rate freezes and deferred payment arrangements
- Date for public meeting to be held during Council's regular meeting – May 8, 2024

IMPLEMENTATION POINTS

The draft Background Study will be posted on the County's website by April 12, 2024 for public review and comment before the public meeting scheduled for May 8, 2024, in the County Council Chambers, including registration for online attendance.

Also available for public review and comment on the County website will be the proposed development charge by-laws, including:

- County-wide services – library, land ambulance, long-term care, roads and waste diversion; and
- Water and wastewater area specific services – for service areas including Woodstock, Tillsonburg, Ingersoll, Thamesford, Norwich, Tavistock, Plattsville, Drumbo, Mount Elgin, Embro and Innerkip.

Subsequent to holding a public meeting, Council will give consideration at a future meeting to adopt the 2024 Development Charges Background Study as it relates to County-wide services and area specific services (water and wastewater) and enactment of each of the respective by-laws.

Financial Impact

Approval of the recommendations contained within this report will have no financial impact beyond what has been approved in the current year's budget.

Growth related capital projects will be incorporated into the 2024 Asset Management Plan to facilitate long-term financial planning.

Subsequent to the approval of updated by-laws, at a future meeting, staff will incorporate proposed revenue, exemption and capital project funding sources within the 2025 Business Plan and Budget process. New DC reserves will be created to reflect the charges for additional service areas, along with updates to the Fees and Charges By-law notes to reflect the change in DC and non-DC funded systems.

Communications

The *Development Charges Act* regulates the review process in terms of notice for, and the provision of, a statutory public meeting prior to enacting a development charge by-law.

To inform the public of this development charge review process, Communications staff initiated the [2024 Development charges background study](#) project page on *Speak Up, Oxford!* in June 2023. The project page was promoted through social media and was intended to offer high-level awareness ahead of the more in-depth community consultation taking place in 2024, during which it will continue to serve as an information hub.

In July 2023, staff sent an email notification to developers and related organizations regarding the 2024 Development Charges Background Study process including a link to the County's *Speak Up, Oxford!* page.

Notification was sent on February 20, 2024, to developers and related organizations regarding a virtual stakeholder meeting scheduled for March 18, 2024. This meeting will be an opportunity for stakeholders to learn about the findings from the development charge review process and to provide input prior to the statutory public meeting. This session will begin with a presentation and be followed by a question period with responses provided by Watson & Associates Economists Ltd. and municipal staff.

In order to comply with the prescribed public process, the following dates have been determined on the basis of regular Council meeting dates to avoid additional meetings and to have the updated background study and by-laws in effect on June 13, 2024:




- Draft Development Charge Background Study (including by-laws) release – April 12, 2024;
- Public Meeting notice issued and start of advertising and promotion – April 17, 2024;
- County Public Meeting – May 8, 2024;
- Adoption of Development Charge Background Study and by-laws – June 12, 2024.

Watson & Associates Economists Ltd. will formally be presenting the draft changes to the development charges background study and draft by-laws, including revised rates at the public meeting proposed for May 8, 2024.

2023-2026 STRATEGIC PLAN

Oxford County Council approved the [2023-2026 Strategic Plan](#) on September 13, 2023. The Plan outlines 39 goals across three strategic pillars that advance Council's vision of "Working together for a healthy, vibrant, and sustainable future." These pillars are: (1) *Promoting community vitality*, (2) *Enhancing environmental sustainability*, and (3) *Fostering progressive government*.

The recommendations in this report supports the following strategic goals.
 Strategic Plan Pillars and Goals

PILLAR 1	PILLAR 2	PILLAR 3
		
Promoting community vitality	Enhancing environmental sustainability	Fostering progressive government
<p>Goal 1.1 – 100% Housed</p> <p>Goal 1.2 – Sustainable infrastructure and development</p> <p>Goal 1.4 – Connected people and places</p>	<p>Goal 2.1 – Climate change mitigation and adaptation</p> <p>Goal 2.2 – Preserve and enhance our natural environment</p>	<p>Goal 3.1 – Continuous improvement and results-driven solutions</p> <p>Goal 3.2 – Collaborate with our partners and communities</p> <p>Goal 3.4 – Financial sustainability</p>

See: [Oxford County 2023-2026 Strategic Plan](#)

DISCUSSION

Background

The *Development Charges Act, 1997* (DCA), governs the collection of Development Charges (DC). The intent of DCs is to ensure that infrastructure costs arising from increasing population and employment are funded by new development that benefits from the introduction of the new services (user-pays approach). DCs have been established to ensure that these costs are not borne by existing residents and businesses through property taxes or water/sewer rates. The *More Homes, Built Faster Act, 2022* (Bill 23) amended the DCA resulting in further limitations on the County’s ability to collect DCs for growth related infrastructure costs.

