



## MEMORANDUM

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**TO:** Mayor Lawlor and Members of Council

**FROM:** Jinsun Kim, Senior Manager of Financial Planning & Budgets

**DATE:** March 7, 2023

**MEMO NO.:** CS-2023-001

**SUBJECT:** 2023 Annual Development Charges Indexing

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### **PURPOSE OF THE MEMORANDUM:**

The purpose of this memo is to advise Council of the annual indexing increase to the Development Charges (DCs) at a rate of 14.6% on April 1, 2023, in accordance with the provision set out in the Town's DC by-law.

### **BACKGROUND:**

DCs are collected for the Town under By-law 2022-0042. Section 15 of the By-law permits adjustments (indexing) to be made to DC rates on April 1<sup>st</sup> of each year without amending the By-law, based on the Statistics Canada Non-residential Building Construction Price Index.

The annual indexing of DC rates is an important financial tool for the Town, which helps ensure appropriate funding is available for growth-related capital projects in the face of rising construction costs.

### **COMMENTS:**

Annual adjustments to the Town DCs are made based on the most recent twelve month change in the non-residential building construction price index (BCPI) for the Toronto Metropolitan Area, published quarterly by Statistics Canada. This index is prescribed for use by municipalities for the purpose of annual indexing under Section 7 of Ontario Regulation 82/98 of the Development Charges Act.

The building construction price indexes are a quarterly series that measure change over time in the prices that contractors charge to construct a range of new commercial, institutional, industrial, and residential buildings in 11 census metropolitan areas, including Toronto.

According to Statistics Canada, increases in non-residential construction prices in 2022 were mainly driven by cost increases in structural steel framing, concrete, metal fabrications, and labour costs. These factors were impacted by on-going shortages in skilled labour and challenges around supply due to the COVID-19 pandemic which continued to impact the construction industry in 2022. This is the second consecutive year of double-digit gains in non-residential construction prices.

The indexing rate of 14.6% is derived by calculating the percentage change between the fourth quarter 2021 index and fourth quarter 2022 index for the Toronto metropolitan area as follows:

	Q4 2021	Q4 2022	% Change
Non-residential construction price index (Toronto)	129.2	148.0	14.6%

The Town's DCs have been reduced by 20% from the full rate, as a result of the phase-in provisions required through Bill 23. Appendix A to this memo contains a DC rate schedule that reflects the 14.6% increase to the current phased-in DCs for the various residential dwelling and non-residential categories. These rates will be effective as of April 1, 2023.

**CONCLUSION:**

The Region of Halton, the City of Burlington and the Towns of Oakville and Milton are expected to index their respective DC rates on April 1, 2023 using the same indexing rate of 14.6%. The increase to the education development charges for the Halton Public School Board and the Halton Catholic District School Board will take place in accordance with their by-laws on July 4, 2023.

Reviewed and approved by,

Moya Jane Leighton, Director of Finance & Town Treasurer

Laura Lancaster, Commissioner of Corporate Services

Chris Mills, Chief Administrative Officer