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**Report To:** General Government Committee

**Date of Meeting:** February 3, 2025 **Report Number:** FSD-005-25

**Authored By:** Paul Davidson, Manager of Financial Planning / Deputy Treasurer

**Submitted By:** Trevor Pinn, Deputy CAO/Treasurer, Finance and Technology

**Reviewed By:** Mary-Anne Dempster, CAO

**By-law Number:** **Resolution Number:**

**File Number:**

**Report Subject:** 2025 Development Charge Study and Community Benefits Charge Strategy Update

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### Recommendations:

1. That Report FSD-005-25, and any related delegations or communication items, be received;
2. That Council endorse the population and employment forecasts for the purposes of informing the capital programs and development charges rate calculation shown in Attachment 1;
3. That the draft list of capital projects eligible for development charges funding, provided in Attachment 2, be received and be used as input into the 2025 Development Charges Background Study, subject to amendments as part of the ongoing public consultation and staff review;
4. That the draft list of capital projects eligible for community benefits charges funding, provided in Attachment 4, be received and be used as input into the 2025 Community Benefits Charges Strategy, subject to amendments as part of the ongoing public consultation and staff review;
5. That staff be directed to publicly release the draft by-laws, draft Development Charges Background Study, and draft Community Benefits Charge Strategy no later than March 24, 2025, to ensure the Development Charge Study is released a minimum of 60 days prior to the anticipated Development Charge By-Law passage, and;
6. That all interested parties listed in Report FSD-005-25, and any delegations be advised of Council's decision.

## Report Overview

The Municipality is currently undertaking work to update the Development Charges (DC) Background Study and corresponding by-law. As part of this process, staff are reviewing and updating the 10-year growth-related capital program, along with population and employment growth projections.

In addition to the DC Study, staff are also undertaking the steps necessary to implement the Municipality's first Community Benefits Charge (CBC) and corresponding By-law. A CBC Strategy, inclusive of a 10-year growth related capital program, is being prepared in conjunction with the DC Background Study.

The Municipality has retained Hemson Consulting (Hemson) to update its DC Background Study and By-law, as well as to prepare the CBC Strategy and corresponding By-law.

Staff are seeking Council endorsement of the 10-year development forecast that has been used to derive the capital program for both the DC Study and CBC Strategy. Draft capital programs and rates have been provided, but are subject to change based on further consultation and review. The final draft of the capital programs and rates will be released prior to the proposed public meeting on April 7<sup>th</sup>. Additional changes may be made to the capital programs and rate inputs following the public consultation process.

## 1. Background

- 1.1 Development Charges (DCs) are a crucial cost recovery mechanism used by municipalities to aid in financing essential growth-related infrastructure. In the absence of DCs, the financial responsibility of growth-related infrastructure would be pushed onto the general tax levy. Under the Development Charges (DC) Act, 1997, c. 27, s. 2(1):  
  
"A municipality may impose development charges by by-law to cover capital costs arising from increased service needs due to area development."
- 1.2 The Municipality's existing DC By-Law will expire on January 19, 2026. Thus, to maintain the ability to collect development charges and fund growth related infrastructure, a new DC By-law must be passed before the date of expiry.
- 1.3 Hemson Consulting has been retained to update the current DC Background Study and associated By-law. As part of this process, Municipal staff and Hemson have reviewed and updated the 10-year growth-related capital program along with population and employment growth projections. This process also includes examining the current By-Law's definitions, rules, exemptions and credits, and proposing updates that account for recent legislative changes.

- 1.4 The update process began on February 28, 2024, with an internal kick-off meeting involving Hemson Consulting and Municipal staff. Departments across the municipality contributed to developing the draft 10-year growth-related capital program, which will form the foundation for the updated DC rate calculations. This update integrates ongoing and completed master plans (such as the recently adopted Parks, Recreation, and Culture Master Plan), secondary plans, and other key data, ensuring a more detailed and accurate capital program. The update also includes updated infrastructure cost estimates, which are based on recent tenders.
- 1.5 Staff and Hemson are also reviewing the current DC By-law to ensure that terminology is updated and clearly defined. A review of existing DC exemptions in the Municipality's by-law is being conducted to ensure alignment with best practice, the Municipality's development goals, and to reflect any changes to the Development Charges Act.
- 1.6 Community feedback, including input from the public and development industry will be actively sought to ensure a transparent and inclusive process. An initial information session with developers took place on January 7<sup>th</sup>, with a second session to be held at the end of February to discuss the draft DC rates. The 2025 DC Background Study and draft By-law is scheduled to be released publicly on March 24<sup>th</sup>. A Statutory Public Meeting is planned for the GGC meeting on April 7<sup>th</sup>, with the new DC By-Law expected to be presented for approval at the June 23<sup>rd</sup> Council meeting.
- 1.7 At their core, Development Charges are a cost-recovery tool used to finance costs directly attributable to growth. This ensures that growth pays for the servicing needed for growth, rather than putting that burden on all tax and rate payers in the Municipality. Clarington is expected to see significant growth over the next few years, which requires a significant amount of growth-related infrastructure. This being the case, its important that DCs are utilized to their greatest extent possible.

