



TECUMSEH TOWN HALL

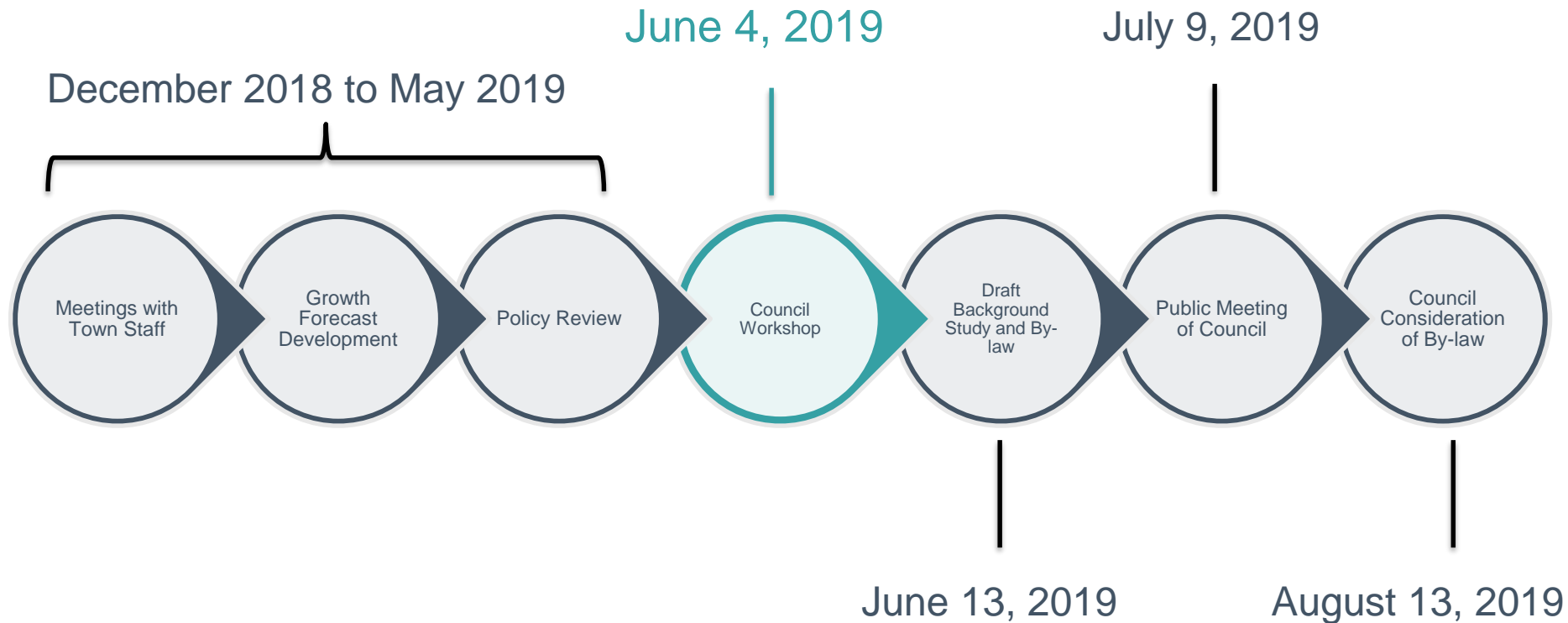
917

Town of Tecumseh

Development Charges Council
Workshop

June 4, 2019

Study Process & Timelines



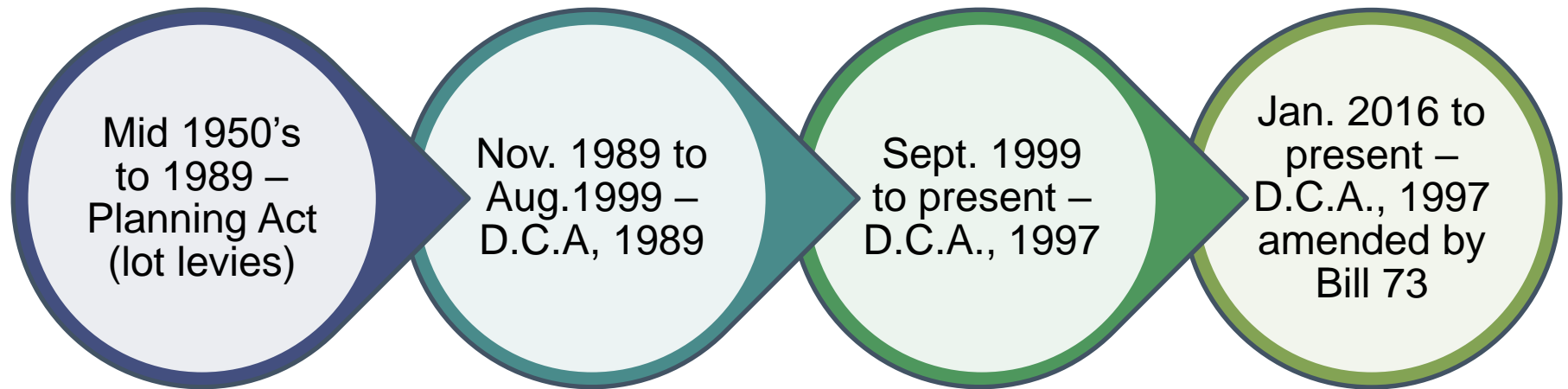
Development Charges



Purpose:

- To recover the capital costs associated with residential and non-residential growth within a 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 (D.C.A.)

History of D.C.'s



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, introduced further changes
- The following provides a summary of the key aspects of the D.C.A. 1997 as amended

Limitations on Services



- Some forms of capital and some services can not be included in the D.C.A. 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 (updated to allow for waste diversion, as per Bill 73)

Capital Costs



Capital Cost definition has been broadened to include:

- 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 D.C. Background Study
- Interest on money borrowed to pay for the above

Capital Costs (cont'd)



- Certain Capital Costs may not be included:
 - Vehicle & Equipment with avg. life of <7 yrs.
 - Computer Equipment
- D.C.A. 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 (updated as per Bill 73)

Capital Costs



- 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 by others on behalf of a municipality/local board

Service Standards



- Service Standard measure provides a ceiling on the level of the charge which can be imposed
- Previously (D.C.A., 1989), provided that the D.C. be “no higher than” the highest level attained over the previous 10 year period.
- D.C.A., 1997 provides that the “average of the past 10 years” (except transit as per Bill 73)
- Impacts – generally lowers collection levels and may provide for spiral downwards if the municipality does not keep up with construction of services

Methodology



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
4. Deduct:
 - i. Grants, subsidies and other contributions
 - ii. Benefit to existing development
 - iii. Statutory 10% deduction (soft services)
 - iv. Amounts in excess of 10 year historical service calculation
 - v. D.C. Reserve funds (where applicable)
5. Net costs then allocated between residential and non-residential benefit
6. Net costs divided by growth to calculate the D.C.

D.C. Cashflow



