Special City Council Meeting Agenda

Monday, January 21, 2019 – 6:00 p.m.
Council Chambers, Guelph City Hall, 1 Carden Street

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Open Meeting– 6:00 p.m.

Disclosure of Pecuniary Interest and General Nature Thereof

Special Council – 2018 Development Charges Background Study and 2019 Development Charges By-law

CS-2019-03 2018 Development Charges Background Study and 2019 Development Charges By-law

Presentation:
Tara Baker, General Manager, Finance, City Treasurer

Correspondence:
Paul Kraehling

Recommendation:

1. That the following recommendations from report CS-2019-03 2018 Development Charges Background Study and 2019 Development Charges By-law dated January 21, 2019, be referred to February 11, 2019 for approval:

    a) That in accordance with the Development Charges Act, 1997, as amended, Council has decided that no further public meeting is required in respect of the proposed 2019 Development Charges By-law;
    b) That the capital project listing set out in Chapter 5 of the 2018 Development Charges Background Study is approved subject to further review during the annual capital budget;
    c) That all future capital grants, subsidies, donations and other contribution requests before Council be clearly designated by the donor as being to the benefit of existing development (or new development as applicable);

d) That the assumptions contained within the 2018 Development Charges Background Study are adopted as an 'anticipation' with respect to the capital grants, subsidies donations and other contributions; and
e) That a new Development Charge Reserve Fund for Waste Diversion be created and that Appendix A of the General Reserve and Reserve Fund Policy be updated accordingly.

2. That the estimated increase to the annual tax supported Growth Reserve Fund contribution totalling $1,250,000 required to fund the capital projects as presented in the 2018 Development Charge Study and the proposed by-law exemptions, be referred to the 2019-2028 capital budget and forecast for financial strategy consideration.

Special Resolutions

Adjournment

Staff Report

To	**City Council**
Service Area	Corporate Services
Date	Monday, January 21, 2019
Subject	**2018 Development Charges Background Study and 2019 Development Charges By-law**
Report Number	CS-2019-03

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Executive Summary

Purpose of Report

The purpose of this report is to provide Council with an overview on the 2018 Development Charge Background Study (DC Study) process and outcomes, and ultimately seek Council approval of the proposed 2018 DC Study and 2019 Development Charge (DC) By-law.

Key Findings

The DC Study is required by the Development Charges Act, 1997 (DCA) and is a necessary step in determining the DC rate and approving a DC By-law.

The current DC By-law will expire March 2, 2019.

DCs are intended to provide for the recovery of growth-related capital expenditures from new development. Due to the restrictions as set out in the DCA, these revenues will never provide for full cost recovery and a requirement of funding from tax and non-tax sources is required in some cases.

The City engaged with a team of external stakeholders consisting of members from the development community and residents to provide on-going input to policy development and capital project costing assumptions which ensured a fair and equitable DC Study process. Further, the City held two Council workshops in 2018 to discuss the DC Study progress and gain insight to the issues and concerns members of Council expected to be addressed in this study. Council will also recall that subsequent to a workshop in February 2018, Council passed a motion that confirmed that the City will continue to use a City-wide DC methodology and not consider area-rating in 2019.

This process has culminated into the following proposed DC rate and policy impacts:

The residential DC rate is set to increase from $29,909/single detached home to $35,098/single detached home representing a 17.35 per cent increase.

The non-residential DC rate is set to increase from $107.40/m² to $133.15/m² representing a 23.95 per cent increase.

The rate increases are primarily resulting from:

1) Legislated Changes from Bill 73 (Transit Service methodology change, addition of Waste Diversion as an eligible service, realignment of costs between the Local Service Policy and the DC rate);
2) Updated Master Plans and Secondary Plans resulting in newly identified projects and refinement of project costs from the last DC Study; and
3) Internal capacity for long-range planning and the associated financial systems have bettered since the last DC Study with the onboarding of an Asset Management division. This has also led to improved costing estimates and identification of projects in a number of services including Services Related to a Highway and Stormwater Services.

The DC By-law does not include any costs or population/job growth projections for the Clair-Maltby area because this secondary plan is not yet complete. The DC Study and DC By-law must reflect the current Official Plan and the growth targets adopted within this policy. The DC Study will be updated to incorporate the new growth and the new capital investment for the Clair-Maltby area once the Secondary Plan is approved and enacted.

The DC By-law proposed policy changes include:

1) DC Payment Timing – staff are recommending a single DC payment requirement, payable at building permit issuance, instead of a two payment collection methodology with hard (water, wastewater, stormwater and services related to a highway) DCs due at subdivision agreement and soft DCs due at building permit issuance.
2) DC Exemption Changes:
- New DC exemptions for purpose-built accessory apartments and non-residential parking structures;
- Reduction to the University exemption from 100 to 25 per cent;
- Elimination of the DC exemption for Bona Fide Farm Use; and
3) Stacked Townhouses are categorized as high density instead of medium density;
4) A new rate category for Special Needs Facilities and Lodging Housings is proposed;
5) Alignment of definitions within the DC By-law with the City's Zoning By-law where applicable.

Financial Implications

The 2018 DC Study identifies $965.64 million in capital infrastructure costs that are required to accommodate the City's projected growth to 2031 Buildout of 34,565 new people and 24,245 new jobs. Some of these projects involve the upsizing and replacement of current aged infrastructure totaling $411.15 million that is payable by tax and non-tax sources of funding. Of the remaining net growth cost, the City is legislatively required to contribute 10 per cent of this cost for the discounted services totaling $10.23 million over the next ten years.

Based on this DC Study including the mandatory reduction, the ineligible services, the service standard limitations and the estimates staff have projected for the cost of DC exemptions (accessory apartments, industrial expansions and government bodies), the DCs pay for approximately 80 per cent of growth-related capital infrastructure costs in the City. There are limitations in this figure as it would exclude any growth-related costs for services not considered in the DC Study corporate services and culture infrastructure).

This DC Study is projecting a funding gap between the current operating budget transfer to the Growth Reserve Fund and what will be required to fully fund the tax supported cost of this DC Study. In order to attain a sustainable annual funding contribution, the estimated increase required is $1.25 million and staff have considered a financially affordable and strategic approach to phasing this increase in over a multi-year period as part of the 2019-2028 capital budget.

The proposed DC rates are competitive with the City's comparator municipalities and the rate increases are defendable and considered reasonable given the changes in the legislation, the increased sophistication in project costing and updates to City practices and priorities.

Report

Background

The Development Charges Act, 1997 (DCA), requires that a municipality must update the Development Charges (DC) By-law and Development Charges Background Study (DC Study) at least every five years. The City's existing DC By-law is set to expire on March 2, 2019 at 12:01am. The DC By-law sets the legal framework that reflects the City's policies governing the collection of DCs, and is developed in accordance with the parameters set out in the DCA. The DCA strictly prescribes the methodology to be used for the DC rate calculation. The City engaged Watson and Associates Economists Ltd. (Watson) as the primary consultant to provide expertise in the delivery of a successful DC Study process. The proposed DC Study (provided under separate cover) inclusive of the proposed Local Service Policy and the proposed DC By-law have been available on the City's website effective December 12, 2018 in order to meet the legislative public circulation requirements.

The DC Study provides the assumptions, calculations and supporting material that went into the DC rate calculation. It contains the 10 year average level of service based on a detailed inventory of City's assets; it identifies the forecasted growth for a 10 year period and to Build-out (2031 as per the City's Official Plan); and it determines the capital infrastructure needed to accommodate the forecasted growth within the limits set out by the 10 year average service standard cap. These components together determine the one-time charge that is to be levied on new residential and non-residential development within the City. The DC revenues are used to help offset the cost of the infrastructure needed to accommodate growth.

The DCA prescribes the services that are eligible for DC funding, the degree to which they can be recovered and the time horizon that is to be used in the rate calculation. Services that are only 90 per cent recoverable, are referred to as discounted services compared with non-discounted fully recoverable services.

Services calculated on a 10 year forecast:

- Outdoor Recreation 90%
- Indoor Recreation 90%
- Administration (Studies) 90-100%
- Library 90%
- *Transit 100%
- Parking 90%
- Municipal Courts 90%
- Ambulance 90%
- **Waste Diversion 90%

Services calculated to Build-out (2031):

- Water 100%
- Wastewater 100%
- Stormwater 100%
- Police 100%
- Fire 100%
- Services Related to a Highway 100%

*increased to 100% from a 90% service in the 2018 DC Study as per the amendments to the DCA
**new to the 2018 DC Study

The DCA does not permit the following services to be included in the charge:

- Arts, Culture and Entertainment facilities, including museums, theatres and art galleries
- Tourism facilities, including convention centres
- The acquisition of land for parks (including woodlots or land that is acquired due to environmental sensitivity, but does include land for an enclosed structure used throughout the year for public recreation and land necessary for the structure to be used for that purpose such as parking and access)
- The provision of a hospital
- The provision of landfill sites and services
- The provision of facilities for the incineration of waste
- The provision of headquarters for the general administration of the City and its local boards

Definitions

The DC Study, is a heavily technical document that uses language that may not be familiar to the public or to Council. Staff are providing this section for some common terms that will be used through this report to assist in the ease of reading.

"Benefit to Existing (BTE)" means the amount of benefit derived from a project that is attributable to existing population and employment.

"Build-out" means residential and non-residential development yield on all lands within the City's Municipal Boundary, including the Guelph Innovation District (GID), but excluding lands designated Reserve Lands and Open Space/Park Land in the Clair-Maltby Secondary Plan Area.

"Clair-Maltby Secondary Plan (CMSP)" area is the last unplanned Designated Greenfield Area within the City, located in the south of Guelph and is generally bound to the north by currently designated urban land uses south of Clair Road, Maltby Road to the south, Victoria Road to the east and Southgate Business Park to the west. The area is the focus of a planning process that is underway and will establish an appropriate range and mix of land use designations to meet future growth requirements.

"Development Community" means representatives of the Guelph Home Builder Association (GHBA), Guelph Wellington Developers Association (GWDA), and non-residential developers as identified by the City's Economic Development Department.

"Growth Forecast" means the anticipated amount, type and location of development, for which development charges can be imposed.

"Local Service Policy (LSP)" defines what services are considered to be local services, which may be required to be provided as a cost of development and are the direct responsibility of the developer compared with growth related services which are included in the DC calculations. Local services are generally services that relate to proposed development such as a plan of subdivision, or are within the area to which such a plan relates. Local services are the responsibility of the developer as a condition of an approval under the Planning Act. The DCA does not permit charging DCs for local services, and permits additional charges to be imposed only where they are specifically authorized by the DCA or another Act.

"Post Period Benefit" means the portion of a capital project that can be used to benefit future growth outside of the current planning horizon for the service (either 10 years or Build-out).

How are DCs Calculated?

The following provides an explanation on how the DCs are calculated:

1) Identify amount, type and location of growth
2) Identify servicing needs to accommodate growth
3) Identify capital costs to provide services to meet the needs of growth
4) Deduct:
    - Grants, subsidies and other contributions
    - Benefit to existing development
    - Statutory 10 per cent deduction (discounted services)
    - Amounts in excess of 10 year historic service calculation
    - DC Reserve Fund balances (where applicable)
5) Net costs then allocated between residential and non-residential benefit
6) Net costs divided by growth to provide the residential and non-residential DC rate

Why are DCs Important?

