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## **Development Charges and Community Benefits Charges Staff Report to Council**

Report Number: 2022-33

Department(s): Development & Infrastructure Services Commission, Financial Services

Author(s): Frank Wu

Meeting Date: May 30, 2022

### **Recommendations**

1. That the report entitled Development Charges and Community Benefits Charges dated May 30, 2022 be received; and,
2. That Council receive the 2022 Development Charges Background Study Update and the proposed draft Development Charges By-law; and,
3. That Council receive the Community Benefits Charges Strategy and the proposed draft Community Benefits Charges By-law; and,
4. That the draft Development Charges By-law amending the current DC By-laws be adopted; and
5. That the draft Community Benefits Charges By-law be adopted; and
6. That staff be authorized and directed to do all things necessary to give notice of the enactment of the 2022 amending Development Charge By-laws and Community Benefits Charges By-law and implement and administer the new rates; and
7. That staff develop a guideline and report to Council on how to allocate the CBC funds.

### **Purpose**

The Purpose of this report is to recommend the adoption of the 2022 amending Development Charges By-law and the Community Benefits Charges By-law.

## Background

Development charges (DC) are levied against new development, and are a primary source of funding for growth-related capital expenditures. The Town's current development charges by-laws were enacted on July 18, 2019. The Provincial government made amendments to the *Development Charges Act* and *Planning Act* through Bill 108 and Bill 197.

Main changes in the *Development Charges Act* that are applicable to the Town include eliminating the 10% reduction of DC eligible costs in the following services: Development-related studies, Library, Parks & Recreation, and Waste Diversion Services. Municipal Parking is no longer eligible for DC funding.

A Community Benefits Charge (CBC) is a new growth-funding tool under the *Planning Act* that allows municipalities to levy a charge against development with 5 or more storeys and 10 or more residential units to fund associated development-related capital needs. The CBC provisions replace the former section 37 height and density bonusing in the *Planning Act*, subject to transition rules and a number of statutory exemptions for development such as long-term care & retirement homes and non-profit housing. Only local municipalities can charge CBCs and a CBC strategy is required for imposing a CBC by-law.

As a result of these amendments, municipalities have two years to transition to the new regimes. As such, municipalities may continue to levy development charges for services outside those prescribed under section 2(4) of the *Development Charges Act* until the earlier of:

- September 18, 2022;
- The date the municipality's DC by-law, as it relates to those services, is repealed; or
- The date a Community Benefits Charges by-law is passed.

To comply with these legislative changes, staff have been working with Hemson Consulting Inc.(Hemson) to update the 2019 Development Charges Background Study and DC by-laws, and develop a Community Benefits Charges Strategy and a CBC by-law.

## Discussion

### DC Background Study Update

This DC background study update relates to the provision of the following scoped services: Development-related Studies, Library, Parks & Recreation, and Waste Diversion Services.

Historical service levels regarding these services have been updated to include 2019, 2020 and 2021 data. Development-related capital programs for period 2022-2028 in these services have also been updated based on the latest forecast. As per legislative changes, the current 10% reduction of the DC eligible costs in these services is eliminated. Municipal Parking is not eligible for DC funding and is now taken out of the DC rate. Tables below illustrate the calculated new DC rates as well as changes to the current rate.

**Table 1 Comparison of Current and Calculated Residential DC Rates**

Service	Residential (\$/SDU)			
	Current Residential Charge	Calculated Residential Charge	Difference in Charge	
Development-Related Studies	\$277	\$322	\$45	16%
Library	\$1,056	\$1,121	\$65	6%
Parks & Recreation	\$15,284	\$15,867	\$583	4%
Waste Diversion Services	\$175	\$198	\$23	13%
Municipal Parking**	\$483	\$0	(\$483)	-100%
<b>Subtotal</b>	<b>\$17,275</b>	<b>\$17,508</b>	<b>\$233</b>	<b>1%</b>
<b>Other Town-Wide Services</b>	<b>\$13,405</b>	<b>\$13,405</b>	<b>\$0</b>	<b>0%</b>
Fire Services*	\$946	\$946	\$0	0%
Services Related to a Highway, Water, Wasterwater & Storm*	\$12,459	\$12,459	\$0	0%
<b>TOTAL CHARGE</b>	<b>\$30,680</b>	<b>\$30,913</b>	<b>\$233</b>	<b>1%</b>

\* Previously calculated.

\*\*No longer eligible for recovery under the DCA.

**Table 2 Comparison of Current and Calculated Non-Residential DC Rates**

Service	Non-Residential (\$/Square Metre)				
	Current Non-Residential charge	Calculated Non-Residential charge	Difference in charge		
Development-Related Studies	\$1.43	\$1.78	\$0.35	24%	
Library	\$0.00	\$0.00	\$0.00	n/a	
Parks & Recreation	\$0.00	\$0.00	\$0.00	n/a	
Waste Diversion Services	\$0.00	\$0.00	\$0.00	n/a	
Municipal Parking**	\$2.51	\$0.00	(\$2.51)	-100%	
<b>Subtotal</b>	<b>\$3.94</b>	<b>\$1.78</b>	<b>(\$2.16)</b>	<b>-55%</b>	
<b>Other Townside Services</b>	<b>\$70.16</b>	<b>\$70.16</b>	<b>\$0.00</b>	<b>0%</b>	
Fire Services*	\$4.98	\$4.98	\$0.00	0%	
Services Related to a Highway, Water, Wastewater & Storm*	\$65.18	\$65.18	\$0.00	0%	
<b>TOTAL CHARGE</b>	<b>\$74.10</b>	<b>\$71.94</b>	<b>(\$2.16)</b>	<b>-3%</b>	

\* Previously calculated.

