

The Development Charges Scandal
by Erwin Dreessen

Development Charges: Background

In theory, Development Charges (DCs) are amounts payable to the City for each new building to cover the capital cost of infrastructure needed to serve this "growth." They amount to roughly \$20-30,000 per housing unit, depending on type and location; or \$20 per square foot of commercial or institutional buildings or \$8 per square foot for industrial buildings.

In Budget 2016, revenues from DCs were expected to amount to \$89 million.

These funds go into earmarked reserve funds. Inside the Greenbelt, 87% of the charges for a single family home or duplex are for Roads, Public Transit, and Wastewater. Outside the Greenbelt (urban) those three posts account for 70%, with other major charges for Water and Recreation Facilities. The full tariff schedule is here: <http://ottawa.ca/en/city-hall/planning-and-development/how-develop-property/development-charges> .

Do DCs pay for the cost of growth? It is difficult to say because both "cost" and "growth" are elastic concepts with no easy definition. The general consensus is, however, that they fall short -- perhaps they pay somewhere between 60 and 70% of the cost of actually building the "growth" infrastructure.

By law, the City has to review its DC By-law every five years. The typical process is that the Infrastructure Master Plan and the Transportation Master Plan are approved by Council, which forms the basis for the bulk of calculations required in the Background Study used to review the DC By-law.

2013-2015

Both Master Plans were approved by Council in 2013, which then proceeded, in December 2013, to approve a Comprehensive Official Plan Amendment -- what later became OPA 150. In June 2014 Council followed up by approving a new DC By-law.

Many parties appealed the DC By-law to the Ontario Municipal Board (OMB), including the Greater Ottawa Home Builders Association (GOHBA) and BOMA.

On 14 October 2015, a Settlement proposal for the GOHBA and BOMA appeals was presented to Council and discussed *in camera*. In open session, the Settlement was approved, with three Councillors dissenting (Nussbaum, McKenney and Chiarelli). Councillor Nussbaum wrote a [blog](#) explaining why he dissented.

Councillors Harder and Hubly were intimately involved in the negotiation of the Settlement.

The Settlement

Among other things, the Settlement provides for:

+ a reduction in Road charges; along with other reductions this would result, for the October 2014-November 2015 period, in a refund of \$7.4 million to developers. (On an annual basis, this represents a revenue loss of about \$6.5 million.)

+ an amendment to the DC By-law to come in 2017 that will:

- increase the charges for Transit, as is now required by the Amendments to the *DC Act* following passage of [Bill 73](#);
- "substantially" offset those increases by further lowering the charges for Roads resulting from a review of standards for road building; and
- introduce no new programs unless the appellants agree.

It is to be noted that there was no media coverage of this Settlement.

It is to be further noted that this Settlement has not yet been presented to the OMB for endorsement and is therefore not yet in effect.

What to do?

First, more facts need to be gathered. There were a number of other appeals to the OMB. Three hearings have been held and a Decision has been issued after two of the hearings. The financial impact of these appeals has to be assessed, if possible. Also, it would be good to have an estimate of the increase in Transit charges -- additional revenue that with this Settlement would be largely foregone as well.

Second, a light needs to be shone on this Settlement. It truly is scandalous that so much revenue has been given up and more will be given up in the future. Giving the appellants a veto over new programs is also offensive.

Third, and this is most important, we need to campaign now to make the setting of DC charges more transparent. The community must be able to push back against developers and their lawyers who seek to have the lowest possible charges and load the rest onto all property tax payers. While the DC Act is quite prescriptive, there are several points of discretion that can make a difference of millions of dollars.

When this process started, in February 2013, staff promised to come forward in January 2014 with its "guiding principles, framework and vision statement." It never happened. Only an Industry Working Group and a Sponsor Group of Councillors (El-Chantiry, Hobbs, Hubley, Hume and Qadri) were involved in the development of the revised By-law. On 31 March 2014, FCA, the Greenspace Alliance and the Healthy Transportation Coalition issued a media release decrying the lack of community involvement and openness. Only days before the matter moved to Planning Committee for approval did the City provide (unsatisfactory) answers to some of the questions the community groups had asked.

If the Settlement holds, there will be an Amendment to the By-law in 2017 and a wholesale revision is due in 2019. The community has to be at the table. This is a 2018 election issue.