- 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 D.C.'s) – also requires prioritizing the timing of construction for various projects
- In some cases, municipalities may consider agreements with developers to cashflow priority works

Local Service Policies



- 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”, rather than simply local services within a plan of subdivision, as under the old Act.
- 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 and approved by Council, through the D.C. study process, 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/Bike Lanes/Bike Paths/Multi-Use Trails/Naturalized Walkways, Noise Abatement Measures, Land dedications/easements, Water, Wastewater, Stormwater, and Park requirements.



Exemptions

Mandatory Exemptions

- For industrial building expansions (may expand by 50% with no DC)
- 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 DC for types of development or classes of development (e.g. industrial 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)

Other Matters



- Excess Capacity – any excess capacity in the system cannot be recovered in the DC unless council had expressed a clear intention to recover these costs at or before the time the capacity was created
- Cross Subsidization - the act clarifies that a cost recovery shortfall from one type of development may not be made up through higher charges on other development. However, it also clarifies that the charge for any particular development does not have to be limited to the cost increase attributable to that development

Other Matters



- An examination, for each service to which the development charge by-law would relate, of the long term capital and operating costs for capital infrastructure required for the service
- It is mandatory that a D.C. Background Study be prepared and be available to the public (along with a draft D.C. by-law) at least two weeks prior to the public meeting
- Prescribed Index - use of the Statistics Canada Quarterly, Non-Residential Building Construction Price Index (Table 18-10-0135-01)

Update on Bill 73



- **New Definitions & Ineligible Services**
- **Area-Specific DCs**
- **Waste Diversion**
- **Asset Management**
- **Transit**
- **No Additional Levies**
- **Public Process Extended**
- **Annual Report of the Treasurer**

