

To:	Warden Matrosovs and Members of Grey County Council
Committee Date:	September 25, 2025
Subject / Report No:	EDTC-CW-11-25
Title:	Industrial Development Charges ‘Holiday’
Prepared by:	Niall Lobley, Deputy CAO; Savanna Myers, Director of EDTC
Reviewed by:	Randy Scherzer, CAO
Lower Tier(s) Affected:	All

Recommendation

1. That report EDTC-CW-11-25 Industrial Development Charges ‘Holiday’ be received; and,
2. That staff be directed to prepare the relevant amending by-law(s) that incorporate a reduction on the industrial portion of non-residential development charges to zero for 2025 and 2026 and bring it forward for Council’s consideration; and
3. That staff be directed to return any funds collected since January 2025 in payment for industrial development charges which as of July 30, 2025 was estimated to be less than \$25,000; and,
4. That staff be directed to start the 2026 development charges by-law review process before year-end and to fund any expenditures in 2025 from the Development Charges – General Government Reserve.

Executive Summary

The purpose of this report is to seek Council’s support of an Industrial Development Charges holiday. The current bylaw which introduced the County’s first ever non-residential development charges was approved in 2021 and is set for review in 2026. Staff are recommending a holiday on the industrial portion of non-residential development charges effective January 1, 2025 (to align with the calendar year phase-in increase period and when the fiscal environment began to shift) through to the end of the current by-law (December 31, 2026), to help spur employment land opportunities and employment growth given the shifting fiscal environment created by tariff threats that began earlier this year.

Background and Discussion

Non-residential development charges were introduced for the first time in Grey County through the 2021 approved by-law that took effect January 1, 2022. As a new category, the charges were introduced in a phased approach beginning January 1, 2023. The chart below

demonstrates the total non-residential DCs collected, the industrial only portion of those DCs collected, and the total assessment recorded for those developments in the first two years of collection.

Year	Total Non-Residential DC	Industrial Portion Only	Assessment
2023	\$80,424.99	\$17,502.60	\$27,887,730
2024	\$138,989.34	\$79,846.32	\$21,468,000

The 2021 Development Charges Background Study forecasted non-residential building space per the chart below:

Non-Residential Growth Forecast	2021 Estimate	General Services Planning Period 2022 - 2031		Roads & Related Services 2022 - 2041	
		Growth	Total at 2031	Growth	Total at 2041
Total Employment	43,560	3,420	46,980	6,850	50,410
<i>Population-Related</i>	<i>22,580</i>	<i>1,700</i>	<i>24,280</i>	<i>3,120</i>	<i>25,700</i>
<i>Employment Land</i>	<i>13,880</i>	<i>1,400</i>	<i>15,280</i>	<i>2,970</i>	<i>16,850</i>
<i>Rural</i>	<i>7,100</i>	<i>320</i>	<i>7,420</i>	<i>760</i>	<i>7,860</i>
Non-Residential Building Space (sq.m.)		240,999		491,054	

Grey County’s 2025 non-residential DC charge is \$29.86 per square metre which is 75% of the eligible non-residential DC charge based on the phased-in increase. The current DC By-laws would see the full non-residential DC charge applied in 2026 (adjusted annually based on building construction-price index) unless a DC ‘holiday’ were applied to new industrial developments.

Competitive Advantage

The economic environment has been shifting dramatically, the market in a state of perpetual uncertainty and instability due to global forces such as the pandemic and tariff threats.

Locally, as has been noted previously, Grey County lacks significant ‘development ready’ serviced industrial lands; this lack of supply further compounds competitiveness of Grey for industrial growth and new industrial establishment.

Across Western Ontario, nine of the fifteen counties currently have non-residential development charges in place for industrial development including Grey County. Five include an exemption policy and several others are under review or are considering exemptions/reductions given the current environment.

In this environment particularly, our competitiveness is challenged.

Through approval and implementation of the Corporate Strategic Plan and the Economic Development, Tourism & Culture Master Plan, Grey County has prioritized economic development and investment readiness across the County, focused first and foremost on business retention and expansion, serving the businesses who have already invested in Grey County, followed by business attraction aimed at welcoming new investment to the region.

There is little evidence to suggest that a Development Charge creates a financial barrier to prevent industrial expansion or development; against the costs of construction and start up, DC's remain proportionally a minor cost associated with development. They are however a cost associated with development that is within the control of the municipality whereas many of the other costs of development are beyond municipal influence or control. Within the current development environment, seeking to proactively review costs that the municipality can control, can be seen as a strong indicator of support, demonstrating the County's commitment to and support of local industrial expansion and growth. In a competitive marketplace, such incentives and displays of support, can position Grey more positively. This display of support can also help to retain and expand industries locally who sometime face pressures with their inter-provincial and American parent companies when forecasting expansion opportunities (i.e. retain and expand locally versus considering to expand in other locations outside of Grey). This may help 'tip the scales' in our favour when long-term strategy and decisions are being made.

