



 **Watson  
& Associates**  
ECONOMISTS LTD.

# Development Charges Background Study Update

## City of Cambridge

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February 1, 2022

Watson & Associates Economists Ltd.  
905-272-3600  
[info@watsonecon.ca](mailto:info@watsonecon.ca)



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## List of Acronyms and Abbreviations

<b>Acronym</b>	<b>Full Description of Acronym</b>
D.C.	Development Charges
D.C.A.	Development Charges Act



Update to  
Development  
Charges Background  
Study



# 1. Background

Commensurate with the provisions of the Development Charges Act, 1997, as amended (D.C.A.), the City undertook a Development Charges (D.C.) Background Study, released the study, held a public meeting, and passed D.C. by-law No. 19-094, in accordance with the D.C.A. Following the passage of by-law 19-094, revisions were made to the D.C.A. therefore, the City undertook a D.C. Update Study in 2021 to reflect the changes in the legislation. Amending by-law 22-003 was passed reflecting the legislative changes through the required public process, as per the D.C.A.

Recently, Council directed City staff to review the financial impact of the discretionary exemption, provided in by-law 19-094, as amended, related to the City's core areas. Currently developments and redevelopments in the core areas, including the Hespeler Village Core Area, Galt Core Area and Preston Towne Centre Core Area, are fully exempt from the payment of Development Charges. As exemptions from D.C.s must be funded from other sources (i.e. property taxes and rates), providing infrastructure for growth does have a financial impact to the existing community. As such, the purpose of this update report is to provide for a revision to the D.C. by-law to remove the discretionary exemption provided to developments and redevelopments in the core areas.

Further, a minor refinement to the definition of non-profit housing has been made to the D.C.A., therefore, an amendment to the City's D.C. by-law is provided to ensure alignment with the most recent definition in the Act.

## 2. Discussion

This section of the report provides an explanation for the above-noted refinements.

### 2.1 Refinement to Discretionary Exemptions

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The City's D.C. Background Study provides for discretionary exemptions to the three core areas of the City, equal to 100% of the D.C.s payable, for any development or redevelopment. The D.C.A. provides restrictions on rules to determine if a D.C. is payable in any particular case and to determine the amount of the charges. Section 5 (6) 3. of the D.C.A. states the following:

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“ If the development charge by-law will exempt a type of development, phase in a development charge, or otherwise provide for a type of development to have a lower development charge than is allowed, the rules for determining development charges may not provide for any resulting shortfall to be made up through higher development charges for other development. 1997, c. 27, s. 5 (6).”

Due to this restriction in the Act, the City must fund the amount of development charges for exempt properties in the core areas from other sources, typically from property taxes, water rates & wastewater rates.

Over the past six years, the City has been required to fund just over \$6.4 million (an annual average of \$1.07 million) in core area exemptions. These exemptions made up 74% of the exemptions required to be funded over the same period.

Based on existing planning applications for site plan developments and zoning amendments, there is approximately \$24.5 million in core area exemptions associated with the proposed developments that the City would need to fund from other sources. Further, based on the 10-year growth forecast and other pre-consultation planning files underway, it is anticipated that additional exemptions in the core areas could require in excess of \$26 million of funding. These amount are in excess of the historic exemptions and would place a significant burden on the existing community through increases to property taxes, water rates, and wastewater rates.

It is noted that due to changes in the D.C.A., with the introduction of Section 26.2 which provides that D.C. rates are frozen at the rate in effect as of the date of zoning amendment application and site plan application, many of the developments in the core areas will still be required to be funded from other City sources. Therefore, for these types of applications, applied for between January 1, 2020 and the date of approval of an amending by-law removing the core area exemptions, the D.C. rates are already frozen at zero (i.e. the rate in effect at the time of application). Hence, the D.C. amounts which will not be recovered, due to the core area exemption, for these applications will need to be funded from other sources, as long as the building permit is issued within two years of approval of the applications. If the building permit is issued after two years from the approval of the site plan or zoning amendment application, the D.C.s in place at the time of permit issuance would be applicable.



As such, it is recommended that the core area exemptions be removed and that the full calculated D.C.s be imposed on all developments and redevelopments that take place throughout the City, where applicable. This provides greater equity amongst all developments taking place throughout the City and reduces the burden to the existing community. Further, the elimination of the core area exemptions would allow for growth to pay for the growth-related costs that are required to support the growth, to a greater extent.

## 2.2 Changes in the D.C. Growth Forecast or D.C. Calculations

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Based on the revisions noted above, there is no change to the growth forecast or to the calculated development charge for any services, as previously provided for in the 2019 D.C. Background Study, as amended through the 2021 D.C. Background Update Study.