Impact of Bill 73 on Tecumseh



- Consider impact of “no additional levies” in development process and on Local Service Policy
- Annual reporting requirements to conform to the new required format
- Ensure the background study is available at least 60 days prior to by-law passage
- Need to consider Area Rating as part of the Background Study (but not mandatory to impose)
 - Currently the Town imposes wastewater on an area-specific basis



Bill 108: “More Homes, More Choice: Ontario's Housing Supply Action Plan”

The following provides a brief overview of the proposed changes to the **Development Charges Act**:

- Changes to eligible services
 - Soft Services will be removed from the DCA and will be considered as part of a new Community Benefits Charge imposed under the *Planning Act* (i.e. parking, outdoor recreation, indoor recreation, library services, and cemeteries)
- Payment in Installments over six years
 - Rental and non-profit housing, as well as non-residential developments will pay their DC in six equal annual installments
- When DC Amount is Determined
 - Currently DCs are calculated at the building permit stage. The proposed change would have DCs calculated on the date of the application for Site Plan or zoning amendment



Bill 108: “More Homes, More Choice: Ontario's Housing Supply Action Plan”

- **Community Benefit Charge (for soft services)**
 - Municipality may, by by-law, impose community benefits charges against land to pay for the capital costs of facilities, services and matters required because of development or redevelopment in the area to which the by-law applies
 - These services may not include services authorized by the DCA
 - The amount of a community benefits charge payable shall not exceed an amount equal to the prescribed percentage of the value of the land as of the valuation date
 - The valuation date is the day before building permit issuance
 - All money received by the municipality under a community benefits charge by-law shall be paid into a special account
 - Transitional provisions are set out regarding the DC reserve funds and DC credits

