

# City of Guelph

---

**Council Workshop**

**February 21, 2018**

# Overview of Presentation

---

- This presentation is to provide Council:
  - Timelines of the Study
  - An overview of Development Charges including the recent changes to the Development Charges Act due to Bill 73 and the process to be used in developing the draft rate calculations for the City
  - Service Standard Calculations
  - Review of Policy Matters:
    - Discretionary Exemptions
    - By-law Refinements
    - Area Rating
  - Draft Local Service Policy
  - Draft Growth Forecast

# Study Timeline

	Jun 2017	Dec 2017	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun-Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019
Project Kick off	Blue										
External Stakeholder Meetings		Purple		Purple		Purple		Purple			
Service Standard Calculation			Yellow								
Growth Forecast			Green								
Local Service Policy			Cyan								
Council Workshops			Red			Red			Red		
Capital Needs				Blue	Blue	Blue					
Background Study & Bylaw complete								Dark Green			
Council Meetings				Red						Red	Red

# Study Timelines – Key Dates

---

- Draft Background Study and draft by-law prepared (early Fall 2018)
- Final Background Study and draft by-law released to public (November, 2018)
- Public Meeting (January, 2019)
- Council Consider By-law for adoption (February, 2019)

# Development Charges

---

## Purpose:

- ❑ To recover the capital costs associated with residential and non-residential growth within the municipality
- ❑ The capital costs are in addition to what costs would normally be constructed as part of a subdivision (i.e. internal roads, sewers, watermains, roads, sidewalks, streetlights, etc.)
- ❑ Municipalities are empowered to impose these charges via the Development Charges Act (DCA)

# How many Ontario Municipalities Have DC's?

As of 2018 (population based on 2016 Census):

Population Range	# of Municipalities within the Range	# of Municipalities with DC By-laws	%
< 2,500	134	5	4%
2,500 - 5,000	57	14	25%
5,000 - 10,000	80	42	53%
10,000 - 25,000	79	67	85%
25,000 - 100,000	59	43	73%
100,000 +	34	30	88%
Total	443	201	45%

# History of DC's

---

- Mid 1950's to 1989 – Planning Act (lot levies)
- Nov. 1989 to Aug.1999 – DCA, 1989
- Sept. 1999 to present – DCA, 1997
- Jan. 2016 to present – DCA, 1997 amended by Bill 73

# D.C.A. Overview

---

- The D.C.A. 1997 provided a major change to the D.C.A. 1989 which resulted in a significant loss of potential revenue to municipalities. The 1997 Act introduced a number of:
  - Service Limitations
  - Service Standard Restrictions
  - Mandatory Reductions
  - Mandatory Exemptions
- Bill 73, passed in December, 2015, introducing changes to the D.C.A 1997
- The following provides a summary of the key aspects of the D.C.A. 1997 as amended



# Services being reviewed for inclusion in the D.C.

---

## Existing Services:

- ❑ Transit
- ❑ Parking Services
- ❑ Fire Protection Services
- ❑ Police Services
- ❑ Outdoor Recreation Services
- ❑ Indoor Recreation Services
- ❑ Library Services
- ❑ Provincial Offences Act
- ❑ Health
- ❑ Ambulance
- ❑ Services Related to a Highway
- ❑ Stormwater Drainage and Control Services
- ❑ Wastewater Services
- ❑ Water Services

## New Service:

- ❑ Waste Diversion

# Limitations on Services

---

- Some forms of capital and some services can not be included in the DCA. For example:
  - Headquarters for the General Administration of the Municipality
  - Arts, Culture, Museums and Entertainment Facilities
  - Tourism Facilities
  - Provision of a Hospital
  - Parkland Acquisition
  - Waste Management Services – Landfill and Incineration

# Capital Costs

---

- Capital Cost definition includes:
  - Acquire land or interest in land
  - Improve land
  - Acquire, lease, construct or improve buildings, facilities and structures (includes furniture and equipment)
  - Equipment and rolling stock
  - Capital component of a lease for the above
  - Circulation materials for Libraries
  - Studies for above including a DC Background Study
  - Interest on money borrowed to pay for the above