DCs represent a significant funding source for the City's capital program and are a key factor in the achievement of the City's long-term goals. Over the years, DCs have been used to expand and provide new infrastructure for our growing population. Table 1 below illustrates the importance of DC revenues to the City's capital program.

Table 1: Development Charges Collected and Spent

	DCs Collected *includes contribution from City to compensate for exemptions	DCs Spent *includes interest payments
2014	23,737,358	11,909,622
2015	21,180,295	20,565,978
2016	18,569,855	25,008,751
2017	25,019,672	19,471,891
2018* as at November 30, 2018	19,777,337	12,781,261

Development Charge Revenues have funded approximately $90 million over the past five years which would otherwise be funded from tax and non-tax sources. To add contest, this is equivalent to raising property taxes by 7.5 per cent.

Updates to the Legislation

With the amendment of the DCA (as a result of Bill 73 "Smart Growth for Our Communities Act, 2015" and O.Reg. 428/15), there are a number of areas that must be addressed to ensure that the City is in compliance with the DCA, as amended. The following provides an explanation of the changes to the Act that affect the City's DC Study and how they have been incorporated to ensure compliance with the amended legislation.

Area Rating

Subsection 10(2)(c.1) of the DCA requires that, "the development charges background study shall include… consideration of the use of more than one development charge by-law to reflect different needs for services in different areas" Staff Report CS-2018-35 2018 Development Charge Study: Area-specific Rating, was approved by Council March 26, 2018. This report presented consideration for both an area-specific rate and a city-wide rate and recommended that the City continue using the current city-wide rate methodology for the 2019 DC By-law.

Asset Management

Subsection 10(2)(c.2) requires that the DC Study "include… an asset management plan".

The City has a Council-approved Asset Management Plan that has been updated to incorporate the requirements of the DCA.

Reporting and Public Process

The new legislation requires more extensive annual reporting for DCs including collection and funding detail by capital project. The City's annual Treasurer's Report has been updated accordingly in 2017 for these requirements. Further, the public process for circulating the draft DC Study has been extended to a 60 day period which is being met through the early circulation of the DC Study on the City's website effective December 12, 2018.

Transit

Changes to subsection 5(5) of the DCA and O.Reg. 82/98 (as amended by O.Reg 428/15) require the following changes to the Transit DC rate calculation:

- 10 per cent mandatory deduction from the growth-related costs to be removed;
- Methodology for determining the "planned level of service" set out in the regulations; and
- Methodology requires ridership forecasts and ridership capacity for all modes of transit over the 10 years, identification of excess capacity which exists at the end of 10 years, and identification of whether new ridership is from existing or planned development.

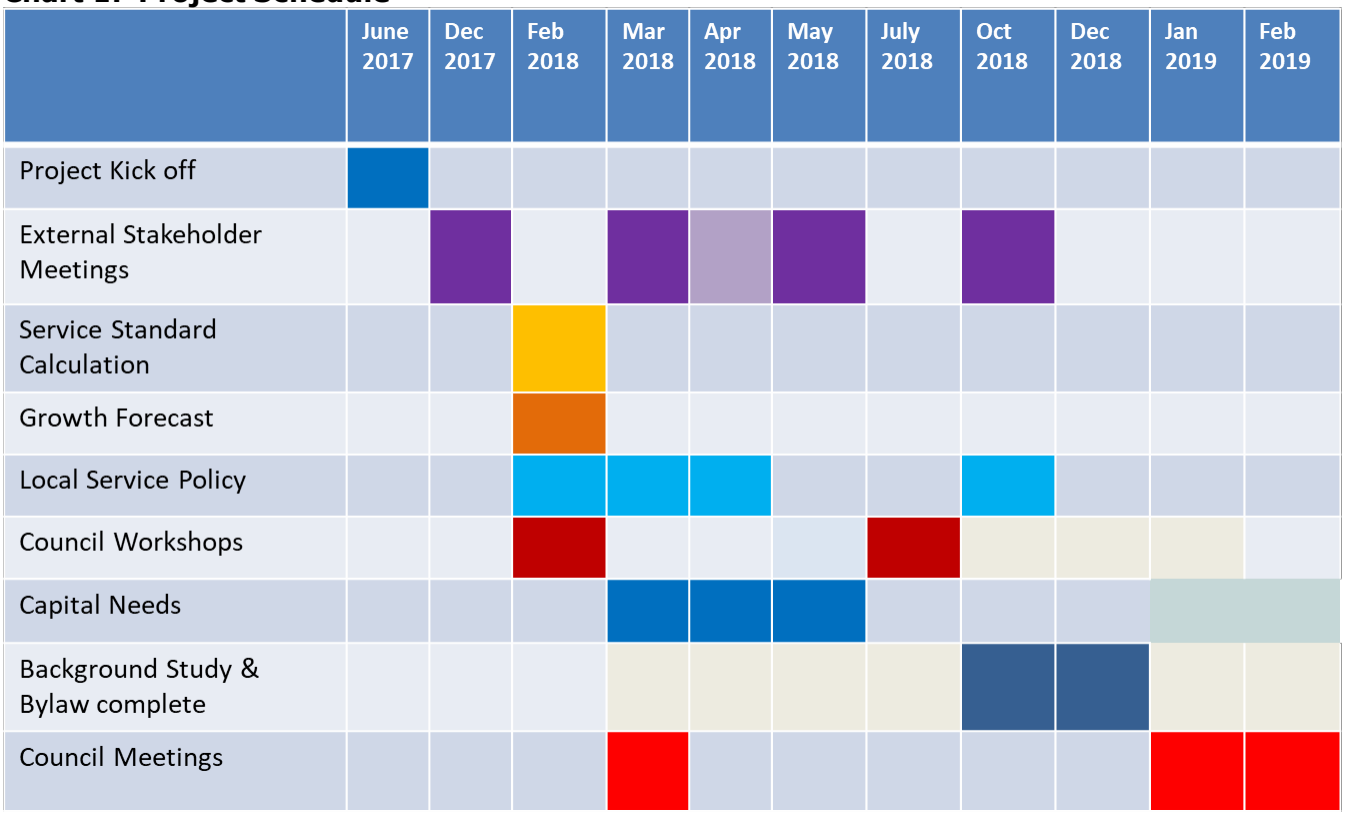
Dillon Consulting was retained by Watson to undertake the Transit forecast as per the requirements of the Act. The findings of their work can be found in Appendix F of the DC Study. The overall impact to the rate for Transit Services is a $2,195 increase to the residential rate for a single detached home and $1.05 increase per square foot to the non-residential rate.

Ineligible Services
Services relating to the Waste Diversion (i.e. recycling and organics) is now eligible for DC funding. Watson worked with staff to determine the current level of service and the required capital infrastructure needed to accommodate growth over the next 10 years. Waste Diversion has increased the residential rate by $495 per single detached home and $.11 per square foot to the non-residential rate.

No Additional Levies
The Bill 73 amendments to the DCA include a provision that specifically provides "that a municipality may not impose a charge, directly or indirectly, related to a development or a requirement to construct a service related to development except as permitted by the DCA or another Act". As a result of this change, staff reviewed and updated the LSP to ensure all applicable charges were either identified as a local service or a growth-related service included in the DC Study, and that any charges outside the DC will be imposed only where authorized. This change resulted in new costs and provisions added to the DC that previously were paid via other development related charges. These changes collectively have increased the residential rate by $534 per single detached home and $.20 per square foot to the non-residential rate. An off-setting reduction would be realized by the development community in the localized costs borne by the developers (i.e. local service). In some cases, due to the 10 per cent reduction, the tax cost of growth has been impacted.

DC Study Project Plan, Oversight and Engagement
The City initiated the DC Study in April 2017 and retained Watson to update of the City's background study and the by-law. Chart 1 Project Schedule, provides a high-level overview of key dates involved in the preparation, review and public consultation process for the DC Study and shows that this was a cross-function city-wide process with multiple engagement points for Council, the External Stakeholder Group and members of the community.

Chart 1: Project Schedule



External Stakeholder Group

Stakeholder engagement was a critical step in the development of the DC Study and DC By-law. Community Engagement and Communications helped advertise and compile a group of external stakeholders, comprised of both the development community and tax/rate payers. Unlike the 2013 DC Study, the City did not retain a peer review consulting firm to work on behalf of the development community, instead, the development community sourced their own peer reviewer, IBI Consulting to review DC Study materials and participate at External Stakeholder Group Meetings.

The External Stakeholder Group met regularly to review information and provide input on key aspects of the DC Study including:

- The Local Service Policy (LSP);
- Growth forecast;
- Capital needs; and
- DC by-law policy changes

The External Stakeholder Group met six times over the course of the DC Study and had a positive impact on the process and the deliverables. Ideas and concerns were discussed in an open and professional manner and all correspondence, information and meeting minutes were shared with the group and posted on the DC webpage on the City's website to ensure transparency.

DC Oversight Committee
A cross-functional group of corporate leaders formed a committee to review project material and discuss key issues relating to:

- project progress and policy issues;
- identify potential risks and challenges; and
- alignment with corporate strategy and initiatives.

The Oversight Committee consisted of members from each service area:

Corporate Services
Trever Lee, Deputy CAO, Corporate Services
Tara Baker, General Manager Finance/City Treasurer
Darrell Mast, Associate Solicitor
Christel Gregson, Sr. Financial Analyst, Development Charges and Long-term Planning
Public Services
Robin Gerus, General Manager Guelph Transit
Heather Flaherty, General Manager Parks and Recreation
Infrastructure, Development and Enterprise Services
Kealy Dedman, General Manager Engineering and Transportation Services, City Engineer
Peter Busatto, General Manager Environmental Services
Todd Salter, General Manager Planning and Building Services
Barbara Maly, Manager Economic Development

Council
DCs play a key role in the achievement of many of the City's long-term goals, so it was critical for Council to be consulted throughout the process to ensure the 2019 DC By-law reflects the priorities and perspectives of Council.

Two Council workshops were held as part of the DC study process. One was intended to educate and update on the DC legislation, changes to the DCA and growth-related challenges facing the City. The other focused on the draft DC Study and DC By-law, a review of the cost of growth and the City's approach to funding that cost, as well as proposed DC policy discussions. Council requested staff provide more information about the potential cost of exempting warehousing and removing, all or in part, the exemption for the University. Both responses can be found in ATT-3 Existing Industrial Building Definition, and ATT-4 University Exemption.

Methodology

Growth Forecast
Section 3.5 (1) of the DCA requires that "the anticipated amount, type and location of development, for which development charges can be imposed, must be estimated" for the DC calculation. The City used the following documents to determine the residential and non-residential development targets:

- City of Guelph Official Plan (OP), March 2018 Consolidation
- City of Guelph 2010 Employment Land Strategy (ELS)

The 2018 DC Study assumes the population will reach 170,945 people and 95,418 jobs by 2031 on all lands within the City's Municipal Corporate Boundary, including the GID but excluding the CMSP.

Because the DCA prescribes that some services are limited to a 10 year planning horizon, the DC Study must identify the amount, type and location for growth for both the period between 2018 and 2028, and for the period between 2018 and Build-out (2031). Tables 2 and 3 provide the growth assumptions for both planning horizons.

