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**TO:** GENERAL COMMITTEE

**SUBJECT:** 2023 DEVELOPMENT CHARGE BACKGROUND STUDY AND BY-LAW

**WARD:** ALL

**PREPARED BY AND KEY CONTACT:** M. VILLENEUVE, SUPERVISOR OF DEVELOPMENT CHARGES, EXT. 4503  
C. GILLESPIE, SENIOR MANAGER OF CORPORATE FINANCE AND INVESTMENTS, EXT. 5743

**SUBMITTED BY:** C. MILLAR, CHIEF FINANCIAL OFFICER AND TREASURER, EXT. 5130

**CHIEF ADMINISTRATIVE OFFICER APPROVAL:** M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

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### **RECOMMENDED MOTION**

1. That the City of Barrie ("City") Development Charge Background Study dated April 21, 2023, as amended, for the City-wide and Area Specific Development Charges By-law attached as Appendix "D" to Staff Report FIN009-23, be approved under Section 10 of the *Development Charges Act, 1997*.
2. That the assumptions contained in the Development Charges Background Study be adopted as an 'anticipation' with respect to capital grants, subsidies, and other contributions.
3. That staff, whenever appropriate, request that grants, subsidies, and other contributions be clearly designated by the donor as being to the benefit of existing development, or new development as applicable.
4. That no further public meetings are required pursuant to Section 12 of the *Development Charges Act, 1997*.
5. That the draft by-law attached as Appendix "H" to Staff Report FIN009-23 be enacted.
6. That By-law 2019-055 055 concerning the municipal-wide development charges for the City of Barrie, be repealed.

### **PURPOSE & BACKGROUND**

#### Report Overview

7. The purpose of this report is to update the City's Development Charge (DC) by-law, encompassing former municipal boundaries and Salem and Hewitt's Secondary Plan Areas. Before a new by-law can be passed, the Development Charges Act (DCA) requires the completion of a comprehensive background study that, among other things, sets out estimates of the anticipated amount, type and location of development and redevelopment with respect to which DCs will be imposed and identifies the facilities, services and matters that will be funded with DCs.
8. The current City-wide DC By-law 2019-055 was enacted in June of 2019 and amended in June of 2021 because of the passing of Bill 108. The changes from Bill 108 included the removal of Parking and Airport services from DC's. The payment of DC's over 6 equal annual instalments over 6 years for non-profit and commercial/industrial/institutional developments commencing the date of occupancy. Bill 108 also included the DC charge in effect is the date of the site plan application date.

9. As part of the financial strategies in the Long-Range Financial Plan adopted by Council November 8, 2021, staff were directed to bring forward an updated Development Charge Background Study and related by-law and to propose a new Community Benefit Charge in 2023.