## **2. Legislative Changes**

- 2.1 There have been many legislative changes to DCs in recent years. Bill 108 introduced policies under sections 26.1 and 26.2 of the Development Charges Act (DCA) for installment payments and DC freezes on eligible developments. In November 2022, Bill 23 added exemptions for non-profit housing, additional units in rental housing, residential intensification, and inclusionary zoning (must be affordable). The bill also introduced rental housing discounts based on the number of bedrooms.
- 2.2 Bill 23 also included a mandatory five-year phase-in of fully calculated DC rates; however, this provision has since be repealed and municipalities are again able to charge 100 per cent of the fully calculated rate upon the passage of their DC by-law.
- 2.3 Further exemptions for affordable housing units were also included in Bill 23 but have only come into force as of June 2024. To receive the affordable housing exemption,

developers must enter into a 25-year agreement with the Municipality that ensures the development remains affordable for the entire length of the agreement. Affordability thresholds are defined through the provincial “Affordable Residential Units for the Purposes of the Development Charges Act, 1997 [Bulletin](#)”.

- 2.4 Currently, the threshold for affordable ownership units in Clarington is \$470,000. This applies to all unit types (e.g. single detached, semi detached, apartments, etc.) and is based on average gross annual incomes. The monthly rent threshold for affordable rental apartment units ranges from \$1,036 per month for a bachelor unit to \$1,895 per month for a 3-bedroom or greater apartment. Housing units must be bought or rented at levels at or below these thresholds to receive the DC exemption. These thresholds will be reviewed and reassessed annually by the Provincial Government.
- 2.5 The maximum life of the DC By-law has also been extended from 5-years to 10-years.
- 2.6 Given the dynamic legislative environment, staff are considering referencing legislation for exemptions and credits in the updated DC By-Law, while looking to minimize additional discretionary exemptions and credits, where feasible. This approach allows the Municipality to adapt more efficiently to legislative changes, avoiding the time and cost of reopening the DC By-Law.

### 3. Draft Analysis

#### Draft Growth Forecast

- 3.1 Attachment 1 outlines a detailed development forecast for the 2025-2034 period, which will guide the DC Background Study process. A high-level summary of the 10-year population, household, and employment forecast is presented in Table 1. The forecast was prepared by Hemson, with input from the Planning and Infrastructure Department.

**Table 1: Summary of 10-year Development Forecast**

Year	Census Population	Occupied Households	Employment
2025	109,379	38,265	33,458
2030	122,347	44,161	38,470
2034	135,536	49,905	43,015

Source: Hemson Consulting Ltd., based on Durham Regional Official Plan, p.40

**Draft DC Capital Program**

- 3.2 The draft 10-year DC capital program is included in Attachment 2. The capital program represents a forecast of the growth-related infrastructure required to service growth over the next ten years (2025-2034). The forecast considers the recommendations within the Parks, Recreation, and Culture Master Plan, along with the infrastructure required to service the various secondary plan areas. Additionally, the Municipality has committed to a housing target of 13,000 new units by 2031, necessitating substantial capital investments to service expansion areas.
- 3.3 Table 2 provides a high-level summary of the draft capital program, which totals \$918.83 million in gross capital costs over 10-years. Hemson has reviewed the plan in detail and has considered existing DC reserve fund balances, determined the portions that relate to post-period development (beyond 2034) as well as the benefit to existing (the portion that existing residents benefit from).

**Table 2: Summary of 10-year DC Capital Program (\$millions)**

Service Area	Net Costs	Benefit to Existing	Available Reserve Funds	2024-34	Other Dev. Related
Library Services	\$46.12	\$0.00	\$1.43	\$16.39	\$28.31
Fire Protection	\$35.01	\$1.52	\$4.80	\$10.57	\$18.13
Parks and Recreation	\$313.65	\$3.66	\$1.65	\$151.13	\$157.20
Growth Studies	\$9.72	\$1.71	\$0.03	\$7.97	\$0.00
Services Related to a Highway	\$514.34	\$46.16	\$30.69	\$369.91	\$67.58
<b>Total \$</b>	<b>\$918.83</b>	<b>\$53.05</b>	<b>\$38.60</b>	<b>\$555.97</b>	<b>\$271.22</b>
<b>Total %</b>	100%	6%	4%	61%	30%

- 3.4 A significant driver of capital costs are the inflationary pressures experienced over the past couple of years. Table 3 below highlights the annual increases in non-residential building construction over the past few years.