Table 2: Growth Forecast to 2028

	Current	**Amount: Additional Between 2018-2027**	**Type**	**Units**
People	136,380	22,565	Low Density:18% Medium Density 41% High Density 41%	1,100 units per year
Jobs	71,170	10,469	Industrial: 25% Commercial: 45.6% Institutional: 29.4%	744,160 feet per year

Table 3: Growth Forecast to Buildout (2031)

	Current	**Amount: Additional Between 2018-2031**	**Type**	**Units**
People	136,380	34,565	Low Density:12% Medium Density 27% High Density 61%	Average 1,411 units per year
Jobs	71,170	24,245	Industrial: 28% Commercial: 46% Institutional: 26%	1,352,135 feet per year

Clair-Maltby Secondary Plan (CMSP)

The City is currently working on developing the CMSP, however the plan has not been finalized and approved by Council. For this reason, there is insufficient data pertaining to the population and infrastructure needs to sufficiently inform the 2018 DC Study and the capital costs and population growth for the Clair-Maltby area has been left out of the 2018 DC calculation accordingly. The development community has raised this as a concern because development would not be able to start until the results of the CMSP are incorporated into the DC Study and DC By-law, which could be as late as March 2, 2024, as prescribed by section 9 of the DCA. In order to resolve this concern, staff have committed to a DC By-law amendment or early DC Study and DC By-law update to incorporate the results of the Council approved CMSP, if the CMSP was to come into full force and effect prior to the next regularly scheduled DC By-law review.

Service Standard Calculation

In order to determine the amount of DCs the City is eligible to collect for each service, a current 10 year average standard of each service must be calculated. This is done by providing an inventory of all facilities, equipment, vehicles, and lands that are utilized in the provision of each eligible service. The DCA provides that the average of the past 10 years be the basis for the upper limit of the charge and must measure both quantity and quality (except for transit services, which is based on a forward looking basis as previously mentioned). This step in the process ensures that DCs are used to maintain, but not increase, the existing service standard. Due to the regulatory nature of water, wastewater and stormwater services, there is no service level ceiling calculation requirement.

Table 4 shows service standard capacity available for each service compared to the amount that was utilized through the capital planning forecast. In some cases, the City does not have projected growth-related capital needs that would fully utilize all the service standard room. In other cases, including Library Services, Police Services and Services Related to a Highway (facilities), the City is not able to fully collect the DCs that are required to fund projected growth facility projects due to the service standard ceiling and additional tax funding will likely be required as a result. Alternative options would also include reducing the size or amenity offerings planned in the facilities or finding alternative funding sources to bring the net cost within the legislated range.

Table 4: Summary of Service Standards as per Development Charges Act, 1997

LEVEL OF SERVICE CEILING		2013 D.C. Study		2018 D.C. Study	
Service Category	Sub-component	Maximum Ceiling LOS	Utilized	Maximum Ceiling LOS	Utilized*
Services Related to a Highway	Services Related to a Highway - Roads	105,950,510	73,647,418	175,525,663	102,194,580
	Services Related to a Highway - Bridges, Culverts & Structures			29,631,110	-
	Services Related to a Highway - Traffic Signals & Controllers	7,538,305	2,407,500	6,838,214	5,447,000
	Services Related to a Highway - Facilities	5,288,896	5,288,800	7,228,969	7,228,931
	Services Related to a Highway - Vehicles & Equipment	3,867,103	1,505,000	3,409,442	1,662,090
Fire	Fire Facilities	4,242,077	3,014,958	6,591,403	3,234,176
	Fire Vehicles	3,449,411	3,449,200	3,556,838	2,461,800
	Fire Small Equipment and Gear	694,715	351,000	839,157	453,200
Police	Police Facilities	8,725,793	8,725,748	9,060,892	10,941,133
	Police Vehicles, Small Equipment and Gear	1,373,465	643,100	1,885,773	
Parking	Parking Spaces	10,532,440	10,531,952	10,430,446	10,484,053
	Parking Meters & Equipment			54,156	
Parks	Parkland Development	35,667,702		36,863,538	
	Parkland Amenities	13,470,977		14,176,461	
	Parkland Amenities - Buildings	3,269,772	33,405,445	3,093,436	29,789,672
	Parkland Trails	2,425,593		2,784,747	
	Parks Operations and Forestry Vehicles and Equipment	552,801		974,131	
Recreation	Indoor Recreation Facilities	26,446,092	25,954,504	43,360,678	33,511,031
	Recreation Vehicles and Equipment	296,824	296,815	299,212	-
Library	Library Facilities	2,816,985	2,816,965	3,808,069	3,859,730
	Library Vehicles			51,674	
	Library Collection Materials	2,624,879	2,624,875	2,921,716	2,920,000
Ambulance	Ambulance Facilities	309,945	309,944	591,429	1,236,559
	Ambulance Vehicles	124,275	90,000	645,133	
Provincial Offences Act	Provincial Offences Act Facilities	720,895	123,222	1,203,843	73,232
Health	Health Facilities	673,116	673,065	1,676,805	1,676,800
Waste Diversion	Waste Diversion - Facilities - Stations/Depots			7,831,635	5,095,175
	Waste Diversion - Vehicles & Equipment			1,148,107	
	Waste Diversion - Other			1,234,982	
Transit	Transit Facilities	2,250,073	2,100,000		30,716,850
	Transit Vehicles	6,823,991	5,354,549	-	
	Other Transit Infrastructure	96,796			
Stormwater	Stormwater Drainage and Control		2,955,063		4,374,926
Water	Water Plants		145,396,886		64,592,412
	Water Distribution		63,889,026		69,536,841
Wastewater	Wastewater Plants		123,761,334		88,890,202
	Wastewater Sewers		30,024,212		37,879,580
Studies	Growth Related Studies		4,313,678		8,514,433
Total		**241,062,572**	**553,654,258**	**377,717,658**	**526,774,408**

*Utilized amounts do not include interest costs from debentures.

Capital Infrastructure Needs

Masterplans, servicing studies, corporate policies and infrastructure models were used by departmental managers to identify the capital infrastructure and costs required to provide services for the City's projected growth. Eligible capital costs include:

- Land acquisition (excluding parkland)
- Capital improvements, acquisitions, leases and construction projects
- Rolling stock with a useful life of seven or more years
- Debenture interest costs
- Studies in connection to the above

Staff worked with Watson to develop a listing of projects required over the next 10 years and 13 years (Build-out) that are required to accommodate the growth projected by the City's OP.

Some of the most significant projects impacting the DC rate are detailed in Table 5 below.

Table 5: Significant DC Study Capital Projects

Service	Description
Transit	30 new buses over the next 10 years to achieve a 12.3 per cent modal split, and an expanded Transit facility. The buses are 61.5 per cent DC funded and the facility is 40 per cent DC funded.
Waste Diversion	New vehicle storage space, packers and carts, relating to waste diversion (i.e. recycling and organics) have been identified to accommodate growth over a 10 year period. The net growth related capital cost to be included in the DC is $4.6 million.
Recreation	The South End Community Centre is identified in the DC Study at $68 million, of which, 85 per cent can be funded from DCs.
Library	The Main Branch is identified at $50.16 million, of which, $16.93 million can be funded from DCs. $15.37 million of this project is calculated as Benefit to Existing and $15.98 is considered an enhancement because it is over the Service Standard.
Stormwater	Improved planning and identification of stormwater infrastructure has resulted in $6.8 million in stormwater projects, of which, $4.2 million will be funded from DCs.

Local Service Policy (LSP)

The LSP outlines the growth-related amenities and infrastructure that are the direct responsibility of a developer as well as which items are to be funded through the DC. The LSP typically includes local services that directly benefit a development, such as roads, water pipes, sewers, pumping stations and trails, and alternatively, the items in the DC benefit city-wide growth such as recreation centres, park development and water and wastewater treatment plants.

Subsection 59(1) of the DCA states that a municipality cannot generally impose charges related to a development or a requirement to construct a service by way of a subdivision condition or agreement or as a condition of consent (severance) under section 53 of the Planning Act. Section 59.1 of the DCA further states that a

municipality cannot impose a charge or requirement to construct a service related to a development except as permitted by the DCA or another Act. However, subsection 59(2) of the DCA specifically permits municipalities to impose charges or requirements to construct local services relating to the plan of subdivision or within the area to which the plan relates, or local services required as a condition of consent. Municipalities also have specific powers under other Acts to require certain works to be provided and maintained by the owner of land at no cost to the municipality (for instance, as a condition of site plan approval under subsection 41(7) of the Planning Act). It is therefore important to carefully evaluate each service to ensure that the growth- related infrastructure is properly included in the DC rate calculation, and that the City has the requisite authority to require a developer to provide local services to support development directly.

Local service items are 100 per cent funded by a developer, and therefore have no impact to existing tax and rate payers. As discussed previously, DC items are not fully recoverable from growth and require a tax and rate contribution to make whole what would otherwise have been required if not for statutory deductions, exemptions and service level caps. For this reason, careful review and consideration was taken for any shifts of costs from the local service to the DC. Any shift in costs relating to Build-out Services are not impacted by the service level caps and are not subject to statutory deductions so the tax and rate burden is less impactful.

The External Stakeholder Group provided fulsome recommendations and comments through written correspondence and in-person meetings to help improve fairness and functionality of the City's LSP. The LSP remains a polarizing topic as members from the development community recommended more costs be included in the DC, while residents recommended more costs be included in the LSP.

Staff members from Engineering and Transportation Services, Legal, Realty and Court Services and Parks Planning worked hard to develop a LSP that provides a fair balance between the LSP and DC rate; that complies with both the DC and planning legislation; that streamlines and reduces the costs associated with the development application processes for both the development community and City staff; and adds certainty to development costing early in the process to maximize certainty for developers and staff. Decisions were generally guided by the need to ensure services that may be required as a condition of individual developments were maintained as local services, whereas broader growth related infrastructure and services needed to accommodate city-wide growth were included in the DC study.

Some of the key changes to the LSP include:

- All intersection improvements (traffic signals and turning lanes), that are not required to provide direct access to a particular development are to be funded from DCs. The budgeted impact of this change is $3.5 million over the next 13 years (to Build-out). Previously, this item has caused excess consultation and in some cases litigation which is costly for both the City and the development community. The past practice places the burden of cost on the developer that causes population/traffic to reach the "tipping point" for requiring the enhanced traffic measures even though the infrastructure is arguably benefiting more than the immediate development.

- The full cost of arterial and collector roads including road design is now the City's responsibility and fully included in the DC. The budgeted impact of this change is $2.1 million over the next 10 years.
- Basic trail development has been a local service requirement in previous DC by-laws, however in response to City staff and development community concerns, the full cost of all identified trails in the Active Transportation Network and the Guelph Trails Master Plan will be included in the DC. Further, the language in the LSP encourages the trail development be done by the developer in return for a DC credit with the hope that this will encourage a more complete trail network in the City and complete the trail at time of development when it is the most cost-effective. The budgeted impact of this change is $2.2 million over the next 10 years. Local trails required to connect individual developments to the broader City-wide trail network, where required, will remain developer responsibilities as local services.

Policy Considerations

The DC Study and DC By-law sets the policies for DC revenue collection and should reflect emerging trends, current legislation and Council priorities. The policy changes proposed below reflect input received from both internal staff and external stakeholders as well as changes required to be compliant with current legislation. ATT-2 to 7 provide the detailed justification supporting staff's recommendation regarding the following policy items:

Policy Issue	Description
Timing of DC Payments – ATT-2	The current practice of collecting DCs for subdivision development in two parts is a very inefficient and labour intensive practice that is not allowing for the effective use of the financial systems and staff resources. Staff are recommending moving to a singular DC payment date at building permit issuance to enable more efficient and technology driven processes.
Interpretation of the Existing Industrial Use Definition – ATT-3	Council and the External Stakeholder Group requested more information about the Existing Industrial Use Definition and the implications of extending the definition to include stand-alone storage (warehouses) for the purpose of the statutory exemption. Staff are not recommending changing the City's current interpretation due to the significant cost that this would place on the tax and rate base. The magnitude of the cost consideration for this decision is estimated at $23.7 million in lost DC collections over a time period that is indeterminable. This would be offset by potentially $4.25 million per year in increased property taxes which is to pay for the operating expenses of the City service provision. Further, providing incentive to warehousing that does not have a manufacturing component on-site is not congruent with the goals of the City's OP of achieving 57 jobs per 100 residents by 2031.