\*\* No longer eligible for recovery  
under the DC Act.

Amendments to the current DC by-laws also include other legislative changes, e.g. secondary unit exemption, timing of determination and payment of DCs.

In addition, the proposed DC by-laws are in line with York Region's 2022 DC By-law changes such as treatment of stacked townhomes from row unit category to apartments; expanding the unit category of "small apartment" to include any small units below 700 square feet regardless of built form; and DC credit to redevelopment based on the timeframe of redevelopment.

## CBC Strategy

Municipalities can use CBCs to fund a wide-range of capital costs of any public services that are related to the needs associated with new growth if those costs are not already recovered from development charges and parkland provisions.

Subsection 37(32) of the Planning Act prescribes that the maximum permitted charge that can be levied is four per cent of land value for a development with five or more storeys and ten or more residential units on the day before issuance of the building permit.

This CBC Strategy contains details on CBC development forecast, capital program, and relationship to other growth-funding tools.

Over the ten-year planning period from 2022 to 2031, the Town is anticipated to grow by approximately 2,020 occupied dwelling units in buildings which would be subject to a community benefits charge. At the four per cent cap, a high level estimate of the CBC revenue potential associated with these units is approximately \$2.3 million.

The CBC eligible capital program includes projects that have lost eligibility for DC funding, projects anticipated to be funded through Section 37 Bonus Zoning, and projects where DC legislation limits funding due to historical service level restrictions and others.

Total estimated CBC eligible costs of the growth-related capital program are \$25.5 million. Summary of CBC capital programs is illustrated below.

**Table 3 Summary of CBC Capital Programs (\$000s)**

Service		Gross Project Cost	Grants / Subsidies / Other Recoveries	Net Cost	Replacement & BTE (\$)	Total Development Related Cost	Total CBC Related Costs
1.0	CIVIC ADMINISTRATION	\$1,325	\$51	\$1,274	\$204	\$1,069	\$431
2.0	LIBRARY	\$27,123	\$0	\$27,123	\$13,621	\$13,502	\$5,158
3.0	AFFORDABLE HOUSING	\$2,000	\$0	\$2,000	\$0	\$2,000	\$2,000
4.0	PARKS & RECREATION	\$44,750	\$0	\$44,750	\$0	\$44,750	\$12,386
5.0	MUNICIPAL PARKING	\$10,100	\$0	\$10,100	\$5,050	\$5,050	\$1,541
6.0	PUBLIC REALM	\$4,000	\$0	\$4,000	\$0	\$4,000	\$4,000
<b>TOTAL COST</b>		<b>\$89,298</b>	<b>\$51</b>	<b>\$89,247</b>	<b>\$18,875</b>	<b>\$70,372</b>	<b>\$25,515</b>

## Conclusion

This DC Study Update and DC by-laws amendment are to meet legislative changes in the *Development Charges Act, 1997*. As outlined in this report, all legislative requirements have been met.

It is advisable that the Town continues to collect Development Charges to help fund the costs that the Town incurs to build growth-related infrastructure. The collection of these revenues is vital to construct new infrastructure in the Town to maintain services levels that residents and business have come to expect.

The newly developed CBC Strategy and the proposed CBC by-law meet all the legislative requirements. As total CBC capital programs' costs are much higher than the estimated CBC revenue, a guideline needs to be established to properly allocate CBC fund to appropriate capital projects.

## Business Plan and Strategic Plan Linkages

This report aligns with Council's Strategic Priorities in that it is promoting Newmarket's Long Term Financial Sustainability by ensuring that development pays for development related infrastructure to the extent authorized under provincial legislation.

Updating the existing DC by-laws and preparing a CBC strategy and CBC by-law were included in the Fiscal Strategy recommendations 26 & 27.

## Consultation

When the study was nearly complete, staff and Hemson engaged in a public consultation process.

An industry consultation meeting was held on April 12, 2022 to get feedback on the DC background study update and the CBC Strategy. This meeting was attended by 18 candidates from development industry and BILD. The presentation document of this meeting was sent out to the development industry and BILD for further distribution to stakeholders that are not able to attend the meeting. Questions received after the meeting was addressed by staff and Hemson.

To meet regulatory requirements, a Notice of the Public Meeting was published on April 7, 2022 in the Era Banner, meeting the 20-day requirement under the *DC Act* for notice prior to holding a Public Meeting.

The proposed 2022 DC By-laws were made available to the public on April 25, 2022 in accordance with the 14-day requirement in the *DC Act* for by-laws to be available to the public prior to the Public Meeting being held.

A statutory Public Meeting was held on May 9, 2022 at a meeting of Council to provide the public with the opportunity to review and comment on the Town's proposed 2022 DC

Study and DC By-laws, and CBC Strategy and CBC By-law as required by the legislation. No deputations were submitted.

## **Human Resource Considerations**

None.

## **Budget Impact**

The revenues from DCs and CBCs form an important component of the Town's capital budget for the construction of growth-related infrastructure.

Once these assets have been constructed, their eventual replacement or rehabilitation will require funding from the tax base to maintain and deliver the necessary services for those who live and/or work in the Town.

## **Attachments**

**Attachment A:** Development Charges Background Study Update

**Attachment B:** Response to Developers' Questions

**Attachment C:** Draft Amending Development Charges By-law

**Attachment D:** Community Benefits Charges Strategy

**Attachment E:** Draft Community Benefits Charges By-law

## **Approval**

Peter Noehammer, Commissioner, Development & Infrastructure Services

Mike Mayes, Director, Financial Services/Treasurer

Esther Armchuk, Commissioner, Corporate Services

## **Contact**

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