

# Development Charges 101 Workshop

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Financial Strategy

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# Agenda

- Development Charge Fundamentals
- Growth Forecast
- Historic Service Level and Funding Envelope
- Capital Program and Funding Projects
- Determining Rates
- Development Charge Reserve Funds
- Development Charge Exemptions
- Strategic Overview

# Development Charges Act, 1997

## **Development charges**

**2** (1) The council of a municipality may by by-law impose development charges against land to pay for increased capital costs required because of increased needs for services arising from development of the area to which the by-law applies.

# Development Charges Act, 1997

Communities need new infrastructure to support new residents and new employment.

Municipalities may collect development charges to build that infrastructure.

# Development Charge Video

<https://guelph.ca/city-hall/budget-and-finance/development-charges/>

# Development Charges

## Regulated Growth Funding Tool

- Requires background study to establish rate.
- Requires consultation process.
- Requires by-law to collect.

Eligible Services

Eligible Costs

Mandatory Exemptions + Discounts

# Relevant Eligible Services

Water

Wastewater

Storm Water Drainage

Services Related to a Highway

Transit

Waste Diversion

Policing Services

Fire Protection

Ambulance

Library

Long-term Care

Parks and Recreation

Public Health services

Provincial Offences Act

~~Housing services~~

~~Parking~~

# Local Service Policy

Not all growth-related infrastructure is built by the City.

Some of the need for services generated by additional development consists of local services related to a plan of subdivision.

Development charges do not fund this infrastructure, this is built by the local developer(s).



# Eligible Costs

## What's In

- Growth Capital Costs Including Land\*
- Related Design and Project Costs

## What's Out

- Operating Costs
- Infrastructure Renewal Costs
- Growth Studies
- Rolling Stock < 7 years
- Computer Equipment

\*land costs may be made ineligible through regulation, that has not been put in force