Staff are aware from engaging with industrial partners that in the current fiscal environment, that moves such as a DC relief are viewed as key in respect to investment decisions.

Providing a Development Charge holiday to industrial development comes with cost to the municipality. DCs are collected in order to support identified infrastructure projects that are required to support growth. These infrastructure projects remain much needed priorities and funding for these is required. As such, the County will need to offset the exempted portion of eligible DC's applicable to growth-related capital projects using other sources of funding (i.e. levy) during the holiday period.

For those municipalities who also charge a non-residential DC, staff are not asking for any adjustments locally. Despite limited resources, this is a tool the County can leverage to influence and encourage industrial development across the region, in support of local growth.

The cost of providing a DC holiday can be seen as an investment into industrial development. The return of which is seen through assessment growth as businesses are able to grow or establish, and through employment wages in Grey. Increased assessment brings an increase in tax base, and employment wages that support local businesses. If a DC holiday were applied, then any new industrial developments that have applied for a building permit, or will be applying for a building permit, after January 1, 2025 would not be charged a non-residential DC charge. The January 1, 2025 date aligns with the calendar year phase-in increase period and also aligns when the fiscal environment began to shift earlier this year created by tariff threats and the overall economic uncertainty. As of July 30, 2025, the County has collected just under \$25,000 in industrial development charges (DCs). Therefore, applying the effective date to January 1, 2025, should have a minimal financial impact on the County's DC reserves. This change will hopefully help spur further employment land opportunities and employment growth, and potentially allow planned developments to proceed if they have been stalled due to the current fiscal environment.

In establishing a non-residential DC under the current development charge bylaw, Council had sought to better balance the costs of growth across both residential and non-residential sectors. Like all development charges, this change is subject to review and further discussion during the next DC review, scheduled in 2026. However, when the bylaw was changed, the significant economic pressures and uncertainty being experienced through political changes and tariff threats was not predicted. The pressures of the pandemic and post-pandemic recovery were also not understood at the time. This short-term relief, in advance of the bylaw review in 2026 for implementation in 2027, is not indicative of a longer-term change in approach, but rather as a short-term incentive to help offset that uncertainty.

The Development Charges Background Study Update and DC By-law review is currently scheduled to start in 2026. Staff are recommending that the DC Background Study Update and By-law review process start now. By starting now, staff can proceed with issuing an RFP to hire a DC consultant before year-end and start the DC By-law review process as soon as possible. This will ensure that the DC Background Study work is completed well before the current DC by-laws are set to expire which is January 1, 2027. Although it is anticipated that most of the expenses associated with the DC By-law review will occur in 2026, any expenditures that could occur in 2025 can be funded from the Development Charges – General Government Reserve.

Legislated Requirements

The Development Charges Act allows municipalities to implement development charges.

The County's By-laws No. 5127-22 and No. 5128-22 with respect to development charges will remain in force until January 1, 2027. An amending by-law would be brought forward at a future Council meeting for consideration if the holiday is supported. The Development Charges Act outlines the notice requirements for such amendments to the development charge by-laws.

As a result of the Bill 17 changes, the County is no longer required to undertake a background study or hold a public meeting when amending the DC by-law, if the amendment decreases one or more DC rate.

For the full 2026 DC Background Study Update and DC By-law review, a public meeting will be required which will occur in 2026 once the DC Background Study and draft updated DC By-laws have been completed.

Financial and Resource Implications

An Industrial Charge Holiday would not have an impact on Grey County's surplus or deficit as development charges fees collected are transferred to reserves for use in future eligible projects.

Non-residential development charges are allocated as follows:

- 95.23% to Road and Related Work
- 4.06% to Land Ambulance

- 0.61% to Development Related Studies and
- 0.10% to Provincial Offences

Approving a holiday would result in less funds being transferred to reserve for future capital projects. As a result, Grey County would need to fund greater portions of projects than originally planned either through its own unrestricted reserves, levy, other revenue sources such as Canada Community-Building Fund (CCBF) or Ontario Community Infrastructure Fund (OCIF) or reprioritize capital budgets. It is difficult to estimate the revenue that would be forgone during a holiday as it depends on the square footage of industrial building permits issued over the term of the holiday and whether given the current economic climate, businesses are moving forward with any planned expansions.

Relevant Consultation

- Internal: Deputy Treasurer
 - AODA Compliance
 - Contribution to Climate Change Action Plan Targets
- External: Hemson, Western Ontario Warden's Caucus Economic Development SME Sub-Committee

Appendices and Attachments

[Grey County Development Charges Webpage](#)