

Council Information Session

Development Charges (DC) Background Study: Introduction to DCs



TOWN OF SAUGEEN SHORES
Monday, September 22nd, 2025

Source: Town of Saugeen Shores, 2025

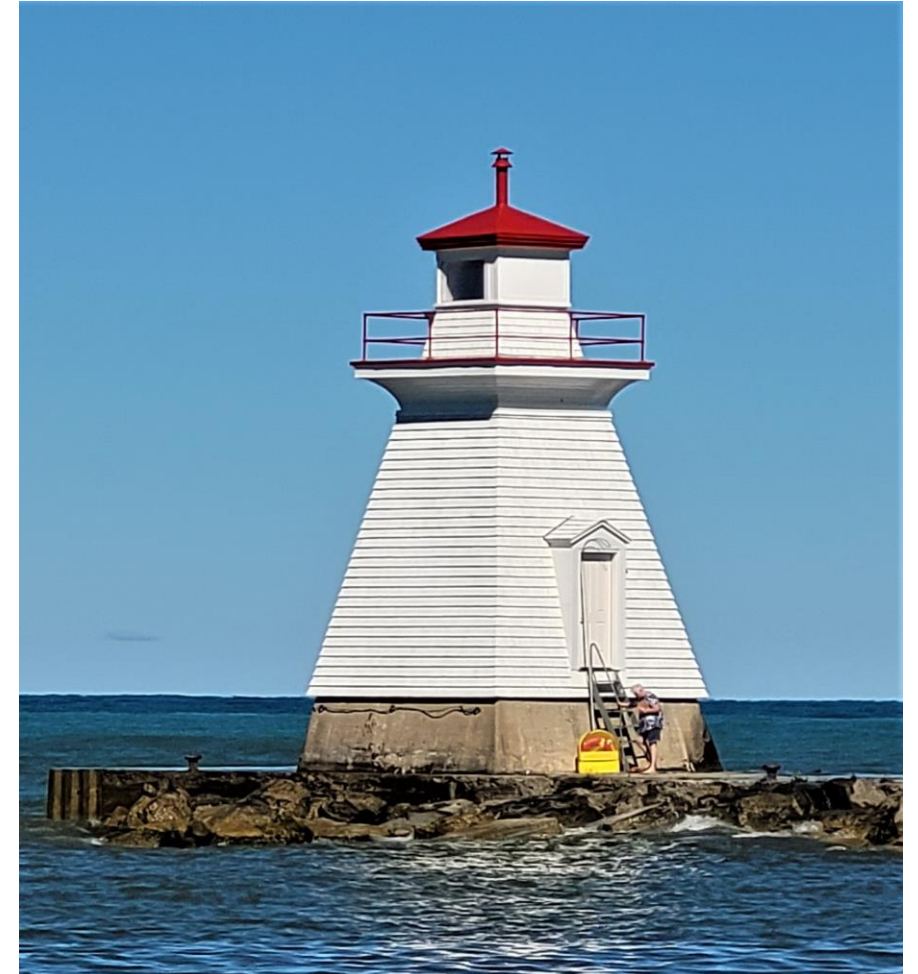


Today We Will Discuss...

- Background
- Development Charges (DC) Legislation
- Key Steps in Calculating a DC
- DCs in Saugeen Shores
- Key Decision Points for Council
- DC Policy Review
- Project Timeline
- Q&A

Background

- Council passed Development Charges (DC) By-law No. 56-2021 and amending By-law 49-2023
 - Imposed municipal-wide DCs for general and engineered services
- The goal of the 2026 DC By-law update is to repeal the existing by-laws and update the DC rates based on new information



Source: Wikimedia commons, 2025

What Are Development Charges?

