

---

**REPORT TITLE: 2020 Development Charge Background Study and By-law Review**

**FROM:** Stephen Van Ofwegen, Commissioner of Finance and Chief Financial Officer  
Andrew Farr, Interim Commissioner of Public Works

---

## **OBJECTIVE**

To inform Council that The Regional Municipality of Peel will hold a Public Meeting as required under Section 12 (1) of the *Development Charges Act, 1997* (DCA) on October 8, 2020 on the basis of a proposed development charges by-law prepared in accordance with the draft 2020 Regional Municipality of Peel Development Charge Background Study dated September 18, 2020, all as described in the report of the Commissioner of Finance and Chief Financial Officer and the Interim Commissioner of Public Works, titled “2020 Development Charge Background Study and By-law Review.

## **REPORT HIGHLIGHTS**

- The Region’s current Development Charge (DC) By-law 46-2015 must be replaced prior to its expiry on January 24, 2021.
- This report tables the Regional Municipality of Peel’s proposed 2020 Development Charge Background Study (the Background Study) and the draft 2020 DC By-law (2020 By-law) for consideration at a statutory public meeting.
- The public meeting is scheduled for October 8, 2020 and will be live streamed. Due to the efforts to contain the spread of COVID-19 there will be limited public access to the Council Chamber.
- Consultation and engagement with stakeholders in the development community have been ongoing since 2017; the feedback received from the public and the development community will be carefully considered in the preparation of the 2020 DC By-law.
- Comparing to the current DC rates as of August 1, 2020, the calculated DC rates set out in the Background Study represents a 13 per cent increase for a new single detached dwelling unit, a 13 per cent increase for new industrial development and a 2 per cent decrease for new non-industrial non-residential development.
- The DC rate increase largely reflects the increased eligible cost on a per capita basis which is based on the updated regional infrastructure capital programs and the updated growth forecast with a planning horizon of 2041.
- The Background Study identifies that the growth related capital needs will be approximately \$10.3 billion for Water, Wastewater and Roads services; the 2020-2029 growth related capital costs for services such as Social Housing, Long-Term Care, Public Works, Policing Services, Waste Diversion and Growth Studies totals \$1.5 billion.
- A review of financial policies and technical inputs was provided to Council in October 2017 which guided a number of DC policy recommendations for the 2020 By-law.

## 2020 Development Charge Background Study and By-law Review

- Proposed amendments to the *Development Charges Act, 1997* resulting from the recent legislative changes have been taken into consideration in the draft Background Study and the proposed 2020 By-law when appropriate.
  - Staff will bring back a final DC By-law to Council on November 26, 2020, with an anticipation that the final 2020 Development Charges By-law would come into force on January 1, 2021.
- 

## DISCUSSION

### 1. Background

The *Development Charges Act, 1997* (“*DC Act*”), as amended, sets out the legislative framework governing the establishment of development charges, which are used to pay for growth-related infrastructure. This report presents the proposed Regional Municipality of Peel’s 2020 Development Charge Background Study and draft 2020 DC By-law for consideration at a statutory public meeting in accordance with the *DC Act* and as a part of the DC By-law review consultation process. The report highlights changes to the development charge rates, By-law and accompanying policies.

#### a) Development Charges Background Study and By-law Review

The Region of Peel’s current Development Charge By-law 46-2015 (the “2015 By-law”) would have expired on October 5, 2020. As reported to the Regional Council Meeting on May 14, 2020, the *Coronavirus (COVID-19) Support and Protection Act, 2020* (the “Amending Act”) came into force on April 14, 2020. It causes the 2015 By-law to continue to be in effect for six months after the provincial emergency declaration period. On July 24, 2020, the *Reopening Ontario (A Flexible Response to COVID-19) Act 2020*, known as Bill 195 (“Bill 195”), came into effect, bringing an end to the COVID-19 declared provincial state of emergency. Accordingly, the 2015 By-law is continued in force until January 24, 2021.

Staff retained Watson & Associates Economists Ltd (Watson) as the lead consultant on the Region’s 2020 Development Charge By-law Review project. Regional staff from multiple programs ranging from Public Works, Housing, Human Services, Legal and Realty Services, and Asset Management have provided their subject matter expertise and strategic direction to the DC Background Study as well.

The Draft 2020 Development Charge Background Study contains both the capital program and the service level analysis for development charge eligible services and provides growth-related assumptions that help formulate the rate calculation. The DC rates calculated are draft in nature and are subject to adjustment based on changes to any draft data within the draft study before the enactment of the final DC By-law.

The *DC Act* requires the following steps be completed prior to the approval of the new Development Charge By-law:

- Council must hold a Public Meeting;
- The Development Charges Background Study must be released to the public at least 60 days before the passage of the Development Charges By-law; and
- The Draft Development Charges By-law must be released to the public at least two weeks prior to the Public Meeting.

## 2020 Development Charge Background Study and By-law Review

Additionally, the *DC Act* has mandatory communication requirements around advertising at least one public statutory meeting and the Regional Clerk is mandated to carry out such advertising at least 20 days in advance of the meeting date.

