THE REGIONAL MUNICIPALITY OF NIAGARA
REGIONAL DEVELOPMENT CHARGES POLICY TASK FORCE FINAL AGENDA

RDCPTF 3-2021

Thursday, July 29, 2021

4:00 p.m.

Meeting will be held by electronic participation only

Due to efforts to contain the spread of COVID-19 and to protect all individuals, there is no public access to Niagara Region Headquarters. If you are interested in viewing this meeting or would like to speak to an item listed on the agenda please contact the Office of the Regional Clerk at clerk@niagararegion.ca at least 24 hours in advance of the meeting.

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8. NEXT MEETING

The next meeting will be held on Thursday, September 9, 2021 at 4:00 p.m.

9. ADJOURNMENT

If you require any accommodations for a disability in order to attend or participate in meetings or events, please contact the Accessibility Advisor at 905-980-6000 ext. 3252 (office), 289-929-8376 (cellphone) or accessibility@niagararegion.ca (email).

Niagara 2051 Update Presentation

Regional Development Charge Policy Task Force
July 29, 2021

Rob Fleming, Senior Tax & Revenue Analyst niagara

2051

Coordinated Planning, Infrastructure, and Finance

Niagara 2051 is our community's coordinated growth strategy, composed of a series of plans that will ensure our region is ready for the next 30 years

Enables greater **consistencies** between various project components, improves **public engagement**, and ensures Niagara is taking a **holistic approach** to planning for our future.

Coordinated Planning, Infrastructure, and Finance

If key milestones are not met, it will impact other project timelines

Niagara Official Plan

Forecasts when and where growth will occur.

GROWTH FORECASTS BY AUGUST 2021

Transportation Master Plan

Plans for improvements to the road network.

CAPITAL FORECAST BY Q4 2021

W&WW Master Servicing Plan

Improvements to the W&WW infrastructure to accommodate growth.

CAPITAL FORECAST BY Q4 2021

Development Charges By-law

Growth pays for growth.

FINAL DRAFT BY APRIL 2022

Delays in one project can cause delays in others

01 ▷ **growth forecasts.**

Population and employment growth forecasts are a critical initial step for the Official Plan, the Transportation Master Plan, W&WW Master Servicing Plan, and Development Charge By-law.

This needs to be settled no later than August 2021

02 ▷ **capital projects.**

Growth Forecasts are needed so the Region can develop capital project listings for the Transportation Master Plan and Master Servicing Plan, after which the Development Charges can be finalized.

Capital project lists are needed no later than Q4 2021

03 ▷ **development charges.**

Development Charges delays may compromise funding of growth related infrastructure.

DC By-law Approval no later than June 2022

If key milestones are not met, it will impact other project timelines.

Updates on Other Coordinated Projects

- Population and Employment Forecasts proposed for endorsement at August 11 PEDC.
- Transportation initiated TMP confirmation exercise consulting services.
- RDC Background study held first public engagement and working through next steps of capital data collection and growth forecast integration.
- W/WW MSP progressing through the hydraulic modeling assignment based on projected growth forecasts.
- Communication strategy underway including new informational video for external stakeholders.

Subject: Draft Policy Report and Engagement Update

Report to: Regional Development Charge Policy Task Force

Report date: Thursday, July 29, 2021

Recommendations

1. That Report RDCPTF-C 6-2021, and the Draft Development Charge Policy Considerations (Appendix 1 of report RDCPTF-C 6-2021), **BE RECEIVED**;
2. That Regional Development Charges for water and wastewater services continue to **BE CALCULATED** on an urban-wide basis; and
3. That the approach to calculating Regional Development Charges for all other services on a uniform region-wide basis **BE APPROVED**.

Key Facts

- The purpose of this report is to provide the Task Force with the draft Regional Development Charge (DC) Policy Considerations Document for information, and to provide an update on the government and non-government stakeholder sessions held by Region staff on June 22, 2021.
- The Policy Consideration Document is prepared to outline the Region's current DC policy approaches, alternative options/best practice, discussion on the policies and policy recommendations.
- The Policy Consideration Document has been included as Appendix 1 to this report. This document is in draft form and will evolve and be updated as staff move through the DC background study process to incorporate comments from various stakeholders (e.g., Council, local area municipalities (LAM), development community). As staff continue through the DC background study process, final recommendations will be developed and presented for Council's consideration and approval.
- The Policy Consideration Document was circulated to the LAMs and development community in advance of the June 22, 2021 stakeholder sessions. At the session, staff provided an overview of certain policy considerations and held a survey/discussion regarding the current/proposed approach.

- The stakeholder sessions were well attended with approximately 50 at the LAM session (which included a cross section of finance, planning and economic development staff) and 25 at the non-government session (which included local developers and development consultants).
- Region staff was able to gain consensus on some of the policy considerations that were discussed, details of which are included in Appendix 2.

Financial Considerations

The financial impacts of policy consideration were not discussed in detail at the stakeholder engagement sessions. Decisions regarding indexing, for example, is an important consideration but have relatively minor financial impacts. Future discussion around discretionary grant programs will have significant financial impacts and will be considered as part of the Region's overall incentive review project. Consideration will be given to options that address the budget pressure as well as the greater level of incentives offered in the Region's by-law relative to other cities/regions.

Analysis

Included as Appendix 1 to this report is the DC Policy Consideration Document as completed by the Region's DC Consultant, Watson and Associates. As mentioned, this document is currently in draft form. As the Region moves through the DC background study and by-law process the policy document will be updated based on the feedback received by external stakeholders, LAM staff and Regional Council.

The Policy Considerations Document is organized into five sections. These sections include:

1. Introduction
2. DC Calculation Policies - Water and Wastewater
3. DC Calculation Policies – Services Related to a Highway
4. Other DC Calculation Policies
5. By-law Policies

Each of these sections are further divided into subsections where specific policy discussions can be found. The discussion in these subsections are organized in the following format:

- Description of Current Approach

- Alternative Options/Best Practices
- Discussion
- Recommended Approach

As the Task Force will note, the description of current approach adopted by the Region in the current DC background study and By-law has been populated in the draft Document. In many cases as well, a discussion on alternatives or best practices have also been included. As part of the discussion on alternatives or best practices, a summary of the current approach adopted by other comparable municipalities and LAMs has been included. As the Region advances through the background study and by-law process the Discussion and Recommended approach areas of the Document will be populated based on the feedback received from both key stakeholders and Regional Council.

As noted at the June 17, 2021 Task Force meeting, staff distributed the draft Policy Consideration Document to Regional DC stakeholders in advance of the stakeholder engagement sessions held on June 22, 2021 for both LAM and non-government groups. At these session Staff provided a general overview of the DC process including the next steps to be undertaken by the Region with an introduction of the Policy Considerations Document. At the stakeholder sessions, Region staff held discussions on various policy objectives contained in the Policy Consideration Document and had a brief survey to identify if there were any concerns with the Region's current approach to any of the policy objectives that were discussed. The specific policy items that were discussed included:

- Asset Management
- Annual Rate Indexing
- Mandatory DC Exemptions
- Area- Rating
- Residential and Non-Residential DC Categories
- Timing of Collection of Hard Services
- Re-development Credits

Included as Appendix 2 to this report is a summary of the current approach adopted by the Region for the aforementioned policy items as well as commentary received by the Region from the stakeholders. As can be seen in Appendix 2, for the most part there were no concerns expressed with any of the Region's currently adopted approaches for the individual policy items that were discussed. In total, there were 69 invitations for the engagement session sent to LAM staff members including the Area Planners, Chief

Building Officials, Area Treasurers and Economic Development staff which resulted in 50 in attendance at the session representing all 12 LAMs. For the non-government session, there were 108 invitations distributed to the business community including local chambers of commerce, homebuilders associations, local known developers and development consultants which resulted in 25 in attendance for the session. Based on the discussions that occurred at the stakeholder sessions, staff are prepared to make recommendations on the following that will be included in the next draft policy consideration document update pending feedback from the Task Force.

Asset Management Recommendation

No comments were received from the stakeholders expressing significant concern with the current approach. Therefore, staff recommendation is to proceed with the current approach as identified in policy document.

Annual Rate Indexing Recommendation

A comment was received from a non-government stakeholder regarding indexing of the new DC rate on January 1, 2023. The individual did not feel that indexing on January 1, 2023 was fair given the new DC by-law would have only been in effect starting September 1, 2022. While this is true, indexing is intended to ensure that DCs collected in a given year are reflective of growth costs to be incurred in that year. As such, indexing starting in 2023 would be appropriate. No other comments were received. Therefore, staff recommendation is to proceed with the current approach of indexing annually on January 1 of each year.

Mandatory DC Exemptions

A comment was received from a government stakeholder regarding DC exemptions for post-secondary institutions and the scope of the current exemption (i.e., current incentive based on land ownership and not use). Since this is a mandatory exemption as legislated by the Province the Region does not have any authority to amend the current exemption for post-secondary institutions and therefore would be outside of the scope of the DC background study review. No other comments were received. Therefore, staff recommendation is to proceed with the current approach of including the mandatory exemptions in the next DC by-law.

Area-Rating

No comments were received from the stakeholders expressing significant concern with the current approach. The current approach utilized by the Region is calculating DCs on a uniform Region-wide basis for all services except water and wastewater which are calculated on an urban-wide basis. Therefore, staff recommendation is to continue with the current approach of area rating for water and wastewater DCs based for urban boundaries only as provided in Recommendation 2 of this report.

Residential and Non-Residential DC Categories

No comments were received from the stakeholders expressing concerns with the current Residential DC categories (i.e., Single/Semi detached, Apartment 1 bedroom, Apartment 2+ bedroom, Other Multiples, Special Care) or Non-Residential categories (i.e., Commercial, Industrial, Institutional, Wind Turbines). Therefore, staff recommendation is to continue with current DC categories of dwelling types as noted in Appendix 2.

Timing of Collection of Hard Services

No comments were received from the stakeholders expressing significant concern with the current approach. Therefore, staff recommendation is to continue with full collection of DCs at time of building permit issuance unless the property is eligible for a deferral or installment plan.

Re-development Credits

A comment was received regarding the demolition credit extension that is available for brownfield sites. The comment received indicated that the available extension to the base 5 years should be increased to 5 years from 3 years (i.e., total demolition credit eligibility timeframe including extension be increased to 10 years from 8 year for brownfield properties). The rationale for this suggestion was that many brownfield properties take significant time to remediate and may not fit within the current 8 year window. Staff note that since the implementation of the 2017 DC by-law, there have only been two requests for brownfield demolition credit extensions beyond the base 5 years whereas there has been 14 brownfield re-development projects initiated since 2017 (based on Brownfield DC grant applications). As such, staff are not recommending a change to the current approach for demolition credits.