- Imposed on development to pay for “growth-related” capital costs
 - Residential and non-residential
- Pays for new infrastructure and facilities to maintain service levels
 - County
 - Local municipal
 - Education
- Principle is “growth pays for growth”



Development Charges Just One Tool for Municipalities to Fund Capital

Growth Funding Tools

- Funding for costs to expand community/regional infrastructure
- DCs; Community Benefits Charges; Parkland Dedication/Cash-in-Lieu

Direct Developer Contributions

- Fund costs required as part of a subdivision agreement (i.e. internal roads, sidewalks, streetlights, intersections, park elements)

Property Taxes / Utility Rates

- Statutory and non-statutory reductions on DCs and CBCs
- Long-term repair and replacement of municipal infrastructure (as well as operating costs)

New Framework for “Growth-Related” Capital

Development Charges Act (DCs)

Used to fund initial round of capital infrastructure

Prescribed list of eligible services

Certain “soft” services removed from list (e.g. parking, cemeteries, airports)

No more 10% discount

Planning Act: Community Benefit Charges (CBCs)

Initial round of capital, can overlap with DCs

In-kind contributions permitted

Capped at 4% of land value

Imposed only on development with 5 or more storeys & 10 or more housing units

Only local municipalities can charge

Planning Act: Parkland Acquisition

Parkland acquisition

Standard rate of 5% for residential and 2% for non-residential

Alternative, higher rate may apply based on units/ha

Cash In Lieu permitted

Development Charges Act Requirements (DCA)

- DCs imposed by by-law
- Maximum life of a DC by-law is 10 years after the day it comes into force
 - Increased from 5 years
- Prior to passing a by-law municipality must
 - undertake a background study
 - hold at least one public meeting
- Appeals adjudicated at Ontario Land Tribunal

DCA Statutory Exemptions and Other Requirements

- Exemption for Affordable Housing
- Exemption for non-profit housing
- Exemption for long-term care
- Discount for rental housing (based on number of units)
 - 25% - 3 bedrooms or more
 - 20% - 2 bedrooms
 - 15% - 1 bedroom or less
- Exemption for additional residential units (new and existing units)
- Exemption for existing industrial (expansion up to 50%)
- Exemption for Municipal Boards and Boards of Education



Other Statutory Exemptions and Rules Under the DCA

- **DCs Frozen at Site Plan or Zoning Amendment**
 - DCs are frozen at this time, but not paid until building permit
 - Limitations in accordance with the DCA
 - Municipalities may charge interest (maximum prime + 1%)
- **Deferral Payments**
 - DCs for rental housing and institutional developments are paid in 5-year installments
 - Municipalities may charge interest (maximum prime + 1%)
- **Certain By-law Amendments without the need for a DC Background Study**
 - Removal of indexing
 - Reducing DC rates)
- **Municipalities can create policies for non-statutory exemptions**
 - Agricultural uses, places of worship, hospitals etc.
- **Reserve Requirements**
 - Must spend or allocate 60% of DC reserve funds in a year for Water, Wastewater and Roads Services

