

**Subject: 2024 Development Charge Background Study Amendment Report and
By-laws**

File Number: ACS2024-PDB-GEN-0007

**Report to Planning and Housing Committee on 23 October 2024
and Council 30 October 2024**

**Submitted on October 10, 2024 by Vivi Chi, Interim General Manager, Planning,
Development and Building Services Department**

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Ward: Citywide

**Objet : Rapport de l'étude préliminaire sur la modification des redevances
d'aménagement de 2024 et règlements municipaux**

Rapport au Comité de l'urbanisme et du logement

le 23 octobre 2024

et au Conseil le 30 octobre 2024

**Soumis le October 10, 2024 par Vivi Chi, Directrice générale par intérim, Services
de la planification, de l'aménagement et du bâtiment**

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATIONS

That Planning and Housing Committee recommend Council approve:

1. The 2024 Development Charge Amendment Background Study dated October 9, 2024, as detailed in Document 1.
2. The City-wide Development Charge By-law, 2024-218, be amended in accordance with Document 2.
3. That pursuant to the *Development Charges Act*, subsection 12(3), no further public meeting is necessary.

RECOMMANDATIONS DU RAPPORT

Que le Comité de la planification et du logement recommande au Conseil :

1. L'étude préliminaire sur la modification des redevances d'aménagement de 2024 daté du 9 octobre 2024 conformément au document 1.
2. Que le Règlement municipal n° 2024-218 sur les redevances d'aménagement soit modifié conformément au document 2.
3. De ne pas tenir d'autre réunion publique, conformément au paragraphe 12(3) de la *Loi sur les redevances d'aménagement*.

EXECUTIVE SUMMARY

Assumption and Analysis

In May 2024, City Council approved the interim [2024 Provisional Development Charges Background Study \(DCBS\)](#). Since then, the 2024 Infrastructure Master Plan was approved. The development forecast for water and sanitary sewer (wastewater) services now corresponds to the Official Plan (OP) population and employment targets to 2046. With this new information, staff seeks Planning and Housing Committee and Council approval of the 2024 Development Charges Amendment Background Study (2024 Amendment Study) dated October 11, 2024.

The 2024 Amendment Study now captures the IMP's projects, their costs, and proposed implementation timing. The corresponding rates listed within the amended by-law will ensure development charges will be collected to deliver essential infrastructure services for water and sanitary (wastewater) to support the required growth. The 2024 Amendment Study and by-law have been

prepared in accordance with the *Development Charges Act (DCA)* and associated regulations.

Several key steps are required to amend the calculation of development charge rates. This process includes preparing a development forecast, establishing historical service levels, determining the increased needs for service arising from development, appropriate cost apportionment, and attribution to development types (both residential and non-residential). The infrastructure projects listed also comply with the revised Local Service Guidelines, which identify the internal servicing considered to be a direct developer funding component versus those costs that have a city-wide benefit.

It is recognized that the amendment is still only a point-in-time analysis and is subject to changes in project timing, scope, and costs through the City's annual capital budgeting process that examines reserve fund account balances and overall affordable funding envelopes. Council will be asked to approve the capital forecasts contained in the 2024 Amendment Study; however, this approval will be reaffirmed where necessary annually. This amendment has not altered the requirement to have non-growth-related funding sources that are sufficient to pay for the City share of the growth-related infrastructure identified within the 2024 Amendment Study. The Long-Range Financial Plans to address these funding requirements will be updated in 2025, in support of the Asset Management Plans submission to the Province, incorporating requirements for both growth and renewal capital plans.

In addition, residential development associated with the future Tewin community located within the Outside Greenbelt (OGB) benefitting area has been removed from the 2046 planning horizon for the purposes of the OGB water and sanitary (wastewater) service calculations. No area-specific development charges have been calculated for the Tewin community as part of the 2024 Amendment Study. It is anticipated area-specific development charges will be calculated for Tewin as part of a subsequent separate background study that is a prerequisite to introducing a by-law once more information becomes available regarding the development potential, timing of projects and scope of infrastructure requirements. This aligns with the City's historical practice of imposing area-specific development charges for water and sanitary (wastewater) sewer services.