University Exemption – ATT-4	Council and the External Stakeholder Group questioned why the University receives a full DC exemption when it is not legislated or contractually required. Council requested staff to review this exemption and evaluate alternative options for consideration. Staff are recommending that a reduction of 25 per cent is the fairest approach given that University facility expansions do impact the City's build-out services including water, wastewater and the road network capacity. In the municipal scan, it should be noted that most other municipalities provide a full exemption or 50 per cent reduction for Universities with the exception of the Niagara Region.
Bona Fide Farm Use Exemption – ATT-5	The External Stakeholder Group requested that staff consider the merits of all non-statutory exemptions in the by-law. Staff determined that the Bona Fide Farm Use exemption was no longer required based on the City's Official Plan.
Parking Structure Exemption – ATT-6	The current DC By-law was not clear on the DC treatment of parking structures. Staff are recommending exempting all non-residential structures in order to be equitable with the treatment of residential parking structures as well as with surface lot parking structures. Non-residential below or above-grade parking is preferable to the City as it promotes better, more compact land use as well as better and less costly stormwater management systems. Further, any non-residential parking that the private sector can provide for their employees takes the burden off the City to build these spots. Feedback from the External Stakeholder Group was mixed on this topic as concerns were raised regarding this being a disincentive for promoting the use of transit.
Purpose Built Accessory Apartment Exemption – ATT-7	The DC legislation currently exempts the addition of two new dwelling units within a detached home and one new dwelling unit in any other residential unit type. Bill 7, Promoting Affordable Housing Act, 2016 proposed a statutory exemption for purpose-built accessory apartments (an accessory apartment created as part of a newly built home or residential unit type). Despite that the regulation has not yet been finalized by the province, staff are recommending updating the by-law to reflect this pending exemption as it is supporting affordable housing and a current policy gap that staff struggle to explain to the development community.
Added Category for Special Care/ Special Dwelling	Watson recommended the creation of a new fee category to capture residential buildings that have a very low average persons per unit (PPU), and could share kitchen amenities such as nursing homes, group homes and hospices. This is a common trend in the municipal sector and staff have incorporated this accordingly and often applies to facilities providing institutional population.

Stacked Townhouse Category	Watson updated the DC calculation model to align with Statistics Canada data that assumes stacked townhouses have the same PPU as apartments. As a result of this change, stacked townhouses will be included in the high density DC rate categories.
Redevelopment Reduction	The External Stakeholder Group requested that consideration be given to extending the period for the DC Redevelopment Reduction beyond 48 months. Through discussion with Watson and the Oversight Committee, staff determined that the current by-law language sufficiently allows for extended access to the reduction by entering into an agreement. The City has entered into these agreements to accommodate special development sites where development timelines are more extended due to brownfield matters.
Blended Non-residential Rate	In the 2009 DC By-law, the non-residential development charge rate was applied to Industrial and Commercial/Institutional at two separate and distinct rates. The purpose of this was to encourage industrial investment in the City. However, because the incentive did not generate the intended results and created a number of unintended administrative issues, the 2014 DC By-law recommended returning to the single, blended non-residential rate. Staff are not recommending changing the current rate structure and the proposed DC By-law reflects this position.

Financial Implications

The 2018 DC Study will result in additional DC revenues of $347.72 million from residential development and $188.13 million from non-residential development to fund the $535.85 million of growth-related capital infrastructure costs required to accommodate growth over the next 10 to 13 years.

Capital Cost of Growth Recovery
The cost of growth is not completely funded by developers or by DCs. The DC legislation limits the amount a municipality can recover to approximately 80 per cent due to the following:

- 10 per cent statutory deduction;
- Statutory and discretionary DC exemptions;
- Ineligible services; and
- Growth-related costs in excess of the 10 year service level cap.

To manage the cost of growth not funded by DCs, the City has developed a strategy to allocate 10 per cent of the annual tax supported capital transfer to the Growth Reserve Fund. The costing resulting from this DC Study, has identified that this is not sufficient to fully fund the tax supported cost of this DC Study. In order to attain a sustainable annual funding contribution, the estimated increase required $1.25 million and staff have considered a financially affordable

and strategic approach to phasing this increase in over a multi-year period as part of the 2019-2028 capital budget.

The DC Study versus the capital budget and forecast
The projected DC revenue collections are based on the assumptions that:

- the City will grow by 22,565 additional people and 1,171 new units per year over the next 5 years; and
- the City will add an additional 10,469 additional jobs and 7,441,600 square feet over the next 10 years.

Historically, the City has not grown at the pace or mix identified in the DC Study, resulting in a shortfall in DC revenues compared to this DC Study. This is primarily the result of the non-residential growth lagging behind the provincial targets and is not a unique circumstance happening in Guelph. To manage this variance, staff must monitor actual growth activity and align growth-related capital projects with the DC revenue collections. As part of the development of the 2020 Capital Plan, sequencing growth development to match expected revenue collection will be a primary focus.

As a result of the timing difference noted above, as well as changing project scope and cost estimates and priority refinement that naturally occurs in a dynamic municipal environment, the capital budget and forecast will never exactly match the DC Study. The DC Study is a point-in-time estimate that is used to derive a revenue rate; the capital budget and forecast reflects the current capital projects required to meet actual growth experience as well as current Council priorities. It is the responsibility of Finance to monitor the differences in the plan, report on significant changes and concerns and recommend financing strategies to address cash flow growth capital pressures. The City Treasurer reports annually to Council on the state of the DC Reserve Funds.

Proposed 2019 DC Rates

The DC Study has culminated into the final proposed DC rates presented in Table 6. It should be noted that although the single detached home is referenced in the table below, there are other residential rate categories which have proposed increases. Typically, the single detached home is the basis that is discussed in reference to residential rates.

Table 6: Proposed 2019 DC Rates and associated impact

Service	Current Single Detached	Proposed Single Detached	Change	Current Non-residential (per sq.ft.)	Proposed Non-residential (per sq.ft.)	Change
Services Related to a Highway	$3,746	$6,249	67%	$1.58	$2.84	80%
Fire Protection	311	316	2%	0.13	0.15	15%
Police Services	438	662	51%	0.19	0.30	58%
Transit	555	2,750	395%	0.26	1.32	404%
Municipal Parking	754	1,160	54%	0.35	0.56	60%
Outdoor Recreation	3,669	3,357	(9%)	0.16	0.18	13%
Indoor Recreation	2,808	4,392	56%	0.12	0.24	100%
Library	593	967	63%	0.02	0.05	150%
Administration (Studies)	350	762	118%	0.16	0.37	131%
Municipal Courts	9	7	(22%)	0.00	0.00	0%
Health	70	235	236%	0.01	0.03	200%
Ambulance	32	112	250%	0.01	0.05	400%
Waste Diversion	0	495	100%	0.00	0.11	100%
Stormwater	133	225	69%	0.06	0.10	67%
Wastewater	6,968	6,516	(6%)	2.94	2.95	0%
Water	9,473	6,893	(27%)	3.99	3.12	(22%)
Total	**$29,909**	**$35,098**	**17.35%**	**$9.98**	**$12.37**	**23.95%**

The two rates are not increasing by a proportionate amount for the following reasons:

- In the 2013 DC Study, the non-residential growth projected at 14,287 new jobs over the 10 year forecasted period. The 2018 Study, however, is only projecting an additional 10,469 new jobs over the 10 year period, which is a 27 per cent decrease from the projections in 2013. This has resulted in the upward pressure on the non-residential rate. Alternatively, the residential growth forecast has only decreased by 2,191 new people, which represents a nine per cent decrease over the projections in 2013 and has a proportionately smaller impact on the proposed residential rate.

- Over the past five years, non-residential development has not achieved the growth targets that were used to determine the DC rate in the 2013 DC Study. To account for this lag, Watson advised that the allocation of capital expenditures between residential and non-residential required adjustment for certain services to ensure that costs are equitably distributed amongst both development types. This also contributed to the proportionately higher increase to the non-residential rate.

The proportionately higher increase for non-residential could be viewed as a dis-incentive for job creation, however the non-residential rate for Guelph is still relatively low compared to our neighbouring municipalities as outlined in ATT-1 Municipal DC Rate Comparator Review. Guelph also benefits from lower land values and property tax assessments than municipalities closer to the Greater Toronto Area (GTA).

In response to this disincentive concern, the External Stakeholder Group recommended considering separating the blended non-residential rate into two components; Commercial/Institutional and Industrial. Staff advise that this was reviewed in detail in the 2013 DC Study and that the blended rate continues to be the staff recommendation at this time given past experience with a separated rate.

DC Rate Competitiveness and Council Options
Staff have included in ATT-1 a municipal scan of DC rates in neighbouring municipalities that are also considered competition in terms of economic development and attracting new business. Guelph is one of the first in adopting an updated DC Study due to the legislated timing and is therefore challenged to do a fulsome comparison as the other municipalities will announce their rates in subsequent months.

If there is an appetite by Council to make the DC rates more competitive through lowering the charge or phasing-in the proposed increase, this will have a direct budget impact on both the tax and non-tax budgets. For example, phasing-in the non-residential rate equally over five years would require $3.49 million in tax and rate revenues to make whole these lost revenues.

