



# COUNTY OF WELLINGTON

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## COMMITTEE REPORT

**To:** Chair and Members of the Administration, Finance and Human Resources Committee  
**From:** Ken DeHart, County Treasurer  
**Date:** Tuesday, March 21, 2023  
**Subject:** **Development Charge Reserve Fund Statement as of December 31, 2022**

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### Background:

Section 43 of the *Development Charges Act, 1997* as amended by O.Reg. 428/15 through Bill 73, requires the Treasurer of a municipality to provide Council, the public and the Ministry of Municipal Affairs and Housing (as requested) with an annual financial statement relating to development charge (DC) by-laws and reserve funds. Attached are the County's DC financial statements as of December 31, 2022.

### DC Loan Repayments:

County Council approved a November 2022 Administration, Finance and Human Resources Committee report, *Repayment of Internal Loans from Development Charge Reserve Funds*, which outlined the repayment of internal loans from tax-supported reserves to development charge reserves. The repayments have resulted in some development charge reserves being in a negative position. The new year-end reporting will provide greater transparency as negative balances will identify where development charge collections have lagged expenditures and free-up tax supported reserve funds for non-growth-related capital projects.

The report also advised the Social Services Development Charge Reserve balance would be written off at year-end. In March of 2020, Bill 197: COVID-19 Economic Recovery Act, 2020 provided that Social Services would no longer be an eligible service and upon approval of the 2022 DC By-law (effective June 1st, 2022) the County could no longer collect development charges related to this service.

The following table summarizes the year-end entries to repay the loans and write off the Social Services DC reserve balance:

Summary of Internal Loans Repaid to County Property and General Capital Reserves		
Project	DC Reserve Fund	County Property Reserve Loan
Mount Forest Day Care	Child Care Services	46,926
North Wellington Operations Centre	Police Services	350,000
Harriston Library	Library Services	542,683
Fergus Library	Library Services	1,187,696
Orangeville and Guelph Health Unit Buildings	Public Health Services	280,214
Fergus OW Office	Social Services	289,660
Aboyne Childcare Office Relocation	Social Services	75,419
City of Guelph POA Building	Provincial Offences Act	757,257
Various Growth Related Studies (Official Plan, DC Study)	Growth Studies (Admin)	56,544
Rockwood OPP Station	Police Services	1,208,685
Erin Branch Library	Library Services	620,000
Erin Station	Ambulance Services	85,000
<b>Subtotal County Property Reserve Loan</b>		<b>\$ 5,500,084</b>
Project	DC Reserve Fund	General Capital Reserve Loan
Various Growth Related Studies (Official Plan, DC Study)	Growth Studies (Admin)	\$ 239,965
<b>Total Possible Repayment to County Property / General Capital Reserves</b>		<b>\$ 5,740,048</b>
Less: Social Services Balance to Written-Off as an Ineligible Service		(311,618)
<b>Total Repayment to County Property / General Capital Reserves</b>		<b>\$ 5,428,429</b>

#### DC Collections:

Development charges collected in accordance with the County's by-law 5759-22 are deposited in the DC reserve funds as received and applied to eligible growth-related costs once those costs have been incurred.

