



Town of Arnprior Staff Report

Subject: Annual Statement of Development Charges - 2025

Report Number: 26-04-27-05

Report Author and Position Title: Jennifer Morawiec, General Manager,
Client Services / Treasurer

Department: Client Services

Meeting Date: April 27, 2026

Recommendations:

That Council receive report number 24-04-27-05 as information; and

That this Annual Statement of Development Charges be made available to the public on the Town of Arnprior website or upon request.

Background:

Development Charges (DCs) are fees collected from new development either at the time a building permit is issued, upon occupancy or in instalment payments over six years depending on the type of development. Municipalities use these charges to help pay for the cost of infrastructure required as a result of new development, such as roads, parks, recreation, and fire, as well as water and wastewater. Most municipalities in Ontario use development charges to ensure that the cost of providing infrastructure to service new development is not borne by existing residents and businesses in the form of higher property taxes.

The development charge by-laws and associated development charge rates in place for the January to December 31, 2025 timeframe was established through the 2023 Development Charge Background Study update with a new Development Charge By-Law adopted by Council on March 13, 2023.

Section 43 of the Development Charges Act, S.O. 1997, requires the Treasurer of a municipality to each year provide council a financial statement relating to development charge by-laws and reserve funds established under Section 33. This statement must be made available to the public and may be requested to be forwarded to the Minister of Municipal Affairs and Housing.

O. Reg. 82/98 prescribes the detailed information that must be included in the annual Treasurer’s statement, including but not limited to: opening and closing balances; a description of each service and/or service category for which the reserve fund was established (Appendix A); interest earned and transactions for the year (collections, draws) including each assets capital costs to be funded from the D.C. reserve fund and the manner for funding the capital costs not funded under the D.C. by-law (Appendix B).

Amendments to O. Reg 82/98 under Bill 109 in 2022 now require the following additional information must be provided for each D.C. service being collected for during the year: a) whether, as of the end of the year, the municipality expects to incur the amount of capital costs that were estimated, in the relevant development charge background study, to be incurred during the term of the applicable development charge by-law; b) if the answer to a) is no, the amount the municipality now expects to incur and a statement as to why this amount is expected; and c) if no money was spent from the reserve fund during the year, a statement as to why there was no spending during the year.

Discussion:

Annual Financial Summary:

The following table highlights a summary of the development charge reserve fund for the period January 1 to December 31, 2025, and includes DC funds collected, DC receivables, interest earned and disbursements. The DC receivable amount is reflective of DC amounts owing to the municipality from instalment payments for eligible developments under the DCA. A further breakdown of development charges by service category is included in Appendix A: Annual Statement of Development Charges Reserve Fund.

2025 Development Charges Summary	
Opening Balance, January 1, 2025	\$ 4,850,967
Development Charges Collected	445,095
Development Charges Receivable	-
Investment and Interest Income	129,888
Total	5,425,949
Disbursements	(2,424,480)
Year End Return to Source	629,681
Closing Balance, December 31, 2025	<u>\$ 3,631,150</u>

Development Charge Financed Projects:

Disbursements for development charge funded projects included but not limited to: \$770,169 for water/wastewater plant expansion financing, \$75,656 for Quint financing, \$371,157 for the River Crossing watermain replacement, \$302,543 for Edey / MacDonald St reconstruction and \$296,364 for Daniel / Albert Street sewer upsizing and reconstruction. A detailed listing of all development charge disbursements by project is included in Appendix B: Development Charge Project Activity Report.

Gross Capital Cost Expectations:

As per O. Reg 82/98, as of the end of the year, a municipality must indicate if they expect to incur the amount of capital costs that were estimated, in the relevant development charge background study, during the term of the applicable development charge by-law. The current development charges by-law was adopted in 2023 along with an updated background study in 2024 to add growth studies, and includes new estimated capital costs for a ten-year period with \$48.5M in planned expenditures and \$27.7M recoverable from development charges (Appendix C). The Town still expects to incur these capital costs, and they are included in the Town's Long Range Capital Forecast for planning purposes.

For the period 2023-2025, \$6,575,359 of development charges have been expended on capital projects which is 24% of the planned \$27,715,399 of development charges expenses planned for the 10 year period (2023-2032).

Options:

N/A

Policy Considerations:

Development Charges Act: A significant number of amendments have been made by the Province to the Development Charges Act including changes under Bill 108, 138, 197, 213 and 109. A summary of these changes are included in the [2023 Development Charges Background Study](#) and have been included in the 2023 Development Charges By-law which came into effect on March 13, 2023.

The Province continues with amendments to the Development Charges Framework including changes under Bill 98 and Bill 60. Letters from Watson & Associates Economists Ltd. summarizing the changes, proposed further amendments and the potential impacts on municipalities are attached.

Financial Considerations:

Requirement to Allocate Funds: Annually, beginning in 2023, municipalities will be required to spend or allocate at least 60% of the monies in a reserve fund at the beginning of the year for water, wastewater, and services related to a highway. Other

services may be prescribed by regulation. As growth-related projects are included in the Town's Long Range Capital Forecast, over 88% of the monies in the reserve funds are allocated to specific projects with a small portion, 12% for provisional items, not yet assigned.

