



MEMORANDUM

TO: Mayor Lawlor and Members of Council

FROM: Scott O'Donnell, Senior Financial Analyst – Long Range
Financial Plan

DATE: March 25, 2024

MEMO NO.: CS-2024-001

SUBJECT: 2024 Annual Development Charges Indexing

PURPOSE OF THE MEMORANDUM:

The purpose of this memorandum is to advise Council of the annual indexing of the Town's Development Charge (DCs) rates at a rate of 5.5% on April 1, 2024, in accordance with the provision set out in the Town's DC by-law 2022-0042.

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 1st 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, to help 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, 1997* (DCA).

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 eleven census metropolitan areas, including Toronto. Increases and decreases in the index are made to reflect various market factors influencing construction prices such as costs of labour, costs of materials, and effects of changes in interest rates.

The DC indexing rate of 5.5% is derived by calculating the percentage change between the fourth quarter 2022 index and the fourth quarter 2023 index for the Toronto metropolitan area as follows:

	Q4 2022	Q4 2023	% Change
Non-residential construction price index (Toronto)	148.1	156.2	5.5%

Bill 23 Effect on DC Rates

In addition to annual indexing occurring on April 1st each year, DC rates are also updated automatically on September 1st each year to reflect impacts of the mandatory phase-in provisions included in the DCA.

As Council is aware, under Bill 23, *More Homes Built Faster Act, 2022* the DCA was amended to require that there be a mandatory 5-year phase in of DC rates for by-laws passed after January 1, 2022 which affects the Town’s DC By-law 2022-0042 which came into effect September 1, 2022. The applicable phase-in periods and amounts are as follows:

- In Year 1 (80%), Year 2 (85%), Year 3 (90%), Year 4 (95%), Year 5 (100%)

On September 1, 2024, the Town’s DC rates will be updated to reflect a 90% phase-in as the by-law moves into its third year of being in effect.

Updated DC Rates

The amounts shown in Appendix A represent the indexed Town DC rates which will be in effect as of April 1st, 2024. These updated rates factor in all prior year indexing, and the applicable phase-in provisions.

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, 2024, using the same indexing rate of 5.5%. The increase to the education development charges for the Halton Public School Board and Halton Catholic District School board will take place in accordance with their respective by-laws on June 1, 2024.

Reviewed and approved by,

Joseph Vandermeer, Deputy Treasurer & Senior Manager of Accounting and Taxation

Moya Jane Leighton, Town Treasurer and Director of Finance

Laura Lancaster, Commissioner of Corporate Services

Chris Mills, Chief Administrative Officer