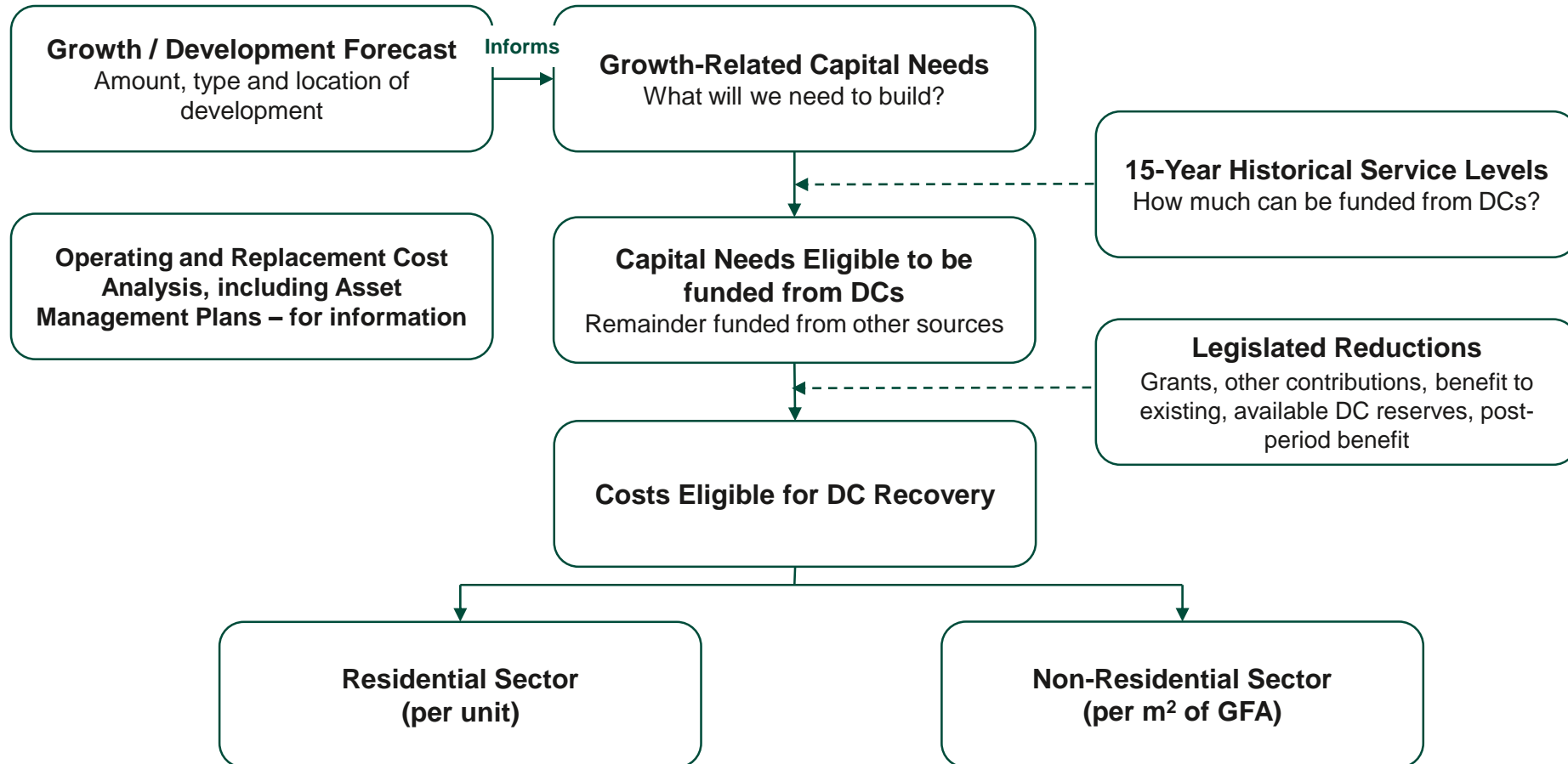
Further Amendments to the DCA are Expected

- ***Bill 17: Protect Ontario by Building Faster and Smarter Act, 2025***
 - Introduced May 2025, received Royal Assent June 2025
 - Some changes took effect immediately, others did not
- **Potential changes to the DCA include:**
 - Deferred payment of residential DCs until occupancy
 - Methodology on how to calculate ineligible shares of projects
 - Defining local service requirements
 - Creating broader categories for DC credits
 - Eligible capital costs (e.g. removing acquiring/improving land as an eligible cost)
 - Increased transparency and reporting on DC reserves

DCs Are Imposed On Services

Bruce County DC Services	Saugeen Shores DC Services	Not Applicable
<ul style="list-style-type: none">• Services related to a highway• Ambulance services• Long term care• Public health• Child care & early years programs & services within the meaning of Part VI of the <i>Child Care and Early Years Act, 2014</i> & any related services• Growth Studies• Parks & Recreation Services	<ul style="list-style-type: none">• Services related to a highway• Water supply services, including distribution and treatment services• Wastewater services, including sewers and treatment services• Storm water drainage & control• Parks and recreation services, but not the acquisition of land for parks• Services provided by a board within meaning of the Public Libraries Act• Fire protection services• Policing services• Waste diversion services	<ul style="list-style-type: none">• Electrical power services• Toronto-York subway extension• Yonge North subway extension• Services related to airports, but only in Regional Municipality of Waterloo• Services related to emergency preparedness

Development Charges Study Process



Step 1 – Development Forecast

- Forecast amount, type and location of development
- Establish areas to which DCs apply (municipal-wide/area-specific)
- Establish planning periods
 - Typically 10 years for “soft” services
 - Can be longer for “hard” services – often 20 years or build out used in Master Plans
- Types of development
 - Residential – population, household, housing by type
 - Non-residential – non-residential floor space, employment