Consultations

Title	Description	Date
External Stakeholder Kick-off Meeting #1	Provided an overview of DCs, the DCA and the Stakeholder's role in the DC By-law development process.	December 13, 2017
Email correspondence to External Stakeholders #1	Distribution of the following: Draft LSP; Treasurer's Statements (DC Reserve Fund activity); Summary of completed capital from 2013 DC Study;	February 2, 2018

	Summary of Stakeholder input received to date. Minutes from December 13th Stakeholder meeting	
External Stakeholder Meeting #2	Review of the Growth Forecast and Service Standard information	March 23, 2018
Sub-stakeholder Meeting #1	In-depth review and conversation of the City's draft LSP in relation to the proposed Stakeholder LSP that was created by the Guelph & District Home Builders Association (GDHBA) and the Guelph Wellington Developers Association (GWDA).	April 17, 2018
Email Correspondence to External Stakeholders #2	Distribution of City responses to Stakeholder input received to date including information requested by IBI (the consultants working on behalf of GDHBA and GWDA). Minutes from March 23rd Stakeholder meeting	April 23, 2018
Email Correspondence to External Stakeholders #3	Distribution of first draft of capital needs and Minutes from April 17th Sub-stakeholder Meeting	May 11, 2018
External Stakeholder Meeting #3	Review of draft capital needs	May 28, 2018
Email Correspondence to External Stakeholders #4	Distribution of capital project descriptions for all projects listed in the draft capital needs package.	June 15, 2018
Email Correspondence to External Stakeholders #5	Distribution of the Draft DC Study inclusive of the updated draft LSP, policy documents for payment timing and the parking structure exemption	September 18, 2018
External Stakeholder Meeting #4	Review of the draft DC Study and updated draft DC rate. Responses to IBI and Stakeholder correspondence	October 25, 2018
Email Correspondence #6	Minutes from October 25th Stakeholder meeting	October 30, 2018
Email Correspondence #7	Draft DC By-law, responses to IBI memo, Policy document for Farm Exemptions	November 6, 2018
Email Correspondence to External Stakeholders #8	Distribution of draft DC By-law and City responses to additional Stakeholder input was provided.	November 9, 2018

Sub-stakeholder Meeting #2 / External Stakeholder Meeting #5	Final meeting to review specific concerns with LSP, DC By-law and proposed policy changes.	November 15, 2018
Email Correspondence to External Stakeholders #9	Distribution of updated LSP, Minutes from November 15th Sub-stakeholder meeting #2, City response to outstanding matters raised.	November 23, 2018

Corporate Administrative Plan

Overarching Goals
Service Excellence
Financial Stability

Service Area Operational Work Plans
Our Resources - A solid foundation for a growing city
Our Services - Municipal services that make lives better

Attachments

ATT-1 Development Charge Municipal Comparison
ATT-2 Development Charge Payment Timing
ATT-3 Existing Industrial Building Definition
ATT-4 Development Charge Exemption for the University of Guelph
ATT-5 Bona Fide Farm Exemption
ATT-6 Exemption for Non-residential Parking Structures
ATT-7 Accessory Apartment Exemption

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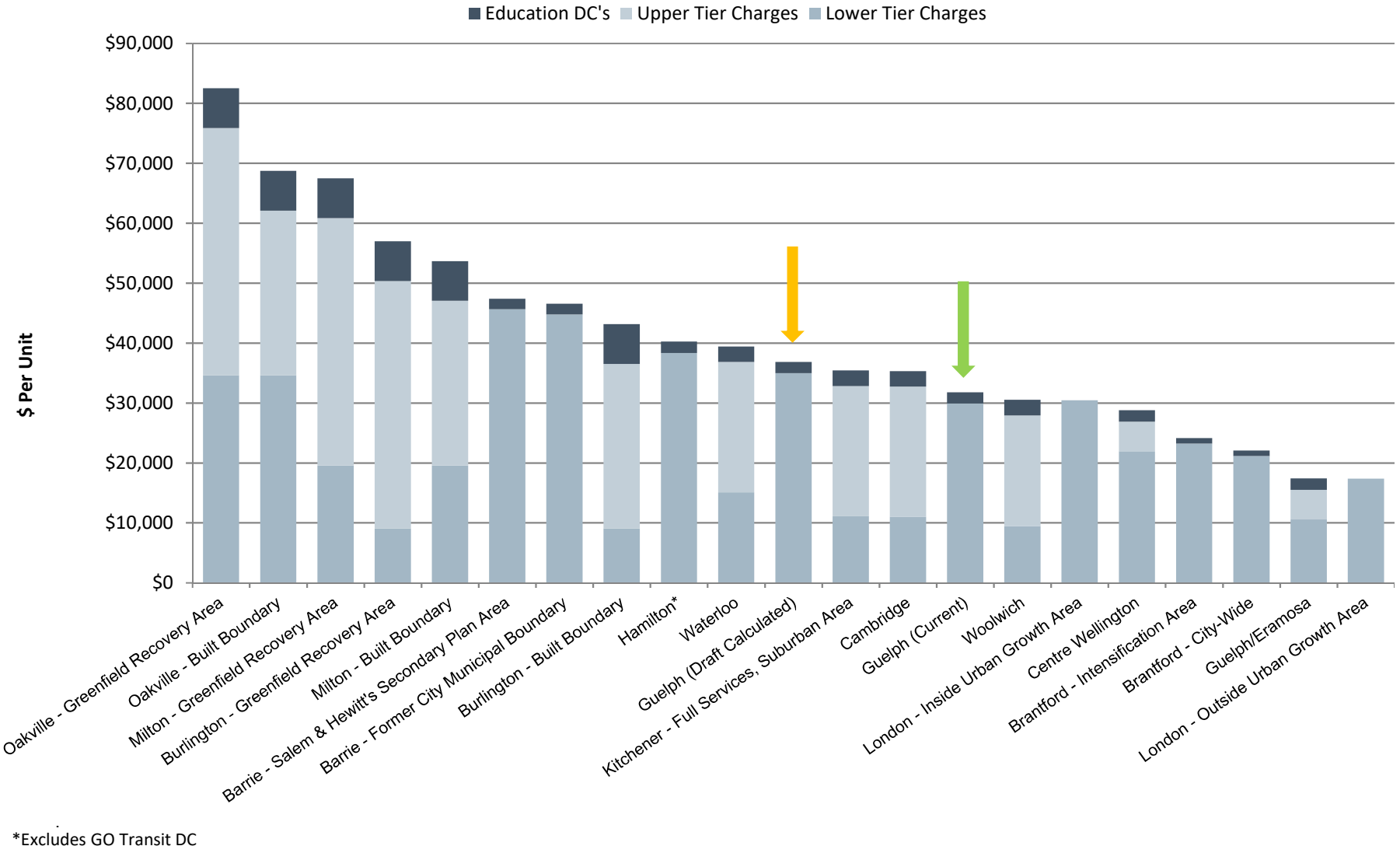
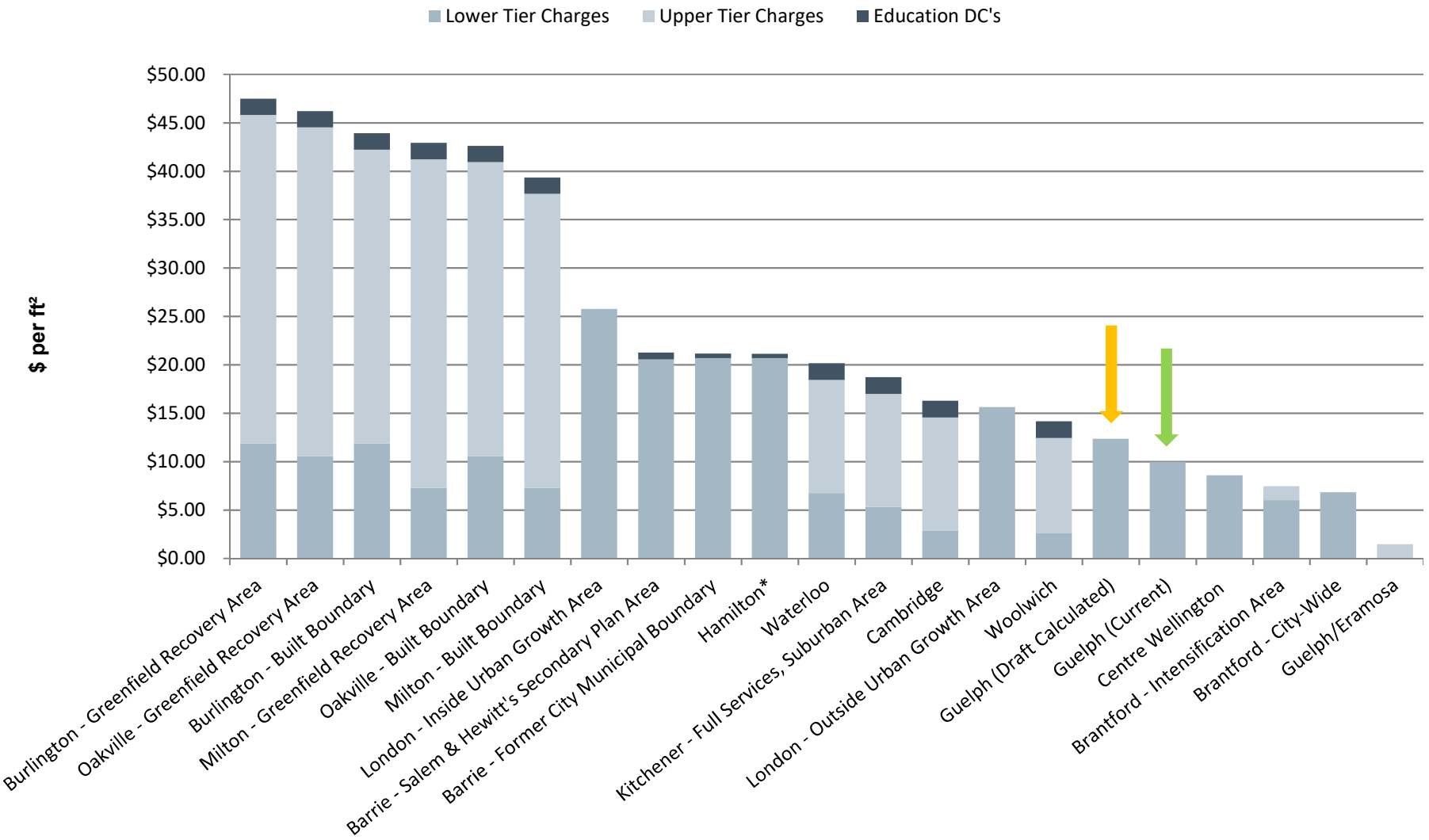
Development Charge Rates for Municipalities Surrounding the City of Guelph
Single Detached Dwelling



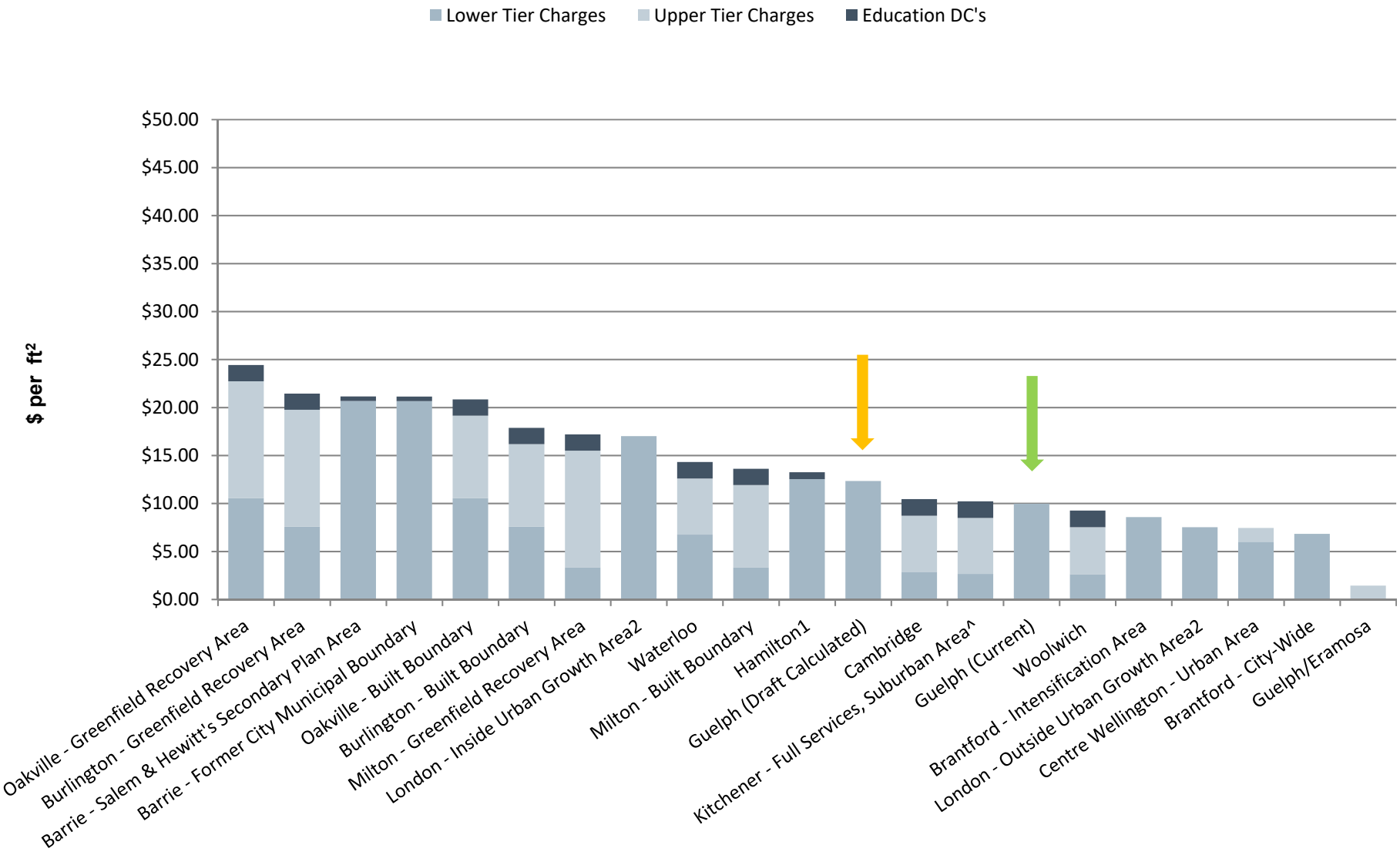
*Excludes GO Transit DC

Development Charge Rates for Municipalities Surrounding the City of Guelph
Commercial Development - per ft²