In summary, the government stakeholders were aligned with the policy approaches that were discussed at the session. The non-government stakeholders were also for the most part aligned with the Region's current approach to the policy items as well. For the non-government sessions, there was at least one individual of the 25 in attendance that expressed a concern via the survey with the Region's current policy approach for each policy item (as can be seen in Appendix 2). However, when prompted for follow up discussion there were limited verbal comments received by the stakeholder identifying why that concern existed. Follow up emails to the concerned stakeholders resulted in only one follow up response regarding information on indexing dates.

At the next stakeholder engagement session currently being targeted for September 28, 2021, staff will include on the agenda, discussion of the other policy sections of the draft policy considerations document (i.e., section 2 and 3). An update will then be provided to the Task Force for consideration.

Alternatives Reviewed

Section 10 (2) (c.1) of the Development Charges Act requires that the development background study shall include consideration of the use of more than one development charge by-law to reflect different needs for services in different areas (commonly referred to as "Area-Rating"). Presently, the Region's by-law includes area rated charges for water and wastewater services only. These charges are for recovery of costs specific to the urban serviced areas that benefit directly from these water and/or wastewater systems. All other Region services are recovered based on a uniform, Region-wide basis. At the Region's stakeholder sessions, staff provided participants with an overview of area-rating and a summary of the current approach. There were no participants at the sessions that were in favour of adopting area-rates for services other than water/wastewater. As such, staff are **NOT RECOMMENDING** that the Region adopt area rating for services other than water/wastewater.

Relationship to Council Strategic Priorities

DC are a major source of funding for growth projects in the capital budget. As such, DCs assist in achieving the strategic priorities of a fiscally sustainable government.

Other Pertinent Reports

None.

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This report was prepared in consultation with Margaret Murphy, Associate Director, Budget Planning & Strategy, and reviewed by Helen Chamberlain, Director, Financial Management & Planning.

Appendices

Appendix 1	Draft Development Charges Policy Report
Appendix 2	Summary of Stakeholder Engagement Policy Item

2021/2022 Development Charge Policy Report

Niagara Region

Draft – For Discussion Purposes

June 2021

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Table of Contents

List of Acronyms and Abbreviations

Acronym	Full Description of Acronym
B.T.E.	Benefit to Existing
D.C.	Development Charge
D.C.A.	Development Charges Act, 1997
LAM	Local Area Municipality
N.F.P.O.W.	No Fixed Place of Work
O. Reg.	Ontario Regulation
P.P.B.	Post-period Benefit
W.F.H.	Work from Home

Report

Chapter 1
Introduction

1. Introduction

As part of Niagara Region's 2021/2022 Development Charge (D.C.) background study and by-law process, this policy report has been prepared to summarize the Region's D.C. policies.

This report will be a discussion document developed using an integrated and collaborative approach. This policy report will first be prepared in draft, outlining the Region's current practices with respect to a variety of D.C. policies. This initial draft will then be circulated to Regional staff, the Region's D.C. Task Force, stakeholders in local municipalities and the development community. As the D.C. background study and by-law process proceeds, this policy report will be updated based on feedback and discussions from all stakeholders.

The final report layout is intended to discuss the various policies under consideration by utilizing the general framework as follows:

- Description of Current Approach
- Alternative Options/Best Practices
- Discussion
- Recommended Approach

This document is intended for discussion purposes and is being provided without prejudice. The subsequent content is draft and will be finalized once all analysis and inputs are completed.

Chapter 2

D.C. Calculation Policies – Water and Wastewater Services

2. D.C. Calculation Policies – Water and Wastewater Services

2.1 Introduction

The following policies regarding Benefit-To-Existing (B.T.E.), No Fixed Place of Work (N.F.P.O.W.), Work from Home (W.F.H.), residential/non-residential splits, and Post-Period Benefit (P.P.B) can be applied consistently between water and wastewater.

These policies generally have equal application to wastewater as they do water given that the approach to developing, sizing, and implementing water and wastewater infrastructure is similar.

2.2 Benefit-to-Existing (B.T.E.)

2.2.1 Description of Current Approach Used in the 2017 D.C. Study

The benefit-to-existing (B.T.E.) amount represents the non-growth portion of a project. Some projects that are proposed to address growth may also provide inherent benefit to existing service areas or existing deficient infrastructure.

Section 5(1)6 of the D.C.A. provides that "The increase in the need for service must be reduced by the extent to which an increase in service to meet the increased need would benefit existing development".

The general guidelines used by Watson to consider Benefit for Existing development include the following:

- the repair or unexpanded replacement of existing assets that are in need of repair;
- an increase in average service level of quantity or quality (Improvement in water pressure as an example);
- the elimination of a chronic servicing problem not created by growth;
- providing services where none previously existed (generally considered for water or wastewater services

The B.T.E. components are also associated with upgrades to the existing systems or facilities necessary to maintain service levels to existing residential and non-residential users.

For water infrastructure, benefits to the existing service area could consist of any combination of increase to transmission/distribution capacity, water main network connectivity (looping), pressure zone connectivity or addressing infrastructure age/condition. The Master Servicing Plan capital program has typically included infrastructure projects that address both growth and existing needs or deficiencies.

The approach for application of B.T.E. in the Region of Niagara 2017 D.C. Background Study was based on a project type/growth-related category review of the different projects (e.g. pumping station, treatment, etc.) and the approximate percentage benefit, if any, of the projects to the existing users. The projects are reviewed based on the anticipated growth that the individual infrastructure project will service and the anticipated degree to which a given project benefits an existing serviced area. Given that B.T.E. can be derived by several different means (e.g., replacement of an old pipe, improvement to supply security, lower risk) which can be difficult to quantify, the B.T.E. calculation is an informed approximation. The B.T.E. used for each project type is provided in the table below:

Water

Project Type	Addresses Growth and Existing Issues	Growth Driven and Addresses Known Existing Issues	Growth Driven with Likely Benefit to Existing Areas	Entirely Growth Driven
Treatment	50% Includes sustainability upgrades	20% addresses facility age, condition or performance	10%	0%
Pumping Station	50% Includes sustainability upgrades	20% addresses facility age, condition or performance	10%	0%
Storage	50% Includes sustainability upgrades	20% addresses facility age, condition or performance	10%	0%

Project Type	Addresses Growth and Existing Issues	Growth Driven and Addresses Known Existing Issues	Growth Driven with Likely Benefit to Existing Areas	Entirely Growth Driven
Distribution and Transmission	50% Includes system looping and security of supply	20% addresses pipe age, condition or performance and level of service	10%	0%
Decommissioning	70% Addresses existing system performance			
Exceptions	May require unique B.T.E. allocation based on type, location, or timing of project			

Wastewater

Project Type	Addresses Growth and Existing Issues	Growth Driven and Addresses Known Existing Issues	Growth Driven with Likely Benefit to Existing Areas	Entirely Growth Driven
Treatment	50% Includes sustainability upgrades	20% addresses facility age, condition or performance	10%	0%
Pumping Station	50% Includes sustainability upgrades	20% addresses facility age, condition or performance	10%	0%
Collection and Conveyance	50% Includes system twinning and security of conveyance	20% addresses facility age, condition or performance and level of service	10%	0%
Decommissioning	70% Addresses existing			0%

Project Type	Addresses Growth and Existing Issues	Growth Driven and Addresses Known Existing Issues	Growth Driven with Likely Benefit to Existing Areas	Entirely Growth Driven
	system performance			
Wet Weather Management Program	50% Addresses current deficiency in level of service, improvements located in existing service areas			
Exceptions	May require unique B.T.E. allocation based on type, location, or timing of project			

2.2.2 Alternative Options/ Best Practices

Several options exist for calculating the B.T.E. of a given project. However, the appropriateness of each option varies depending on the type of existing benefit that is achieved and type and magnitude of existing deficiency that is being addressed. Potential options for calculating the B.T.E. are as follows:

Option 1: Structured Approximation (Current Approach)

This approach reflects the current policy adopted by Niagara Region. Fixed B.T.E. categories with defined B.T.E. percentages would be established. Each project would be evaluated to determine under which B.T.E. category it falls.

Option 2: Population & Employment Based

This option would determine, for each project, the ratio of existing benefitting users relative to the total existing and growth-related benefitting users. The rationale for this approach is based on the concept that all existing users are deriving benefit from the new project. This approach would not further consider application of the project, age, or performance of existing infrastructure among other considerations.

B.T.E. = Number of existing benefitting users serviced by a water main

/ (Number of existing benefitting users serviced + Number of projected new customers from growth)

Option 3: Demand Based

This option would determine, for each project, the ratio of the existing water demands of the benefitting service area relative to the total water demands of the existing and growth-related benefitting service areas. This approach would look to demonstrate the level of existing uses compared to the total capacity needed for the project. This approach could also take into consideration whether there is an existing capacity deficiency or not.

B.T.E. = Existing demand serviced by existing infrastructure

/ (Existing Demand + Future Demand)

**Assuming no existing capacity deficiency, improvement to security or connectivity only*

B.T.E. = Existing Capacity Deficiency

/ (Growth Demand + Existing Deficiency)

**Assuming existing capacity deficiency*

Option 4: Capacity Based

In lieu of using population or demands, this option would determine the ratio of existing capacity in the infrastructure relative to the future capacity of the new infrastructure. This approach would not further consider application of the project, age, or performance of existing infrastructure among other considerations.

B.T.E. = Existing Capacity / Future Capacity

**Assuming no existing capacity deficiency, improvement to security /connectivity or replacement of pipe*

Option 5: Calculated Age

In the case of where growth infrastructure is replacing existing infrastructure the age of the existing infrastructure (essentially representing condition), would be used to determine B.T.E.

This option may not have application across the full capital program.

B.T.E. = age of existing pipe / expected service life

2.2.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

2.2.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

2.3 Residential vs. Non-residential Share

2.3.1 Description of Current Approach Used in the 2017 D.C. Study

The Residential and Non-Residential cost share of all projects is based on the incremental population and employment forecast in the serviced area from 2017 to 2041 for the Region. Within the total employment forecast, No Fixed Place of Work (N.F.P.O.W.) and Work from Home (W.F.H.) employment categories have been included.