Compliance Statement: The Town of Arnprior is compliant with Section 59.1(1) of the Development Charges Act, whereby charges are not directly or indirectly imposed on development nor has a requirement to construct a service related to development been imposed, except as permitted by the Development Charges Act or another Act.

Meeting Dates:

N/A

Consultation:

N/A

Documents:

Appendix A: 2025 Annual Statement of Development Charges Reserve Fund

Appendix B: 2025 Development Charge Project Activity Report

Appendix C: Estimated Gross Capital Costs (2023-2032)

Watson & Associates Economists Ltd – Letters:

- Letter dated 10 April 2026 – Bill 98 – Changes to the DC Framework
- Letter dated 4 November 2025 – Bill 60 – Changes to the DC Framework

Signatures

Reviewed by Department Head: Jennifer Morawiec

Reviewed by General Manager, Client Services/Treasurer: Jennifer Morawiec

CAO Concurrence: Robin Paquette

Workflow Certified by Town Clerk: Kaila Zamojski

Appendix A: Treasurer's Statement - Development Charge Reserve Funds
For the period January 1, 2025 to December 31, 2025

	Services to which the Development Charge Relates								
	Services Related to a Highway	Public Works	Water	Wastewater	Fire	Parks and Recreation	Library Facility / Materials	Growth Studies	Total
Opening Balance, January 1, 2025	\$ (1,330,334)	\$ 235,438	\$ 2,454,783	\$ 4,439,700	\$ (141,884)	\$ (917,139)	\$ 91,420	\$ 18,983	\$ 4,850,967
Revenues									
Development Charge Collections	81,908	14,332	193,364	114,873	4,432	26,320	3,724	6,141	445,095
Development Charge Receivable	-	-	-	-	-	-	-	-	-
Accrued Interest	23,902	4,182	56,428	33,522	1,293	7,681	1,087	1,792	129,888
Sub-Total	\$ 105,811	\$ 18,515	\$ 249,791	\$ 148,395	\$ 5,726	\$ 34,000	\$ 4,811	\$ 7,933	\$ 574,982
Expenditures¹									
Amount Transferred to Capital (or Other) Funds	-	-	1,160,200	1,188,624	75,656	-	-	-	2,424,480
Prior Commitments (Return to Source)	13,423	-	(414,904)	(193,687)	-	(33,710)	-	(804)	(629,681)
Sub-Total	\$ 13,423	\$ -	\$ 745,296	\$ 994,937	\$ 75,656	\$ (33,710)	\$ -	\$ (804)	\$ 1,794,799
Closing Balance, December 31, 2025	\$ (1,237,947)	\$ 253,953	\$ 1,959,278	\$ 3,593,158	\$ (211,814)	\$ (849,429)	\$ 96,231	\$ 27,720	\$ 3,631,150

¹ See Appendix B for details

The Municipality is compliant with s.s. 59.1 (1) of the *Development Charges Act*, whereby charges are not directly or indirectly imposed on development nor has a requirement to construct a service related to development been imposed, except as permitted by the *Development Charges Act* or another Act.

Town of Arnprior
Appendix B: 2025 Development Charge Project Activity Report
Amount Transferred to Capital (or Other) Funds
For the period January 1 to December 31, 2025

Service Category	Project Description	D.C. Reserve Fund Draw / (Return to Source)	Other Reserve / Reserve Fund Draws	Grants / Other Contributions	Total
Water Services	River Crossing Construction	371,157	91,332	1,449,816	1,912,305
Water Services	Past Plant Expansion - Loan	374,139	225,592	-	599,731
Wastewater Services	Past Plant Expansion - Loan	396,030	181,971	-	578,001
Wastewater Services	Daniel / Albert Sewer Project	296,364	1,865,274	3,765,650	5,927,288
Wastewater Services	Edey / MacDonald Construction	302,543	1,651,022	1,228,978	3,182,543
Fire	Quint Apparatus Loan	75,656	75,656	-	151,312
Parks and Recreation	Fairview Park	29,719	-	-	29,719
Parks and Recreation	Marshall's Bay Meadows Park	(47,292)	-	-	(47,292)
Parks and Recreation	CN Trail Park	(16,137)	(39,507)	-	(55,644)
Services Relating to a Highway	McNab Sidewalks	13,423	(1,491)	-	11,932
Growth Studies	Transportation Master Plan	(804)	-	-	(804)
TOTAL		\$ 1,794,799	\$ 4,049,848	\$ 6,444,444	\$ 12,289,091

Town of Arnprior
Appendix C: Estimated Gross Capital Costs
For the period covered by the By-Law 2023-2032

