

## **Municipality of Chatham-Kent**

### **Community Development**

#### **Finance, Budget, Information Technology & Transformation**

**To:** Mayor and Members of Council

**From:** Karen Loney, MA, Community Development Coordinator

Bruce McAllister, MCIP, RPP, Acting General Manager, Community Development, Director, Planning Services

Gord Quinton, MBA, CPA, CGA Chief Financial Officer / Treasurer /GM, Finance, Budget, Information Technology & Transformation

**Date:** September 29, 2020

**Subject:** Development Charges Background Study (Non Water/Wastewater) and Community Benefits Charges

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#### **Recommendations**

It is recommended that:

1. Watson & Associated Economists Ltd. be directly appointed to undertake a Development Charges Background Study (non water/wastewater) and a Community Benefit Study in the amount of \$60,000 (plus applicable taxes) and,
2. The total project cost be funded from future development charges.

#### **Background**

On December 2, 2019 Council received and adopted the '2019 Municipal Comprehensive Review Phase 1 Report' (25-Year Growth Forecasts, Land Supply and Land Needs Analysis). This report provided a forecast of Chatham-Kent's future and created a sense of urgency to focus on growing the population.

On February 10, 2020 Council approved the Chatham-Kent Growth Strategy including metrics to measure growth of population, jobs, tax assessment along with a recommendation for administration to investigate strategies that would support.

On March 2, 2020 Council approved the updated Community Improvement Plan which provides tax rebates and various grants to fuel growth.

Multiple times throughout the above discussions, the question was asked how would new growth would be paid for. Development Charges (DC) and Community Benefit Charges (CBC) are a means municipalities can collect revenue to finance growth related infrastructure and ensure that a portion of “growth pays for growth”. Currently, only the Chatham-Kent Public Utilities Commission collects development charges on certain water and wastewater infrastructure, which means that any other DC eligible infrastructure that is needed to support growth would come from the tax base and impact all rate payers.

The Association of Municipalities of Ontario state that “Development charges are a major source of revenue for cost recovery that funds the infrastructure needed for Ontario’s growing communities. In 2017, 197 municipal governments collected about \$2.3 billion in development charge revenue”. On September 18, 2020, the Province of Ontario proclaimed the latest revisions to the Development Charge Act (DCA) and the Planning Act, introducing a Community Benefit Charge (CBC).

On May 25, 2020, Council received the Chatham-Kent Economic Recovery Task Force Report, which encouraged Council to, “Consider development charges as a source of revenue to pay for infrastructure”.

On May 28, 2020, Council held a Growth and Recovery Strategy session and reviewed options to fund growth. A briefing note was created as background and can be read in Appendix A to this report.

### **Comments**

In order to implement a growth pays for growth approach through development charges Council must comply with the requirements of the DCA and associated regulation O.Reg. 82/98, as amended. This includes preparing a DC background study comprising a forecast of anticipated development, determining eligible services, estimating increased needs for each service, measuring 10-year historical level of service, developing an asset management plan for projects included in the study and rules for imposing the calculated charges.

In addition, the following items must occur:

- Review the Municipality’s current policies regarding recovery of capital expenditures from new development and recommend an appropriate development charge strategy;
- Review policies with staff, addressing issues such as exemptions, discounting and credits, phase-in strategies and indexing options, as well as credits for various classes of development including but not limited to: residential, institutional, commercial, and industrial developments;
- Undertake the statutory public process requirements, including the need to hold at least one public meeting under the provisions of the legislation; and
- Ensure that financing is in place to pay for the services required to accommodate future development in the Municipality.

The key steps to complete a development charge study includes the following:

- Development of a project team
- Data collection and review of service standards
- Growth projection refinement
- Development charge calculation and rules
- Local service policy development
- Examination of long-term capital operating costs
- Asset management planning to determine what DC can fund
- Council workshop to provide input into policy considerations
- Completion of draft DC background study
- Finalize DC study and proposed by-law
- Public engagement
- Adoption process
- Implementation process.

The final determination if the Corporation will enact further Development Charges beyond water and wastewater is Council's decision. The approval of this report only begins the study process and dialogue. It is anticipated that the entire process will take seven months.

