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January 8, 2014

Ms. Sarah Purton, CMA
Manager, Financial Planning & Budgets
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Dear Ms. Purton:

Peer Review - 2014 Development Charges Update Summary

Hindsight allows us an opportunity to look back and review how things unfolded and reflect upon what we have learned, evaluate successes and improve in areas where perhaps we did not do so well. The Guelph DC review process is no exception.

A. Background / Schedule

The following is a brief summary of comments from the Peer Review Team (PRT) provided to give a general impression of the process experienced during the preparation of the DC Study update. It is offered only as commentary to provide the DC Team with some feedback on the Peer Review process. This information may assist the City in determining the need for Peer Review for future DC updates or other technically complex undertakings. It is not intended to be a formal evaluation of the entire process.

The PRT was retained to review and comment on various aspects of the 2014 bylaw update as directed by the minutes of Settlement from the OMB Hearing regarding the 2009 DC Bylaw, including the following:

- Growth Forecast
- Service Standards
- Study Assumptions and Methodology
- Capital Works/Infrastructure planning and spending
- Local Service Policies
- DC Bylaw

Detailed comments from the PRT are available from City staff and it is understood that all correspondence from the Team will be made available on the City's website.

All communication between the PRT and the City's DC Team was coordinated through Ms. Sarah Purton, Manager, Financial Planning and Budgets at the City of Guelph. No difficulties were experienced in the distribution of materials and the various forms of communication exercised throughout the process.

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The PRT met on four (4) occasions with the City's DC Update team and on one (1) occasion with the development community and the City's DC team. Table 1 below illustrates the work schedules (related to PRT involvement) originally agreed versus the actual schedule achieved. The table is an excerpt from Schedule 'A' of the consulting agreements between the PRT and the City of Guelph, where items related strictly to the Peer Review input is shown.

TABLE 1
PROPOSED vs. ACTUAL SCHEDULE – PEER REVIEW TEAM

| STEP | PROPOSED TIMING (2013) | ACTUAL TIMING (2013) |
|---|------------------------|---|
| 7. Consult with Peer Review Team on growth forecast - anticipated amount, type and location of development for ten year and/or OP buildout periods. | Early February | March 8 (Info received on Feb. 21 for review) |
| 8. Peer Review Team submits written comments on growth forecast - anticipated amount, type and location of development for ten year and/or OP buildout periods. | Mid February | March 25 |
| 15. Consult with Peer Review Team submits on service standards, service requirements and costing, share attributable to DCs and transitional issues. | Late March/Early April | Soft Services (service level standard and preliminary capital info rec'd April 30 th , revised material rec'd at May 16 th meeting and revised material provided July 5 th) Hard Services Aug. 1 |
| 16. Peer Review Team submits written comments on service standards, service requirements and costing, share attributable to DCs and transitional issues | Mid April | Various Peer Review Team submission dates |
| 20. Review final draft DC background study and by-law with Senior Staff and Consult with Peer Review Team. | June | Between Oct. 31 and Nov. 30 via correspondence |
| 21. Peer Review Team submits written comments on final draft DC background study and by-law. | June | Between Oct. 31 and Nov. 30; Jan 8/14 |
| 23. Consult with local homebuilder/development industry, the Chamber of Commerce and other stakeholder groups. | July-August | October 31 |

At the outset of the process, and as part of the contract with the City, we had a schedule/timetable. The general requirement of the peer reviewer was to provide feedback/input within a 15 day timeframe of receiving material. The PRT did have some concerns around the '15 day' turnaround and expressed these at the outset. It was agreed that we would do our best to comply with this requirement. With a schedule in place, at least we could plan for the months

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ahead and have some rhythm to the process. However, this was not the case. Neither the City nor the peer review DC teams complied with the schedule and the '15 day' response. The PRT view is that the long intervals between the information exchange and/or discussion has resulted in a somewhat disconnected process. Each time the PRT received a response to questions / memos, a fair bit of time had elapsed so we had to pull out all our background material to try to refresh our memory and reconstruct our concern. The arrival of a response from the City also may have been received while significant other work or OMB hearing participation was underway or staff was on vacation making an immediate response very difficult. Our recommendation to the City going forward is to establish a schedule with realistic and attainable timelines. More rigour on both the part of the City and peer review DC teams is essential to bring the necessary review to a well informed and proper conclusion.

