

April 27, 2018

2018 Development Charges By-law Review

The City is continuing to grow and new infrastructure is needed in order to maintain service levels. Development charges (DCs) are fees collected from land developers at the time a building permit is issued. DCs help pay for the cost of new infrastructure to accommodate growth, such as roads, transit, water and sewer infrastructure, community centres and fire and police facilities.

Most municipalities in Ontario use DCs to ensure that the cost of providing infrastructure to service growth is not borne by existing residents and businesses in the form of higher property taxes and utility rates.

As part of the DC by-law review, the City undertook an extensive consultation process which included meetings with stakeholders in the land development industry, affordable housing and rental sectors, universities and colleges, as well as the public and ratepayer groups. Council, at its meeting on April 26, 2018, approved a new development charges by-law by an overwhelming majority vote.

The new by-law attempts to strike an appropriate balance between revenue optimization (cost recovery), Council long term planning and economic development objectives, and due consideration of the potential impact on the land development and construction industry.

New Policies

The new by-law introduces a number of important policies, including:

- Rate transition provision to phase-in to the full rates over a two-year period
- Moving to a first conditional permit basis for assessing the charge upon implementation of the full rates
- New support for non-luxury purpose built rental to mitigate up to the full impact of the rate increases
- New support for scattered rental in newly constructed laneway, garden and other second suites, including a Secondary Dwelling Unit Development Charges Deferral Program that exempts these suites until severance¹
- Other recommendations outside the by-law are expected to address concerns regarding the rate impact on home ownership assistance program and on certain areas of the City.

Consult the new by-law and the *Act* for the full list of by-law policies.

¹ The charges would only be collected if the unit is severed from the property within 20 years of the issuance of the building permit and would be subject to the rate based on the built form of the development.

DC Background Study and By-law

The Council decision is below and it includes a copy of the adopted by-law, background study and associated reports:

- [Council Decision](#)
- [Staff Report on Development Charges from the Interim Chief Financial Officer](#)
- [Staff Report on Treatment of Secondary Dwelling Units](#)
- [Proposed By-law](#)
- [Public Notice - Development Charges](#)

Transition Provisions

The new by-law includes provisions to phase-in the full rates over a two-year period to address potential impacts for projects currently in development where purchase and sale agreements have already been executed.

Adjustments to the rates presented in January 2018

Technical revisions to the Background Study, arising primarily through further discussions with consultants retained on behalf of the Building Industry and Land Development (BILD) Association and internal review by the City's own consultants, have resulted in a 9% reduction to the proposed calculated residential and non-residential development charges rates presented in January 2018.

Phase-In Schedule of the new DC Rates

Type of Use	May 1/18 (no change)	Nov 1/18 (50% of the increase)	Nov 1/19 (80% of the increase)	Nov 1/20 (adopted rates)
Residential Uses (\$ per unit)				
Singles & Semis	41,251	60,739	72,432	80,227
Multiples 2+ Bedrooms	34,742	50,528	59,999	66,313
Multiples 1 Bedroom and Bach.	24,816	29,041	31,576	33,266
Apartments 2 Bedrooms and Larger	25,366	36,165	42,644	46,963
Apartments 1 Bedroom and Bach.	17,644	24,150	28,054	30,656
Dwelling Room	11,028	16,386	19,600	21,743
Non-residential Uses (\$ per m2)				
Industrial	173.07	173.07	173.07	173.07
Non-industrial	213.65	310.40	368.45	407.15

The increase in the 2018 calculated charges, compared to the current charges reflects updated capital programs, revised growth forecasts and recent provincial legislative changes.

The City conducted an impact study which found that the rate increases are not expected to significantly impact the viability or affordability of new residential development over the long-term.

Affordable Housing

Housing affordability is an important consideration for the City. The City and other orders of government currently provide a variety of financial incentives to support new purpose-built rental housing investments.

The City's Open Door Program assists private and non-profit affordable housing organizations to reduce the cost of developing housing and improve housing affordability through providing City financial contributions including capital funding and incentives such as exemptions from planning fees, development charges and property taxes. Affordable rental housing will continue to be exempted from the charges and affordable ownership housing is supported through second mortgage loans.

