Staff Report

Report To: City Council

Report From: Kate Allan, Director of Corporate Services

Meeting Date: July 7, 2025

Report Code: CR-25-086

Subject: Development Charges Deferral Agreement 1615 2nd Ave E

Recommendations:

THAT in consideration of Staff Report CR-25-086 respecting Development Charges Deferral Agreement, City Council directs staff to bring forward a by-law to authorize the Mayor and Clerk to execute a deferral agreement with the owner of 1615 2nd Avenue East.

Highlights:

- The City of Owen Sound supports the development of purpose-built rental housing as an essential component of a diverse and attainable housing supply.

Strategic Plan Alignment:

Strategic Plan Priority: A City that Grows.

Climate and Environmental Implications:

Encouraging higher-density rental housing supports more efficient land use and reduces per-capita greenhouse gas emissions.

Previous Report/Authority:

None.

Background:

The *Development Charges Act, 1997* and the City's Development Charges By-law establish when and how development charges (DCs) are to be collected. In 2020, legislative amendments introduced under Bill 108 required municipalities to allow certain development types—such as purpose-built rental, non-profit housing, and institutional uses—to defer DC payments over six annual installments, beginning at first occupancy.

As part of the City's previous DC By-law (2019-156), purpose-built rental housing was exempt from development charges. However, under the updated DC By-law (2023-106), this exemption was removed, and purpose-built rentals are now subject to development charges.

The recent passage of Bill 185 (*Cutting Red Tape to Build More Homes Act, 2024*) has reversed the prior requirement to allow DC deferral for rental housing, giving municipalities the authority to once again require full payment at the time of building permit issuance.

Analysis:

An application has been received for a residential rental development at 1615 2nd Avenue East. The project qualifies as one of the first rental developments subject to DCs under the City's new by-law. Based on previous legislative requirements, staff initially offered the option to defer the payment of development charges in accordance with the six-installment structure provided under section 26.1 of the Development Charges Act.

Although this deferral is no longer mandatory following the passage of Bill 185, staff recommend proceeding with the agreement for this project in recognition of the prior communication with the applicant and in the interest of fairness.

To ensure consistency going forward, staff will not offer any further deferral agreements for residential development until the Province finalizes proposed changes under Bill 17 (*Protecting Ontario's Progress by Building Faster and Smarter Act, 2024*), which would make payment at occupancy the default for *all* residential development. Once the Province provides final direction and associated regulations, staff will return to Council with recommendations for a consistent municipal approach.

Financial Implications:

The total development charges for the subject property amount to $23,260.76. Under the terms of the proposed agreement, these charges will be paid in six equal annual installments of $3,876.79, beginning at occupancy.

The agreement does not reduce the total DCs owed. However, it defers the City's cash flow over a five-year period. Interest will apply on overdue amounts, and any unpaid installments may be added to the property's tax roll and collected in the same manner as municipal taxes.

Communication Strategy:

The executed agreement will be shared with the property owner.

Consultation:

Development Team

Attachments:

None.

Recommended by:
Kate Allan, Director of Corporate Services

Submission approved by:
Tim Simmonds, City Manager

For more information on this report, please contact Kate Allan at kallan@owensound.ca or 519-376-4440 ext. 1238.