**Table 3: Historical Non-residential Building Construction Price Index (Q3 Annual)**

2019	2020	2021	2022	2023	2024
3.3%	2.5%	11.7%	15.6%	7.4%	3.3%

3.5 The non-residential construction price index is also the prescribed index for the annual indexing of DC rates. DC rates are indexed annually to account for annual inflationary increases. Capital costs included in the 2025 DC Background Study are shown in \$2025.

**Draft DC Rates**

3.6 The proposed draft DC rates are provided in Attachment 3. The draft rates reflect the maximum permissible rates calculated under the DCA. Council may choose to implement a lower rate, but it will result in a loss of DC revenues which the Municipality must fund from other sources (such as tax levy).

3.7 The draft rates represent an increase over the current rates, as shown in the table below. This is attributable to many factors, including inflation, updates to the development forecast, inclusion of new Secondary Plan Areas, new Master Plans, and a fulsome capital program update by staff and consultants.

**Table 4: Summary of Draft DC Rates**

Type	Current Rate	Draft Calculated Rate	Difference (\$)	Difference (%)
Single & Semi-Detached \$/unit	\$30,486	\$45,634	\$15,148	50%
Low Density Multiples \$/unit	\$24,886	\$37,461	\$12,575	51%
Apartment 2+ Bedrooms \$/unit	\$16,230	\$22,011	\$5,781	36%
Apartment 1 Bedroom or Less \$/unit	\$9,963	\$15,313	\$5,350	54%
Non-Industrial \$/sq.m.	\$151.00	\$232.54	\$81.54	54%
Industrial \$/sq.m.	\$52.00	\$105.73	\$53.73	103%

- 3.8 While further public engagement may refine the draft rates, Council should be aware that there could be undesirable consequences for not increasing the rates to the extent required. If rates are not adjusted to reflect the realities of the costs of growth, it will mean that either key servicing requirements will not be met, inhibiting growth, and potentially preventing the Municipality from meeting its housing pledge, or it will mean that the costs will shift to the taxpayers and rate payers to finance these growth-related costs.

## **4. Area Specific DC – Clarington Technology Park**

- 4.1 In addition to the municipal-wide DC By-law, the Municipality also has an area specific DC by-law that pertains to stormwater management services within the Clarington Technology Park area. Staff are not proposing any changes to this by-law at this time and will likely propose an amendment to extend the current by-law for an additional five-years, as the life of DC By-laws has been extended to 10-years under the requirements of the Development Charges Act.

## **5. Community Benefits Charge**

### **Background**

- 5.1 In addition to the updated DC Background Study and By-law, staff are proposing the implementation of a Community Benefits Charge (CBC) as an additional mechanism for recovering the costs associated with growth. CBCs were introduced to replace the density bonusing provisions within the Planning Act and allow municipalities to secure payments from developers for “community benefits”.
- 5.2 CBCs are similar to DCs in that they represent a charge to developers to recover the cost of new infrastructure required by growth. However, CBCs are more restrictive in terms of how they can be implemented. CBCs can only be implemented by single or lower-tier municipalities and the charges can only be imposed on buildings of 5 or more storeys that contain 10 or more residential units — effectively high-density developments.
- 5.3 Prior to implementing a CBC, municipalities must develop a CBC Strategy, which is essentially a Background Study to support the amount of the charge. The charge is to be imposed by a CBC by-law, which sets out the rate structure, rate(s), services/infrastructure to be funded, and associated rules for imposing, collecting, and administering the funds. Unlike with DCs, there is no term limit for a CBC by-law, nor is there a prescribed set of eligible service areas.

- 5.4 Under Ontario Regulation 509/20, the amount of the CBC payable by any particular development cannot exceed an amount equal to 4 per cent of the value of the land on the day before the first building permit is issued; this is effectively the value of the land with all the planning approvals (including zoning and density permissions) necessary to construct the building. The legislation contains complex rules for dealing with situations where there is disagreement between the municipality and the developer as to the land value. Among them is a requirement that the municipality maintain a list of at least three independent appraisers under agreement to assist with disputes.

### **Draft Capital Program**

- 5.5 CBCs can be used to fund a broad range of growth-related capital costs. They can be used to fund services and projects that receive development charge funding and can even be used to “top up” funding for such works where limits on development charges are in place (e.g. service level caps or DC-ineligible services, such as parking). CBCs can also overlap with contributions made by developers under Section 42 of the Planning Act to secure parkland and other public recreation amenities. Provided they are used to fund costs that are not also funded from DCs and parkland contributions—no “double dipping” is allowed—the scope of the CBCs is potentially quite broad.
- 5.6 Attachment 4 provides the draft 10-year CBC capital program. The capital program includes a wide-range of service areas, including provisions for climate action items and affordable housing. Table 5 provides a summarized list of the draft CBC capital program. The CBC eligible shares for 2024-2034 assume a high growth scenario of CBC eligible developments over the 10-year planning horizon. Scenario testing of low, medium and high growth scenarios will be discussed in the 2025 CBC Strategy.