In general, the Parks Development and Recreation Facilities capital program has been updated to reflect refinements to funding sources with no changes made to the overall development charge rates for these services. Other policy

considerations included revising development charge non-statutory provisions and indexing. These revisions are being made to the by-law to align the City's policies and practices with other municipalities.

Financial Implications

In summary, the gross capital project cost for water and sanitary (wastewater) engineered services based on the planning period listed in the 2024 Amendment Study is \$3.1 billion. Of this amount, \$1.4 billion has been deemed to be development charge eligible costs recovered from DC rates (\$1.2 billion from residential development and \$227.7 million from non-residential development). \$1.1 billion amount is deemed to be benefit to existing (BTE) ratepayers.

For Parks Development and Recreation Facilities, no changes have been made to the ten-year forecast (2024-2033) DC recoverable amount, as presented in the 2024 Provisional DCBS. The gross capital project cost based on the planning period listed in the 2024 Provisional DCBS is \$810.9 million. Of this amount, \$407.7 million has been deemed to be development charge eligible costs (\$387.3 million from residential development and \$20.4 million from non-residential development). \$127.4 million is deemed to be benefit to existing taxpayers.

Funding strategies will be developed as part of the Long-Range Financial Plan (LRFP) updates in 2025 to fund the BTE portion of growth costs. The LRFPs will incorporate the growth costs identified in the DC Background study as well as the capital asset renewal needs requirements identified by the various asset management plans to be submitted to the Province in 2025.

Public Consultation

Before passing a new Development Charges By-law, Council is required to hold at least one public meeting to review the 2024 Amendment Study report and proposed by-law and provide members of the public with the opportunity to make representation. A notice to inform the public of this process was placed in newspapers on October 05, 2024, and the very preliminary draft 2024 Amendment Study was made available on August 30, 2024. The October 23, 2024, meeting of the Planning and Housing Committee will serve as the formal statutory public meeting.

Other consultations included the Development Charges By-law Councillor Sponsors Group (established by Planning and Housing Committee in 2023) and the Industry Working Group (consisting of representatives from the Greater

Ottawa Home Builders Association (GOHBA) and the Building Owners and Managers Association (BOMA).

RÉSUMÉ

Hypothèse et analyse

En mai 2024, le Conseil municipal a approuvé la [version provisoire de l'étude préliminaire sur les redevances d'aménagement de 2024](#). Depuis, le Plan directeur des infrastructures de 2024 a été approuvé. Les prévisions en matière d'aménagement des services d'eau et d'égouts sanitaires (eaux usées) correspondent désormais aux objectifs en matière de population et d'emploi du Plan officiel jusqu'en 2046. Compte tenu de ces nouveaux renseignements, le personnel demande au Comité de la planification et du logement et au Conseil d'approuver l'étude préliminaire sur la modification des redevances d'aménagement de 2024 (l'étude sur la modification de 2024) datée du 11 octobre 2024.

L'étude sur la modification de 2024 couvre désormais les projets du Plan directeur des infrastructures, leurs coûts et le calendrier de mise en œuvre proposé. Les taux correspondants indiqués dans le règlement modifié feront en sorte que des redevances d'aménagement soient perçues pour fournir des services d'infrastructure essentiels pour les aqueducs et les égouts sanitaires (eaux usées) afin de soutenir la croissance requise. L'étude sur la modification de 2024 et le règlement ont été préparés conformément à la *Loi sur les redevances d'aménagement* et aux règlements connexes.

Plusieurs étapes essentielles sont nécessaires pour modifier le calcul des taux de redevances d'aménagement. Il faut notamment préparer des prévisions d'aménagement, déterminer les niveaux de service antérieurs, établir l'augmentation des besoins en services découlant des projets d'aménagement, procéder à une répartition adéquate des coûts et attribuer ces derniers en fonction des types d'aménagement (résidentiels et non résidentiels). Les projets d'infrastructure indiqués se conforment aussi aux lignes directrices révisées sur la viabilisation locale, qui déterminent la viabilisation interne considérée comme étant une constituante du financement direct des promoteurs par rapport aux coûts qui profitent à l'ensemble de la ville.

