

An aerial photograph of a city skyline, likely London, Ontario, featuring a mix of modern high-rise buildings and older structures. The city is surrounded by lush green trees and a river flows through the foreground. The sky is blue with scattered white clouds.

LONDON

**Strategic Priorities and Policy
Committee**

*2014 Development Charges
Background Study and By-law*

May 5, 2014

Introduction

- Purpose:
 - To respond to questions arising from April 14th meeting (tabling - DC Study and By-law)
 - To update Committee on outstanding DC items (economic analysis & water supply rate report)
 - To present technical changes to draft DC By-law and present further minor rate reductions DC background study

2014 DC Study Accomplishments

- ✓ Transition away from Urban Works Reserve Fund
- ✓ Enhancements to the Growth Management Implementation Strategy Update process
- ✓ Municipal Service and Financing Agreements Policy for front-ending works
- ✓ Competitive and comparable development charge rates

DC Rate Progression: \$40,334 to \$28,143

DC Rate
From
\$40,334
to
\$31,021

- Removed 2/3 of BRT cost (Fed/Prov grants)
- UWRF retirement from 5 yrs to 7 yrs
- Removed Operations Centres and Water Supply rates
- Adjustments for post period benefits
- Refinements to project cost estimates
- Re-assessed benefit to existing (non-growth) shares for project costs

DC Rate Progression: \$40,334 to \$28,143

DC Rate
From
\$31,021
to
\$28,143

- Council-approved deferral of \$115 M in roads projects
- Refinements to project costs (2013 and 2014 tenders)
- Removal of 1 of 2 contingency SWM facilities
- Added back Water Supply rate

Factors Influencing Commercial DC Rates

Component	Factor	Approx. Amount of Rate Increase
Water Supply	Inclusion of Water Supply rate component	\$1.70
Roads	Program cost increases Increased debt financing	\$71.00
Stormwater Management	Shift from UWRF to CSRF	\$14.00
Other	Project cost increases, capital program expansion, UWRF retirement, etc.	\$4.80
Total	Increase in calculated 2014 DC rate from existing rate	\$91.50

Economic Analysis Process

- February 20th SPPC: Council directed staff to examine economic impact of DC rate increases, including feedback from development community
- Engaged Watson & Associates to prepare economic analysis (agenda item 5(c))
 - LHBA and LDI provided input on interview questions and suggested interviewees
- Watson study peer reviewed by Dr. Godwin Arku, Associate Professor, UWO (agenda item 5(d))

2014 DC By-law Changes (agenda 5(e))

- Conversion credits
 - Inserted provisions to avoid someone building an industrial building and then immediately converting it to a commercial use to pay less DCs
- DC Rate Schedule (Schedule 1)
 - Included notes to clarify that industrial buildings will not pay DCs and that select institutional buildings will receive a discounted rate
- Definition of “development”
 - Updated Building Code reference (from former “Section 10” to current “C.1.3.1.4”)

2014 DC Background Study and By-law Rate Changes

- Amendments to reflect results of final Master Plan reviews by LDI and Eng. staff - result:
Net reduction to sfu rate : \$21
 - Timing changes – Roads
 - Technical change to Water Distribution program
 - Revised Post Period benefits – Roads, SWM
 - No impact on rates :
 - Technical wording changes, formatting changes
 - UWRF General rate – redistribution of components

DC Rate

“Flexibility”

“Affordability”



Flexibility maximizes the ability for development to proceed in the short term (0-5 years).


Flexibility increases the DC Rate as it increases capital investment and borrowing costs.