Step 2 – Historical Service Levels

- Cannot use DCs to increase level of service above 15-year historical average (on service-by-service basis)
- Both quantity and quality of service must be considered
 - “Quality” measure must be replacement cost
- Average service level sets limit on eligible DC funding or “maximum allowable funding envelope”
- No service level limitation for water, sewer, and storm

15-Year Historical
Service Level



Population &
Employment Growth



Maximum
Permissible Funding
Envelope

DC Inventory Example - Fire

BUILDINGS	# of Square Feet															UNIT COST
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	(\$/sq. ft.)
Station #50 - Southampton	5,470	5,470	5,470	5,470	5,470											\$220
Station #60 - Port Elgin	5,376	5,376	5,376	5,376	5,376											\$220
Storage Shed at Southampton Station	96	96	96	96	96											\$85
Storage / Training / Emergency Facility	2,800	2,800	2,800	2,800	2,800											\$150
Total (sq.ft.)	13,742	13,742	13,742	13,742	13,742	-	-	-	-	-	-	-	-	-	-	
Total (\$000)	\$2,814.3	\$2,814.3	\$2,814.3	\$2,814.3	\$2,814.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

LAND	# of Hectares															UNIT COST
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	(\$/ha)
Station #50 - Southampton	0.23	0.23	0.23	0.23	0											\$331,856
Station #60 - Port Elgin	0.21	0.21	0.21	0.21	0											\$577,511
Storage Shed at Southampton Station	0.18	0.18	0.18	0.18	0											\$331,856
Storage / Training / Emergency Facility	0.16	0.16	0.16	0.16	0											\$577,511
Outdoor Training Area (Lennen St.)	-	-	-	-	1											\$577,511
Total (ha)	0.78	0.78	0.78	0.78	1.28	-	-	-	-	-	-	-	-	-	-	
Total (\$000)	\$349.7	\$349.7	\$349.7	\$349.7	\$638.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Step 3 – Development-Related Capital Program

- Future capital costs must be identified and Council must express intent to undertake works
- Costs must be reduced by
 - Grants, subsidies & contributions
 - Benefits test (benefit to existing; replacement)
 - Uncommitted DC reserve funds
 - “Post-period” benefit

When Intention to Meet Increased Need is Shown

3. 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. O. Reg. 82/98, s. 3.

Eligible Capital Costs

- Costs to acquire and improve land (including leasehold interests)
- Building and structure costs
- Rolling stock with a useful life of 7 years or more
- Furniture and equipment, excluding computer equipment
- Library materials
- Interest and financing costs

Important considerations:

- Tie-in with capital forecast and master plans
- Any project that benefits new development and/or expands the municipality's servicing capacity
- "Development-related" debt or negative DC reserve fund balances