Il est reconnu que la modification représente encore une analyse ponctuelle dont le calendrier, la portée et les coûts des projets sont appelés à changer dans le cadre du processus de budgétisation annuelle des immobilisations de la Ville, lequel examine les soldes des comptes des fonds de réserve et les enveloppes

de financement abordable. Le Conseil sera invité à approuver les prévisions de dépenses d'immobilisations contenues dans l'étude sur la modification de 2024; toutefois, cette approbation sera réaffirmée chaque année s'il y a lieu. Cette modification n'a rien changé à l'obligation d'avoir des sources de financement non reliées à la croissance qui sont suffisantes pour payer la part d'infrastructures reliées à la croissance de la Ville qui ont été identifiées dans l'étude sur la modification de 2024. Les plans financiers à long terme pour répondre à ces exigences en matière de financement seront mis à jour en 2025, pour appuyer la présentation des plans de gestion des actifs au gouvernement provincial, en incorporant les besoins concernant les plans relatifs aux dépenses d'immobilisations pour la croissance et la réfection.

De plus, l'aménagement résidentiel associé à la future communauté de Tewin située dans le secteur bénéficiaire à l'extérieur de la Ceinture de verdure a été supprimé de l'horizon de planification 2046 pour calculer les services d'aqueduc et d'égouts sanitaires (eaux usées) à l'extérieur de la Ceinture verte. Il n'y a pas de redevances d'aménagement spécifiques au secteur qui ont été calculées pour la communauté de Tewin dans le cadre de l'étude sur la modification de 2024. On s'attend à ce que des redevances d'aménagement spécifiques au secteur soient calculées pour Tewin dans le cadre d'une étude de contexte distincte subséquente qui est une exigence préalable à l'introduction d'un règlement municipal une fois que de plus amples renseignements seront disponibles en ce qui concerne le potentiel d'aménagement, le calendrier des projets et la portée des exigences en matière d'infrastructure. Cela cadre avec la pratique historique de la Ville consistant à imposer des redevances d'aménagement spécifiques au secteur pour les services d'aqueduc et d'égouts sanitaires (eaux usées).

D'une façon générale, le programme des immobilisations pour l'aménagement des parcs et des installations de loisirs a été mis à jour afin de refléter les perfectionnements apportés aux sources de financement sans changer les taux globaux des redevances d'aménagement pour ces services. D'autres considérations relatives aux politiques incluaient la révision des dispositions et de l'indexation non réglementaires des redevances d'aménagement. Ces révisions sont apportées au règlement pour aligner les politiques et pratiques de la Ville sur d'autres municipalités.

Implications financières

En résumé, le coût brut des projets d'immobilisations pour les services techniques d'aqueduc et d'égouts sanitaires (eaux usées) basé sur la période de planification indiquée dans l'étude sur la modification de 2024 est de 3,1 milliards de dollars. Sur ce montant, un montant de 1,4 milliard de dollars a été considéré comme des coûts recevables liés aux redevances d'aménagement financés grâce aux taux de redevances d'aménagement (1,2 milliard de dollars provenant de l'aménagement résidentiel et 227,7 millions de dollars provenant de l'aménagement non résidentiel). On considère qu'un montant de 1,1 milliard de dollars profite aux contribuables existants (AAE).

En ce qui concerne l'aménagement des parcs et les établissements de loisirs, aucun changement n'a été apporté au montant financé grâce aux redevances d'aménagement prévu pour 10 ans (2024-2033), tel que présenté dans l'étude préliminaire sur les redevances d'aménagement provisoire de 2024. Le coût brut des projets d'immobilisations basé sur la période de planification indiquée dans l'étude préliminaire sur les redevances d'aménagement provisoire de 2024 est de 810,9 millions de dollars. Sur ce montant, 407,7 millions de dollars ont été considérés être des coûts recevables au titre des redevances d'aménagement (387,3 millions de dollars provenant de l'aménagement résidentiel et 20,4 millions de dollars provenant de l'aménagement non résidentiel). On considère qu'un montant de 127,4 millions de dollars profite aux contribuables existants.

