

Report for Public Consultation Prepared
by Hemson for the Town of Innisfil



2024 Development Charges Amendment Background Study: Wastewater Treatment Plant

December 13, 2024



1000 – 30 St. Patrick Street, Toronto, ON M5T 3A3
416 593 5090 | hemson@hemson.com | www.hemson.com

Contents

List of Acronyms	1
1. Introduction	2
A. Legislative Context	3
B. Consultation and Approval Process	4
C. Relevant Agreements Relating to the Phase III Lakeshore Water Pollution Control Plant Expansion	4
2. The DC Methodology Aligns Development-Related Costs and Benefits	6
A. Consideration for Area Rated Services	6
B. Town-Wide Development Charge Proposed	6
C. Key Steps In Determining DCs for Future Development- Related Projects	7
D. Operating & Capital Cost Impacts and Asset Management Plan Legislative Requirements	11
3. Development Forecast	13
4. Development-Related Capital Forecast	15
A. A Development-Related Capital Forecast is Provided for Council’s Approval	15
B. The Development-Related Capital Forecast	15
5. Development Charges are Calculated in Accordance with the DCA	19
A. Calculated Development Charges Rates –	19
B. Comparison of 2024 Newly Calculated Development Charges with Charges Currently in Force in Innisfil	21

6.	Cost of Growth Analysis	23
A.	Asset Management Plan	23
B.	Long-Term Capital and Operating Cost Impacts	23
C.	Program is Deemed Financially Sustainable	24
7.	Other Considerations and Legislative Requirements	25
A.	Development Charges Administration and Collection	25
B.	Changes Arising From Bill 23, More Homes Built Faster Act (Bill 23) and Cutting Red Tape to Build More Homes Act (Bill 185)	26
C.	Development Charges Administration	28

List of Acronyms

AMP	Asset Management Plan
BTE	Benefit to Existing
COG	Cost of Growth
DCA	Development Charges Act
DC	Development Charges
GFA	Gross Floor Area
PPB	Post-Period Benefit
PPU	Persons Per Unit
WWTP	Wastewater Treatment Plant

1. Introduction

The Town of Innisfil 2024 Development Charges (DC) Amendment Background Study related to the Lakeshore Water Pollution Control Plant (Stage III) is presented as part of the process to lead to the approval of an updated of DC By-law, No. 100-23 Wastewater Treatment Plant, in compliance with the *Development Charges Act, 1997* (DCA). The amendment is required to update the Town's existing WWTP DC rate to reflect recent cost increases to the Phase 3 expansion of the Lakeshore Water Pollution Control Plant.

The DCA and O. Reg. 82/98 require that a DC background study be prepared in which development charges are determined with reference to:

- The average capital service levels provided in the Town over the 15-year period immediately preceding the preparation of the background study (if applicable);
- A review of future capital projects, including an analysis of gross expenditures, funding sources, and net expenditures incurred, or to be incurred, by the Town or its local boards to provide for the expected development, including the determination of the eligible and ineligible components of the capital projects; and,
- An examination of the long-term capital and operating costs for the capital infrastructure required for each service to which the development charges by-laws would relate.

This study presents the results of the review which determines the development-related net capital costs attributable to growth anticipated to occur in the Town. These development-related net capital costs are then apportioned among residential and non-residential development in a manner that reflects the increase in the need for each service attributable to each

type of development. The study arrives, therefore, at calculated development charges for various types of development.

The DCA provides for a period of public review and comment regarding the proposed development charges. Following completion of this process in accordance with the DCA, Council will review this study, and comments received regarding this study or other information brought to Council's attention about the proposed charges. Council will then pass an amending development charges by-law for the Town.

The remainder of this study sets out the information and analysis upon which the proposed development charges are based.

A. Legislative Context

The study is prepared in accordance with the DCA and associated regulations, including the amendments that came into force on November 28, 2022 as per *Bill 23: More Homes Built Faster Act, 2022*. Prior to the publishing of this Study, *Bill 185: Cutting Red Tape to Build More Homes Act, 2024* came into force which reversed the 5-year mandatory phase-in of DCs enacted under Bill 23 and provides exemptions for Affordable and Attainable housing projects that meet the legislative requirements. Key legislative changes incorporated into this study include:

- Historical service level standards have been extended from a 10 to 15-year planning period;
- DC by-laws now expire every 10 years instead of 5 years;
- The amount of interest paid on DC deferrals and freeze is capped at prime plus 1%;
- Costs associated with affordable housing services are now ineligible for recovery through DCs;

- Municipalities must spend or allocate 60% of available DC reserve funds per year for roads, water and wastewater services;
- Discounts for purpose-built rentals based on the number of bedrooms; and
- Exemptions for Affordable and Attainable housing developments which meet the definitions under the DCA.

