



DEVELOPMENT CHARGES BACKGROUND STUDY UPDATE

General Committee
October 18, 2021



Agenda

1. Overview of Development Charge Act
2. Development Charges Sub-Committee
3. Growth Forecast
4. Preliminary Development Charges
5. Preliminary City Wide Hard Development Charges
6. Preliminary City Wide Soft Development Charges
7. Preliminary Total Development Charges
8. Municipal Comparison of Development Charges
9. Development Charges to Home Prices
10. Non-Development Charge Costs
11. Community Benefits Charge
12. Proposed Policy Change
13. Timelines
14. Resolutions

1. Overview of The Development Charges Act (DCA)

- Development charges are levied to recover growth-related infrastructure costs from new development & redevelopment
- The maintenance and replacement of facilities and infrastructure are funded through tax dollars, not development charges (DCs)
- Changes introduced through Bill 197 to be reflected in the new DC bylaws:
 - Soft services under the amended *DCA* will no longer be subject to a mandatory 10% discount → Municipalities can update DC by-laws any time to recover 100% of eligible costs of services
 - Option to use DCs interchangeably with Community Benefits Charges to fund growth-related capital projects
 - The City is no longer able to collect for municipal parking

2. DC Sub-Committee

The DC Sub-Committee was constituted at the General Committee meeting of April 6, 2021; approved by Council April 20, 2021

- Two meetings held so far on May 26th and September 21st and reviewed:
 - Legislative changes to the *Development Charges Act*
 - Growth forecast
 - Types and calculation of development charges
 - Preliminary development charges
 - Municipal comparisons
 - Community Benefits Charges
 - Proposed policy changes

3. Growth Forecast – cont'd

- The growth forecast for the period 2021-2031 projects the following:
 - Net population growth to 2030 of 79,280 (435,760) with 88,120 to 2031 (444,600)
 - 32,305 new residential units – 29% increase over existing residential units of 112,545
 - 2,706,994 m² (29,137,841 sq. ft.) of non residential floor space
 - Retail 18% (5.1M sq. ft.)
 - Institutional 21% (6.1M sq. ft.)
 - Industrial 43% (12.5M sq. ft.)
 - Office 18% (5.2M sq. ft.)
 - Mixed Use 1% (0.3M sq. ft.)

4. Preliminary Development Charges

- Preliminary development charge rates have been calculated for:
 - City Wide Hard (CWH)
 - City Wide Soft (CWS)
- Highlights of the capital programs for City Wide Hard and City Wide Soft along with the resulting preliminary rates, will be reviewed in this presentation
- Staff are working through Area Specific charges and will bring forward to the Committee at a later date
- Preliminary rates are subject to change as capital programs are refined through internal and external consultation

4. Preliminary Development Charges

- **City Wide Hard (CWH)** – infrastructure such as roads, bridges, sidewalks, intersections, illumination, property acquisition (roads), studies
- **City Wide Soft (CWS)** – services such as Indoor Recreation, Park Development, Fire, Libraries, Waste Management, Public Works and General Government (studies, staff/consultants)
- **Area Specific (ASDC)** – mainly for stormwater management and sanitary sewer services specific to a geographical area
- CWH and ASDC infrastructure requirements are prepared to 2031 (build-out)
- CWS Services are prepared over the planning period 2021-2030

5. Preliminary CWH DCs – Calculation Review

City Wide Hard

- Residential Charge – per unit
- Non-Residential Charge – per square metre



Residential Calculation Example:

- Hard Services Charge = Expected Hard Infrastructure Cost/Projected Population
- \$300 million of expected residential Hard Infrastructure
- 100,000 new population expected by 2031
- Hard Services Charge = \$300 million / 100,000 = \$3,000/person
- \$3,000/person X Population Per Unit = Hard Services Charge

5. Preliminary City Wide Hard DCs

Service	2017 City-Wide Development Charge Recoverable	Proposed 2022 City-Wide Development Charge Recoverable	Difference in Recoverable	
	\$ (millions)		\$ (millions)	% Change
PROPERTIES ACQUISITION	\$207	\$283	\$76	37%
STRUCTURES	\$331	\$367	\$36	11%
ROADS	\$208	\$276	\$68	32%
SPECIAL PROJECTS	\$36	\$66	\$29	80%
WATERMAIN	\$29	\$64	\$35	121%
SIDEWALKS	\$29	\$52	\$23	79%
INTERSECTION	\$32	\$40	\$8	27%
ILLUMINATION	\$25	\$42	\$17	68%
STORM WATER MANAGEMENT	\$29	\$27	-\$2	-6%
CREDIT AGREEMENT PROJECTS	\$4	\$4	\$0	0%
STUDIES	\$11	\$18	\$7	70%
TOTAL DCs RECOVERABLE	\$940	\$1,239	\$299	32%

