

Town of Whitby

Staff Report

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Report Title: Commercial and Industrial Development Charges Calculation Protocol

Report to: Committee of the Whole

Date of meeting: November 25, 2024

Report Number: FS 44-24

Department(s) Responsible:

Financial Services Department

Submitted by:

Fuwing Wong, Commissioner – Financial Services/Treasurer

**Acknowledged by M. Gaskell,
Chief Administrative Officer**

For additional information, contact:

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1. Recommendation:

1. That Council approve the use of the proposed protocol for determining applicable commercial and industrial Town of Whitby development charges, as required.

2. Highlights:

- The Town's current Development Charges [By-law #7748-21](#) ("DC By-law") outlines Town Development Charges ("DC") rates for non-residential development with different rates for industrial vs. commercial activities;
- Based on past complaints, clarification is required to address how Town DC rates should be applied/calculated when a development area supports both industrial and commercial activities within the same space;
- The protocol outlined in this report will be utilized in the determination of mixed commercial and industrial use development charges, when the proposed use is not accurately reflected in the existing definitions of the DC by-law;
- The protocol will be posted on the Town's website so non-residential developers will have a clear understanding and how the Town's non-residential DC rates will apply to mixed commercial and industrial proposed developments.

3. Background:

Development charges serve as an important funding mechanism to support the growth-related infrastructure necessary for future development in the Town of Whitby. The principle of “growth pays for growth” ensures an equitable approach to financing the infrastructure needed to accommodate future expansion. To maintain fairness, costs are allocated to each development type based on their estimated needs of each category of infrastructure.

Development charges are collected proportionately from each development type. For example, residential development charges include a portion allocated to library services, reflecting the increased demand for such services driven by the increased number of residents. Non-residential development charges do not include recoveries for library services, as these developments typically do not increase the need for libraries. Alternatively, both residential and non-residential developments contribute to traffic levels in the Town, so both types of development charges include components for roads and related infrastructure.

The DC By-law includes both residential and non-residential development charge rates. To ensure equitable allocation of infrastructure costs, residential rates are further categorized by unit types: single/semi-detached, large townhome, small townhome/large apartment, small apartment, and special needs. The rationale is that single/semi-detached units typically generate a higher demand for infrastructure due to a greater estimated population per unit compared to a large townhome, and a large townhome generates higher demand than a small townhome/large apartment, etc., respectively.

Similarly, non-residential development charge rates are categorized by development type to support an equitable approach to financing infrastructure based on the specific needs driven by each type. These rates apply to commercial, industrial, and institutional uses, calculated using employment density assumptions as follows:

- Commercial: 40.0 m² per employee
- Institutional: 60.0 m² per employee
- Industrial: 120.0 m² per employee

This structured approach ensures that development charges are proportionate to the impact each type of development has on the Town’s infrastructure (e.g. impact on the Town’s roads infrastructure related to a non-residential development).

Recently, development applications have been submitted where a single unit encompasses both commercial and industrial uses. The current DC By-law clearly defines commercial and industrial usage when applied to an entire property or when these areas are distinctly separate. However, some non-residential developers have had different interpretations of the Town’s DC By-law as it relates to Town commercial vs. industrial DC rates when a development area supports both industrial and commercial activities within the same space. The difference in interpretation has resulted in complaints on how the Town DC’s were calculated.

Given that the DC By-law remains in effect until June 2026, it is necessary to develop and implement a consistent and equitable protocol in the interim and go forward basis. This protocol will be incorporated into the updated by-law. The protocol must fully support the principles of development charges while being easily understandable and straightforward to administer.

4. Discussion:

In anticipation of future non-residential development that may have components of both commercial and other non-residential uses, a proposed protocol to be followed in future instances is outlined below:

The key factors that were taken into consideration when developing the protocol are:

- **Impact on Municipal Infrastructure**
Development charge rates for different types of non-residential uses are implemented to account for the varying demands each type of use places on municipal infrastructure. On a per square metre basis, commercial developments have a greater impact on municipal infrastructure due to the greater number of visitors to the site via customers, employees, and deliveries when compared to industrial developments.
- **Application under the current DC By-law**
Under section 4(2)(c) of the DC by-law, it provides that where a non-residential development has both commercial and other non-residential uses, development charges will be imposed against the different areas as though the uses were separate.
- **Definitions provided in the current DC By-law**
The DC by-law's definition for commercial and industrial both make reference to being either open to the public, or sales or rentals to the general public.

A decision tree was developed to consistently determine the application of commercial and industrial development charge rates when the proposed use is not accurately reflected in the existing definitions of the DC by-law.

Decision 1 – Is the business open to and sell to the public?

If no, then the entire Gross Floor Area (“**GFA**”) is assessed as industrial.

If yes, then proceed to Decision 2.

Decision 2 – Are the products that are sold to the general public manufactured, produced, or processed on site?

If yes, then the entire GFA is assessed as industrial.

If no, then proceed to Decision 3.

Decision 3 – Is the area where sales to the general public clearly delineated from the other parts of the building that is used for warehousing, storage or distribution?

If no, then the entire GFA is assessed as commercial.

If yes, then proceed to Decision 4.

Decision 4 – Is the area used for warehousing, storage or distribution primarily intended for goods sold to the public on site?

If yes, then the entire GFA is assessed as commercial.

If no, then the areas used for sales to the public and accessible by the public is assessed as commercial. The remainder of the GFA (including all areas used for warehousing, storage or distribution) is assessed as industrial.

5. Financial Considerations:

There is no financial impact of implementing the proposed protocol. The protocol was developed with principles and approaches consistent with the DC By-law and associated Development Charges Background Study and will be incorporated in the DC By-law update in the future.

6. Communication and Public Engagement:

Subject to Council approval of this report, the protocol will be posted on the Town's website along with the Town's DC By-law to assist non-residential developers better understand how the Town's DC's are consistently and equitably applied to mixed commercial and industrial developments.

7. Input from Departments/Sources:

This report incorporates feedback from the Legal Services Division.

8. Strategic Priorities:

Not applicable.

9. Attachments:

Not applicable.