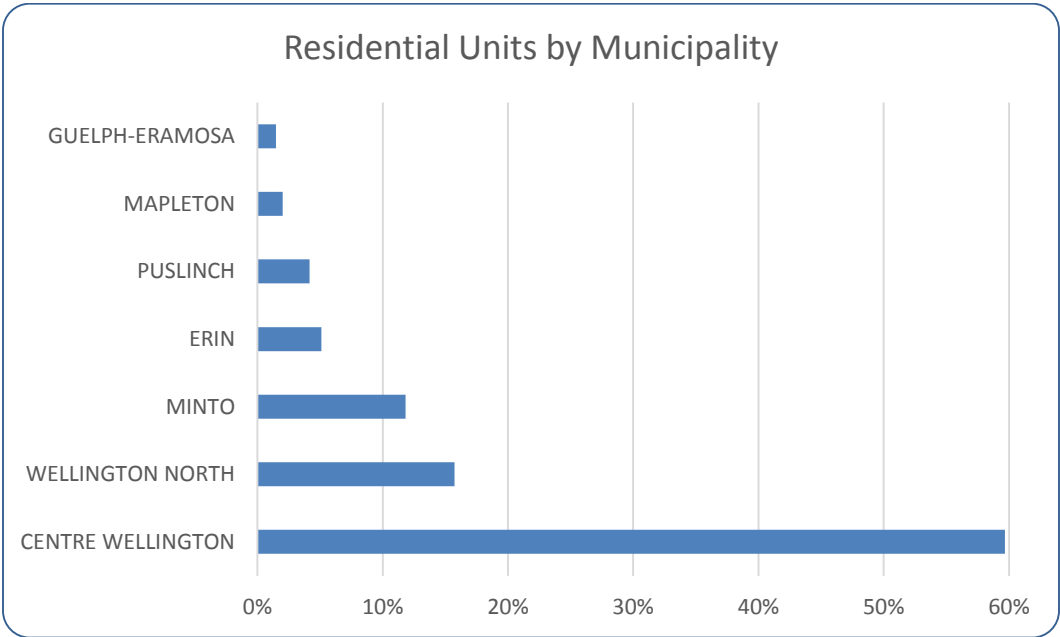
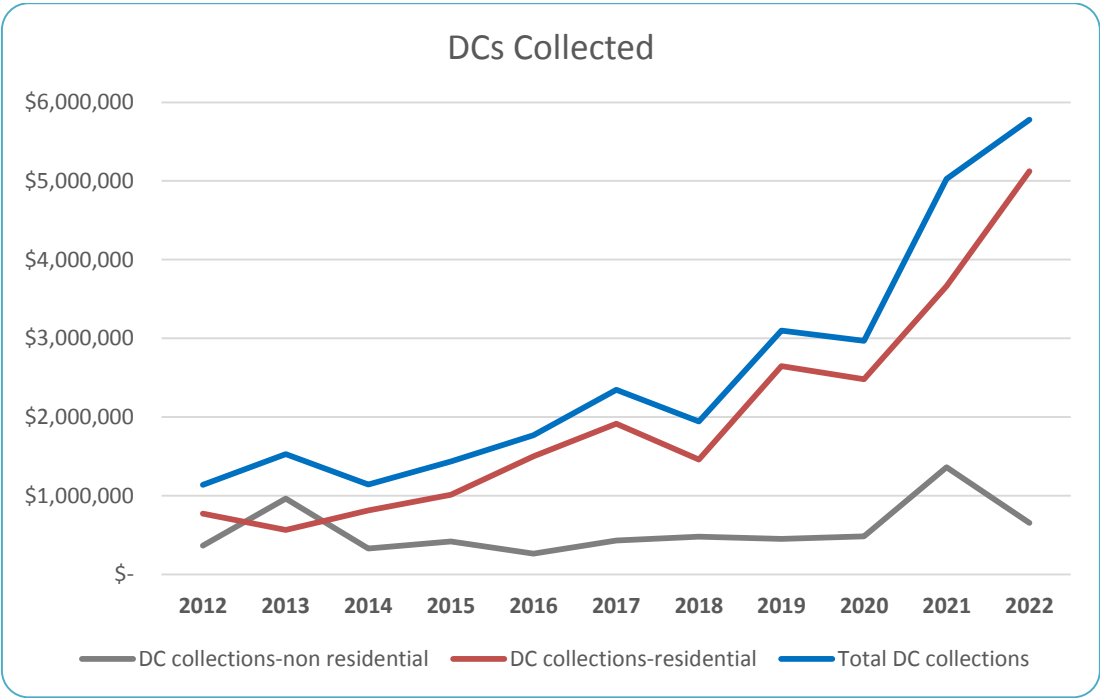
In November 2022 staff brought a report to the Administration, Finance and Human Resources Committee, *Bill 23, More Homes Built Faster, 2022 – Changes to the Development Charges Act* summarizing the impacts Bill 23 would have on development charge revenues. Among the changes reported was the phase-in of development charge rates for DC by-laws. With the information known at the time of the report, it was thought the County would be exempt from the requirement to phase-in DC rates. Once Bill 23 received Royal Assent, the timing of the applicability to apply the phase-in requirements for DC rates was revised from DC by-laws passed after June 1, 2022, to DC by-laws passed after January 1, 2022. As the County's current DC by-law was passed May 26, 2022, the County is now required to phase-in its DC rates. The phase in is as follows:

