



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: March 25, 2024

Report No: CORS-008-24

Subject: Annual Development Charge Indexing

Recommendation: THAT the indexing of the Town's development charges be received for information.

EXECUTIVE SUMMARY

- The Town's Development Charge By-laws allow for the indexing of development charges annually on April 1st without requiring an amendment to the By-law.
- Annual indexing of development charges ensures the proceeds from development charges maintain pace with the infrastructure construction costs required to support growth in the Town.
- Indexing at a rate of 5.5% is applicable to residential and non-residential development charge rates in 2024.
- Clauses within various financial agreements also provide for indexing in accordance with the Development Charges By-law as described further in this report.

REPORT

Background

In 2021, Council passed By-law No. 045-2021 (the "Development Charges By-law"), being a by-law of the Corporation of the Town of Milton for the imposition of development charges. The Development Charges By-law includes a provision to adjust the development charge rates on April 1st of each year. The indexing is based on the Statistics Canada Quarterly, Building Construction Price Indexes ("BCPI") related to non-residential building construction (Table 18-10-0276-01) as prescribed by O. Reg. 82/98, as amended for the Toronto, Ontario metropolitan area. The indexing provisions of the legislation and the Town's DC By-laws are intended to ensure proceeds from development charges retain the same purchasing power to support capital investment throughout the term of the DC By-law.



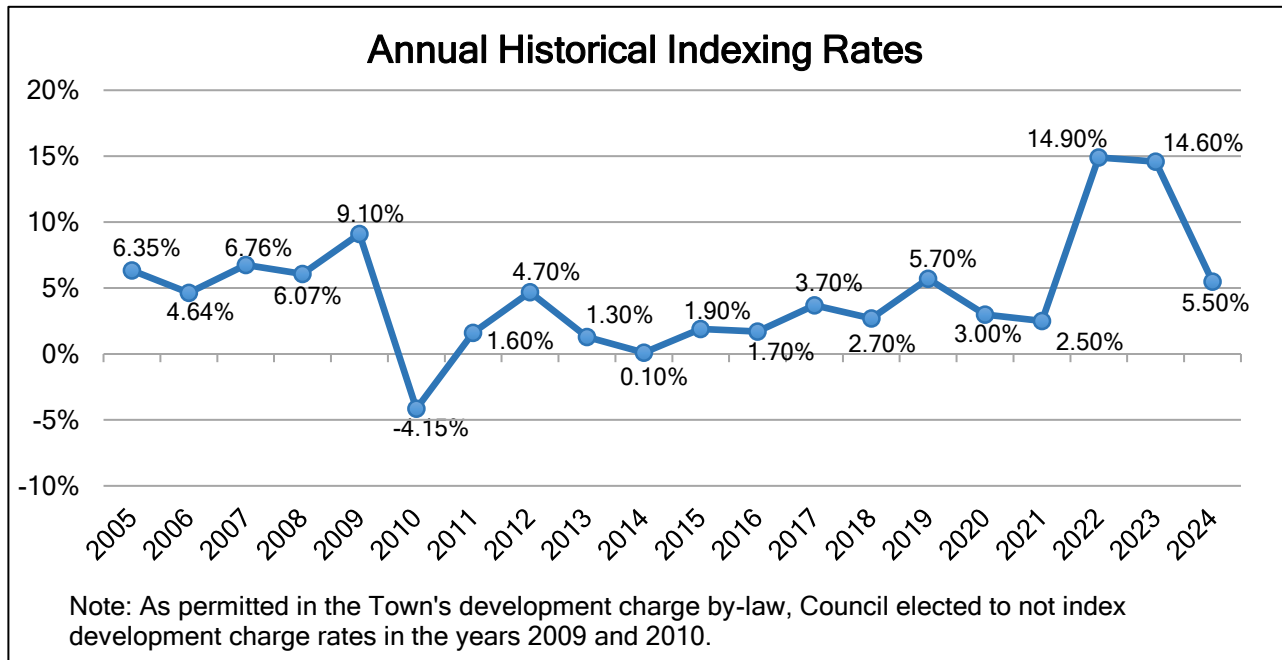
Discussion

The BCPI is a quarterly series that measures change over time in the prices that contractors charge to construct a range of new commercial, industrial and institutional buildings. The contractors' prices reflect the value of all materials, labour, equipment, overhead and profit to construct a new building and excludes value added taxes and any costs for land, land assembly, building design, land development and real estate fees.