TOTAL GROSS COST	\$1,482	\$1,741
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5. Preliminary City Wide Hard DCs

Comparison of DC Recoverable Amounts – 2017 Study vs. Proposed 2022

Proposed 2022 City Wide Hard DC Recoverable	\$1,239
2017 City Wide Hard DC Recoverable	\$940
Increase to CWH DC Recoverable Amount	\$299

Category	City Wide Hard Capital Program \$(millions)				New Project Comments
	Increase to Existing Projects	New Projects	Projects Removed Since 2017 Study	Net Increase / (Decrease)	
Illumination	\$9	\$9	(\$1)	\$17	Sidewalk gapping program & active transportation
Intersections	\$9	\$0	(\$1)	\$8	
Roads	\$64	\$7	(\$3)	\$68	404 North Collector Roads, Royal Orchard Extension
Properties	\$85	\$10	(\$18)	\$77	404 North Collector Roads, Royal Orchard Extension
Sidewalk	\$11	\$15	(\$3)	\$23	Sidewalk gapping program
Stormwater Management	\$3	\$0	(\$4)	(\$1)	
Water	\$25	\$16	(\$7)	\$34	Warden Ave, Hwy 7, PD6RA, Birchmount, Citywide
Studies	\$7	\$0	\$0	\$7	
Special Projects	\$3	\$38	(\$11)	\$30	Bike lanes on collector rd, MUP, Cycle Track, Trails
Structures	\$78	\$12	(\$54)	\$36	404 North Collector Rd E1 - Utility Structure Support
Net Increase to DC Recoverable Amount	\$294	\$107	(\$102)	\$299	

5. Preliminary City Wide Hard DCs – cont'd

- Proposed 2022 CWH Residential Rates

Preliminary City-Wide Hard Charges	Current Residential Charge	Proposed 2022 Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/Unit	\$/Unit	\$	%
Single/Semi Detached	\$21,761	\$30,084	\$8,323	38%
Multiple Unit (Townhouse)	\$16,641	\$23,322	\$6,681	40%
Large Apartment	\$13,033	\$18,354	\$5,321	41%
Small Apartment	\$9,581	\$12,895	\$3,314	35%
Average Rate Increase				38%

Preliminary rates only, subject to change

5. Preliminary City Wide Hard DCs – cont'd

- Proposed 2022 CWH Non-Residential Rates

Preliminary City-Wide Hard Charges	Current Non-Residential Charge	Proposed 2022 Non-Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/m ²	\$/m ²	\$	%
Industrial/Office/Institutional	\$110.84	\$151.91	\$41.07	37%
Retail	\$145.11	\$203.59	\$58.48	40%
Mixed Use*	\$70.69	\$99.18	\$28.49	40%
Average Rate Increase				39%

*Mixed-use refers to non-residential GFA within a residential structure, such as retail space within a residential condo building

Preliminary rates only, subject to change

6. Preliminary CWS DCs – Calculation Review

City Wide Soft

- Development charge is based on the City's established 10 year historical average service level
- Residential Charge – per unit
- Non-Residential Charge – per square metre



Residential Calculation Example:

- City currently has 600,000 sq.ft. of Recreation Space for 300,000 people
- Service level = 2 sq.ft./person (600,000 sq.ft./300,000 people)
- Recreation DC Charge would be calculated as \$550/sq.ft. X 2 sq.ft. service level = \$1,100/person
- \$1,100/person X Population Per Unit = Soft Services Charge

6. Preliminary City Wide Soft DCs

Service	Projected Collections 2021-2030	Reserve Balance Adjustment	Available Funds	Comments ¹
Indoor Recreation	\$258,996,661	(\$50,496,985)	\$208,499,676	Equivalent to approximately 130,000 - 140,000 sq. ft. of space
Park Development & Facilities	\$139,646,170	\$42,563,456	\$182,209,626	
Library Service	\$45,392,557	\$4,067,005	\$49,459,562	Equivalent to about 45,000 - 55,000 sq.ft. of space
Fire Service	\$37,298,491	\$4,069,882	\$41,368,373	Equivalent to about 30,000 - 40,000 sq.ft. of space plus accompanying vehicles
Public Works	\$33,491,868	\$5,836,875	\$39,328,743	Equivalent to about 40,000 - 50,000 sq.ft. of works yard space
General Government	\$18,647,760	(\$11,781,000)	\$6,866,760	
Waste Management	\$5,570,213	\$483,700	\$6,053,913	Equivalent to about 4 additions to collections fleet and 3,000 - 4,000 sq.ft. of depot space