Some key milestones are illustrated as followings:

- The Region of Peel placed public notices in local newspapers and the Region's website on September 17, 2020.
- Both the draft DC Background Study and the draft By-law were made publicly available on the Region's website on September 18, 2020.
- The Public Meeting is scheduled for October 8, 2020. It is anticipated that Council will be in a position to pass the 2020 Development Charge By-law at the Regional Council meeting on November 26, 2020.
- The final 2020 Development Charges By-law is expected to be coming into force on January 1, 2021.

### b) Stakeholder Engagement

Through the Growth Management Program's integrated approach to planning, servicing and financing growth, Regional staff have been engaged with various stakeholders in formulating the draft 2020 DC Background Study and the draft DC By-law. This includes members of the development industry and local municipalities through the Program's committee structure, which includes the Development Industry Working Group (DIWG), Building Industry Liaison Team (BILT) and Inter-Municipal Working Group (IMWG). Smaller technical workshops were also conducted for strategic and technical decision-making related to the development charge program.

Following Council's endorsement of the Regional growth allocation to 2041 on October 26, 2017, staff began engaging with the development industry and local municipalities to develop comprehensive infrastructure master plan's as a key input to the DC Background Study. This work was later endorsed by Council on February 28, 2019 to be used for capital and infrastructure planning purposes.

As part of the Program's engagement strategy, a total of six (6) DIWG meetings, two (2) BILT meetings and three (3) smaller technical meetings with the Building Industry and Land Development Association (BILD) and their lead consultants were held in 2020. These meetings resulted in constructive discussions towards the development of DC policies and technical aspects of the draft calculations. Staff from the Region's local municipal partners were also engaged through three (3) IMWG meetings to inform local staff around project timelines, the changing legislative landscape (including Bill 108) and policy directions.

Regional staff remain committed to working with the development industry, as well as our local municipal partners in developing policies that support Regional objectives around financial risk management to continue to support the principle that growth pays for growth.

## 2020 Development Charge Background Study and By-law Review

### 2. Analysis

#### a) Key Elements of the 2020 Development Charge Background Study

##### i) Regional Services Included in the Study

Development charges fund growth-related infrastructure projects required to accommodate residential and non-residential development and are the primary source of funding for the growth-related portion of the Region's capital plan. The 2020 Development Charge Bylaw will help recover a significant portion of the Region's capital program from 2020 – 2041.

The Services for which development charges are imposed under the 2020 DC By-law are as follows:

- Services Related to a Highway - Transportation
- Water
- Wastewater
- Waste Diversion (new service class)
- Peel Regional Police
- Police – Ontario Provincial Police (Caledon O.P.P.)
- Long Term Care
- Public Works (new service class including Transhelp)
- Housing Services (formally referred to as Management and Provision of Social Housing and Domiciliary Shelters)
- Public Health
- Paramedics
- Growth Studies

In 2016, amendments to the Planning Act and the Development Charges Act, 1997 came into force through *Bill 73, the Smart Growth for Our Communities Act, 2015* ("Bill 73"). The updated legislation expanded the number of services (e.g. waste diversion) for which DCs can be collected.

Most recently, *Bill 197, COVID-19 Economic Recovery Act, 2020* ("Bill 197") amended twenty (20) statutes including the *DC Act*; the revision of which built on changes made through *Bill 108, the More Homes, More Choice Act, 2019* ("Bill 108") and provided enhanced clarity on DC service eligibility. The growth-related costs of providing listed services would be fully eligible for DC funding; the significant 10 per cent "discount" would no longer apply. Notably Bill 197 created a new service category which allows continuation of recovering costs associated with growth-related studies, and provided that a service class may be composed of any number or combination of services or portions of services.

##### ii) Growth Forecast

Regional staff are working with local municipal partners to address Growth Plan population and employment forecasts as part of the growth management focus area of the current Peel 2041+ Regional Official Plan Review. Forecasting and allocation

## **2020 Development Charge Background Study and By-law Review**

background work completed to date has included the development of a number of growth scenarios to test Regional impacts and develop accompanying growth management policy. This background work has been undertaken in collaboration with key stakeholders including local municipalities and the development industry.

As part of this work, on October 26, 2017, Regional Council received reports related to a Peel Growth Management Strategy Overview and Peel 2041 Growth Management Regional Official Plan Amendment (ROPA). These reports included a municipal growth allocation/land budget and detailed distribution of growth by community planning area. This growth allocation work was endorsed by Council, however, it was subsequently put on hold in response to announcements from the Provincial government, including the cancellation of the GTA West corridor EA and introduction of a new 2019 Growth Plan with new intensification and density targets.

With the Region of Peel's DC By-law set to expire in 2020, comprehensive infrastructure master plan work for water and wastewater and transportation was required to be initiated in 2018 in order to update the DC Background Study. To support the infrastructure master plan work, the October 2017 growth allocation was updated with the best information at that time, including the most recent census and other data, the Provincial Growth Plan 2017, and the land needs assessment methodology that had been published by the Provincial government. Ultimately "Scenario 16" was endorsed by Regional Council on February 28, 2019 as the basis for capital and infrastructure planning purposes (Resolution 2019-206) and forms the basis for the 2020 Background Study.

