



# The Corporation of the Town of Milton

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Report To: Council

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From: Glen Cowan, Chief Financial Officer/Treasurer

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Date: March 30, 2020

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Report No: CORS-013-20

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Subject: Indexing of the Town's Development Charges By-law

**Recommendation: THAT the indexing of the Town's development charges be received for information.**

**AND THAT the Building Construction Price Index not be applied on April 1, 2020 to Cash Flow Assistance/Deficit per Unit (Cash Flow Assistance) Letters of Credit imposed under the Town's Financial Agreements.**

## EXECUTIVE SUMMARY

The purpose of this report is to inform Council of the indexing adjustment that will be applied to the development charges on April 1, 2020. The Town's Development Charges By-law allows for the indexing of development charges annually on April 1<sup>st</sup> without requiring an amendment to the By-law. The indexing is applicable to residential and non-residential development charge rates. Clauses within various financial agreements also provide for indexing in accordance with the Development Charges By-law. Staff recommend indexing not be applied to the cash flow assistance letters of credit as sufficient funds are available in existing letters of credit held by the Town to address projected needs.

## REPORT

### Background

In 2016, Council passed By-law No. 053-2016 and amending By-law No. 100-2016 (collectively the "Development Charges By-law"), being a by-law of the Corporation of the Town of Milton for the imposition of development charges. The Development Charges By-law includes a provision to adjust the development charge rates on April 1<sup>st</sup> of each year. The indexing is based on the Statistics Canada Quarterly, Building Construction Price Indexes ("BCPI") related to non-residential building construction (Table 18-10-0135-02) as prescribed by O. Reg. 82/98, as amended for the Toronto, Ontario metropolitan area.



## Discussion

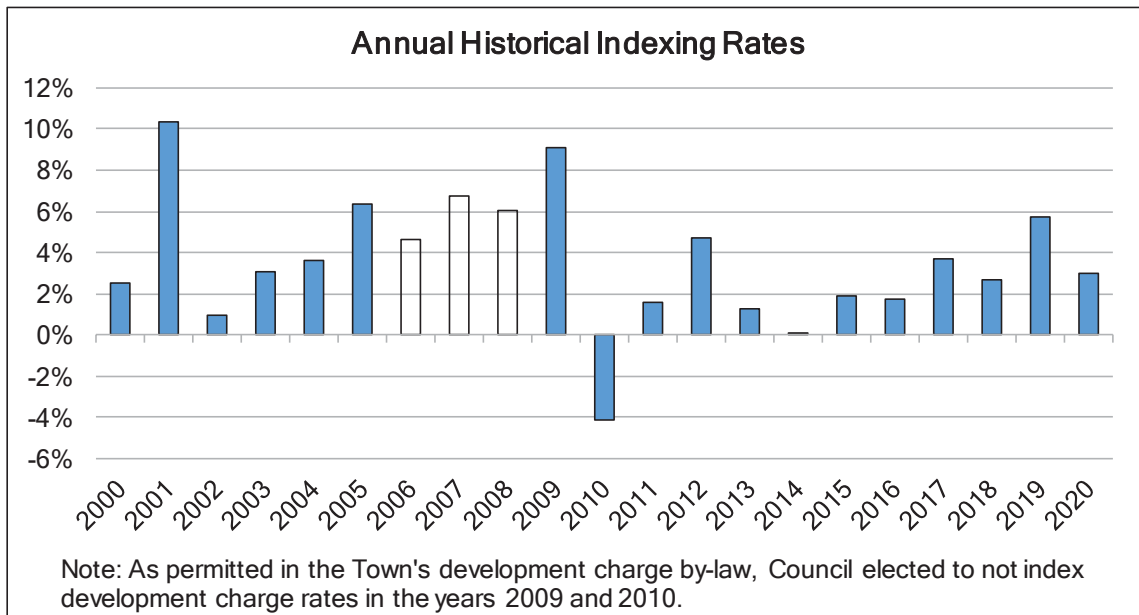
The BCPI is a quarterly series that measures change over time in the prices that contractors charge to construct a range of new commercial, industrial and institutional buildings. The contractors' prices reflect the value of all materials, labour, equipment, overhead and profit to construct a new building and excludes value added taxes and any costs for land, land assembly, building design, land development and real estate fees.

The indexing factor is derived by calculating the percentage change between the fourth quarter 2019 and fourth quarter 2018. The resulting percentage change represents the cost increase for the period of January 1 to December 31, 2019.