N.F.P.O.W. is defined as persons who work at various work locations or job sites and do not report to a headquarters or depot before starting work each day. N.F.P.O.W. employees are recognized to contribute to water demands and wastewater flows in both residential and employment properties but do not reflect new demands and flows already projected across residential and employment lands.

W.F.H. employees are recognized to generate water and wastewater use already accounted for in the overall residential use.

To appropriately apportion the N.F.P.O.W. and W.F.H. within the Residential and Non-Residential cost share, 50% of N.F.P.O.W. employment is assigned to residential and employment growth each, and W.F.H. employment is assigned to residential growth. This approach is completed for D.C. calculation purposes and does not impact the water and wastewater flow projections.

2.3.2 Alternative Options/ Best Practices

Option 1: Projected Population & Employment Based - Existing Approach

The current option uses population in persons and employment in jobs in relation to the total people and jobs to derive the split. Under this option, if the design criteria, including consumption and peaking factors, were the same for residential and employment, the derived split would be the same as Option 2.

- Residential Split (%) = Projected Residents / Total Projected People and Jobs
- Non-Residential Split (%) = Projected Employees / Total Projected People and Jobs

Note: The above residential and non-residential shares are adjusted for N.F.P.O.W. and W.F.H. employment as noted above.

Option 2: Projected Flows

This option would utilize the projected flows to establish the split. Projected flows would represent the growth from current day to end of the planning period. The projected flows would be consistent with the flows used to derive the capital program. To utilize this approach, design criteria for residential water demand and non-residential water demand would need to be established. The split would be determined as follows:

- Residential Split (%) = Projected Residential Demand /Total Projected Demand
- Non-Residential Split (%) = Projected Non-Residential Demand /Total Projected Demand

Option 3: Historical Flows

This approach would utilize historical flows to determine the split as follows:

- Residential Split (%) = Residential Water Use / Total Water Use

- Non-Residential Split (%) = Non-Residential Use / Total Water Use

2.3.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

2.3.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

2.4 Post-period Benefit (P.P.B.)

2.4.1 Description of Current Approach Used in the 2017 D.C. Study

The post-period benefit (P.P.B.) amount represents the share of a project that benefits growth outside of the planning horizon. Several projects within the Master Servicing Plan and Development Charges Study have been strategically oversized to support future growth beyond the planning horizon.

Deductions are made for post 2041 servicing capacity where explicit oversizing is provided. The following table sets out the rationale for determining the deductions. The percentages shown are applied to the total project cost. No deduction is applicable for already constructed (but not fully D.C. funded) projects, as the recovery period now extends to 2041.

Water

Project Type	Strategically Sized by Additional Future Capacity	Sized for Bylaw Planning Period with Some Strategic Additional Capacity	Sized for Bylaw Planning Period with Likely Some Marginal Additional Capacity	Sized for Bylaw Planning Period Only
Treatment	50% Includes strategic cost-effective additional capacity	20% Some planning for future capacity	10%	0%
Pumping Station	50% Includes strategic	20% Some planning for future capacity	10%	0%

Project Type	Strategically Sized by Additional Future Capacity	Sized for Bylaw Planning Period with Some Strategic Additional Capacity	Sized for Bylaw Planning Period with Likely Some Marginal Additional Capacity	Sized for Bylaw Planning Period Only
	cost-effective additional capacity			
Storage	50% Includes strategic cost-effective additional capacity	20% Some planning for future capacity	10%	0%
Distribution and Transmission	50% Includes strategic cost-effective additional capacity	20% Some planning for future capacity	10%	0%
Decommissioning	N/A			
Exceptions	May require unique P.P.B. allocation based on type, location or timing of project			

Wastewater

Project Type	Strategically Sized by Additional Future Capacity	Sized for Bylaw Planning Period with Some Strategic Additional Capacity	Sized for Bylaw Planning Period with Likely Some Marginal Additional Capacity	Sized for Bylaw Planning Period Only
Treatment	50% Includes strategic cost-effective additional capacity	20% Some planning for future capacity	10%	0%
Pumping Station	50% Includes strategic	20% Some planning for future capacity	10%	0%

Project Type	Strategically Sized by Additional Future Capacity	Sized for Bylaw Planning Period with Some Strategic Additional Capacity	Sized for Bylaw Planning Period with Likely Some Marginal Additional Capacity	Sized for Bylaw Planning Period Only
	cost-effective additional capacity			
Collection and Conveyance	50% Includes strategic cost-effective additional capacity	20% Some planning for future capacity	10%	0%
Decommissioning	N/A			
Wet Weather Management Program	N/A			
Exceptions	May require unique B.T.E. allocation based on type, location, or timing of project			

2.4.2 Alternative Options/ Best Practices

Option 1: Informed Approximation – Existing Approach

This option could be considered across all projects or for unique cases that lack specific information. In some cases, there may be a requirement for calculation of the P.P.B. by approximation. In the case where an upgrade or expansion of a facility with multiple components is completed with an undefined quantity (cost or capacity) of post period needs, a general percentage may be applied to the project cost to determine the P.P.B. component.

Option 2: Difference Between In-period vs. Recommended Cost or Capacity

This approach would analyse each project on a project-specific basis to determine the infrastructure sizing required to accommodate growth within the forecast period in comparison to the recommended sizing.

2.4.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

2.4.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

Chapter 3
D.C. Calculation Policies – Services Related to a Highway

3. D.C. Calculation Policies – Services Related to a Highway

3.1 Benefit-to-Existing (B.T.E.)

3.1.1 Description of Current Approach Used in the 2017 D.C. Study

Transportation network expansions, capacity improvements, and efficiencies provide benefit to new development growth as well as the existing residents and workers in Niagara Region who will be able to use the enhanced transportation system. A Benefit-to-Existing (B.T.E.) deduction is applied when existing development is expected to receive a significant benefit as a result of the capital project.

The analysis and discussion that follows in subsequent sections builds upon related work that was undertaken has been completed by I.B.I. Group as part of the Region's 2017 Transportation Master Plan. The Master Plan looked at future needs related to the highway program.

In the 2017 D.C. background study, a Benefit-to-Existing amount (provided as a percentage of the construction cost) was applied based on the extent to which the road infrastructure project was anticipated to benefit existing development. The Benefit-to-Existing percentage was determined for four categories of improvements.

The four categories are:

1. **Capacity Improvement** – Projects that add capacity to the network (e.g. road widening, new links/connections, bikeways, etc.) are considered to be primarily growth-related as the need for the improvement is to address growing demand.

2. **Intersection Improvement** – Traffic signal installation, addition of turn lanes, roundabouts and other intersection improvements that add capacity to the road network are primarily growth-related. Reconstruction of existing intersections and operational improvements at existing intersections provide benefit to both existing and new development.

3. **Road Rehabilitation** – An existing road that undergoes major reconstruction, even without increasing the number of lanes, may increase the capacity of the roadway and provide benefit to both existing and new development.

4. **Structure Rehabilitation** – Bridge or culvert reconstruction projects may increase capacity and provide benefit to both existing and new development.

The Region's Road Resurfacing Program and other maintenance-related annual programs are funded entirely from existing development and no cost is charged to growth even though new development incurs a small benefit from the improved condition of the road.

Category	Benefit to Existing %	Remarks
Capacity Improvements (Roads)	15%	Includes new roads, road widenings, structure widening/improvements as part of road projects. The 15% benefit to existing is based on cost of resurfacing the existing segment in cases of road widening, or the marginal road use benefit to existing users in the case of new road sections.
Capacity Improvements (Active Transportation)	75%	Active Transportation Infill Projects, identified as part of the Region's Strategic Cycling Network, have been assigned a 75% benefit to existing share which reflects the proportion of existing and new development growth in Niagara. New for 2017. Other A.T. facilities that may be constructed as part of a road capital project are considered to be a road capacity improvement project.
Intersection Improvements (Additional Capacity)	0%	Signals and intersection improvements associated with projects that add capacity to the road network to accommodate growth.
Intersection Improvements (Other)	50%	Reconstruction, minor capacity improvements or operational improvements to increase capacity and improve traffic flow at an existing intersection.

Category	Benefit to Existing %	Remarks
Road Rehabilitation (No Capacity Improvement)	100%	Road rehabilitation/reconstruction with no capacity improvement nor intersection improvements on a roadway not commonly used for heavy trucks serving new development.
Road Rehabilitation (Minor Capacity Improvement)	90%	Road rehabilitation/reconstruction with minor capacity improvement (<10%) and minor intersection improvements (5% of project cost) on a roadway occasionally used by heavy trucks serving new development.
Road Rehabilitation (Moderate Capacity Improvement)	75%	Road rehabilitation/reconstruction with moderate capacity improvement (10-50%) and moderate intersection improvements (5-10% project cost) on a roadway commonly used by heavy trucks serving new development.
Road Rehabilitation (Significant Capacity Improvement)	60%	Road rehabilitation/reconstruction with significant capacity improvement (>50%) and significant intersection improvements (>10% project cost) on a roadway frequently used by heavy trucks serving new development.
Structure Rehabilitation (No enlargement)	100%	Rehab/replace structure to existing width.
Structure Rehabilitation (2-lane to 3-lane)	75%	Rehab or Replace 2-lane structure to a wider cross-section or 3 lanes to allow for greater capacity and/or accommodation of pedestrians and cyclists.
Structure Rehabilitation (2-lane to 4-lane)	50%	Rehab/replace 2-lane structure to 4 lanes.

Category	Benefit to Existing %	Remarks
Structure Rehabilitation (New Grade Separation)	10%	New rail/road grade separation structure to replace an existing at-grade rail crossing. New for 2017.
Structure Rehabilitation (New Structure)	0%	New structure for system expansion and accommodation of pedestrians and cyclists.

3.1.2 Alternative Options/ Best Practices

Option 1: Informed Approximation (Current Approach)

The B.T.E. share varies depending on the type of road infrastructure and the municipality. The B.T.E. options for each category are provided as follows:

3.1.2.1 Capacity Improvement

These projects add capacity to the network and are mainly growth driven, however may include rehabilitation costs (in the case of road widenings). Various municipalities allocate a B.T.E. share based on a percentage allocation. This allocation should reflect the cost to resurface the existing lanes (in the case of road widenings). In most cases, there is 0% B.T.E. applied for new roads.