Services to which the Development Charge Relates									
For the period 2023-2032	Services Related to a Highway	Public Works	Water	Wastewater	Protection	Parks and Recreation	Library	Growth Studies	Total
<u>Background Study (Table 6-5)</u>									
Funding Source - DC Recoverable	4,913,537	1,294,000	10,804,734	7,067,196	354,300	2,148,400	367,500	765,732	27,715,399
Tax Base or Other Non-DC Source	3,276,448	1,405,000	6,285,318	483,801	651,700	8,023,000	322,500	354,950	20,802,717
Gross Capital Cost Estimates (2023-2032)	\$ 8,189,985	\$ 2,699,000	\$ 17,090,052	\$ 7,550,997	\$ 1,006,000	\$ 10,171,400	\$ 690,000	\$ 1,120,682	\$ 48,518,116
<u>Incurred Capital</u>									
Funding Source - DC Recoverable	1,446,584	-	1,779,170	2,018,063	244,468	1,087,877	-	-	6,575,359
Tax Base or Other Non-DC Source	6,222,309	-	3,305,903	9,056,837	226,968	1,956,935	-	-	20,768,951
Gross Capital Cost Incurred (2023-2032)	\$ 7,668,893	\$ -	\$ 5,085,073	\$11,074,900	\$ 471,436	\$ 3,044,812	\$ -	\$ -	\$ 27,344,311
<u>Assigned to Capital or LRCF</u>									
Allocated to Activity / Project	76%	100%	92%	87%	73%	98%	68%	100%	88%
Unallocated / Provisional	24%	0%	8%	13%	27%	2%	32%	0%	12%

April 10, 2026

To our Municipal Clients:

Re: *Bill 98, Building Homes and Improving Transportation Infrastructure Act, 2026 and Regulatory Proposal 026-0312*

In our continued efforts to keep our clients up to date on legislative changes that may impact them, we are writing to inform you of proposed legislative changes to the *Development Charges Act, 1997* (D.C.A.) and the *Planning Act* (with respect to parkland dedication requirements). The provincial government has introduced Bill 98, an Act to enact the *Fare Alignment and Seamless Transit Act, 2026* and to amend various Acts (referred to as the *Building Homes and Improving Transportation Infrastructure Act, 2026*). This Bill proposes amendments to the following legislation:

- *Building Code Act, 1992;*
- *City of Toronto Act, 2006;*
- *Development Charges Act, 1997;*
- *Metrolinx Act, 2006;*
- *Municipal Act, 2001;*
- *Planning Act;*
- *Safe Drinking Water Act, 2002; and*
- *Water and Wastewater Public Corporations Act, 2025.*

The Bill also introduces new legislation, i.e., the *Fare Alignment and Seamless Transit Act, 2026*.

In addition to the legislative amendments, the Province is also proposing changes to the *Planning Act* regulations (Ontario Regulation 509/20). The proposed changes, which are intended to standardize parkland requirements, are available for comments via the Environmental Registry of Ontario at the following link: <https://ero.ontario.ca/notice/026-0312>. The deadline to submit comments is May 14, 2026.

Comments related to changes to the D.C.A. can be made at the following link: <https://www.regulatoryregistry.gov.on.ca/proposal/53553>. The deadline to submit comments is April 29, 2026.

This letter provides a summary and preliminary analysis of the proposed changes with respect to development charges (D.C.s) and parkland dedication requirements. In addition, the provincial and federal governments recently announced a joint funding program to invest in infrastructure and reduce D.C.s (i.e., “The Canada-Ontario



Partnership to Build”). This letter also provides our preliminary analysis with respect to the funding announcement.

1. Proposed Changes to the Development Charge Framework

1.1 Proposed Changes to the *Development Charges Act, 1997*

The proposed changes to the D.C.A. are presented in Schedule 3 of Bill 98. These changes include the addition of a new section 4.5 to provide for a mandatory exemption for non-profit retirement home development and minor corrections to references under subsection 52 (3.1) of the D.C.A.

1.1.1 *New Statutory Exemption*

Non-profit Retirement Home Development is defined as: the development of a building or structure intended for use as a retirement home, as defined in subsection 2 (1) of the *Retirement Homes Act, 2010*, and developed by,

- (a) a corporation to which the *Not-for-Profit Corporations Act, 2010* applies, that is in good standing under that Act, or
- (b) a corporation without share capital to which the *Canada Not-for-profit Corporations Act* applies, that is in good standing under that Act.

This exemption does not apply to charges payable prior to the day the Bill receives Royal Assent, but does apply to any future instalment payments.

1.1.2 *Canada-Ontario Partnership to Build Funding Announcement*

On March 30, 2026, the federal and provincial governments announced a new funding partnership that would provide a combined \$8.8 billion over 10 years for infrastructure investments in Ontario, with Canada’s share of funding from the Building Communities Strong Fund’s provincial and territorial stream. The main points of the funding announcement are as follows:

- The goal of the funding is to support housing-enabling infrastructure projects.
- Funding will be prioritized for municipalities that reduce and maintain reductions on D.C.s.
- The federal and provincial government will agree on a list of priority municipalities where D.C.s are seen as cost-prohibitive and where growth is essential to support Ontario’s future.
 - Ontario would require a commitment to reduce D.C.s by 30% to 50% and maintain the reduction for at least three (3) years.