DC Capital Program Example - Fire

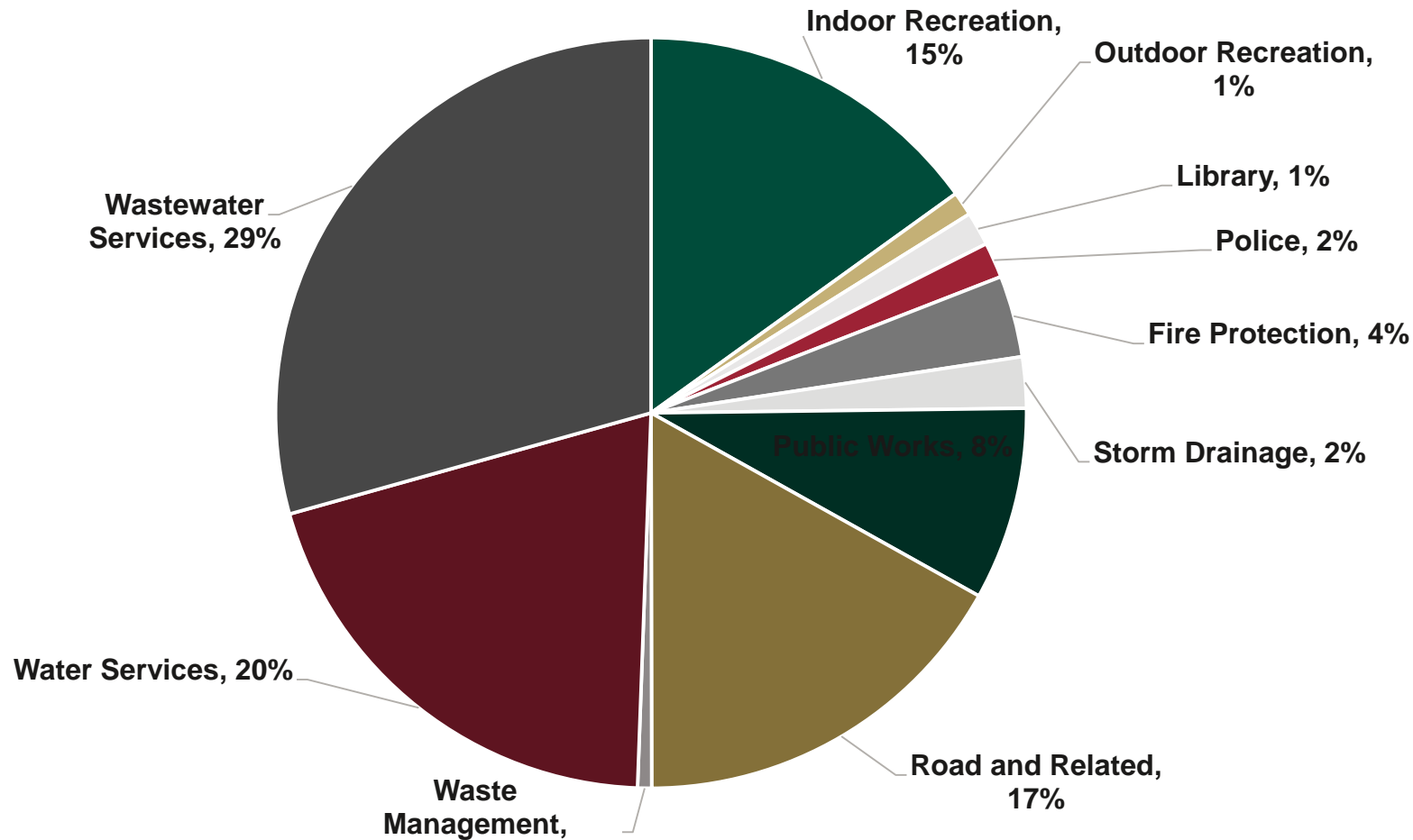
Project Description	Timing	Gross Project Cost	Grants/ Subsidies/Other Recoveries	Net Municipal Cost	Ineligible Costs		Total DC Eligible Costs	Available DC Reserves	2016-2025	Post 2025
					Replacement & BTE Shares	BTE %				
2.0 FIRE PROTECTION										
2.1 Recovery of Reserve Fund Deficit										
2.1.1 Balance as at December 31, 2015	2016	\$ 264,050	\$ -	\$ 264,050	\$ -	0%	\$ 264,050	\$ -	\$ 264,050	\$ -
Subtotal Recovery of Reserve Fund Deficit		\$ 264,050	\$ -	\$ 264,050	\$ -		\$ 264,050	\$ -	\$ 264,050	\$ -
2.2 Buildings, Land & Furnishings										
2.2.1 Replacement/Expansion of Cold Storage Shed Station #50	2017	\$ 80,000	\$ -	\$ 80,000	\$ 4,800	0%	\$ 75,200	\$ -	\$ 75,200	\$ -
2.2.2 Relocation or Addition to Station #60 - Port Elgin	2023	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 1,320,000	0%	\$ 680,000	\$ -	\$ 340,000	\$ 340,000
Subtotal Buildings, Land & Furnishings		\$ 2,080,000	\$ -	\$ 2,080,000	\$ 1,324,800		\$ 755,200	\$ -	\$ 415,200	\$ 340,000
2.3 Vehicles and Equipment										
2.3.1 Pumper Replacement	2016	\$ 540,000	\$ -	\$ 540,000	\$ 405,000	0%	\$ 135,000	\$ -	\$ 135,000	\$ -
2.3.2 Pumper Tanker	2018	\$ 450,000	\$ -	\$ 450,000	\$ 337,500	0%	\$ 112,500	\$ -	\$ 112,500	\$ -
2.3.3 Pumper Rescue	2025	\$ 600,000	\$ -	\$ 600,000	\$ 480,000	0%	\$ 120,000	\$ -	\$ -	\$ 120,000
Subtotal Vehicles and Equipment		\$ 1,590,000	\$ -	\$ 1,590,000	\$ 1,222,500		\$ 367,500	\$ -	\$ 247,500	\$ 120,000
TOTAL FIRE PROTECTION		\$ 3,934,050	\$ -	\$ 3,934,050	\$ 2,547,300		\$ 1,386,750	\$ -	\$ 926,750	\$ 460,000

