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Memorandum

To/Attention Tara Baker, Christel Gregson **Date** October 9, 2018
From Audrey Jacob, Dukhee Nam **Project No** 116284
cc Kevin Brousseau, Carson Reid
Subject **City of Guelph 2018 Draft Development Charges Background Study - Preliminary Review and Comments**

This memorandum provides IBI Group’s comments and questions on the draft City of Guelph 2018 Development Charges Background Study (2018 *DCBS*), dated September 13, 2018. Please note that we are continuing our review and may have further comments. We will endeavour to get any additional comments to you by the end of this week.

In addition to the draft 2018 *DCBS*, IBI Group has reviewed and commented on other materials circulated on September 18, 2018: the City memos “Exemption for Parking Structures”, “Payment Timing” and “Draft Local Service Policy Summary.” The second part of this memo includes a review of “City responses to IBI memorandum dated May 29, 2018 for the 2018 DC Background Study (City Response)”, dated July 26, 2018.

Review of Draft City of Guelph Development Charges Background Study (*DCBS*)

Overview of Proposed Rate

	DC Rates per Single Detached			
	Current DC		\$ Increase	% Increase
	Proposed DC	(As of March 2, 2018)		
Municipal Wide Services				
Roads	6,249	3,746	2,503	67%
Fire	316	311	5	2%
Outdoor Recreation	3,454	3,669	(215)	-6%
Indoor Recreation	4,392	2,808	1,584	56%
Library Services	967	593	374	63%
Transit	2,750	555	2,195	395%
Municipal Parking	1,160	754	406	54%
Health Services	105	70	35	50%
Provincial Offences	7	9	(2)	-22%
Ambulance	112	32	80	250%
Police	662	438	224	51%
Administration	762	350	412	118%
Waste Diversion	495	n/a	-	-
Total Municipal Wide Services	21,431	13,335	8,096	61%
Urban Services				
Stormwater Services	225	133	92	
Wastewater Services	6,516	6,968	(452)	-6%
Water Services	6,893	9,473	(2,580)	-27%
Total Urban Services	13,634	16,574	(2,940)	-18%
Grand Total - Rural Area	21,431	13,335	8,096	61%
Grand Total - Urban Area	35,065	29,909	5,156	17%

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As a high level summary:

- The City is proposing a rate increase of \$5,156, or 17%, for single detached homes.
- The increased DC rates for Roads (\$2,503 increase), Indoor Recreation (\$1,584 increase) and Transit (\$2,195 increase) are driving the overall rate increase.
- For soft services, there has been a significant increase in DC eligible costs for the Transit (\$6.9 million in the 2013 DCBS to \$30.7 million in the 2018 DCBS), Indoor Recreation (\$23.0 million in the 2013 DCBS to \$35.1 million in the 2018 DCBS), Library (\$2.5 million in the 2013 DCBS to \$5.1 million in the 2018 DCBS), Administration (\$4.3 million in the 2013 DCBS to \$8.5 million in the 2018 DCBS) capital programs.
- For hard services, while there has been an increase in DC eligible costs for the Road capital program (from \$70.0 million in the 2013 DCBS to \$105.5 million in the 2018 DCBS), overall hard service capital programs have reduced in size from \$510.9 million in the 2013 DCBS to \$477.9 million in the 2018 DCBS).
- The increase in DC despite a decrease in capital costs has to do with the fact that the 2018 DCBS is based on a lower amount of growth than the 2013 DCBS.

Capital Projects in Clair-Maltby

Throughout the DC consultation process, the City’s position has been that the 2018 DCBS can be amended to include growth and growth-related infrastructure needs in the Clair-Maltby area, once the Secondary Plan is approved and all supporting master plan studies are complete.

The Consultant/Client group may review the works identified in the DCBS to confirm that the scope, timing and cost of the proposed works in the Clair-Maltby area are reasonable and that there is no other projects that should be included as a DC project. Further input is required from the GDHBA/GWDA; we hope to get this to you shortly.

DC Projects in Clair Maltby Secondary Plan Area

City Project ID	Increased Service Needs Attributable to Anticipated Development	Timing (year)	Gross Capital Cost Estimate (2018\$)
Road			
PN0145	Maltby Road from Gordon St to Victoria Rd 2-lane road which will have to be upgraded to accommodate development in the adjacent lands after 2031	2023-2024	3,038,000
PN0759	Victoria Road Widening (3 to 4 lanes) (North of Arkell to Clair). Project triggered primarily by the Guelph Innovation District and the Clair-Maltby Secondary Plan.	2031-2033	3,774,000
PN0779	Victoria Road: Clair Road to Maltby. 2-lane road which will have to be upgraded to accommodate development in the adjacent lands after 2031. Project is triggered primarily by the Clair-Maltby Secondary Plan.	2031-2033	6,548,000
PN0080	Gordon St: Clair Rd to Maltby Rd (WW,STM,RD) - (WW0070)	2020-2022	5,294,000
Water Distribution			
PN0088	WW0060 Maltby: Southgate to Gordon	2033+	2,251,000
Wastewater - Sewers			
PN0770	WW-F-4 South SPS	buildout	2,480,000
PN0771	WW-F-5 Possible new SPS in South (ICI) - future development south of Clair	buildout	2,440,000
PN0080	Gordon St: Clair Rd to Maltby Rd (WW,STM,RD) - (WW0070)	2020-2022	750,000