- This new funding is intended to offset the financial impact of D.C. reductions; however, municipalities are expected to support the D.C. reductions so that all three (3) levels of government are supporting increased housing supply and affordability.
- Funding will be made available for municipalities that do not levy D.C.s where infrastructure projects are prioritized by the Province.
- Municipalities will be required to identify projects for which the funding may be used, which must be ready-to-build and may include other requirements of Ontario and Canada.

To date, no additional information has been provided by the federal or provincial government. It is anticipated that further details will be provided by the Province when available.

2. Proposed Changes to the Parkland Dedication Framework

2.1 Proposed Changes to the *Planning Act*

2.1.1 *Legislative Amendments*

Type of Land Eligible for Dedication

In 2022, Bill 23 (*More Homes Built Faster Act*) introduced amendments to section 42 of the *Planning Act* that would provide that certain lands may be required to be accepted as part of parkland dedication requirements. These changes are included in subsections 42 (4.30) through 42 (4.39) but are not yet in force.

Bill 98 provides for an amendment to subsection 42 (4.32) to clarify that if a municipality intends to accept the conveyance of land or an interest in land, it is subject to the description of land included in subsection 42 (4.31). That is, that the land is:

- Part of a parcel of land that abuts one or more other parcels of land on a horizontal plane;
- Subject to an easement or other restriction; or
- Encumbered by below-grade infrastructure.

This also includes an interest in land other than the fee, where interest is sufficient to allow the land to be used for park or other public recreational purposes (4.31) (b).

Bill 98 also adds the following subsection:

(4.32.1) If the interest in land described in clause (4.31) (b) is an easement, the easement is valid whether or not the municipality owns



appurtenant land or land capable of being accommodated or benefited by the easement.

Appeal

Subsection 42 (4.35) provides that an owner of land who has received notice of refusal to accept parkland dedication may appeal within 20 days to the Ontario Land Tribunal.

Bill 98 adds the following subsection:

(4.35.1) An owner of land who has not received a notice under subsection (4.34) within 90 days of identifying land in accordance with subsection (4.30) may, at any time before receiving notice under subsection (4.34), appeal to the Tribunal the municipality's failure to make a decision as to whether to accept the conveyance by filing with the clerk of the municipality a notice of appeal accompanied by the fee charged by the Tribunal.

This additional subsection allows an owner of land to appeal where no decision has been made within 90 days of identifying the lands to be dedicated.

Order by Tribunal

Subsection 42 (4.38) provides that the Ontario Land Tribunal has the authority to consider whether the land identified for dedication meets prescribed criteria, and if so, order that the land be conveyed to the municipality and that it counts towards parkland dedication requirements.

Bill 98 adds the following subsection:

(4.38.1) For the purposes of clause (4.38) (b), any land described in clause (4.31) (a) or any interest in land described in clause (4.31) (b) that is conveyed in accordance with clause (4.38) (a) shall be counted towards any requirement set out in the by-law by multiplying the area of such land by a factor of 0.7 or such other larger factor as may be determined by the municipality.

This subsection provides that any lands ordered to be conveyed that are encumbered as noted in subsection (4.31) be counted towards parkland dedication requirements at a discounted rate of 0.7. For example, in a situation where an applicant is required to dedicate 2 hectares of land for parkland dedication and proposes to provide 1 hectare of that land that is encumbered, the Tribunal may order these lands to be accepted and they would be equivalent to the dedication of 0.7 hectares of land. The applicant would still be required to dedicate an additional 1.3 hectares of unencumbered land.



2.1.2 Proposed Amendments to Ontario Regulation 509/20

The Province has identified new regulations related to identifying which types of land will be suitable for land dedication. The land suitability criteria would identify ineligible land and land accessibility requirements.

Ineligible Land

The proposal would identify the following land as ineligible for parkland dedication:

- Contaminated lands – lands that have in or on them any contaminants from industrial or other uses that pose a public health risk.
- Natural and human-made hazard lands – hazardous lands and hazardous sites as described in section 5.2 of the Provincial Planning Statement, 2024 (P.P.S., 2024), as well as lands affected by human-made hazards as described in section 5.3 of the P.P.S., 2024.
- Lands within and adjacent to natural heritage features and areas are eligible on the condition that a park would not interfere with or compromise the natural heritage features and areas.
- Lands in the Natural Heritage System of the Greenbelt Plan or in the Natural Core or Natural Linkage Areas of the Oak Ridges Moraine Conservation Plan or unless in accordance with policies of the Niagara Escarpment Plan.
 - Lands that would not support park use – lands that would not accommodate fill and/or soil depths to accommodate structural footings as per the Ontario Building Code or support tree planting.
 - Lands with financial encumbrances – lands with liens, charges, etc., registered on title.
 - Lands that are privately owned and not accessible to the public at all times.

Land Accessibility/Comfort for Use

The proposed regulation notes that parkland must be accessible, visible, and comfortable to facilitate public use of it and, in particular, must be:

- Accessible by all users directly from the public realm and readily visible from the public realm.
- Of a size and shape that is capable of serving park or public recreational purposes.