By-law Exemptions

The new by-law continues the majority of the City's current by-law policies and exemptions including exemptions for:

- Affordable Rental Housing
- Industrial uses
- Hospitals
- Universities/colleges
- Places of worship, cemetery or burial ground
- Temporary residential sales offices or pavilions
- Non-ground floor non-residential floor area pending further study of where development could support increases

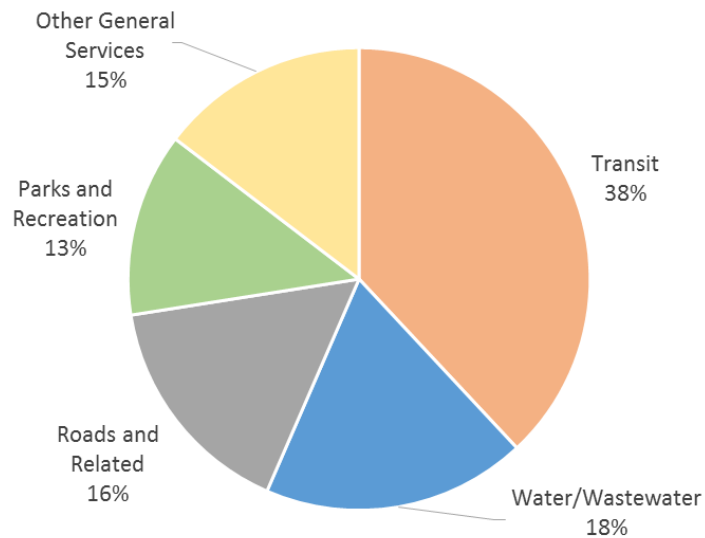
DC Revenue

The new development charges by-law is expected to result in an additional \$240 million annually in development charges revenues, nearly double the current revenue, once fully phased-in in 2020. The total annual development charges revenues once the increases phased-in are expected to be about \$500 to \$540 million annually. This represents approximately 60-70% recovery of eligible growth related costs under the Development Charges Act.

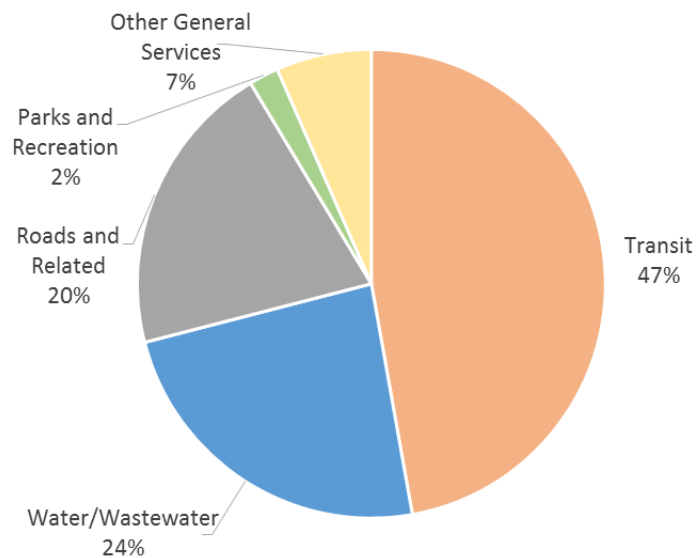
Calculated Charge by Service

The majority of the residential and non-residential rates (72% and 91%) respectively are attributed to transit, roads, water and wastewater services, which reflects the average calculated demand that new land development places on the City for this type of infrastructure.