B. Consultation and Approval Process

The following provides a summary of the consultation and approval process to be completed as part of the DC Background Study. Following the release of the DC Background Study, consultation will continue with the public and development industry stakeholders prior to the passage of the new DC By-law anticipated to occur in February 2025.

Timeline of Consultation and Approval Process

Activity	Date
Council Information Session	December 11 th , 2024
Release of DC Amendment Study	December 13 th , 2024
Notice of Public Meeting	December 19 th , 2024
Statutory Public Meeting	January 22 nd , 2025
By-law Passage	February 12th, 2025
Notice of By-law Passage	March 4 th , 2025
Appeal Period Ends	March 24 th , 2025

C. Relevant Agreements Relating to the Phase III Lakeshore Water Pollution Control Plant Expansion

Development charges have been calculated related to the recovery of the Phase III WWTP expansion as well as optimization and inflow and infiltration

work in accordance with recent tenders. As of November 2024, the total project cost of the Phase III expansion was estimated to be \$283.8 million.

A significant portion of the Phase III expansion is anticipated to be funded by developments subject to the Innisfil Developers Allocation Group (IDAG) agreement. Under this agreement, developers are required to prepay the calculated WWTP development charge to fund the project. As a result of these early collections, the Town's need to debenture finance the project will be significantly reduced, as such, financing costs have not been included in WWTP DC rate calculation for developments subject to the IDAG agreement.

2. The DC Methodology Aligns Development-Related Costs and Benefits

Several key steps are required in calculating a development charge. However, specific circumstances arise in each municipality which must be reflected in the calculation. In this study, we have tailored our approach to the Town of Innisfil's unique circumstances. The approach to the calculated development charges is focused on providing a reasonable alignment of development-related costs with the development that necessitates them.

A. Consideration for Area Rated Services

In accordance with the DCA, Council must give consideration to the use of area rating, also known as area-specific development charges, as part of the development charges background study. The proposed WWTP expansion will benefit serviced development occurring across the Town and as a result, it is not reasonable to calculate the development charge on an area-specific basis.

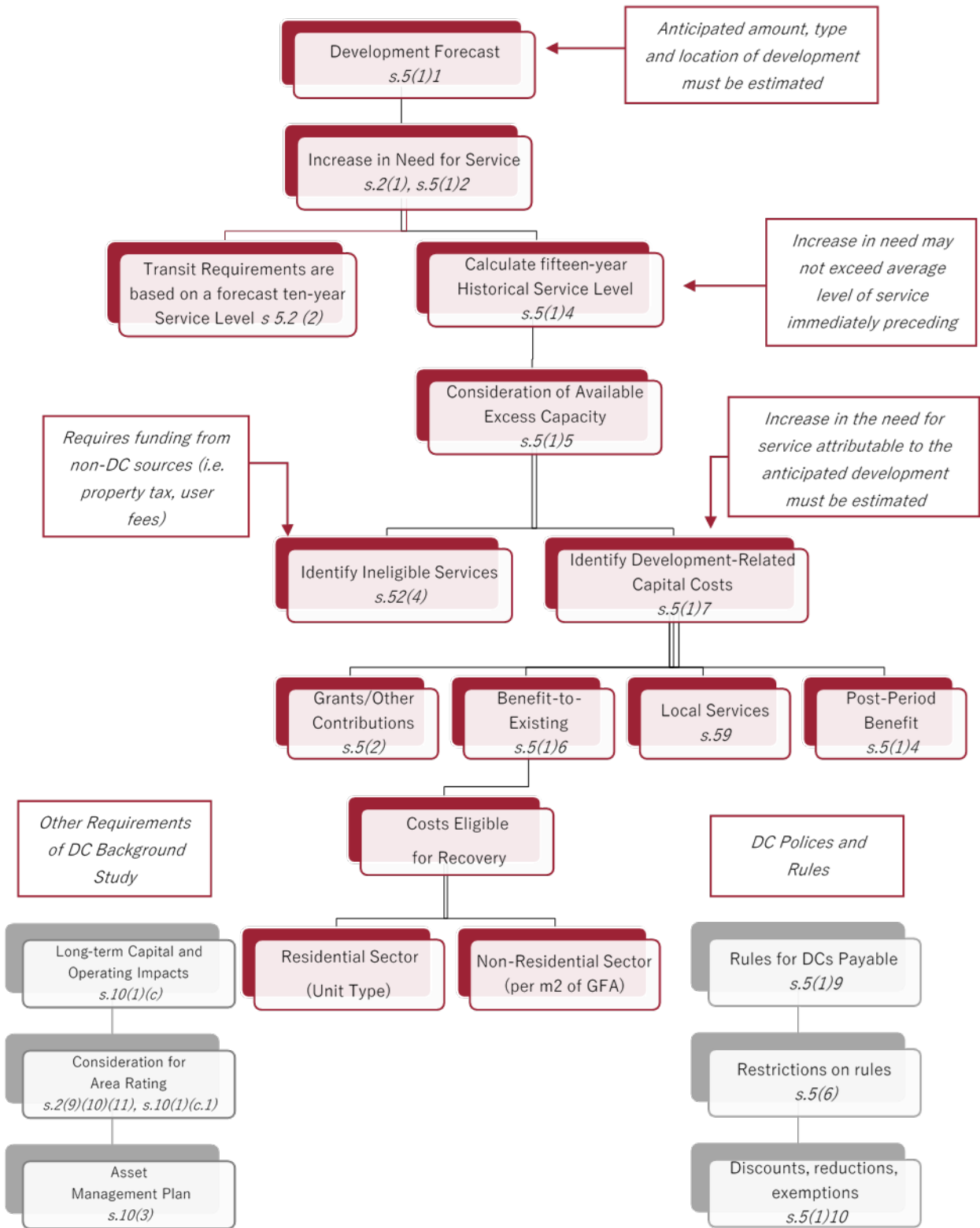
B. Town-Wide Development Charge Proposed