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Local Service Policy

The City memo “Draft Local Service Policy Summary”, September 17, 2018, provides the City’s comment and approach to local service policy, in response to the March 15, 2018, submission prepared by Guelph & District Home Builders Association (GDHBA) and the Guelph Wellington Developers Association (GWDA).

The March 15 submission by GDHBA/GWDA suggested that the local service policy in the 2018 *DCBS* deem capital projects that benefit more than one development as DC eligible. The City memo provided that “Localized development can consist of one or many developers. Taking a very narrow definition on local development equating to one developer would create an unaffordable DC rate in staff’s opinion and this approach is not consistent with other communities.”

Based on the above principle, the proposed local service definition for road provides that when new local and collector external roads or improvements to the existing external roads are required for Direct Access¹, they are considered local service.

The GDHBA/GWDA may have further comments. They should review whether the proposed definition is sufficiently clear. Local service policy for roads are typically based on a clear distinction based on the Right-of-Way (ROW) width or whether the roads are internal or external to a specific development.

Capital Program: Administration Studies

1. BTE Allocation to Master Plan Projects: Master Plans have an element of benefit to existing (BTE). Consideration should be given to a BTE provision for the Master Plan projects.
2. Capital Cost Increase for Watershed Study Update: Please provide information to explain the Gross Capital Cost increase from \$100,000 in the 2013 *DCBS* to \$1.3 million in the 2018 *DCBS*.

Capital Program: Parking

3. Financing Details for Parkade - Wilson (496 spaces) - Growth-Related Debt: Please provide details as to the calculation of growth-related debt was determined.
4. Capital Costs and Financing Details for Future Parkade - (500 Spaces) and Growth-Related Debt: Please provide details as to how future parkade capital costs and growth-related debt were determined.

Capital Program: Outdoor Recreation

5. BTE Allocation to Eastview Community Park: the capital program sheet provided on June 15, 2018, noted that the project is to implement splash pad, natural play structure and traditional play structure. It is noted that Eastview Community Park is an existing park in the City. There should be a BTE provision. Please review and advise.

¹ “Direct Access” means new or upgraded infrastructure required to provide access from the external Road or active transportation network to the area of a Development. (Page E-3 of 2018 *DCBS*)

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Capital Program: Indoor Recreation

6. Capital Cost Increase and Financing Details for South End Community Centre: Please provide information to explain the Gross Capital Cost increase from \$36.3 million in the 2013 *DCBS* to \$68 million in the 2018 *DCBS*. Please also provide details as to how growth-related debt was calculated/determined.

Capital Program: Library Facilities & Vehicles

7. Cost Attribution for Library – Main (88,000 sq.ft.): compared to the 2013 *DCBS*, there are several changes in the cost attribution: PPB has significantly decreased, Other Deductions were applied, and Grants/Subsidies were no longer applied. Please explain how cost attribution was developed for the project in the 2018 *DCBS*.

Capital Program: Transit

8. Capital Costs, Cost Attribution and Financing Details for New Transit Facility: please explain how \$76 million in capital costs were determined and how cost attribution was developed for the project. Please also provide details as to how growth-related debt was calculated/determined. It is noted that the DC eligible share is much higher in Debt Interest costs (roughly 80% of \$10,740,467 in total costs) than in the project itself (roughly 16% of \$76 million in total costs).

Capital Program: Services Related to Highway

9. Benefit to Existing (BTE) Allocation to Full Corridor Reconstruction: There are multiple Corridor Reconstruction projects with varying BTE attribution, including:
 - a. Full Corridor Reconstruction (York Rd Wastewater Trunk and Paisley Feedermain; PN0110): 30% BTE
 - b. Downtown Full Corridor Reconstruction projects: 75% BTE
 - c. Full Corridor Reconstruction (Road Component Only) 50% BTEPlease explain how the BTE assumption was developed for the Corridor Reconstruction projects.
10. BTE Allocation to Watson Rd N (Watson Pkwy S to York Rd; PN0149): the June 15 capital program sheet provided by the City noted that the project includes replacement of an existing bridge. There should be BTE consideration for the project. Please review and advise.
11. BTE Allocation to New Signal Installation (TF0014): the June 15 capital program sheet noted that the new signal installation is in developed areas. Please explain how the 10% BTE assumption was developed for the project.
12. Victoria Road (Clair Road to Maltby – PN0779): the June 15 capital program sheet noted that the project scope includes upgrading the existing 2-lane road to accommodate general traffic growth. Please explain the rationale for 0% BTE assumed.
13. Transportation Master Plan Update (RD0337): please explain how the 20% BTE assumption was developed for the project.