# Capital Costs (con't)

---

- Certain Capital Costs may not be included:
  - Vehicle & Equipment with avg. life of <6 yrs.
  - Computer Equipment
- DCA also provides for a mandatory 10% reduction of capital cost for all services except:
  - Water, Wastewater and Stormwater Services
  - Roads and related services (i.e. Public Works)
  - Fire
  - Police
  - Transit

# Capital Costs (con't)

---

- The planning horizon for future capital needs is limited to 10 years for all services except:
  - Water, Wastewater and Stormwater Services
  - Roads and related services (i.e. Public Works)
  - Fire
  - Police
- Capital costs must be reduced by grants, subsidies and other contributions.
- May include authorized costs incurred or proposed to be incurred...and may be municipally provided or by others on behalf of the municipality

# Maximum Charge Capped by Service Standard Calculation

---

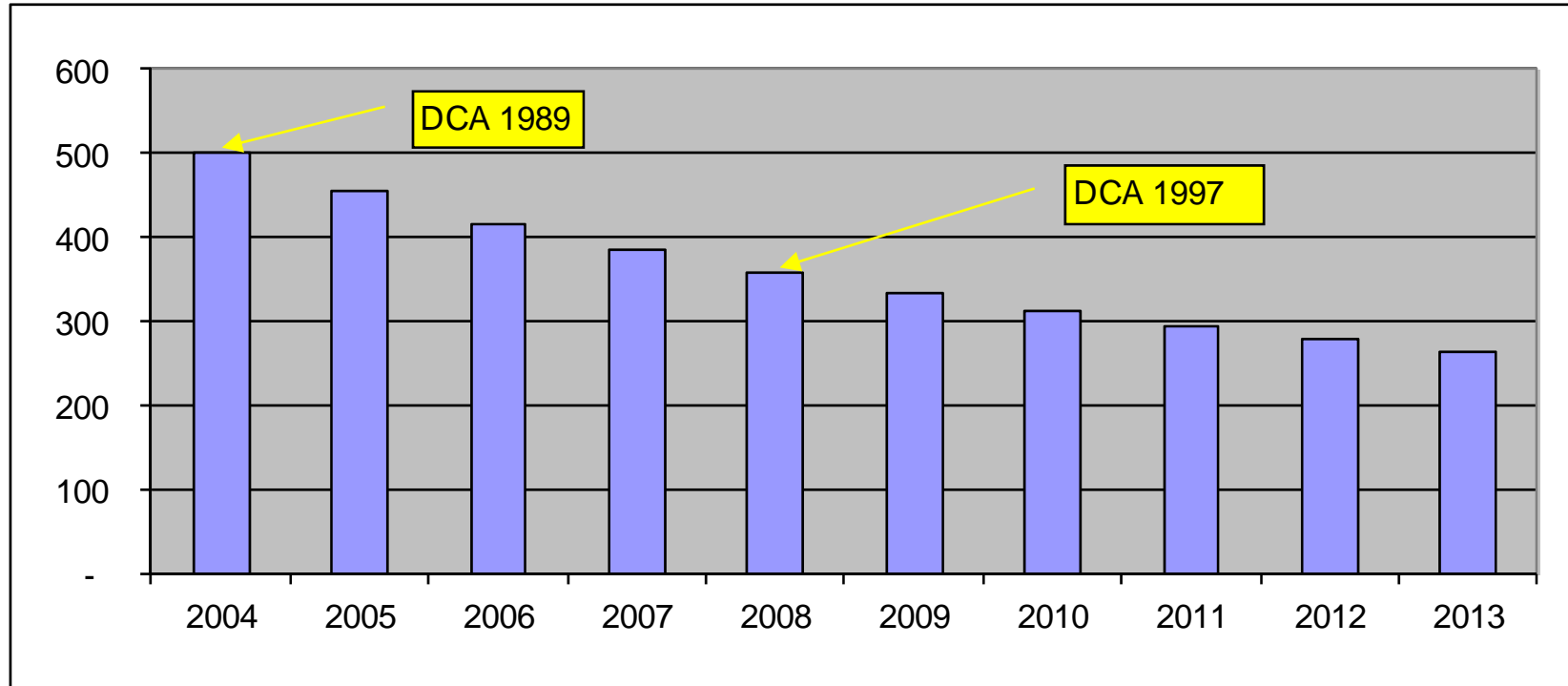
- ❑ Service Standard measure provides a ceiling on the level of the charge which can be imposed
- ❑ Previously (DCA, 1989), provided that the DC be “no higher than” the highest level attained over the previous 10 year period.
- ❑ DCA, 1997 provides that the “average of the past 10 years”
- ❑ Impacts – generally lowers collection levels and may provide for spiral downwards if municipality does not keep up with construction of services