3.1.2.2 Intersection Improvement

Similar to capacity improvements, intersections on new roads would be considered growth related and therefore have 0% B.T.E. Many municipalities allocate a B.T.E. for intersection improvements to match the B.T.E. of the road project.

3.1.2.3 Road Rehabilitation

Where capacity improvements are provided through the road rehabilitation, the B.T.E. share is reduced.

3.1.2.4 Structure Rehabilitation

The B.T.E. for structures varies across municipal jurisdictions. Many municipalities utilize a low B.T.E. allocations (e.g. 0%-20%) based on the assumed share of the works required to service growth vs. existing development.

A second approach, used by York Region, Halton Region, and the City of Burlington is the use of an exposure index (i.e. rail activity multiplied by traffic volumes). As the exposure index increases, so does the B.T.E. allocation.

Option 2: Project-specific Basis

The B.T.E. can be estimated on a project-specific basis. This approach would require a significant amount of analysis as the D.C. capital project listing includes over 100 projects.

3.1.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

3.1.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

3.2 Residential vs. Non-residential Share

3.2.1 Description of Current Approach Used in the 2017 D.C. Study

The growth-related costs for transportation projects are split between residential and non-residential uses generally based on the proportion of residential and non-residential growth forecasted though the D.C. planning period, with adjustments for Work from Home (W.F.H.) employment and No Fixed Place of Work (N.F.P.O.W.) employment.

Work from Home (W.F.H.)

For work-from-home, the employment use is physically located in a residential unit, but to allocate the impacts of work-at-home employment to non-residential would increase the non-residential cost share but not the associated non-residential floor area to which the development charge could be applied. Additionally, the work-at-home designation implies that the individual works from home on a regular basis and it would be reasonable to assume that travel demands related to “work” would be based out of the home location. Thus, for the consideration of residential / non-residential split, the work from-home employment is included under residential.

There was also discussion on whether a work-from-home worker makes more or less trips than a worker with a non-home usual place of work. While the commute to work trip (and the return trip) is eliminated, many work-from-home worker still generates work related trips (i.e. travel to meet with clients) or attract work-related trips (i.e. clients meeting at worker’s home office, business- related deliveries, etc.). To account for the reduced trip making for work-from-home, a 50% factor was applied.

No Fixed Place of Work (N.F.P.O.W.)

In the case of no-fixed-place-of-work, the worker travels to a number of different locations for work, such as a construction site, a client’s office, an employer’s office, field locations, etc., without first reporting to a headquarters or depot at the start of each workday. The issue with allocating no-fixed-place-of-work employment to non-residential is the increase of non-residential share without the ability to increase the associated floor area to which the development charge could by applied. However, to allocate no-fixed place-of-work employment fully to residential would ignore the fact that these workers have an employer with headquarters, offices or other types of non-residential buildings, which “generate” the work for the worker. These headquarters may or may not be located in Niagara Region.

Thus, for the consideration of residential / non-residential split, the no-fixed-place-of-work employment is included under residential uses, to capture the commute to work trip. To account for the portion of the worker’s trips that are not home-based, a 50% factor was applied.

Residential Category	Residential Amount	Non-residential Category	Non-residential Amount	Total
Population Growth	153,100	Employment Growth	60,400	
50% WAH	+2,400	WAH	-4,800	
50% NFPOW	+3,400	NFPOW	-6,700	
Total	**158,900**	**Total**	**48,800**	**207,700**
Allocation	76%	Allocation	24%	100%

3.2.2 Alternative Options/ Best Practices

The Region's current approach has been widely used by many municipalities in their D.C. studies, however it is not clear whether this is a clear policy decision or whether this is based on a limited amount of information being available. Nevertheless, this approach assumes that residential population and non-residential employment growth will have the same impact on trip generation and on the transportation infrastructure.

3.2.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

3.2.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

3.3 Post-period Benefit (P.P.B.)

3.3.1 Description of Current Approach Used in the 2017 D.C. Study

Post Period Benefit (P.P.B.) is not explicitly addressed within the D.C.A., however it has been identified in instances where a clear benefit from the capital works will be experienced by growth outside of the growth forecast period. For the most part, the various roads and associated needs are identified through traffic modeling and master planning and target specific residential and non-residential growth assumptions. The works included in the D.C. are meant to address the required additional trips that new growth would add to the regional road system and generally do not make oversizing provisions within that needs assessment.

The 2017 D.C. Background Study considered a post period benefit capacity deduction of 25-50% for capacity improvement projects in the last 10 years (2032-2041) of the planning period, with the exception of the Niagara Escarpment Crossing project, identified for 2022-2031, which has been allocated a 25% deduction to reflect its significance for the current planning period and beyond.

For capacity improvement projects in the earlier phases of the D.C. planning period, the need for the capacity improvement is driven by growth within the planning period, and thus a post-period deduction was not applied to projects identified for implementation in the first 15 years (2017- 2031).

No P.P.B. deduction has been applied to the intersection improvement program, road rehabilitation program, or other annual programs where cost has been estimated based on annual capital expenditure.

3.3.2 Alternative Options/ Best Practices

Option 1: Estimate of Surplus Capacity of Road at end of Forecast Period (current approach)

Post Period Benefit would be the value of any anticipated surplus capacity at the end of the forecast period which is to be recovered from subsequent development. The value of surplus capacity to be deducted would be calculated on a project-by-project basis from the forecasted 2041 traffic volumes and capacities for those road-widening and new connection projects to be constructed in the 2020 to 2041 timeframe.

Option 2: Measure of Future Service Levels vs Historic Service Levels (Vehicles per lane km or Lane km per capita)

This approach would measure future service levels based on present levels to assess whether any direct increase is provided to accommodate growth.

Option 3: Volume over Capacity (V/C)

P.P.B. may be considered based on the recommended timing of construction for various projects, relative to the planning period used within the D.C. Background Study.

Peer municipalities take different approaches to post-period benefits. Halton Region and York Region use a volume-to-capacity (V/C) approach. In York Region, where future V/C is lower than base year, the project is providing a benefit exceeding the growth in the planning horizon. A reduction in the project is given by the following formula:

$$\frac{(V/C)_{Future} - (V/C)_{Base}}{(V/C)_{Base}}$$

This approach tends to apply mainly to projects which are planned for the later years of the forecast (e.g. during the last five years of the planning period) as they are more likely to result in future V/C lower than base year.

3.3.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

3.3.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

Chapter 4
Other D.C. Calculation Policies

4. Other D.C. Calculation Policies

4.1 Introduction

For the following sections, where appropriate, a survey of D.C. by-law policies was undertaken. This survey can be separated into two components; Local Area Municipalities (LAMs) and Other Municipal Comparators. All Niagara Region LAM D.C. by-laws were reviewed for this survey. With respect to Other Municipal comparators, the following municipalities were surveyed; Kitchener, Hamilton, Waterloo Region, Haldimand County, London, Windsor, Guelph, Brantford, Woodstock (and Oxford County), Halton Region, Durham Region, and Oshawa.

4.2 Area-rating

4.2.1 Description of Current Approach Used in the 2017 D.C. Study

Currently water and wastewater services are provided on an urban-service-area basis, whereas all other services are provided on a Region-wide basis.

For water and wastewater services, the service areas for each local municipality are combined into one urban area for the purposes of the D.C. calculations.

4.2.2 Alternative Options/ Best Practices

Bill 73 (2015) introduced two new sections where Council must consider the use of area-specific charges:

1. Section 2 (9) of the Act now requires a municipality to implement area-specific D.C.s for either specific services that are prescribed and/or for specific municipalities that are to be regulated (note that at this time, no municipalities or services are prescribed by the Regulations).

2. Section 10 (2) c.1 of the D.C.A. requires that "the development charges background study shall include consideration of the use of more than one development charge by-law to reflect different needs for services in different areas."

In regard to the first item, there are no services or specific municipalities identified in the regulations that must be area rated. The second item requires Council to consider the use of area rating.

In general, where area rating has been utilized by municipalities, it is usually for water and wastewater services only. This is due to the following reasons:

1. Non water and wastewater services require that the average 10-year service standard be calculated. This average service standard multiplied by growth in the Region, establishes an upper ceiling on the amount of funds that can be collected from all developing landowners. Section 4 (4) of O. Reg. 82/98 provides that "if a development charge by-law applies to a part of the municipality, the level of service and average level of service cannot exceed that which would be determined if the by-law applied to the whole municipality." Put in layman terms, the average service standard multiplied by the growth within the specific area would establish an area-specific ceiling which would significantly reduce the total revenue recoverable for the Region hence potentially resulting in D.C. revenue shortfalls and impacts on property taxes.

2. Expanding on item 1, attempting to impose an area charge potentially causes equity issues in transitioning from a Region-wide approach to an area-specific approach. For example, if all services were now built (and funded) within Area A (which is 75% built out) and this was funded with some revenues from Areas B and C, moving to an area-rating approach would see Area A contribute no funds to the costs of services in Areas B and C. The D.C.s would be lower in Area A (as all services are now funded) and higher in Areas B and C. As well, funding shortfalls may then potentially encourage the municipality to provide less services to Areas B and C due to reduced revenue.

3. Many services which are provided (roads, long-term care, paramedics, etc.) are not restricted to one specific area and are often used by all residents. For example, a particular road is not restricted to certain residents and the entire road network may be used by new development.

Note that the previous study (and other previous studies) analysed the approach of calculating water and wastewater services on an area-specific basis by each local municipality, however, Council decided to continue with the approach of calculating water and wastewater services based on one Region-wide urban serviced area.

LAMs

For all local municipalities, D.C.s for water and wastewater services (and stormwater in some cases) are imposed only on the areas which are serviced. This provides a similar approach to imposing the D.C. as the Region's D.C. by-law.

The City of Niagara Falls utilizes a varied water, wastewater, and stormwater charge for non-residential development inside vs. outside of the Core Tourist Area.

In addition to the urban-area charges for water, wastewater, and stormwater, the following area-specific charges are provided:

- Thorold – wastewater services in the Rolling Meadows area
- Welland – water services in St. Andrew's Terrace; and
- Lincoln – stormwater services in the Campden area.

All other municipal services are provided on a municipal-wide basis (with the exception of sidewalks in the City of Niagara Falls).