Chatham-Kent's current residents can no longer have growth cost added to their existing property tax bills. Property taxes of existing homeowners in Chatham-Kent, including low income families and seniors, have subsidized new growth construction for far too long. The former City of Chatham did have DC's for roads that were eliminated in 1999 due to political challenges at amalgamation. Currently, across Ontario, over 200 of the 444 municipalities have DC's and collect approximately \$2.5 Billion in cost recovery funding for growth, to which Chatham-Kent has ignored for 2 decades. As a result, Council priorities have been sacrificed to be able to pass reasonably tax increases and fund growth projects. In municipalities where DC's are fully implemented, DC's usually account for less than 5% of the price of a new home. Properly funded growth plans facilitate a greater pace of growth and is welcomed by the developers of subdivisions.

It is recommended that Watson & Associates Economists Ltd. (Watson) be appointed to undertake the DC Background Study. Watson has previously completed DC Background Studies for the CK PUC. In addition, Watson also completed the 2009 Growth Analysis report, the 2012 Phase 1 Comprehensive Review report and the 2019 Phase 1 Comprehensive Review report for the Municipality

Very few firms in Ontario undertake this type of specialty work. Therefore, Watson has a sound understanding of the methodology used in these past reports and can efficiently build off these past studies to complete the new DC Background Study.

**Consultation**

This report has been created in consultation with the Executive Management Team.

**Financial Implications**

Under the DCA, background study costs are eligible to eventually be recovered through DC's once the process is implemented. As stated in the comments section, Council will decide whether to implement DC's after the background study is completed in the Spring of 2021.

Prepared by:

Reviewed by:

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Reviewed by:

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Attachments: Appendix A – Development Charges Briefing Note

## Council Strategy Session – Briefing Note

September 28, 2020

### Financing Growth – Development Charges

#### **Recommendation:**

Council participate in the Development Charge study and engage stakeholders in their wards.

#### **Background:**

On February 10, 2020, Council approved the Chatham-Kent Growth Strategy including metrics to measure growth of population, jobs, tax assessment along with a recommendation for administration to investigate strategies that would support including Development Charges.

Currently, only the Chatham-Kent Public Utilities collect development charges for water and wastewater infrastructure, which means that any types of infrastructure i.e. roads as one example that is needed to support growth in CK comes from the tax base and impacts all rate payers. Development Charges (DC) and Community Benefit Charges (CBC) are a means that municipalities can collect revenue to finance growth related infrastructure and ensure that “growth pays for a portion of growth”.

The Association of Municipalities of Ontario state that, “Development charges are a major source of revenue for cost recovery that funds the infrastructure needed for Ontario’s growing communities. In 2017, 197 municipal governments collected about \$2.3 billion in development charge revenue”. Effective September 18, 2020 the Province of Ontario proclaimed the final amendments to the Development Charge Act (DCA) and introduced a Community Benefit Charge (CBC) under the Planning Act.

**Comment:**

Development in CK is at it's all time highest, yet the cost to develop services is spread across the tax base versus developers or rate payers.

It is highly recommended that Chatham-Kent consider introducing some additional Development Charges to have a portion of "Growth Pay for Growth" in order to help expedite needed infrastructure spending. Administration is recommending that the Municipality move forward with a Development Charge Background Study.

Prior to development charges being implemented the Municipality must complete a D.C. background study comprising a forecast of anticipated development, determining eligible services, estimating increased needs for each service, measuring 10-year historical level of service, developing an asset management plan for projects, included in the study and rules for imposing the calculated charges. As part of the study the following items must occur.

Review the Municipality's current policies regarding recovery of capital expenditures from new development and recommend an appropriate development charge strategy;

Review policies with staff, addressing issues such as exemptions, discounting and credits, phase-in strategies and indexing options, as well as credits for various classes of development including but not limited to: residential, institutional, commercial, and industrial developments;

Undertake the statutory public process requirements, including the need to hold at least one public meeting under the provisions of the legislation; and

Ensure that financing is in place to pay for the services required to accommodate future development in the Municipality.

The final determination if the Corporation will enact further Development Charges, beyond water and wastewater, is Council's decision. Administration anticipates that the commencement of the study could begin by the end of October and be completed in approximately seven months. A report to Council is scheduled for the October 19, 2020 Council Meeting.

Authored by Bruce McAlister, Acting GM of Community Development September 2020