# Service Standard Example

---

- A municipality of 10,000 in 2004 is growing at 1,000 persons per year
- They have 1 recreation facility (an arena - \$5 million value) and have a council approved standard of one arena per 10,000 persons – they will construct the new arena in 2013 when they reach a population of 20,000
- Following slide shows recovery under current DCA vs. 1989 DCA

# Service Standard Example



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Recreation Facility Value	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
population	10,000	11,000	12,000	13,000	14,000	15,000	16,000	17,000	18,000	19,000
Service Standard	500	455	417	385	357	333	313	294	278	263

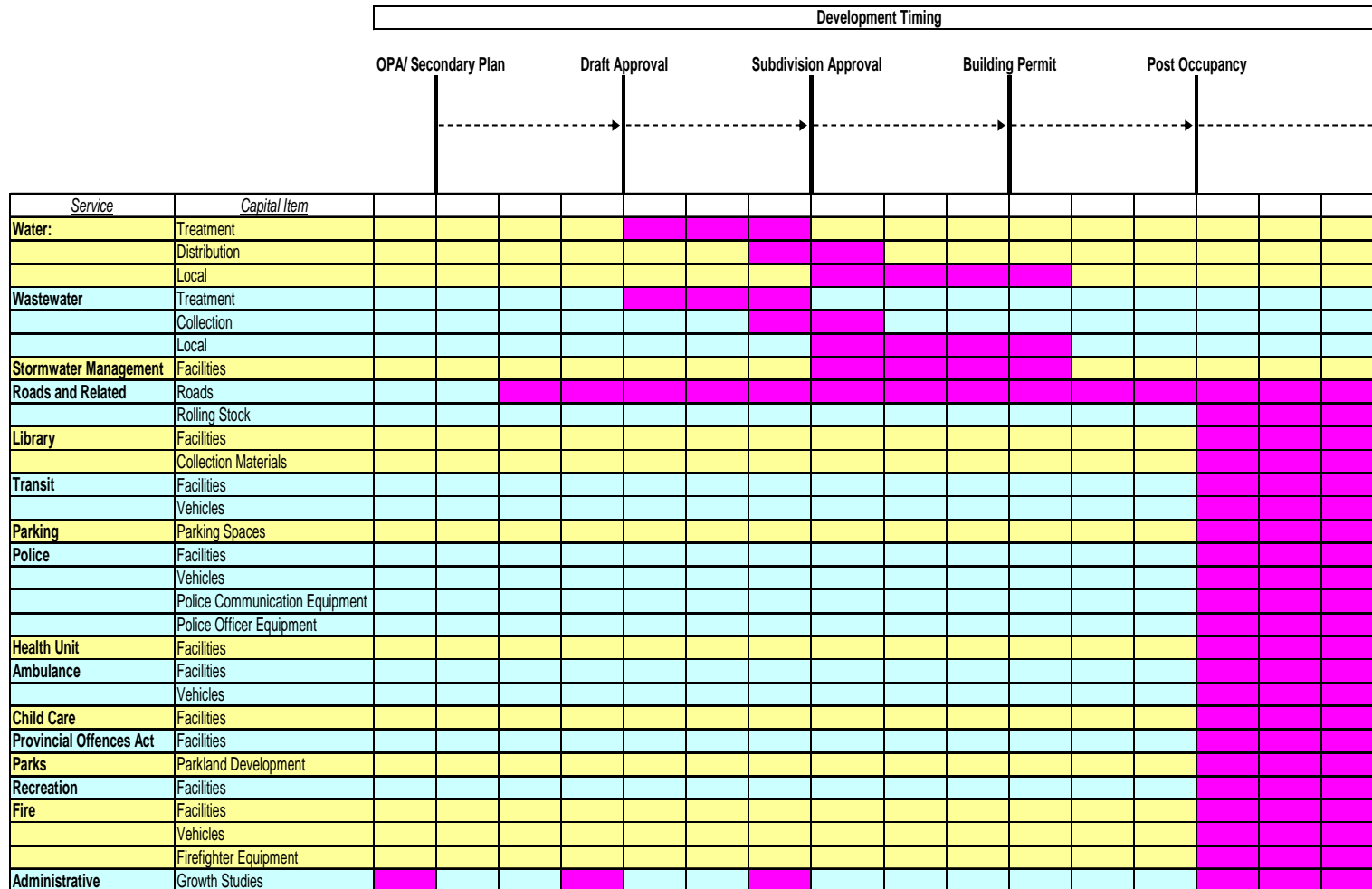
10 Yr. Avg.	359.39
-------------	--------