Table 4-1
LAMs
Urban-area D.C.s

	Local Area Municipalities	Water	Wastewater	Stormwater	Roads	Other
	Niagara Region	✔	✔			
*	City of Niagara Falls	✔	✔	✔		Sidewalks
	City of Port Colborne	✔	✔			
**	City of St. Catharines	✔	✔	✔		
***	City of Welland	✔	✔			
***	City of Thorold	✔	✔			
	Town of Fort Erie	✔	✔	✔		
	Town of Grimsby	✔	✔	✔		
***	Town of Lincoln	✔	✔	✔		
	Town of Niagara-on-the-Lake	✔	✔	✔		
	Town of Pelham	✔	✔			
	Township of Wainfleet					
	Township of West Lincoln	✔	✔	✔		

*Imposed on urban vs. rural for residential and inside vs. outside Core Tourist Area for non-residential
**Proposed
***Note: additional area-specific D.C.s imposed:
Welland: St. Andrews (water)
Thorold: Rolling Meadows (wastewater)
Lincoln: Campden (stormwater)

Other Municipal Comparators

Similar to the LAMs of Niagara Region, the other municipal comparators impose water and wastewater services on an urban-area basis (i.e. where the services are provided). In addition, the following area-specific charges are provided:

- Hamilton – wastewater charges in the Dundas/Waterdown area (these relate to former agreements which will phase out over time);
- Waterloo Region – library charges are imposed on the Townships in the Region (as the Cities provide this service themselves) and Transit is imposed on the Cities only;
- Windsor – additional water, wastewater, stormwater, and services related to a highway charges for Sandwich South (i.e. an area annexed into the City); and
- Brantford – stormwater charges are imposed in the intensification area and water, wastewater, stormwater, and roads charges are imposed on in the Northern Settlement Expansion Area as well as Tutela Heights.

All other municipal services are provided on municipal-wide basis.

Table 4-2
Other Municipal Comparators
Urban-area D.C.s

	Other Municipal Comparators	Water	Wastewater	Stormwater	Roads	Other
	Niagara Region	✔	✔			
*	City of Hamilton	✔	✔	✔		
**	City of Kitchener	✔	✔		✔	Public Works
*	Region of Waterloo					Transit & Library
	Haldimand County	✔	✔	✔		
	City of London	✔	✔	✔		
***	City of Windsor	✔	✔	✔	✔	Public Works
	City of Guelph	✔	✔	✔		
*	City of Brantford	✔	✔	✔	✔	
	Oxford County (Woodstock)	✔	✔			
	City of Woodstock					
	Halton Region	✔	✔			
	Durham Region	✔	✔			
	City of Oshawa					

*Note: additional area-specific D.C.s imposed:
Hamilton: Dundas/Waterdown (wastewater)
Waterloo: Townships (library) & Cities (transit)
Brantford: Intensification Area (stormwater), Northern Settlement Expansion Area and Tutela Heights (water, wastewater, stormwater, and roads)
**Water, wastewater, roads, and public works only imposed in Suburban area.
***Additional Charges for water, wastewater, stormwater, and services related to a highway for Sandwich South

4.2.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

4.2.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

4.3 Asset Management

4.3.1 Description of Current Approach Used in the 2017 D.C. Study

Section 10 of the D.C.A. was amended to include subsection (2) (c.2) which states that the background study must include “an asset management plan prepared in accordance with subsection (3)". For all services except transit, the asset management plan shall demonstrate that all assets included in the background study are financially feasible over their full life cycle. For transit services, a more detailed asset management plan is required, the details of which are set out in Ontario Regulation 82/98. However, on July 1, 2025, the detailed requirements for Transit will be replaced by information from a municipality's asset management plan prepared as per the Infrastructure for Jobs and Prosperity Act (I.J.P.A.).

With the passing of I.J.P.A., municipalities are now required to complete asset management plans, based on certain criteria, which are to be completed by 2022 for core municipal services and 2025 for all other services. The amendments to the D.C.A. do not require municipalities to complete these asset management plans (required under I.J.P.A.) for the D.C. background study, rather the D.C.A. requires that the D.C. background study include information to show the assets to be funded by the D.C. are sustainable over their full lifecycle. It is noted that upon completion of an Asset Management Plan under I.J.P.A., a municipality will no longer be required to include this information as part of the DC Background study.

For the 2017 D.C. background study, a table was developed to provide the annualized expenditures and revenues associated with new growth. Note that the D.C.A. does not require an analysis of the non-D.C. capital needs or their associated operating costs so these are omitted from the table below. As well, as all existing assets for the categories of assets included in the D.C. eligible capital costs are not included in the Region's Asset Management Plan, the present infrastructure gap and associated funding plan have not been considered at this time. Hence the summary table does not represent a fiscal impact assessment (including future tax/rate increases) but provides insight into the potential affordability of the new assets.

Niagara Region
Asset Management
Future Expenditures and Associated Revenues

	2041 (Total)
Expenditures (Annualized)	
Annual Debt Payment on Non-Growth Related Capital[1]	42,425,095
Annual Debt Payment on Post Period Capital[2]	2,292,694
Lifecycle:	
Annual Lifecycle - Town Wide Services	$62,808,711
Sub-Total - Annual Lifecycle	$62,808,711
Incremental Operating Costs (for D.C. Services)	$113,228,446
Total Expenditures	**$218,462,251**
Revenue (Annualized)	
Total Existing Revenue[4]	$933,397,230
Incremental Tax and Non-Tax Revenue (User Fees, Fines, Licences, etc.)	$112,948,017
Total Revenues	**$1,046,345,247**

[1] Non-Growth Related component of Projects including 10% mandatory deduction on soft services
[2] Interim Debt Financing for Post Period Benefit
[3] All infastructure costs included in Area Specifc by-laws have been
[4] As per Sch. 10 of FIR

4.3.2 Alternative Options/ Best Practices

To ensure the requirements of the D.C.A. are met, the D.C. study must include commentary and/or analysis to identify that the capital projects anticipated will be financially sustainable over their full lifecycle. To meet this requirement there are two main approaches:

1. If the Municipality has an existing asset management plan that addresses growth and already includes the assets in the D.C. study, reference to the financial analysis in the asset management plan may be sufficient.

2. If the Municipality has an existing asset management plan that does not address all growth-related capital OR does not have an existing asset management plan, an analysis similar to the Region's current approach can be undertaken and included in the background study.

LAMs

Of the local municipal background studies (13 including the Region), Watson has undertaken 9 of these studies. All of these studies utilize the same approach as provided in the current Niagara Region D.C. background study, that is, to identify the incremental lifecycle and operating expenditures arising from the capital projects then compare the expenditures to the anticipated incremental tax and non-tax revenues.

The remaining four municipal D.C. by-laws (i.e. Niagara Falls, Fort Erie, Welland, and West Lincoln) are all undertaken by other consulting firms. The approach utilized in these studies is similar. The incremental lifecycle and operating costs are estimated. However, in these studies, the anticipated revenues from tax and non-tax sources are not estimated. These studies note that it is anticipated that the incremental revenues will exceed the incremental costs.

Other Municipal Comparators

Of the 13 other municipal comparators, 8 background studies were completed by Watson (Hamilton, Waterloo Region, Haldimand County, Guelph, Oxford County, Durham Region, Oshawa, and Halton Region). These studies utilize the following approaches:

- Hamilton, Waterloo Region, Haldimand County, Oxford County, and Oshawa – same approach as Niagara Region;
- Guelph – growth-related costs from the D.C. study are included in the City's asset management plan; and
- Halton Region and Durham Region – not all growth-related costs from the D.C. study were included in the asset management plan. A detailed cashflow financial analysis of the operating and lifecycle costs as well as the anticipated funding sources is provided.

Of the remaining 5 background studies (Kitchener, London, Windsor, Brantford, and Woodstock), all studies utilized a similar approach to Niagara Region.

4.3.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

4.3.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

4.4 Residential D.C. Categories

4.4.1 Description of Current Approach Used in the 2017 D.C. Study

The 2017 D.C. background study included the following residential D.C. categories:

- Single and Semi-detached Dwellings
- Other Multiples
- Apartments – 2+ bedrooms
- Apartments – bachelor and 1 bedroom
- Special Care/ Special Dwelling Units/Rooms

4.4.2 Alternative Options/ Best Practices

In general, residential development categories for D.C. by-laws include single/semi detached dwellings, other multiples, and apartments (2+ bedroom vs. bachelor & 1 bedroom).

Apartment Categories

Most D.C. by-laws have separate categories for small vs. large apartments. One LAM (Niagara Falls) has one charge for apartments. All others vary apartment categories by number of bedrooms. In the list of Other Municipal Comparators, three D.C. by-laws have one category for all apartments and Brantford separates apartment categories based on gross floor area. The remaining bylaws separate apartments into categories based on the number of bedrooms.

Niagara Region includes an additional category for apartments to reflect the large number of student apartments anticipated to be developed.

Table 4-3
LAMs
Apartment Categories

Local Area Municipalities	One Charge for Apartments	Apartment Categories by Number of Bedrooms	Apartment Categories by Gross Floor Area
Niagara Region		✓	
City of Niagara Falls	✓		
City of Port Colborne		✓	
City of St. Catharines		✓	
City of Welland		✓	
City of Thorold		✓	
Town of Fort Erie		✓	
Town of Grimsby		✓	
Town of Lincoln		✓	
Town of Niagara-on-the-Lake		✓	
Town of Pelham		✓	
Township of Wainfleet		✓	
Township of West Lincoln		✓	
Total	**1**	**12**	**0**

Table 4-4
Other Municipal Comparators
Apartment Categories

Other Municipal Comparators	One Charge for Apartments	Apartment Categories by Number of Bedrooms	Apartment Categories by Gross Floor Area
Niagara Region		✓	
City of Hamilton		✓	
City of Kitchener	✓		
Region of Waterloo	✓		
Haldimand County		✓	
City of London		✓	
City of Windsor	✓		
City of Guelph		✓	
City of Brantford			✓
Oxford County (Woodstock)		✓	
City of Woodstock		✓	
Halton Region		✓	
Durham Region		✓	
City of Oshawa		✓	
Total	**3**	**10**	**1**

Special Care/Special Dwelling Units

Special care/special dwelling units are institutional-type buildings that are residential in use (e.g. assisted living facilities, retirement homes, etc.). These developments are charged the special care/special dwelling unit rate per unit in the building.

Of the LAMs, including Niagara Region, 10 municipalities include a separate category for special care/special dwelling units and of the Other Municipal Comparators (including Niagara Region), 4 have a category for special care/special dwelling units and 3 have categories for dwelling units/lodging houses.