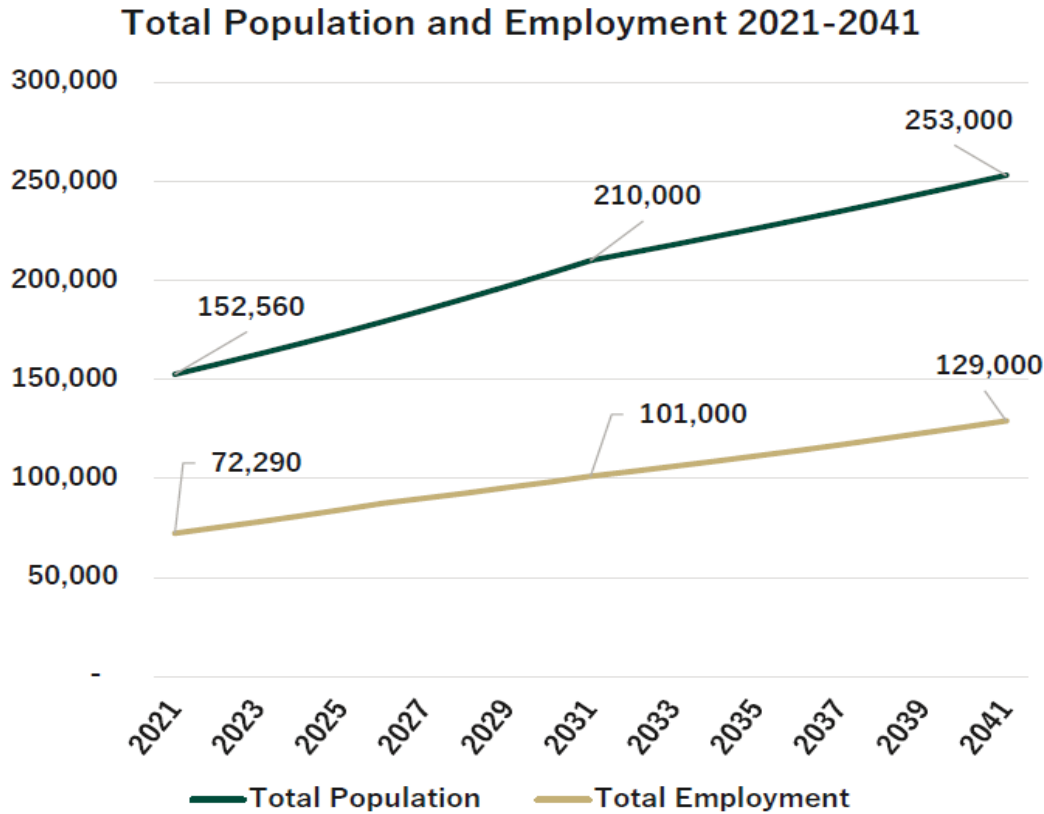
## **ANALYSIS**

### Development Charges and Bill 23

10. Development charges (DC's) are fees collected from new development. The original principle behind these fees is that "growth pays for growth" so that the cost of growth-related infrastructure does not fall on the existing community in the form of higher property taxes or user fees. However, in an effort to increase the housing supply, the Province brought forward Bill 23: More Homes Built Faster Act, 2022, which is contrary to this principle, further reducing the amount of DC's that a municipality can collect. As described by Hemson Consulting in the attached DC Background study in Appendix "D" to Staff Report FIN009-23, key legislative changes of Bill 23 include:
- Five-year mandatory phase-in of the calculated DC rates (beginning with a 20% reduction in Year 1, decreasing by 5% annually until Year 5);
  - Historical service level standards have been extended from a 10 to 15 year planning period;
  - DC by-laws now expire every 10 years instead of 5 years;
  - The amount of interest paid on DC deferrals and freeze is capped at prime plus 1%;
  - Costs associated with studies and affordable housing services are now ineligible for recovery through DC's;
  - Municipalities must spend or allocate 60% of available DC reserve funds per year for roads, water and wastewater services;
  - Discounts for purpose-built rentals based on the number of bedrooms
11. While the Development Charges Act was also amended to exempt affordable and attainable housing developments from the payment of DCs. The regulations which will define these types of units have not yet been released; and therefore these changes are not yet in force.
12. Changes from the current by-law to the proposed by-law are summarized in Appendix "G" to Staff Report FIN009-23.

### Forecasted Growth

13. As identified in the graph below, the City's population is anticipated to reach approximately 210K by 2031 and 253K by 2041:



14. The 2031 and 2041 population, households and employment figures used in the DC Background Study are consistent with the forecasts set out in the “*City of Barrie, Long-Term Growth Scenarios Review – Made in Barrie Scenario*” and aligns with forecasts used in the current infrastructure Master Plans as well as the 2019/2021 DC Studies.
15. Note that the City’s new Official Plan was recently approved by the Province and is now in force. The new Official Plan includes growth targets to 2051 that will be used in future Master Plan and DC Study updates.

Capital Program

16. The growth-related capital program aligns with the current forecasts used in the current infrastructure master plans updated for costing assumptions. The capital plan is consistent with the 2019 and 2021 DC studies.
17. The following table summarizes the forecasted growth-related capital program from 2023 to 2041 totaling \$6.8 Billion:

## Capital Program Summary (\$millions)

Service	Gross Cost	Grants/ Subsidies	Benefit to Existing	DC Reserves	2023-2032	Post-2032
General Services + Transit	\$982.10	\$114.20	\$126.90	\$38.90	<b>\$452.40</b>	\$249.70

