



REPORT FIN-2014-027

TO: Mayor and Members of Council

FROM: Mary Hasan, Director of Finance/Treasurer

DATE: August 13, 2014

SUBJECT: 2014 Development Charges Background Study and By-law
File No. F21 DEV

RECOMMENDATIONS

That Report FIN-2014-027 dated August 13, 2014 regarding the 2014 Development Charges Background Study and By-law be received; and

That the changes to the Development Charges Background Study and proposed by-law subsequent to the statutory public meeting held on June 19, 2014 resulted in the need for a second public meeting held on July 24, 2014; and

That there were no further changes to the Development Charges Background Study and proposed by-law subsequent to the second statutory public meeting held on July 24, 2014; and

That the Township of Puslinch's 2014 Development Charges Background Study dated June 5, 2014, including Addendum dated July 10, 2014, attached as Schedule A to Report FIN-2014-027 be approved; and

That Council approve the capital project listing set out in Chapter 5 of the Development Charges Background Study attached as Schedule A to Report FIN-2014-027 subject to further annual review during the capital budget process; and

That the draft by-law included in the Township of Puslinch's 2014 Development Charge Background Study attached as Schedule A to Report FIN-2014-027 be enacted to take effect on September 3, 2014.

DISCUSSION

Purpose

The purpose of this report is to obtain Council approval on the 2014 Development Charges Background (DC) Study dated June 5, 2014, including Addendum dated July 10, 2014 and to enact a development charges by-law.

Background

DCs are collected to pay for growth-related capital infrastructure. All municipalities in Ontario must follow the Development Charges Act, 1997 (DCA) and related regulations in order to collect DCs. The DCA is based on the core principle that growth pays for growth.

The DCA requires that a development charge background study be completed prior to updating development charge by-laws. The Township of Puslinch's current Township wide development charge by-law, By-law No. 40/09, will expire on September 3, 2014. In accordance with the DCA, the Township commenced the development charge background study process in 2014 through a kick-off meeting with Watson & Associates on February 12, 2014 to discuss the overall process and requirements of Township staff. Township department heads met with Watson on May 1, 2014 to discuss capital projects to be identified in the DC study and review levels of service on a service level basis.

A draft of the Township's DC Background Study and proposed by-law was made available to the public on June 5, 2014 in advance of the first statutory public meeting of Council which took place on June 19, 2014. A draft of the Township's DC Background Study and proposed by-law, including Addendum dated July 10, 2014 was made available to the public on July 10, 2014 in advance of the second statutory public meeting of Council which took place on July 24, 2014.

Discussions Raised at the Public Meetings

Non-Residential Growth Forecast

Members of Council raised concerns regarding the decrease in the non-residential DC during the public meeting held on June 19, 2014. The decrease in the non-residential DC related to the Township not meeting the non-residential growth predictions set out in the County's Official Plan due to the recession. The Demographic Group at Watson took this into account when projecting the amount of growth needed to reach the target projections in the OP. Members of Council raised concerns that the growth figures for employment were not realistic because the Township's industrial/commercial lands are limited.

The response by Watson was to have the Demographic Group at Watson review the non-residential growth projections with County staff to ensure all the required information is included in the determination of the growth figures.

At the July 24, 2014 public meeting, Watson explained the rationale for the increase in the non-residential DC from the previous public meeting. The increase in the non-residential DC is due to the decrease in the non-residential growth forecast for the following reasons:

- A portion of the employment growth is now accommodating existing industrial space as there were increased vacancies during the economic downturn.
- A lower short-term industrial square footage growth forecast was determined as a result of a review of the Township's shovel ready industrial lands. There is limited industrial land in the Township during the shorter term based on discussions with the County and Township staff.
- Over the longer term, Maltby Road and the Highway 6 corridor can be zoned to industrial lands. This area is currently designated as industrial, but not zoned.

A comparison of the updated charges to the previous draft charges presented at the June 19, 2014 public meeting is below:

Type	Updated Charges . July 24, 2014 Meeting	Previous Charges - June 19, 2014 Meeting
Single and Semi-Detached Dwelling	4,817 per unit	4,177 per unit
Apartments . 2 Bedrooms +	2,918 per unit	2,530 per unit
Apartments . Bachelor and 1 Bedroom	1,975 per unit	1,713 per unit
Other Multiples	3,662 per unit	3,176 per unit
Non-Residential	2.26 per square foot	1.20 per square foot

The allocation of the DC between residential and non-residential is based on the proportion of growth anticipated in residential and non-residential. The anticipated non-residential growth has reduced and the anticipated residential growth has remained the same from the previous public meeting. This has resulted in the proportion of growth between residential and non-residential moving towards the residential side as it now represents more of the overall growth forecast in comparison to before the growth changes were made. The allocation between the residential and non-residential DC is approximately 80/20 versus an approximate 70/30 split in the previous public meeting. Due to the lower industrial growth forecast, this has increased the residential and non-residential DC.

Indexing Deferred Development Charges

A concern was raised at the July 24, 2014 public meeting regarding the indexing of deferred development charges. The individual requested that Council collect interest on deferred charges.

The legislation does not state that the indexing of DC\$ is mandatory. The Township currently indexes DC\$ annually based on the Statistics Canada prescribed index. This was provided to Council in Report FIN-2014-01 Annual Indexing of Development Charges. It is staff's recommendation that the indexing of deferred development charges be reviewed on a case by case basis when a development agreement is being entered into between Township staff and a developer.