The DCA provides municipalities with flexibility to define services that will be included in the development charges by-laws, provided that its other provisions, as well as those of O. Reg. 82/98, are met. The DCA also requires that the by-laws designate the areas within which DCs shall be imposed. The development charges may apply to all lands in a municipality or to other designated development areas as specified in the by-laws. Recognizing that the proposed WWTP will benefit growth occurring across Innisfil, a Town-wide development charge is proposed.

C. Key Steps In Determining DCs for Future Development-Related Projects

Several key steps are required in calculating DCs for future development-related projects. These are summarized below and shown schematically in Figure 1.

Figure 1: Statutory Requirements of Development Charge Calculation and Study Process



i. Development Forecast

The first step in the methodology requires a development forecast to be prepared. A planning horizon of 2024-2041 has been used for the WWTP and related infrastructure, consistent with the planning horizon used in the 2023 DC Background Study.

The Town's historical practice has been to calculate the WWTP DC rate based on available servicing capacity (cubic metres or m³) and average day flow per capita in order to arrive at cost per capita. This approach is also proposed for the purposes of calculating the WWTP DC rate in this study.

ii. Service Categories and Historical Service Levels

The DCA provides that the increase in the need for service attributable to anticipated development:

... must not include an increase that would result in the level of service exceeding the average level of that service provided in the municipality over the 15-year period immediately preceding the preparation of the background study...(s. 5. (1) 4.)

Historical 15-year average service levels generally form the basis for development charges. However, this requirement is not applicable to the WWTP development charge calculation as the infrastructure included in the capital program is required to achieve health and safety standards as identified in relevant legislation including Provincial regulations, other relevant legislation as well as Town standards (see Section 4(3) of O.Reg. 82/98).

iii. Development-Related Capital Program and Analysis of DC Eligible Costs to be Recovered through Development Charges

A development-related capital program has been prepared as part of the study. The program identifies the gross and net municipal costs, after allowing for capital grants, subsidies or other recoveries as required by the Act (DCA, s. 5. (2)). The capital program provides another cornerstone upon

which development charges are based. The DCA requires that the increase in the need for service attributable to the anticipated development may include an increase:

... only if the council of the Municipality has indicated that it intends to ensure that such an increase in need will be met. (s. 5. (1) 3.)

The development-related capital program prepared for this study ensures that development charges are only imposed to help pay for projects that have been or are intended to be purchased or built in order to accommodate future anticipated development. It is not sufficient in the calculation of development charges merely to have had the service in the past. There must also be a demonstrated commitment to continue to emplace facilities or infrastructure in the future. In this regard, O. Reg. 82/98, s. 3 states that:

For the purposes of paragraph 3 of subsection 5 (1) of the *Act*, the council of a Municipality has indicated that it intends to ensure that an increase in the need for service will be met if the increase in service forms part of an official plan, capital forecast or similar expression of the intention of the council and the plan, forecast or similar expression of the intention of the council has been approved by the council.

For some projects in the development-related capital program, a portion of the project may confer benefits to existing residents. As required by the DCA, s. 5(1)6., these portions of projects and their associated net costs are the funding responsibility of the Town from non-development charges sources. The amount of municipal funding for such non-DC-eligible shares of projects is also identified as part of the preparation of the development-related capital program.

There is also a requirement in the DCA to reduce the applicable development charge by the amount of any “uncommitted excess capacity” that is available for a service. Such capacity is available to partially meet the future servicing requirements. Adjustments are made in the capital program analysis to meet this requirement of the DCA.

iv. Attribution to Types of Development

The next step in the determination of development charges is the allocation of the development-related net capital costs between the residential and the non-residential sectors. For the purposes of the WWTP calculation, the allocation is based on the average day demand per capita and per square metre of gross floor area over the planning period, which reflects the anticipated demand for services.