* July 6, 2018 to July 5, 2019 - Rates are phased-in (50% of the charge for first 5,000 sq.ft., 75% of the charge for 2nd 5,000 sq.ft., and 100% for over 10,000 sq.ft.)

Development Charge Rates for Municipalities Surrounding the City of Guelph
Industrial Development - per ft²



^The Industrial DC is 50% of the non-residential rate until March 1, 2019
[1]The Industrial DC for development under 10,000 sq.ft. is $9.12/sq.ft.
[2]The Industrial DC is incentivized for targeted industrial development

Survey of Scheduled DC By-law Updates

Municipality	Effective Date/Expiry Date
Guelph	March 2, 2019
Brantford	April 22, 2019
Hamilton	June 11, 2019
Kitchener	July 1, 2019
Cambridge	July 1, 2019
Woolwich	July 7, 2019
Milton	June 27, 2021
Halton Hills	August 28, 2022
Waterloo	January 1, 2023
Guelph Eramosa	May 23, 2023
Centre Wellington	July 24, 2023

ATT-2 to CS-2019-03
CITY OF GUELPH
2018 DEVELOPMENT CHARGE BACKGROUND STUDY and
2019 DEVELOPMENT CHARGES BY-LAW

Topic: Development Charge Payment Timing

Background:

The Guelph Wellington Developers Association (GWDA) and the Guelph District Home Builders Association (GDHBA) submitted comments and suggestions through the External DC Stakeholder Group for Staff to consider payment timing when developing the 2019 DC By-law. One of the suggestions was for all DCs to be payable at building permit instead of hard services due at subdivision and soft services due at building permit.

Staff Response:

The Development Charges Act 1997 (DCA 1997), as amended by Bill 73, requires that DCs are collected at the time of first building permit. If the development requires a subdivision agreement, section 51 of the Planning Act allows a municipality to collect hard services (water, wastewater, storm and roads) at the time of subdivision agreement and the remaining services are collected at building permit. The intent of the early payment was to align payment for services required before a development with the timing of the growth related capital investment. However, development charges are intended to fund citywide growth related infrastructure and are not tied to capital needs specific to a development.

The City collects hard services (water, wastewater, roads and stormwater) at subdivision agreement, however the development community (developers and builders) have requested that staff consider collecting all DCs at building permit issuance.

Staff have researched the legislation, other municipality's practices and attempted to quantify the impact of this change and have determined the following.

- Collecting all the DCs at building permit will not have a significant impact on cash flow because there is significant infill development planned in the City that will take place in built-up areas that have the necessary access to roads, underground infrastructure and pumping stations;
- The GID and other Greenfield sites will be encouraged to cost share with other developers for shared infrastructure.
- Paying all DCs at once reduces the risk of charging DCs incorrectly and improves the City's ability to track payments by dwelling unit. It will also enable efficient reconciliation of building permit data with DC collections which will improve analysis and help identify emerging trends.
- The average time between subdivision agreement and building permit issuance has been one to two years in the last five years; the DCs are indexed annually and this timing change would mean the City would collect a higher DC at building permit than would have otherwise been collected at subdivision agreement due to annual indexing.

- Many other municipalities charge DCs at building permit as describe in Table 1 Municipal Comparison below.

Table 1: Municipal Comparison

Municipality	Hard Service DC Payment Timing	
	Subdivision agreement	Building Permit
Region of Peel		Residential and Non-residential
Halton Region	Residential	Non-residential
City of Toronto	Residential and Non-residential	
York Region	Residential	Non-residential
Hamilton		Residential and Non-residential
Region of Waterloo		Residential and Non-residential
Barrie	Residential	Non-residential

Recommendation:

Given that the City has limited greenfield development space available, and that the development trends in the future will be infill and intensification in nature, Finance is recommending moving to a single-payment methodology due to the internal efficiencies and improved analysis that would be achieved.

ATT-3 to CS-2019-03
CITY OF GUELPH
2018 DEVELOPMENT CHARGE BACKGROUND STUDY and
2019 DEVELOPMENT CHARGES BY-LAW

Topic: Existing Industrial Building Definition

Background:

The 2014 DC By-law defines Existing Industrial Building as:

"… a building used for or in connection with,

(a) manufacturing, producing, or processing, storing or distributing something,

(b) research or development in connection with manufacturing, producing or processing something, on the same site where the manufacturing, producing or processing takes place,

(c) retail sales by a manufacturer, producer or processor of something they manufactured, produced or processed a material portion of, if the retail sales are at the site where the manufacturing, production or processing takes place,

(d) storage by a manufacturer, producer or processor of something they manufactured, produced or processed a material portion of, if the storage is at the site where the manufacturing, production, or processing takes place,

(e) office or administrative purposes, if they are,

(i) carried out with respect to manufacturing, producing, or processing,
(ii) in or attached to the building or structure used for that manufacturing, producing, or processing,

provided that: (A) such industrial building or buildings existed on a lot in the City of Guelph on the day this By-law comes into effect or the first industrial building or buildings constructed and occupied on a vacant lot pursuant to site plan approval under section 41 of the Planning Act subsequent to this By-law coming into effect for which full Development Charges were paid; and (B) an Existing Industrial Building shall not include retail warehouses.

Based on this definition, a warehouse without associated manufacturing on-site would not be eligible for the legislated 50% Existing Industrial Expansion Exemption, which has caused concern for many existing and potential businesses who are considering expanding in Guelph.

At the Council workshop held June 27, 2018, Council requested that this topic be investigated and reported back through the DC Study to summarize the implications of widening the definition of the 50 per cent Industrial Expansion Exemption.

Staff Response:

The update to the DCA in 1997 included the addition of a legislated DC exemption of up to 50 per cent of the gross floor area on all existing industrial buildings. This exemption was intended to incentivize manufacturing business to grow and create new jobs in Ontario.

The Growth Plan for the Greater Holden Horseshoe, 2006, requires that the City plan to achieve an overall density of 50 persons and jobs per hectare across its Designated Greenfield Area. The City's Official Plan, March 2018 consolidation, contains various policy directions designed to implement this Growth Plan requirement, as well as the City's own employment and jobs objectives, including:

Section 3 Planning a Complete and Healthy Community Objectives:

d) To maintain a healthy mix of residential and employment land uses at approximately 57 jobs per hundred residents.

3.2 Population and Employment Forecasts

2. The City will accommodate growth by:

iii) ensuring the employment growth in the city is planned to keep pace with population growth by planning for a minimum of 92,000 jobs by 2031.

3.14 Employment Lands

6. Employment lands within the *greenfield area* will be planned to contribute toward the achievement of the overall *density target* for the *greenfield area* over the long term. The following *density targets* have been established for monitoring purposes:

i) Lands designated as Industrial within the *greenfield area* will be planned to achieve a *density target* of 36 jobs per hectare;

ii) Lands designated as Corporate Business Park within the *greenfield area* will be planned to achieve a *density target* of 70 jobs per hectare;

iii) An overall average *density target* for employment lands within the *greenfield area* of 46 jobs per hectare.

More generally, the Official Plan states that the City should increase the overall density of jobs and promote efficient use of land through compact built form, increased height and reduced building footprint. Also it supports a range and mix of employment uses that will contribute to higher employment densities and the achievement of the minimum overall density target of 50 persons and jobs per hectare in the greenfield area.

If the City were to consider incentivizing employment lands development through DC mechanisms, which is not being recommended by staff, the focus would likely need to be on higher density employment uses in order to support the above noted Official Plan policy directions. Warehouses typically generate less jobs/square foot (i.e. they are a lower job density employment land use), and this was the reasoning for the City's current interpretation of excluding warehouses from the definition.

The City needs to be cautious of too much of the limited land supply being consumed by businesses with low jobs density, as this would result in there being less space available for high job density employment uses like office buildings or manufacturing buildings.

Financial Implications

Staff have prepared a high level analysis of the potential cost and benefit of allowing warehouses in the definition of an existing industrial building. The analysis assumes:

- There is 6.4 million square feet of existing warehouse space within the City (industrial buildings that do not have an industrial use)
- The calculation assumes that 40 per cent of the existing warehouses cannot expand due to lack of land/room to expand
- The average value of the expansion is $120/square foot
- The tax rate for warehouses is 1.842307
- The proposed DC rate for non-residential space is $12.34 per square foot

Exposure of current eligible warehouse space in the City:
60% of 6.4 million = 3.84 million square feet
50% of 3.84 million =1.92 million of exempt expansion square feet
1.92 million square feet at $12.34/square foot = $23.7 million in possible lost DC revenues to be funded from rate and tax supported sources

It would be difficult to predict if or when these impacts would occur, but this is the best estimate for general magnitude of exposure for current sites within Guelph. This does not factor in new business that builds and then expands at a later date. This would add to the total exposure and staff are not able to reasonably quantify this risk.

Therefore, the potential cost of exempting the expansion of eligible warehouses in the city is $23.7 million, to be funded from both tax and rate supported sources.

Increased property tax revenue assumptions:
1.92 million square feet expansion space valued at $120/square foot
=$23.04 million taxable assessment at 2018 tax rate of 1.842307
=$4.24 million per year in increased property taxes

These expanded facilities would increase the property tax assessment base and contribute more property tax revenue to the City. The increased tax revenue is estimated at $4.24 million per year and again excludes any estimate of new facilities not already located in Guelph. The City uses tax revenues to fund the increased municipal service delivery burden that would be created by the facility expansion. Tax revenues are also used to fund the City's cost of targeted incentive programs that have been approved by Council like Community Improvement Plans and Affordable Housing strategies.

Recommendation:

Staff are recommending that the City's current interpretation of Existing Industrial Use is maintained and is not expanded to include warehouses due to the magnitude

of financial exposure and that this financial incentive would not align with the goals of the Official Plan.

However, Staff are recommending the following changes to the definition to more closely align the by-law with the provincial regulation and also address items that are administrative in nature.