Maximization of Development Charges based on Regulatory Framework

A question was raised at the July 24, 2014 public meeting regarding if this background study has maximized DC\$ recoverable through the regulatory framework or if there is additional room to recover more DC\$.

Development charges are based on the principle that growth pays for growth. However, the DCA contains legislation that limits this principle. The DCA contains mandatory reductions, such as the 10 year service level cap, which limits the amount of DC\$ municipalities may collect based on the average spending levels over the past 10 years and statutory 10% reduction on the capital costs. The details of these limitations were provided to Council in Report FIN-2014-02 Development Charges Act Reform. These mandatory reductions reduce the amount that may be included in the DC calculation. The mandatory reductions shift the burden to pay for growth-related infrastructure from new development to the tax base.

After applying the statutory reductions required in the DCA, accounting for the capital projects that provide a benefit to existing development, and adjusting the DC recoverable cost by the amount in the DC reserve fund as of December 31, 2013, the Township's development charges are projected to fund \$2.6 million or 22% of the projected \$11.883 million of growth related infrastructure required to support the anticipated growth in the Township. See the summary in the chart below:

Total Growth Related Infrastructure Costs	\$11,882,911
Less: 10% Statutory Deduction	(\$35,250)
Less: Reserve Fund Balance as of Dec. 31, 2013	(\$356,619)
Less: Benefit to Existing Development	(\$8,929,575)
Subtotal Deductions from DC calculation	(\$9,321,444)
DC Recoverable Growth Related Infrastructure	\$2,561,467

Development Charge Background Study

The DC Background Study provides full details and supporting materials for the proposed DC by-law, including:

- The requirements under the DCA, 1997;
- The Township's current DC policy and rates;
- Anticipated development in the Township;
- The approach to the calculation of the DC, including statutory reductions to the cost of growth-related infrastructure that will be borne by developers;
- Proposed development charge eligible cost analysis by service level;
- Development charge policy recommendations and development charge by-law rules; and
- By-law implementation

A copy of the DC Background Study and by-law is attached as Schedule A to Report FIN-2014-027.

For the purposes of this DC update, the anticipated future development is based upon the approved growth projections in the County of Wellington Official Plan.

Growth Related Infrastructure by Service Area

The growth related infrastructure by service area is included in Chapter 5 of the DC Background Study and summarized below.

Studies

- Master Fire Plan in 2014 and 2023
- Zoning By-law Review in 2018
- Development Charges Study in 2014 and 2019
- Amendment to Development Charges Study in 2015
- Community Based Strategic Plan in 2015
- Recreation Master Plan in 2014 and 2023
- Traffic Count Study in 2021
- Transportation Master Plan in 2023

Parks and Recreation Services

- Provision for Parkland Development from 2014 to 2023
- Provision for Playground from 2015 to 2023
- Provision for Trail Development in 2015
- Park Vehicle Lease in 2014

The specifics of the above provisions in the Parks and Recreation Service Area will be detailed in the Amendment to the Development Charges Study after the finalization of the Recreation and Parks Master Plan.

Roads and Related Services

- Various growth related roads projects
- Brush Chipper in 2015
- New vehicle purchase in 2015
- Provision for future road projects from 2019 to 2023

The specifics of the future road projects from 2019 to 2023 will be determined in the 2015 Capital Budget process as the Capital Budget will span 10 years in 2015.

Fire Services

- Provision for additional facility space from 2016 to 2023
- Provision for new vehicles from 2016 to 2023
- SCBA Compressor and Cascade Cylinders in 2014
- Equipment for new auxiliary firefighters (4) in 2014
- Radio communication interfacing in 2014

The specifics of the above provisions in the Fire Services Service Area will be detailed in the Amendment to the Development Charges Study after the finalization of the Master Fire Plan.

Next Steps

Subject to Council approval, the Township will provide notice of the passage of the by-law via the newspaper and Township website. Written notice will be provided to the County of Wellington, School Boards, Ministry of Municipal Affairs and Housing, and interested parties.

FINANCIAL IMPLICATIONS

Based on the Township of Puslinch's 2014 Development Charge Background Study (attached as Schedule A to this report), the proposed change in development charge rates for future developments effective September 3, 2014 are as follows:

Type of Development	Current DC Rate	Proposed DC Rate	Unit of Measure	Increase/ Decrease)
Single and Semi-Detached Dwelling	\$3,894	\$4,817	Per unit	\$923
Apartments . 2 Bedrooms +	\$2,773	\$2,918	Per unit	\$145
Apartments . Bachelor and 1 Bedroom	\$1,891	\$1,975	Per unit	\$84
Other Multiples	\$3,460	\$3,662	Per unit	\$202
Non-Residential	\$1.97	\$2.26	Per sq. foot	\$0.29

The increase in the proposed non-residential charge compared to the 2009 DC study is due to the decrease of approximately 50% of the square foot growth forecast over the ten year period.

The increase in the proposed residential charge compared to the 2009 DC study is due to the increase of approximately 27% of the population growth forecast over the ten year period.

APPLICABLE LEGISLATION AND REQUIREMENTS

Development Charges Act, 1997

ATTACHMENTS

Schedule A: Township of Puslinch 2014 Development Charges Background Study dated June 5, 2014, including related Addendum dated July 10, 2014 and Proposed By-law