While the end-date targets of the overall DC update were achieved, there was significant slippage in the schedule through the spring and summer. This was a result of some significant changes in the growth forecast occurring in the spring. These changes resulted in the need for the City's engineering support team to complete some significant remodeling of the various sanitary and water supply systems. As well, the historic service level standard for soft services went through 2 iterations. In hindsight, it would have been helpful if a revised schedule had been issued as it was difficult to know when to expect material and how to accommodate within a 15 day turnaround.

While distribution of material was not an issue, timing of receipt of information was occasionally problematic. Of particular note, the PRT received a memo regarding Services Related to a Highway (Road Projects) on December 16, 2013, which was very late in the process and in response to questions raised.

B. Approach to Peer Review

The approach taken in this DC review with the PRT team was to reveal information in stages. The advantage to this approach is that the information can be reviewed / discussed in building blocks if they follow in sequence and are not updated in the intervening timeframes. The release of updated information related to a prior phase when one is focused on the next phase only serves to confuse the peer reviewer.

It is our opinion that the retention of a PRT for such complex and often contentious undertakings is a worthwhile effort. With regard to this project, the main recommendations we might suggest, relating to the process of peer reviewing work alongside a team of experts are as follows:

1. Consider allowing the City's DC Study Team to complete an entire draft of the Background Study that includes all assumptions and calculations, prior to distributing to the PRT, and;
2. Accordingly, extend or combine the intermittent peer review periods into one or two larger time periods (e.g. a single/initial two-month review period) where the PRT Review Team could consolidate all of its comments and concerns for response by the study team.

There may have been some efficiency derived in participating in the development of the background study throughout the project timeline, however the staggered nature of delivering materials and the subsequent responses tended to lead to some confusion about the status of various parts of the background work. In the case of hard services, the re-modeling effort conducted by the study team after the initial comprehensive review by the PRT did lead to some confusion on our part at the end of the study timeline.

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C. Growth Forecast

The following is a summary of specific comments/concerns related to the growth forecast.

Population/Residential

The achievement of the population forecast over the next 5 and 10 years and to build out is heavily dependent on the City achieving a significant shift in the market preference for lower density housing to medium and high density housing.

In the case of Guelph, since the inception of the *Places to Grow Growth Plan* (2006 to 2013) some 412 high density (apartment) units have been delivered which is roughly 60 units/year.

The forecast expectation is to deliver 4,478 (2013 to 2023) or 448 units/year annually – this is roughly a **6 fold increase** from the recent experience. Of note, the City's update of Schedule 5B from Feb 2013 to Aug 2013 shows the City overestimated the take up of apartments since the last DC review by almost 1,000 units.

The anticipated growth in high density residential development is roughly 50% Greenfield (GF) and 50% within the Built Boundary (BB). Each of these areas presents challenges. A review of the BB HD sites from the DPP reveals that 1,736 apartment units have been identified for infill. Of this total 1,059 are encumbered because the site is either currently occupied and/or it is a brownfield site. These encumbered sites will be a significant barrier to develop. Thus the challenge in Guelph is not only a dramatic shift in market preference but also to incentivize the encumbered sites to make them financial attractive to developers/builders.

On a go forward basis the City will need to monitor progress on the ability of the market to shift the housing preference and meeting its population forecasts. Likely as the residential land supply is constrained, consumers will either choose higher density living or alternatively select a home outside the City. Typically the market response is somewhat mixed with a tendency to the latter option.

Employment

Similar to population growth, employment growth requires a shift to higher density employment. While the City has had some success in attracting higher density employment, such development is focused in the area proximate to the University of Guelph and is research oriented. Such higher density employment development is generally not in other 'employment areas'. It has been suggested through discussions with the City's DC consultant that the City's supply of serviced employment land has been constrained and the development of the interchange at Hanlon/Laird together with the servicing of the business park west of the I/C will rectify this.