Residential

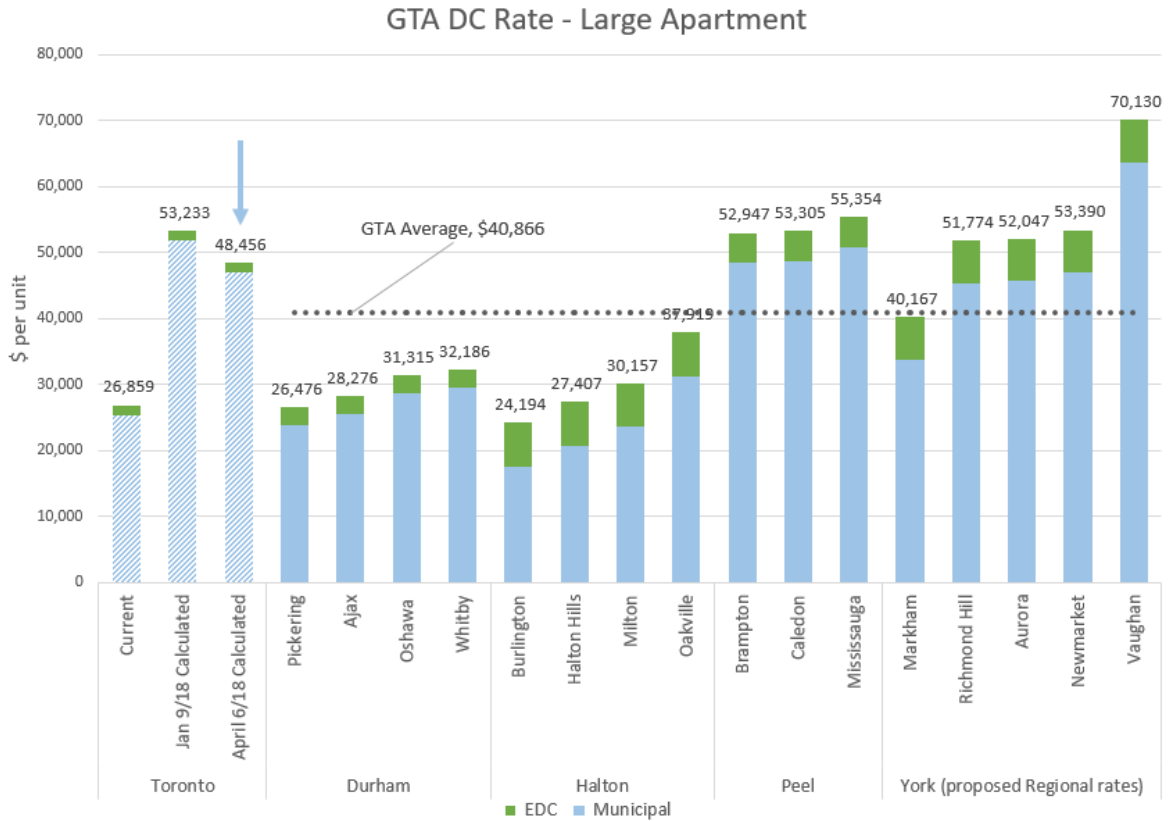


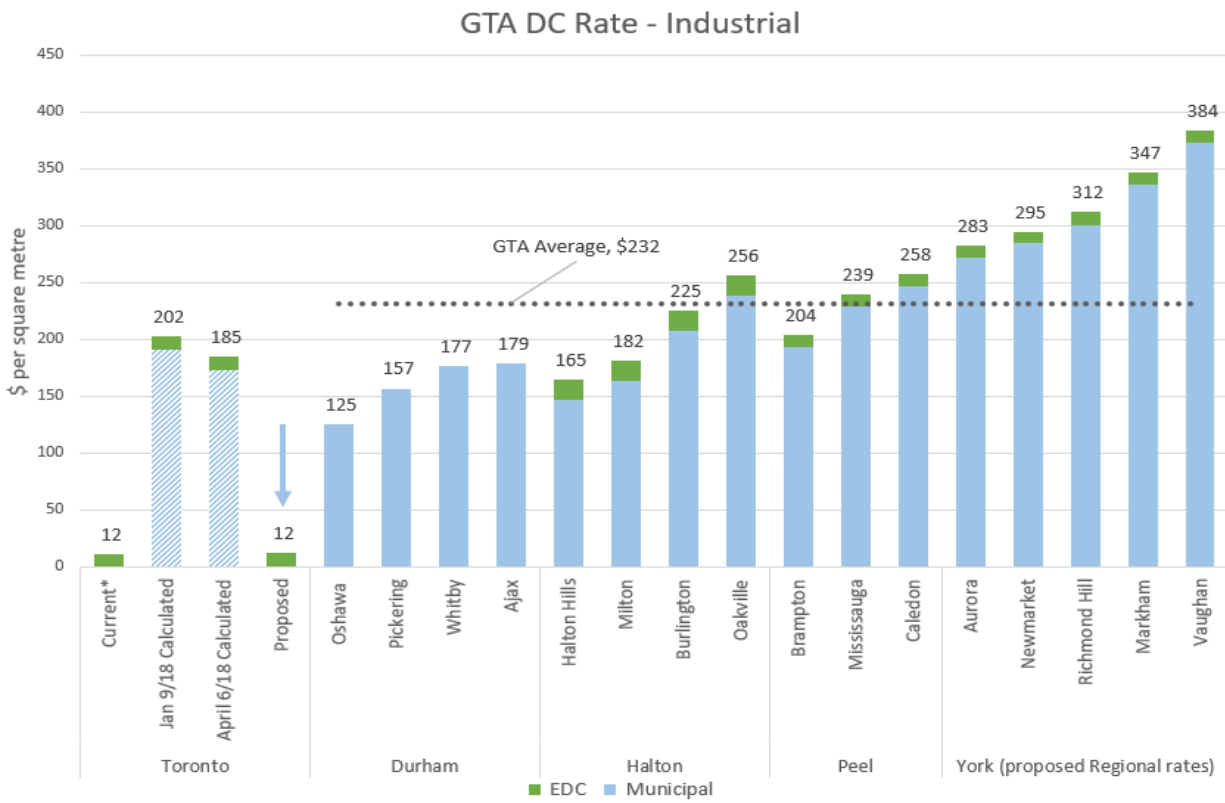