During 2019 and after the Town's calculation of indexing rate for April 2019, the base figure for fourth quarter 2018 was restated from 106.5 to 106.6. To account for this restatement, the original base figure of 106.5, as provided by Statistics Canada in February 2019, has been used to calculate this year's indexing factor. The resulting percentage change in BCPI for non-residential construction in the Toronto area is an increase of 3.0%.

The increases in non-residential construction costs were largely driven by higher material pricing and labour shortages reported by non-residential builders.

To put the 3.0% increase in context relative to historical changes in the BCPI, the following graph summarizes historical movement in the index.





The following tables summarize the changes in the Town’s residential and non-residential development charge rates. In accordance with the timing of the development charge payments as outlined in the Town’s Development Charges By-law, the indexed rates will be imposed on any unissued building permit, unregistered plan of subdivision or site plan not granted site plan approval as at close of business on March 31, 2020, for all applications not subject to the new legislative requirements enacted through Bill 108: *More Homes, More Choice Act, 2019*.

**Residential Town of Milton Development Charges\***

Type of Dwelling	Current Rate	Indexed Rate	Increase
Single/Semi-Detached	\$ 20,682	\$ 21,302	\$ 620
Multiples	\$ 14,807	\$ 15,251	\$ 444
Apartments (2 or more bedrooms)	\$ 11,103	\$ 11,435	\$ 332
Apartments (1 bedroom or less)	\$ 7,460	\$ 7,685	\$ 225
Special Care/Special Needs	\$ 6,465	\$ 6,660	\$ 195

**Non-Residential Town of Milton Development Charges\***

	Current Rate	Indexed Rate	Increase
Retail			
per square metre	\$ 82.65	\$ 85.13	\$ 2.48
per square foot	\$ 7.68	\$ 7.91	\$ 0.23
Non-Retail			
per square metre	\$ 37.79	\$ 38.92	\$ 1.13
per square foot	\$ 3.51	\$ 3.61	\$ 0.10

\* all rates noted above exclude the area specific charges for Sherwood, Boyne and Derry Green. Please refer to attachment for the full details of the indexed rates.

The Town has also entered into financial agreements with residential developers. Clauses within those agreements outline the collection of the capital provision payment, the overcontribution payment, the parkland capital provision payment and the cash flow assistance letters of credit from the developers. These financial contributions are indexed in accordance with the indexing provisions of the Development Charges By-law.

Staff have reviewed the projected usage of the cash flow assistance funding within the 2020 Capital Budget and Forecast and have determined that sufficient funds are available in existing letters of credit held by the Town to address projected needs. As such, and in alignment with clause 44 of the Development Charges By-law, staff are recommending that the cash flow assistance letters of credit not be indexed in 2020. Staff will continue



to monitor cash flow assistance letters of credit held in relation to projected needs to ensure the Town's financial interests are protected, in accordance with the financial agreements.

## Benchmarking

Development Charges are a cost recovery tool for the Town and have been developed based on forecasted growth and the resulting capital investments. In addition to the Town's share, the total development charge paid by a landowner consists of amounts collected by the Region and the Boards of Education as well. As shown in the table below and based on the 2019 Municipal Study published by BMA Consulting Inc., the total development charges paid within Milton remain below the median within the Greater Toronto Area.

	Single Detached Dwelling	Non-Residential Commercial	Non-Residential Industrial
Town of Milton Total DC as a % of GTA Median	78%	96%	67%

Note: Includes Town, Region and Boards of Education development charges as presented in 2019 BMA Municipal Study.

## Legislative Update

As previously reported to Council through CORS-035-19, CORS-047-19 and CORS-002-20, the Ministry of Municipal Affairs and Housing, through Bill 108: *More Homes, More Choice Act, 2019*, introduced changes to the *Development Charges Act, 1997*, that have significant implications for municipalities. The Province subsequently approved Bill 138: *Plan to Build Ontario Together Act, 2019*, which made further changes to the DCA. Portions of the legislative changes were proclaimed and enacted on January 1, 2020 including:

- Timing of collection of development charges
- Timing of the development charge calculation
- Interest on development charges

More specific details of the changes were included in report CORS-002-20. The legislation also included a housekeeping amendment that maintains the use of the BCPI and provides further clarity through the regulations for regional application for Ottawa-Gatineau or Toronto index, as appropriate.