It is interesting to note that the City's employment forecast to 2023 is just under 92,000; *Places to Grow* Sch 3 2031A employment forecast for Guelph is 92,000. The City believes their employment growth will be far more robust than the Provincial view. The Sch 3 2041 forecast for Guelph is 101,000 versus the City's build out forecast of 108,000. Build out was identified as being roughly 2031 or shortly thereafter. In my view the City's employment forecast is overstated in the DC study.

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Conclusion

The City's growth forecast relies on significant shifts in development form for both population and employment. There is the potential for the City to fall short of the forecast growth. The City should be mindful of this to ensure they are meeting their growth forecast and monitor it accordingly. Concurrent with this, the capital investment identified to accommodate growth needs should also be monitored to ensure the necessary growth related infrastructure is emplaced appropriately.

D. Historic Service Level Standards

In the context of the historic standards review when providing responses to a peer reviewer it is simply not good enough to say 'the inventory was updated' [quantity] or 'that is the most recent costs based on experience' [quality]. More fulsome information needs to be provided including details about what was changed in the inventory and factual evidence of recent tenders/projects.

An example will help to illustrate the point. With respect to roads, there were significant changes to both the quantity and the quality standards. In the case of quantity, there was a reduction in urban collector km of roadway. Some explanation as to why this occurred was provided and was helpful.

With respect to the \$/km value (quality), there were significant changes particularly in both the rural and urban arterial roads and to a lesser extent in the collector roads. Urban arterial roads increased in their quality standard from a low of **41%** (2-lane) to a high of **69%** (3-lane) with **56%** for 4-lane. These are significant increases. Rural arterial roads increased in their quality standard by **60%**. Urban collectors had quality standards increase by 30% for 3-lane and 23% for 2-lane. The quality standard increases for the other roads was less than 20%. In context, the non-residential building construction index from the Capital Expenditure Price Statistics (Statistics Canada) yielded about a **10%** increase from 2008 Q1 to 2013 Q1. While cost increases can exceed the indexing increase, the index provides a benchmark against which to evaluate reasonableness. Some explanation was given for the increases but more detail was required in order to fully sign off on the issue.

The following question was posed through the peer review process: *Please explain the significant variance in the (a) collector urban kms in the collectors road category, and (b) the basis for the \$/km between the 2008 DC and the draft 2013 DC. (emphasis added)*

The response to (b) was:

The unit pricing in the 2008 Table was a uniformly factored increase from the prices included in the 2004, i.e. prices were increased uniformly by 37.4% for each category of road. The unit pricing in the new 2013 Table includes prices based on road construction costs in recent years in Guelph. The new prices show varying price increases for different categories of roads. The percentage price increase for arterial roads is higher than 37.4%, while the percentage price increase for collectors is less than 37.4%. The difference reflects the construction situations of collector road and arterial roads. Examples of recent road construction costs are given below:

- *3-lane urban collector: Stevenson Road – 1400 metres @ \$1,750 per metre.*
- *2-lane rural arterial: Maltby Road – 2000 metres @ \$1,600 per metre.*
- *2-lane urban arterial: Eastview Road – 400 metres @ \$2,000 per metre.*
- *4-lane urban arterial: Stone Road – 1900 metres @ \$2,500 per metre.*

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The aforementioned response simply translates the quality standard reflected in the service standard calculation street expressed in \$/km to \$/m. This was not a sufficiently detailed response. For example, what is included in the recent road construction costs? Are they reflective of the quality standard of the existing inventory of roads? Does the quality standard reflect the replacement value at the current quality standard? Or does the quality standard include components that reflect a higher level of service? For example, do the recent road construction costs include such things as turning lanes? Bike lanes? Median? Landscaping? Special paving treatment? In this instance, the details should be provided so that a fair assessment of the quality standard can occur.