2.1.3 Summary of Proposed Parkland Dedication Amendments

With the addition of the proposed criteria identified in the proposed regulations, the Province is seeking to enact the subsections of section 42 of the *Planning Act* that allow developer-identified lands to be required for parkland dedication. Once identified, if



refused by the municipality or no decision is provided, the developer may appeal the decision (or non-decision) to the Ontario Land Tribunal. The Tribunal then has the authority to review the proposed land to be dedicated against the criteria in the *Planning Act* and the associated regulations, and may order the land to be accepted by the municipality.

3. Concluding Remarks

Although the changes to the D.C.A. are limited to the addition of an exemption for non-profit retirement home developments, as noted in previous correspondence, exemptions from D.C.s are funded from non-D.C. sources.

The announcement of the Canada-Ontario Partnership to Build provides municipalities with additional funding for infrastructure; however, it is contingent on municipalities reducing their D.C.s. It appears that not all the reduction will be funded through these grants, and municipalities will be required to contribute some portion from non-D.C. sources.

With respect to parkland dedication, the Province is seeking to implement sections of the *Planning Act* added through Bill 23 by providing criteria for which municipalities would accept encumbered lands from developers. These encumbered lands must meet the criteria set out in the *Planning Act* and associated regulations; however, it is anticipated that municipalities will see an increase in appeals to the Ontario Land Tribunal with respect to this issue.

We will continue to monitor any changes and inform you of the potential impacts on municipalities.

Should you have any questions, please contact any of the undersigned or send an email to info@watsonecon.ca.

Yours very truly,

WATSON & ASSOCIATES ECONOMISTS LTD.

Andrew Grunda, MBA, CPA, CMA, CEO
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November 4, 2025

To our Municipal Clients:

Re: Bill 60, *Fighting Delays, Building Faster Act, 2025* and Regulatory Proposals 25-MMAH018 and 25-MMAH030

In our continued efforts to keep our clients up to date on legislative changes that may impact them, we are writing to inform you of proposed legislative changes to the *Development Charges Act, 1997* (D.C.A.) and associated regulation (Ontario Regulation 82/98). The provincial government has introduced Bill 60, an Act to amend various Acts and to enact the *Water and Wastewater Public Corporations Act, 2025* (referred to as the *Fighting Delays, Building Faster Act, 2025*). This Bill proposes amendments to the following legislation:

- *Building Transit Faster Act, 2020;*
- *Construction Act;*
- *Development Charges Act, 1997;*
- *GO Transit Station Funding Act, 2023;*
- *Highway Traffic Act;*
- *Local Roads Boards Act;*
- *Municipal Act, 2021;*
- *Ontario Water Resources Act;*
- *Photo Card Act, 2008;*
- *Planning Act;*
- *Public Transportation and Highway Improvement Act;*
- *Residential Tenancies Act, 2006;*
- *Toronto Waterfront Revitalization Corporation Act;*
- *Towing and Storage Safety and Enforcement Act;*
- *Transit-Oriented Communities Act, 2020;*

The Bill also introduces new legislation: the *Water and Wastewater Public Corporations Act, 2025*.

In addition to the legislative amendments, the Province is also proposing changes to the development charge (D.C.) regulation (Ontario Regulation 82/98). The proposed changes, which are intended to standardize and streamline the D.C. framework, are available for comments via the Regulatory Registry at the following links:

- 25-MMAH018: <https://www.regulatoryregistry.gov.on.ca/proposal/52054>; and
- 25-MMAH030: <https://www.regulatoryregistry.gov.on.ca/proposal/52308>.



The deadline to submit comments on the above-referenced proposals is November 22, 2025, and November 23, 2025, respectively.

This letter provides a summary and preliminary analysis of the proposed changes to the D.C.A. and Ontario Regulation 82/98.

1. Proposed Changes to the Development Charge Framework

1.1 Proposed Changes to the *Development Charges Act, 1997*

The proposed changes to the D.C.A. are presented in Schedule 3 of Bill 60, *Fighting Delays, Building Faster Act, 2025*. The following is a list of the proposed changes, which are discussed in further detail below:

1. Addition of Class of Service for land acquisition;
2. Required timelines for the Annual Treasurer's Statement;
3. Addition of requirements for Local Service Policies; and
4. Requirement to provide documents to the Minister.

1.1.1 *Addition of Class of Service for Land Acquisition*

Background Context

In preparing the D.C. calculations as part of a D.C. background study, most services^[1] require a Level of Service calculation to be undertaken, as the D.C.A. requires that the increase in need for service must not exceed the historical Level of Service when determining the charge. This requirement is set out in subsection 5 (1) 4 of the D.C.A. and section 4 of Ontario Regulation 82/98. The regulation requires that the Level of Service be calculated by identifying quantity and quality measures of service. These measures have generally been interpreted to reflect the quantity of capital assets used to provide the service and the current replacement value (i.e., quality) of the capital assets. The combination of the measures results in the per capita historical replacement value, which, when applied to the forecast population, provides the total D.C.-eligible amount that can be included in the D.C. calculations for recovery.