### **iii) Infrastructure Planning Master Plans**

"Scenario 16" forms the basis for the growth forecast and capital plans of the Background Study. Increased capital costs required to service growth have been identified and planned through the Region's long-term capital planning including a variety of infrastructure master plan developments.

The 2020 Water and Wastewater Master Plan for the Lake-Based Systems ("Water and Wastewater Master Plan") was completed and filed for public review starting June 29th and ending August 13th, 2020. The study followed the Class Environmental Assessment process to identify the preferred water and wastewater servicing strategies to meet existing and future growth needs within the City of Mississauga, City of Brampton and parts of the Town of Caledon.

Some of the new features in this master plan include an extension of the planning horizon to 2041, improved integration and collaboration with Regional Planning and Growth Management, updated water and wastewater design criteria, and consideration of current and projected wastewater loadings at the treatment facilities.

The Long-Range Transportation Plan (LRTP) is a master plan that identifies transportation infrastructure requirements in the Region of Peel. The 2019 Plan re-evaluates the infrastructure requirements to 2031 and recommends new infrastructure in response to growth to 2041 in accordance with The Growth Plan for the Greater Golden Horseshoe, 2017. The Plan also serves as the basis for infrastructure programming and capital budgeting needs, which informs the Region's Development Charges By-law Update. A notable feature of the LRTP, and subsequently the DC Background Study, is transportation network expansions and

## 2020 Development Charge Background Study and By-law Review

capacity improvement through active transportation infrastructure. Regional road widening alone are no longer viable for adding road capacity nor are they supportive of future mobility demands. To address the travel demands associated with growth to 2041, the Plan's preferred alternative involves widening specific Regional roads, building active transportation infrastructure, and sustainable transportation programs. The intent is to shift half of the Region's travel to sustainable options such as transit, walking, cycling, and carpooling by 2041; a targeted 50 per cent sustainable mode share.

Council endorsed the Region of Peel's Housing Master Plan in June 2019. The Housing Master Plan is a long-term infrastructure plan that built upon the Region's 10-year Housing and Homelessness Plan. If fully implemented, the Housing Master Plan will add 5,364 new affordable rental units, 226 supportive and 60 emergency shelter beds to the housing stock in Peel by 2034. The 2020 DC Background Study included certain projects that are planned for 2020-2029.

### iv) Capital Costs to Service Growth

The 2020-2029 growth-related capital program for soft services including Housing Services, Long -Term Care, Public Health, Public Works/Transhelp, Police, Waste Diversion, Growth Studies, and Paramedics, totals \$1.5 billion. The hard services capital program including Water, Wastewater, and Transportation to provide growth-related infrastructure to 2041 totals an additional \$10.3 billion.

The *DC Act* requires that infrastructure that is emplaced that will provide benefits to the existing population must also be funded from a source other than DCs. This is commonly known as a "benefit to existing" (BTE) apportionment. Combined, non-DC funding of approximately \$800 million (this includes, grants, BTE, and other) will be required over the service planning horizon to support the growth-related capital program; typically, these costs are funded through property tax revenues or user rates.

Furthermore, the 2020 DC Background Study identified approximately \$1.0 billion of post-period benefits in the hard services capital programs and approximately \$0.3 billion of post-period benefits for the soft services capital programs. While these amounts have been deducted from the DC calculation, conceptually they should be recovered when the DC calculations provided for growth post 2041.

The Region of Peel's capital program is funded through development charges, capital reserves, and external funding; debt has been largely used as a financing mechanism to manage the cash flow for development charges funded projects. A DC debt issuance plan in the amount of \$1.5 billion for 2020-2024 was proposed and included in the 2020 Development Charge Study including the immediate borrowing of \$200 million in 2020. This DC debt plan helps support the Region in striking a long- term balance between debt servicing affordability and providing adequate liquidity for infrastructure capital spending.

## 2020 Development Charge Background Study and By-law Review

### b) DC Rates

#### i) Calculated DC Rates

##### Rates Schedule

Table 1 summarizes the current residential development charge rates and the calculated rates proposed under the 2020 By-law.

**Table 1**  
**2020 Calculated Residential Development Charges Compared to Current (\$ per unit)**

Development Type	Current as at Aug. 1/20		Calculated 2020 DC Background Study		Difference	
	Brampton & Mississauga	Caledon	Brampton & Mississauga	Caledon	Brampton & Mississauga	Caledon
Single & Semi-detached	\$53,510.42	\$53,083.06	\$60,427.18	\$59,769.83	\$6,916.76	\$6,686.77
Apartment >750 s.f.	\$32,752.38	\$32,491.01	\$43,831.98	\$43,355.16	\$11,079.60	\$10,864.15
Small Unit <=750 s.f.	\$21,662.28	\$21,489.21	\$23,181.48	\$22,929.31	\$1,519.20	\$1,440.10
Other Residential	\$43,840.09	\$43,489.23	\$47,858.55	\$47,337.93	\$4,018.46	\$3,848.70

Based on the DC Background Study, the development charge rate increases over the current rates are:

- single and semi-detached homes - 13 per cent
- apartments (>= 750 s.f.) - 34 per cent
- small unit dwellings - 7 per cent
- other residential - 9 per cent

Table 2 summarizes the current non-residential development charge rates and the calculated rates proposed under the 2020 By-law.