Des stratégies de financement seront élaborées dans le cadre des mises à jour du Plan financier à long terme (PFLT) en 2025 pour financer la portion AAE des coûts de croissance. Les PFLT incorporeront les coûts de croissance indiqués dans l'étude de contexte sur les redevances d'aménagement, ainsi que les besoins en matière de renouvellement des immobilisations établis par les différents plans de gestion des actifs qui seront présentés à la Province en 2025.

Consultation publique

Avant d'adopter un nouveau Règlement sur les redevances d'aménagement, le Conseil est tenu de tenir au moins une assemblée publique pour examiner le rapport de l'étude sur la modification de 2024 et le règlement proposé, et de donner aux membres du public la possibilité de faire des représentations. Un avis pour informer le public de ce processus a été placé dans les journaux le 5 octobre 2024 et l'étude provisoire sur la modification de 2024, qui est très préliminaire, a été mise à disposition le 30 août 2024. La réunion du

23 octobre 2024 du Comité de la planification et du logement servira d'assemblée publique officielle.

D'autres consultations ont été menées notamment avec le groupe de conseillers parrains du Règlement sur les redevances (établi par le Comité de la planification et du logement en 2023) et le groupe de travail de l'industrie (comprenant des représentants de la Greater Ottawa Home Builders Association (GOHBA) et de la Building Owners and Managers Association (BOMA)).

BACKGROUND

To pass a new Development Charges By-law, a background study must be prepared pursuant to Section 10 of the *DCA*. This document must be made available to the public, as required by Section 12 of the *DCA*, 60 days prior to the Council meeting. The 2024 Amendment Study and by-law will be before Council on October 30, 2024. The charges calculated in the 2024 Amendment Study represent those costs, which can be recovered under the *DCA*, based on the City's capital spending plans and underlying assumptions. A decision is required by Council, after receiving input at the public meeting, as to the magnitude of the charge it wishes to establish, for residential and non-residential development. Property tax, user rates or other funding sources will be required to finance the non-growth component of the growth-related capital costs. The calculation methodology contained within the amended study represent a balanced approach in implementing the overall policy of having growth pay a share of infrastructure, while at the same time, distributing eligible capital costs between residential areas and non-residential development. Development charges remain an important financial tool that helps to ensure serviced lands are available for future development and redevelopment. Issues that are contentious in preparing a background study relate to the geographic allocation of capital project costs, deductions for the benefit to existing development, post-period benefit allocations and predicting the timing of future capital works, to name a few. The primary purpose of the public meeting is to obtain additional input concerning these matters.

DISCUSSION

Through this report, development charge recommendations are being made to Planning and Housing Committee and Council for approval of the 2024 Amendment Study and by-law. The 2024 development charge rates listed within the by-law will be used as the basis to recover the costs of anticipated new development, for water and sanitary (wastewater) services, based on the approved Infrastructure Master Plan.

2024 Development Charges Amendment Background Study (2024 Amendment Study)

The *DCA* sets out the essential steps necessary to create an amending background study. Most importantly, the *DCA* requires that a draft 2024 Amendment Study be completed. Staff retained Hemson Consulting Ltd., to undertake the production of the amended documents and the resulting study is an important companion document to this report. The [2024 Development Charges Amendment Background Study](#) dated October 11, 2024, was made available on Ottawa.ca prior to the October 23, 2024, public meeting.

The 2024 Amendment Study provides an estimate on the amount, type and location of development; a calculation for the water and sanitary sewer services included within the amended development charge rates (i.e. growth/non-growth split, residential/non-residential allocations, capacity in existing systems), and other information that is required to help ensure that future financing and infrastructure placement are aligned.

Establishing the Development Charges

The *DCA* outlines the method that must be used to determine development charges. The “anticipated amount, type and location of development for which development charges can be imposed” must be estimated, along with the “increase in need for service attributable to the anticipated development...”.