Service	Gross Cost	Grants/ Subsidies	Benefit to Existing	DC Reserves	2023-2041	Post-2041
City-wide: Engineering Services	\$4,781.70	\$0.00	\$611.70	\$165.20	<b>\$2,920.20</b>	\$1,084.70
Area-Specific: Former Municipal Boundary	\$662.20	\$0.00	\$380.70	\$4.80	<b>\$276.70</b>	\$0.00
Area-Specific: Salem & Hewitt's	\$416.70	\$0.00	\$0.00	\$0.00	<b>\$416.70</b>	\$0.00
<b>Total</b>	<b>\$5,860.70</b>	<b>\$0.00</b>	<b>\$992.40</b>	<b>\$170.00</b>	<b>\$3,613.60</b>	<b>\$1,084.70</b>

Service	Gross Cost	Grants/ Subsidies	Benefit to Existing	DC Reserves	2023-2032 + 2023-2041	Post- Period
<b>TOTAL ALL SERVICES</b>	<b>\$6,842.80</b>	<b>\$114.20</b>	<b>\$1,119.30</b>	<b>\$208.90</b>	<b>\$4,065.90</b>	<b>\$1,334.40</b>

18. The total \$6.8 Billion growth related capital plan will be funded as follows:
- Current bylaw:
    - i) \$4.1B funded by DCs in the proposed rates
    - ii) \$1.1B funded by existing tax and rate payers as Benefit to Existing
    - iii) \$323M funded by grants and reserves
  - Future bylaw:
    - i) \$1.3B funded in future DC calculations as post period allocations.
19. Through the discussions and review of the forecasted growth-related capital plan with the development community, staff are recommending an increase in post period costs to \$1.3 Billion from \$344 Million in the previous study. This change in approach is to recognize that some roads related capital works will most likely extend beyond 2041. These costs will be recovered in subsequent updates to the DC by-law and future DC rates.

Proposed Development Charge Rates

20. As a result of Bill 23, the calculated DC rates are reduced 20% in the first year of the DC Bylaw. The full 5-year phase-in of the DC rates before indexing are identified in Appendix "I" to Staff Report FIN009-23. The table below shows the impact from the updated rates in the first year, after allowing for the phase-in:

**Proposed DC Rates:  
As at April 20, 2023**

<u>Former Boundary</u>	<u>Calculated Rate</u>	<u>Year 1 (80% of Full rate)</u>	<u>Current</u>	<u>Year 1 increase over Current</u>
Single & Semi-Detached	\$ 111,874	\$ 89,499	\$87,281	2.5%
Other Multiples	\$ 83,842	\$ 67,074	\$69,088	(2.9%)
Apt 2 + Bedrooms*	\$70,013	\$ 56,010	\$48,878	14.6%
Apt 1 Bedroom or Less**	\$45,510	\$ 36,408	\$34,319	6.1%
Special Care Dwelling Unit	\$35,007	\$ 28,006	\$29,560	(5.3%)
Retail	\$607.69	\$ 486.15	\$454.41	7.0%
Non-Retail	\$354.33	\$ 283.46	\$283.25	0.1%

<u>Salem/Hewitt's</u>	<u>Calculated Rate</u>	<u>Year 1 (80% of Full rate)</u>	<u>Current</u>	<u>Year 1 increase over Current</u>
Single & Semi-Detached	\$126,077	\$100,862	\$90,445	11.5%
Other Multiples	\$94,486	\$ 75,589	\$71,596	5.6%
Apt 2 + Bedrooms*	\$78,902	\$ 63,122	\$50,649	24.6%
Apt 1 Bedroom or Less**	\$51,287	\$ 41,030	\$35,565	15.4%
Special Care Dwelling Unit	\$39,450	\$ 31,560	\$30,635	3.0%
Retail	\$735.64	\$ 588.51	\$446.43	31.8%
Non-Retail	\$391.69	\$ 313.35	\$316.28	(0.9%)

\* Rental Units will receive 20% or 25% discounts

\*\* Rental Units will receive 15% discounts

21. As a result of the phase-in from Bill 23, the DC rates for a single and semi-detached home in the former boundary increases by 2.5% over current rates in year 1. For Salem/Hewitt's, this results in an increase of 11.5%.
22. The increase in DC rates is largely attributable to the updating of costs based on current pricing, most notably in the Engineered Services (Roads, Water and Wastewater).