## 2020 Development Charge Background Study and By-law Review

**Table 2  
2020 Calculated Non-residential Development Charges**

Development Type	Current as at Aug. 1/20		Calculated 2020 DC Background Study		Difference	
	Brampton & Mississauga	Caledon	Brampton & Mississauga	Caledon	Brampton & Mississauga	Caledon
Industrial	\$157.77	\$156.20	\$178.05	\$175.15	\$20.28	\$18.95
Non-industrial	\$234.43	\$232.86	\$230.75	\$227.85	-\$3.68	-\$5.01

Based on the Background Study, the development charge rate changes are:

- industrial development in Brampton and Mississauga - 13 per cent increase
- non-industrial development - 2 per cent decrease

The DC rate increase from the 2020 DC By-law update largely reflects the increased overall eligible cost on a per capita basis, as well as expanded service eligibility allowed by legislation changes introduced since the enactment of the 2015 DC By-law.

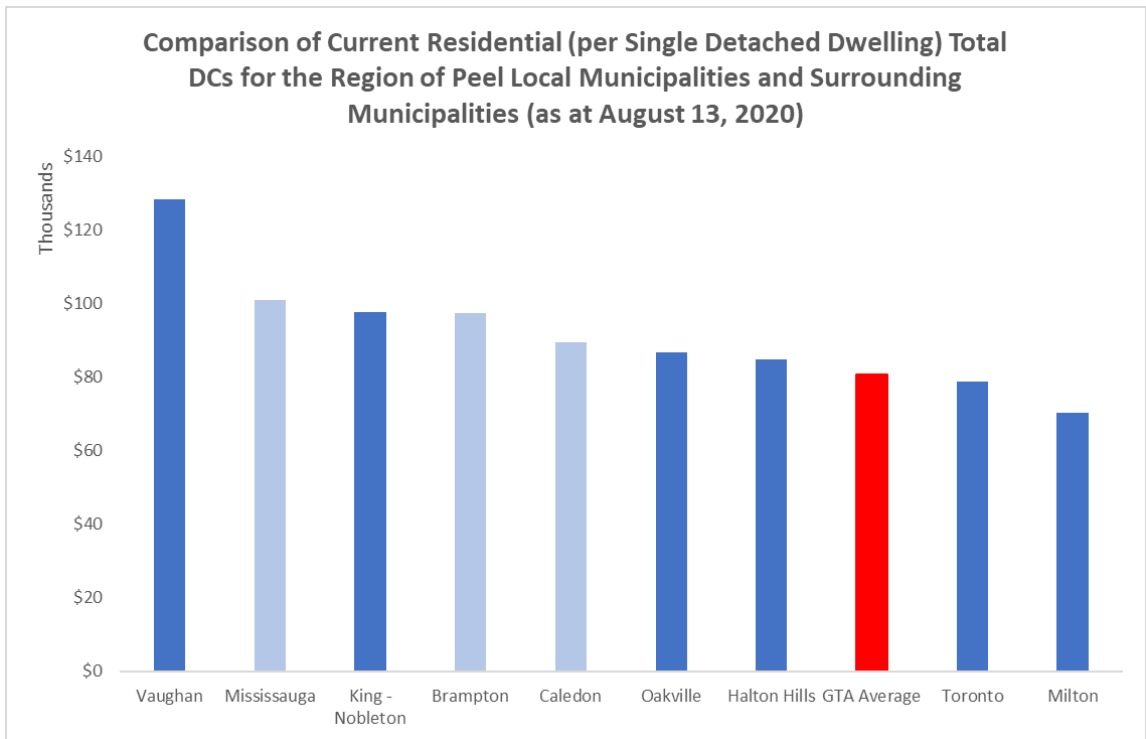
### ii) DC Rates compared to other municipalities

#### Residential

Regional development charges are collected in addition to local area, educational, and GO Transit development charges. As at August 13, 2020, these total charges range between \$50,700 and \$128,500 per single detached dwelling across the GTA (Toronto, plus the municipalities in Peel, York, Halton, and Durham). The Region of Peel local area municipalities, along with the neighbouring municipalities of Oakville, Milton, Vaughan, Toronto, King, and Halton Hills are at the high end of the GTA range. The increase represented by the 2020 calculated charges is not expected to significantly change the Region's ranking compared to other GTA municipalities.