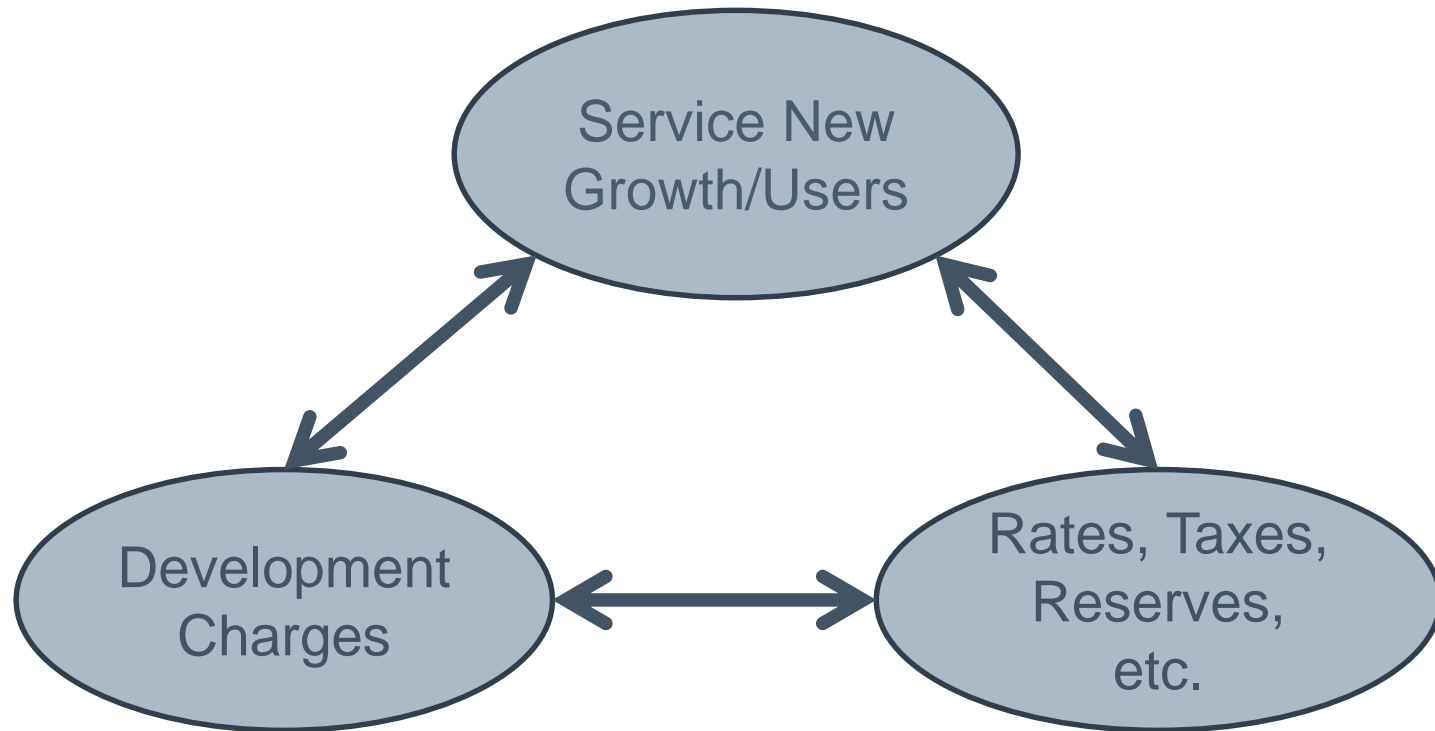


Bill 108: “More Homes, More Choice: Ontario's Housing Supply Action Plan”

- **Transitional Provisions for By-law Expiry**

- Transitional provisions are set out for existing By-laws to remain in force as follows:
- “a development charge by-law that would expire on or after May 2, 2019 and before the prescribed date shall remain in force as it relates to the [soft services] until the earlier of,
 - (a) the day it is repealed;
 - (b) the day the municipality passes a by-law under subsection 37 (2) of the Planning Act as re-enacted by section 9 of Schedule 12 to the More Homes, More Choice Act, 2019; and
 - (c) the prescribed date.
- As a result it is recommended that the Town pass a by-law whereby the DCs related to indoor and outdoor recreation, library, and administration studies (community benefit-related) are provided on a separate schedule from the remaining services.