6. Preliminary City Wide Soft DCs – cont'd

- Components – Proposed 2022 Rate for a Single Detached Unit (SDU)

Service	Current Residential Charge / SDU	Calculated Residential Charge / SDU	Difference in Charge	
Park Development & Facilities	\$5,754	\$6,357	\$603	10%
Indoor Recreation	\$7,005	\$13,375	\$6,370	91%
Library	\$1,854	\$2,063	\$209	11%
Fire Services	\$975	\$1,084	\$109	11%
Waste Management	\$244	\$267	\$23	9%
Public Works	\$767	\$1,042	\$275	36%
General Government	\$776	\$893	\$117	15%
Parking ¹	\$41	\$0	(\$41)	-100%
Total City-Wide Soft	\$17,416	\$25,081	\$7,665	44%

¹ Removed from DC eligible services in 2020 DCA Legislation

**Preliminary rates only, subject to change*

6. Preliminary City Wide Soft DCs – cont'd

- Proposed 2022 City Wide Soft Residential Rates

Preliminary City-Wide Soft	Current Residential Charge	Proposed 2022 Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/Unit	\$/Unit	\$	%
Single/Semi Detached	17,416	25,081	7,665	44%
Multiple Unit (Townhouse)	13,320	19,444	6,124	46%
Large Apartment	10,431	15,303	4,872	47%
Small Apartment	7,670	10,752	3,082	40%
Average Rate Increase				44%

**Preliminary rates only, subject to change*

6. Preliminary City Wide Soft DCs – cont'd

- Proposed 2022 City Wide Soft Non-Residential Rates

Preliminary City-Wide Soft	Current Non-Residential Charge m ²	Proposed 2022 Non-Residential Charge M ²	Increase/ (Decrease)	Increase/ (Decrease)
	[A]	[B]	[B-A]	%
Retail	17.09	20.16	3.07	18%
Industrial/Institutional/Office (IOI)	13.04	17.71	4.67	36%
Mixed Use	8.33	11.42	3.09	37%
Average Rate Increase				30%

**Preliminary rates only, subject to change*

7. Preliminary Total Development Charges

- Proposed 2022 City Wide Hard and Soft Residential Development Charge Rates

Categories	Current Residential Charge	Proposed 2022 Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/Unit	\$/Unit	\$	%
Single/Semi Detached	39,177	55,165	15,988	41%
Multiple Unit (Townhouse)	29,961	42,766	12,805	43%
Large Apartment	23,464	33,657	10,193	43%
Small Apartment	17,251	23,647	6,396	37%
Average Rate Increase				41%