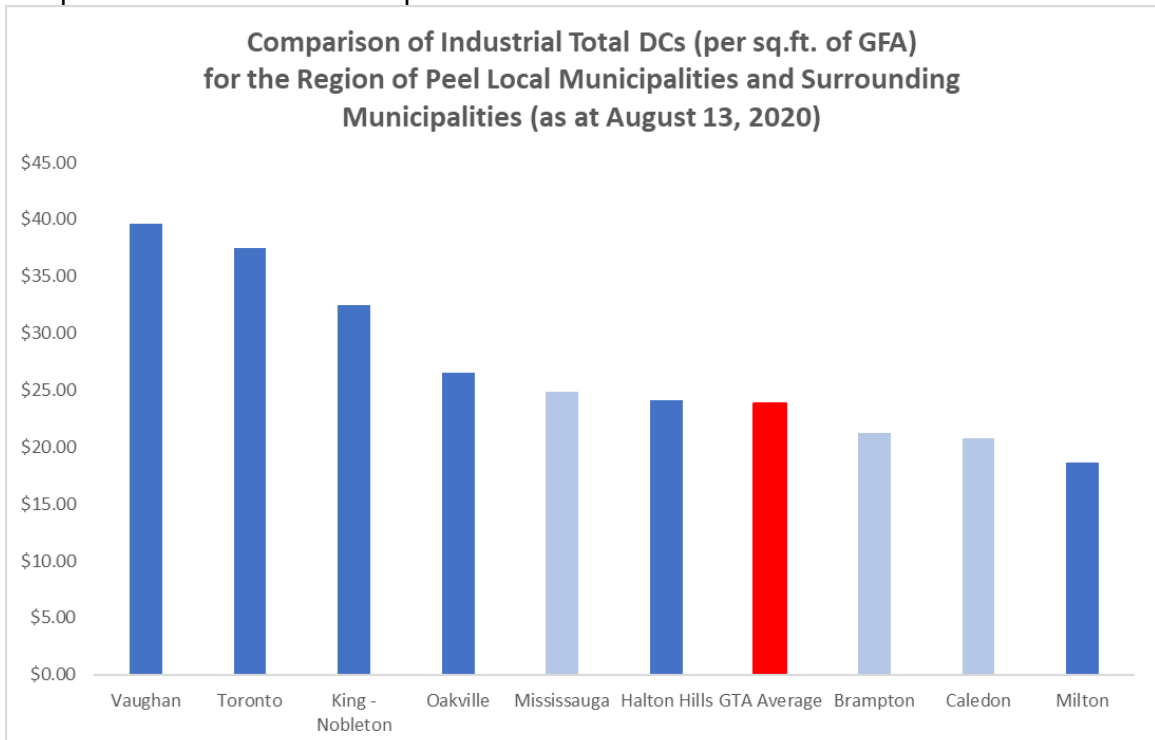


## 2020 Development Charge Background Study and By-law Review



### Industrial

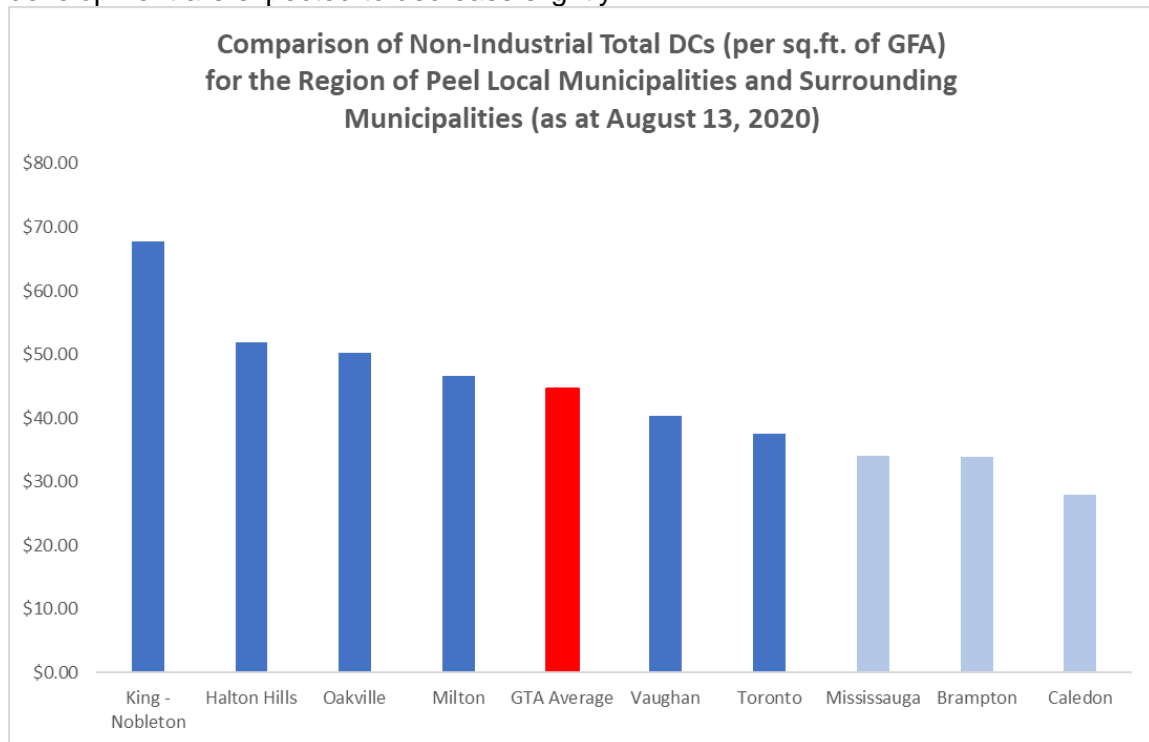
For industrial development, the municipalities of Mississauga, Brampton and Caledon have charges more in line with the GTA average and lower than the neighbouring municipalities of Vaughan, Toronto, and Oakville. The increase represented by the 2020 calculated charges is not expected to significantly change the Region's ranking compared to other GTA municipalities.