E. 10 Year Service Categories

The following provides a review of the 10 year service categories. Outstanding items and areas of disagreement are identified. In the case of parks a discussion/background is provided.

Administrative Studies

Areas of Disagreement:

- Rationale for the inclusion of the list of studies included in this category as being growth related
- Rationale for the attribution between benefit to existing, potential DC recoverable and post period benefit.

Indoor Recreation

Areas of Disagreement:

- Inclusion of Community Services space in LOS; it is our understanding that this space is the GFA for the recreation department in Guelph City Hall
 - ✓ The DC Act specifies that a DC cannot impose charges to pay for, among other things, provision of headquarters for the general administration of municipalities and local boards.
 - ✓ The Peer Review team was advised that the City's DC consultant had provided an opinion on this and other similar inclusions and indicated that it was appropriate.
 - ✓ A 1996 Development Charges technical information brief from the Ministry of Municipal Affairs and Housing specifically notes that 'administrative headquarters' means city halls.
 - ✓ It is the opinion of the Peer Reviewer that the recreation department space in City Hall is an ineligible item for inclusion in either the LOS or as a growth related cost.
- There should be reduction in Guelph Sports and Entertainment Centre to reflect the entertainment portion of the facility as it is ineligible under the DC Act.

Parks

Discussion/Background/Outstanding Concerns:

It is the opinion of the Peer Reviewer that Parks is an area that the City should review further in terms of:

1. **Quality Standard:** The City has a very high parkland standard at 20.9 ac/1000 population up from 15.9 ac in 2008/09. Some current comparatives include: Milton at

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12.4 ac/1000 pop and Oakville at 10.63 ac/1000. Given this high quantity standard, it would be appropriate for the City to review and document its inventory of parkland. A significant amount (54%) of the City's inventory is parkland 'owned by others'. This warrants clarification and justification. Does the City lease the lands? If yes, support documentation should be provided. If no, the rationale for inclusion should be provided.

2. **Quality Standard:** Through the Peer Review process the quality standard for parkland development was questioned. The City defended the use of the quality standard and provided a one page summary of the rationale for the quality standard used in its draft LOS in response to the inquiry. The summary did not provide sufficient detail nor was there any further support material provided (i.e., recent tenders or similar documentation which had been requested). The quality standard used by Guelph was extraordinarily high. At the last meeting between the City and the PRT, further questions were posed. Subsequently the City provided a documented response in which the quality standard was significantly reduced. The table below provides a comparative summary of the quality standard from 2008 and through the Peer Review process to the 2013 DC Background Study.

\$/acre parkland development

| Park Category | 2008 | 2013 - 1st | 2013 - 2nd | Final |
|-------------------------------------|-------------|-------------------|-----------------------------|--------------|
| Urban square | \$ - | \$ 813,000 | \$ 512,106 | \$ 813,000 |
| Parkette | \$ - | \$ 620,000 | \$ - | \$ 620,000 |
| Neighbourhood Park | | | | |
| <i>City Owned</i> | \$ 75,000 | \$ 376,100 | \$ 175,000 <i>new parks</i> | \$ 175,000 |
| <i>Owned by Others</i> | \$ 75,000 | \$ 81,000 | \$ 125,000 <i>old parks</i> | \$ 125,000 |
| <i>Owned by Others</i> | \$ 75,000 | \$ 81,000 | \$ 81,000 | \$ 81,000 |
| Community Park | | | | |
| <i>City Owned</i> | \$ 75,000 | \$ 376,100 | \$ 175,000 <i>new parks</i> | \$ 175,000 |
| <i>Owned by Others</i> | \$ 75,000 | \$ 81,000 | \$ 125,000 <i>old parks</i> | \$ 125,000 |
| <i>Owned by Others</i> | \$ 75,000 | \$ 81,000 | \$ 81,000 | \$ 81,000 |
| Natural Open Space | | | | |
| <i>City Owned</i> | \$ 30,000 | \$ 32,000 | \$ 32,000 | \$ 32,000 |
| <i>Owned by Others</i> | \$ 30,000 | \$ 32,000 | \$ 32,000 | \$ 32,000 |
| Regional Parks | | | | |
| <i>City Owned</i> | \$ 75,000 | \$ 145,400 | \$ 145,000 | \$ 145,000 |
| <i>Owned by Others</i> | \$ 75,000 | \$ 81,000 | \$ 81,000 | \$ 81,000 |
| Community Parks shared with schools | n/a | \$ 81,000 | \$ 81,000 | \$ 81,000 |
| Regional Parks shared with schools | n/a | \$ 81,000 | \$ 81,000 | \$ 81,000 |
| Gravel Parking | \$ 100,000 | \$ 108,000 | | \$ 108,000 |
| Asphalt Parking | \$ 240,000 | \$ 259,000 | | \$ 259,000 |