Relationship Between Needs to Service Growth vs. Funding

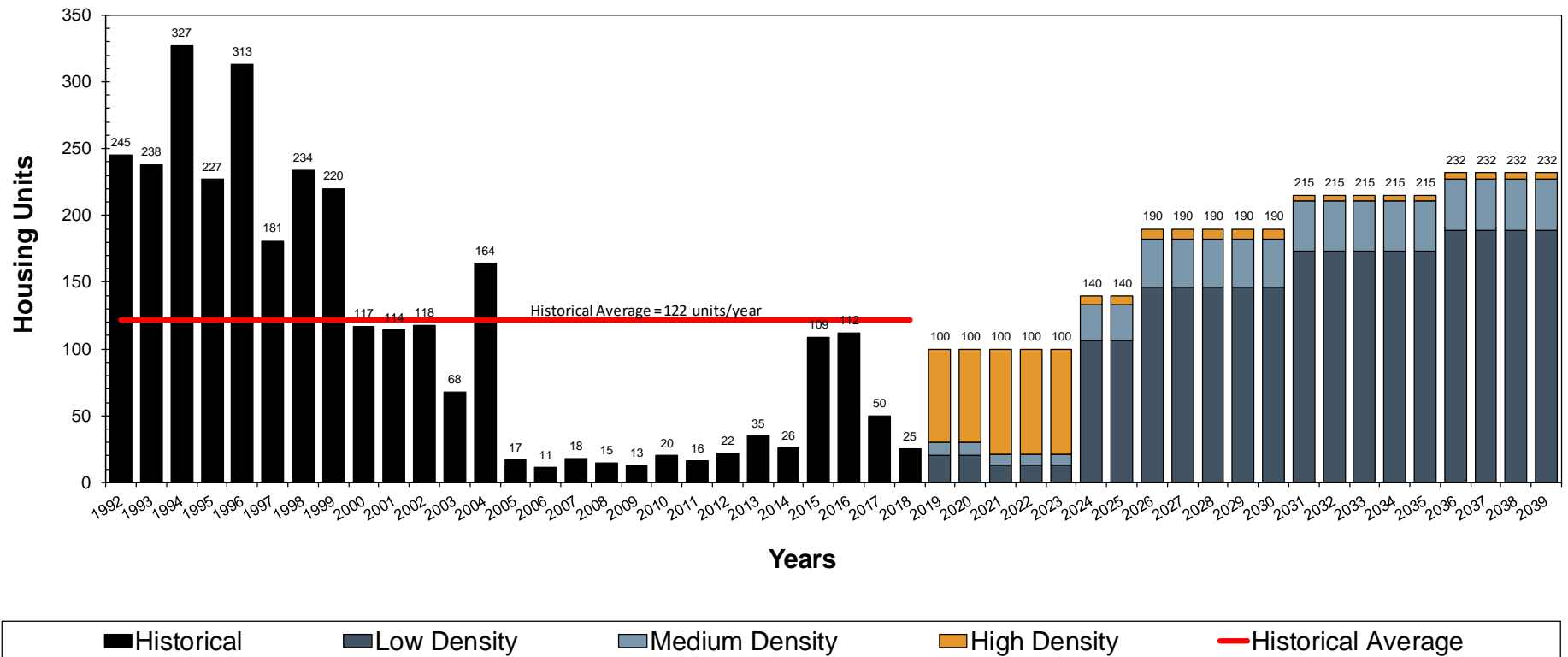


Growth Forecast



Figure A-1

Annual Housing Forecast¹



1. Growth forecast represents calendar year.

Growth Forecast Summary



The 2019 Development Charge forecast provides for the following growth:

Measure	10 Year 2019-2028	20 Year 2019-2038
(Net) Population Increase	1,728	6,875
Residential Unit Increase	1,351	3,500
Non-Residential Gross Floor Area Increase (sq.ft.)	802,800	2,541,800

Source: Watson & Associates Economists Ltd. Forecast 2019

Summary of Services Considered



Town-wide:

- Services Related to a Highway (currently roads and related)
- Fire Protection Services
- Police Services
- Indoor Recreation Services
- Outdoor Recreation Services
- Library Services
- Administration Studies
- Water

Urban-area Services

- Wastewater Services

Level of Service Ceiling – Maximum vs. Utilized



SUMMARY OF SERVICE STANDARDS AS PER DEVELOPMENT CHARGES ACT, 1997, AS AMENDED								Utilized	Remaining
Service Category	Sub-Component	10 Year Average Service Standard					Maximum Ceiling LOS		
		Cost (per capita)	Quantity (per capita)		Quality (per capita)				
Services Related to a Highway	Services Related to a Highway - Roads	\$6,991.90	0.0036	km of roadways	1,942,194	per lane km	48,069,313	21,428,800	32,426,513
	Sidewalks	\$259.40	1.5677	Linear metres of sidewalks	165	per km	1,783,375		
	Traffic Signals & Streetlights	\$582.20	0.0344	No. of Traffic Signals	16,924	per signal	4,002,625		
	Services Related to a Highway - Depots and Domes	\$126.01	1.0209	sq.ft. of building area	123	per sq.ft.	866,319		
	Services Related to a Highway - Vehicles	\$153.41	0.0019	No. of vehicles and equipment	80,742	per vehicle	1,054,694		
Fire	Fire Facilities	\$230.38	0.5729	sq.ft. of building area	402	per sq.ft.	1,583,863	990,157	593,706
	Fire Vehicles	\$191.15	0.0004	No. of vehicles	477,875	per vehicle	1,314,156	247,000	1,067,156
	Fire Small Equipment and Gear	\$38.11	0.0073	No. of equipment and gear	5,221	per Firefighter	262,006	36,000	226,006
Police	Police Facilities	\$85.04	0.2369	sq.ft. of building area	359	per sq.ft.	584,650	584,000	650
Indoor & Outdoor Recreation	Parkland Development	\$682.36	0.0151	Acres of Parkland	45,189	per acre	1,179,118	5,097,019	201
	Parkland Amenities	\$538.77	0.0167	No. of parkland amenities	32,262	per amenity	930,995		
	Parks Vehicles and Equipment	\$53.31	0.0023	No. of vehicles and equipment	23,178	per vehicle	92,120		
	Indoor Recreation Facilities	\$1,675.34	5.1012	sq.ft. of building area	328	per sq.ft.	2,894,988		
Library	Library Facilities	\$107.16	0.3827	sq.ft. of building area	280	per sq.ft.	185,172	180,000	5,172

Comparison of Town-Wide Residential Development Charges



Residential (Single Detached) Comparison

Service	Current	Calculated
Town-wide Services:		
Services Related to a Highway	2,228	5,388
Fire Protection Services	339	294
Police Services	138	135
Indoor and Outdoor Recreation Services	1,988	4,005
Indoor Recreation Services	2,098	
Library Services	194	143
Administration Studies - Engineering-related	712	486
Administration Studies - Community Benefit-related		99
Water Services	1,478	1,444
Total Municipal Wide Services	9,176	11,994
Area Specific Services:		
Wastewater Services	4,222	3,725
Total Area Specific Services	4,222	3,725
Grand Total - Urban Area	13,398	15,719