## 2.3 Refinement to the Definition of Non-Profit Housing

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The definition for non-profit housing has been refined in the D.C.A. to be as follows:

“(3) For the purposes of subsection 26.1 (2) of the Act, non-profit housing development means development of a building or structure intended for use as residential premises by,

- (a) a corporation **to which the Not-for-Profit Corporations Act, 2010 applies**, that is in good standing under that Act and whose primary object is to provide housing;”

The highlighted text in bold above replaces the words “without share capital to which the *Corporations Act* applies”. The draft amending by-law attached herein, provides for this refined definition to ensure the City’s by-law aligns with the most recent D.C.A. definition.

## 2.4 Requirement for Public Process

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As any refinement to the D.C. calculations, definitions, or policies, require an amendment to the D.C. by-law, it is necessary to undertake the public process required as per the D.C.A. This includes issuing a background report, which this report acts as,



holding a public meeting, providing notice of the public meeting, passage of an amending by-law, and notice of passage. This report provides a draft amending by-law to revise Schedule B to by-law 19-094, as amended by 22-003.

### 3. Process for the Adoption of the Development Charges By-law

Sections 1 & 2 provide for a summary of the revisions to the City's Development Charges By-law 19-094, as amended by By-law 22-003. If Council is satisfied with the above correction, this report will be considered for approval by Council along with the amending By-law provided in Appendix A.



# Appendices



# Appendix A

## Draft Amending By-law to Development Charges By-law 19-094, as Amended



## THE CORPORATION OF THE CITY OF CAMBRIDGE

### BY-LAW NO. 22-XX

#### A BY-LAW TO AMEND BY-LAW 19-094, AS AMENDED BY BY-LAW 22-003, RESPECTING DEVELOPMENT CHARGES FOR THE CITY OF CAMBRIDGE

**Whereas** the City of Cambridge (the “City”) enacted By-law 19-094 pursuant to the *Development Charges Act, 1997*, S.O. 1997, c. 27, as amended (the “Act”), which Act authorizes Council to pass By-laws for the imposition of development charges against land;

**And Whereas** the City undertook an addendum to the development charges background study pursuant to the Act and enacted amending By-law 22-003;

**And Whereas** the City has undertaken an update to the development charges background study pursuant to the Act which has provided updated policies related to exemptions and definitions to By-law 19-094, as amended;

**And Whereas** the Council of the City of Cambridge (“Council”) has before it a report entitled “City of Cambridge Development Charges Background Study Update” prepared by Watson & Associates Economists Ltd., dated February 1, 2022 (the “2022 update study”);

**And Whereas** the update study and proposed amending By-law were made available to the public on February 1, 2022 and Council gave notice to the public pursuant to Section 12 of the Act.

**And Whereas** Council, on February 15, 2022 held a meeting open to the public, pursuant to Section 12 of the Act, at which Council considered the study, and written and oral submissions from the public;

**NOW THEREFORE** Council hereby enacts as follows:

1. By-law 19-094, as amended by By-law 22-003, is hereby amended as follows:
  - A. Delete section 1 definition of Galt Core Area.
  - B. Delete section 1 definition of Hespeler Village Core Area.



- C. Delete section 1 definition of Preston Towne Core Area.
- D. Delete and replace section 1 definition of Non-Profit Housing as follows:

“Non-profit housing development” means development of a building or structure intended for use as residential premises by,

  - (i) a corporation to which the *Not-for-Profit Corporations Act, 2010* applies, that is in good standing under that Act and whose primary object is to provide housing;
  - (ii) a corporation without share capital to which the *Canada Not-for-profit Corporations Act* applies, that is in good standing under that Act and whose primary object is to provide housing; or
  - (iii) a non-profit housing co-operative that is in good standing under the *Co-operative Corporations Act*, or any successor legislation.
- E. Delete sub-section 3.14, “Municipal Exemption – Core Area”, entirely.
- F. Delete Schedule B to By-law 19-094, as amended, to remove the Galt Core Area Map.
- G. Delete Schedule C to By-law 19-094, as amended, to remove the Preston Towne Centre Core Area Map.
- H. Delete Schedule D to By-law 19-094, as amended, to remove the Hespeler Village Core Area Map.

- 2. The By-law shall come into force and effect at 12:01 AM on April 6, 2022.
- 3. Except as amended by this By-law, all provisions of By-law 19-094, as amended by By-law 22-003, are and shall remain in full force and effect.

By-law read a first and second time this 5<sup>th</sup> day of April, 2022.

By-law read a third time and finally passed this 5<sup>th</sup> day of April, 2022.



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Kathryn McGarry, Mayor

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Danielle Manton, Clerk