



**The Corporation of the  
City of Sault Ste. Marie**

**COUNCIL REPORT**

March 23, 2026

TO: Mayor Matthew Shoemaker and Members of City Council  
AUTHOR: Peter Tonazzo, Director of Planning  
DEPARTMENT: Community Development and Enterprise Services  
RE: Sustainable Development – Development Charges

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**PURPOSE**

The purpose of this report is to provide Council with an overview of the various tools available to maximize benefits from development, with special regard for the various types of development charges available to the municipality.

**BACKGROUND**

On April 12, 2021, Council passed the following resolution:

*Whereas the real estate value located within a City's borders is the main revenue source of most municipalities, and growth in that amount value is one of many ways that City budgets keep up with inflation; and*

*Whereas Sault Ste. Marie, over the last 20 years, has experienced increasing assessment values in some neighbourhoods but not others, at the same time as having an aggregate in-year new growth rate of less than 1%; and*

*Whereas Sault Ste. Marie has access to detailed mapping from the Innovation Centre that shows these geographic areas of assessment growth vs stagnation; and*

*Whereas it is in the interest of all Sault Ste. Marie ratepayers to ensure that assessment distribution is as evenly spread throughout the City as possible, and that new growth does not come at additional cost to the existing levy; and*

*Whereas new development is one of the main sources of new assessment growth, provided that new development does not shift assessment value away from another area of the City; and*

*Whereas Sault Ste. Marie is the largest city in Ontario without development charges or a cost recovery mechanism for planning charges, both of which are key tools for a municipality to ensure that growth does not create assessment decline and stagnation elsewhere; and*

*Whereas the City of Sault Ste. Marie is examining options for new growth Community Improvement Plans, many of which in comparator municipalities provide development charges exemptions for certain types or zones of needed development;*

*Now Therefore Be It Resolved that relevant staff be requested to prepare a report outlining the best options for Sault Ste. Marie to adopt further tools to ensure that the cost of new development accurately reflects the cost to the general levy.*

## **ANALYSIS**

Municipalities in Ontario have a variety of tools to maximize the benefits of new development. Often grouped under the term “Development Charges” (DCs), these tools operate under the principle that “growth should pay for growth.” This means that new development helps fund the capital infrastructure required to serve that growth, rather than placing the full burden on existing taxpayers. Additional tax revenues generated by new developments typically do not cover the full costs of supporting growth. In the business world, these are known as “scaling costs” – the costs a company or municipality incurs as it expands services, production, or its customer (population) base.

From a municipal perspective, some types of development are more financially efficient than others. Infill development tends to be the most efficient, as linear infrastructure such as water, sewer, and roads already exist at the site. Outward expansion, which requires new linear infrastructure, is generally less efficient over the long term. This is not to say that infill or intensification comes without cost – locally, most development over the past three years has been infill intensification. While these projects required minimal new linear infrastructure, growth and intensification have still created pressures on service levels, including active and vehicular transportation, snow removal, and public recreational amenities to name a few.

Density also affects municipal efficiency. Rural residential development is typically cited as the least efficient form of development. As a high-level example, 1km of road can serve approximately 44 rural residential lots (22 per side) versus 134 urban residential lots (67 per side)—providing three times as many tax-paying properties within the same service area. Additional intensification opportunities available in urban serviced areas only increases the tax base.

## **Types of Development Charges**

### **Development Charges (DCs)**

The most well-known tool is development charges, which are passed through a by-law under the *Development Charges Act*. DCs permit the municipality to charge a fee at the time of a building permit application for certain types of development and redevelopment. DCs collected can be used to pay for a wide variety of costs, including:

- Water, sewage and stormwater management services
- Streets, roads, transit services, and active transportation infrastructure
- Electrical power services
- Waste management services
- Police, fire protection, and ambulance services
- Public libraries
- Long-term care services
- Parks and recreation services – excluding the acquisition of land for parks
- Public health services
- Childcare and early years programs and services
- Housing services
- By-law enforcement services and municipality administered court services
- Emergency preparedness services

The *Development Charges and Assessment Acts* exempt the following types of development, where DCs cannot be imposed:

- Additional dwelling units (ADUs)
- Housing developments owned by non-profit housing providers
- Affordable housing units
- Industrial expansions – typically exempt up to a prescribed percentage of existing floor area – historically 50%
- Long-term care homes
- Replacement buildings – Where a building is demolished and replaced, only the net increase in density or floor area can be subject to DCs.
- Places of worship
- Colleges and universities
- A public hospital

In addition to the exemptions above, local Development Charges By-laws often include the following additional exemptions:

- Lands owned by municipalities and school boards
- Hospitals
- Places of worship
- Agricultural buildings
- Temporary buildings and seasonal structures.