Comparison of Town-Wide Non-Residential Development Charges



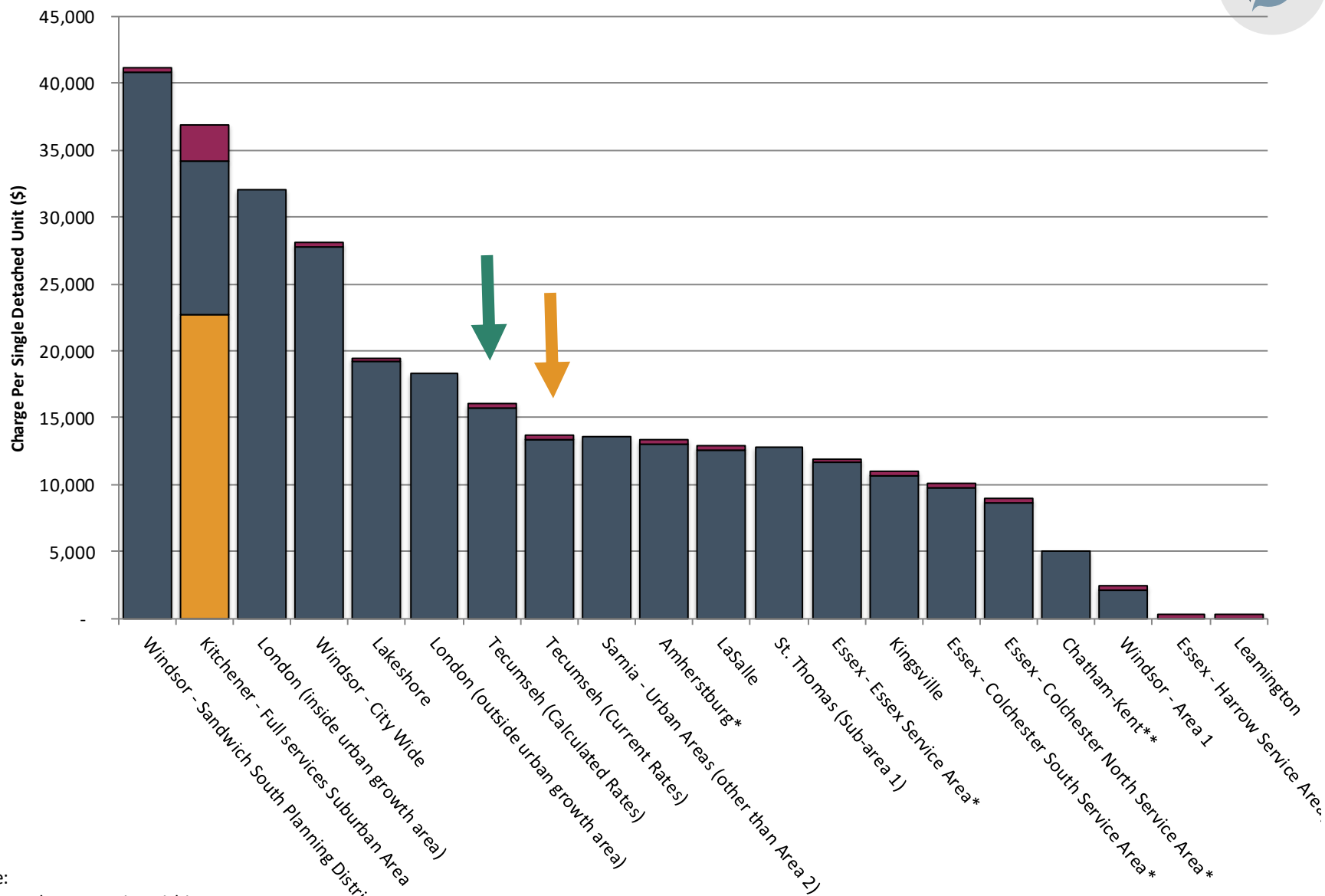
Non-Residential (per sq.ft.) Comparison

Service	Current	Calculated
Town-wide Services:		
Services Related to a Highway	1.04	2.66
Fire Protection Services	0.16	0.14
Police Services	0.06	0.07
Indoor and Outdoor Recreation Services	0.08	0.28
Indoor Recreation Services	0.08	
Library Services	0.01	0.01
Administration Studies - Engineering-related	0.27	0.31
Administration Studies - Community Benefit-related		0.06
Water Services	0.63	0.67
Total Municipal Wide Services	2.33	4.20
Area Specific Services:		
Wastewater Services	1.77	1.64
Total Area Specific Services	1.77	1.64
Grand Total - Urban Area	4.10	5.84