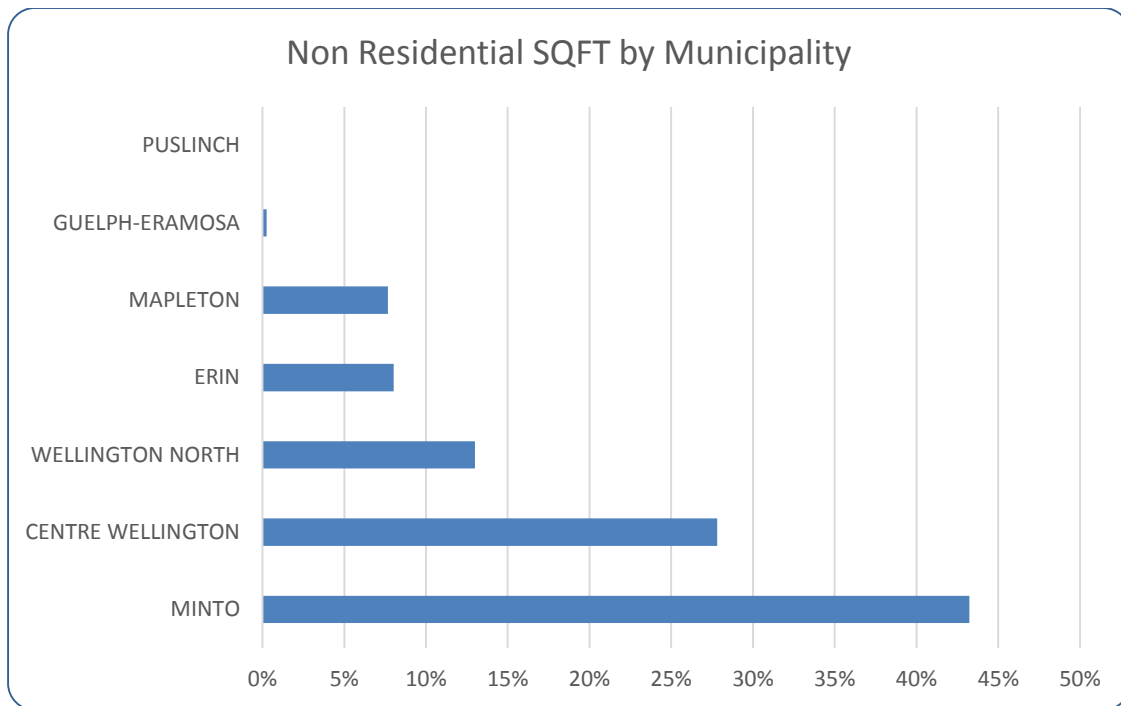
Example: \$100 DC

- Year 1 – 80% - \$80
- Year 2 – 85% - \$85
- Year 3 – 90% - \$90
- Year 4 – 95% - \$95
- Year 5 – 100% - \$100

For 2022, the phased-in DC rates were applicable for DCs collected between November 28 – December 31, 2022 in accordance with by-law 5759-22.

DC revenue collected in 2022 totaled \$5.78 million representing a 15% increase compared to 2021 collections. Centre Wellington accounts for 60% of residential unit growth while Minto accounted for 43% of the growth in non-residential square footage.





### DC Expenditures:

The County transferred \$408,963 to support growth-related capital in 2022. Project spending includes:

- Operating project funding:
  - \$128,000 from DC Library to increase collection materials at the County's 14 branches
  - \$51,861 from DC Admin for the Development Charge Study Update
- Capital project funding:
  - \$125,326 in DC Admin funding contributed to the Official Plan Update
  - \$85,079 in DC Roads funding contributed to: the construction of Wellington Road 18 at 26 intersection (\$13,446), Erin Brucedale Shop (\$7,634), Intersection improvements at WR 124 at 32 (\$31,883), WR 124 road improvements (\$2,593), and WR 7 at the First Line (\$8,902)
  - \$12,946 was returned to DC Roads reserve due to a funding correction for the Waste Management Strategy