The 2024 Amendment Study includes a growth forecast that provides the anticipated development for which the City will be required to fund growth-related water and sanitary (wastewater) services capital plan over a new 22-year time horizon (2024-2046). The planning horizon is based on the Council approved OP growth projections. As such the increased servicing needs attributable to the forecast development approved by Council in the OP are reflected in the 2024 Amendment Study capital project submissions.

Calculating the Development Charges

The *DCA* sets out the method that must be used to determine the rates. This method calls for different types of deductions to be made from municipal servicing costs, where applicable, which relate to the need for service attributable to new development anticipated over the planning period.

In calculating the charge, it is necessary to:

- establish a development forecast for population and housing,

and for employees based on floor area allocations;

- determine and cost the additional services such new development will require to provide the same level of service enjoyed by existing community;
- ensure that the program has Council approval;
- make the cost reductions required by the *DCA* with respect to historical average service levels;
- identify benefits to existing development allocations, excess capacity, grants and contributions, etc.; and
- calculate provisional development charges by type of use and document this in a background study and by-law.

2024 Development Charges Amendment Background Study Rates

In summary, the gross capital project cost for water and sanitary (wastewater) engineered services based on the planning period listed in the 2024 Amendment Study is \$3.1 billion. Of this amount, \$1.4 billion has been deemed to be development charge eligible costs recovered from DC rates (\$1.2 billion from residential development and \$227.7 million from non-residential development). \$1.1 billion amount is deemed to be benefit to existing (BTE) ratepayers.

The *DCA* requires that the capital costs must be reduced or adjusted for capital grants, subsidies and other recoveries made to a municipality. The sole purpose of development charges is to fund a portion of servicing costs, thereby enabling growth to offset the associated capital expenditures, which allow development to proceed in a timely and efficient manner. It is the City's goal to establish a development charge schedule that reflects servicing benefits received in the various areas of the City.

The *DCA* establishes that (i) the total of all Development Charges that would be imposed on an anticipated development must not exceed the capital costs determined for all services involved; (ii) if a specific type of development is identified, it must pay the development charges that exceed the capital costs that arise from the increase in the need for service for that type of development; and (iii) if the rules provide for a type of development to have a lower rates than is allowed, any resulting shortfall may not be made up via other development.

To address these requirements, the City has adopted the following conventions:

1. Costs to residential uses have been assigned to different types of residential units based on the average occupancy for each housing type constructed during the initial years of occupancy; and
2. Costs are allocated to non-residential uses based upon several factors, as may be suited to each service-related circumstance.

The main objective of this 2024 Amendment Study was to provide growth-related funding for water and sanitary (wastewater) service categories so that the City may collect revenues to service growth until 2046.

Parks Development and Recreation Facilities Services

This amendment reflects updates to the Parks Development and Recreation Facilities capital program to identify the City's funding sources. No changes are being proposed to the DC rates as calculated in the previously adopted 2024 city-wide by-law. No changes were made to the ten-year forecast (2024-2033) DC recoverable amount, as presented in the 2024 Provisional DCBS. The historical service levels used in the 2024 Amendment Study are still calculated based on the previous 2009-2023 time-period and are consistent with the service levels calculated in the 2024 Provisional DCBS.

Based on the development forecasts, Hemson Consulting, in collaboration with staff, have created a development-related capital program that sets out the growth-related projects required to service anticipated development for the ten-year period from mid-2024 to mid-2033. This capital forecast is consistent with the 2024 Provisional DCBS.

In summary, the gross capital project cost for Parks Development and Recreation Facilities based on the planning period listed in the 2024 Provisional DCBS is \$810.9 million. Of this amount, \$407.7 million has been deemed to be development charge eligible costs (\$387.3 million from residential development and \$20.4 million from non-residential development). \$127.4 million is deemed to be benefit to existing taxpayers.

Discretionary Exemptions

Discretionary exemptions represent development charges that will not be collected. The foregone revenues are required to be offset and City accounts have been set up to reimburse the development charge reserve funds for the exempted amounts. The funding circumstances surrounding the initial imposition of these exemptions have changed. Starting in 2019, there have been nine separate Provincial legislative amendments to the DCA, which have

been enacted, that have impacted the collection of development charges at building permit issuance by expanding the number of statutory exemptions and discounts. They include, but are not limited to, the imposition of exemptions for the creation of residential units in certain existing rental residential buildings, existing houses and new residential buildings, non-profit housing development, affordable housing units subject to inclusionary zoning, and affordable residential units.