Development Charge Rates for Town of Tecumseh and Select Municipalities

Residential Per Single Detached Unit

(As of May 29, 2019)



Note:

*D.C. By-law to expire within one year

**Water and Wastewater DC only

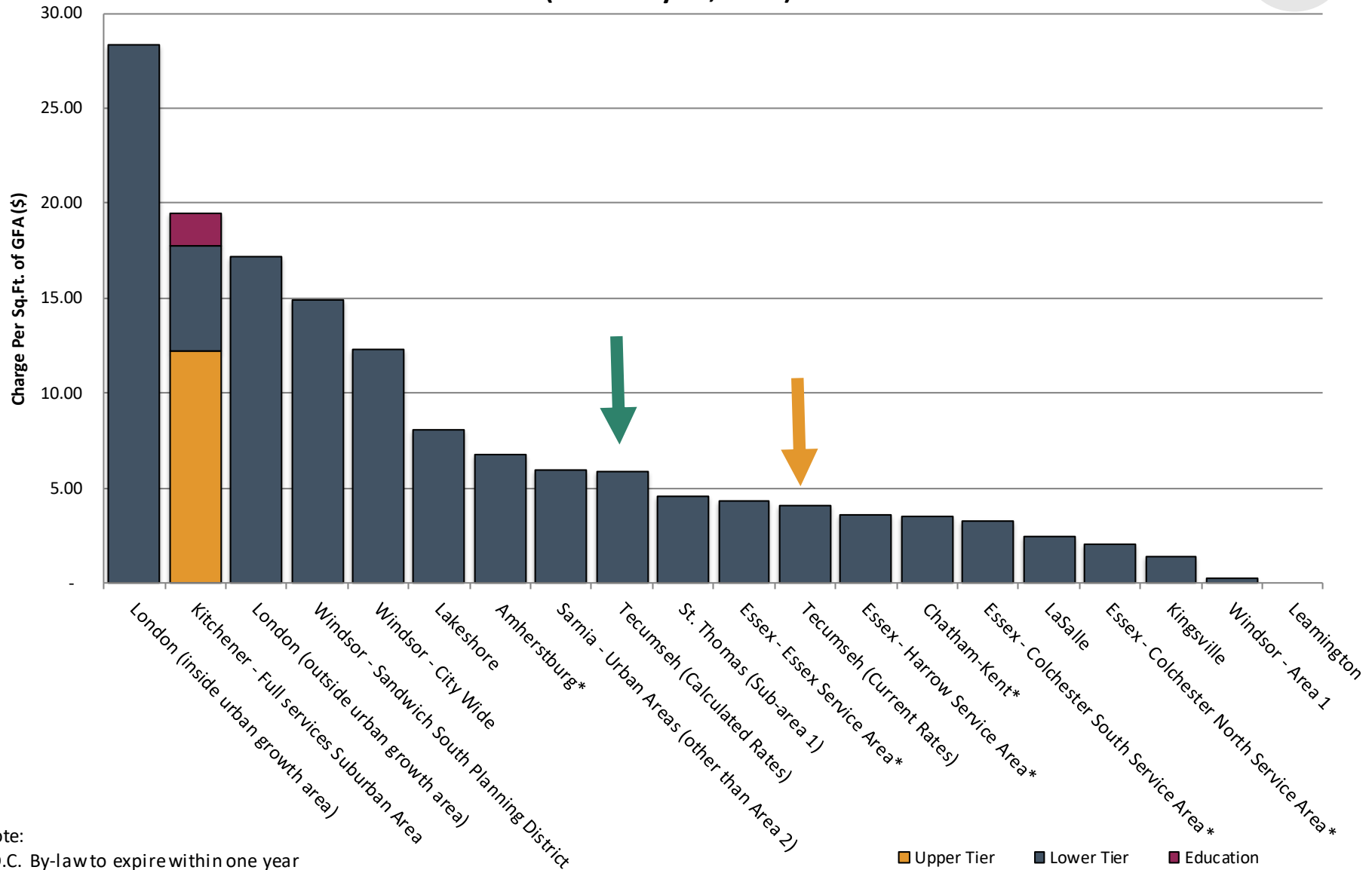
(1) 100% reduction in charge until August 25, 2019

Upper Tier Lower Tier Education

Development Charge Rates for Town of Tecumseh and Select Municipalities

Commercial Per Square Foot of GFA

(As of May 29, 2019)