In determining the replacement value (i.e., quality) of the assets, the scope of capital costs is consistent with the definition in subsection 5 (3) of the D.C.A. The Act defines capital costs to include “costs to acquire land or an interest in land, including a leasehold interest.” Compliance with the D.C.A. requires that the scope of capital costs included in the increase, the need for service, and the historical Level of Service be the same. As such, the historical Level of Service calculations commonly include the value of land. Over the past few years, the development community has raised concerns

[1] All D.C.-eligible services, except water, wastewater, stormwater, and transit services.



regarding the inclusion of land in the required Level of Service calculations when no future land costs are identified. The increase in the value of land and all other infrastructure has led to an increase in the D.C.-eligible amount that can be included in D.C. calculations.

Proposed Changes

The legislative proposal is to include land acquisition as a separate class of service.^[1] Under this proposal, anticipated land acquisition capital needs would be grouped together for the purposes of the D.C. calculations. Land acquisition capital needs would also be excluded from the historical Level of Service restrictions.

In identifying the land acquisition needs by service, the proposal restricts the anticipated capital costs for land to 10 years for all services except for the following:

- Water;
- Wastewater;
- Stormwater;
- Services related to a highway;
- Electrical;
- Transit;
- Police; and
- Fire.

As land acquisition will be established as a class of service, municipalities will be required to establish a separate reserve fund for these capital costs. As such, funds would be segregated for this purpose, only to be used for land costs. Similar to other reserve funds, monies in this reserve fund can be borrowed and repaid, with interest. With respect to credits, municipalities will need to ensure that credits for land are accounted for separately from credits for other applicable services.

Section 35 of the D.C.A. is amended to add an exception to the use of monies in established reserve funds. This section states that monies in a reserve fund can be used for land acquisition; however, they cannot be used for land acquisition if those costs are to be paid for with the reserve fund established for land acquisition.

^[1] Section 7 of the D.C.A. states that a class of service may be established for the purposes of a D.C. by-law that is a combination of D.C.-eligible services or a subset of a D.C.-eligible service. Note, land acquisition related to the Toronto-York and Yonge North Subway Extensions is not required to be a class of service.



Potential Impacts

The removal of land from the Level of Service calculations would have varying impacts across municipalities. Where land values are significant, the removal of these amounts from the Level of Service calculations will result in a decrease in the D.C.-eligible amount that may restrict D.C. funding for future capital projects. For example, the removal of land values from the replacement costs of recreation facilities would have the effect of reducing the Level of Service cap on D.C. funding for recreation services. While this may be impactful, this change enables the Level of Service calculations to be more accurately compared to the anticipated increase in need for service and allows land needs to be included without the Level of Service restriction.

The restriction on the forecast period for certain services appears to be inconsistent with previous changes to the D.C.A., which removed the 10-year forecast period restriction for all services except Transit.^[1] As land purchases are commonly undertaken years before the construction of a facility, there may be some requirements to include a post-period benefit deduction if the land is required for a facility that will benefit growth outside the 10-year forecast period.

Municipalities may consider having different land acquisition calculations for the various forecast periods. For example, one calculation may be undertaken for the 10-year restricted services, whereas one or more calculations may be undertaken for those services with unrestricted forecast periods.

With respect to establishing a reserve fund for the land acquisition class of service, there may be some transitional matters to consider when preparing the D.C. background study calculations. For example, where land acquisition has been included in previous D.C. background studies, and reserve fund monies have been allocated and/or committed to land acquisition projects, reserve fund adjustments may be required. As the changes to the D.C.A. state that a class of service for land shall be established (i.e., required to recover land as a separate service), a separate reserve fund is required. Once a municipality undertakes a new D.C. by-law, the capital costs included in the class of service for land acquisition must be funded from the land acquisition reserve fund.

^[1] In 2019, the Province passed Bill 108, which removed the requirement to forecast capital needs over a 10-year period for all services other than water, wastewater, stormwater, services related to a highway, electrical power services, police, fire, and the Toronto-York subway extension, as these services were previously not restricted to a 10-year forecast.



1.1.2 Required timelines for the Annual Treasurer's Statement

Proposed Changes

Currently, the Annual Treasurer's Statement must be prepared each year by a date determined by Council. Subsection 43 (1) of the Act is amended to require the Treasurer's Statements to be completed by June 30 of each year.

Currently, the Annual Treasurer's Statement is required to be provided to the Minister of Municipal Affairs and Housing upon request. Subsection 43 (3) of the Act is amended to require a copy of the Treasurer's Statement to be submitted to the Minister by July 15 of each year.

Potential Impacts

Municipalities will need to ensure the Annual Treasurer's Statements are completed by June 30 and submitted to the Minister by July 15.

1.1.3 Addition of Requirements for Local Service Policies

Proposed Changes

Currently, subsection 2 (5) of the D.C.A. precludes a D.C. by-law from imposing charges with respect to local services described in section 59 of the D.C.A. Section 59 of the D.C.A. provides a link to the *Planning Act*, such that, as a condition of subdivision or consent agreement, a municipality may require local services to be installed or paid for by the owner. Local services are considered when preparing a D.C. background study to ensure compliance with the legislative requirements. As such, a Local Service Policy is generally included in our D.C. background studies for transparency to stakeholders and for municipal staff administration.

