



SUBJECT: Changes to the Development Charges Act and related regulations

TO: Corporate Services, Strategy, Risk & Accountability Cttee.

FROM: Finance Department

Report Number: F-09-20

Wards Affected: Not applicable

File Numbers: 460-01

Date to Committee: February 13, 2020

Date to Council: February 24, 2020

Recommendation:

Receive finance department report F-09-20 regarding changes to the Development Charges Act and related regulations.

PURPOSE:

The purpose of this report is to provide Council with a summary of the proclaimed portions of Bill 108, *More Homes, More Choices Act*, 2019 and Bill 138, *Plan to Build Ontario Together Act*, 2019 which amends the *Development Charges Act*, 1997.

Vision to Focus Alignment:

- Support sustainable infrastructure and a resilient environment

Background and Discussion:

In 2019, the Ministry of Municipal Affairs and Housing introduced Bill 108, *More Homes, More Choices Act*, 2019, followed by Bill 138, *Plan to Build Ontario Together Act*, 2019 both having significant implications for municipalities through changes to both the *Development Charges Act*, 1997 (DCA) and *Planning Act* among others.

On December 19, 2019, municipalities received confirmation from the Province through a letter (Appendix A) that portions of Bill 108 and 138 that amend the DCA were

proclaimed and in effect as of January 1, 2020. Regulation, O.Reg. 454/19 to amend O.Reg. 82/98 (made under the DCA) has also been published.

For Council's information the changes to the DCA that were enacted on January 1, 2020 are as follows:

1) Timing of Development Charge Collection

The following developments are eligible for the deferral of development charge (DC) payment from occupancy and payments may be made in annual installments, where previously payment occurred at building permit issuance:

- Rental housing development, that is not non-profit housing;
- Institutional development; and,
- Non-profit housing development

For rental housing and institutional developments, the DCs will be payable in six (6) equal annual installments, while DCs for non-profit housing development will be payable in 21 equal annual installments, each commencing on the earlier of the date an occupancy permit is granted or first occupancy of the building. In the event, the DCs are not paid when due, legislation allows for any unpaid DCs and accrued interest to be added to the tax roll and collected in the same manner as property taxes. Furthermore, each development described above are defined in O.Reg. 454/19.

The legislation allows municipalities to charge interest from the date the development charges would have been payable (building permit issuance) over the length of the deferral.

2) Freezing of Development Charge Rate

The development charge rate is determined at the latter date of an application for zoning amendment or site plan application. The development charge rate is frozen for two years following application. If the two years has elapsed between application approval and building permit issuance, then the development charge rate is determined at time of building permit issuance.

Similar to the above, the legislation allows municipalities to charge interest from the date of application for zoning amendment or site plan to the date the DCs are payable.

3) Interest on Development Charges

As mentioned above, the legislation allows municipalities to charge interest to cover costs associated with the deferral of DCs (installment payments) discussed under (1) and the rate freeze as discussed under (2). No maximum interest rate is prescribed by the Province under the new legislation.

Through conversations and coordination with the Region of Halton and local municipalities the City will apply the **prime lending rate** of the city's financial institution

for any application received from January 1, 2020 as the interest rate applicable for installment payments and the rate freeze. The prime rate provides a level of consistency and reflects general economic conditions. The interest rate environment will be monitored and reviewed.

4) Exemptions for Additional Dwelling Units

O. Reg. 454/19 amends the legislation to allow for DC exemptions for the creation of additional dwelling units in new residential buildings and more than one unit in existing rental residential buildings. This will likely result in an increase in DC Exemptions which are funded by the City's property tax base.

Strategy/process

There remain numerous legislative changes still pending proclamation that will have significant implications for municipalities including:

- Removal of discounted (soft) services such as recreation, parks, and libraries from the DCA to a new amended section in the Planning Act (Community Benefit Charge or CBC) to replace Section 37 and Park Dedication. The current proposed transition date to the new CBC system is January 1, 2021.
- Introduction of an appeal process for the CBC by-law through the Local Planning Appeal Tribunal (LPAT)

Though the Province has indicated that the CBC is intended to be revenue neutral for municipalities, the formula has not yet been released and any further financial implication for the city cannot yet be determined. Staff will continue to monitor the legislation and will report back as required.

Financial Matters:

The financial implications surrounding the above proclamations are difficult to quantify. The deferred and reduced development charge revenue as a result of the legislation produces an uncertain revenue stream resulting in the potential to issue debt to fund the city's growth-related capital infrastructure costs. Furthermore, there will be increased costs to be funded by the tax base as a result of the above noted exemption.

Staff from various departments are meeting regularly to work through the processes to implement the legislative changes.

Climate Implications

Not applicable.

Engagement Matters:

The city with the Region and local area municipalities discussed options available to charge interest as no maximum rate was prescribed by the province. The city is also involved in the MFOA working group participating through weekly roundtable discussions with other participating municipalities and regions throughout Ontario to discuss impacts of Bill 108 and Bill 138.

Conclusion:

The report is intended to provide a summary of the recent proclamation of portions of Bill 108 and 138 that amend the DCA effective January 1, 2020. As well as to notify Council of the city's interest rate for the deferral of DCs and the DC rate freeze.

Respectfully submitted,

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Appendices:

- A. Provincial letter

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Council. Final approval is by the City Manager.