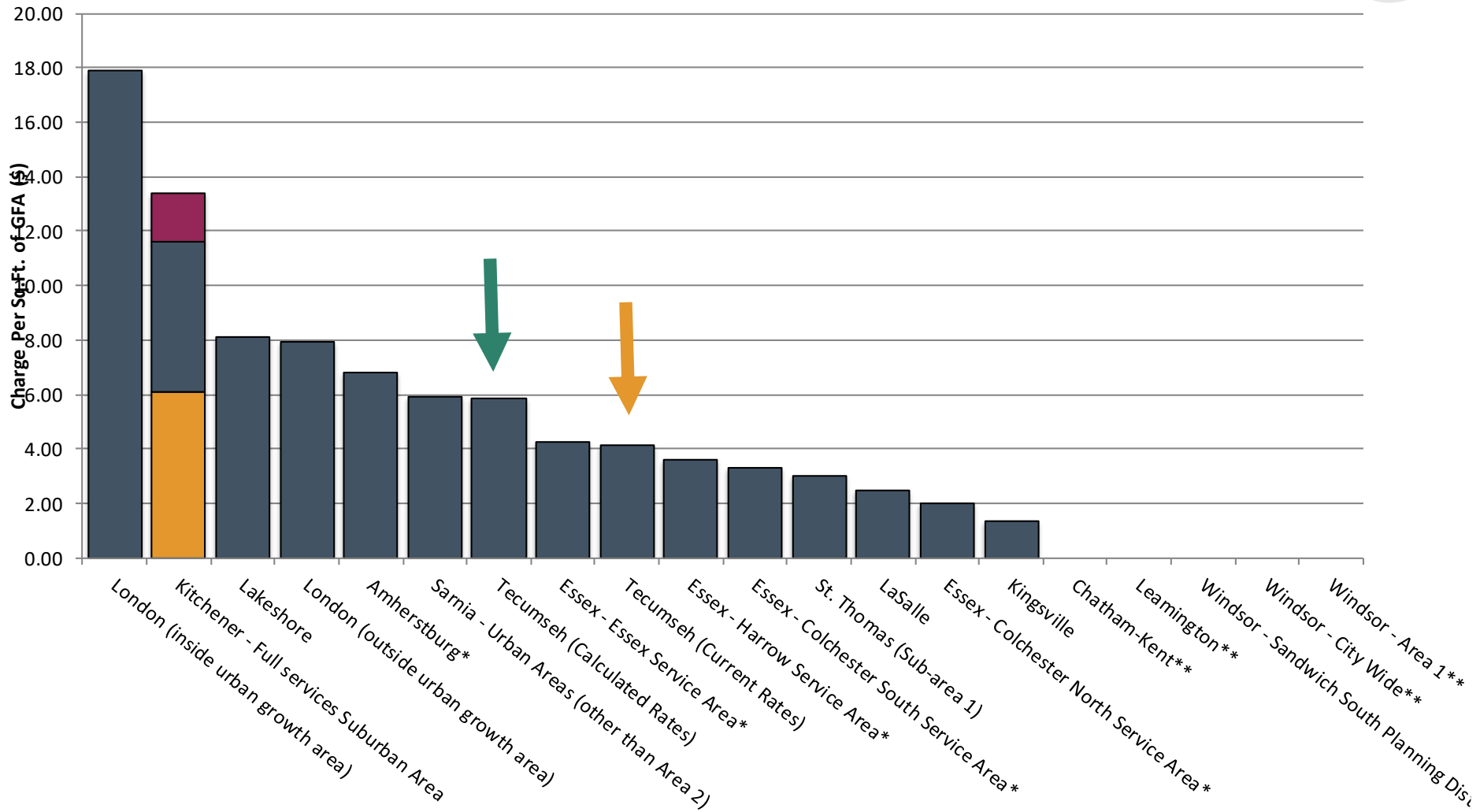


Note:

*D.C. By-law to expire within one year

**Water and Wastewater DC only

Development Charge Rates for Town of Tecumseh and Select Municipalities Industrial Per Square Foot of GFA (As of May 29, 2019)



Note:

*D.C. By-law to expire within one year

**Exempt

Upper Tier Lower Tier Education

Council Decisions



Council to provide input on the following matters:

- D.C. rates to be implemented
- Consideration of Area-rating
- Other Policies/Exemptions

Next Steps