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14. Gordon St: Clair Rd to Maltby Rd (WW,STMN,ED) – (WW0070) (PN0080): the 2013 *DCBS* allocated the BTE amount of \$590,000 and the Post Period Benefit (PPB) amount of \$295,000. Please explain the rationale for 0% BTE assumed.
15. New PW Fleet Repair and Yard in South: The Gross Capital Cost of this project increased from \$3.3 million in the 2013 *DCBS* to \$48.2 million in the 2018 *DCBS*. Please provide detailed project cost information.

Capital Program: Fire

16. Debt Items and Level of Service Calculations – Existing Debt (South End Facility): The Fire capital program includes “Existing Debt (South End Facility).” At the same time, the facility (Station #6 (160 Clair CRESC)) is included in the service level calculations.

The fact that debt payments are included in DC indicates that a portion of the facilities are growth-related, not relating to existing communities. Historical service level calculations should, therefore, exclude the growth-related portion. Please review and advise.

Review of City Responses to May 29 IBI Memorandum

1. Discrepancies in Housing Supply: 2013 *DCBS* and 2018 *DCBS*

May 29 IBI memo pointed out discrepancies in housing supply between the 2013 *DCBS* and the 2018 *DCBS*. The City Response noted that there have been a few factors resulting in the change between 2013 and 2018: new applications, changes in existing applications and exclusion of infill in low supply from severance and accessory apartments.

The City Reponse indicated that the timing between 2013 *DCBS* and 2018 *DCBS* is 4.5 years, while the May 29 IBI memo reviewed building activity over 5 years (2013 – 2017). It is noted that consideration of 4.5 years instead of 5 years would only increase the level of supply discrepancy IBI pointed out, since the number of units over 4.5 years would be fewer than the number over 5 years.

The City Response lacks sufficient details, considering that the magnitude of the change in supply (over 1,500 single detached units and 4,000 apartment units).

- Please provide further details as to how new applications, changes in existing applications and severance and accessory units account for a difference of thousands of units over a 5-year period.

2. Housing Supply Details

In response to the question in the May 29 IBI memo on how Development Priorities Plans and other referenced documents together align with the supply information in the 2018 *DCBS*, the City Response referred to the Growth management monitoring report as a document that provides a fulsome account of the city’s housing supply.

It is not clear how Schedule 6 in the Sep 13 *DCBS* was derived from the housing supply reported in the Growth management reports.

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- The 2018 *DCBS* appears to suggest that there is significantly more supply potential (approximately 2,700 units) available in the City than the 2017 Growth Management Monitoring Report suggests.² Please review and advise.
3. Housing Supply and Demand Reconciliation

The City Response detailed housing supply as of December 31, 2017, which does not align with the 2017 Growth Management Monitoring Report.³ Please review and advise.

It is also noted that demand consideration is not sufficiently elaborated in the 2018 *DCBS* or the City Response. The May 29 IBI memo provided a comparison between the 2018 *DCBS* and historical completions/building permit activities, in terms of historical housing mix.
 4. The May 29 IBI memo questioned how the Local Growth Management Strategy (LGMS) has accounted for changes to the Natural Heritage System arising from Official Plan Amendment (OPA) 42, given that the OPA was adopted post the LGMS. The City Response indicated that the LGMS did incorporate the NHS. We acknowledge that the LGMS took NHS into account, however, it is entirely not transparent in the documents. In order to give the GDHBA/GWDA some level of comfort and move the process along, can you provide us with updated NHS mapping which takes the settlements referenced in # R4 of Watson's June 15th memo into account?
 5. Land Value Assumption

The City Response provided that the land value assumption (\$780,000/acre) for Fire, Police, Public Works, Indoor Recreation, Library Facilities is based on MPAC assessment data.

Current Value Assessment (CVA) determined by MPAC is for the entire properties and includes both land and building components.

 - Please provide further details as to how land value was separated from building value.
 6. Road Replacement Unit Cost

Road replacement cost has significantly increased in the 2018 *DCBS*, compared to the 2013 *DCBS*, even before taking land costs into account.

The City Response provided unit cost data for road replacement cost calculations. Engineers for the GDHBA/GWDA should review and comment. (To follow)

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² The 2018 *DCBS* identified the housing supply of 18,295 units as of June 2017 (Schedule 6 of the *DCBS*). The 2017 Growth Management Monitoring Report identified the housing supply of 15,587 units.

³ The City Response identified the housing supply of 17,225 units as of December 2017. The 2017 Growth Management Monitoring Report identified the housing supply of 15,587 units.