

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 Reserves
- 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~~

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

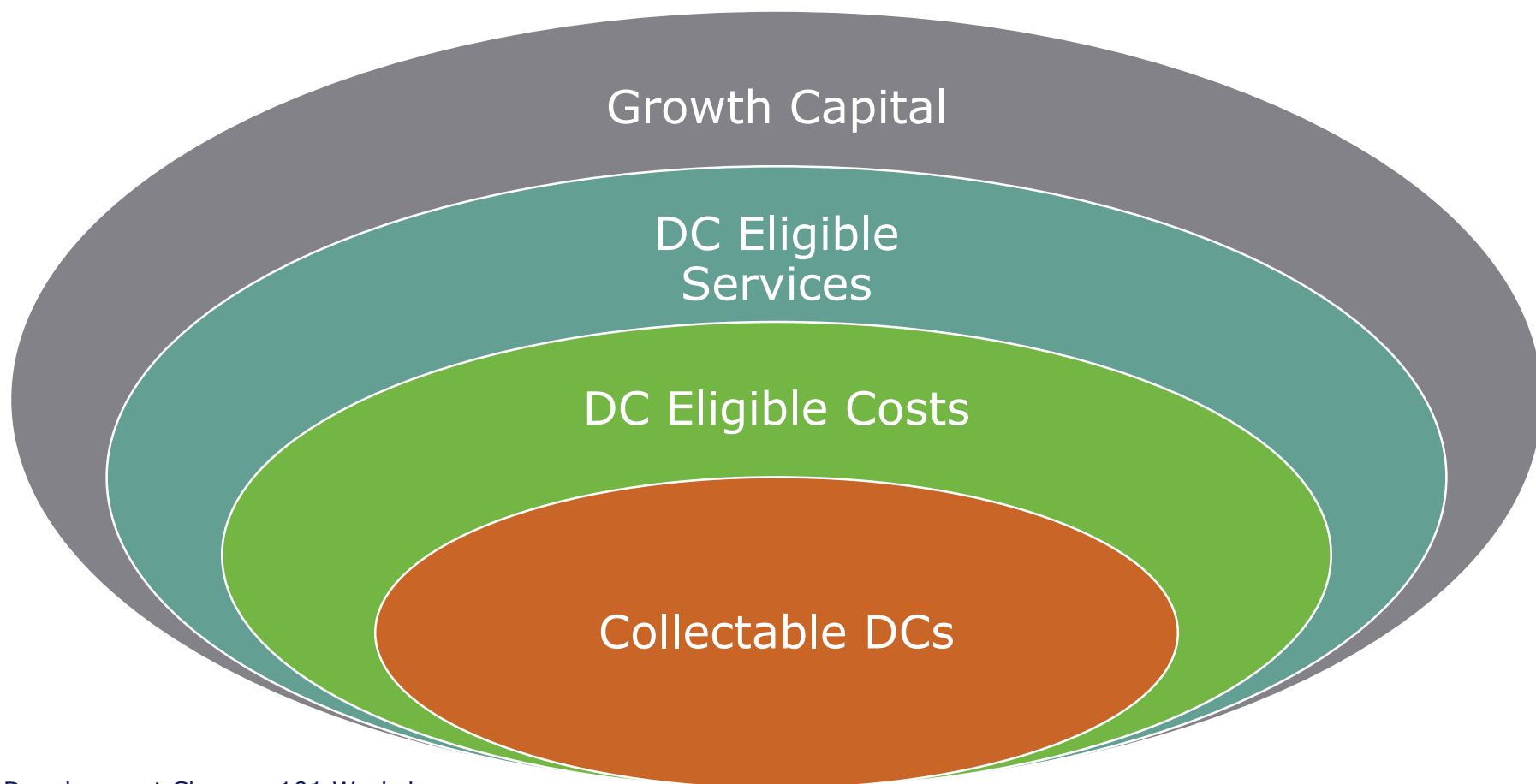
Legislated

- 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

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



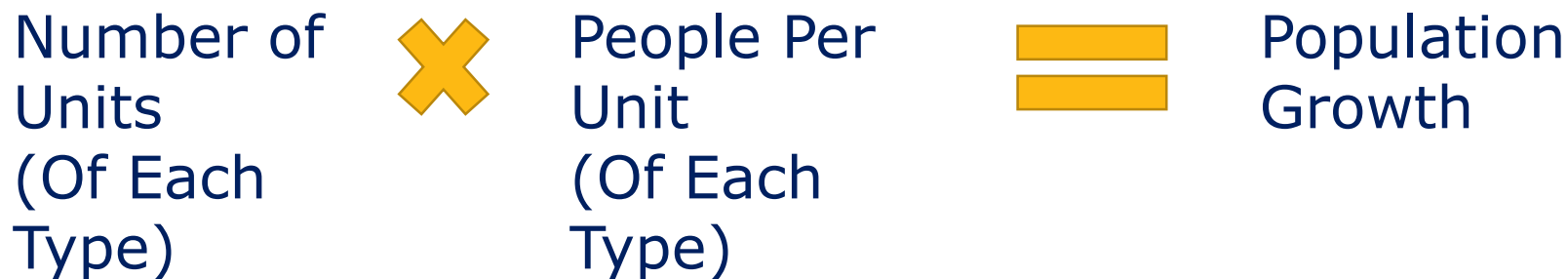
Consultant (Watson)

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



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.

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

$$\text{Total DC Eligible Costs} \div \text{Population Growth} = \text{DC Cost Per Person}$$


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)