Table 4-5
LAMs
Categories for Dwelling Units

Local Area Municipalities	Special Care/ Special Dwelling Unit	Dwelling Unit/ Lodging House
Niagara Region	✔	
City of Niagara Falls		
City of Port Colborne	✔	
City of St. Catharines	✔	
City of Welland	✔	
City of Thorold	✔	
Town of Fort Erie		
Town of Grimsby	✔	
Town of Lincoln	✔	
Town of Niagara-on-the-Lake	✔	
Town of Pelham	✔	
Township of Wainfleet	✔	
Township of West Lincoln		
Total	**10**	**0**

Table 4-6
Other Municipal Comparators
Categories for Dwelling Units

Other Municipal Comparators	One Charge for Apartments	Apartment Categories by Number of Bedrooms
Niagara Region	✔	
City of Hamilton		✔
City of Kitchener		✔
Region of Waterloo		✔
Haldimand County	✔	
City of London		
City of Windsor		
City of Guelph	✔	
City of Brantford		
Oxford County (Woodstock)		
City of Woodstock		
Halton Region	✔	
Durham Region		
City of Oshawa		
Total	**4**	**3**

4.4.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

4.4.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

4.5 Non-residential D.C. Categories

4.5.1 Description of Current Approach Used in the 2017 D.C. Study

The 2017 D.C. background study included the following non-residential D.C. categories:

- Commercial
- Industrial
- Institutional

4.5.2 Alternative Options/ Best Practices

Municipalities have the ability to impose non-residential D.C.s based on one charge for all residential development, or vary the charges based on specific categories (e.g. commercial, industrial, institutional).

Non-residential Categories

Niagara Region currently provides non-residential charges varied by commercial, industrial, and institutional development. In the list of LAM comparators, only the Town of Lincoln allocates the non-residential D.C.s in the same manner. Three LAMs vary their charge based on an allocation between industrial vs. non-industrial developments and the remaining 8 municipalities have one charge for all non-residential development.

With respect to the Other Municipal Comparators, 7 provide one charge for all non-residential development, 3 vary the charges based on industrial vs. non-industrial development, 3 (including Niagara Region) separate the charges based on industrial, commercial, and institutional, and Halton Region allocates the charges based on retail vs. non-retail categories.

Table 4-7
LAMs
Non-residential D.C. Categories

	Local Area Municipalities	One Charge for Non-residential	Industrial/ Non-industrial	Industrial/ Commercial/ Instiutional	Retail/ Non-retail
	Niagara Region			✔	
*	City of Niagara Falls	✔			
	City of Port Colborne	✔			
	City of St. Catharines	✔			
*	City of Welland	✔			
	City of Thorold		✔		
**	Town of Fort Erie		✔		
	Town of Grimsby		✔		
	Town of Lincoln			✔	
	Town of Niagara-on-the-Lake	✔			
	Town of Pelham	✔			
	Township of Wainfleet	✔			
	Township of West Lincoln	✔			
	Total	**8**	**3**	**2**	**0**

*Industrial Exempt
**Industrial and Institutional Exempt

Table 4-8
Other Municipal Comparators
Non-residential D.C. Categories

	Other Municipal Comparators	One Charge for Non-residential	Industrial/ Non-industrial	Industrial/ Commercial/ Instiutional	Retail/ Non-retail
	Niagara Region			✔	
	City of Hamilton	✔			
	City of Kitchener	✔			
*	Region of Waterloo		✔		
	Haldimand County	✔			
	City of London			✔	
	City of Windsor		✔		
	City of Guelph	✔			
	City of Brantford	✔			
	Oxford County (Woodstock)	✔			
**	City of Woodstock	✔			
	Halton Region				✔
	Durham Region			✔	
	City of Oshawa		✔		
	Total	**7**	**3**	**3**	**1**

*Industrial discounted by 60%
**Industrial and Institutional Exempt

4.5.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

4.5.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

Chapter 5
By-law Policies

5. By-law Policies

5.1 Introduction

For the following sections, where appropriate, a survey of D.C. by-law policies was undertaken. This survey can be separated into two components; Local Area Municipalities (LAMs) and Other Municipal Comparators. All Niagara Region LAM D.C. by-laws were reviewed for this survey. With respect to Other Municipal comparators, the following municipalities were surveyed; Kitchener, Hamilton, Waterloo Region, Haldimand County, London, Windsor, Guelph, Brantford, Woodstock (and Oxford County), Halton Region, Durham Region, and Oshawa.

5.2 Mandatory Exemptions

5.2.1 Description of Current Approach Used in the 2017 D.C. Study

In 2017, the mandatory deductions required by the D.C.A. were as follows:

- industrial building additions of up to and including 50% of the existing gross floor area (defined in O.Reg. 82/98, s.1) of the building; for industrial building additions which exceed 50% of the existing gross floor area, only the portion of the addition in excess of 50% is subject to development charges (s.4(3)) of the D.C.A.;
- buildings or structures owned by and used for the purposes of any municipality, local board or Board of Education (s.3);
- residential development that results only in the enlargement of an existing dwelling unit, or that results only in the creation of up to two additional dwelling units (based on prescribed limits set out in s.2 of O.Reg. 82/98)

5.2.2 Discussion

In addition to the mandatory exemptions noted above, recent changes to the Development Charges Act through Bill 108 and Bill 213 provided the following mandatory exemptions:

- residential development in new dwellings: development that includes the creation of up to two detached dwelling units (based on prescribed limits set out in section 2 of O. Reg. 82/98).

- land vested in or leased to a university that receives regular and ongoing operating funds from the government for the purposes of post-secondary education is exempt from development charges imposed under the Development Charges Act, 1997 if the development in respect of which development charges would otherwise be payable is intended to be occupied and used by the university.

5.2.3 Recommended Approach

As the exemptions discussed above are mandatory as per the Development Charges Act, Niagara Region's D.C. by-law will include the additional exemptions.

5.3 Discretionary Exemptions

5.3.1 Description of Current Approach Used in the 2017 D.C. Study

The Council of a municipality has the authority to provide discretionary exemptions to classes or categories of development. By-law 2017-98 provides for the following discretionary exemptions:

- Granny flats;
- Parking structures;
- Non-residential lands and buildings used for agriculture;
- Places of worship;
- Lands and buildings used for Municipal Housing Project facilities;
- Lands and buildings used for Affordable Housing Projects;
- Canopies;
- Long-Term Care home (50%);
- Brownfield development; and
- Smart Growth Design Criteria/LEEDs in Designated Exemption Areas (up to 50%).

In addition to these exemptions, there are D.C. exemptions for industrial and non-profit developments (provided through grant programs outside of the D.C. by-law).

5.3.2 Alternative Options/ Best Practices

Many municipalities throughout Ontario include some discretionary exemptions in their D.C. by-laws. This practice is normally to financially assist certain types or classes of development where it is perceived that the overall costs to construct may be barrier to that development. The exemption is in essence, a form of grant to that development. Like many other grants which are offered by municipalities, these exemptions must be funded by the taxpayer or rate payer. An alternate approach to an exemption is to provide a grant program outside of the D.C. by-law. This approach has two main benefits:

1. Council can outline the requirements of the grant program in greater detail through a grant program and target certain types of development more specifically; and

2. Council can set aside specific amounts in the budget each year. This provides greater transparency with respect to the funding sources and granted amounts being made available in total.

With respect to exemptions provided by other municipalities, each municipality has their own perspectives on the different types of development to which they wish to provide financial assistance. Exemptions policies may provide 100% exemption from the applicable D.C. or partial exemption from the applicable charge. The following tables provide a survey of discretionary exemptions provided by the LAMs and Other Municipal Comparators.

Note: a checkmark has been provided in the tables below where an exemption is listed (in whole or in part). In addition, some municipalities have additional exemptions specific to their municipality which have not been included in the tables below. Further details on exemptions are provided in each D.C. by-law.

Table 5-1
LAMs
Discretionary Exemptions

Local Area Municipalities	Places of Worship	Bona fide Farms	Hospitals	Commercial	Industrial	Institutional	Parking	Area Based (e.g. downtown, CIP)	Brownfields	Non-Profit/Affordable Housing	Granny Flats / Garden Suites	Charitable Instititutions	Canopies	Cemeteries	Seasonal Structures/ Dwellings	Temporary Structures	Secondary Dwelling Units	Farm Help House
Niagara Region	✓	✓					✓	✓	✓	✓	✓	✓	✓					
City of Niagara Falls		✓			✓		✓	✓		✓	✓	✓	✓	✓				
City of Port Colborne		✓			✓			✓	✓									
City of St. Catharines	✓	✓								✓								
City of Welland	✓				✓		✓	✓	✓	✓	✓	✓	✓		✓	✓		
City of Thorold	✓	✓	✓					✓	✓	✓								
Town of Fort Erie	✓	✓			✓	✓		✓	✓	✓			✓	✓			✓	
Town of Grimsby		✓																
Town of Lincoln	✓	✓					✓			✓	✓		✓	✓		✓		✓
Town of Niagara-on-the-Lake	✓	✓								✓								
Town of Pelham	✓	✓	✓					✓			✓							✓
Township of Wainfleet	✓	✓																
Township of West Lincoln	✓	✓								✓	✓		✓	✓				
Total	**10**	**12**	**2**	**0**	**4**	**1**	**4**	**7**	**5**	**9**	**6**	**3**	**6**	**4**	**1**	**2**	**1**	**2**

Table 5-2
Other Municipal Comparators
Discretionary Exemptions

Other Municipal Comparators	Places of Worship	Bona fide Farms	Hospitals	Commercial	Industrial	Institutional	Parking	Area Based (e.g. downtown, CIP)	Brownfields	Non-Profit/Affordable Housing	Granny Flats / Garden Suites	Charitable Instititutions	Canopies	Cemeteries	Seasonal Structures/ Dwellings	Temporary Structures	Secondary Dwelling Units	Farm Help House
Niagara Region	✓	✓					✓	✓	✓	✓	✓	✓	✓					
City of Hamilton	✓	✓		✓	✓		✓	✓		✓	✓					✓		
City of Kitchener		✓	✓													✓		
Region of Waterloo		✓	✓		✓				✓							✓		
Haldimand County	✓	✓																
City of London	✓	✓	✓				✓				✓			✓	✓			
City of Windsor					✓		✓	✓	✓									
City of Guelph	✓		✓				✓							✓		✓		
City of Brantford	✓	✓						✓		✓				✓				
Oxford County (Woodstock)	✓	✓	✓		✓			✓		✓						✓		
City of Woodstock	✓		✓		✓	✓		✓		✓								
Halton Region	✓	✓	✓												✓	✓		
Durham Region	✓	✓	✓				✓						✓					
City of Oshawa		✓	✓		✓			✓		✓						✓		
Total	**10**	**11**	**9**	**1**	**6**	**1**	**6**	**7**	**3**	**6**	**3**	**1**	**2**	**3**	**2**	**7**	**0**	**0**

5.3.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

5.3.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

5.4 Timing of Collection for Hard Services

5.4.1 Description of Current Approach Used in the 2017 D.C. Study

D.C.s for water, wastewater, services related to a highway, and stormwater services may be collected either at the agreement stage of the development process or at the time the building permit is issued.