The residential component of the development charges is applied to different housing types based on average occupancy factors. The non-residential component is applied on the basis of gross building space in square metres.

v. Final Adjustment

The final determination of the development charge results from adjustments made to development-related DC eligible costs resulting from the application of any unallocated growth-related reserve fund balances that are available to finance the development-related capital costs in the capital program. A cash flow analysis is also undertaken to account for the timing of projects and receipt of development charges. Interest earnings or borrowing costs are therefore accounted for in the calculation as allowed under the DCA.

D. Operating & Capital Cost Impacts and Asset Management Plan Legislative Requirements

Section 10 of the DCA identifies what must be included in a Development Charges Background Study, namely:

- s.10 (2) The development charge background study shall include,
 - (c) an examination, for each service to which the development charge by-law would relate, of the long term capital and operating costs for capital infrastructure required for the service; and

(c.2) an asset management plan prepared in accordance with subsection (3).

i. Asset Management Plan

(3) The asset management plan shall,

- (a) deal with all assets whose capital costs are proposed to be funded under the development charge by-law;
- (b) demonstrate that all the assets mentioned in clause (a) are financially sustainable over their full life cycle;
- (c) contain any other information that is prescribed; and
- (d) be prepared in a prescribed manner.

The requirement to include an Asset Management Plan (AMP) was part of the DCA amendments that came into effect on January 1, 2016. A key function of the Asset Management Plan is to demonstrate that all assets proposed to be funded under the development charges by-law are financially sustainable over their full life cycle.

3. Development Forecast

The DCA requires the Town to estimate “the anticipated amount, type and location of development” for which development charges may be imposed. The development forecast must cover both residential and non-residential development and be specific enough with regards to quantum, type, location and timing of development to allow the Town to prepare a reasonable development-related capital program.

Consistent with the Town’s historical practice, the WWTP DC rate is based on available servicing capacity (cubic metres or m³) and average day flow per capita in order to arrive at cost per capita. Thus, the development forecast is based on total available servicing capacity as well as average day demand flows. The following average day demand flows are used for residential and non-residential development:

- **Residential** – average day flow per capita = 0.300 m³/day/cap
- **Non-Residential (Industrial)** – average day demand per square metre = 0.00289 m³
- **Non-Residential (Non-Industrial)** – average day demand per square metre = 0.00554 m³

Appendix A of the Town’s 2023 DC Background Study details the anticipated growth in the Town over the 2041 planning horizon. Table A-4 provides details on historical occupancy patterns for different unit types in the Town by period of unit construction and are used to calculate the amending WWTP DC rate in this study.

The overall average occupancy level for single and semi-detached units is 2.77 persons per unit (PPU). Occupancy levels for recently constructed units, built between 2011 and 2021, are typically higher than the overall average and are often used in the development charges calculations since they better reflect the number of people that are likely to reside in new development. The average PPU

of single and semi-detached units built in the Town between 2011 to 2021 is 3.36. Average PPUs for recently constructed row housing and apartments are 2.70 and 1.76, respectively. For the purpose of the development charges calculations, the following PPUs are assumed:

Single & Semi-Detached = 3.36 PPU, based on occupancy levels for units constructed between 2011 and 2021.

Rows & Other Multiples = 2.70 PPU, based on occupancy levels for units constructed between 2011 and 2021.

Apartments – 2 Bedrooms or Larger = 2.00 PPU has been estimated due to the limited sample size of recently constructed apartment units. A higher PPU reflects the Town's plan to accommodate a greater range and mix of apartment unit types moving forward accommodating a range of household sizes, including in the Orbit community.

Apartments – 1 Bedroom or Bachelor = 1.50 PPU has been estimated due to the limited sample size of recently constructed apartment units.

4. Development-Related Capital Forecast

A. A Development-Related Capital Forecast is Provided for Council's Approval

The DCA requires the council of a municipality to express its intent to provide future capital facilities at the level incorporated in the development charges calculation. As noted above in Section 2, O. Reg. 82/98, s. 3 states that:

For the purposes of paragraph 3 of subsection 5 (1) of the Act, the council of a Municipality has indicated that it intends to ensure that an increase in the need for service will be met if the increase in service forms part of an official plan, capital forecast or similar expression of the intention of the council and the plan, forecast or similar expression of the intention of the council has been approved by the council.

One of the recommendations contained in the DC Background Study is for Council to adopt the WWTP development-related capital program derived for the purposes of the DC calculation. It is acknowledged that changes to the costs and/or scope of work proposed WWTP expansion may occur through the Town's normal capital budget process.