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Growth Costs Not Included in Development Charges

23. The DCA does not permit the recovery of growth-related costs associated with waste management services, headquarters for general administration, cultural, entertainment or tourism facilities, parking services, social housing, growth studies and the Airport. Previous to Bill 23, the City would have been able to collect \$30 million of DC's to fund social housing costs payable to the County of Simcoe. The costs will now have to be funded directly from existing taxpayers.
24. As estimated by Hemson, the phase in of DC's from Bill 23 could result in \$125 million of lost DC revenue to the City of Barrie over the next 5 years. Without additional funding from the Provincial or Federal governments, the lost revenues will have to be funded from taxpayers through higher taxes or reduced service levels.
25. The DCA further limits the amount of recoverable costs by deducting amounts in excess of the 15-year average historic service levels, which is particularly challenging for municipalities incurring significant growth within a short period of time.
26. Future operating costs for growth are excluded from development charges and must be funded by other sources such as taxation and user rates.
27. To the extent that development charges, as permitted under the DCA, are not sufficient to cover growth-related costs or further discounts and exemptions are provided, the remaining portion of these costs require funding from other non-development charge sources, such as, property taxes and/or user fees.

Statutory Discounts and Exemptions:

28. The DCA sets out various discounts and exemptions for: Residential, Institutional, Government, Local Board, and Industrial development. The proposed by-law has been prepared in accordance with these requirements. Details of these exemptions and discounts are found in Section 11 of the proposed by-law (see Appendix H, DC Bylaw.). This includes the exemption of non-profit housing development which was introduced through Bill 23.
29. Appendix G highlights the main legislative changes that have occurred since the previous bylaw in 2019 as a result of Bill 108 and Bill 23.

Discretionary Discounts and Exemptions Proposed for Inclusion in the DC By-Law:

30. Whiskey Creek Area Specific development charges have been removed from the by-law. Most of the projects relating to these charges have been completed and the area is largely developed.
31. In deciding whether to impose the fully calculated development charge, or some reduced amount, it is important to consider the City's overall financial condition and the needed capital investment to support the planned growth for the City.
32. These considerations must be weighed against other pressures such as broader economic development goals, affordable housing goals, fairness and consistency to the development community, and the overall growth management strategy.
33. The provision of discretionary discounts, if any, are determined by Council and would be included in the Development Charges by-law. Appendix "G" to Staff Report FIN009-23, Item 11 summarizes the change in discretionary discounts between bylaws.:
  - The 40% discretionary discount for certain targeted uses has been removed from the by-law.

- i) A number of uses were eligible for the discount in the previous by-law, varying from Bakeries to Medical Marihuana Production Facility/Cannabis Production Facility to Data Processing Centres.
  - ii) The discount was to be provided for the first 1.5 million square feet of space constructed for the targeted uses within the life of the by-law. As of March 31, 2023: 1.1 million square feet of targeted uses had been constructed with total discounts valued at \$9.2M which were funded by tax and rate payers since June of 2019.
  - iii) Should the City want to continue to provide tax and rate payer funded subsidies to business, Finance staff would recommend doing so through a Community Improvement Plan (CIP) so that proper programs, evaluation criteria, business case review processes and budgets can be established.
- The 50% discretionary discount for non-profit institutions has been carried forward from the previous by-law to the new by-law.
    - i) Since June of 2019, \$417K in discounts have been provided to two non-profit institutions.
    - ii) Staff are not proposing to remove this discount given the volume and overall value of discounts provided and the support that these organizations require to provide such services to the community.

#### Local Service Guidelines

- 34. The Local Service Guidelines (LSG) included as Appendix “H” to the DC Background Study in Appendix “D” to Staff Report FIN009-23 is a document that is used to distinguish and to communicate to the development community the capital works that are internal to a development, and therefore are to be directly funded by the developer, from the capital works that offer a greater benefit to other developments, which are funded by DCs.
- 35. The LSG has been refined during our work completing the DC Background Study and has been further refined since the release of the DC Background Study in the Recreational Trails section (see Appendix “F”) to provide some additional clarity.
- 36. The City’s Infrastructure team anticipates further refining the policy as a result of ongoing discussions with the Development community. The Infrastructure team anticipates bringing a further refined LSP to Council in the latter part of 2023. There is no impact to the City’s proposed by-law.