# Exemptions

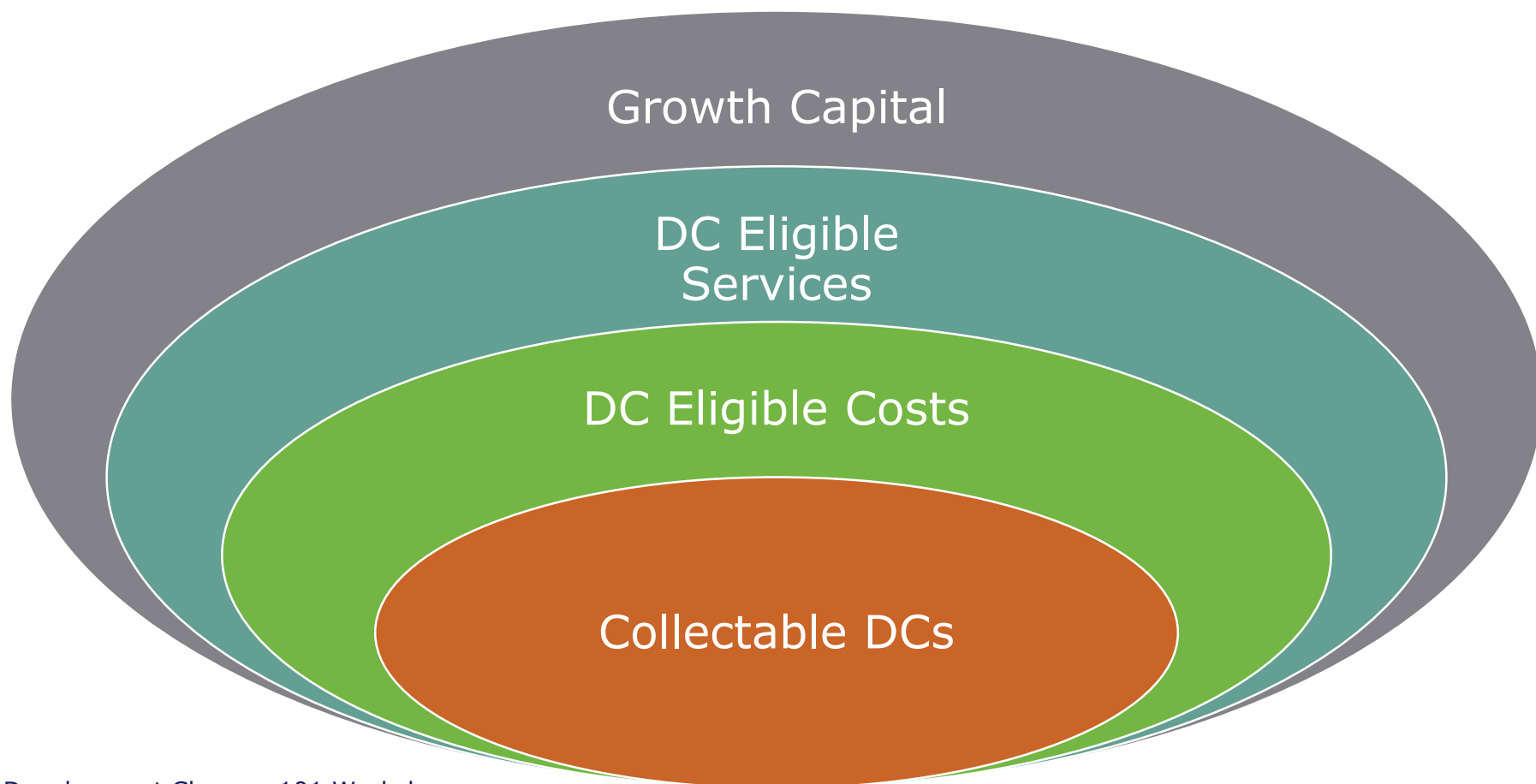
## Legislated

- Phase-in (starting at 20% discount, dropping by 5% per year)
- Exemptions for:
  - Less than 50% Industrial Expansion (100%)
  - Accessory Units (100%)
  - Affordable Units (100%)
  - University Use (100%)
  - Non-profits (100%)
  - Rentals (15-25%)

## Optional

- Religious Institutions
- Parking Structures
- Hospitals
- Temporary Structures

# Collectable Development Charges



# Key Elements of Background Study

Growth  
Forecast

Historic  
Service  
Levels

Funding  
Envelopes

Capital  
Program

Capital  
Funding

Reserves

Exemptions

Strategic  
Overview

# Team Effort



## Project Management

Project Sponsorship  
Project Coordination



## Finance Analysts

Advise and support  
Assist with data gathering



## Service Departments

Provide and validate asset inventory  
Provide capital program information  
Assist with engagement



## Support Departments

Planning - Growth data  
Fleet / Facilities / Public Works / Asset Mgt - Cost data  
Comms / Public engagement



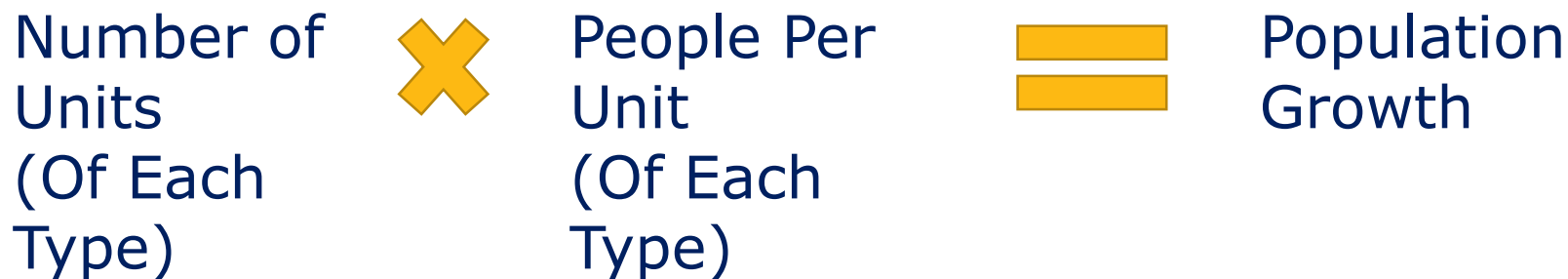
## Consultant (Watson)

Subject Matter Expertise  
Validation of Data  
Assist with Engagement

# Growth Forecast

# Growth Forecast

Review of historical residential development activity as well as active residential development applications and uncommitted residential lands (both greenfield and intensification).



# Historic Service Level and Funding Envelope



# Historic Service Level

Quantities of Assets  Costs to Replace Assets  Historic Service Level

Determines the cost to build all the assets for the service from scratch.

# Historic Service Level Per Person

Historic  
Service  
Level



Population  
of the  
community



Service  
Level Per  
Person

Determines the cost to build all the assets for the service from scratch per person.

# Funding Envelope

Historic  
Service  
Level per  
Person



Population  
Growth



Funding  
Envelope

Determines how many dollars can be budgeted to accommodate growth.

# Funding Envelope

Funding envelopes ensure that service levels are not enhanced through development charge funding.

There are no funding envelopes that limit water, wastewater and stormwater capital projects.

Transit has a forward-looking funding envelope.

# DC Timelines

# Backward-Looking Time Periods

Historic Service Level (10 Years)

Historic Service level (15 Years)

By-law Period

Extended historic service level provides greater rate stability.

# Forward-Looking Time Periods

By-law Period

By-law Period (5 Years)

By-law Period (10 Years)

Short-Term Planning Horizon (10 Years)

- Transit
- Parks and Recreation
- Library
- Long-term Care
- Public Health
- Ambulance
- Waste Diversion

Long-Term Planning Horizon (28 Years)

- Services Related to a Highway
- Public Works
- Fire Protection
- Policing Services
- Water
- Wastewater
- Stormwater

# DC Capital Program



# DC Capital Program

The DC Capital Program is developed in alignment with Council-approved master plans.