B. The Development-Related Capital Forecast

As summarized below, the WWTP expansion project and associated inflow and infiltration works is anticipated to cost \$284.8 million. Of the \$284.8 million, \$46.1 million is considered ineligible. A portion of the Town's available WWTP DC reserve fund balance (\$26.4 million) has been attributed to the project and is removed from the DC eligible share. Table 1 shows the summary of costs for developments subject to IDAG, which totals \$212.1 million. No post-period shares have been identified for the projects.

Table 2 shows the summary of costs for developments not subject to IDAG, which totals \$284.9 million, which includes \$72.7 million of additional interest costs. No post-period shares of the project have been identified.

Table 1 – Developments Subject to IDAG

Net Municipal Cost	\$284.8 million
Less: Ineligible Costs	\$46.1 million
Less: Available DC Reserves	\$26.4 million
Less: Post-Period Benefit	\$0.0 million
Total DC Eligible In-Period Costs	\$212.2 million

Table 2 – Developments Not Subject to IDAG

Net Municipal Cost	\$284.8 million
Less: Ineligible Costs	\$46.1 million
Less: Available DC Reserves	\$26.4 million
Less: Post-Period Benefit	\$0.0 million
Plus: Interest Costs	\$72.7 million
Total DC Eligible In-Period Costs	\$284.9 million

Tables 3 and 4 outline the development-related capital program for the Wastewater Treatment Costs related to the Lakeshore Water Pollution Control Plant Stage III for developments subject to IDAG, and developments not subject to IDAG.

TABLE 3

**TOWN OF INNISFIL
2024 DEVELOPMENT CHARGES AMENDMENT BACKGROUND STUDY
WASTEWATER TREATMENT COSTS
DEVELOPMENTS SUBJECT TO IDAG**

	Net Municipal Cost	Ineligible Costs	Total DC Eligible Costs	Available DC Reserves	DC Eligible Costs 2023-2041	DC Eligible Costs Post-2041
1 Lakeshore Water Pollution Control Plant Stage III						
1.1 Optimization and I&I Program	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
1.2 Portion Attributed to 40MLD Expansion	\$ -	\$ (11,200,000)	\$ -	\$ -	\$ -	\$ -
1.3 Construction, Phase 3 Expansion (2024)	\$ 283,753,637	\$ (34,936,328)	\$ 237,617,309	\$ 26,401,485	\$ 211,215,824	\$ -
Subtotal	\$ 284,753,637	\$ (46,136,328)	\$ 238,617,309	\$ 26,401,485	\$ 212,215,824	\$ -
TOTAL	\$ 284,753,637	\$ (46,136,328)	\$ 238,617,309	\$ 26,401,485	\$ 212,215,824	\$ -

Capacity (m ³)	Total Capacity	10% Reserve	Net Capacity
Available Uncommitted Capacity	5,217	1,700	3,517
Phase III added capacity	8,000	800	7,200
Total Capacity Available (m³)	13,217	2,500	10,717
Cost Per Cubic Metre (\$ / m³)			\$19,802

DC Reserve Funds	
Oct 1, 2024	\$26,401,485

TABLE 4

**TOWN OF INNISFIL
2024 DEVELOPMENT CHARGES AMENDMENT BACKGROUND STUDY
WASTEWATER TREATMENT COSTS
DEVELOPMENTS NOT SUBJECT TO IDAG**

	Net Municipal Cost	Ineligible Costs	Total DC Eligible Costs	Available DC Reserves	DC Eligible Costs 2023-2041	DC Eligible Costs Post-2041
1 Lakeshore Water Pollution Control Plant Stage III						
1.1 Optimization and I&I Program	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
1.2 Portion Attributed to 40MLD Expansion	\$ -	\$ (11,200,000)	\$ -	\$ -	\$ -	\$ -
1.3 Construction, Phase 3 Expansion (2024)	\$ 283,753,637	\$ (34,936,328)	\$ 237,617,309	\$ 26,401,485	\$ 211,215,824	\$ -
1.4 Interest Costs ¹	\$ -	\$ -	\$ -	\$ -	\$ 72,724,597	\$ -
Subtotal	\$ 284,753,637	\$ (46,136,328)	\$ 238,617,309	\$ 26,401,485	\$ 284,940,421	\$ -
TOTAL	\$ 284,753,637	\$ (46,136,328)	\$ 238,617,309	\$ 26,401,485	\$ 284,940,421	\$ -

Capacity (m ³)	Total Capacity	10% Reserve	Net Capacity
Available Uncommitted Capacity	5,217	1,700	3,517
Phase III added capacity	8,000	800	7,200
Total Capacity Available (m³)	13,217	2,500	10,717
Cost Per Cubic Metre (\$ / m³)			\$26,588

DC Reserve Funds	
Oct 1, 2024	\$26,401,485

5. Development Charges are Calculated in Accordance with the DCA

This section summarizes the calculation of development charges for the WTP and the resulting total development charge by type of development, including the calculation of the per capita (residential) and per square metre (non-residential) charges.