"Existing Industrial Building" means a building used for or in connection with,

(a) manufacturing, producing, or processing, storing or distributing something;

(b) research or development in connection with manufacturing, producing or processing something; on the same site where the manufacturing, producing or processing takes place;

(c) retail sales by a manufacturer, producer or processor of something they manufactured, ~~produced or processed a material portion of,~~ if the retail sales are at the site where the manufacturing, production or processing takes place,

(d) storage by a manufacturer, producer or processor of something they manufactured~~, produced or processed a material portion of,~~ if the storage is at the site where the manufacturing, production, or processing takes place;

(e) office or administrative purposes, if they are,

(i) carried out with respect to manufacturing, producing, or processing,

(ii) in or attached to the building or structure used for that manufacturing, producing, or processing,

provided that: (A) such industrial building or buildings existed on a lot in the City of Guelph ~~on the day this By-law comes into effect~~ on March 1, 1998 or ~~the first~~ are industrial building or buildings constructed and occupied ~~on a vacant lot~~ pursuant to site plan approval under section 41 of the Planning Act subsequent to ~~this By-law coming into effect~~ March 1, 1998 for which full Development Charges were paid; and (B) an Existing Industrial Building shall not include Retail Warehouses.

Further, given that the exemption regulation is quite dated and does not align with the current goals of the Places to Grow legislation or the City's Official Plan targets from a jobs per hectare perspective, Staff recommend that in 2019, the City advocates to the province outlining this concern and recommending change.

ATT-4 to CS-2019-03
CITY OF GUELPH
2018 DEVELOPMENT CHARGE BACKGROUND STUDY and
2019 DEVELOPMENT CHARGES BY-LAW

Topic: Development Charge Exemption for the University of Guelph

Background:

Council and the External DC Stakeholder Group has asked for a detailed explanation of the University Development Charge (DC) exemption and an analysis of the options available for the 2019 DC By-law update.

Staff Response:

In November of 1991, the draft DC By-law that was presented to Council, included clauses that exempted the University of Guelph from charges on the development of land that had traditionally been exempt from levies and requiring the University to pay for the development of land for commercial and residential projects that would usually be developed by the private sector. Council directed that all exemptions for the University be removed from the interim by-law and passed a resolution to refer the issue of development charges for the University and the arbitration process for disputes, to the Executive Committee of the new Council for further discussion and negotiation and to report back to Council with their recommendations. On December 4, 1991 the University appealed the enactment of the DC By-law at a hearing of the OMB scheduled for September, 1992.

In the interim, the Executive Committee and the University's representatives came to a mutually acceptable solution after considering the following factors:

- Through a series of agreements, as early as 1958, the City (previously the Township) and the University (previously the Province) had worked cooperatively on the construction and maintenance of providing hard services on University lands. These agreements include: a July 13, 1966 agreement regarding sanitary sewer rates, an agreement dated January 31, 1966 regarding the York Road trunk sewer, and a July 12, 1984 agreement with respect to the "Research Park Lands".
- The University had its own Fire Marshall for 24 hour first response service at the time of the agreement, however currently the University relies on City Fire Services
- The University has built a number of sports facilities that are available for use by City residents and its library is available to the general public.
- Soft services provided by the University, which benefit the City, were a trade-off for the services provided by the City.

The proposed agreement divided the University lands into two areas, the core (defined) area, where development for University related purposes would be exempt from DC's and the area outside the defined area where development charges would generally apply unless the development was owned (directly or indirectly) by the University and used for University related purposes (please see **Figure A: University of Guelph "Defined Areas"** for an illustration the areas inside and

outside the core area). There were specific agreements that related to the development at the Village by the Arboretum and the Research Park lands that were unique to the circumstances of each development.

In 1992 the University and the City consented to an order of the Board allowing and disposing of the University's appeal by amending the DC by-law (1991) – 13994.

A March 25, 1993 Agreement put into writing the details of the Settlement between the University and the City with regard the treatment of the "core" and "non-core" lands and the details of the treatment of development at the Village by the Arboretum and the Research Park as well as the arbitration of any disputes.
Section 9.1 specifies that "This Agreement shall continue throughout the term of the Development Charge By-law and the Subsequent By-law and shall expire on the earlier of the repeal or expiry of the Subsequent By-law or on the enactment of an amendment to the Development Charge By-law or the Subsequent By-law which makes a material and adverse amendment with respect to the exemption of the lands of the University as set out in the Development Charge By-law as amended by Order of the Ontario Municipal Board dated September 9, 1992 or in the Subsequent By-law or is otherwise contrary to the Principles."

In spite of the intention for the terms of this agreement to come to an end at the upon expiry of the "subsequent" By-law (1994)-14553, we have continued to maintain this mutually beneficial relationship with the University with the continuation of the DC exemptions through the future By-laws; (1999)-15992, (2004)-17361,(2009)-18729 and (2014)-19692.

The City's current approach of exempting DCs for all University related purposes, is in line with most of the comparator municipalities, as illustrated in Table A: Survey of Comparator Municipalities. London provides a 50% exemption and Hamilton exempts everything except transit on non-residence facilities and exempts 50% of student residences.

Table A: Survey of Comparator Municipalities

	Exempt	**Partial Exemption**	**Full Charge**
Windsor	100%		
London		50%	
Waterloo (City)	100%		
Waterloo (Region)	100% if owned by the Crown in right of Ontario or Canada		
Toronto	100%		
Mississauga	100%		
Region of Peel	100%		
Hamilton		All services exempt except transit	
Niagara (Thorold)	100%		

Niagara (St. Catharines)	Yes (No DC by-law in place)		
Niagara (Region)			Yes

Evaluation of Exemption Options

Option 1: Maintain the 100% Exemption

The City could maintain the 100% DC exemption for all University Related buildings that are built on University Land. Based on the five year historical average, this exemption would cost approximately $215,000 per year, and would be funded from tax and rate supported sources. It is relevant to note that the University has indicated that they do not plan to grow enrollment over the next 10 years, so the impact of a 100% DC exemption may be less than the historical average. This option will maintain the City's positive relationship with the University and ensure that the community continues to benefit from amenities at the University.

Option 2: Provide a partial exemption

The City could exempt the University from soft service DC charges and only charge for hard services. This calculates to a 25 per cent reduction and appropriately credits the University for the benefit their infrastructure provides the City through reduced capital needs.
Based on the five-year historical average, the cost of this partial exemption would be approximately $54,000 per year and would be funded from tax and rate supported sources. This approach may negatively impact the City's relationship with the University and/or result in an appeal of the DC By-law.

Option 3: Eliminate the DC Exemption

Removing the exemption will result in increased DC revenues and a corresponding reduction to the amount of tax and rate supported sources that are used to compensate the DC reserve funds for exemptions. Based on the historical average information, removing the University exemption would have the effect of reducing the tax and rate supported exemption funding of approximately $215,000 annually. This approach may negatively impact the City's relationship with the University and/or result in an appeal of the DC By-law. Further, residents may lose access to University amenities, which will increase demand on City services and the need to expand and invest in City facilities.

Recommendation:

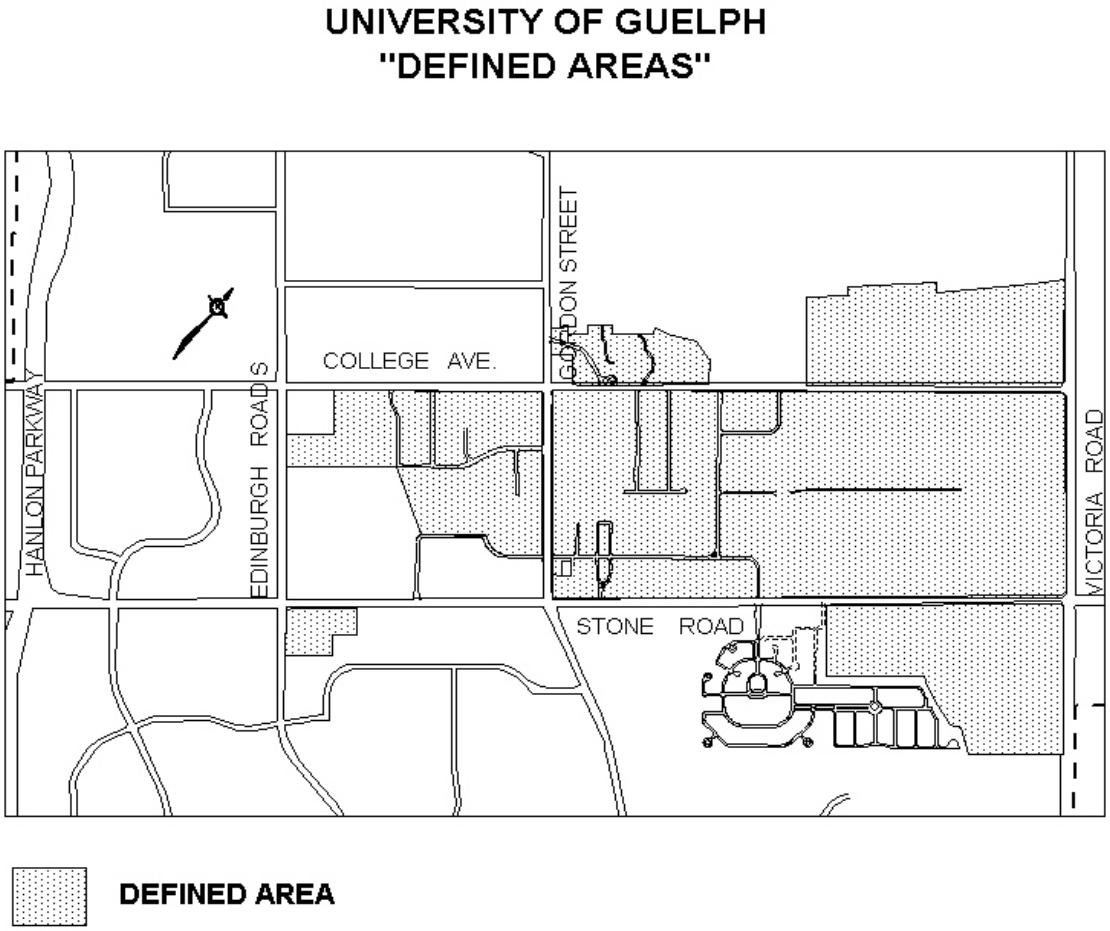
Due to the mutually beneficial past relationship between the City and the University of Guelph, and the benefits that continue to be available to our community in the form of recreation, library and park infrastructure, it is recommended that DCs continue to be exempted for the University on these particular services.

Staff recognizes that new University development has an impact on the City's hard service infrastructure relating to water, wastewater, roads, and emergency service

related infrastructure including police, fire and paramedic services. The capital costs associated with new development and growth are a reality and any exemption from DCs is borne by the tax and rate payers of the City.

For these reasons, staff recommend Option 2, a partial University DC exemption of 25% which is a more fair and equitable basis to apportion the municipal capital cost of growth-related infrastructure.

Figure A: University of Guelph "Defined Area"



ATT-5 to CS-2019-03
CITY OF GUELPH
2018 DEVELOPMENT CHARGE BACKGROUND STUDY and
2019 DEVELOPMENT CHARGES BY-LAW

Topic: Bona Fide Farm Use Exemption

Background:

The External Stakeholder Group recommended that non-statutory DC exemptions included in the DC by-law should be reviewed and justification for the exemption should be documented.