### Community Benefits Charges (CBCs)

In 2019, Bill 108 repealed and replaced the bonusing provisions of the *Planning Act*, which had previously allowed developers to provide facilities, amenities, or other community benefits in exchange for increased height or density. Under the new framework, Community Benefits Charges (CBCs) can be imposed through a by-law to fund a wide range of capital costs that are not otherwise recoverable through Development Charges (DCs) or parkland dedication.

The legislation indicates that CBCs cannot be used to fund anything that can be funded through the Development Charges Act. As a result, CBC by-laws are not standalone tools. They operate in combination with a DC regime. CBCs are limited in application to residential developments exceeding 5 storeys and 10 units. They cannot be applied to lower-density residential developments, industrial, commercial, or institutional projects. Additionally, CBC charges are capped at 4% of the land value.

CBC by-laws are most commonly used in large, high growth municipalities, where the former bonusing provisions were widely utilized. Locally, the rules mean that CBCs would only apply to a very small number of developments each year, making them an unreliable source of revenue, particularly in the absence of a DC by-law.

#### Parkland Dedication (and cash in lieu of)

Sections 51 (Plans of Subdivision and Condominium) and 53 (Severances) of the *Planning Act* allow municipalities to require parkland dedication or cash-in-lieu of parkland as a condition of draft plan of subdivision or severance approvals. Dedication rates are capped at 2% for commercial and industrial developments and 5% for all other types of development, including residential. When cash-in-lieu is required, the value of the land is determined the day before approvals are granted. The City currently applies these requirements as a condition of draft plan and severance approvals.

In addition, section 42 of the *Planning Act* allows municipalities, through a parkland dedication by-law, to impose parkland or cash-in-lieu requirements at the development or redevelopment stage, typically at the building permit stage. Provincially prescribed exemptions include:

- Non-profit and affordable housing developments
- Long-term care homes
- Additional Dwelling Units (ADUs)
- Developments where parkland has already been dedicated; however, incremental parkland may be required if a previously approved development is altered in a way that increases density or floor area.

Cash-in-lieu funds must be deposited into a special parkland reserve account, and at least 60% of the funds must be allocated or spent annually. Eligible uses include the acquisition and development of parkland, as well as capital costs directly related to park development. Operating costs for parks or non-park infrastructure are not eligible.

Currently, the City collects parkland or cash-in-lieu primarily for new lot creation (severance, subdivision, or condominium); however, the City does not yet fully utilize the broader parkland dedication provisions of the *Planning Act*, which allow for collection of land or cash for other development or redevelopment proposals—particularly when parkland has not been previously collected, or when proposed developments differ or are of higher density than previously approved.

Planning staff are currently working on a parkland dedication by-law, which will recommend expanding the application of parkland or cash-in-lieu requirements to a wider range of development and redevelopment projects.

### Municipal Act Agreements

Under the concept of municipalities having “natural person powers,” the City can enter into various agreements to require certain actions as a condition of development approvals. For example, a large gravel pit or industrial operation may be required to upgrade adjacent roadways to accommodate increased heavy truck traffic. Similarly, a new residential or commercial development might be required to upgrade downstream trunk sewer or water infrastructure to support the additional demand generated by the development. These agreements are generally site-specific and are distinct from point-of-sale development charges, which are levied at the building permit stage or as a condition of development.

### Municipal Scan

The municipal scan attached to this report focusses primarily on development charges under the *Development Charges Act*. Community Benefits Charges tend to only be utilized by larger, high-growth municipalities in the Greater Golden Horseshoe and as previously mentioned, CBCs work in tandem with Development Charges and Parkland Dedication By-laws.

A specific report detailing the creation and implementation of a parkland dedication by-law will be presented to Council in the coming months, with a detailed municipal scan of parkland dedication by-laws and their specific implementation.

While there are some trends associated with DC rates, local exceptions and the strategic deployment of DCs that are common among certain municipalities, there are also drastic differences. These differences are largely the result of legislation requiring DC rates to reflect the true costs of growth, which can vary depending upon the rate of growth and other area specific circumstances such as servicing costs. For example, in some cases, DCs are area-specific within a community, which can reflect differing servicing costs depending upon the area. In other cases, municipalities may choose to reduce or eliminate DCs for specific types of development or development in specific areas that achieve a strategic community outcome. Examples include:

- Purpose built rental housing (affordable housing and ADUs are legislatively exempt from DCs)
- Developments that meet LEED certifications
- Industrial development – i.e. Job creation
- Developments in certain areas, like downtown or designated growth areas.

In other cases, DC rates are applied consistently throughout a community and Community Improvement Plans (CIPs) are utilized to waive, reduce or rebate DCs for certain types of development that achieve a strategic community goal.

All this to say, while DCs are critical in ensuring that the costs associated with growth are not borne by the existing tax base, they can be structured in a manner that efficient forms of development pay less, and inefficient forms of development pay more. Further, their strategic deployment can be a very effective means of incentivizing certain types of development in certain areas.