### DC Debt Repayments:

The Development Charge Act (DCA) permits the use of external debt to manage the cash flow of the DC reserve funds. In 2022, the DC reserves funded \$1,614,335.87 in debt repayments for the growth related portion of the following projects:

- Central Garage construction
- Drayton Garage construction
- Arthur Garage construction
- Wellington Road 124 passing lane
- Wellington Road 124 Bridge B124135 widening
- Wellington Road 46, WR 34 to 401

Total DC debt outstanding at December 31, 2022 is \$15.44 million

## Upcoming Changes to County Development Charges

The November 2022 Administration, Finance and Human Resources Committee report, *Bill 23, More Homes Built Faster, 2022 – Changes to the Development Charges Act* summarized the changes to the Development Charges Act, 1997 as a result of Bill 23. There still remain some changes to the Act that municipalities are waiting for further direction from the government in order to make any necessary amendments to the collection and management of development charges.

Bill 23 Proposed Changes	Details	Status
Limit eligible capital costs to ensure greater cost certainty	<p>Studies, including the preparation of the DC Background study, would no longer be an eligible capital cost that could be recovered through development charges.</p> <p>A regulation-making authority would be provided to prescribe specific services for which the cost of land would not be an eligible capital cost that could be recovered through development charges.</p>	<p>Studies – These costs are currently considered as eligible capital costs and the County can continue to collect Growth Study DCs and fund capital costs for these studies. They will be removed with the next DC by-law in 2027. The County has set up a provision in 2022 for the DC Admin reserve balance in preparation of the County not being able to collect development charges for these studies.</p> <p>Land – The specifics has not been declared and it is unknown when this will occur. For now, these costs can continue to be treated as a DC eligible cost until the Province provides further information about the definition of land.</p>
Rental Housing Discount	<p>The DC payable for rental housing development will be reduced based on the number of bedrooms in each unit as follows:</p> <ul style="list-style-type: none"> <li>• 15% discount for a 1-bedroom unit (or smaller)</li> <li>• 20% discount for a 2-bedroom unit</li> <li>• 25% discount for a 3+ bedroom unit</li> </ul>	<p>The County may consider having an agreement with the developer to ensure units remain as rentals for a period of time.</p>
New Exemptions – Affordable Housing	<p>Affordable housing units in a development subject to inclusionary zoning, as well as non-profit housing developments would be</p>	<p>To be defined in a future bulletin. There is no indication of when this is expected. For now, continue with the current practice.</p>

Bill 23 Proposed Changes	Details	Status
	<p>exempt from development charges. Criteria to determine the eligibility of a unit for development charges exemptions is provided by the Ministry of Municipal Affairs and Housing. This would mean non-profit housing development is removed from the installment payment section of the Act (section 26.1), as these units are now exempt from payment of development charges.</p>	<p>The County may consider having an agreement with the developer guaranteeing the units will remain as affordable housing units for a period of time. The mechanism to ensure compliance still needs to be determined. Non-compliance would result in DCs being applied retroactively. No agreement has been developed yet.</p>
New Exemptions – Attainable Housing	<p>A residential unit, in a development designated through regulation, would be exempt from development charges. The Lieutenant Governor in Council would be provided with regulation-making authority to prescribe any applicable additional criteria that a residential unit would need to meet to be exempt from municipal development-related charges.</p>	<p>To be defined in a regulation. There is no indication of when this is expected. For now, continue with the current practice.</p> <p>The County may consider having an agreement with the developer guaranteeing the units will remain as attainable housing units for a period of time. The mechanism to ensure compliance still needs to be determined. Non-compliance would result in DCs being applied retroactively. No agreement has been developed yet.</p>

Staff will continue to monitor any updates on Bill 23 and work with the City's consultants to implement any of the required changes.

### Recommendation:

That the attached Development Charge Reserve Fund statements for the period ending December 31, 2022 be approved, posted to the County website and shared with the Ministry of Municipal Affairs and Housing, if requested.

Respectfully submitted,



Ken DeHart, CPA, CGA  
County Treasurer