# Service Level Ceilings (Based on 2014 Study)

Service Category	Sub-Component	Maximum Ceiling LOS	Utilized	Remaining
<b>Eighteen Year Services</b>				
Services Related to a Highway and Related	Services Related to a Highway	\$122,644,814	\$82,848,718	\$39,796,096
	Traffic Signals			
	Depots and Domes			
	Rolling Stock			
Fire	Fire Facilities	\$8,386,203	\$6,815,158	\$1,571,045
	Fire Vehicles			
	Fire Small Equipment and Gear			
Police	Police Detachments	\$10,099,258	\$9,368,848	\$730,410
	Police Small Equipment and Gear			
<b>Total 18 Year Services</b>		<b>\$141,130,274</b>	<b>\$99,032,723</b>	<b>\$42,097,551</b>
<b>Ten Year Services</b>				
Transit	Transit Facilities	\$9,170,860	\$7,454,549	\$1,716,311
	Transit Vehicles & Equipment			
	Other Transit Infrastructure			
Municipal Parking	Parking Spaces	\$10,532,440	\$10,531,952	\$488
Outdoor Recreation Services	Parkland Development	\$55,386,846	\$33,405,445	\$21,981,401
	Parkland Amenities			
	Parkland Amenities - Buildings			
	Parkland Trails			
	Parks Vehicles and Equipment			
Indoor Recreation Services	Indoor Recreation Facilities	\$26,742,917	\$26,251,319	\$491,598
	Recreation Vehicles and Equipment			
Library	Library Facilities	\$5,441,864	\$5,441,840	\$24
	Library Collection Materials			
Ambulance	Ambulance Facilities	\$434,220	\$399,944	\$34,276
	Ambulance Vehicles			
Municipal Courts	Municipal Courts Facilities	\$720,895	\$123,222	\$597,673
Health	Health Facilities	\$673,116	\$673,065	\$51
<b>Total 10 Year Services</b>		<b>\$109,103,158</b>	<b>\$84,281,336</b>	<b>\$24,821,822</b>
<b>Grand Total</b>		<b>\$250,233,431</b>	<b>\$183,314,059</b>	<b>\$66,919,373</b>

# Timing of Capital Expenditures



# Timing of Capital Spending

---

- Depending on the particular service, capital spending to serve the development will occur at various times
- The “Hard Services” expenditures (i.e. water, wastewater, storm, roads) are often made well in advance of or during development, while the “Soft Services” are often incurred after building occupancy
- Payment of DC’s normally occurs at the time of building permit issuance

# DC Cashflow

---

$$\frac{\text{Eligible Costs for Period}}{\text{Total Growth for Period}} = \text{DC}$$

- ❑ As noted earlier, hard services normally constructed in advance of growth which can cause cash flow issues
- ❑ Project funding may require debenture financing or borrowing from other reserves to interim fund works (with repayment from DC's) – also requires prioritizing the timing of construction for various projects
- ❑ In some cases, municipalities may consider agreements with developers to cash flow priority works

# Exemptions via the D.C.A.

---

## □ Mandatory exemptions

- for industrial building expansions (may expand by 50% with no D.C.)
- May add up to 2 apartments for a single as long as size of home doesn't double
- Add one additional unit in medium & high density buildings
- Upper/Lower Tier Governments and School Boards

## □ Discretionary exemptions

- Reduce in part or whole D.C. for types of development or classes of development (e.g. university or churches)
- May phase-in over time
- Redevelopment credits to recognize what is being replaced on site (not specific in the Act but provided by case law)