For residential development, the per capita amount is applied to different housing types on the basis of average occupancy factors. For non-residential development, the calculated development charges rates are based on gross floor area (GFA) of building space.

It is noted that the calculation of the development charges does not include any provision for exemptions required under the DCA, for example, the exemption for enlargements of up to 50% on existing industrial buildings. Such legislated exemptions, or other exemptions which Council may choose to provide, will result in a loss of development charges revenue for the affected types of development. Any such revenue loss may not be offset, however, by increasing other portions of the calculated charge.

A. Calculated Development Charges Rates

The summary below presents the calculated residential and non-residential development charges for WWTP DC rate for IDAG and non-IDAG developments.

i. IDAG Developments

The table below summarizes the calculated residential and non-residential development charges for the WWTP infrastructure for IDAG development, which does not include financing costs.

Table 5 – IDAG Development Charges

Residential		
<i>Residential Demand</i>		
Average day flow per capita		0.300 m ³ /day/cap
Cost per capita		\$5,940.54
<i>Residential Rate Calculations</i>	<u>PPU</u>	<u>\$/Unit</u>
Single & Semi-Detached	3.36	\$19,957
Rows & Other Multiples	2.70	\$16,014
Apartments - 2 Bedroom	2.00	\$11,881
Apartments - Bachelor/1 Bedroom	1.50	\$8,911

Non-Residential:		
<i>Non-Residential Demand</i>		
Average Day Demand Per Hectare		10 m ³ /ha.d
Average Coverage		25%
Average Day Demand GFA		
Non-Residential Development Per Square Metre	0.00400	m ³
<i>Industrial Development Per Square Metre</i>	<i>0.00289</i>	<i>m³</i>
<i>Non-Industrial Development Per Square Metre</i>	<i>0.00554</i>	<i>m³</i>
<i>Non-Residential Rate Calculations</i>	<u>Cost per m³</u>	<u>\$/m²</u>
<i>Industrial Development Per Square Metre</i>	\$19,802	\$57.18
<i>Non-Industrial Development Per Square Metre</i>	\$19,802	\$109.72

ii. Non-IDAG Developments

The table below summarizes the calculated residential and non-residential development charges for the WWTP infrastructure for IDAG development, which does include financing costs.

Table 6 – Non-IDAG Development Charges

Residential		
<i>Residential Demand</i>		
Average day flow per capita	0.300 m ³ /day/cap	
Cost per capita	\$7,976.31	
<i>Residential Rate Calculations</i>	<u>PPU</u>	<u>\$/Unit</u>
Single & Semi-Detached	3.36	\$26,796
Rows & Other Multiples	2.70	\$21,501
Apartments - 2 Bedroom	2.00	\$15,953
Apartments - Bachelor/1 Bedroom	1.50	\$11,964

Non-Residential:		
<i>Non-Residential Demand</i>		
Average Day Demand Per Hectare	10 m ³ /ha.d	
Average Coverage	25%	
Average Day Demand GFA		
Non-Residential Development Per Square Metre	0.00400 m ³	
<i>Industrial Development Per Square Metre</i>	<i>0.00289 m³</i>	
<i>Non-Industrial Development Per Square Metre</i>	<i>0.00554 m³</i>	
<i>Non-Residential Rate Calculations</i>	<u>Cost per m³</u>	<u>\$/m²</u>
<i>Industrial Development Per Square Metre</i>	\$26,588	\$76.78
<i>Non-Industrial Development Per Square Metre</i>	\$26,588	\$147.32

B. Comparison of 2024 Newly Calculated Development Charges with Charges Currently in Force in Innisfil

Tables 7 and 8 present a comparison of the newly calculated residential and non-residential WWTP DCs with currently imposed rates. As shown in Table 7, IDAG development charges for single and semi-detached units will increase from the current rate of \$11,689 to \$19,957 per unit. Rows and other multiples will increase from a current rate of \$9,379 to \$16,014 per unit. Apartments (2 Bedroom and larger) will increase from a current rate of \$6,959 per unit to \$11,881 per unit, and apartments (Bachelor or 1 Bedroom) will increase from a current rate of \$5,219 per unit to \$8,911 per unit. The industrial rate will

increase from a current rate of \$30.91 per square metre. to \$57.18 per square metre. The non-industrial rate will increase from a current rate of \$59.08 per square metre to \$109.72 per square metre.