**Preliminary rates only, subject to change*

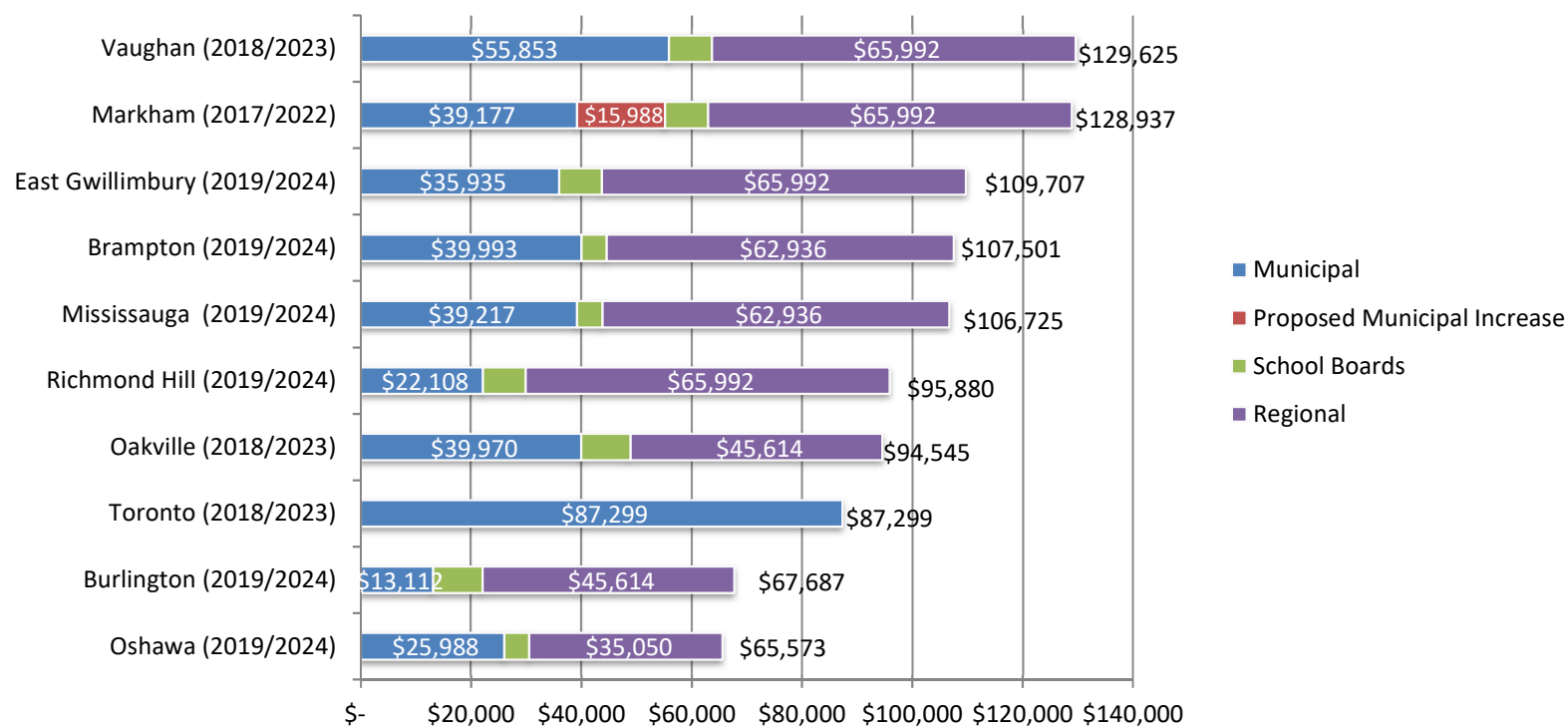
7. Preliminary Total Development Charges

- Proposed 2022 Residential Rate Increase vs. Prior Study Rate Increases

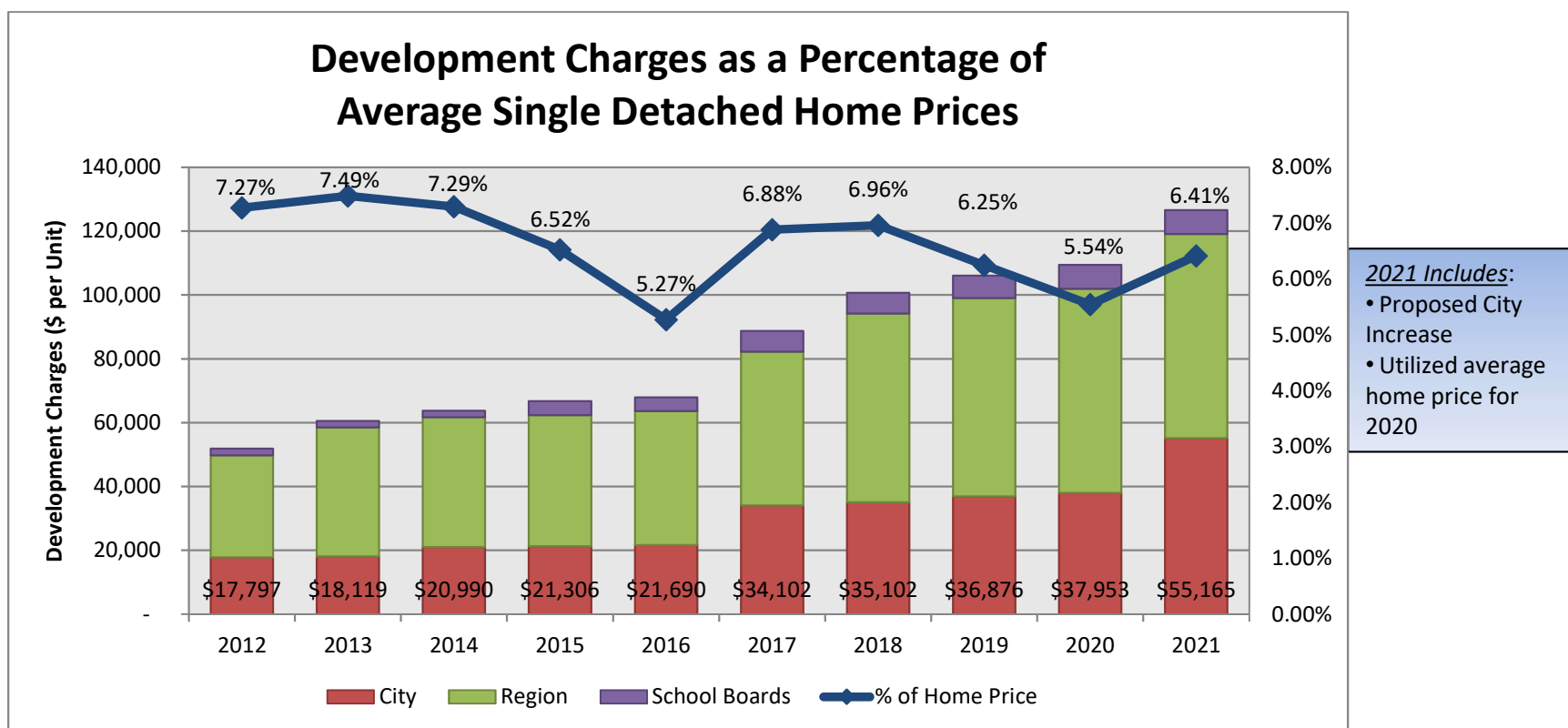
	2013	2017	Preliminary 2022
Single/Semi Detached	14%	48%	41%
Multiple Unit (Townhouse)	12%	46%	43%
Large Apartment	21%	35%	43%
Small Apartment	50%	33%	37%
Average Increase	24%	41%	41%

