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<b>TO:</b>	<b>CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MAY 5, 2014</b>
<b>FROM:</b>	<b>PETER CHRISTIAANS, DIRECTOR, DEVELOPMENT FINANCE</b>
<b>SUBJECT:</b>	<b>WATSON &amp; ASSOCIATES: ECONOMIC IMPACT OF PROPOSED DEVELOPMENT CHARGES</b>

<b>RECOMMENDATION</b>
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That on the recommendation of the Director, Development Finance, the following report and attached study by Watson & Associates entitled “City of London: Economic Impact of Proposed Development Charges” **BE RECEIVED** for information purposes.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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- Strategic Priorities and Policy Committee, April 14, 2014: “2014 Development Charges Covering Report and Draft DC Rate By-law”
- Strategic Priorities and Policy Committee, February 20, 2014: “Development Charges Review 2014: Draft Rate Calculations”

<b>BACKGROUND</b>
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On February 25, 2014, Municipal Council approved the following resolution regarding proposed changes to draft development charge (DC) rates:

*That the following actions be taken with respect to the Development Charges Review 2014 Draft Rate Calculations:*

- ...
- ...
- ...
- ...
- e) *the Civic Administration BE DIRECTED to seek input from the development industry and report back with respect to the economic impact of the proposed Development Charges;*
- ...

In response to this request, Civic Administration engaged Watson & Associates to prepare an economic analysis of proposed development charge rates on residential and non-residential development and building construction. Watson & Associates is one of Canada’s leading economic consulting firms, and has extensive expertise in the areas of development charges, market demand analyses and economic assessments.

Watson & Associates was requested to examine the impacts of DC rate increases on housing affordability, industrial and commercial development costs, and the relative competitiveness of our housing and non-residential sectors to adjacent municipalities. These requests were informed by concerns raised by development, building and labour stakeholders at the February 20<sup>th</sup> meeting of the Strategic Priorities and Policy Committee where draft DC rates were presented to the Committee.

Staff engaged both the London Association of Home Builders (LHBA) and London Development Institute (LDI) to review and comment on interview questions prepared by Watson & Associates for building and development stakeholders. Additionally, interview candidates and contact information was provided by both the LHBA and LDI. The stakeholder interviews were conducted by Watson & Associates staff, and comments received were reflected in the study’s findings and conclusions.

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Jamie Cook, MCIP, RPP, PLE of Watson & Associates will be in attendance at the May 5<sup>th</sup> meeting of Strategic Priorities and Policy Committee to address any questions or comments arising from the Watson study (see Appendix A).

At the request of members of the Development Charges External Stakeholders Committee, a peer review of the Watson study is being completed. Dr. Godwin Arku, Associate Professor in the Urban Development Program at the University of Western Ontario has been engaged to comment on the methodology employed by Watson, the applicability of their findings to the London residential and non-residential markets, and the observations made by Watson in their study. Due to the compressed timing associated with the review, Dr. Arku's commentary will be provided to the Committee at the May 5<sup>th</sup> meeting.

<b>CONCLUSION</b>
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In response to a request by Municipal Council, Watson & Associates has prepared the attached economic analysis of impacts associated with calculated 2014 Development Charges Study rates. Building and development stakeholders provided input into the industry stakeholder survey questions as well as the interview candidates.

Jamie Cook, MCIP, RPP, PLE of Watson & Associates will be available at the May 5<sup>th</sup> meeting to address any questions or comments arising from the attached study.

A peer review is also being completed by Dr. Godwin Arku, Associate Professor, University of Western Ontario Urban Development Program and will be provided as an added agenda item.

<b>PREPARED BY:</b>
<b>PAUL YEOMAN</b> <b>MANAGER I, DEVELOPMENT FINANCE</b> <b>FINANCE AND CORPORATE SERVICES</b>
<b>REVIEWED AND RECOMMENDED BY:</b>
<b>PETER CHRISTIAANS, CA, CPA</b> <b>DIRECTOR, DEVELOPMENT FINANCE</b> <b>FINANCE AND CORPORATE SERVICES</b>

April 28, 2014

- c.c. Martin Hayward, Managing Director, Corporate Services & City Treasurer, Chief Financial Officer
- John Fleming, Managing Director, Planning & City Planner
- George Kotsifas, Managing Director, Development and Compliance Services & Chief Building Official
- Gregg Barrett, Manager, Long Range Policy & Programs

APPENDIX A: "City of London: Economic Impact of Proposed Development Charges", Watson & Associates, April 28, 2014

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**APPENDIX A:**

**“CITY OF LONDON: ECONOMIC IMPACT OF PROPOSED DEVELOPMENT CHARGES”**

**WATSON & ASSOCIATES**

**APRIL 28, 2014**