Step 4 – Rate Calculation

- Allocate costs between residential and non-residential sectors
- Calculate charge using cash flow analysis
- Charge typically levied as follows:
 - Residential – per unit by unit type
 - Non-residential – per square foot of gross floor area



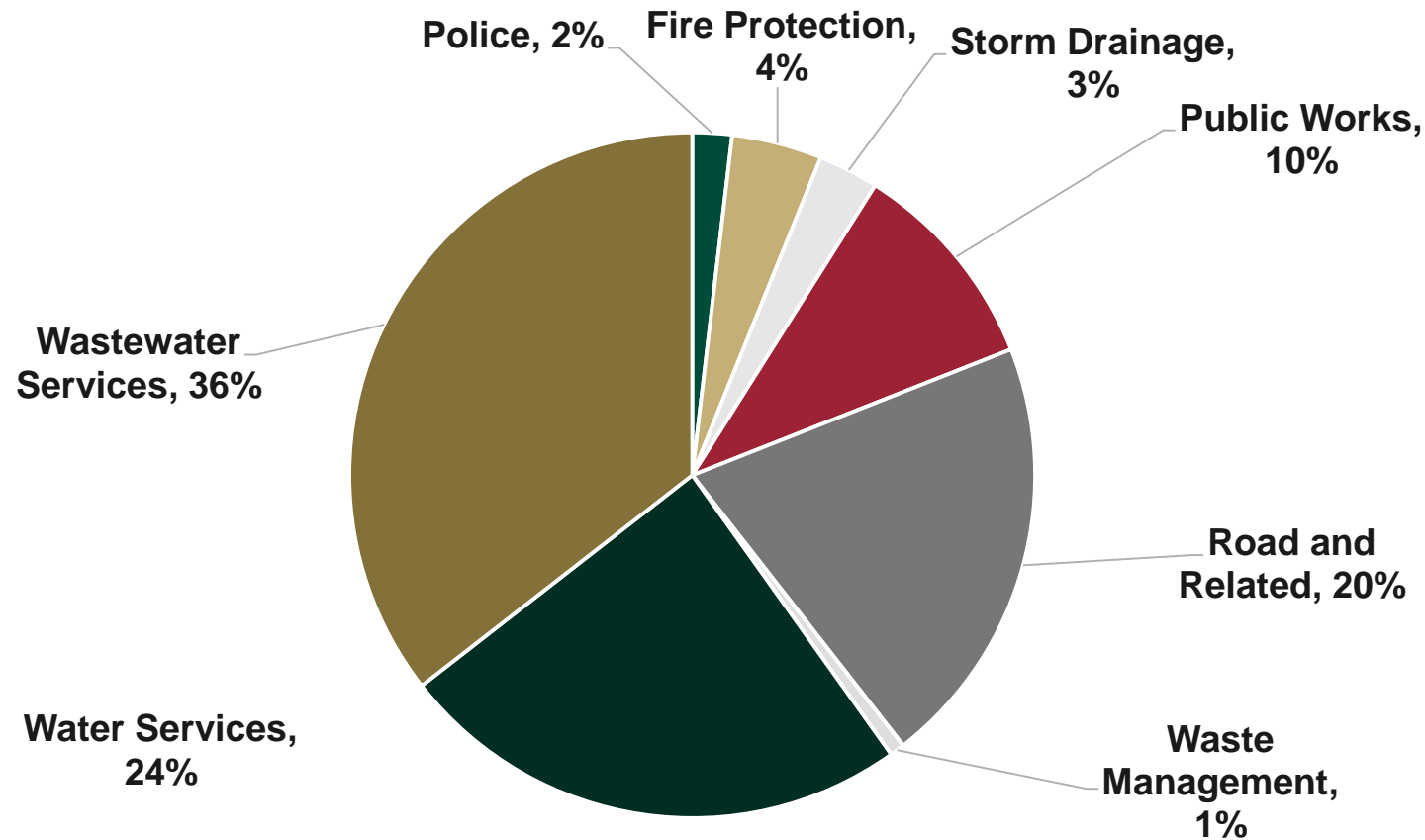
What do Residential DCs Fund in Saugeen Shores?