$$\begin{array}{ccccc}
 \text{Total DC} & & \text{New Non-} & & \text{DC Cost} \\
 \text{Eligible} & \div & \text{Residential} & = & \text{Per} \\
 \text{Costs} & & \text{Floor Space} & & \text{square} \\
 & & & & \text{foot}
 \end{array}$$

Determines the cost to build infrastructure to accommodate a square foot of non-rese.

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)*
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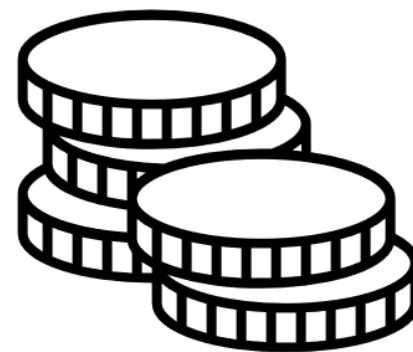
Optional

- Religious Institutions
- Parking Structures
- Hospitals

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](#).

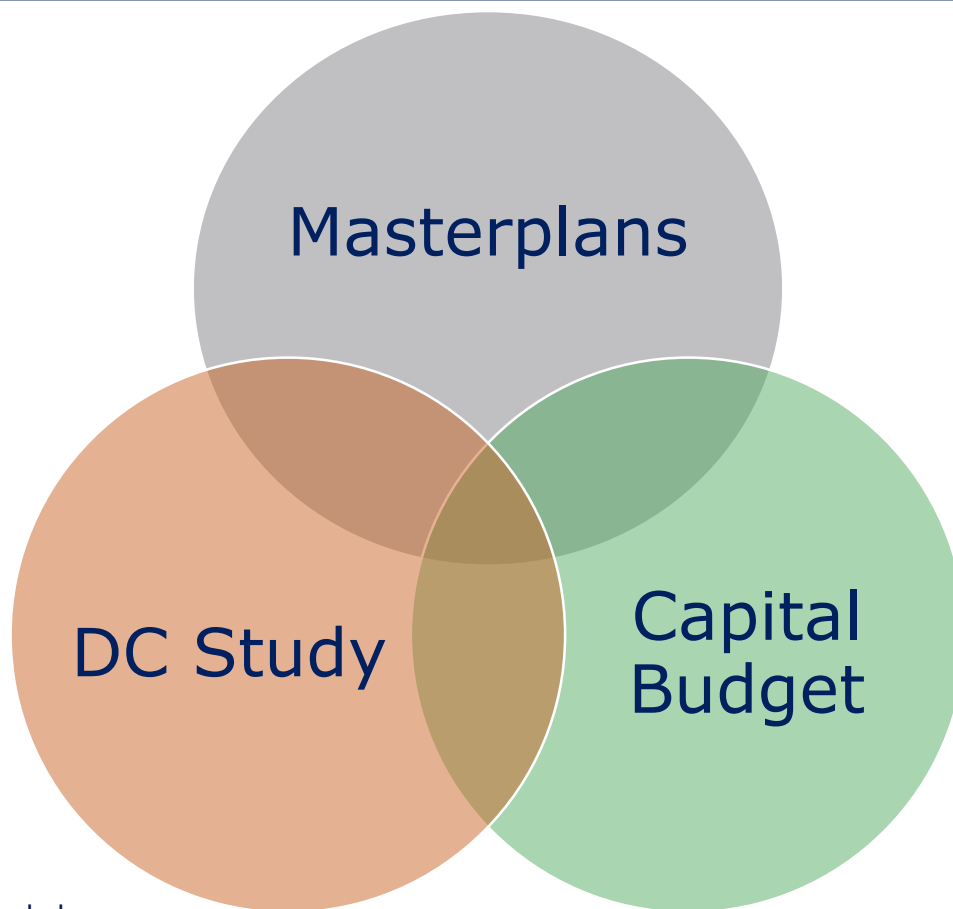


Estimated Impact of Bill 23 Over 10 years.