In May 2023, the County and seven of the Area Municipalities initiated a joint Development Charges Background Study process as required by the DCA before passing new development charge by-laws. The Development Charges Background Study is required under the DCA to include:

- A forecast of the amount, type and location of future development;
- The average service levels provided by the County over the 15-year period immediately preceding the preparation of the background study;
- Capital cost calculations for each eligible development charge related service;
- An examination of the long-term capital and operating costs for infrastructure required to service the forecasted development; and
- An asset management plan to demonstrate that all assets included in the study are financially sustainable over the full life cycle.

The County currently has ten development charge by-laws that are due to expire June 26, 2024. The County must complete the Development Charges Background Study process and adopt new by-laws to continue to collect DCs beyond the expiry date.

Watson & Associates Economists Ltd. (Watson) is the consulting firm engaged to facilitate the background study and by-law development process. As part of this process, Watson has collaborated with a Steering Committee comprised of representation from the County and all the participating Area Municipalities to review the existing policies and address areas of weakness, inconsistencies and new economic and social pressures that suggest changes need to be considered in development charge policy within the County.

Further, Watson has facilitated the compilation of a growth-related capital projects inventory as part of the study and update process with each of the participating municipalities. The detailed growth-related inventory listing is identified on the basis of the municipalities' growth forecast and calculated 15-year service levels. At the County level, this process was further facilitated by a DC Technical Review completed by Public Works for roads and related services, water and wastewater services in alignment with Council-approved master plans. The capital project cost estimates are then discounted by grants and other contributions; benefit to existing population; post period benefit; and available development charge reserves to arrive at the development charge rates required to recover growth related infrastructure costs.

Comments

Watson will be presenting to council an overview of the draft findings, including draft calculated DC charges and proposed policy changes. The presentation, historical level of service calculations, and capital needs identified in support of the study are included in Attachment 1 to this report. Watson is also in the process of finalizing the content for inclusion in the draft Background Study to be published on April 12, 2024.

The following is a summary of the proposed policy changes to the County's development charge policy provisions. The proposed policy changes have been carefully contemplated by the Steering Committee members in an effort to provide clarity in interpretation, fair and equitable application, and uniformity between the County and Area Municipalities' policy provisions.

Uniformity, as much as possible, is particularly important in order to provide ease in common stakeholder understanding and efficiency in calculating fees, as some development proposals will be subject to multiple development charge fees – Area Municipal charge, County-wide services and County area specific charges.

Local Service Policy

Some of the growth related needs for services generated by additional development consists of local services directly related to that development. As such, the local services would be required as a condition of the development agreement and subject to completion in accordance with the infrastructure requirements as set out in the Local Services Policy 6.23, included as Attachment 2 to this report. This Policy formalizes the approach used by the County in determining the local

services required to be completed by the developer, and the growth related capital projects that are included in the background study.

Interest Rate Policy

The Interest Rate Policy, included as Attachment 3 to this report, serves to ensure that there is compensating interest income to partially fund the lost DCs that will result from the DC rate freeze and deferred payment requirements, as permitted under the Development Charges Act, as a measure to ensure existing properties are not financially burdened by growth related servicing costs.

Pursuant to section 26.3 of the DCA, the maximum interest rate for installments and DC freeze has been set at the Base Rate plus 1%.

Definition Updates

To support the proposed removal of the non-statutory industrial exemption (as further outlined below) the existing industrial definition would be modified to provide clarity on existing building expansions to facilitate the application of the statutory industrial expansion exemption.

The impacts to services from on farm bunk houses for seasonal workers was also discussed at steering committee meetings. A new definition would be added for bunk houses for a residential DC charge to be imposed per bed based on Ministry of Health occupancy requirements.

New DC Service Areas

As part of the background study process, Watson was required to review growth related needs across all areas of the County, related to eligible services as indicated in the DCA, to determine if additional County-wide or area specific DCs should be implemented.

Services related to long-term care is an eligible service category under the DCA. Historically, the County has not had significant growth-related costs in this service category to require the implementation of DCs. As the County is looking at a new County-owned 160 bed facility in Ingersoll, as initially identified in Council report WDFL 2023-01, it was determined that the growth-related portion of this expansion was significant enough to propose the implementation of DC charges. Attachment 1 includes the capital needs calculations for this service area.

Watson also reviewed the growth-related capital project needs for water and wastewater systems that do not currently have DC charges. Through this review it was determined that the growth projections and capital needs in the villages of Embro and Innerkip, related to water and wastewater, were significant enough to warrant the introduction of area-specific DC's.