New subsections 59 (2.2) through 59 (2.11) are proposed, which generally set out the following:

- A Local Service Policy is required for all D.C.-eligible services to which a D.C. by-law imposes a charge and where some part of the service will be provided as a local service.
- A Local Service Policy is required to impose a condition of local services on development, and only to the extent it has been identified in the Local Service Policy. That is, a municipality could not require a work or classes of work to be provided as a local service if it is not identified as such in the Local Service Policy.
 - This does not apply where a municipality does not impose a D.C. for that service.



- This applies the day a municipality establishes the Local Service Policy or 18 months after Bill 60 receives Royal Assent.
- Required content for a Local Service Policy includes:
 - Works or classes of works related to development that are intended to be required as a Local Service.
- Optional content for a Local Service Policy includes:
 - Works or classes of works that are not intended to be required as a Local Service.
 - Works or classes of works that are partially required as a Local Service.
- The municipality shall give a copy of the Local Service Policy to the Minister of Municipal Affairs and Housing upon request, by the date requested.
- The Local Service Policy must be reviewed, requiring a resolution of Council declaring if a revision is needed. The resolution shall be passed at the time of passing any D.C. by-law or when a revision to the policy is required.

Note, there appears to be an error in the newly proposed subsection 59 (2.5). This subsection refers to subsection 2.8; however, that subsection refers to sending a copy of the Local Service Policy to the Minister of Municipal Affairs and Housing. It appears the appropriate reference should be subsection 2.7.

Potential Impacts

At Watson & Associates Economists Ltd. (Watson), it is our current practice to include Local Service Policies as part of D.C. background studies. This provides transparency to stakeholders and the municipality by delineating between local service capital costs and D.C.-eligible capital costs. The proposed changes regarding the required and optional content appear to be generally in line with Watson's current practice. Some municipalities, however, currently include wording in their Local Service Policies that provides flexibility for the municipality's interpretation of what costs can be deemed local service. The proposed changes aim to provide clarity on which costs would be deemed local service; therefore, municipalities may consider updating their current Local Service Policies to ensure removal of the "flexible" language. Furthermore, municipalities may require more frequent updates to their Local Service Policies as items are raised through the development approvals process that may not be appropriately captured in the Local Service Policy.

The proposed subsection 59 (2.2) requires that a Local Service Policy cover the services set out in subsection 2 (4) of the D.C.A. that are included in a D.C. by-law. Land acquisition is a service as defined in this section, as it is proposed to be a sub-service of capital costs for eligible services. As such, it would appear that land is required to be addressed in the Local Service Policy.

Proposed subsection 59 (2.6) appears to clarify that if a municipality does not impose a D.C. for a particular service, there is no requirement to have that service set out in the



Local Service Policy. This would also appear to apply to municipalities without D.C. by-laws.

Municipalities will need to ensure that all D.C. background study processes include a Local Service Policy and that the policy be expressly approved in the resolution of Council when the D.C. background study and by-law are adopted. This would appear to apply to all D.C. background study processes, including those prepared for by-law amendments and streamlined amendments to by-laws that do not require a background study under subsection 19 (1.1).

Given there is a transitional deadline of 18 months after this legislation takes effect, municipalities with existing D.C. by-laws that do not have Local Service Policies should consider reviewing and approving a Local Service Policy.

Note, if a municipality determines that there is no service in their D.C. by-law for which they will impose local service requirements, it does not appear that the municipality would be required to prepare a Local Service Policy.

1.1.4 Requirement to Provide Documents to the Minister

Proposed Changes

Currently, there is no requirement to provide the D.C. background study or by-law to the Minister of Municipal Affairs and Housing. The proposed changes to section 10 and section 13 of the D.C.A. would require municipalities to provide copies of the documents to the Minister upon request, by the date requested.

In addition, there is currently no requirement to provide the Local Service Policy to the Minister of Municipal Affairs and Housing. A proposed new subsection 59 (2.8) will require a copy of the Local Service Policy to be provided to the Minister upon request, by the date requested.

Potential Impacts

There does not appear to be any impact to municipalities, as the D.C. background study is already required to be posted on the municipality's website, and copies of the by-law and Local Service Policy are typically included within the D.C. background studies.

1.2 Proposed Changes to Ontario Regulation 82/98

In addition to the proposed changes to the D.C.A., the Province has proposed regulatory changes to Ontario Regulation 82/98. These changes are with respect to the following matters:

1. Merging of credits for water supply services and wastewater services;



2. Making Benefit to Existing allocations more transparent in D.C. background studies;
3. Detailing land acquisition costs in D.C. background studies; and
4. Making information in financial statements relating to D.C.s more transparent and easily accessible.

These changes are discussed in more detail below. Note that the draft regulation has not yet been released. Our preliminary comments are based on the summary of the proposed changes provided on the Provincial Regulatory Registry website.