Table 7 - Current vs. Calculated IDAG Rates

Rate Type	Current		Calculated		Difference	
	IDAG		IDAG Rate		\$	%
Single & Semi-Detached	\$	11,689	\$	19,957	\$ 8,268	71%
Rows & Other Multiples	\$	9,379	\$	16,014	\$ 6,635	71%
Apartments - 2 Bedroom	\$	6,959	\$	11,881	\$ 4,922	71%
Apartments - Bachelor/1 Bedroom	\$	5,219	\$	8,911	\$ 3,692	71%
Industrial	\$	30.91	\$	57.18	\$ 26.27	85%
Non-Industrial	\$	59.08	\$	109.72	\$ 50.64	86%

As shown in Table 8, non-IDAG development charges for single and semi-detached units will increase from the current rate of \$12,050 to \$26,796 per unit. Rows and other multiples will increase from a current rate of \$9,669 to \$21,501 per unit. Apartments (2 Bedroom and larger) will increase from a current rate of \$7,174 per unit to \$15,953 per unit, and apartments (Bachelor or 1 Bedroom) will increase from a current rate of \$5,381 per unit to \$11,964 per unit. The industrial rate will increase from a current rate of \$31.87 per square metre. to \$76.78 per square metre. The non-industrial rate will increase from a current rate of \$61.16 per square metre to \$147.32 per square metre.

Table 8 - Current vs. Calculated Non-IDAG Rates

Rate Type	Current		Calculated		Difference	
	Non-IDAG		Non-IDAG Rate		\$	%
Single & Semi-Detached	\$	12,050	\$	26,796	\$ 14,746	122%
Rows & Other Multiples	\$	9,669	\$	21,501	\$ 11,832	122%
Apartments - 2 Bedroom	\$	7,174	\$	15,953	\$ 8,779	122%
Apartments - Bachelor/1 Bedroom	\$	5,381	\$	11,964	\$ 6,583	122%
Industrial	\$	31.87	\$	76.78	\$ 44.91	141%
Non-Industrial	\$	61.16	\$	147.32	\$ 86.16	141%

It is important to note that the calculated DC rates will be subject to annual indexing in accordance with the rules in the draft DC By-law.

6. Cost of Growth Analysis

This section provides a brief examination of the long-term capital and operating costs as well as the asset management-related annual provisions for the capital facilities and infrastructure to be included in the DC By-law. This examination is required as one of the provisions of the DCA.

A. Asset Management Plan

The summary below provides the calculated annual asset management contribution for both the gross capital expenditures and the share related to the 2024-2041 DC recoverable portion. The year 2042 has been included to calculate the annual contribution for the 2024-2041 period as the expenditures 2041 will not trigger asset management contributions until 2042. As shown, by 2042, the Town should fund an additional \$2.6 per annum to fund the full life cycle costs of the WWTP expansion.

Table 9 – Asset Management Plan

Service	2024-2041 Capital Program		Calculated AMP Annual Provision by 2042	
	DC Related	Non-DC Related*	DC Related	Non-DC Related*
Lakeshore Water Pollution Control Plant Stage III	\$ 212,215,824	\$ 72,537,813	\$ 2,598,321	\$ 887,967

*Includes ineligible and post-period shares

B. Long-Term Capital and Operating Cost Impacts

The long-term operating cost impact for the WWTP expansion will be determined and funded as part of the Town’s utility rate model and associated rates.

With respect to long-term capital financing, approximately \$46.1 million will need to be funded from non-DC revenue sources as it relates to the ineligible/benefit to existing share of the project.

C. Program is Deemed Financially Sustainable

The calculated annual funding provision should be considered within the context of the Town's projected growth. Over the next 10 years (to 2034) the Town is projected to increase by approximately 9,200 households. In addition, the Town will also add nearly 4,500 new employees that will result in approximately 271,200 square metres of additional non-residential building space.

By 2041, there will be an increase of nearly 15,590 new households. In addition, the Town will also add 8,270 new employees that will result in approximately 519,450 square metres of additional non-residential building space. This growth will have the effect of increasing the overall assessment base and additional user fee and charges revenues to offset the capital asset provisions required to replace the infrastructure proposed to be funded under the development charges by-law. The collection of these funds is intended to be allocated to the Town's reserves for the future replacement of these assets.

In addition, as part of the annual budget update the Town also contributes to asset replacement reserves and spends on yearly asset replacement needs as needed. Through this annual exercise, staff identify the required funding and propose mitigating measures in order to ensure there are sufficient funds in reserves over the long term. Life-cycle funding methodologies are also reviewed in order to ensure that the Town is continuing to implement financially sustainable practices for funding the eventual replacement of assets.

The calculated annual provisions identified are considered to be financially sustainable as it is expected that the increased capital asset management requirements can be absorbed by the tax and user base over the long-term.

7. Other Considerations and Legislative Requirements

This section sets out other considerations and legislative requirements relating to the DCA including administration and collection, recent legislative changes, and consideration for area rating.

A. Development Charges Administration and Collection

The DCA requirements in respect of the collection of DCs, certification and remittance, as well as reserve fund management are outlined in this section.

i. Development Charges Amount Payable and Date of Payment

The total amount of a DC is the amount of the DC that would be determined under the by-law on the day of an application for site plan approval or the day of an application for rezoning or, if neither of these apply, the day of building permit issuance. Full details on determining the DCs payable in any particular case are provided in section 26 and section 26.2 of the DCA.