Non-Statutory Development Charge Exemptions

The DCA provides for a number of statutory development charge exemptions and discounts, including:

- enlargement of an existing dwelling unit;
- creation of up to two additional dwelling units;

- creation of a second dwelling unit, subject to restrictions, in prescribed classes of proposed new residential buildings;
- land owned by and used for municipalities or a school board governed under the Education Act, and is exempt from taxation under the Assessment Act;
- existing industrial building expansions (may expand by 50% with no DC)
- federal, provincial, crown corporation and, in some cases, college and university development;
- affordable and attainable residential units on a date to be proclaimed (a non-statutory exemption is provided for affordable residential units in the County's existing by-laws);
- non-profit housing development;
- inclusionary zoning residential units;
- mandatory phase-in of rates over a five-year period where the discount starts at 20 per cent and decreases by five per cent per year; and
- discounts for rental housing development by a percentage based on the number of bedrooms.

Notwithstanding these statutory exemptions, the DCA allows municipalities to include exemptions for a type of development in development charge by-laws, phase-in a development charge, or otherwise provide for a type of development to have a lower development charge than is allowed. It is important to note that development charge exemptions provided shall not result in any shortfall in the collection of development charges to be funded through other non-exempt development, so will need to be funded from other funding sources such as rates or taxation. This funding requirement does not extend to revenue foregone due to temporary uses or redevelopment credits as there is no increase in need for service.

The Development Charge Exemption Policy, included as Attachment 4 to this report, formalizes how the County will fund shortfalls in the collection of development charges as a result of statutory and non-statutory exemptions, phasing-in, and other financial concessions. This policy was developed to include the proposed new DC service areas. The funding sources indicated in the exemption policy align with how the County is currently budgeting and funding exemptions for existing DC service areas.

The non-statutory exemptions currently provided through the development charge by-laws are set out in Table 1. The non-residential farm buildings, places of worship and temporary uses exemptions, are generally employed by municipalities in Ontario. As for the Central Business District and Entrepreneurial Area exemptions, they are offered by other municipalities in the province, however not as predominantly.

Table 1 – Current Non-Statutory Development Charge Exemptions

	Exemption Type	County	Blandford-Blenheim	East Zorra-Tavistock	Ingersoll	Norwich	Tillsonburg	South-West Oxford	Zorra	Woodstock
1.	Non-residential uses		✓		✓	✓	✓			
2.	Industrial buildings	✓		✓	✓	✓	✓	✓	✓	
3.	Non-residential farm building	✓	✓	✓	✓	✓	✓	✓	✓	✓
4.	Places of worship	✓	✓	✓	✓	✓	✓	✓	✓	✓
5.	Public hospitals	✓	✓	✓	✓	✓	✓			✓
6.	Development in CBD and EA	✓			✓		✓			✓
7.	Temporary buildings and structures	✓	✓	✓	✓	✓	✓	✓	✓	✓
8.	Long term care home	✓	✓	✓	✓	✓	✓	✓	✓	✓
9.	Affordable housing	✓	✓	✓	✓	✓	✓	✓	✓	✓
10.	Temporary dwelling units	✓	✓	✓	✓	✓	✓	✓	✓	✓
11.	Private Schools	✓								

Notes:

1. CBD means Central Business District; and EA means Entrepreneurial Area

An analysis was completed to help understand the impacts on the County resulting from the requirement to fund exemptions and discounts. The analysis was prepared based on the type of exemption, including projections for the exemption of affordable and attainable housing on a date yet to be proclaimed. The analysis was also based on forecasted development activity and historical exemptions witnessed. Table 2 summarizes the potential impact at the County level, including the impact from the non-statutory industrial exemptions included in the County’s current by-laws.

Table 2 – Projected revenue loss

DC Exemption / Reduction	10-Year Cost
Industrial	\$37.5 million
Affordable Housing	26.2 million
DC Phase-In	22.4 million
Non-Profit Housing (LTC)	2.7 million
Rental Reduction	2.0 million
Secondary Units	1.7 million
Other	1.1 million
Subtotal (Statutory Exemptions)	\$56.1 Million
Total Exemptions	\$93.7 Million

Notes:

1. DC Phase-In, introduced through Bill 23, assumes new by-laws would still be required every 5-years for all service areas. All other impacts are net of phase-in revenue loss
2. Other includes municipal facilities, agricultural and places of worship
3. New statutory exemptions resulting from Bill 23 include, Affordable Housing, Rental Reduction, Secondary Units and Non-Profit Housing (where non-profit housing was previously a non-statutory exemption offered in existing County by-laws)

The majority of municipalities in South-Western Ontario, outside of Oxford County, impose industrial DCs.