1.2.1 Merging of Credits

Watson has previously provided commentary on the merging of credits.^[1] Our commentary included the following potential impacts:

Removal of municipal discretion

Currently, municipalities have the ability to agree to apply credits to other services within a D.C. by-law. In many cases, the municipality will undertake a cashflow analysis of their D.C. reserve funds to determine if this is feasible. This proposed change appears to remove a municipality's discretion to combine services by agreement in certain instances.

Cashflow implications for municipalities

Combining services for the purposes of credits would have cashflow implications for municipalities, where funds held in a D.C. reserve fund for a service not included under the section 38 agreement would be reduced. This could delay the timing of capital projects for these impacted services and/or increase financing costs, as municipalities tend to confine funding for projects to the reserve funds available for that service and not borrow between reserve funds/services.

Proposed Changes

This proposed change aims to merge water supply services and wastewater services for the purposes of credits. As provided in subsection 2 (4) of the D.C.A., the D.C.-eligible services of water supply and wastewater include distribution and treatment, and sewers and treatment, respectively.

[1] Watson & Associates Economists Ltd. June 4, 2025 letter to the Ministry of Municipal Affairs and Housing: <https://www.watsonecon.ca/insights/opinions/bill-17-comments-for-regulatory-registry.pdf>



Potential Impacts

The proposal is of concern as some municipalities have invested significant amounts into their water and wastewater systems. To elaborate on why this is a concern, in certain circumstances, municipalities have separated their water and wastewater D.C.s into the following categories:

- Water supply and storage;
- Water distribution;
- Wastewater treatment; and
- Wastewater collection.

Where significant investments in water supply and storage or wastewater treatment have been made, separating the D.C.s into the categories above may assist in ensuring D.C. cashflows are available to pay existing debt payments. The proposal to combine water supply and wastewater services would entitle a developer to receive D.C. credits against both services if D.C.-eligible capital costs/works have been provided directly for either service. This would negatively impact cashflows for the service not directly provided by the developer.

1.2.2 Transparency of Benefit to Existing Calculations

Proposed Changes

The proposed regulatory changes would require municipalities to provide greater details with respect to how capital costs are determined and how the growth-related and non-growth-related shares of the costs are determined. The proposed wording appears to require this for each service, rather than on a project-by-project basis.

Potential Impacts

It is positive that the Province has not established a required methodology, as there is no standardized approach across all municipalities (although there are best practices that are generally followed).

Providing further details in the background study will enhance transparency for stakeholders. While this will require additional effort in the preparation of the D.C background study, it should reduce the effort required by municipal staff to address stakeholder questions related to the determination of capital and benefit to existing deductions once the background study is released. Although the proposal suggests that the D.C. background study will require the methodology to be provided by service, there may be situations where a project-by-project determination is required.



1.2.3 Details of Land Acquisition

Proposed Changes

It is proposed that land acquisition capital needs shall be treated as a class of service. As such, section 8 of Ontario Regulation 82/98 will be amended to require land acquisition costs to be included in the D.C. background presentation of:

- The total of the estimated capital costs relating to the service;
- The allocation of the total of the estimated costs between costs that would benefit new development and costs that would benefit existing development;
- The total of the estimated capital costs relating to the service that will be incurred during the term of the proposed D.C. by-law;
- The allocation of the costs incurred during the term of the proposed by-law between costs that would benefit new development and costs that would benefit existing development; and
- The estimated and actual value of credits that are being carried forward relating to the service.

Potential Impacts

See the comments above with respect to the inclusion of land acquisition as a class of service.

1.2.4 Information Accessibility

Proposed Changes

The proposed changes increase reporting requirements for the Annual Treasurer's Statements to include:

- The amount from each reserve fund that was committed to a project, but had not been spent, as of the end of the year;
- The amount of debt that had been issued for a project as of the end of the year; and
- The location in the D.C. background study where the project's capital costs were estimated.

This would not apply in circumstances where a municipality uses a unique identifier in both background studies and Treasurer's Statements to identify each project.

Potential Impacts

The proposed changes increase transparency for the public and can help demonstrate that D.C. funds are being used as required and to the extent allowable under the D.C.A.



These additional requirements will increase administrative effort by municipal staff. Municipalities may wish to provide unique project identifiers as part of the preparation of their next D.C. background study for ease of aligning projects in the D.C. background study with the projects identified in the Annual Treasurer's Statement.

2. Concluding Remarks

The proposed changes to the D.C.A. and Ontario Regulation 82/98 are generally positive as they provide additional transparency of the D.C. calculations and how D.C.s are used by municipalities. The changes with respect to including land acquisition as a class of service appear to have a minor impact on municipalities where land values are minimal, with a greater impact on the Level of Service calculations for larger urban municipalities. The requirement for a Local Service Policy and its contents are generally in line with Watson's current approach; however, updates may be required to existing Local Service Policies to provide more detail on which costs would be local service and which costs would be recovered through D.C.s. Watson continues to have concerns regarding the merging of services for the purposes of credits, as this may impact municipalities that have invested in water supply and/or wastewater treatment costs.

We will continue to monitor any changes and inform you of the potential impacts on municipalities.

Should you have any questions, please contact any of the undersigned or send an email to info@watsonecon.ca.

Yours very truly,

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