The DC exemption for Bona Fide farm use was one of the exemptions that was reviewed.

Staff Response:

The exemption for Bona Fide Farm Use is common for Ontario municipalities. However, the City has no record of anyone requesting or benefiting from this exemption.

Further, Section 9.1.3 of the City's Official plan states:
(2) New livestock-based agricultural operations or the expansion of existing livestock-based agricultural operations will not be permitted within any land use designation and;
(4) All lands within the corporate boundary of the City of Guelph are within the settlement area. The city recognizes that as development occurs on the outskirts of the developed area of the city, that existing agricultural and rural uses will gradually disappear. The City recognizes agriculture as a valuable activity and encourages existing agricultural uses to continue until these lands are required for development.

Recommendation:
Given that this exemption has never been used, and that the Official Plan expects that agricultural use will disappear over time, Staff recommend removing the DC exemption for Bona Fide farm use. This incentive would not be aligned with the goals of the Official Plan.

ATT-6 to CS-2019-03
CITY OF GUELPH
2018 DEVELOPMENT CHARGE BACKGROUND STUDY and
2019 DEVELOPMENT CHARGES BY-LAW

Topic: Exemption for Non-Residential Parking Structures

Background:

The current DC By-law does not prescribe how DCs should be applied to privately owned parking structures. Staff have identified a need to add clarity to the DC By-law about how to treat privately owned parking structures to ensure it is, fair, complete, defendable and helps achieve City planning goals and objects.

The City's current, long-standing practice is to not charge DCs on residential parking structures to ensure that these spaces are treated equivalent to other residential parking facilities (driveways). Further, there is no applicable rate in the By-law to be applied to these structures.

If a non-residential private parking structure were to be constructed, it would be eligible for payment of non-residential DCs because there is nothing in the By-law that provides an exemption.

The inconsistent approach to applying DCs to parking structures should be addressed through the 2019 By-law update.

Staff Response:

Staff has evaluated the options and determined that the preferred approach is to exempt all non-residential parking structures for the following reasons:

1. Parking structures align with desired land use practices as guided by the City's Official Plan and have less of an impact on the City's stormwater infrastructure than surface lots. The current practice of charging a DC for non-residential parking has the unintended outcome of incenting surface lot parking.
2. Private parking structures will reduce the demand on City lots which may decrease the amount of parking spaces the City is required construct to accommodate growth.
3. It is common practice among municipalities to exempt all parking structures.
4. There is no impact on DC revenues, as parking structures are not factored into the revenue projections in the DC calculation and there have been no non-residential parking structures built in recent history.

Recommendation

In order to make the By-law more equitable, fair and relevant, Staff recommend adding a provision in the By-law to exempt all non-residential parking structures. Further, staff recommend to add clarity to the by-law language that fees for residential parking structures are included in the residential DC rate similar to parking attached to a single-detached home.

ATT-7 to CS-2019-03
CITY OF GUELPH
2018 DEVELOPMENT CHARGE BACKGROUND STUDY and
2019 DEVELOPMENT CHARGES BY-LAW

Topic: Accessory Apartment Exemption

Background:

The DC legislation exempts the addition of up to two dwelling units in an existing single detached home or one unit in semi-detached and multiple homes. If an accessory apartment is constructed at the same time as a home is being built, the accessory apartment attracts DCs. The province introduced new legislation with Bill 7, Promoting Affordable Housing Act, 2016 that proposed a statutory exemption for purpose built accessory apartments, however the new regulations have not been released, so the exemption is not yet in effect. The DC External Stakeholder Group and members of staff proposed an exemption for purpose built accessory apartments be considered.

Staff Response:

Staff reviewed the legislation, construction activity and financial information relating to purpose built accessory apartments and determined the following:

- Bill 7 received Royal Assent December 8, 2016, however the required regulations have not been released. Once the regulations are public, the exemption for purpose built accessory apartments will be statutory. There is no indication at the point that this regulation will not be enacted.
- A DC exemption for purpose built accessory apartments would increase the supply of affordable housing, which is in line with the Council approved Affordable Housing Strategy.
- The cost of the exemption would be minimal as most people avoid paying DCs on an accessory dwelling by roughing in the accessory apartment and waiting a short period before pulling another permit to finish the additional unit. This is a burdensome process for the citizens of Guelph.
- The exemption would reduce 'red tape' for developers and streamline processes for the Building department.

Recommendation

Staff recommend implementing a Council directed exemption for purpose built accessory apartments that is subject to the Province's mandatory exemption once the regulation is released.

From: Paul Kraehling
Sent: Tuesday, January 8, 2019 5:17 PM
To: Clerks <clerks@guelph.ca>
Cc: Christel Gregson <Christel.Gregson@guelph.ca>
Subject: January 21, 2019 Special Council Meeting – Development Charges By-Law Update on Policies and Proposed Rate

Dear Mayor, Councillors and Senior Staff,

I have reviewed the 2018 Watson background study to the proposed new DC Rate By-law, and I do not see commentary on the provision of funding for social housing within the proposed rate. As I outlined in 2013 at the last updating of the by-law, I noted this was a significant oversight within the by-law (see attached council agenda addendum, November 18, 2013 attached). At that time, Council and staff did not act on the request being made.

In reviewing the latest Watson background study, I again note that funding for social housing is not included in the proposed new by-law. On page 51 of the 341 page document, it is noted that this service is eligible to be funded but the study recommends the "service has not been included in the D.C. calculation."

My question to council and senior staff is simple - why? There are several southern Ontario municipalities that have deemed it appropriate to have provisions within their by-laws for social housing, e.g., Orillia, Barrie, Brantford, Hamilton. Please have your consultant direct their attention to this matter.

Thanks again for the opportunity to comment on this important planning and development tool for our community.

Sincerely,

Paul Kraehling MCIP RPP (Ret.)

CITY COUNCIL AGENDA

Consolidated as of November 15, 2013

Council Chambers, Guelph City Hall, 1 Carden Street

DATE Monday, November 18, 2013 – 6:00 p.m.

Please turn off or place on non-audible all cell phones, PDAs, Blackberrys and pagers during the meeting.

Disclosure of Pecuniary Interest and General Nature Thereof

Public Meeting Under The Development Charges Act to Hear Delegations with Respect to the City's Proposed New Development Charges By-Law

2013 Development Charge Background Study and 2014 By-law

Presentation:

- Al Horsman, Executive Director of Finance
- Gary Scandlan of Watson & Associates

Delegations:

None

Correspondence:

- Paul Kraehling
- Suzanne Swanton, Chair, Wellington-Guelph Housing Committee

Recommendation:

1. That the report FIN 13-48 2014 Development Charges Background Study and By-law dated November 18, 2013 regarding the City of Guelph's 2014 Development Charges Study be received and referred to the January 27, 2014 meeting of Council.

2. That an administrative report be prepared for the January 27, 2014 Council meeting that includes any additional information requested by Council at the Public Meeting.

3. That final adoption of the Background Study and approval of the Development Charges By-law be considered at the scheduled January 27, 2014 Council meeting.

ADJOURNMENT

November 10, 2013

Delivered by Email to:

Al Horsman
Chief Financial Officer/Executive Director
Finance and Enterprise Services
City of Guelph, 1 Carden Street, Guelph, ON N1H 3A1
al.horsman@guelph.ca

Re: Comment on the City of Guelph Draft 2013 Development Charges By-law

Dear Mr. Horseman,

Thank you for this opportunity to comment on your draft 2013 Development Charges By-law. This is an important piece of legislation which attempts to apportion both the short and long term costs of growth to residents and businesses. In reading through the background documents and in comparing this material to reports prepared for neighbouring jurisdictions, I was quite surprised there are several matters that **are missing** for the City. For the purpose of providing a brief overview commentary on one specific area of the By-law, I will direct my comments to the '**health and wellbeing**' segment of the DC charge.

1) Where are the charges for social housing? Several neighbouring municipalities have substantive charges for this element, and with plans in place on this topic both for the City[1] and the County[2], I'm at a loss why this is not included in the By-law. For example, in Halton Region, there is a charge of nearly $400 for this service for a single detached home; in Hamilton, the charge approaches $500. Are we so distinctively different here in Guelph that a fee should not be assessed for new development?

As you are aware the responsibility for the provision of social housing was downloaded to municipalities in 2000 through the Social Services Reform Act. While over 10,000 additional new dwelling units have been constructed in the City since 2000, no new social housing has been constructed. The requirement to service new lower income residents coming to the City with their social housing needs has fallen on the backs of existing taxpayers in the City.

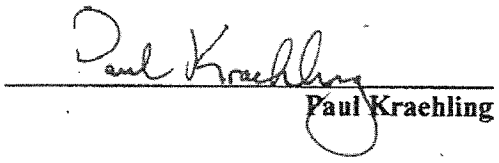
[1] City of Guelph 2009 Affordable Housing Discussion Paper
[2] County of Wellington Housing and Homelessness Plan – February 6, 2013 Discussion Paper

2) Where are the charges that are required for senior facilities? As an example of a neighbouring municipality with a specific seniors' facility assessment, refer to the City of Hamilton's by-law for their charge for 'Homes for the Aged'.

The existing tax base of the municipality must be used to pay for the additional costs of growth that are not compensated via the Development Charges Act (through legislation 'arbitrary' limitation specifications and service exclusions), and also at the local level by not charging for growth related expenses. It is not hard to understand that annual local tax rates need to exceed the rate of inflation due to the financial challenges of new growth not paying for itself.

I hope you can examine the social service 'errors and omissions' that I have identified here, and include additional charges in your final DC by-law. Thank-you.

Yours truly,



Paul Kraehling

cc Blair Labelle, City Clerk
clerks@guelph.ca

Wellington-Guelph Housing Committee
c/o Wellington-Dufferin-Guelph Public Health
503 Imperial Road, Guelph, ON, N1H 6T9

November 14, 2013

Guelph City Clerk
1 Carden Street
Guelph, ON
N1H 3A1

Dear Mayor and Members of Council:

Thank you for the opportunity to comment on the 2013 Development Charges By-law. The Wellington & Guelph Housing Committee is a non-partisan broad-based community group advocating for adequate and affordable housing for low and modest income individuals and families.

We note matters related to affordable housing and development charges (DC) are not reflected in the By-Law and we urge Members of Council to consider the tools and charges available to support the development of affordable housing within the context of growth.

As you are aware, affordable housing is a critical need in our community and an issue that cannot be tackled by the County as Service Manager alone. Many municipalities are exploring all options for developing affordable housing for households with modest and low incomes. Given the tools at the municipality's disposal, an exemption from Development Charges for affordable housing projects approved for senior level of government funding should be stipulated in the By-Law (see Hamilton as example). Also, developers interested in building affordable housing (80% of market rent) with a minimum commitment of 20 years should receive deferral of charges, or other incentives to encourage supply. If an exemption cannot be built into the bylaw, some process for expanding a fund to provide offsetting grants for DC for affordable housing units needs to be incorporated.

Also, it is noted that Affordable/Social Housing is not listed in the By-Law as a service supported by Development Charges. We question why there is not a charge for this given the City's commitment to ensuring housing for moderate and low-income households. It is our understanding the City has an affordable housing reserve fund that could be enhanced through inclusion of affordable housing in the services listed for Development Charges. Other municipalities (e.g. Halton Region, Hamilton) have a component of the DC attributed to social/affordable housing.

Thank your for your consideration of these comments.

Sincerely,

Suzanne Swanton
Chair, Wellington-Guelph Housing Committee