#### Comparisons to Other Municipalities

- 37. The City’s DC rates will remain competitive with other comparable municipalities:
  - Residential DC rate comparisons (see Appendix “A” to Staff Report FIN009-23).
    - i) The City’s current residential rates are in the lower end of the mid-range close to rates in Oakville & Whitby. The proposed first year rate in the former municipal boundary will continue to be in the lower mid-range while the Salem and Hewitt’s area rate will move to the upper mid-range slightly above New Tecumseth, Newmarket and Innisfil.
  - Non-Residential DC rate comparisons (see Appendix “B” to Staff Report FIN009-23).

- i) The City's current non-residential rates for Retail are in the lower end of the mid-range close to rates in Mississauga and Brampton. The proposed first year rate in the former municipal boundary will move up slightly in the mid-range to be more comparable to New Tecumseth while the Salem and Hewitt's area rate will move up in the mid-range between Whitby and Newmarket.
- ii) The City's current and proposed first-year non-residential rates for Non-Retail in the former municipal boundary are in the lower end of the mid-range close to rates in East Gwillimbury and Newmarket while the Salem and Hewitt's area rate will continue in the upper mid-range like Bradford West Gwillimbury but below Mississauga.

### Public Consultation

38. The City has had an extensive consultation process which included:
- The sharing of the City's draft working documents that served the DC Background Study with the Salem and Hewitt's Landowner Groups since January of 2023.
  - The holding of the following 7 Technical Review meetings with the Salem and Hewitt's Landowner Groups and their consultants:
    - January 23, 2023 – Transportation Services
    - January 24, 2023 – General Services
    - January 25, 2023 – Water and Wastewater Services
    - February 27, 2023 – Transportation, Water and Wastewater Services
    - February 28, 2023 – General Services
    - March 6, 2023 – Transportation, Water and Wastewater Services
    - May 29, 2023 – Local Service Guidelines
  - The holding of 1 at large Stakeholder Review meeting on May 1, 2023.
  - The holding of 1 Public meeting on May 10, 2023.
  - Considered and responded to many questions and comments from stakeholders over the course of drafting the Background Study and By-law.
  - Considered and responded to additional questions and comments from stakeholders since the release of the Background Study and draft by-law (See Appendix "C" to Staff Report FIN009-23).
39. Our consultants have commented that the City's consultation process for the 2023 DC Background Study and By-law is one of the most thorough processes they have been involved with and well exceeds the requirements of the legislation.
40. As a result of the consultation process and comments raised by the development industry, changes have been made to the Roads and Development-Related Capital Program. The changes include adjustments for the oversizing of stormwater infrastructure and the removal of trail bridges and underpass projects which will now be included in the Parks and Recreation capital program. The adjustment has not resulted in any change to the calculated residential and non-residential DC rates. The adjusted programs are included as Appendix "E" to Staff Report FIN009-23.



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## **ENVIRONMENTAL AND CLIMATE CHANGE IMPACT MATTERS**

41. There are no environmental or climate change impact matters related to the recommendation. The DC Background Study reflects a number of projects included in various Master Plans that are intended to improve the City's water, wastewater and stormwater management activities as well as support active transportation initiatives.

## **ALTERNATIVES**

42. The following alternative is available for consideration by General Committee:

**Alternative #1** General Committee could choose to delay the implementation of the new development charge rates until September 1, 2023 to provide developers additional time to pay under the old rates.

This alternative is not recommended as the reduction in development charges will ultimately need to be paid for by others.

**Alternative #2** General Committee could choose to add additional discretionary development charge discounts.

This alternative is not recommended as it would require funding from tax and rate payers.

**Alternative #3** General Committee could choose to not approve a new by-law this year.

This alternative is not recommended as it could pose a strain on the City's cash flow requirements and require funding shortfalls to be made up from tax/rate payers as well as future developers.

## **FINANCIAL**

43. The DC Background Study considers projects with an estimated cost of \$6.8 billion, \$4.1 billion of which have been included in the proposed DC rates to service growth for the 2023-2041 period.
44. The proposed DC by-law will be in effect for a maximum of ten years but may be updated sooner at the discretion of the City.

## **LINKAGE TO 2022-2026 STRATEGIC PLAN**

45. This initiative relates to the Infrastructure Investments and Responsible Governance priorities identified in the 2022-2026 Strategic Plan.