For example, under Community parks (City owned), the 2008 standard was \$75,000/ac; the draft 2013 DC used \$376,100/ac and was reduced to \$175,000/ac for new parks and \$125,000 for 'old' parks. A comparison of the material provided to justify the draft and the revisions bear no resemblance to one another and provided no detail/documentation.

Notwithstanding the quality adjustment made there are still some outstanding issues: (a) does the quality standard include the improvements made by the developer to deliver the

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park in a 'base condition' (i.e., graded etc.) as required?, and (b) the support documentation for the quality standard included paved areas including parking; this should be excluded from the quality standard because it is a separate line item in the LOS. This requires further documentation.

This example illustrates the need for the City, their staff and the DC Consultant to be more diligent in their approach to the quality standards.

Areas of Disagreement:

- Quantity Standard remains in question
- Quality Standard not justified sufficiently

Library

Areas of Disagreement:

- Inclusion of the Main Library in the growth related capital program. The City's DC capital program identifies the library at a total cost of \$47 million, assigns costs of \$25 million to post period benefit and \$2.6 million as DC recoverable. However, according to the City's Financial Strategy 2014, the library is not included in its 10 year capital budget. Of interest, the City's document noted that it is difficult to determine the potential cost of project when the size and scope have not been established.

Municipal Parking

Outstanding Items:

- Municipal Parking Study, due late 2013

Areas of Disagreement:

- New development – residential, commercial, industrial or institutional - is required to provide parking as part of the development.
- Absent the updated municipal parking study, an earlier study (July 2004) provided through the 2008 DC review indicated the need for the additional parking facilities was predicated on increased demand arising from: the relocation/new main public library, the new Civic Administration Centre, and relocation of the Provincial Offences Court. Parking requirements associated with these buildings should be included as part of their project costs and not attributed to new growth.
- The new municipal parking projects which have been included in the growth related capital program for the updated Guelph DC have been excluded from City's capital budget in 2012/2013; if the City is not committed to these projects then they should not be included in the DC.

F. 19 year Service Categories

General Background / Comments

The PRT was originally intended to provide comments on the hard services around April 1st, the updated models were not completed until late summer, such that final capital works tables, costs splits, etc. for sanitary sewers/facilities, water supply/facilities and roads were not available in final form until approximately mid-September, with some final adjustments in the tables being provided around October 11th. The DC Team's final comprehensive response (that was

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dependent on updated modeling) to the PRT's hard services comments was provided on October 15th. A meeting was held on October 31st to conduct final discussions related to the hard services.

In summary, as a result of the re-modeling requirements, the schedule was significantly adjusted, such that coordination that was intended to take place through the summer was essentially conducted through September and October. There was some sense that the final coordination felt rushed; this is not unusual for complex undertakings.

The original submission of detailed PRT comments on hard services was provided on July 29, 2013. Those comments were premised on a review of the background technical reports completed for the 2009 DC Update and on updated capital works tables provided by the DC Team on April 30th. Significant analysis of the technical details of the background studies noted above was undertaken, in order to formulate the July 29th inquiries. Importantly, technical information (i.e. the models) completed for the 're-modeling' effort were not provided and were not reviewed in detail by the PRT. The DC Team was cautioned at the October 30th meeting that a detailed review of that material may be undertaken by other stakeholders prior to the adoption of the DC Bylaw, where inconsistencies or other shortcomings could potentially be identified.