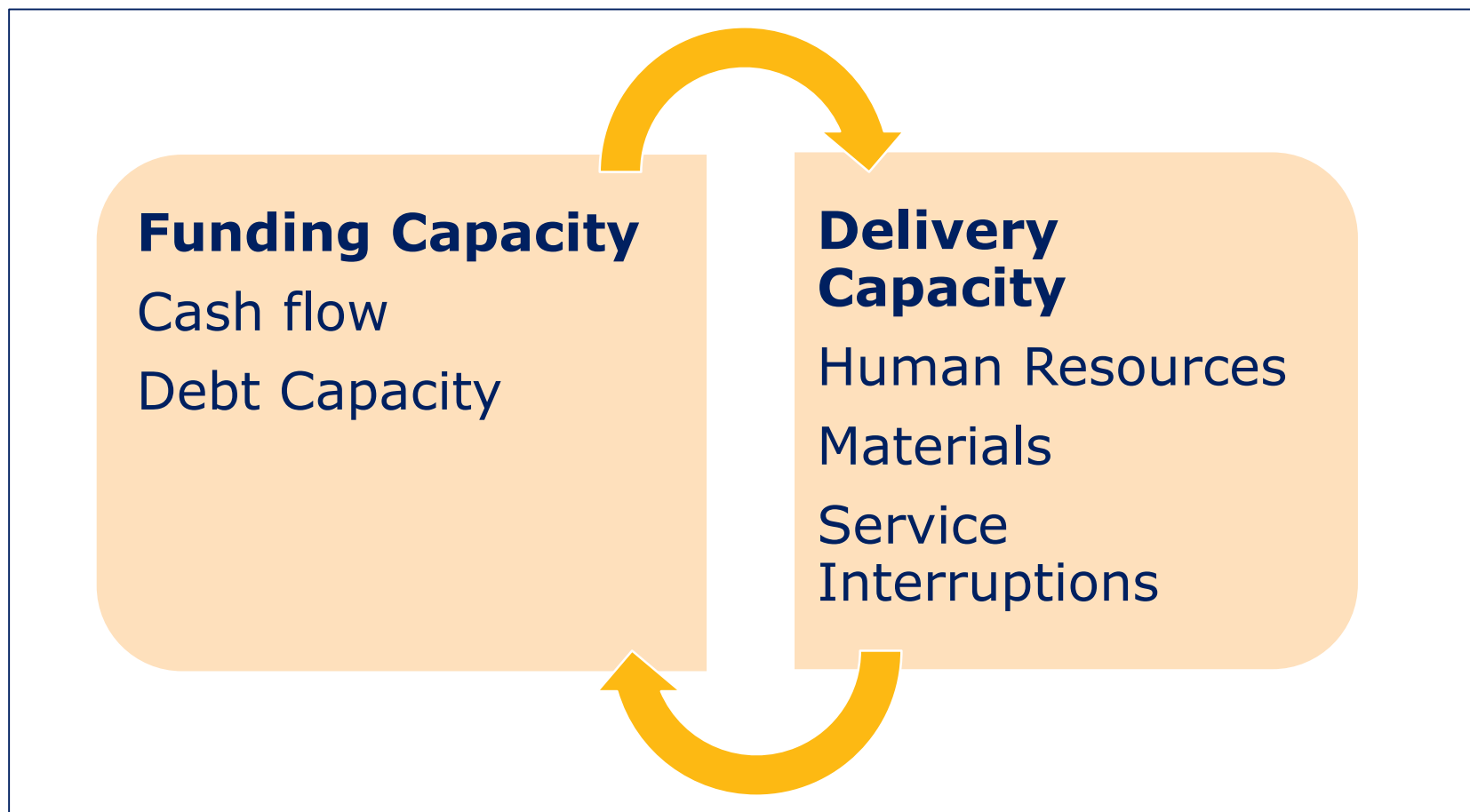
Change	Impact
Five-year Mandatory Phase-In	\$38,000,000
New Exemptions	\$134,000,000
Growth Studies	\$9,000,000
Purpose Built Rental Discounts	\$12,000,000
Total	\$193,000,000

Strategic Overview

There is overlap with other work



Understanding Project Timing



Next Steps

Special Council Meeting (Today)

Review and Incorporate Feedback + Further Analysis

Mandatory Public Meeting (October 2023)

Review and Incorporate Feedback

Council Meeting to Approve By-law (January 2024)