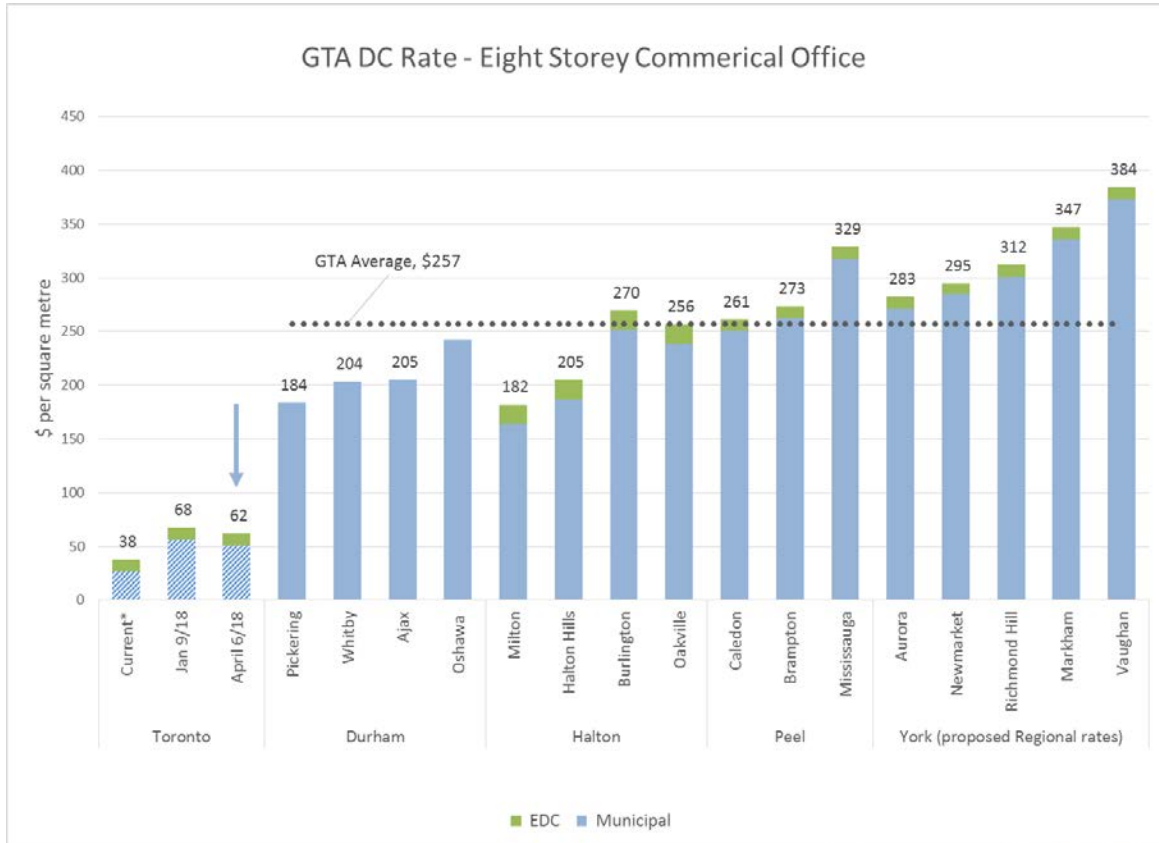
Non-residential