Legislative changes to the DCA continue to be introduced with the most recent release through ERO posting 019-1406: Proposed regulatory matters pertaining to community benefits authority under the Planning Act, the Development Charges Act, and the Building Code Act. The current ERO posting provides details on the new community benefits charge regime and its requirements for implementation as well as additional modifications



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to development charge eligible services. Staff continue to review the proposed regulatory changes and plan to submit comments before the posted deadline of April 20, 2020 under authority of Council, granted through CORS-047-19.

## Financial Impact

It is important for the Town to increase development charges to capture the increased cost of construction in order to ensure appropriate funding in the capital budget and forecast. The 2020 capital budget and forecast includes funding from development charges of \$299 million and developer recoveries of \$34 million to support an overall investment of \$881 million in infrastructure and related studies.

Respectfully submitted,

Glen Cowan  
Chief Financial Officer/ Treasurer

For questions, please  
contact:

Cathie Boyle,  
Development Administrator

905-878-7252, ext. 2402

## Attachments

Schedule A - Town of Milton Development Charges Rate Sheet - April 1, 2020

CAO Approval  
Andrew M. Siltala  
Chief Administrative Officer

**TOWN OF MILTON  
DEVELOPMENT CHARGES  
EFFECTIVE APRIL 1, 2020**

**Residential Rates**

	Single and Semi Detached	Multiples	Apartments 2 or more Bedrooms	Apartments Bachelor and 1 Bedroom	Special Care/ Special Need Dwellings
Town Services - Services Related to a Highway	\$ 7,118.00	\$ 5,095.00	\$ 3,821.00	\$ 2,568.00	\$ 2,224.00
Town Services - Other Town-wide	\$ 14,184.00	\$ 10,156.00	\$ 7,614.00	\$ 5,117.00	\$ 4,436.00
Stormwater Management - Sherwood Survey	\$ 237.00	\$ 169.00	\$ 128.00	\$ 87.00	\$ 74.00
Stormwater Management - Boyne Survey	\$ 87.00	\$ 61.00	\$ 45.00	\$ 31.00	\$ 27.00
Stormwater Management - Derry Green	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total - Municipal Wide Services</b>	<b>\$ 21,302.00</b>	<b>\$ 15,251.00</b>	<b>\$ 11,435.00</b>	<b>\$ 7,685.00</b>	<b>\$ 6,660.00</b>
<b>Total - Sherwood Survey</b>	<b>\$ 21,539.00</b>	<b>\$ 15,420.00</b>	<b>\$ 11,563.00</b>	<b>\$ 7,772.00</b>	<b>\$ 6,734.00</b>
<b>Total - Boyne Survey</b>	<b>\$ 21,389.00</b>	<b>\$ 15,312.00</b>	<b>\$ 11,480.00</b>	<b>\$ 7,716.00</b>	<b>\$ 6,687.00</b>
<b>Total - Derry Green Business Park</b>	<b>\$ 21,302.00</b>	<b>\$ 15,251.00</b>	<b>\$ 11,435.00</b>	<b>\$ 7,685.00</b>	<b>\$ 6,660.00</b>

**Non-Residential Rates**

	Retail uses per square metre of development	Non-Retail uses per square metre of development	Retail uses per square foot of development	Non-Retail uses per square foot of development
Town-wide Services	\$ 85.13	\$ 38.92	\$ 7.91	\$ 3.61
Stormwater Management - Sherwood Survey	\$ 2.12	\$ 1.36	\$ 0.20	\$ 0.13
Stormwater Management - Boyne Survey	\$ 1.13	\$ 0.63	\$ 0.10	\$ 0.06
Stormwater Management - Derry Green	\$ 1.99	\$ 0.88	\$ 0.18	\$ 0.08
<b>Total - Municipal Wide Services</b>	<b>\$ 85.13</b>	<b>\$ 38.92</b>	<b>\$ 7.91</b>	<b>\$ 3.61</b>
<b>Total - Sherwood Survey</b>	<b>\$ 87.25</b>	<b>\$ 40.28</b>	<b>\$ 8.11</b>	<b>\$ 3.74</b>
<b>Total - Boyne Survey</b>	<b>\$ 86.26</b>	<b>\$ 39.55</b>	<b>\$ 8.01</b>	<b>\$ 3.67</b>
<b>Total - Derry Green Business Park</b>	<b>\$ 87.12</b>	<b>\$ 39.80</b>	<b>\$ 8.09</b>	<b>\$ 3.69</b>