SARNIA CITY COUNCIL

February 11, 2019
2:30pm
COUNCIL CHAMBERS, CITY HALL
SARNIA, ONTARIO

SPECIAL REGULAR MEETING
AGENDA

SPECIAL MEETING

3 - 32
1. Watson & Associates Economists Ltd. - Development Charges Council Workshop
Study Process & Timelines

- September to January 2018
- Meetings with City Staff
- Growth Forecast Development
- Policy Review
- Council Workshop
- Stakeholder Meeting
- Draft Background Study and By-law
- Public Meeting of Council
- Council Consideration of By-law
- Current By-law Expiry

- February 11, 2019
- February 15, 2019
- March 4, 2019
- April 15, 2019
- May 6, 2019
- June 9, 2019
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

Mid 1950’s to 1989 – Planning Act (lot levies)


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
• 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.
Local Service Policies

- Currently Sarnia does not have a local service policy in place
- However, a local service policy will be drafted as part of the study process and included as an Appendix to the DC background study
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 non-profit groups such as churches)
• May phase-in development charge rates over time
• Redevelopment credits to recognize what is being replaced on site (not specific in the Act but provided by case law)
City of Sarnia Current Exemptions

Discretionary Exemptions

• Non-residential Farm Building
• Use of land that does not involve a building structure
• Sarnia 402 Business Park area
• Sarnia Business and Research Park area
• Western University Research and Development Park area
• Temporary buildings and structures, non-serviced industrial buildings and structures, and airport hangars
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 provide the D.C. charge
Update on Bill 73

- New Definitions & Ineligible Services
- Area-specific Charges
- Waste Diversion
- Asset Management
- Transit
- No Additional Levies
- Public Process Extended
- Annual Report of the Treasurer
Impact of Bill 73 on Sarnia

- 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 City imposes water, wastewater, and stormwater on an area-specific basis
Relationship Between Needs to Service Growth vs. Funding

Service New Growth/Users

Development Charges

Rates, Taxes, Reserves, etc.
# Current DC Rates

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Protection Services</td>
<td>119</td>
<td>89</td>
<td>74</td>
<td>54</td>
<td>0.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>91</td>
<td>68</td>
<td>58</td>
<td>42</td>
<td>0.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roads</td>
<td>2,275</td>
<td>1,705</td>
<td>1,433</td>
<td>1,020</td>
<td>1.40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>County Roads</td>
<td>171</td>
<td>129</td>
<td>108</td>
<td>76</td>
<td>0.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Municipal-wide Services</strong></td>
<td><strong>2,656</strong></td>
<td><strong>1,991</strong></td>
<td><strong>1,673</strong></td>
<td><strong>1,192</strong></td>
<td><strong>1.62</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stormwater Drainage and Control Services</td>
<td>1,007</td>
<td>754</td>
<td>634</td>
<td>451</td>
<td>0.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wastewater Services</td>
<td>3,658</td>
<td>2,744</td>
<td>2,306</td>
<td>1,640</td>
<td>2.26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Services</td>
<td>652</td>
<td>490</td>
<td>411</td>
<td>293</td>
<td>0.40</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Urban Services</strong></td>
<td><strong>5,317</strong></td>
<td><strong>3,988</strong></td>
<td><strong>3,351</strong></td>
<td><strong>2,384</strong></td>
<td><strong>3.48</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total Urban Area</strong></td>
<td><strong>7,973</strong></td>
<td><strong>5,979</strong></td>
<td><strong>5,024</strong></td>
<td><strong>3,576</strong></td>
<td><strong>5.10</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Summary of Services Considered

City-wide:

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

Urban-area Services

- Wastewater Services
- Water Services
- Stormwater Services
Growth Forecast

Figure A-1

Annual Housing Forecast¹

Source: Historical housing activity derived from City of Sarnia Planning and Building Department permit data, 2008-2017, and 2018 estimated from monthly building permit data.

1. Growth forecast represents calendar year.
Approach to the Calculation

• There are 2 approaches to calculating a Development Charge

  1. Based on Population Growth
  2. Based on Unit Growth

• For the City of Sarnia from 2019-2031 there is anticipated to be development of almost 2,200 units, however because of demographics, this results in a net population growth of between 900 to 1,000 people

• As hard services (i.e. roads, water, wastewater, etc.) are required for these additional units, we are recommending use of the unit approach
Service Standard Overview

- The Development Charges Act requires an analysis of the City’s historic inventory for all services except water, wastewater, stormwater, and administration.

- This historic inventory is used to estimate an average service level provided over the previous 10-years.

- This service level is applied to the estimated growth in units to establish a cap on the costs eligible to be collected from DCs.

It is recommended that indoor recreation and library services be excluded from the DC calculations as these services are related to population growth whereas the other services are related to unit growth.
Survey of Comparator Municipalities

Survey of Residential DCs per Single-detached Unit

- Area-specific based on 15 units per hectare or 6 units per acre
- Indexed to 2019 rates based on 5.2% estimate
- No water and indexed to 2019 based on 7.3%
- No water or wastewater
Survey of Commercial DCs per sq.ft. of G.F.A.

^Area-specific based on 30% lot coverage
*Exempt until August 2019
* No water and indexed to 2019 based on 7.3%
** No water or wastewater. Amount shown is average per sq.ft. cost. Non-res DCs are provided on a flat charge basis varying by size of development.
Survey of Industrial DCs per sq.ft. of G.F.A.

- Lower Tier Charges
- Upper Tier Charges
- Education DCs

^Exempt
** No water or wastewater. Amount shown is average per sq.ft. cost. Non-res DCs are provided on a flat charge basis varying by size of development
Summary and Observations

• Currently the City collects DCs for only fire, administration studies, roads, water, wastewater, and stormwater

• However, the City provides for additional services that require capital costs as a result of growth

• Home builders are concerned about a lack of serviced land and DCs are a recovery mechanism to service land for growth

• Historically in Development Areas 1 & 2, developers front-ended the costs of installing services. Utilizing DCs may be a simpler recovery tool for the City

  Significant increases in the DC may be required to provide adequate funds for growth-related projects

  Exemptions or discounts may be considered for Commercial and Industrial development and will be reviewed in further detail by Watson and City staff
Council Considerations

Council to provide input on the following matters:

- D.C. rates and/or services to be implemented
- Consideration of Area-rating
- Other Policies/Exemptions
Note: Current by-law expires June 9, 2019. The new D.C. by-law would repeal and replace the existing.