



STAFF REPORT

THE CORPORATION OF THE TOWN OF COBOURG

Corporate, Finance, and Legislative Standing Committee

Report to: Mayor, Deputy Mayor, and Councillors
From: Adam Giddings, Treasurer/Director of Corporate Services
Standing Committee Date: June 25, 2025
Report Number: COR-2025-011
Council Meeting Date: June 25, 2025
Subject: **Development Charges Update Study**

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1. Recommendation:

WHEREAS the Council adopt the following recommendation for final approval:

THAT Council receive the staff report, and the Development Charges Update Study completed and presented by Watson and Associates Inc. for information purpose; and

FURTHER THAT Council schedule a public meeting to be held on September 17th, 2025, at 5:00 P.M as per section 12 of the Development Charges Act, and

FURTHER THAT Council authorize Staff to post the Development Charges Update Study to the Municipal Website for public viewing and be posted on the website prior to September 3rd 2025; and

FURTHER THAT the final consideration and approval of the Development Charges Update Study By-law at the October 29th Regular Council Meeting timelines required under the Development Charges Act.

2. Executive Summary:

The Town of Cobourg imposes development charges to recover the increase in need for service arising from development. Council approved the Town of Cobourg's development charges background study dated December 22, 2021 which came into effect January 4, 2022.

Since the passage of by-law 2022-001, several amendments to the Development Charges Act (DCA) have introduced new or revised policies and statutory exemptions.

The Development Charges Act sets out the essential steps necessary to create an amending background study. Staff retained Watson and Associates Economists Ltd. to undertake the production of the amended documents. The development-related capital program prepared for this updated study ensures that development charges are only imposed to help pay for projects that have been or are intended to be purchased or built in order to accommodate future anticipated development.

The 2025 updated study provides an estimate on the costs related to development and other information that is required to help ensure that future financing and infrastructure placement are aligned. This study presents the results of the review which determines the development-related net capital costs are then apportioned among residential and non-residential development in a manner that reflects the increase in the need for each service attributable to each type of development.

The Development Charges Act provides for a period of public review and comment regarding the proposed development charges. Following completion of this process in accordance with the DCA, Council will review this study, and comments received regarding this study or other information brought to Council's attention about the proposed charges. Council will then pass an amending development charges by-law for the Town.

3. Background

The updated background study has been prepared pursuant to the requirements of the Development Charge Act to amend the Town's D.C. bylaw. The proposed amendments provide updates to the underlying D.C. eligible capital cost estimates relating to water, wastewater, transportation services, and growth-related studies. Other than the changes identified within this report, all other development charge calculations and policies contained in by-law 2022-001 remain unchanged by this process.

The Development Charges Act requires that capital costs must be reduced or adjusted for capital grants, subsidies, and other recoveries made to a municipality. The sole purpose of development charges is to fund a portion of servicing costs, thereby enabling growth to offset the associated capital expenditures, which allow development to proceed in a timely and efficient manner.

The charges calculated in the 2025 amendment represent those costs, which can be recovered under the DCA, based on the Town's capital spending plans and underlying assumptions. Property tax, user rates, or other funding sources will be required to finance the non-growth component of the growth-related capital costs. The calculation methodology contained within the amended study represents a balanced approach in implementing the overall policy of having growth pay a share of infrastructure, while at the same time, distributing eligible capital costs between residential areas and non-residential development. Development charges remain an important financial tool that helps to ensure serviced lands are available for future development.

4. Discussion:

Since the passage of by-law 2022-001, several amendments to the Development Charges Act have introduced new or revised policies and statutory exemptions such as:

- More Homes for Everyone Act, 2022 (Bill 109)
- More Homes Built Fast Act, 2022 (Bill 23)
- Cutting Red Tape to Build More Homes Act, 2024 (Bill 185).

The More Homes Built Fast Act has multiple changes include:

1. Additional Residential Unit Exemption
2. Removal of Housing as an Eligible DC Services
3. New Statutory Exemptions for Affordable Units, Attainable Units, and Inclusionary Zoning Units
4. New statutory exemption for non-profit housing
5. Rental housing discount
6. Historical level of service extended to 15-year period instead of the historical 10-year period
7. Revised definition of capital costs
8. DC bylaw expiry
9. Maximum interest rate for instalments and determination of charge for eligible site plan and zoning by-law amendment applications.