**Table 5: Summary of Draft 10-year CBC Capital Program**

Service Area	Net Costs	Benefit to Existing	2024-34	Other Dev. Related
Parking Services	\$0.50	\$0.00	\$0.04	\$0.46
CBC Administration	\$0.20	\$0.00	\$0.20	\$0.00
Climate Change Initiatives	\$2.05	\$0.33	\$0.18	\$1.54
Library Services	\$0.27	\$0.00	\$0.03	\$0.24
Cemeteries	\$0.45	\$0.14	\$0.03	\$0.28
Public Art, Heritage, Culture and Events	\$8.00	\$2.00	\$0.47	\$5.53
Affordable Housing	\$2.00	\$0.00	\$0.21	\$1.79
Parks & Recreation Infrastructure	\$88.75	\$0.00	\$8.85	\$79.90
Legislative Services	\$2.58	\$0.00	\$0.28	\$2.30
<b>Total \$</b>	<b>\$104.80</b>	<b>\$2.47</b>	<b>\$10.30</b>	<b>\$92.04</b>
<b>Total %</b>	100%	2%	10%	88%

5.7 Upon finalizing the CBC capital program, Council will be asked to provide direction to staff on the prioritization of projects in the CBC Strategy. Cost recovery from a CBC will be significantly less than the cost recovery received from DCs. Therefore, staff will seek direction from Council on how to allocate the limited funding received between projects in the CBC capital program.

## 6. Next Steps

3.1 Public engagement has been a key focus in the DC Background Study update process. On February 3<sup>rd</sup>, 2025, Hemson will present to Council, outlining progress to date and next steps. A second development industry consultation (in addition to the consultation held on January 7<sup>th</sup>) will take place in late February to discuss draft DC rates. The draft DC Background Study and By-Law, along with the draft CBC Strategy and By-law, are to be publicly released by March 24<sup>th</sup>, 2025. Additionally, A public engagement webpage will be launched to share updates and allow community input.

- 3.3 A Statutory Public Meeting is scheduled for April 7<sup>th</sup>, 2025, where staff and Hemson will present the final draft DC Study and CBC Strategy. It is anticipated that the new DC By-Law will be approved by June 23<sup>rd</sup>, 2025, ensuring it takes effect before the current DC By-Law expires. This timeline ensures the Municipality can continue collecting DCs to support growth.
- 3.4 The CBC Strategy will also be reviewed and approved alongside the draft DC capital programs to ensure alignment.

## 7. Financial Considerations

- 7.1 Most projects within the DC and CBC capital programs are intended to be funded entirely through DCs or CBCs. Certain projects may have components that are ineligible for DC/CBC funding (i.e. benefit to existing shares), in which case these portions would need to be funded through non-DC sources.
- 7.2 Any projects from the DC/CBC capital programs that wish to proceed will be brought forward through the annual capital budget process for funding approval. Any non-DC/CBC eligible costs will also be addressed through the annual budget process.
- 7.3 Development Charges are used to fund only the capital portion of grow-related infrastructure. Although the use of DCs does not inherently create an operational impact, net new assets coming online will come with associated expenses to properly maintain, manage, and eventually replace. Any operating impacts resulting from DC/CBC capital projects will be addressed through the annual budget update process.

## 8. Strategic Plan

- 8.1 The DC and CBC strategy outlined in this report is consistent with the following strategic priorities outlined in Clarington's Strategic Plan 2024-2027.
- L.2.1: Implement a multi-year budget to promote effective long-term fiscal management,
  - L.2.5: Maintain, protect and invest in municipal infrastructure and assets,
  - L.3.2: Identify, establish and report on service levels of interest to the community, and
  - L.4.2: Proactively communicate with residents about the planning process and how we are responsibly addressing growth.

## 9. Climate Change

Not Applicable.

## 10. Concurrence

This report has been reviewed by the Deputy CAO, Planning and Infrastructure and the Deputy CAO, Public Services, both of whom concur with the recommendations.

## 11. Conclusion

It is respectfully recommended that Council endorse the draft development forecast. Staff will continue to engage the development industry and will work to finalize the draft capital programs and draft rates for inclusion in the final DC Background Study and CBC Strategy to be publicly released on March 24<sup>th</sup>.

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### Attachments:

Attachment 1 – Draft DC Development Forecast

Attachment 2 – Draft DC Capital Program (2025-2034)

Attachment 3 – Draft Updated DC Rates

Attachment 4 – Draft CBC Capital Program (2025-2034)

### Interested Parties:

There are no interested parties to be notified of Council's decision.