The PRT expressed concerns regarding the demand and flow rates related to water supply and accompanying sewage generation volumes, where the PRT suggested that the per-unit minimums dictated by the MOE are unrealistically high, given modern trends in conservation, improvements in materials and other use-reduction methods commonly employed during design work today and significant, and well-documented reductions in flows across many GGH jurisdictions. Importantly, the City advised through this process that efforts will be made in 2014 to measure the effect of possible unit-requirement reductions to reduce the 'base' per-person needs and to engage the Ministry of the Environment, looking towards possible reductions. This effort could have serious implications on the DC rate (reductions) in future Development Charges Bylaw updates by the City of Guelph and we would encourage this activity for the benefit of taxpayers and the development community.

With regard to roads and related works, the City's DC Team was advised by the PRT that the lack of a formal City-Wide Transportation Master Plan Update exposes some of the proposed charges to scrutiny. City staff has advised that the traffic models are continually updated and that the final capital works described in the DC charge are based on current models which were not available for review. However, the PRT Team relied on the Guelph-Wellington Transportation Study from 2005.

Services Related to a Highway

Outstanding Items:

- basis for the \$/km value of the quality standard of the roads

Areas of Disagreement:

- Interpretation of 'highway'; the Municipal Act provides a definition of a 'highway' but also includes a definition of a 'transportation system'
- Is highway synonymous with 'roadway' or 'ROW'?
- In the context of the Local Service Guidelines, the City has identified '*Services Related to a Highway*' and talks about a '*complete street*'. The growth related capital program also identifies '*Active Transportation*'. The City's OP does not mention any of the aforementioned terms but it does have a Transportation section dealing with the transportation system, public transit, roads (including expressways, arterials, collectors,

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local roads), railways, parking and staging. Highways are referenced in the context of Provincial Highways. Transportation corridor is a defined term in the OP.

- Inclusion of Guelph Central Station, bus signage, bus pads and bus shelters in this category
- Capital program – benefit attribution between benefit to existing, growth related and post period benefit; insufficient information provided to ascertain appropriate attribution.

Depots and Domes

Areas of Disagreement:

- Public Works and Engineering space in City Hall should be excluded from the LOS; see discussion under Indoor Recreation for rationale.

Fire

Areas of Disagreement:

- Commitment to the Fire Training Facility was requested; rationale was provided but not Council commitment. Research undertaken by the Peer Reviewer revealed that the proposed project is not in the City's capital budget. The most recent document reviewed Guelph's *Financial Strategy 2014* indicates *Fire/Emergency Services/Police Joint Training Facility: • The three departments are beginning to discuss the need for a joint training facility, and the benefits of sharing a single space.* Without the specific commitment from Council, this project should be excluded from the DC.
- The Fire Facilities LOS for Station # 6 should be reduced by the o/s principal identified in the Fire DC capital program.

Police

Areas of Disagreement:

- As discussed under Fire, without the specific commitment from Council, the Joint Training Facility project should be excluded from the DC.
- The Police Facilities LOS for CRESC should be reduced by the o/s principal identified in the Police DC capital program.

* * * * *

The aforementioned summary of the 10 and 19 year services indicates that there are some outstanding concerns and areas of disagreement. It is the PRT's view that there is the potential for downward adjustments to the calculated DC charge if (1) additional review / analysis were undertaken to respond to the areas of concern, and (2) the areas of disagreement were resolved reflective of the PRT's view.

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We appreciate the opportunity to participate in the City's work and we are of the opinion that significant benefits were achieved.

Should you have any questions or concerns, please do not hesitate to contact the undersigned.

Yours truly,

IBI GROUP

A handwritten signature in blue ink that reads "Audrey Jacob". The signature is written in a cursive style.

Audrey Jacob MCIP RPP PLE
Director

R.W. Stratford Consulting

A handwritten signature in blue ink that reads "R.W. Stratford". The signature is written in a cursive style.

R.W. Stratford, P.Eng.