



REPORT

REPORT TO: Mayor Bonnette and Members of Council

REPORT FROM: Wendy O'Donnell, CPA, CGA, Deputy Treasurer

DATE: March 2, 2020

REPORT NO.: CORPSERV-2020-0009

RE: Development Charges Act, Bill 108 More Homes, More Choice Act, 2019

RECOMMENDATION:

THAT Report No. CORPSERV-2020-0009, dated March 2, 2020 regarding the Development Charges Act, Bill 108 More Homes, More Choice be received;

AND FURTHER THAT Council approve the use the Town's financial institution prime lending rate as the interest rate to apply under sections 26.1 (7) and 26.2 (3) of the Development Charges Act, 1997 to the development charge rate freeze and installment payments;

AND FURTHER THAT staff up-date the Town's Development Charges Deferral Installment Policy.

BACKGROUND:

The Ministry of Municipal Affairs and Housing, through Bill 108: *More Homes, More Choice Act, 2019*, introduced changes to both the *Development Charges Act, 1997* (DCA) and the *Planning Act*, among others, that have significant implications for municipalities. The detailed regulations supporting the legislative changes are being gradually released by the Province and the Town has provided comments on various Environmental Registry of Ontario postings related to Bill 108. On December 10, 2019, the Province also approved Bill 138: *Plan to Build Ontario Together Act, 2019* which makes further changes to the DCA and Planning Act. The Town received confirmation from the Ministry that portions of Bill 108 and Bill 138 that amend the DCA were proclaimed as of January 1, 2020. This report has been prepared to summarize the proclaimed changes and obtain Council approval of the interest rates to be applied in accordance with the DCA.

COMMENTS:

The province has proclaimed parts of Bill 108 as it pertains to the *Development Charges Act (DCA)* effective January 1, 2020. The following summarizes these changes.

Determination of Development Charge Rates

Except where there is an early or late payment agreement under Section 27 of the DCA, for applications made on or after January 1, 2020, the development charge rates will be determined as shown in the following chart.

Development Charges Setting & Interest Process



Where the development charge rate is set at the time of the zoning amendment or site plan application, the development charge rate is frozen for two years after planning approvals have been received. If the two years has elapsed, then the development charge rate is determined at subdivision agreement (where applicable) or at the issuance of the building permit.

The legislation provides authority for municipalities to charge interest on the development charges from the date of the application to the date the development charges are payable.

Timing of Development Charges Collection

Builders of rental housing, non-profit housing and institutional development will be able to defer payment of development charges until occupancy, with payments made in annual installments. Deferral installments are to commence the earlier of the date of issuance of an occupancy permit or occupancy of the building. The number of installments is determined by the type of development as noted below (excludes developments with agreements made under Section 27 of the DCA):

- Rental housing and institutional development is collected in six installment payments over five years;

- Non-profit housing development is collected in twenty-one installment payments over twenty years.

The legislation provides authority for municipalities to charge interest on these installment plans from the date development charges would have been payable (i.e. building permit issuance or subdivision) to the date the installment is paid.

Interest Payable on Development Charges

The legislation provides authority for municipalities to charge interest on development charges as outlined above. The Province indicated that they will not be prescribing a maximum interest rate at this time. Staff has been reviewing the interest rate to be used in these cases in coordination with the Region and the other local municipalities.

Staff is recommending use of the Town's financial institution prime lending rate as the interest rate to apply under sections 26.1 (7) and 26.2 (3) of the Development Charges Act, 1997 to the development charge rate freeze and installment payments

The following proposed changes by the Province have not yet been proclaimed:

- The removal of soft services from the DCA to a new amended section in the Planning Act (Community Benefit Charge or CBC) to replace Section 37. The Ministers proposed transition to the CBC system by January 1, 2021. **Note:** An ERO posted on February 28, 2020 with respect to CBCs proposes that soft services continue to be included in the DCA with 100% recovery.
- Bill 138 Schedule 31 (changes to the Planning Act) regarding a process to appeal a CBC By-law through the Local Planning Appeal Tribunal (LPAT).
- The province has released regulations related to the creation of additional dwelling units in existing and new building structures. However, at this time, the sections of the Act that would exempt additional dwelling units have not yet been proclaimed.

RELATIONSHIP TO STRATEGIC PLAN:

Achieve Sustainable Growth-

To ensure that growth is managed so as to ensure a balanced, sustainable, well planned community infrastructure and services to meets the needs of its residents and businesses.

Provide Responsive, Effective Municipal Government-

To provide strong leadership in the effective and efficient delivery of municipal services

FINANCIAL IMPACT:

Interest collected will offset any borrowing costs and/or shortfalls in development charge collections as the Town manages the capital program related to growth.

CONSULTATION:

Staff had participated in various working groups and has worked closely with the Region and the local municipalities and will be bringing similar recommendations to their Councils.

SUSTAINABILITY IMPLICATIONS:

The Town is committed to implementing our Community Sustainability Strategy, Imagine Halton Hills. Doing so will lead to a higher quality of life.

The recommendation outlined in this report is not applicable to the Strategy's implementation.

CONCLUSION:

Bill 108 is expected to result in financial implications for the Town; however, the full extent of the impacts cannot be quantified with the information currently available. At a minimum, the Town expects to face increased costs to administer the new legislation, and greater financial risk associated with an increased use of debenture financing due to deferrals and frozen development charges (which may not represent growth costs at the time of implementation). In addition, there is volatility in revenue streams associated with land values used to calculate CBCs.

Going forward, staff will ensure the implications of this legislation are properly considered in future user fee reviews, DC background studies, fiscal impact analyses and the budget as is appropriate.

Reviewed and Approved by,



Jane Diamanti, Commissioner of Corporate Services



Brent Marshall, Chief Administrative Officer