# Guelph's Current Exemptions

---

- Land, buildings or structures:
  - for University-Related Purposes within the University defined area;
  - outside the University defined area, lands which are owned directly or indirectly by the University or on behalf of the University or which may be acquired by the University and which are developed or occupied for University-Related Purposes;
  - Places of Worship or cemetery or burial ground exempt from taxation under the Assessment Act;
  - College of applied arts and technology established under the Ontario Colleges of Applied Arts and Technology Act;
- Non-residential farm buildings constructed for bona fide farm uses;
- Development creating or adding an Accessory Use or accessory structure not exceeding 10 square metres of Gross Floor Area;
- Public hospital receiving aid under the Public Hospitals Act.

# Consideration of Refinements to Draft By-law

---

- ❑ Definitions: To be added to include back-to-back towns, stacked towns, and residential components of live/work units (and state which residential category these units will be charged);
- ❑ Non-Residential to be refined to include the non-residential components of live/work units.
- ❑ Definitions to be added/refined regarding the following:
  - Industrial Use
  - Marijuana Facilities
  - Private Parking Structures
  - Temporary Structures

# Bill 73

---

Effective January 1, 2016, D.C.A. changes include:

- ❑ Area Rating – Council must consider area rating
- ❑ No Additional Levies
- ❑ Transit Services – mandatory 10% deduction removed and basis for service standard measure changed
- ❑ Waste Diversion – to be included as an eligible service
- ❑ D.C. Background Studies to provide asset management plan for new capital
- ❑ Annual Report of the Treasurer – increased reporting requirements
- ❑ Ineligible Service definition moved from Act to regulations
- ❑ Minister to have power to impose area specific changes
- ❑ Housekeeping changes to the Act



# Bill 73:

## Impact on City of Guelph

---

- ❑ New Approach to calculate Transit charge and Waste Diversion charge to be added
- ❑ Need to consider Area Rating as part of the Background Study (but not mandatory to impose)
- ❑ Consider impact of “no additional levies” in development process / existing local service policy to be updated
- ❑ Asset Management Plan required for all growth related projects identified in the study, to ensure financial sustainability of the growth infrastructure
- ❑ Longer study process (i.e. 60 day circulation period)

# Consideration of Area Rating

---

Legislated requirements as per Bill 73:

- ❑ Requires that Municipalities must examine the use of area-rating but is not mandatory to impose
- ❑ While there are no specific “prescribed” services, this section identifies that the background study must consider this to reflect the different needs for different areas
- ❑ A report will be provided to staff to bring forward to a future Council meeting that will provide for the pros and cons to area rating and gain Council’s direction.

# Area Rating vs. Municipal-wide – General Perspectives

---

## □ Municipal-wide:

- Charges collected for a service can be spent anywhere throughout the municipality (or service area) without restriction.
- A wider collection area results in a larger pool of D.C. revenue that can be used to fund growth-related projects sooner or to minimize the need for debt.
- Fewer appeals to the D.C. by-law from developers occur, given their preference for the municipal-wide approach to funding growth-related infrastructure.
- Collecting funds in one area and spending in another area may provide a perceived inequity as a result of the geographic separation.

# Area Rating vs. Municipal-wide – General Perspectives

---

## □ Area Specific:

- Defining D.C. collection by individual areas ensures investment of those funds is in the areas where development is occurring.
- Infrastructure that is to be funded from D.C.s may be delayed in areas where growth is not occurring.
- Higher charge in one area vs. another may impact competitiveness where housing sales prices are similar for competing areas.
- Area-specific D.C.s may encourage more development in built-up areas through increased densities and infill as D.C. rates may be lower in these areas.
- Area-specific D.C.s increase the administrative requirements for the City related to accounting and reporting purposes (e.g. WW - one pooled service vs. many separate service areas).
- Area-specific D.C.s can also increase the complexity where there are differing charges based on the services applicable and/or service areas that a development is located
- Area-specific D.C.s may require additional debenture financing as funds are isolated to individual areas thus removing the ability to pool or access other D.C. contributions.