These incentives have transferred the ongoing funding of growth-related infrastructure to municipalities. The City does not have the authority to modify statutory exemptions should they not accomplish their intended objectives. While the Provincial government has indicated that it intends to ensure that municipalities are made whole for the additional exemptions and discounts, it is unclear when or how the City will be reimbursed. This may result in deferring the timing of growth-related infrastructure projects or require additional amounts of debt to be issued in the future.

To offset the impact of this statutory funding gap, staff are proposing to remove a number of discretionary exemptions and to phase-out two clauses from the Timing of the Calculation and Payment section of the DC By-law.

Discretionary exemptions, unlike statutory incentives, require municipalities under Section 5(6)3 of the DCA to directly fund any resulting shortfall from tax and rate transfers, which shifts the burden of funding these costs directly to local revenue sources. To address this situation it is being recommended that Council reduce the number of non-statutory exemptions by removing Section 7: (o) Non-profit housing, (p) Non-profit Health Care Facility, (r) Public Facility, and (t) Coach House from the current DC by-law. The rationale for removing the non-statutory exemptions in Section 7 are as follows:

- Subsection (o) Non-profit housing: the enacting of Bills 138 and 23 have provided for the statutory exemption, this addition has made the City's non- statutory exemption redundant.
- Subsection (p) Non-profit Health Care Facility: the province will fund DC payments for Non-profit Health Care Facilities.
- Subsection (r) Public Facility: DCs for Public Facilities can be waived through resolutions of council.
- Subsection (t) Coach House: is covered under the statutory exemptions provided in Bill 23 Additional Dwelling Units.

The corresponding alternative budgeted funding of the annual discretionary exemptions to offset the ongoing revenue shortfall will be adjusted.

The second proposal is to reduce the number of clauses listed within the current DC By-law that delay the payment of development charges. These clauses were introduced in 2014 to accommodate a specific set of circumstances that delayed collection of development charges at building permit issuance. The Province has also subsequently introduced legislation, in 2019, that requires a delay in the collection of development charges under Section 26(1) and a legislative amendment that locks in the DC rate for up to 18 months after application approval under Section 26(2) of the DCA.

Redevelopment of Land Credits

The Development Charge By-Law 2019-156 notes that a building or portion of a building that is demolished and rebuilt receives a redevelopment credit if the building or portion of the building is replaced within five (5) years. Further, the Development Charge By-law defines “derelict” as a building or structure that is vacant, neglected, poorly maintained and unsuitable for occupancy. A “derelict building” is not eligible for a redevelopment credit.

City-wide, staff estimate that there are between 10 and 15 designated or contributing properties under the *Ontario Heritage Act* that have been deemed “derelict” although there is not a formal list maintained by City staff. Such properties include some of the most challenging properties that the City has been addressing through the “Heritage Watch List”: 352 Somerset Street West (Somerset House), 287 Cumberland Street (former Our Lady School), and 1119 Wellington Street West (Magee House). All of these buildings have been vacant and in a derelict condition for more than five years, but the owners are required to retain these buildings through Council direction under the *Ontario Heritage Act*.

There are many barriers to the meaningful redevelopment of heritage properties including timing, construction costs, the obtaining of specialized trades and materials, and insurance matters. Heritage Planning staff’s view is that while this initial policy was put into place to motivate landowners to redevelop their properties, in practice it has created a systemic barrier to these complicated sites being activated. This in turn has contributed to the City receiving no Development Charges for these properties as they have sat fallow. A minor amendment to this policy limited to designated Part IV and contributing heritage properties in Heritage Conservation Districts would allow staff to monitor if it has the intended impact of activating the properties on the Heritage Watch List, while at the same time contributing towards the creation of new housing stock,

increased development charge revenue, higher property taxation revenue, and lower enforcement costs for the City.

