



100 John West Way
Aurora, Ontario
L4G 6J1
(905) 727-3123
aurora.ca

Town of Aurora
Information Report
No. FIN24-037

Subject: Legislative Change Development Charge Impact Update

Prepared by: Jason Gaertner, Manager, Financial Management

Department: Finance

Date: September 3, 2024

In accordance with the Procedure By-law, any Member of Council may request that this Information Report be placed on an upcoming General Committee or Council meeting agenda for discussion.

Executive Summary

This report provides an update to Council of the Town's development charge financial impacts to date resulting from the numerous legislative changes made to the *Development Charges Act*.

- To date, the Town's financial impacts have been minimal
- For the most part, future revenue losses will be determined by the volume of affordable and purpose-built residential housing

Background

On May 7, 2024, staff presented Council with an estimate of the anticipated financial impacts to the Town's development charge revenue as a result of the many legislative changes made to the *Development Charges Act, 1997, S.O. 1997, c. 27 (DCA)*. Council requested that staff provide it with regular updates on these financial impacts.

Analysis

To date, the Town's financial impacts have been minimal

As of the writing of this report, the Town's development charge revenue losses have been minimal. The Town did not experience any DC losses resulting from the mandatory new DC rate phase-in nor the removal of growth studies from the recent DC study.

There are multiple reasons for this; firstly, the timing of the Town's new DC Study and by-law approval and the Bill 185 (Cutting Red Tape to Build More Homes Act, 2024) receipt of royal assent minimized the period for the potential loss of revenue from the mandatory DC rate phase-in and the cost recovery of growth studies. Delays in provincial direction pertaining to the DC Act's affordable development clauses has deferred the Town's losses of this nature.

Development charge losses to date have been further mitigated as most recent development charge collections were based upon frozen DC rates relating to the Town's previous DC By-law.

High interest rates has slowed new residential development growth over the past several months within the Town, resulting in a reduced number of requested building permits to date. Development charges become payable at both the subdivision agreement execution and building permit request stages of a development application. The reduction in new development activity is contributing to an overall decline in development charge revenues compared to initial projections. The total initial projected development charge revenue for 2024 was \$8.1 million, only \$2.5 million was collected by the end of July. Most of this revenue has come from non-residential development. It is difficult to predict what further revenues may be collected for the remainder of the year.

For the most part, future revenue losses will be determined by the volume of affordable and purpose-built residential housing

As of the end of August, the Town has approximately three active development applications representing 257 in purpose-built (rental) residential units. Of these units, there is a potential that 115 may be deemed affordable exempting them from development charges. The remaining 142 units would be subject to a varying development charge discount dependent upon the unit's number of bedrooms. These units could potentially result in lost development charge revenue of up to \$2.9 million for the Town.

Advisory Committee Review

None.

Legal Considerations

None.

Financial Implications

To date, the financial impacts to the Town resulting from the numerous changes to the Development Charge Act have not been material for the above specified reasons.

It is anticipated that these financial impacts will accelerate as residential development begins to recover as interest rates decline. The extent of financial impact from this development will be determined by the composition of this development. The greater that the number of affordable or purpose-built, the larger lost development charge revenue will be. It is anticipated that depending upon the degree of affordable housing development, these future losses may range between \$18.3 and \$37.0 million when indexation is considered over the next 10 years.

Based upon current active development applications, potential losses are estimated to be \$2.9 million.

Communications Considerations

The town will inform the public about the information contained in this report by posting it to the Town's website.

Climate Change Considerations

There are no directly arising climate change considerations from this report.

Link to Strategic Plan

A Development Charge By-law is the primary tool with which Ontario municipalities can finance the cost of expanding infrastructure and service amenities to accommodate growth demands in their communities. Undertaking an examination of the impacts of recent legislative changes on this critical funding source demonstrates the Strategic Plan principles of Leadership in Corporate Management.

Alternative(s) to the Recommendation

None.

Conclusions

The DCA has been subject to numerous legislative changes, of which many of these changes are anticipated to have a significant financial impact on the Town over the short to longer term. To date, these impacts have minimal due to weaker new housing starts than anticipated; however, are expected to increase over the short to longer term as residential development increases within the Town.

Attachments

None.

Previous Reports

FIN20-005, Administrative Changes to the Calculation and Collection of Development Charges under Bill 108 and Bill 138, April 14, 2020

FIN20-021, Update on Proposed Legislative Changes to the Development Charges Act and Planning Act, September 8, 2020

PDS22-138, Bill 23 Proposed Omnibus Legislation Summary, November 22, 2022

FIN24-019, Anticipated Financial Impacts to the Development Charge Revenue as a Result of Legislative Changes, May 7, 2024

Pre-submission Review

Agenda Management Team review on August 14, 2024

Approvals

Approved by Rachel Wainwright-van Kessel, CPA, CMA, Director, Finance

Approved by Doug Nadorozny, Chief Administrative Officer