# Area Rating vs. Municipal-wide

---

## □ Non-Water/Wastewater/Stormwater Services

- Services require a 10-year service standard to be calculated to establish an upper ceiling on the amount which can be collected from development. In the case of area specific charges, the average service standard is multiplied by the growth within the area to establish the area specific ceiling which significantly reduces the total revenue recoverable.
- Area specific charges potentially cause equity issues transitioning from Municipal-wide to area specific.
- Many services provided are not restricted to one specific area and are often used by all residents (e.g. roads, parks, recreation, library, fire, etc.).

# Area Rating vs. Municipal-wide

---

## □ Water/Wastewater/Stormwater Services

- Area Specific charges would differ between services and systems.
- Moving to Area Specific may require transition agreements.
- For area specific debt financing, slow growth may mean that there is not adequate revenue to pay the annual debt charges.
- Increase number of reserve funds are required and result in loss of flexibility to the use of the funds and increased administration.
- Increases complexity for local area municipalities
- Depending on the range of rates, area specifics may create economic development constraints in some areas.

# Area Rating vs. Municipal-wide

---

- Generally with fewer area-specific charges a municipality is better able to:
  - Fund its infrastructure priorities from a larger pool of D.C. revenue.
  - Maintain flexibility and respond quicker to infrastructure needs, (e.g. advance growth-related infrastructure as a catalyst for economic development opportunities).
  - Be more strategic in its provision of services.
  - Ensure new growth users of a service, pay their share.

# Area Rating in Guelph and other Municipalities

---

- ❑ There are a number of municipalities that impose area specific D.C.s however for the most part they are related to more localized works for water, wastewater, storm & roads.
- ❑ In past, there have been a number of municipalities, including Guelph, who have moved from area specific D.C.s to Municipal-wide D.C.s and/or reduced the number of area specific D.C.s by expanding the benefitting service areas.



# Local Service Policy (LSP)

---

- ❑ Subdivision Agreement Conditions - the Act broadens the coverage of such agreements to include “local services related to a plan of subdivision or within the area to which the plan relates”.
- ❑ This suggests the need for a D.C. Background study to provide a local service policy
- ❑ Further, due to Bill 73, “no additional levies” clause, a Local Service Policy is required to be developed, to clearly define what developers would be required to do as part of their development agreements versus what would be included in the D.C.
- ❑ Items to consider are collector & arterial roads, intersection improvements & traffic signals, streetlights & sidewalks, bike routes/lanes/paths, Trails/Walkways, Noise Abatement Measures, Land dedications/easements, water, wastewater, stormwater, and park requirements.

# Summary of LSP Changes

---

## Roads

- ❑ Developers will no longer contribute towards roads, intersections, traffic controls or signals or centre turning lanes and sidewalks that are not 100% directly attributable to accessing a development.
- ❑ Turning lanes or intersection improvements (including traffic controls and signals) that are 100% attributable to directly accessing the development will be the developer responsibility through a local service charge.
- ❑ Staff are working on calculating a 'provision' for the intersection improvements, traffic controls and signals and centre turning lanes, to include in the 2018 Background Study to ensure the City collects money towards future unforeseen intersection improvements, traffic controls and signals and centre turning lanes.
- ❑ This shift from direct developer responsibility to growth related, will result in an upward pressure on the DC rate. However, charges for 'local services' will be reduced.