Residential Charges Per Unit
Single & Semi Detached \$35,248
Rows/Multiples \$23,108
Apartment 2+ Beds \$21,702
Apartment 1 Bed or Less \$15,061
Trailer Units \$4,588

Total DC Breakdown
Engineered Services 77%
General Services 23%

What do Non-Residential DCs Fund in Saugeen Shores?



Non-Residential Charges Per Square Metre
\$156.14

Total DC Breakdown
Engineered Services 93%
General Services 7%

Note: industrial uses are exempt

Decision Points for Council

- ✓ Consider and approve development-related capital programs
- ✓ Consider area-rating
- ✓ Consider whether to hold another public meeting (one meeting required)
- ✓ Consider implementation options within the context of legislation and other municipal objectives
 - Full or partial rates
 - Phase-ins or delayed effective dates
 - Exemptions
- ✓ Approve 2026 DC By-law(s)

- Prior to the release of the DC Background Study, Council will:
 - Be made aware of the proposed policies and DC rates
 - Be aware of the comments/questions raised by the development industry and public prior to By-law adoption

DC Policy Review

Current DC By-law	Preliminary Recommendation
<p>Common Non-Statutory DC Exemptions:</p> <ul style="list-style-type: none"> ▪ A hospital under the Public Hospitals Act ▪ A cemetery or place of worship ▪ Non-residential farm building constructed for bona fide farm uses 	<p>Likely keep – very common for municipalities to provide exemptions for these uses. Limited revenue loss.</p>
<p>Area-Specific DC Exemptions:</p> <ul style="list-style-type: none"> ▪ Non-residential development in the Commercial Core designated lands ▪ Mixed-use development in the Commercial Core designated lands 	<p>Review and update – ensure exemptions align with overall objectives of Town and consider potential revenue loss. Could be provided through a Community Improvement Plan (CIP), rather than the DC By-law.</p>
<p>Affordable/Attainable Housing Exemptions:</p> <ul style="list-style-type: none"> ▪ Residential development located in the Core Commercial or Office Residential designated lands if related to affordable housing developments ▪ Attainable housing – dedicated reserve and purpose built rental housing 	<p>Review and align with legislative requirements – DCA now provides exemptions, discounts for rental and affordable housing.</p>
<p>Other:</p> <ul style="list-style-type: none"> ▪ Conversion of vacant buildings and structures ▪ Rate structures ▪ Definitions 	<p>Review and update – informed by discussions with staff and emerging development trends in the Town and surrounding areas.</p>

- Existing DC By-law will be reviewed and updated to align with new requirements of the legislation
 - Definitions, statutory and non-statutory discounts and exemptions, rules and rate structure

Key Steps in Passing a DC By-law

Task	Targeted Date	Description
Release DC Background Study to Public	February 2026	<ul style="list-style-type: none"> 60-days prior to by-law passage (including on website)
Release Draft DC By-law	February 2026	<ul style="list-style-type: none"> 2 weeks before the Public Meeting
Advertise Public Meeting	March 2026	<ul style="list-style-type: none"> 20-days notice
Hold Statutory Public Meeting	April 2026	<ul style="list-style-type: none"> Receive submissions from public and Council Amend proposed charges and by-law, if warranted Council determine if additional Public Meeting is required
DC By-law Passage	May 2026	<ul style="list-style-type: none"> Any changes brought forward for adoption
Notice of By-law Passage	June 2026	<ul style="list-style-type: none"> 20-days after DC By-law passage
Appeal Period	July 2026	<ul style="list-style-type: none"> 40-days following DC By-law passage
DC Pamphlet	July 2026	<ul style="list-style-type: none"> 60-days after passage of DC By-law

Questions?