

Municipal development and community benefits charges, and parklands

Information on how municipalities can predict and recover costs of development and help increase housing supply in Ontario.

Overview

Municipalities can help pay for the important local infrastructure, services, and parkland that growing communities need through municipal development-related charges (MRDCs), which include:

1. development charges
 2. community benefits charges
 3. parkland dedication
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Development charges

Municipalities can apply development charges on a new development to help pay for the capital costs of infrastructure to support new growth.

Development charges are discretionary fees. This means that municipalities can choose whether to use development charges and, if they are used, which services or infrastructure they want to include from the list of eligible services in the *Development Charges Act, 1997* (<https://www.ontario.ca/laws/statute/97d27#BK4>). These services are:

- water supply services, including distribution and treatment services
- wastewater services, including sewers and treatment services
- storm water drainage and control services
- services related to a highway as defined in subsection 1 (1) of the *Municipal Act, 2001* (<https://www.ontario.ca/laws/statute/01m25#BK1>) or subsection 3 (1) of the *City of Toronto Act, 2006* (<https://www.ontario.ca/laws/statute/06c11#BK4>), as the case may be
- electrical power services
- Toronto-York subway extension, as defined in subsection 5.1 (1) in O. Reg 192/07 Toronto-York subway extension (<https://www.ontario.ca/laws/regulation/070192#s5s1>)
- transit services other than the Toronto-York subway extension
- waste diversion services
- policing services
- fire protection services
- ambulance services

- services provided by a board under the *Public Libraries Act* (<https://www.ontario.ca/laws/statute/90p44>)
- services related to long-term care
- parks and recreation services, but not the acquisition of land for parks
- services related to public health
- child care and early years programs and services under part VI of the *Child Care and Early Years Act, 2014* (<https://www.ontario.ca/laws/statute/14c11>) and any related services
- services related to proceedings under the *Provincial Offences Act* (<https://www.ontario.ca/laws/statute/90p33>) , including by-law enforcement services and municipally administered court services
- services related to emergency preparedness
- services related to airports, but only in the Regional Municipality of Waterloo

How municipalities can implement a development charge

Municipalities must pass a by-law to set development charges for different types of development. Before passing a development charge by-law, a municipality must prepare a development charge background study as set out in legislation (<https://www.ontario.ca/laws/statute/97d27#BK16>) .

Municipalities must calculate development charges separately for each eligible service, or class of services, detailed in their development charge by-law.

To give more predictability and certainty about development charges:

- rates are frozen either at the time of site plan or zoning application and will remain frozen for a period of two years after the relevant application is approved.
- multi-year deferrals of payments apply for certain types of development, such as:
 - rental housing
 - institutional developments such as long-term care

To encourage the supply of affordable and rental housing:

- non-profit housing developments are exempt from development charges, community benefits charges and parkland dedication
- affordable and select attainable residential units are exempt from development charges, and developments that include this type of housing are subject to reduced community benefits charges and parkland dedication (effective June 1, 2024)
- purpose-built rental units receive discounts on development charges of up to 25% for family-friendly units

Development charge by-laws may be appealed to the Ontario Land Tribunal (<https://www.ontario.ca/document/citizens-guide-land-use-planning/ontario-land-tribunal>) . The application of development charge by-laws to specific sites may also be appealed to the Tribunal following a complaint to municipal council.

Community benefits charges

This is a flexible tool under the *Planning Act* (<https://www.ontario.ca/laws/statute/90p13>) that helps municipalities tackle the costs of higher density in communities with new developments. This tool replaced the former section 37 height and density bonusing in the *Act*, subject to transition rules.

Municipalities can use community benefits charges to fund the capital costs of any public service associated with new growth, including parkland, if those costs are not already recovered from development charges and parkland provisions.

How municipalities can implement a community benefits charge

To set a community benefits charge, municipalities must:

- develop a community benefits charge strategy
- pass a by-law

Requirements for a community benefits charge strategy are included in regulation (<https://www.ontario.ca/laws/regulation/200509>) .

Community benefits charges on a development cannot exceed 4% of the value of the land. Single-tier and lower-tier municipalities (<https://www.ontario.ca/page/list-ontario-municipalities#section-1>) can levy these charges for developments with 10 or more residential units and five or more storeys.

Community benefits charge by-laws may be appealed to the Ontario Land Tribunal (<https://www.ontario.ca/document/citizens-guide-land-use-planning/ontario-land-tribunal>) . Disputes about whether a charge exceeds the maximum allowable amount can be resolved through the land value appraisal process set out in legislation.

Parkland dedication

The *Planning Act* (<https://www.ontario.ca/laws/statute/90p13>) lets municipalities fund the growth-related costs of land for parks and other recreational purposes.

This ensures that residents in growing communities will continue to have access to parks and greenspace.

How municipalities can implement parkland provisions

Municipalities can get land for parks using the basic parkland dedication provisions (<https://www.ontario.ca/laws/statute/90p13#BK66>) (up to 2% of the land proposed for development or redevelopment or the cash equivalent for commercial or industrial development or 5% for any other type of development or redevelopment).

In certain circumstances municipalities can also use the alternative rates (up to 1 hectare of parkland for every 600 dwelling units or if cash-in-lieu, a ratio of 1 hectare of parkland for every 1,000 dwelling units).

For sites that are five hectares or less, the maximum alternative parkland dedication requirement is capped at 10% of the site.

For sites greater than five hectares, the maximum alternative parkland dedication requirement is capped at 15% of the site.

Parkland by-laws that use alternative rates may be appealed to the Ontario Land Tribunal (<https://www.ontario.ca/document/citizens-guide-land-use-planning/ontario-land-tribunal>) .

Parkland by-laws that only use basic parkland rates cannot be appealed.

When a parkland requirement is imposed as a condition of approval of a plan of subdivision or consent, it may be appealed like any other condition.

When municipalities require cash-in-lieu, the value of land may also be appealed to the Tribunal.

Exemptions and discounts from municipal development-related charges

Through the *More Homes Built Faster Act, 2022*, we introduced exemptions and discounts from municipal development-related charges (MDRCs) for affordable residential units. These exemptions and discounts come into effect on June 1, 2024.

Affordable Residential Units for the Purposes of the *Development Charges Act, 1997* Bulletin

This bulletin is effective June 1, 2024, and applies until replaced by a new bulletin (anticipated June 1, 2025).

This bulletin sets out the market-based (that is, average purchase prices and market rents) and income-based thresholds that are to be used to determine the eligibility of a residential unit for an exemption from development charges and exclusions from the maximum community benefits charge and parkland dedication requirements.

Applicable units must be subject to agreements that provide for them to remain affordable residential units for 25 years. Units must also be sold or rented on an arm's length basis.

For ownership housing, a unit would be considered affordable when the purchase price is at or below the lesser of:

- Income-based purchase price: A purchase price that would result in annual accommodation costs equal to 30% of a household's gross annual income for a household at the 60th percentile of the income distribution for all households in the local municipality; and
- Market-based purchase price: 90% of the average purchase price of a unit of the same unit type in the local municipality.

For rental housing, a unit would be considered affordable when the rent is at or below the lesser of:

- Income-based rent: Rent that is equal to 30% of gross annual household income for a household at the 60th percentile of the income distribution for renter households in the local municipality; and
- Market-based rent: Average market rent of a unit of the same unit type in the local municipality.

In cases of disagreement, a person (or person's agent) required to pay a development charge may complain to the council of the municipality imposing the development charge that there was an error in the application of the development charge by-law.