Capital program includes estimated costs, estimated timing and funding sources.

# Funding Projects

# Each Project is Evaluated for Eligibility

Capital Cost

-Less: Grants

-Less: Benefit to Existing

-Less: Service Level Cap

=DC Eligible Cost

If  
Applicable

# Determining Rates


# DC Eligible Cost Per Person

$$\begin{array}{ccccc} \text{Total DC} & & \text{Population} & & \text{DC Cost} \\ \text{Eligible} & \div & \text{Growth} & = & \text{Per} \\ \text{Costs} & & & & \text{Person} \end{array}$$


Determines the cost to build infrastructure to accommodate one person.

# DC Rate Per Unit (residential)

DC Cost  
Per  
Person



People Per  
Unit (PPU)



Development  
Charge Rate  
by Unit Type

Determines the cost to build infrastructure to accommodate one unit of that type.

# DC Rate Per Square Foot (Non-residential)

Total DC Eligible Costs		New Non-Residential Floor Space		DC Cost Per square foot
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Determines the cost to build infrastructure to accommodate a square foot of non-residential.

# Development Charge Reserve Funds



# Development Charge Reserve Funds

The City has 16 separate reserve funds to keep track of the collections and spending.

Collections of DCs increase the balance. Spending decreases the balance.

Reserve funds cannot be used for other purposes.



# Applying Development Charge Exemptions

# Exemptions

## Legislated

- Phase-in (starting at 20% discount, dropping by 5% per year)\*
- Exemptions for:
  - Less than 50% Industrial Expansion (100%)
  - Accessory Units (100%)
  - Affordable Units (100%)\*
  - Attainable Units (100%)\*
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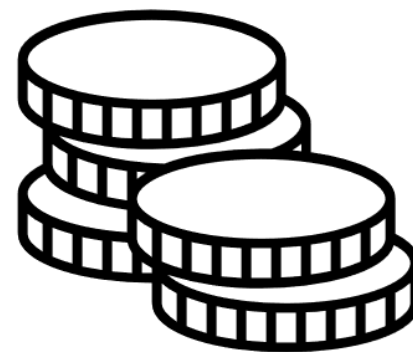
## Optional

- Religious Institutions
- Parking Structures
- Hospitals
- Temporary Structures

# Funding Exemptions

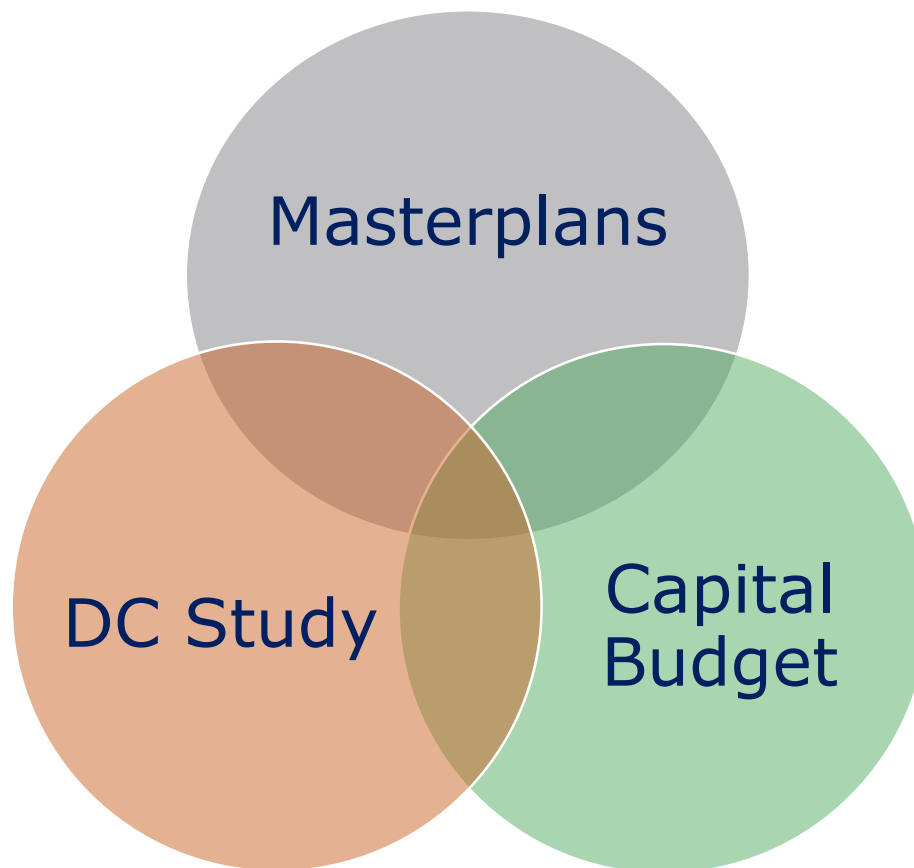
Instead of collecting development charges from developers, the City contributes to the development charge reserves from other sources (like taxes or water rates).