## 2020 Development Charge Background Study and By-law Review

### Non-Industrial Non- Residential

For non-industrial development charges, the municipalities of Mississauga, Brampton and Caledon are below the GTA average as well as lower than neighbouring municipalities. As mentioned above the 2020 calculated charges for non-industrial development are expected to decrease slightly.



### iii) Contingency Rate Schedule

The *DC Act* requires that municipalities reduce the growth-related net capital costs associated with the services such as Long-Term Care, Public Works, Housing Services, Waste Diversion, Paramedics and Growth Studies by 10 per cent (commonly known as the “10 per cent discount”).

Bill 197 amended the *DC Act* and maintained the elimination of the 10 per cent discount introduced through Bill 108. Although Bill 197 received Royal Assent, the amended *DC Act* sections that would remove the 10 per cent discount (Amending *DC Act* Sections) have not yet been proclaimed into force. The timing of the proclamation is unknown; it may occur prior to the public meeting in October 2020 or after the enactment of the DC by-law anticipated in November 2020.

Therefore, the draft study prepared by Watson includes two versions of the DC rates as follows:

- 1) Version 1 – Rates calculation is based on the current *DC Act* where 10 per cent discount applies to certain services.
- 2) Version 2 – Rates calculation is based on the 10 per cent discount being removed.

## 2020 Development Charge Background Study and By-law Review

Accordingly, the proposed DC By-law also includes two versions of the DC Rates Schedule. The Rates Schedules (i.e Schedule A, B(1), and B(2)) that correspond to version 1 are proposed to take effect on January 1, 2021 provided that the Amending *DC Act* Sections have not been proclaimed into force by that date. The Contingency DC Rates Schedule that correspond to version 2 (i.e. Schedule C, D(1) and D(2)) will either take effect on January 1, 2021 if the Amending *DC Act* Sections have been proclaimed into force before that date, or, in the event that proclamation does not occur until sometime after January 1, 2021, the Contingency DC Rates Schedule will take effect on the actual date that the Amending *DC Act* Sections are proclaimed into force by the Lieutenant Governor.

	Version 1 (10% Discount Included)		Version 2 (Elimination of 10% Discount)		Rates Difference between two Versions
	Brampton & Mississauga	Caledon	Brampton & Mississauga	Caledon	
Single/Semi	\$60,427.18	\$59,769.83	\$60,912.53	\$60,255.18	\$485.35
Apartment >750 s.f.	\$43,831.98	\$43,355.16	\$44,184.05	\$43,707.23	\$352.07
Small Unit <=750 s.f.	\$23,181.48	\$22,929.31	\$23,367.67	\$23,115.50	\$186.19
Other Residential	\$47,858.55	\$47,337.93	\$48,242.95	\$47,722.33	\$384.40
Industrial	\$178.05	\$175.15	\$178.23	\$175.33	\$0.18
Non-industrial	\$230.75	\$227.85	\$230.93	\$228.03	\$0.18

### c) 2020 DC By-law Policies

Since the enactment of the Region's 2015 Development Charges By-law, the Province has made a number of changes to the *DC Act* which, combined with Regional Council's Growth Management Strategy objectives, have driven the need to review the development charges policies and technical inputs related to future DC rate calculations and by-law updates.

Staff has been working extensively with the development community and consultants on development charge technical issues that came out of the 2015 By-law update including issues identified by the Local Planning Appeal Tribunal decision. Based on discussions with the development community, common ground has been identified for a number of these technical and policy inputs, a majority of which were presented to Regional Council for consideration on October 26, 2017 in a report titled "Financial Policy and Technical Inputs for 2041 Growth Based Development Charges By-law Update". See Appendix I. The review of the technical and policy items continued in consultation with the development community.

The resultant findings are described below for Council's consideration. A detailed discussion including a municipal scan conducted to support policy recommendation can be found in Appendix II.

## 2020 Development Charge Background Study and By-law Review

### i) Apartment Definition

Residential DC rates are generally calculated and charged based on residential units. Different rates are established for different residential rate categories based on the expected number of occupants in different unit types.

The development community has been indicating through the consultation process that stacked townhouses should be considered as apartments, given that the average persons per unit (PPU) assumptions for this type of development is more consistent with the apartments PPU. Staff further reviewed the issue in consultation with Watson and have determined that it would be appropriate to include stacked townhouses in the apartment category. This would also align with the Mississauga and Brampton approaches in principle.

### ii) Place of Worship Exemption

Development charges exemptions for places of worship are not a mandatory requirement of the *DC Act*. Presently, the Region of Peel and the local municipalities of Mississauga, Brampton and Caledon exempt places of worship to some extent, however the definition of the eligible exempt area and the manner in which the exemption is administered differs in each municipality.

There has been a number of recent requests from places of worship (POW) for development charges relief in relation to their new developments. At the time that the 2020 DC By-law is approved, Council can consider options ranging from expanding the eligible exempt area to eliminating the exemption entirely.