The updated background study has been prepared pursuant to the requirements of the DCA to amend the Town's D.C. bylaw. The proposed amendments provide

updates to the underlying DC eligible capital costs estimates relating to water, wastewater, transportation services, and growth-related studies.

The following summarize the amendments made to the development charge eligible capital costs included in the 2021 DC Background Study.

Water Services

The Town of Cobourg and their engineering consultants have developed updated cost estimates for projects that were included in the Drinking Water Master Plan and subsequently in the 2021 DC Background Study. These updated costs related to both linear water mains and vertical treatment, storage, and distribution infrastructure.

In addition to the capital cost updates, additional financing costs have been included in the calculation of the charge. The Town has also been successful in securing grant funding through the Housing Enabling Water System (HEWS) fund, which has been accounted for in the calculations.

Wastewater Services

The Town of Cobourg and their engineering consultants have developed updated cost estimates for projects that were included in the 2021 DC Background Study, including the development of an updated servicing plan and cost estimates for linear infrastructure within the Cobourg East Community Area. Refinements also include updated cost and phasing assumptions for the expansion of Wastewater Treatment Plant #2. The Town has also been successful in securing grant funding through the Housing Enabling Water System (HEWS) fund, which has been accounted for in the calculations.

Transportation Services

Costs for transportation services have been adjusted to account for a section of Wilmott Road (from railway to Workman Road) that was not identified in the original study and to also include costs for the 401-Nagle Road Interchange (phase 2 and phase 3).

The gross capital costs of these projects is \$46.6 million, increasing the total gross capital costs for transportation services to \$178.6 million.

Growth Related Studies

The gross capital costs for growth-related studies have increased by \$78,000 to account for updated official plan costs and DC Background Study Costs. In aggregate the gross capital costs of the study costs are \$673,000.

Next Steps

1. The notice of the public meeting will be advertised in accordance with the requirements of the Development Charge Act i.e. 20 clear days prior to the public meeting.

Notice is published on the municipal website.

2. The amended background study must be made available to the public at least 60 days before passing the amended by-law.

The amended background study will be posted on the municipal website and available at municipal offices.

5. Financial Impact and Budget

The amended Development Charges Background Study has no financial or budgetary impact on the municipality's existing taxpayers. The recovery of capital-related costs from future development is a crucial financial tool provided by the Province to assist in recovering the costs of infrastructure required to support new growth in the Town. The updated development charge rates will help ensure that there are sufficient development charge revenues to pay for the growth-related costs.

Development Charges are a dedicated funding mechanism used to recover the capital costs associated with growth-related infrastructure. These charges are collected from developers at the time of building permit issuance and are placed in segregated reserve funds. The purpose of these reserves is to ensure that growth pays for growth, meaning the financial burden of new infrastructure is not placed on the existing community.

As such, the amendments outlined in the updated background study do not affect the municipal operating budget, tax levy, or existing ratepayers. They solely update the development charge rates payable by new development to reflect changes in project scope or cost estimates related to future growth.

6. Relationship to Council's Strategic Plan Priorities 2023 to 2027 and beyond:

☐ Thriving Community

☒ Service Excellence

By updating the DC by-law and background study in accordance with the Development Charges Act and recent legislative changes, the municipality demonstrates proactive financial stewardship. This ensures that growth-related capital costs (e.g., water, wastewater, transportation) are equitably distributed, long-term infrastructure needs are planned and financed responsibly, and non-growth-related costs are clearly assigned to tax and rate-supported budgets.

☒ Sustainability

Ensuring financial sustainability includes the utilization of growth funding tools, such as DCs to improve fiscal outcomes and support longer-term financial health. An updated Development Charges Background Study and by-law will ensure the Town maximizes opportunities for growth-related revenues to be used to pay for growth costs.

7. Public Engagement:

The development charge background study and draft amending by-law will be provided to the public to provide interested parties with sufficient background information on the legislation, recommendations, and an outline of the basis for these recommendations.

The notice of the public meeting will be advertised in accordance with the requirements of the Development Charge Act, i.e. 20 clear days prior to the public meeting. The background study will be related for public review and posted on the Town's website in accordance with the provisions of the Development Charge Act (i.e. at least two weeks prior to the statutory public meeting and sixty days prior to the passage of the amending by-law. At the public meeting, a presentation will be made to the public regarding the recommendations of this study, and Council will receive oral and written comments on the matter.

8. Attachments:

Attachment 1 - 2021 Development Charges Update Study