Development Charges Rate Comparison

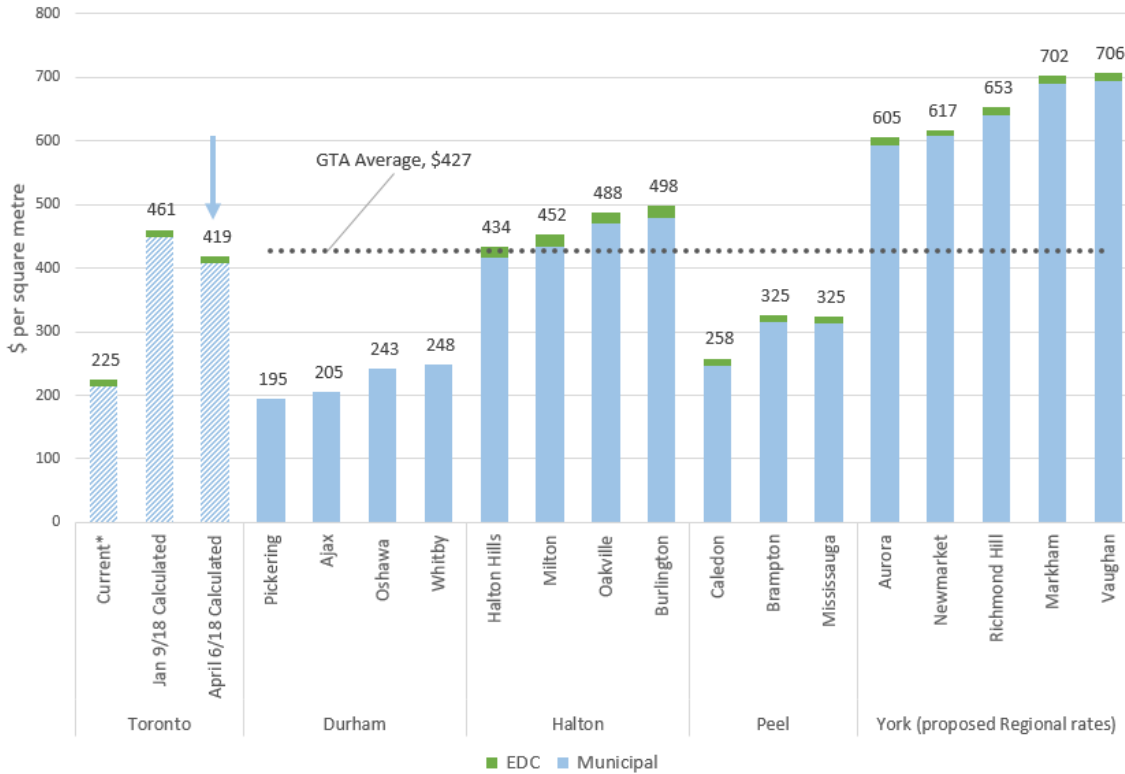
While the City's rates are increasing, Toronto's rates remain competitive with the rates in growing municipalities in the surrounding region. The regional rates are a reflection of the need for capital investment to provide services as a result of growth. The Toronto Catholic District School Board Education Development Charges are under review and subject to change.





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GTA DC Rate - Retail



More information:

www.toronto.ca/devcharges

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