Based on an analysis of places of worship data between 2000 and 2019, staff recommend the wording of the exemption be changed to the following: That portion of a building or structure, limited to not more than 25 per cent of total floor space, owned by a religious organization which is reserved for the conduct of group worship, services or rites. The total floor space would be based on the floor space at the time when the first building permit is issued for the initial construction of the POW. Staff also recommends that this relief from DCs be based on a tax or utility rate funded grant. This approach would align, in principle with Mississauga's approach.

### iii) Demolition Credit Time Limit Requirements

When buildings are demolished and redeveloped on the same land, a redevelopment credit based on the original use(s) of the demolished structure is available at the time of redevelopment to offset the development charges (DCs) for the redevelopment. If the redevelopment credit is the same or greater than the DCs for the redevelopment no DCs are payable at that time. Excess credits can be used to offset against DCs on future redevelopments on the same land. In cases where the DCs for the redevelopment are higher than the available credits, the difference is payable.

The Region of Peel's DC By-law has no time limit on how long these DC redevelopment credits can be held until they expire. Consequently, if a building is demolished today, the land it was on could sit vacant for an unlimited time and still receive a redevelopment DC credit when a new building is constructed.

The Region of Peel is in the minority in having no time limit established for the use of redevelopment credits. The feasibility of pursuing a common approach for the time

## 2020 Development Charge Background Study and By-law Review

limits on redevelopment credits has been discussed among staff from the Region of Peel and the three local municipalities. There is general agreement that all the municipalities would like to promote a more common set of rules for DC administration. Staff recommend that time limits on redevelopment credits of five years and ten years for residential and non-residential developments respectively, be included in the 2020 by-law.

### iv) Industrial Definition

The existing by-law wording indicates that industrial means manufacturing and processing of “raw goods”. However, the nature of manufacturing has changed, which suggests that the processing of raw goods is no longer a defining feature of industrial activity. The removal of “raw” from the definition should reduce the number of appeals (section 20 complaints) against the Region’s by-law and/or its application. Mississauga has also updated its by-law in 2019 to reflect same. In addition, the draft 2020 By-law provides enhanced clarity where the growing, cultivating, producing, and processing of marijuana or cannabis is defined as industrial use.

### d) Other Policies and Considerations

#### i) Consideration of Area Specific Development Charges

Historically, the *DC Act* has provided the opportunity for municipalities to impose both municipal-wide and area-specific development charges. Based on amendments to the *DC Act* by Bill 73, it is now required that Council must consider area rates before implementing a new DC by-law. Despite the requirement to consider area rating the final decision regarding whether to use area rating techniques still rests with Council. As required by the *DC Act*, analysis was undertaken to allow consideration of the use of area rating techniques for this DC By-law update. This is as reported in a report titled “Financial Policy and Technical Inputs for 2041 Growth Based Development Charges By-law Update” that was received by Council on October 26, 2017.

At present, the Region’s by-law provides for water and wastewater services on a water and wastewater service area basis. Peel Regional Police is provided for the Cities of Brampton and Mississauga whereas O.P.P. is provided for the Town of Caledon. All other Regional services are recovered based on a uniform, Region-wide basis.

#### ii) DC Interest Rate Policy

On January 1, 2020, changes to the *DC Act* came into force. These changes introduced major changes to the timing of collection of development charges and provided exemptions for certain types of development. These changes will have major implications for the Region of Peel’s DC cash flow and borrowing need; thereby creating major additional risks and vulnerabilities to the Region’s growth financing program.

On July 9, 2020, Regional Council approved the Development Charge Interest Rate Policy. This policy applies to development applications that are eligible for the regulated development charges freeze and/or development charges deferral

## **2020 Development Charge Background Study and By-law Review**

provided under Section 26.1 and Section 26.2 of the *DC Act*. The policy establishes a framework that responds to requirements of the updated *DC Act*, while striking a balance between mitigating financial risks associated with servicing growth while promoting an increase in the supply of affordable housing.

As a part of the 2020 DC By-law review, staff have reviewed the DC Interest Rate Policy and do not recommend amendments to the interest rates. Regional staff will continue to collaborate with local municipalities to implement the DC Interest Rate Policy and to enhance the development charges collection processes.

### **iii) Local Services Policy**

Some of the need for services generated by additional development consists of need for local services related to a plan of subdivision. Local services will be required as a condition of subdivision agreements or consent conditions. The Region of Peel follows guidelines and existing practices to support making determination of which infrastructure would be considered DC eligible versus what would be considered the responsibility of individual developers as local services. As a part of the 2020 DC By-Law update the Region has formalized a Local Service Policy. The Local Service Policy does not propose any substantive changes from current practice at the Region.

## **RISK CONSIDERATIONS**

### **a) Implications to the Peel 2041+ Official Plan Review and Growth Management Program**

The Province is expected to release a new land needs assessment methodology and new Schedule 3 population and employment forecasts, which is anticipated to extend the planning horizon and increase the current population and employment growth allocated to the Region.

Staff have begun working with the local municipalities to build on the work completed to date to update the municipal allocation and land needs assessment, to demonstrate conformity with the Growth Plan and undertake capital planning to 2051. This collaboration will explore the financial impacts of various growth assumptions to support a recommended direction for accommodating growth, including through intensification and settlement area boundary expansion. Further, the outcomes will provide input into the next round of infrastructure capital plans including timing and phasing of infrastructures to meet expected growth demands.