**Preliminary rates only, subject to change*

8. Municipal Comparison of DCs – Single/Semi Detached Dwelling



9. Development Charges to Home Prices



10. Non-DC Costs

- Represents the portion of infrastructure cost that is ineligible for development charge funding

\$ (Millions)		
Non-DC Costs	2017	Draft 2022
City Wide Hard (2021-2031)		
As Per Background Study	\$35.6	\$42.5
Prior Budget Approval	\$1.3	\$0.1
Required Funding	\$34.3	\$42.4

10. Non-DC Costs

- Total annual non-DC cost to be funded over the next 11 years is \$3.9M per annum (\$42.5M for hard services)
- Staff investigating how much funding can be used through CBCs to free up gas tax funding

11. Community Benefits Charge (CBC)

- A replacement for current *Section 37* (density bonusing)
- Applies to only single and lower-tier municipalities
- Can only be imposed on apartment buildings with at least 10 units and at least 5 storeys
- Charge is capped based on 4% of the value of land to be developed
 - No rate structure prescribed
- Can be used to fund ***growth-related*** services not fully funded through DCs

11. Community Benefits Charge (Cont'd)

Proposed Framework

- Charge based on 4% of land value to be developed
- Include both CWH and CWS services within the CBC by-law
 - Provides municipality flexibility when determining annual CBC allocation
 - Does not limit the City to which growth-related services can be funded
- Include parking services (removed from DC eligible services)
- Apply a 2-Tier approach, where items identified in Tier 1 take priority
- Framework to be refined as further strategies come forward

12. Proposed Policy Change

ASDC Credit and/or Reimbursement – Works built on City's Behalf

- Current Policy
 - Credit and reimbursements are provided based on the lessor of (1) the cost of the infrastructure as stated in the DC Background Study and, (2) the actual cost of the infrastructure
- Issue
 - Developers with ASDC multi-year credit/reimbursement agreements have to wait until all the benefitting landowners complete their developments in order to recoup their initial cost, which could take 15 to 20 years
 - There have been requests from developers over the years to index the un-reimbursed capital cost to reflect the time value of money

12. Proposed Policy Change

ASDC Credit and/or Reimbursement – Works built on City's Behalf

- Staff Position
 - This is a reasonable request as it ensures the developer that constructs the initial infrastructure is fairly reimbursed. This would not impact the City, as the amount reimbursed would reflect the amounts collected from the contributing landowners who benefit from the infrastructure
- Recommendation (Approved by DC Sub-Committee)
 - That the City provide for indexing of capital costs on multi-year Area Specific Development Charge credit/reimbursement agreements as part of the City's Development Charge by-law update

13. Timelines

- Council Sub-Committee – May to November 2021
- General Committee – September 2021 to January 2022
- Developer Consultation – September 2021 to April 2022
- Finalize Study – January 2022
- Public Meeting – February 2022
- Council Approval – April 2022

14. Resolutions

1. That the presentation on the Development Charges Background Study Update be received; and
2. That Council approve the provision of indexing of capital costs for multi-year Area Specific Development Charge credit/reimbursement agreements as part of the City's Development Charge by-law update; and
3. That staff be directed to do all things necessary to give effect to this presentation

QUESTIONS