The Region's current by-law provides that all D.C.s are to be collected at the time of the first building permit.

5.4.2 Alternative Options/ Best Practices

The majority of LAMs collect D.C.s for hard services at issuance of a building permit. For water, wastewater, and stormwater services only Niagara Falls collects D.C.s at the time of agreement. For services related to a highway, Niagara Falls, Grimsby, and St. Catharines (proposed) collect D.C.s at the time of agreement.

Similarly, the Other Municipal Comparators predominately collect hard service D.C.s prior to issuance of a building permit. Halton Region and Durham Region collect water, wastewater, and services related to a highway D.C.s at the time of agreement for low and medium density residential development. All other types of development pay D.C.s prior to issuance of a building permit.

Table 5-3
LAMs
Timing of Collection of D.C.s

Local Area Municipalities	Water	Wastewater	Stormwater	Services Related to a Highway
Niagara Region	B	B	n/a	B
City of Niagara Falls	A	A	A	A
City of Port Colborne	B	B	B	B
City of St. Catharines	B	B	B	B
City of Welland	B	B	B	B
City of Thorold	B	B	B	B
Town of Fort Erie	B	B	B	B
Town of Grimsby	B	B	B	A
Town of Lincoln	B	B	B	B
Town of Niagara-on-the-Lake	B	B	B	B
Town of Pelham	B	B	n/a	B
Township of Wainfleet	n/a	n/a	n/a	B
Township of West Lincoln	B	B	B	B
Total at Building Permit	**11**	**11**	**9**	**11**
Total at Agreement	**1**	**1**	**1**	**2**

B = Building Permit, A = Agreement

Table 5-4
Other Municipal Comparators
Timing of Collection of D.C.s

Other Municipal Comparators	Water	Wastewater	Stormwater	Services Related to a Highway
Niagara Region	B	B	n/a	B
City of Hamilton	B	B	B	B
City of Kitchener	B	B	B	B
Region of Waterloo	B	B	B	B
Haldimand County	B	B	B	B
City of London	B	B	B	B
City of Windsor	B	B	B	B
City of Guelph	B	B	B	B
City of Brantford	B	B	B	B
Oxford County (Woodstock)	B	B	n/a	B
City of Woodstock	n/a	n/a	n/a	B
* Halton Region	A/B	A/B	n/a	A/B
* Durham Region	A/B	A/B	n/a	A/B
City of Oshawa	n/a	n/a	n/a	B
Total at Building Permit	**12**	**12**	**10**	**14**
Total at Agreement	**2**	**2**	**2**	**2**

*D.C.s payable at agreement stage for low and medium density residential, building permit for all other development
B = Building Permit, A = Agreement, A/B = Combination of both

5.4.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

5.4.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

5.5 Indexing Date

5.5.1 Description of Current Approach Used in the 2017 D.C. Study

The D.C.A. provides that D.C.s may be indexed based on the Statistics Canada Non-residential Building Construction Price Index.

Niagara Region's D.C. by-law provides that D.C.s shall be indexed on January 1 or each year.

5.5.2 Alternative Options/ Best Practices

Municipalities have two options with respect to indexing the D.C. rates. If the D.C. by-law provides that the charges shall be indexed without adjustment, there is no requirement to gain Council approval to increase the rates as per the index. If the D.C. by-law provides that the charges may be increased, then Council approval is required. Every municipal comparator (LAMs and Other Municipal Comparators) provides that indexing shall occur without amendment to the by-law.

D.C. by-laws also have the option to index annually, semi-annually, quarterly, or monthly. All comparators, except the City of Oshawa, index their D.C.s annually. Oshawa indexes their D.C. rates on a semi-annual basis.

Most LAMs index annually on January 1 of each year. Niagara Falls, Port Colborne, and Wainfleet index their rates in September, November, and August, respectively. In regard to the Other Municipal Comparators, there is no consistency in the indexing dates, however, where Upper and Lower-tier municipalities index their charges, there is general consistency to try and coordinate indexing dates. For Single-tier municipalities indexing dates normally follow the by-law adoption dates.

Table 5-5
LAMs
Date of Indexing

Local Area Municipalities	January	February	March	April	May	June	July	August	September	October	November	December
Niagara Region	✔											
City of Niagara Falls									✔			
City of Port Colborne											✔	
City of St. Catharines	✔											
City of Welland	✔											
City of Thorold	✔											
Town of Fort Erie	✔											
Town of Grimsby	✔											
Town of Lincoln	✔											
Town of Niagara-on-the-Lake	✔											
Town of Pelham	✔											
Township of Wainfleet								✔				
Township of West Lincoln	✔											
Total	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**1**	**0**	**1**	**0**

Table 5-6
Other Municipal Comparators
Date of Indexing

Other Municipal Comparators	January	February	March	April	May	June	July	August	September	October	November	December
Niagara Region	✔											
City of Hamilton							✔					
City of Kitchener												✔
Region of Waterloo												✔
Haldimand County					✔							
City of London	✔											
City of Windsor											✔	
City of Guelph			✔									
City of Brantford	✔											
Oxford County (Woodstock)				✔								
City of Woodstock				✔								
Halton Region				✔								
Durham Region							✔					
City of Oshawa	✔						✔					
Total	**4**	**0**	**1**	**3**	**1**	**0**	**3**	**0**	**0**	**0**	**1**	**2**

5.5.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

5.5.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

5.6 Special Charges

5.6.1 Description of Current Approach Used in the 2017 D.C. Study

A municipality has the ability to impose D.C.s for a special category of development outside of the generally used residential and non-residential categories. These categories may include wind turbines, solar farms, and other unique development that may warrant a special category of charges.

The Region's current D.C. by-law provides special charges for wind turbines whereby the charges equate to that of a single-detached home; however, the charges are only imposed for services related to a highway, police, general government, and emergency medical services.

5.6.2 Alternative Options/ Best Practices

Of the LAMs, only Wainfleet and West Lincoln impose charges for wind turbines. Within the list of Other Municipal Comparators, only Oxford County imposes charges for wind turbines. Note, that the list of other comparators includes many larger urban centres. Wind turbines, and thus D.C.s for wind turbines, are more common in smaller communities (e.g. in Southwestern Ontario).

Table 5-7
LAMs
Special Charges for Wind Turbines

Local Area Municipalities	Wind Turbines
Niagara Region	✔
City of Niagara Falls	
City of Port Colborne	
City of St. Catharines	
City of Welland	
City of Thorold	
Town of Fort Erie	
Town of Grimsby	
Town of Lincoln	
Town of Niagara-on-the-Lake	
Town of Pelham	
Township of Wainfleet	✔
Township of West Lincoln	✔
Total	**3**

Table 5-8
Other Municipal Comparators
Special Charges for Wind Turbines

Other Municipal Comparators	Wind Turbines
Niagara Region	✔
City of Hamilton	
City of Kitchener	
Region of Waterloo	
Haldimand County	
City of London	
City of Windsor	
City of Guelph	
City of Brantford	
Oxford County (Woodstock)	✔
City of Woodstock	
Halton Region	
Durham Region	
City of Oshawa	
Total	**2**

5.6.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

5.6.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

5.7 Redevelopment Credits

5.7.1 Description of Current Approach Used in the 2017 D.C. Study

Case law provides that should a building or structure be redeveloped or replaced; the property owner should get a credit for the structure being replaced, subject to limitations provided by the D.C. by-law. The limitations may include a time limit from the time of the demolition permit to the time of the application for a building permit for the replacement structure. Most municipalities across Ontario provide a four or five year period between demolition and building permit however there area exceptions where shorter or longer period has been used.

Demolition

Currently, a demolition credit is received if application is made for a building permit within five (5) years of the demolition. For brownfield development, an application may be made to extend the time period up to an additional three (3) years.

Conversion

If a development is converted from one use to another, a credit is received for the initial use being converted.

5.7.2 Alternative Options/ Best Practices

Throughout the municipal comparators (both LAMs and Other Municipal Comparators), the most common time limit on the redevelopment credit is 5 years. 10 of the LAMs utilize the 5-year time limit whereas Port Colborne, St. Catharines (proposed), and Welland, use 1 year, 3 years, and 10 years, respectively.

With respect to the Other Municipal Comparators, the majority utilize a 5-year time horizon, 6 municipalities utilize a 10-year time horizon, and Guelph utilizes a 4-year time horizon.

Table 5-9
LAMs
Time Limit on Redevelopment Credit

Local Area Municipalities	1 Year	3 Years	4 Years	5 Years	10 Years
Niagara Region				✔	
City of Niagara Falls				✔	
City of Port Colborne	✔				
City of St. Catharines		✔			
City of Welland					✔
City of Thorold				✔	
Town of Fort Erie				✔	
Town of Grimsby				✔	
Town of Lincoln				✔	
Town of Niagara-on-the-Lake				✔	
Town of Pelham				✔	
Township of Wainfleet				✔	
Township of West Lincoln				✔	
Total	1	1	0	10	1

Table 5-10
Other Municipal Comparators
Time Limit on Redevelopment Credit

Other Municipal Comparators	1 Year	3 Years	4 Years	5 Years	10 Years
Niagara Region				✔	
City of Hamilton				✔	
* City of Kitchener				✔	✔
* Region of Waterloo				✔	✔
Haldimand County					✔
** City of London					✔
City of Windsor				✔	
City of Guelph			✔		
City of Brantford					✔
Oxford County (Woodstock)				✔	
City of Woodstock				✔	
Halton Region				✔	
Durham Region					✔
City of Oshawa				✔	
Total	0	0	1	9	6

*5-year limitation for residential lands and 10-year limitation on non-residential lands
**20-year limitation for Downtown and Old East Areas

5.7.3 Discussion

This section to be updated in subsequent drafts of this Policy Report

5.7.4 Recommended Approach

This section to be updated in subsequent drafts of this Policy Report

5.8 Instalment Payments and D.C. Rate Freeze

5.8.1 Description of Current Approach Used in the 2017 D.C. Study

As per recent changes to the legislation, two clauses were added to the D.C.A. which adjust the timing of payment and collection for the Region.