To remove this barrier, staff recommend a minor change to Section 9 – Redevelopment of Land Credits of the Development Charge By-law to exempt designated heritage properties from the restriction on receiving development charge credits even if the building has been deemed derelict. This would only be possible where redevelopment includes the heritage building on the site. Projects where the heritage building is to be demolished would not be eligible for the credit.

The clause in Section 9 would read:

(12) Notwithstanding the above policies, a building that is deemed to be derelict in accordance with this by-law, and which is designated under Part IV of the Ontario *Heritage Act* or is a Contributing building in a Heritage Conservation District, designated under Part V of the Ontario *Heritage Act*, shall be eligible for a development charge credit, if a building permit for residential or non-residential development, but excluding demolition, is issued for a building or structure on the lands occupied by the deemed derelict structure.

Furthermore, City staff would develop a formal list of such designated heritage properties for consistent application at the permit issuance process and would monitor the impact of this policy change for future Development Charge By-law policy reviews.

Indexing of the Development Charge Rates

It is important that the quantum of the development charges collected increase over time in alignment with the increase in construction prices so that its purchasing power is preserved. The City's development charge rates are adjusted based on the statutory Non-residential Building Construction Price Index (BCPI) and are a result of construction price escalation. The City's rates will continue to be adjusted annually to offset these inflationary infrastructure costs.

It is recommended that the indexation date be reinstated to take place on an annual basis starting on April 1, 2025, without an adjustment to water and sanitary (wastewater) services in 2025, versus the current practice of applying the adjustment annually on October 1. This date also aligns with indexing measures applied elsewhere in the Province.

To provide stakeholders with more notice about the update to the annual index rate, staff are recommending the use of the Statistics Canada [Building Construction Price Index](#) (BCPI) from Q3 of the previous year. The release date by Statistics Canada of

this quarterly index rate is mid-November versus the current release date of mid-February the following year. This annual index will still reflect development related inflationary project costs that have been incurred and will increase the City's ability to address infrastructure funding pressures. associated with having made substantial upfront investments to expand Public Transit services.

Conclusion

The amended development charge rates represent those which can be recovered under the *Development Charges Act*, based on the City's capital spending plans and assumptions listed within the Infrastructure Master Plan.

FINANCIAL IMPLICATIONS

Growth costs in the DC Amendment Background study for water and wastewater are concentrated in the 2029 to 2034 time period. Although this infrastructure allows the City to achieve the level of growth envisioned in the Official Plan, this concentration of spending creates financing challenges for the City that impacts the plan's affordability. The Amendment Study forecasts that water and wastewater DC reserves will be in a peak deficit position of approximately \$250 million and \$290 million by year 2034 and 2039, respectively, since the cost of infrastructure to unlock growth precedes the collection of development charges from that growth.

Rate revenues related to the renewal of water and wastewater assets and the share of growth costs that benefit existing ratepayers (BTE portion) are currently increased annually to meet the revenue requirement defined in the 2017 Long Range Financial plan ([ACS2017- CSD-FIN-0023](#)). The current revenue requirement cannot support the updated BTE portion of the Amendment Study, in addition to the targets previously set. However, an update to the Rate LRF in 2025 will include a revised funding strategy, provide guidance to the rate revenue requirement to fund the BTE portion, and incorporate the pressures identified in the Amendment study as well as the various asset management plans that are to be updated in 2025, that will also identify capital asset renewal needs requirements.

Similarly, an update to the City-wide Tax LRF in 2025 will develop a revised funding strategy and provide guidance to the tax revenue requirement to fund the BTE portion and renewal needs for Parks Development, Recreation Facilities as well as other tax-supported services.

As part of the 2025 budget, the expenditure budget for DC exemptions will be reduced by approximately \$500,000 to account for the removal of the four non-statutory exemptions.

LEGAL IMPLICATIONS

The appeal provisions are as set forth in the disposition. It is anticipated that should appeals be received, they will be consolidated with the appeals to By-law 2024-218.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide report.

CONSULTATION

Before passing a new Development Charges By-law, Council is required to hold at least one public meeting to review the 2024 Amendment Study report and proposed by-law and provide members of the public with the opportunity to make representation. The preliminary draft 2024 Amendment Study was made available on August 30, 2024, and a notice to inform the public of this process was placed in newspapers on October 05, 2024. The October 23, 2024, meeting of the Planning and Housing Committee, will serve as the formal public meeting.

