

Development Charges Reduction Program

Supplemental - Frequently Asked Questions

1. Can non-DC eligible project costs (e.g., benefit to existing portion) count towards the 10% municipal contribution?

Municipal contributions of at least 10% can comprise funding for non-DC eligible project costs. For example, if a municipality has a \$100M project, of which \$50M was related to costs of the infrastructure that would benefit existing residents, municipal funding of this amount would be considered as part of the municipality's 10% contribution and assessed accordingly.

Please note that post period share of a project's costs would not be counted as part of total project costs and would therefore, not be part of the municipal contribution assessment.

Further, please note that soft costs are ineligible project costs and would not count towards the 10% municipal contribution.

2. What amount of funding can municipalities anticipate? If there is \$4M in annual DC revenue forgone for 50% DC rate reduction, which totals \$12M over three years and there is \$1.2M in municipal contribution (i.e., 10% towards project costs), does that mean the max provincial and federal funding a municipality could get is \$10.8M?

For successful applications, the maximum funding that a municipality can anticipate is based on a few factors, the primary one of these being the DC relief provided to builders. The intent of the DCRP funding is to provide provincial and federal funds to mitigate the impact of the DC relief provided to builders. So, if a municipality is estimating \$12M in DC relief over three years and its projects are successful, it could potentially get up to \$12M towards its DC projects.

3. Can community improvement plans be used to prevent a builder from receiving the DC relief due to the DC freeze rules in the Development Charges Act, 1997? Otherwise, the DC relief period is potentially longer than 3 years given that DC rate is locked in at site plan approval?

Municipalities have the authority to provide certain financial assistance (such as providing grants equivalent to development charges under certain circumstances) to an eligible property for the purpose of carrying out a local community improvement plan (CIP).

Putting a CIP in place requires official plan policies, designation of a community improvement project area and preparation and adoption of a community improvement plan. As part of this toolbox, municipalities can make grants or loans within the CIP project areas to help pay for certain costs. The CIP, however, cannot void the existing DC freeze rules or other rules in the Development Charges Act, 1997 which are not changed by the Development Charge Reduction Program.

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4. Can a municipality meet its DC rate reduction by pushing projects out of the three-year horizons and reduce rates – similar to what Burlington did?

Eligible municipalities are required to reduce DC rates for all residential types by 30 per cent to 50 per cent or greater, regardless of unit price, and maintain the reduction for three years. The manner in which the DC rate reduction is arrived at is a municipal choice. Options available to municipalities to implement their DC reductions include:

- Providing DC discounts and non-statutory exemptions
- Providing grants to offset DCs
- Removing or reducing capital projects within the DC by-law term horizon from the DC background study

5. How does it work in upper tier and lower tier municipalities? If there are projects for whom the lower tiers are levying DCs to fund at the regional level – are two tier municipalities contributing more than single tier?

Applying to participate in the program is a municipal decision. Individually, the municipality – lower tier or upper tier – would need to determine their DC rate reduction commitment.

Municipalities can submit joint applications as well. However, each municipality in the application would need to meet the program eligibility requirements – i.e., reducing DCs by 30% to 50% or greater for three years.

If a project is shared between the lower- and upper-tier, the funding ask of the lower (or upper) tier should be reflective of its share of the project's eligible costs, as identified in each municipality's DC background study and DC by-law.

6. How are area specific DCs to be treated in calculating overall DC reductions?

Municipalities are required to reduce DCs by 30% to 50% or greater and must be inclusive of area-specific DCs, where those exist. This includes area specific DCs supporting any front-ending arrangements.

The manner in which the DC rate reduction is arrived at – i.e., reducing the DCs for certain services or for all services by the same percentage is a municipal choice. In other words, as long as residential DCs for all residential developments are reduced by at least 30 per cent on an aggregate level across all services and maintained for three years, that would satisfy the DC reduction requirement envisioned under the program.