# Summary of LSP Changes

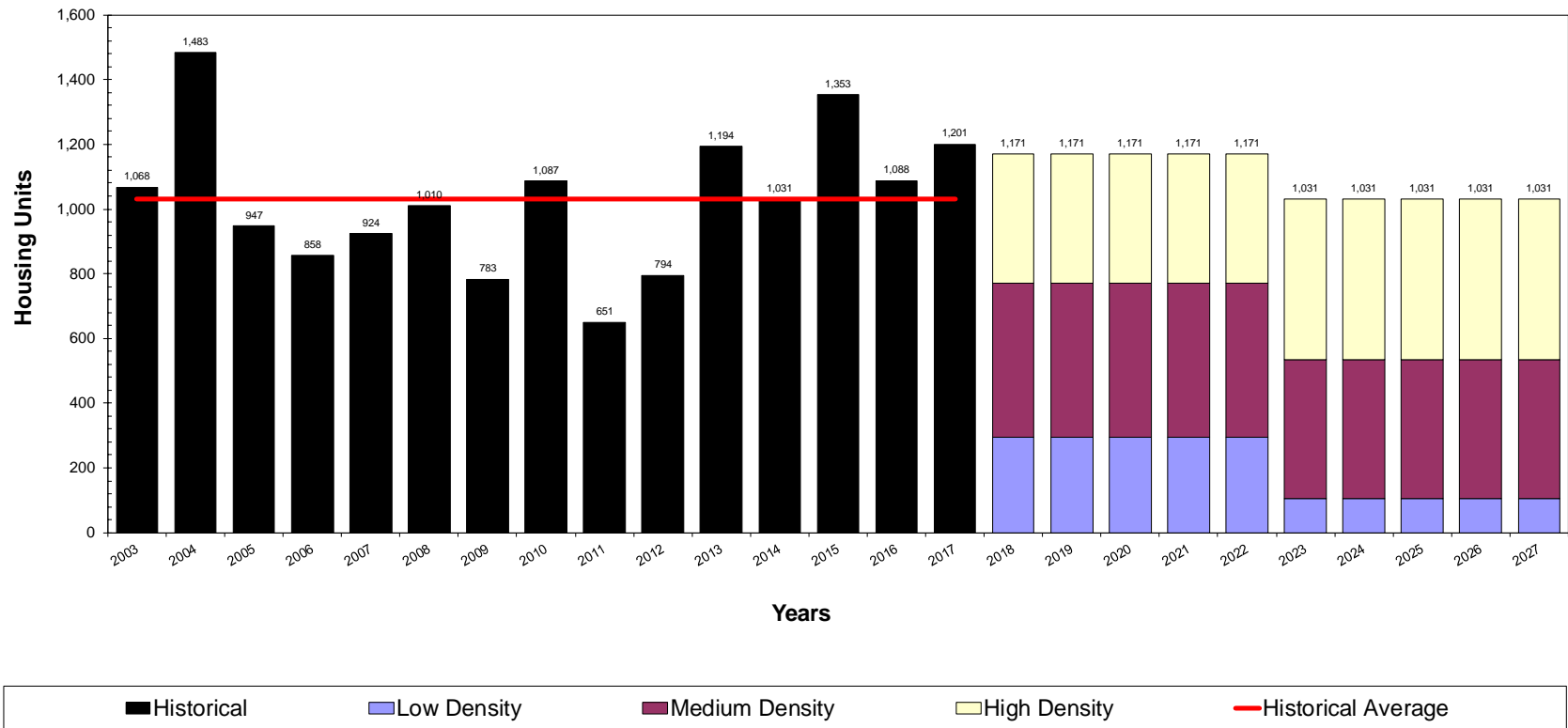
---

## Parkland Development

- ❑ Developers are required to construct trails local to their development but City wide trails shown on a corporate plan (GTMP, ATMP, Official Plan) will be included in the DC.
- ❑ Developers will be encouraged to construct such City wide trails at the time of development, and will be able receive a DC credit equal to the cost of the trail (up to the amount permitted under the Development Charges Act).
- ❑ Developers are responsible for all connecting trails that connect trails interior to a development to external existing trail (trail network).

# Draft Growth Forecast Summary

10-Year Annual Housing Forecast<sup>1</sup>



# Draft Growth Forecast – Annual Housing Forecast

---

Measure	10 Year	Buildout
	2018-2027	2018 - Buildout
(Net) Population Increase	22,565	34,519
Residential Unit Increase	11,010	18,349
Non-Residential Gross Floor Area Increase (ft <sup>2</sup> )	7,442,800	17,600,900

Source: Watson & Associates Economists Ltd. Forecast 2018

# Council Discussion

---

- Local Service Policy
- Area Rating vs. continuing with the City-wide approach (note a report will be coming to a future Council to gain direction).
- Growth Forecast Assumptions
- Modify Existing DC policies:
  - Exemptions?
  - Definitions?
  - Other?
- Other Matters?

# Next Steps

---

- Council Report to consider Area Rating (March, 2018)
- Council Workshops (May and December, 2018)
- Meetings with Stakeholders (March 23<sup>rd</sup>, May & November, 2018)
- Draft Background Study and draft by-law prepared (early Fall 2018)
- Final Background Study and draft by-law released to public (November, 2018)
- Public Meeting (January, 2019)
- Council Consider By-law for adoption (February, 2019)