A Development Charges By-law Councillor Sponsors Group was established by Planning and Housing Committee in 2023. An Industry Working Group was also established, consisting of representatives from the Greater Ottawa Home Builders Association (GOHBA) and the Building Owners and Managers Association (BOMA).

ACCESSIBILITY IMPACTS

As Ottawa continues to be developed through its Official Plan and the key infrastructure projects identified in the Infrastructure Master Plan, the City of Ottawa is committed to ensuring accessibility for persons with disabilities and older adults. This includes the provision of safe, affordable, and sufficient drinking water, as well as wastewater and stormwater capacity to maintain sanitation services.

ASSET MANAGEMENT IMPLICATIONS

The recommendations documented in this report are consistent with the City's Comprehensive Asset Management (CAM) program objectives. The implementation of the Comprehensive Asset Management program enables the City to effectively manage existing and new infrastructure to maximize benefits, reduce risk and provide safe and reliable levels of service to community users. This is done in a socially, culturally, environmentally and economically conscious manner.

ECONOMIC IMPLICATIONS

The 2024 DC Background Study Amendment supports economic development by ensuring the necessary recapture of funds for water and wastewater infrastructure and Stormwater Management strategies that provide vital service to existing and planned development.

In addition to serving growth, the 2024 DC Background Study Amendment has a particular emphasis on funding for infrastructure to support intensification in existing, serviced areas which are a priority of the Official Plan. Likewise, the 2024 DC Background Study Amendment provides a framework for asset management objectives including maintaining levels of service and adopting a sustainable approach to infrastructure investment.

RISK MANAGEMENT IMPLICATIONS

The City of Ottawa's current interim Development Charge By-law will expire on May 22, 2024. The new by-laws must be adopted and enacted before that date if the City wishes to continue to collect development charges.

RURAL IMPLICATIONS

Rural residential area charges have been calculated based on the cost of growth basis.

TERM OF COUNCIL PRIORITIES

This project addresses the following Term of Council Priorities:

- A city that has affordable housing and is more livable for all;
- A city that is more connected with reliable, safe, and accessible mobility options

SUPPORTING DOCUMENTATION

Document 1 "2024 Development Charges Amendment Background Study" prepared by Hemson Consulting Ltd. dated August 30, 2024

Document 2 Draft Amendment to By-law 2024-218

DISPOSITION

The Planning, Development and Building Services Department will make any changes to the City-wide and Area-specific Development Charges Background Study and 2024 Stormwater Management Area-Specific Development Charges Background Study as a result of the direction of Planning Committee and Council.

Legal Services will prepare the required by-laws and submit them to Council.

Within 20 clear days of the passage of the by-law, the Planning, Development and Building Services Department will ensure that there is a notice of the passage of the By-laws and appeal deadline placed in the Citizen and Le Droit.

Within 20 days, the City Clerk's Office will notify everyone who has provided a written request for notice and a return address, and the secretary of every school board within the City of Ottawa, of the passage of the by-laws and appeal deadline.

The public has 40 days after the adoption of the by-law to file an appeal with the City Clerk.

If appeals are made, the City Clerk's Office will compile a formal record of appeals 15 including: a certified copy of the by-law; a copy of the two development charge background studies; certification that the notice of passage and last day of appeal was given in accordance with the *Development Charges Act*; and an original or true copy of all written submissions and materials received in respect of the by-law before it was passed.

The City Clerk's Office will forward a notice of appeal and record to the Ontario Land Tribunal secretary within 30 days of the last day of the appeal period and provide such information and material as the Board may require.

The Planning, Development and Building Services Department will prepare a pamphlet for each development charge by-law that has been adopted and is in force within 60 days after the by-law comes into force if the by-laws are not appealed to the Ontario Land Tribunal. If the by-laws are appealed, the pamphlets are to be prepared within 60 days of the Tribunal's decision or amendment order. The pamphlets are to be made available to the public upon request.