GMIS Update and DC Monitoring


Approval of 2014 DC Study (as amended)– establishes 20 year growth program and cost recovery



Yearly DC Monitoring – examines DC revenues and project cost actuals vs. estimates (need to trigger a DC Study update)



Annual GMIS Updates – opportunity to adjust project timing to reflect ability to pay for projects and market conditions



Future DC Study – tweaks to previous DC Study and adding an additional 5 years of growth

DC Rate

“Flexibility”

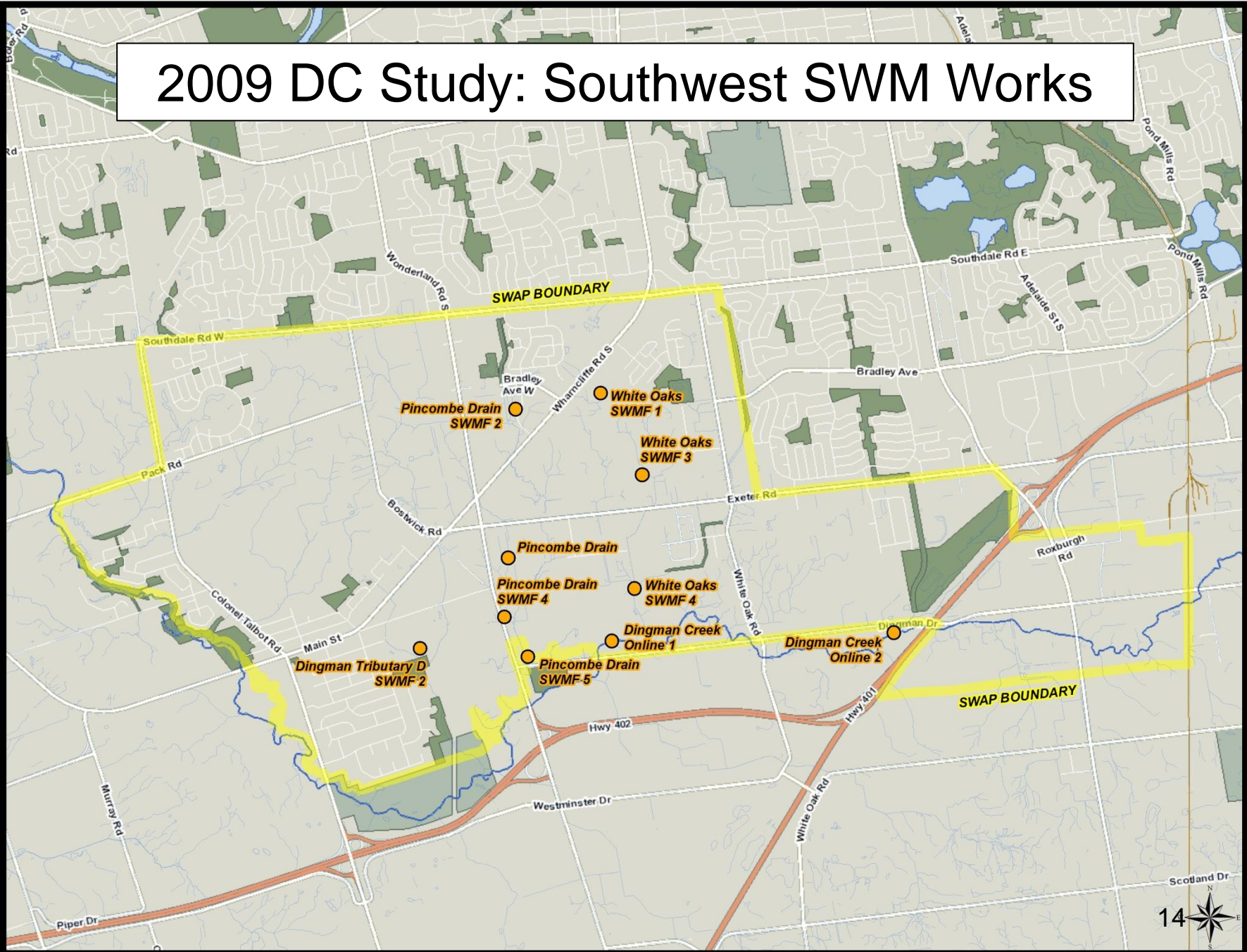
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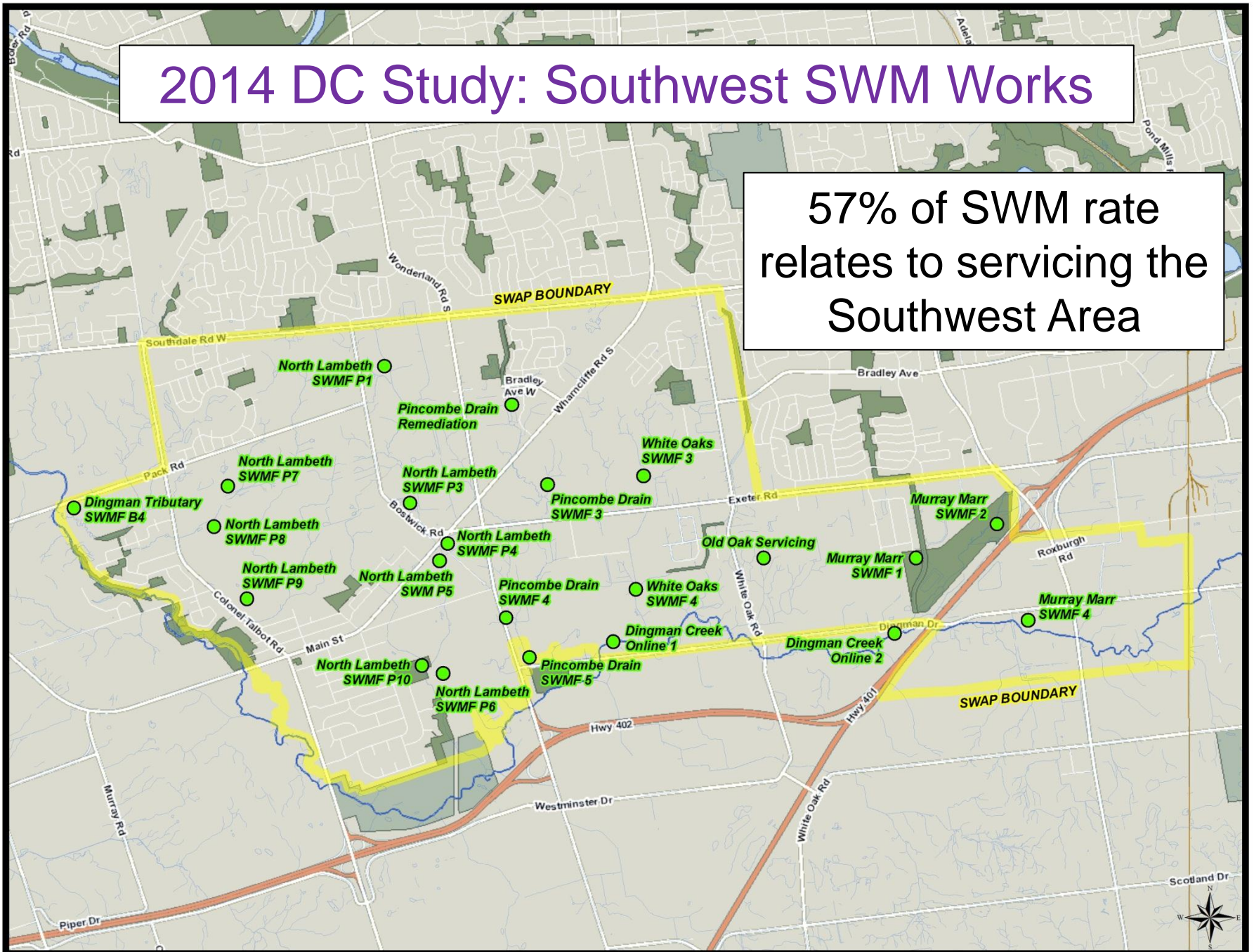
Flexibility increases the DC Rate as it increases capital investment and borrowing costs.