The indexing factor is derived by calculating the percentage change between the fourth quarter of 2023 and the fourth quarter of 2022. For the period of January 1 to December 31, 2023, the percentage change in BCPI for non-residential construction in the Toronto area is an increase of 5.5%.

Non-residential construction cost growth was driven by the rising cost of materials, labour shortages and the effects of high interest rates. Labour shortages continue to impact the construction industry by driving wages and competition, further increasing construction costs.

To put the 5.5% increase in context relative to historical changes in the BCPI, the following graph summarizes historical movement in the index. As illustrated in the graph, a 20-year high in construction cost increases was experienced in 2021, followed by a similar double digit increase in 2022. Construction cost increases for 2023 have slowed significantly from the last two years to more historically average levels. A municipal scan across the Region of Halton municipalities confirms the other municipalities are proceeding with similar indexing in accordance with the legislation and their respective By-laws.





Discussion

The following tables summarize the changes in the Town’s residential and non-residential development charge rates. In accordance with the timing of the development charge payments as outlined in the Town’s Development Charges By-law, the indexed rates will be imposed on any unissued building permit, unregistered plan of subdivision or site plan not granted site plan approval as at close of business preceding March 31, 2024; for all applications not subject to the DC rate freeze legislative requirements enacted through Bill 108: *More Homes, More Choice Act, 2019*.

Residential Town of Milton Development Charges*

Rates by Dwelling Type	Indexed Rate	Current Rate	Increase
Single/Semi-Detached	\$ 29,013	\$ 27,500	\$ 1,513
Multiples	\$ 21,819	\$ 20,681	\$ 1,138
Apartments (2 or more bedrooms)	\$ 13,390	\$ 12,691	\$ 699
Apartments (1 bedroom or less)	\$ 9,872	\$ 9,356	\$ 516
Special Care/Special Needs	\$ 8,389	\$ 7,952	\$ 437

Non-Residential Town of Milton Development Charges*

Non-Residential Rates by Use	Indexed Rate	Current Rate	Increase
Retail per square metre	\$ 114.85	\$ 108.86	\$ 5.99
Retail per square foot	\$ 10.66	\$ 10.11	\$ 0.55
Non-Retail per square metre	\$ 65.05	\$ 61.65	\$ 3.40
Non-Retail per square foot	\$ 6.05	\$ 5.72	\$ 0.33

* All rates noted above exclude the area specific charges for stormwater monitoring in the various secondary plan areas. Please refer to attachment for the full details of the indexed rates.

The Town has also entered into financial agreements with residential developers. Clauses within those agreements outline the collection of the capital provision payment, the overcontribution payment, and the parkland capital provision payment from the developers. These financial contributions are indexed in accordance with the indexing provisions of the Development Charges By-law.

The Cash Flow Assistance Amending Agreement (Amending Agreement) was executed during 2022 with an effective date of March 31st, 2022. As per the terms of the Amending Agreement, the cash flow assistance letters of credit were reduced by 50% in 2023. Upon review of the Town’s Roads Development Charges cash flow position, the full value of the



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cash flow assistance letters of credit were drawn upon in February 2024, resulting in an expected cash inflow to the Town of \$33.9 million. The Amending Agreement requires these funds to be repaid no later than June 30, 2028, with no interest or indexing applicable to the repayments.

The development charge rates included in this report for all services will remain in force until March 31, 2025.

Financial Impact

As noted previously, indexing of development charges is important for the Town to ensure development charge revenues are sufficient to cover the increased cost of construction projects in the capital budget and forecast. The 2024 Capital Budget and Forecast includes funding from development charges of \$714.9 million, including development charge debt and post period development charges, and developer recoveries of \$35.3 million to support the overall investment of \$1.45 billion in infrastructure and related studies.

Staff will continue to monitor the impact of construction price increases as projects are tendered throughout 2024 and will update the capital budget and forecast through the 2025 Budget to reflect the growth in construction costs.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Melanie Wallhouse, Phone: 905-878-7252
 Manager, Development Finance Ext. 2314
 and Financial Consulting

Attachments

Schedule A - Town of Milton Development Charges Rate Sheet - April 1, 2024

Approved by CAO
Andrew M. Siltala
Chief Administrative Officer



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Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.