The City of Woodstock removed the non-statutory industrial exemption effective January 1, 2023, through approval of updated by-laws in June 2022, in response to the current state of the market and the opinion of Woodstock staff that imposition of DCs on industrial development would not adversely impact future industrial growth.

In November 2023, the Township of Blandford-Blenheim approved an updated DC By-law to remove the non-statutory industrial exemption.

While County staff feel there may be some risk to the level and timing of future industrial growth as a result of removing the non-statutory industrial exemption, this change is proposed as a measure to ensure that growth pays for growth. Removing the industrial exemption would not result in the full projected amount of \$37.5 million being recognized as revenue, as the County would still be required to fund the statutory exemption related to the 50% increase for existing industrial buildings. It is difficult to quantify the amount related to the statutory exemption, however historical experience across the province would suggest that expansions represent a small portion of overall industrial growth.

Collection Timing and Deferral Agreements

The DCA contains provisions for timing for collecting development charges which includes the following options:

1. at the time of building permit issuance;
2. at the time of executing a Subdivision or Consent Agreement for road, water, wastewater or storm services; or
3. as set out in an agreement with a developer for a specified payment date.

Further, the DCA states that a municipality is not required to issue a building permit unless the development charge has been paid.

Currently, most municipalities collect development charges at the building permit stage, and include provisions in their by-law to allow for an agreement with a developer for different timing. These can be in the form of pre-payment or deferred payment options.

The County's by-laws provide for calculation and collection of the charges at the time of building permit issuance.

In accordance with the new legislation, development charges for developments proceeding through site plan or zoning by-law amendment will be determined based on the charges in effect on the day of application. Charges will be frozen for a maximum of two years after the date the planning application is approved.

The DCA also provides for the payment of development charges related to rental housing and institutional development in six equal annual installments, commencing on the date of occupancy.

There are no recommended changes to the collection policies currently employed by the County at this time.

Transition Policies

The *More Homes Built Faster Act, 2022* (Bill 23), introduced the requirement for mandatory phase-in of development charges. With this change, full recovery of DCs for new approved by-laws is not achieved until year five. The maximum charge is 80%, 85%, 90%, 95% and 100% for the first 5 years of the by-law.

To facilitate the ease of calculating the discounts Oxford County and the seven participating Area Municipalities (excluding Woodstock) are all proposing that updated by-laws will take effect as of June 13, 2024.

No transition policies are being proposed in addition to the mandatory requirement.

Indexing

The DCA allows indexing of development charges based on Statistics Canada quarterly, Construction Price Statistics. Currently the development charge by-laws provide a mandatory

annual indexing on April 1, using the most recent twelve month change in the Construction Price Statistics.

It is recommended that County development charge by-laws include mandatory annual indexing on June 13 of each year to coincide with the changes in the mandatory phase-in, for ease of by-law administration.

DC by-law separation by service

To provide Council with the flexibility to update the rates for specific services / areas, when deemed necessary, while protecting the balance of DC eligible services from restarting the new mandatory phase-in upon by-law adoption, separate by-laws are proposed to be passed for each development charge service area.

Expiry Date

A DC by-law now expires 10 years after the day it comes into force, unless it is set to expire earlier or is repealed. Previously this was 5 years. It is proposed that the by-laws follow the 10-year expiry date, recognizing that changes in growth projections or capital needs may require an earlier review of one or multiple service areas.

CONCLUSIONS

Under the Development Charges Act, a public meeting is required prior to the passing of a development charge by-law(s). The public is invited to this meeting to ask questions and/or provide comments on the background study and the proposed by-laws which will be presented by Watson. The draft by-laws are not intended to be considered for adoption at this meeting. In accordance with the DCA, at least 20 days' notice will be given of the statutory public meeting and the proposed development charge by-law(s) and background study are to be made available to the public at least two weeks prior to the public meeting.

The statutory public meeting will be held on May 8, 2024 at 9:30 a.m. as part of the regular County Council meeting in the Council Chambers. Advertisement of the public meeting will be placed in several local newspapers with circulation throughout the County. In addition, direct email notice will be given to builders and developers operating throughout the County and posted on the County's website.

The changes proposed through the by-law updates will help ensure 'growth pays for growth', while limiting undue burden on existing tax and rate payers.

SIGNATURES

Report author:

Original signed by

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Manager of Capital Planning

Departmental approval:

Original signed by

Lynn S. Buchner, CPA, CGA
Director of Corporate Services

Approved for submission:

Original signed by

Benjamin R. Addley
Chief Administrative Officer

ATTACHMENTS

- Attachment 1 – Presentation and Technical Appendix
- Attachment 2 – Local Services Policy 6.23
- Attachment 3 – Development Charge Interest Policy 6.25
- Attachment 4 – Development Charge Exemption Policy 6.24