2009 DC Study: Southwest SWM Works



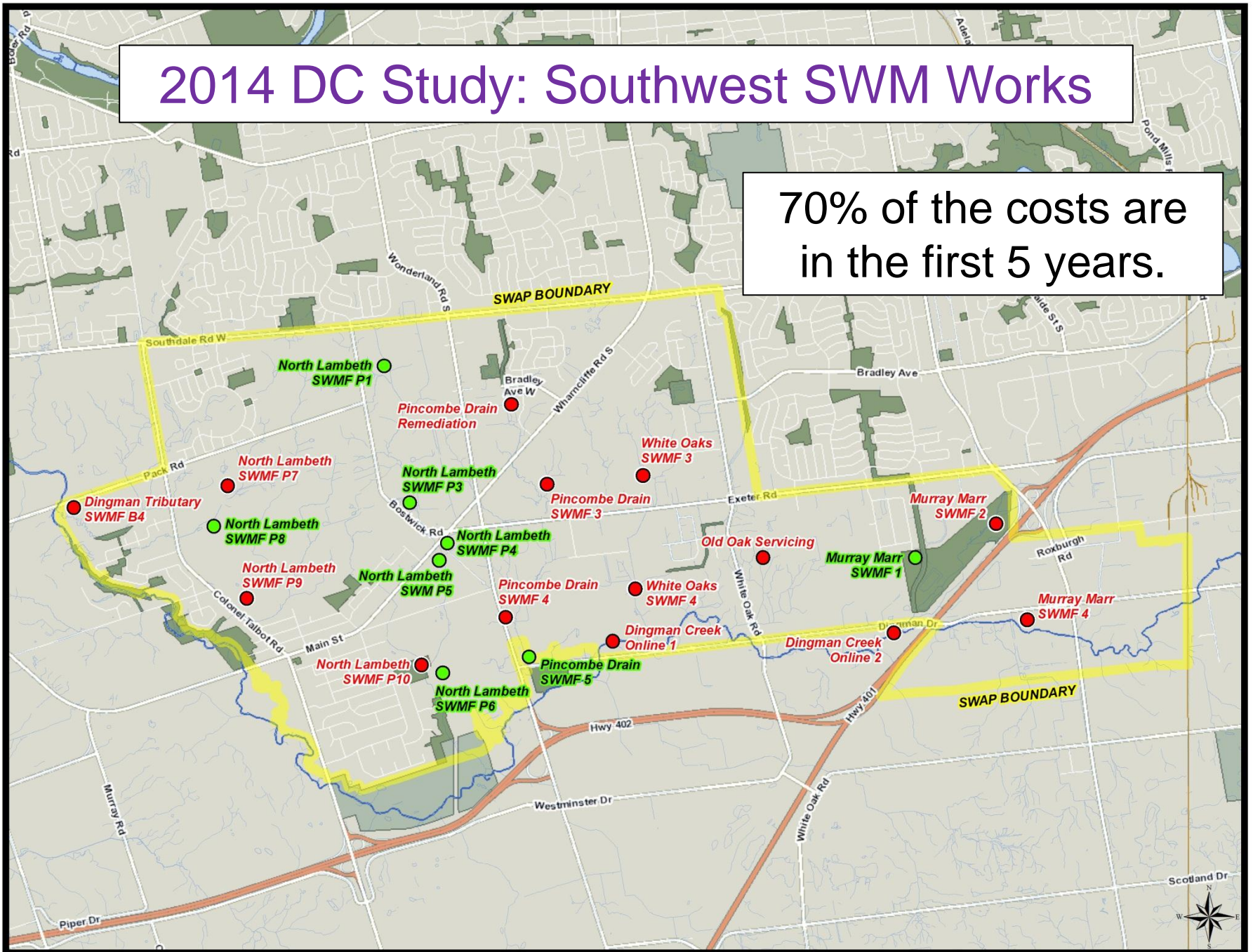
2014 DC Study: Southwest SWM Works

57% of SWM rate relates to servicing the Southwest Area



2014 DC Study: Southwest SWM Works

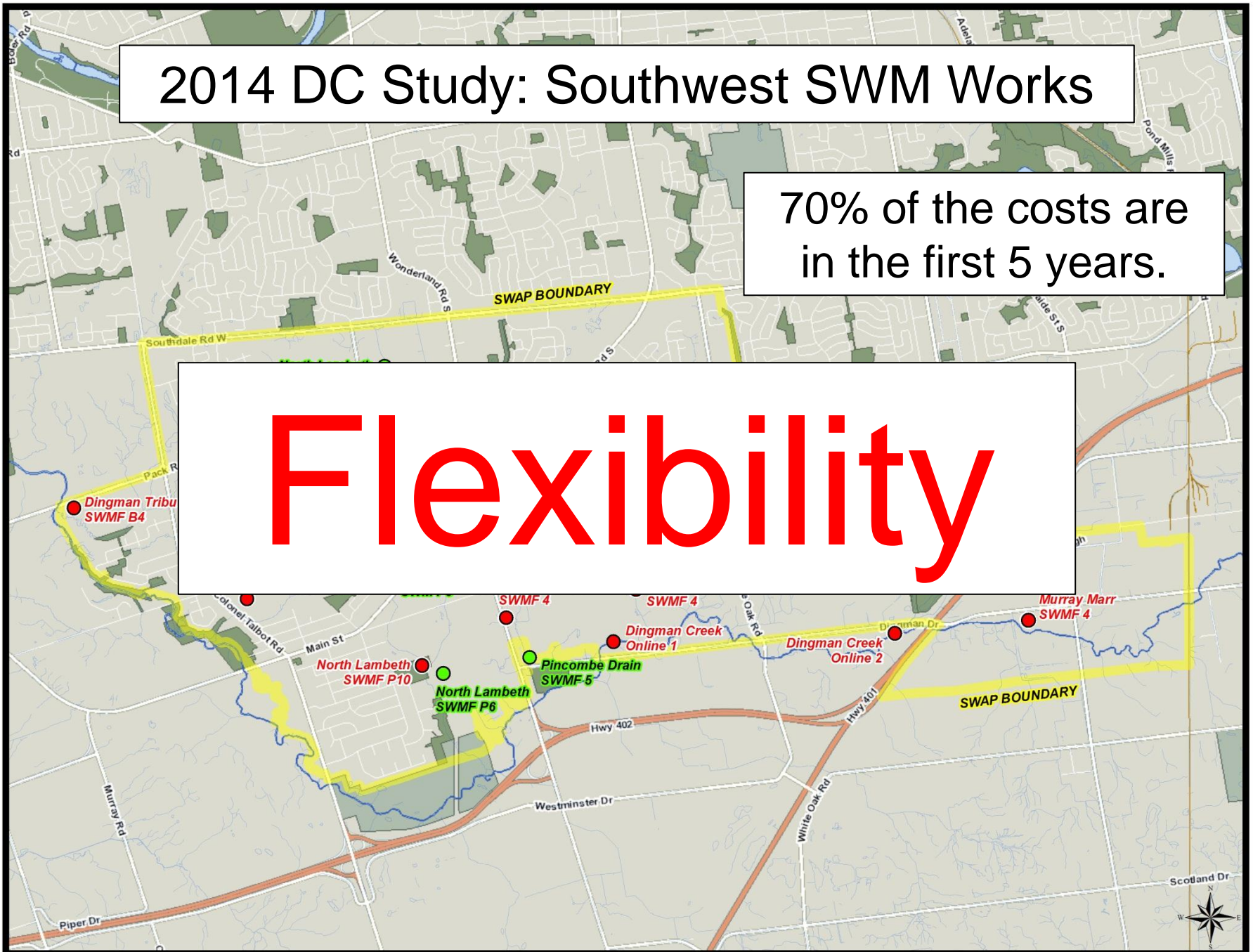
70% of the costs are in the first 5 years.



2014 DC Study: Southwest SWM Works

70% of the costs are in the first 5 years.

Flexibility



Sanitary is Similar

88%

- of non-industrial sewer costs are in the Southwest.

48%

- of the costs are in the first 5 years.

Sanitary is Similar

88%

- of non-industrial sewer costs are in the
Sc

Flexibility

- of the costs are in the first 5 years.

Alternative

- Reduce Flexibility
 - Provide major deferrals of projects in the Southwest (as much as 15 years).
 - Spread out evenly the timing of projects city-wide over the 20-year period.