During this next stage of work, there is a risk that infrastructure and capacity needs will shift. However, the forecast used for the development of the present DC Background Study represents the best information available for this purpose, at this time. Given the legislative time constraints to renew the DC By-law, it is prudent that Council proceed to update the By-law to ensure the Region of Peel is able to recover costs associated with growth to 2041.

Staff reports to Council on annual basis to present the Region's growth management and development charge performance. Should a need be identified to conduct the next

## 2020 Development Charge Background Study and By-law Review

DC background Study sooner than the ordinary 5-year expiry time, a more fulsome report can be brought to Council for consideration.

### b) Financial Risk Management Strategy of the Regional Capital Program

As a part of the Regional Growth Management program, great attention will continue to be applied to analyzing the connection between potential growth patterns that could be used to achieve the provincial growth targets and the corresponding infrastructure investment plans. This is being done with the intention of assuring that through the efficient use of existing infrastructure and the phasing and staging of future infrastructure construction the cost-revenue gap for growth could be minimized.

Given the inter-relation of the growth patterns and the financial plans, risks to achieving the growth targets can easily manifest themselves as risks to the financial plans associated with growth. Recent trends in development at the Region highlight risks of slower than anticipated non-residential development influenced by the changing nature of employment.

The COVID-19 pandemic has resulted in a slowdown of the global economy and the start of an economic recession. Prior to the recession, to build out infrastructure to support future growth, Peel expected to issue \$1.5 billion of debt in addition to the existing DC external debt of approximately \$1.3 billion. This was considered as manageable and did not pressure the Region's financial flexibility. With the recession and anticipated lower DC revenue, a risk of additional debt financing for a revised total of \$2.1 billion was identified which would put the Region's financial flexibility and credit rating at significant risk. This creates significant financial risks to the Region from increasing cash flow pressures arising from the requirement to service debt in future years.

On July 23, 2020 Council endorsed the Financial Risk Management Strategy of the Regional Capital Program the objective of which is to ensure the Region's capital program is aligned to Peel's evolving economic circumstances and the principle that "growth pays for growth." This Strategy provides an iterative process to evaluate and adjust capital spending; the strategy is a commitment that balances expectations to deliver infrastructure in a timely manner without taking on undue financial risks.

## FINANCIAL IMPLICATIONS

The planned infrastructure within the growth-related capital program will come with operating and lifecycle costs requirements associated with maintaining or providing service through that infrastructure. The *DC Act* requires that a DC background study must include an asset management plan. The asset management plan must deal with all assets that are proposed to be funded, in whole or in part, by development charges. The Region uses a risk-based approach to asset management and updates its Enterprise Asset Management Plan on an annual basis. Long-term infrastructure investment forecasts anticipate major trends in the Region's infrastructure needs and include the estimated rehabilitation and replacement costs of existing assets as well as the estimated rehabilitation and replacement cost of planned asset growth.

The Region of Peel reviews and updates its Long-Term Financial Planning Strategy periodically which considers the Region's Term of Council strategic plan, growth plans, asset management

## 2020 Development Charge Background Study and By-law Review

plan, development charge study, and its treasury management strategies. These long term fiscal planning tools are intended to be used to analyze and recommend funding strategies, spending capacities, tax levy implications and the Region's financial affordability/resiliency and will be used to further inform the Region's annual budgeting processes and related financial policies to ensure that financial decisions are mindful of short-term and long-term financial impacts from the Region's growth.

### CONCLUSION

A statutory public meeting has been scheduled for October 8, 2020 to consider the draft Regional Municipality of Peel's 2020 Development Charge Background Study and the draft By-law in accordance with the *DC Act* and as a part of the DC By-law review consultation process. The feedback received from the public and the development community will be carefully considered in the preparation of the 2020 DC By-law. Staff will bring back a final DC By-law to Council on November 26, 2020, with an anticipation that the final 2020 Development Charges By-law would come into force on January 1, 2021.

### APPENDICES

Appendix I – DC Technical & Policy Update October 26, 2017 Report to Council

Appendix II – DC By-law Policies Discussion

---

*For further information regarding this report, please contact Stephanie Nagel, Treasurer, Ext. 7105, Stephanie.Nagel@peelregion.ca or Adrian Smith, Director, Regional Planning and Growth Management and Chief Planner, ext. 4047, Adrian.Smith@peelregion.ca.*

*Authored By: Maggie Wang, Manager Financial Policy and Development Financing  
David Uusitalo, Advisor Financial Policy and Development Financing  
Junior Higgins, Supervisor Financial Policy and Development Financing  
Madison Van West, Principal Planner  
Angelo Ambrico, Principal Planner  
Laura Borowiec, Program Manager, Infrastructure Planning, Water/Wastewater  
Pegah Tootoonchian, Principal Planner, Transportation Public Works*

### ***Reviewed and/or approved in workflow by:***

Department Commissioners, Division Directors and Legal Services.

Final approval is by the Chief Administrative Officer.



---

N. Polsinelli, Interim Chief Administrative Officer