The default date of payment of a DC is the date of building permit issuance. However, under section 27 of the DCA the Town may enter into an agreement with a developer to alter the timing of payment.

For rental housing and institutional development, DCs must be paid in six equal annual installments beginning at building occupancy (permit or actual occupancy) and for the following five anniversaries of that date.

For required instalments, the Town may charge interest from the date the DC would have been payable to the date the instalment is paid. Interest may accrue on each installment until the final payment has been made. Any skipped or late payments can be added to the tax roll (including interest). Full details on the prescribed payment plans are provided in section 26.1 of the

DCA. In accordance with section 26.3 the maximum interest rate a municipal can charge is prime plus 1%.

ii. Reserve Funds

Under the DCA, a municipality that has passed a development charge by-law must establish a separate reserve fund for each service to which the development charge relates and pay each development charge it collects into the respective reserve fund. While the DCA does permit municipalities to borrow from the reserve fund, the amount borrowed is to be repaid with interest at a rate not less than the prescribed minimum interest rate. Additionally, money in the reserve fund is to be spent only on development-related capital costs.

Annual financial statements are to be provided to Council and must include the following:

- Opening and closing balances and in-year transactions
- A description of service or category of service
- Details on credits paid by individual credit holders
- Amounts borrowed and purpose of borrowing
- Interest accrued on borrowing
- Amount and source of money used to repay borrowing
- Projects funded from DCs including amount and source of DC and non-DC funding

B. Changes Arising From Bill 23, More Homes Built Faster Act (Bill 23) and Cutting Red Tape to Build More Homes Act (Bill 185)

A list of recent legislative changes that are now in force is provided below.

Table 10 – Recent Changes to the DCA

Section	Description
Section 2(1)	Exemptions for existing rental residential buildings and a range of residential units in existing and new houses.
Section 2(4)	Housing services are ineligible for DC funding (repeal of paragraph 17 of ss.2(4) of the <i>DCA</i>). Existing by-laws are deemed to be “amended” and no development charges can be collected for housing services from November 28, 2022 onward.
Section 4.1	Exemptions for affordable and attainable residential units as defined in the Affordable Residential Units Bulletin.
Section 4.2	Exemptions for non-profit housing development. This does not apply with respect to a DC payable before November 28, 2022.
Section 4.3	Exemption for inclusionary zoning residential units. This does not apply with respect to a DC payable before November 28, 2022.
Section 5(1)	Historical service level calculation period extended from 10 years to 15 years. Does not apply to by-laws in force prior to November 28, 2022.
Section 9(1)	Maximum life of a DC by-law extended from 5 years to 10 years. This does not apply to by-laws in-force before November 28, 2022.
Section 26.1	Deferral payments now apply to rental housing and institutional development. Interest on deferral payments is now capped at prime plus 1% in accordance with s.26.3.
Section 26.2	DCs for rental housing development are now discounted based on the number of bedrooms proposed. Interest on DC freeze now capped at prime plus 1% in accordance with section 26.3.
Section 26.3	Maximum interest rates are capped at prime plus 1%. This does not apply with respect to a DC that was payable before November 28, 2022.

Section	Description
Section 35	Municipalities are now required to spend or allocate at least 60% of reserve balances each year for Water Supply, Wastewater, and services related to a highway beginning in 2023.
Section 44(4)	Rules for front ending agreements as they relate to affordable and attainable residential units.
Section 60(1)(s.4)	Additional services for which municipalities are required to spend or allocate at least 60% of reserve fund balances may be prescribed through Regulations (none are proposed as of yet).
Section 60(1)(d.2) and 9d.3)	Prescribes developments and criteria related to attainable residential units (section 4.1).

C. Development Charges Administration

Many of the administrative requirements of the DCA will be similar to those presently followed by the Town in terms of collection practices. However, changes will likely be required in the use of and reporting on the new development charges. In this regard:

- It is recommended that the present practices regarding collection of development charges and by-law administration continue to the extent possible;
- As required under the DCA, the Town should codify any rules regarding application of the by-laws and any exemptions within the development charges by-laws proposed for adoption;
- It is recommended that the Town develop reporting policies consistent with the requirements of the DCA;

- It is recommended that the by-laws permit the payment of a development charge in cash or through services-in-lieu agreements. The municipality is not obligated to enter into services-in-lieu agreements;
- The proposed draft by-law will set out the rules to determine development charges applicable in any particular case. Rules for exemptions are also outlined in the proposed draft by-law; and
- It is recommended that Council adopt the development-related capital forecast included in this background study, subject to annual review through the Town's normal capital budget process.