Treatment of exemptions is done in accordance with [Development Charge Exemption Policy](#).

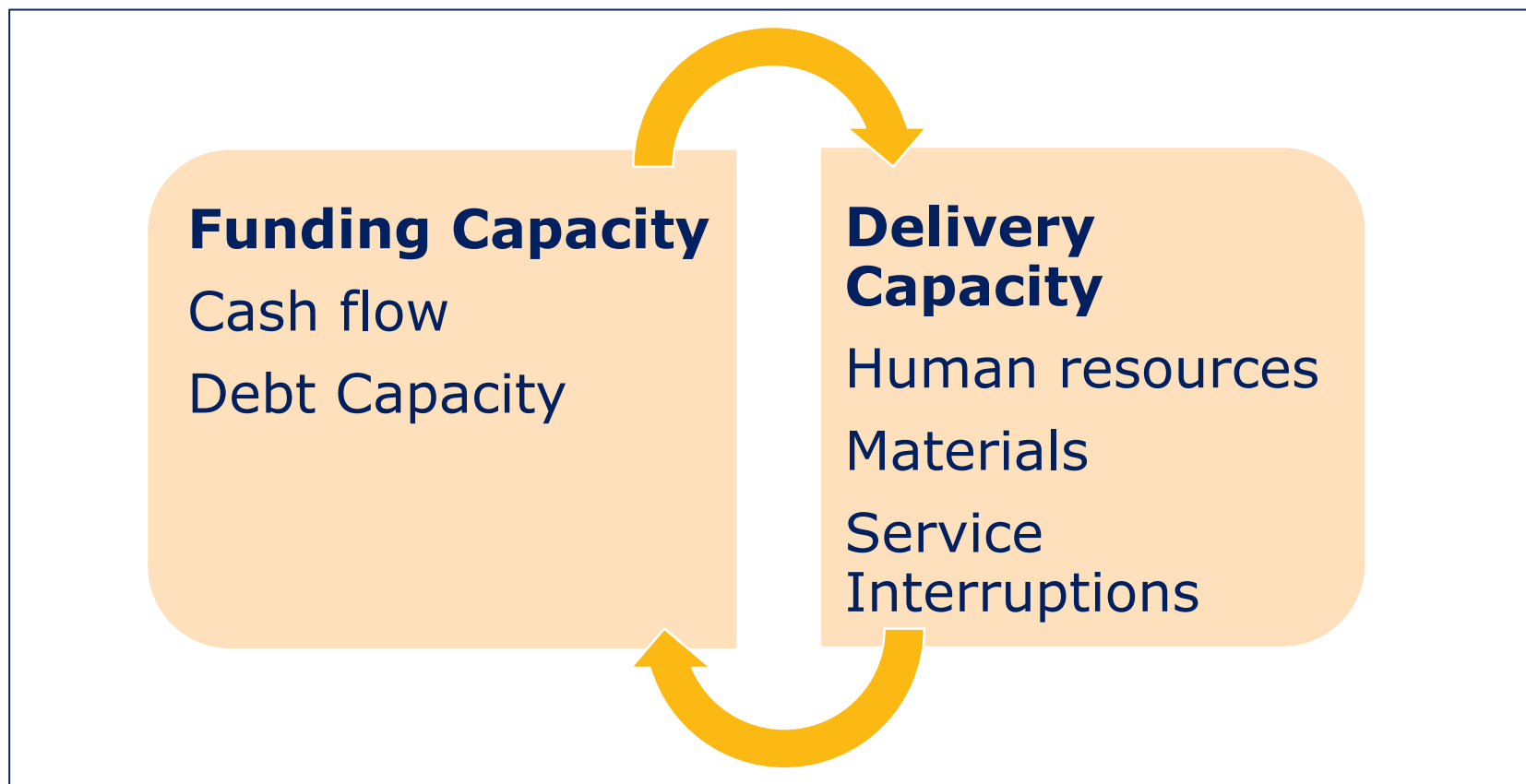


# Strategic Overview

# There is overlap with other work



# Understanding Project Timing



# Development Charge Tools

## Front-Ending Agreements

- Alternate funding tool
- Risks in a high inflation environment

## Area Specific Charges

- Makes front-ending agreements easier
- Generally, more administratively complex



# Next Steps

Special Council Meeting (Today)

Review and Incorporate Feedback + Further Analysis

Mandatory Public Meeting (October 2023)

Council Meeting to Approve By-law (January 2024)