Although the *Development Charges Act* does not allow municipalities set DC rates higher than growth related costs, as estimated in the background report, there is nothing stopping a municipality from establishing DC rates that might be lower than established growth costs, in an effort to minimize potential impacts on the development industry and overall supply and affordability rates. It is recognized that DCs are likely transferred to the end purchaser and it is certainly advantageous to lure out of town developers to SSM with the promise of no DCs; however, this comes at an incremental cost to existing taxpayers and/or service levels. The key is establishing an appropriate DC rate, along with a suite of exclusions and rebates, which can be development and/or area specific, so as not to stifle development, while at the same time providing a revenue source for accommodating growth.

#### The Process of Creating and Implementing a Development Charges By-law

The implementation of a Development Charges (DC) by-law is governed by the *Development Charges Act, 1997* and Ontario Regulation 82/98. A background study identifies anticipated growth, calculates the associated infrastructure costs, and applies any grants or offsets. The study is made public for at least 60 days before a public meeting, where Council presents findings and receives public comments. The resulting by-law sets DC rates, exemptions, services, and payment rules, and is valid for a maximum of 10 years.

In 2011, Council approved \$30,000 to undertake the required Development Charges (DC) background study. In 2013, Watson & Associates was retained to draft the study, and in April 2016, they presented a draft version to Council. In September 2016, staff requested additional funding to complete the study; this request was denied, and the project was subsequently discontinued. For reference, the table below summarizes the DCs that were presented for Council's preliminary consideration. A three-year phase-in period was recommended to assess market impacts and allow the development community time to adjust.

Year	Residential				Non-Residential
	Single and Semi-Detached Dwelling	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Other Multiples	(per sq.ft. of Gross Floor Area)
2016	\$ 2,085	\$ 1,236	\$ 745	\$ 1,467	\$ 1.00
2017	\$ 4,170	\$ 2,472	\$ 1,490	\$ 2,934	\$ 2.01
2018	\$ 6,255	\$ 3,708	\$ 2,235	\$ 4,401	\$ 3.01
2019	\$ 6,255	\$ 3,708	\$ 2,235	\$ 4,401	\$ 3.01
2020	\$ 6,255	\$ 3,708	\$ 2,235	\$ 4,401	\$ 3.01

Source: Watson and Associates 2015 Development Charges Background Study Presentation to Council – April 25, 2016

The Ontario government views development charges (DCs) as an important but increasingly costly component of housing development. To support housing affordability and accelerate supply, the Province has implemented a series of reforms to reduce and standardize DCs, primarily through the *More Homes Built Faster Act, 2022*.

Municipalities raised concerns that these reforms would reduce revenue they rely on for infrastructure. In response, the Province committed to “making municipalities whole” by introducing funding streams to offset lost revenue, including the Building Faster Fund, the Housing-Enabling Water Systems Fund (HEWSF), and other programs under the Municipal Housing Infrastructure Program. The City of Sault Ste. Marie has successfully accessed a variety of these funds.

At the federal level, the Canada Housing Infrastructure Fund (CHIF) provides funding for housing-enabling infrastructure, but recipients are required to commit to policy actions, including limiting or pausing increases to DCs. By not having active DCs, the City was well-positioned to secure nearly \$23 million in CHIF funding for upgrades to the West End Treatment Plant.

In summary, the absence of DCs has allowed the City to capitalize on recent provincial and federal funding opportunities. Additionally, imposing significant DCs on new units could negatively impact housing affordability and potentially slow the development of much-needed housing. Maintaining a DC-free environment also serves as a positive incentive for attracting new investment to the community.

Having said this, as Sault Ste. Marie has grown over the past five years, the costs associated with that growth have either been absorbed through the tax levy or managed by reducing service levels. Development charges (DCs) could also be deployed strategically, for instance, by waiving or significantly rebating them for developments that deliver positive community outcomes. Mandatory exclusions already ensure that affordable dwelling units are not subject to DCs. Similarly, DC incentives could be applied to encourage downtown development, purpose-built rental housing, or industrial projects that generate economic and employment benefits. These incentives could be implemented directly through the Development Charges By-law, a Community Improvement Plan (CIP), or a combination of both.

### **FINANCIAL IMPLICATIONS**

Accepting this report as information has no incremental impacts to municipal finances; however, as noted throughout the report, Development Charges represent a significant revenue source to ensure that ‘growth pays for growth’.

### **STRATEGIC PLAN / POLICY IMPACT**

Accepting this report as information is not specifically linked to any policies within the Corporate Strategic Plan, however it is noted that Development Charges represent a revenue source for maintaining and redeveloping existing

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infrastructure and strategically building and acquiring new infrastructure to support a growing community, as noted in Focus Area 3 of the Corporate Strategic Plan.

There are no direct impacts to the Corporate Greenhouse Gas Reduction Plan.

**RECOMMENDATION**

It is therefore recommended that Council take the following action:

Resolved that the report of the Director of Planning dated March 23, 2026 concerning Sustainable Development – Development Charges be received as information.

Respectfully submitted,

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