D.C. Rate Freeze

Prior to the revisions, D.C.s were calculated and payable at time of the first building permit (unless stated in the municipality's bylaw, that is D.C.s for roads, water, wastewater, and stormwater may be collected at time of the subdivision agreement). Section 26.2 has been added to the D.C.A. At a high level, this section provides that the D.C. rates are frozen at the time of submission of an application for development in a site plan control area or an application for a zoning by-law amendment. If neither of these are applicable, then the D.C.s are calculated and payable at the time of the first building permit.

Instalment Payments

Changes to the D.C.A. now allow for instalment payments for D.C.s payable for specific types of development. Section 26.1 has been added to the D.C.A. which provides that D.C.s shall be paid in equal annual instalments for the following types of developments and for the following lengths of time:

- Rental housing (not non-profit) – six annual instalments (5 years)
- Institutional - six annual instalments (5 years)
- Non-profit Housing – 21 annual instalments (20 years)

Note: interest may be imposed on the D.C. rate freeze, as well as the instalment payments.

These clauses were not included during the preparation of the Region's 2017 D.C. study and by-law. However, once enacted, the Region prepared and approved an interest rate policy through CSD 49-2020 which was approved by Council on December 17, 2020.

5.8.2 Recommended Approach

As the Region has already undertaken a process to develop an interest rate policy, no changes to the policy are anticipated at this time.

Policy Item	Summary of Current Approach (2017 DC Study)	Summary of Alternative Options/Best Practices	Local Area Municipal (LAM) Session Feedback*	Non-Government Session Feedback*
4.3 Asset Management	• Requirement under the Development Charge Act and Infrastructure for Jobs and Prosperity Act • Used to determine that all assets included in study are financially feasible • Currently analyzes amount required for growth capital from RDC against amount required from tax rates/user fees.	• All municipal comparators utilize either one of the two alternatives identified in the draft Policy Report	• No comments or questions from the LAM stakeholders. • 23 of 23 stakeholders that responded to survey agreed with current approach.	• No comments or questions from the stakeholders. • 10 of 11 stakeholders that responded to survey agreed with current approach.
5.5 Annual Rate Indexing	• DC are indexed on January 1 of each year.	• Majority of LAM in Niagara use January as well. • Majority of municipal comparators index annual but vary by month • No change proposed to current Region practice.	• No comments or questions from the stakeholders. • 30 of 30 stakeholders that responded to survey agreed with current approach.	• No comments or questions from the stakeholders. • 11 of 12 stakeholders that responded to survey agreed with current approach.
5.2 Mandatory DC Exemptions	• Contained mandatory exemptions of: 50% industrial building expansion; structures owned by a municipalities, local board or Board of	• Bill 108 & 213 creating additional mandatory exemption for: secondary suites in new residential construction; land used for post-secondary institutions.	• Comment received from stakeholder indicating that the exemptions for post-secondary institutions should be reduce or refined by the Province.	• No comments or questions from the stakeholders. • 13 of 14 stakeholders that responded to survey agreed with current approach.

Policy Item	Summary of Current Approach (2017 DC Study)	Summary of Alternative Options/Best Practices	Local Area Municipal (LAM) Session Feedback*	Non-Government Session Feedback*
	Education; and residential intensification.	• Mandatory exemptions to remain in 2022 DC By-law as per legislation	• 25 of 26 stakeholders that responded to survey agreed with current approach.	
4.2 Area-Rating	• Region utilized area rating for water/wastewater which is charged on an urban service area only. • All other services are charged Region-wide.	• Council must consider the use of area-specific charges. • Majority of municipal comparators and local area municipalities are utilizing an approach similar to the Region's 2017 D.C. Study.	• Comment received from stakeholder indicating that more localized services should be area rated and Regional significant infrastructure should have a region-wide charge. • 22 of 23 stakeholders that responded to survey agreed with current approach.	• No comments or questions from the stakeholders. • 12 of 13 stakeholders that responded to survey agreed with current approach.
4.4/4.5 Residential and Non-Residential DC Categories	• <u>Residential categories</u>: Single/Semi-detached, Other multiples, Apartment bachelor/1 bedroom, Apartment 2+ bedroom, special care dwelling. • <u>Non-residential categories</u>: commercial, industrial, institutional, wind turbine.	• Similar approach adopted by majority of local area municipalities and comparators with some variations on apartments and non-residential.	• No comments or questions from the stakeholders • 22 of 22 stakeholders that responded to survey agreed with current approach.	• No comments or questions from the stakeholders. • 13 of 14 stakeholders that responded to survey agreed with current approach.
5.4 Timing of Collection of Hard Services	• The Region's current by-law provides that all D.C.s are to be collected at the time of the first building permit.	• DC for water, wastewater, services related to a highway and storm water services may be collected at the agreement stage of the development process.	• No comments or questions from the stakeholders • 19 of 19 stakeholders that responded to survey agreed with current approach.	• No comments or questions from the stakeholders. • 10 of 11 stakeholders that responded to survey agreed with current approach.

Policy Item	Summary of Current Approach (2017 DC Study)	Summary of Alternative Options/Best Practices	Local Area Municipal (LAM) Session Feedback*	Non-Government Session Feedback*
		• Mixed approach amongst municipal comparators		
5.7 Re-Development Credits	• Demolition: a demolition credit is received if application is made for a building permit within five (5) years of the demolition (can apply for additional 3 years if brownfield) subject to limitations in the By-law. • Conversion: If a development is converted from one use to another, a credit is received for the initial use being converted, subject to limitations in the By-law.	• Can utilize longer or shorter timeframe for demolition credits. • Majority of comparators utilize similar approach to Region currently	• No comments or questions from the stakeholders • 21 of 21 stakeholders that responded to survey agreed with current approach.	• Comment received regarding the additional demolition credit extension for Brownfields – it was noted that the extension should be increased from 3 to 5 years given the length of time it may take to redevelop these sites. • 9 of 11 stakeholders that responded to survey agreed with current approach.

* Approximately 50% of those in attendance participated in survey. The sessions were attended by approximately 50 LAM representatives (69 invited) and 25 at the non-government session (108 invited).

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MEMORANDUM

RDCPTF-C 7-2021

Subject: Development Charges Grant Expenditures under 2017 Regional Development Charges By-law

Date: July 29, 2021

To: Regional Development Charge Policy Task Force

From: Rob Fleming, Senior Tax & Revenue Analyst

The intent of this memo is to provide the task force with context regarding Regional development charge (DC) grants that are currently contained within the 2017 DC By-law. Included as Appendix 1 to this memo is a summary of DC grants provided each full year since the By-law's inception in 2017 forecasted out to year-end 2021. The 2018 to 2020 values represent actuals for that year while 2021 represents a forecast to year-end based on current trends.

As can be noted in the Appendix, DC grants represents a significant component of the annual DC collections and the Region's annual general tax levy. The DC Act specifies that DC collection deficits as a result of DC grants cannot be made up from future DC collections therefore the Region funds the DC grants from the annual tax levy in order to keep the DC reserves whole. As such, a percentage calculation has also been provided in the Appendix which compares the annual grants for the year to that year's annual general tax levy amount. Year 2018 represents the most significant grant year for the Region which resulted in $13M in DC grant awards based on the provisions of the 2017 DC By-law. This $13M represented nearly 30% of total DC collections and nearly 4% of the Region's general tax levy for the year.

On July 22, 2021, Region staff held a workshop with Regional Council to provide an overview of the Regional Incentive Review Team's recommendations on future incentive programs which included programs related to DCs. The Team's recommendations were based on the Council approved Incentive Pillars of: brownfield redevelopment, employment in key sectors, affordable housing and public realm. As can be noted in the Appendix, many of the Region current discretionary DC grant programs are not directly tied to the Council approved Incentive Pillars which is the primary reason for Incentive Review recommending that many of the current discretionary grants not continue beyond the current DC By-law. In 2018, for example, 73% of the $13M in awarded grants did not relate to an approved incentive pillar. The focus will be to create discretionary DC grant programs which are aligned with the previously established incentive pillars and that are outside of a DC By-law in separate policies in order to ensure that these future programs can be adaptable, flexible and more successful in advancing Council objectives.

Respectfully submitted and signed by

Rob Fleming, MBA
Senior Tax & Revenue Analyst

Appendix 1 - Regional Development Charge Grant Awarded under 2017 RDC By-law

Appendix 1 – Regional Development Charge Grant Awarded under 2017 RDC By-law ($000)

Grant Program*	2018	2019	2020	2021 Forecast**
Phase-In Grant (D)	3,704	2,672	0	0
Brownfield (D)	324	1,766	0	63
Smart Growth (D)	366	23	174	137
Long-Term Care (D)	0	410	0	0
Affordable Housing (D)	1,142	0	706	0
Parking Garage (D)	0	0	188	0
Agricultural (D)	5,381	179	0	0
Place of Worship (D)	0	384	0	0
Non-Profit (D)	144	150	150	150
Industrial & Gateway (D)	1,054	782	317	1.163
Hotels/Motels (D)	275	1,582	7	3
Other (D)	42	169	102	0
50% Industrial Expansion (M)	486	218	279	0
Residential Intensification (M)	93	39	0	0
Board of Education	36	0	0	0
Forecast to Year-End				4,448
Total DC Grants	**13,047**	**8,372**	**1,925**	**5,964**
Annual Budget	**4,238**	**5,289**	**6,868**	**7,868**
Annual Variance	**(8,809)**	**(3,083)**	**4,943**	**1,904**
Total DC Grants as % of DC Collections	**27%**	**18%**	**5%**	**15%**
Total DC Grants as % of Tax Levy	**3.8%**	**2.3%**	**0.5%**	**1.5%**
% Unaligned with Council Grant Pillars	**73%**	**41%**	**24%**	

* RDC grants and collections based on actual results for 2018 to 2020. Data is not included for 2017 as the RDC By-law was only in effect from September 1 to December 31, 2017.

** Actual grants and collections to June 30, 2021 with forecast to December 31, 2021.

(D) – Discretionary DC Grants; (M) – Mandatory DC Grants