

For Information Only

Update for 2014 Development Charges Background Study

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Recommendation

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Background

Please see attached report for an update for the 2014
Development Charges Background Study and related by-law.

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Development Charges Update – 2014 Background Study and By-Law

Background

The purpose of this report is to provide an overview of development charges as well as the steps planned for the 2014 Development Charges Background Study and related by-law to be approved by City Council before July 2014.

In accordance with the Development Charges Act (DCA), the City of Greater Sudbury collects a development charge (DC) at the building permit stage to recover for growth related capital needs.

The City of Greater Sudbury's current by-law expires on July 9, 2014 as the by-law has a maximum life of 5 years. The DC Background Study and new by-law must be approved in order to collect DC's after July 9, 2014. The Background Study will illustrate the City's existing service levels, the growth related "short and long term" capital program on a ten year planning period from 2014 to 2023 for "soft" services and from 2014 to 2036 for "hard" services, and the proposed development charge rates. Examples of "soft" and "hard" services are identified within this report.

Hemson Consulting Ltd. (Hemson) will be assisting the City with development of the 2014 DC Background Study and related by-law as Hemson was the successful bidder for the RFP issued in 2012. The public meetings will be scheduled for Spring 2014 in advance for the approval of the new by-law by July 2014.

What are Development Charges?

Development charges are charges imposed by municipalities on developers to pay for increased capital costs related to growth. Development charges provide municipalities with a tool to help fund the infrastructure needed to serve new growth. They help finance the growth-related capital costs of providing important services like roads, water and wastewater services, police, fire and transit.

Most municipalities in Ontario use development charges to ensure that the cost of providing infrastructure to service new development is not borne by existing residents and businesses in the form of higher property taxes.

Growth related capital costs are costs that result from the expansion of services to meet the needs of new development. These capital costs are reduced by an allowance for provincial and/or federal grants and other sources of funding as well as other deductions required by the DC Act to determine the net capital cost for DC recovery.

In the City of Greater Sudbury, in accordance with the 2009 By-law, development charges are levied on the following municipal services: water, wastewater, roads, police, public works, general government, libraries, fire, recreation, emergency and transit.

Development charges are imposed against new development, re-development and expansions for residential and non-residential buildings or structures.

The principle behind development charges is that “growth pays for growth”, meaning development pays the largest share of capital costs associated with new growth and development while taxpayers/ratepayers fund capital infrastructure that benefits the existing population. However, in reality, development charges cannot fully fund growth due to statutory limitations.

One of the issues stemming from the consultations leading up to the 2009 DC By-law was how costs not eligible for inclusion in the DC by-law would be addressed. This led to the adoption of a Policy on Development Cost Sharing for the City in 2011.

When development takes place in the City, new infrastructure (i.e. roads, sewers, watermains, traffic signals, etc), both internal and external to the development typically has to be constructed. In some cases, this infrastructure will solely benefit the developer, in other cases the City and/or third parties may benefit from the new infrastructure. The Policy on Development Cost Sharing standardizes how development costs not covered in the DC by-law are shared between the developer, the City and third party land owners.

Services Eligible for DC Recovery

The DC Act allows full 100% recovery from “hard” and “protection” services and 90% recovery from “soft” services as listed below. The maximum planning period for capital growth related projects is 10 years for “soft” services and up to 2036 for “hard” services.

1. 100% Cost Recovery
 - Protection Services
 - i. Fire Services
 - ii. Police Services
 - Engineered Services (“Hard” Services)
 - i. Roads and Related
 - ii. Water
 - iii. Sanitary Sewer
 - iv. Drains and Stormwater
2. 90% Cost Recovery (“Soft” Services)
 - Library
 - Parks and Trails
 - Indoor Recreation
 - Public Works (Buildings and Fleet)
 - Transit Services
 - Emergency Medical Services/Emergency Preparedness
 - General Government (Studies)

3. Other Potential Eligible Services (90% Cost Recovery)
(Note these services were not part of the 2009 by-law)

- Parking
- Housing
- Long-Term Care
- Employment Services
- Provincial Offences
- Child Care
- Public Health
- Airport

Services Ineligible for DC Recovery

In accordance with the DC Act, the following services are ineligible for DC recovery:

- Cultural and entertainment facilities including museums, theatres, art galleries
- Tourism facilities including convention centres
- Park land acquisition
- Hospitals
- Headquarters for general administration of municipalities and boards
- Waste management
- Other services prescribed by legislation

Eligible Growth Related Projects

The following are some examples of eligible growth related projects:

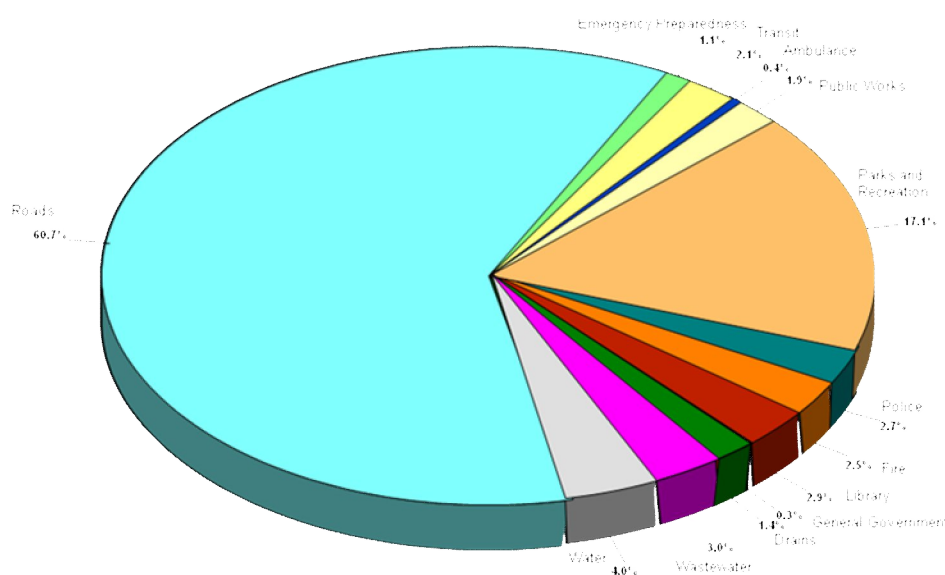
- Adding square footage to a building
- Adding a vehicle to the existing fleet thereby increasing the number of vehicles used by the City
- Adding a road lane, turning lane, streetlights, etc.
- Adding additional roads or buildings to maintain/improve existing service levels
- Required equipment for new staff hires (Police and Firefighters)
- Water main upgrades from existing 300mm to 600mm
- Studies that have a growth component (water master plan, official plan, etc)

Current DC Rate Structure

The following DC rates are in effect until December 31, 2013, before the rates are adjusted based on Non-Residential Building Construction Price Index (Q3 2013 rate) for January 1, 2014 to July 8, 2014.

Servicing	Single Family (per unit)	Multiples and Apartments (per unit)	Industrial (per sq ft)	Commercial / Institutional (per sq ft)
All Services	\$14,829	\$9,285	\$4.34	\$10.11
Excluding Water	\$14,239	\$8,916	\$3.92	\$9.69
Excluding Wastewater	\$14,390	\$9,010	\$4.02	\$9.79
Excluding Water and Wastewater	\$13,800	\$8,641	\$3.60	\$9.37

The development charges collected are used to fund various growth related projects by service area as identified in the 2009 DC Background Study. As illustrated below, the most significant portion of DC's collected for residential development is used for growth related projects in Roads.



Key Steps of the DC Study Process

1. Growth Outlook to 2036 for residential and non-residential development

The report on Population, Household and Employment Land Projections as prepared by Hemson was presented to the Planning Committee on May 23, 2013 and then to City Council. This report examined how the City may grow and change from 2011 to 2036 at a city-wide and community level. The key findings of this study were:

- Greater Sudbury's population is expected to grow over the next 20 years;
- Demand for housing will continue;
- Demand for housing will shift from singles towards other forms of development; and
- Employment will also continue to grow.

2. Inventories to determine historic average service levels

Historic average service levels are calculated based on the estimated replacement values for all existing assets in service for the past 10 years and the City's population.

The average service level sets a cap on eligible DC funding, with the exception for water and wastewater services as there is no service level limitation. The City cannot use DC's to increase level of service above 10 year historic average, thereby it establishes the "maximum allowable" charge.

3. Growth-related capital projects

City Council must express their intent to undertake growth-related capital projects in order to be eligible. The total capital cost is reduced by the portion benefiting existing community as well as grants, subsidies, uncommitted DC reserve funds and 10% of 'soft' service capital costs where applicable.

4. Calculate DC rates

Hemson will calculate the DC rates based on the 10 year historic average service levels, population/household growth and growth-related capital projects.

5. DC policy choices

City staff and Hemson will present proposed policy choices to be reflected in the 2014 by-law. An example of policy choices includes review of DC exemptions for Downtown Centres and Community Improvement Plan Areas.

6. Public Consultation

City staff will prepare a communication strategy for the community to share their concerns and input on growth related projects, 2014 DC background study and by-law during the Spring of 2014.

7. New DC by-law and policies conforming with the Development Charges Act

Staff along with Hemson Consulting Ltd will present the DC Background Study and by-law to City Council during the Spring of 2014 for approval before July 9, 2014.

Proposed Schedule

The proposed schedule for future presentations to Council for the 2014 DC Background Study and related by-law in time for approval before July 2014 will be as follows:

1. Finance and Administration Committee meetings: Winter 2014; Presentation of any growth related capital projects and/or by-law and policy changes for approval and/or direction.

2. Finance and Administration Committee meeting on April 15, 2014: Presentation of draft 2014 DC Background Study and DC rates.
3. Public Consultation meeting during April/May 2014.
4. City Council meeting on May 6, 2014: Statutory Public Meeting.
5. City Council meeting on June 10, 2014: Council passage of new DC by-law.

Development Charges Act, 1997 - Provincial Review Consultation

The Ministry of Municipal Affairs and Housing (Ministry) is reviewing its development charges system, which includes the Development Charges Act and related municipal measures that levy costs on development (i.e. section 37 and parkland dedication provisions of the Planning Act), to ensure it is predictable, transparent, cost-effective and responsive to the changing needs of communities. The Ministry will complete consultations with municipalities, building and development industry and other key stakeholders on what changes to the system are needed. The invitation for comments are due by mid-January 2014. The proposed changes as well as the effective date of these changes are not known at this time.

Conclusion

City staff and Hemson Consulting Ltd will continue to develop the 2014 DC Background Study and by-law for presentation to City Council during the Spring of 2014.