

London Development Institute

May 2, 2014

By Email

City of London
300 Dufferin Avenue
London, Ontario
N6A 4L9

Attn.: Mayor Fontana, Chair and Members of the Strategic Priorities and Policy
Committee (SPPC)

Re: Development Charges (DC) Review 2014, Water Supply Charge

Mayor Fontana, Chair and Members of the Committee,

The 2014 DC report coming to the SPPC on Monday May 5, 2014 on the Draft DC rate is misleading in the way the Draft Single Family Development Charge rate is shown on Page 30 of the 2014 DC Background Study. The proposed DC rate for Single Family development (as well as for ICI) should be compared to the existing DC rate which does not have a charge for water supply included in the rate.

The existing Single Family DC charge is \$23,716.00 without a water supply charge being included and the proposed new rate should be shown as \$27,743.00 to compare the rates equitably. The Staff report shows the new rate as \$28,143.00 which includes the \$400.00 charge for water supply and presumes that Council has already accepted this new charge.

It is Council's decision whether to add an additional charge of \$400.00 for water supply onto the Development Charge rate.

LDI does not support the addition of the water supply charge to the Residential DC rate for the following reasons:

- The increase in the single family rate without adding a charge for water supply is a **17% increase** over the current rate and with a charge for water supply **added** it will be a **19% increase** over the current rate. LDI/LHBA believes that the 17% rate increase itself poses a significant hardship on new home purchasers.
- Water supply has not been included in past DC By-laws because the City buys water from the two water boards, Lake Huron Water Supply System and the Elgin Area Water Supply System, which operate as separate utility companies that provide a service and a product to the City of London and other member

municipalities. LDI encourages the City to continue with the practice that water supply be paid for through the water rates shared by all users of the system. This practice will ensure a viable and equitable source of water for all residents of the City of London.

- If the proposed charge for water supply is added to the DC the water rate charged to consumers is **reduced by only 1.8%** or approximately **\$6.00 per year** or **\$0.50 a month**. LDI does not believe that this minimal reduction would have a significant impact to water ratepayers.
- If water supply is added to the DC then the water rate paid by consumers is only paying for maintenance of the existing system and may not cover the cost of increased standards imposed by the Province.
- The tax payers will also be responsible to pay the water DC charge for any residential projects that are built utilizing the DC exemptions for residential development in the Downtown or Old East Village. LDI believes that a charge for water supply should be reflected as a user rate rather than an additional tax.
- The new home owner pays for expanding the water distribution system for growth in the city through a DC charge and also pays for the new water system throughout the subdivision to service their house through the price of their new home. The installation of the new water distribution system they have paid for should not require any repair or service for at least 50 years.
- The new home purchaser pays a water rate for the water they use as soon as they move in which then goes to maintain the existing system. This is a case where growth pays for growth and then pays to cover non-growth maintenance costs of the existing system.

Table 3-3, Non-Residential DC Rate Calculation Summary of the DC Background Report shows the additional charges to be added to the Industrial, Commercial and Institutional (ICI) DC rates. Similar to Residential, LDI does NOT support the addition of the water supply charge to the ICI DC rate for the following reasons:

- The DC charge for **Industrial** land uses will be **\$6.36/m²** if water supply is added which is **paid by the tax payer** through the DC exemption for new industrial development.
- Including water supply adds **\$1.70/m²** to all **Commercial** development projects which are already seeing a significant increase in DC charges from \$174.44/m² to \$265.94/m² which is a **52% increase**.

- **Institutional** projects will see an additional **\$2.48/m²** added to the DC charge for water supply.

London benefits by keeping the DC rate competitive with surrounding municipalities like Ilderton and Komoka to help curb urban sprawl and the loss of future tax assessment. These municipalities do not include water supply in their DC charges and it is paid through the water rates by the consumers.

The proposed 2014 DC By-law includes a charge for the expansion of the water distribution system inside the City of London so that growth pays for the cost to meet the demands due to new growth. LDI has accepted this charge to meet growth needs within the City.

The City's portion of costs for future expansion due to growth throughout the whole water supply system for the two Water Boards is better to be borne by averaging the costs across all residential and ICI users in the City as part of the water rate than to rely on new development to provide the funds. Potentially, there could be a shortfall in a water supply DC fund if the City does not meet future growth targets and the City may have to borrow and finance their portion of the cost.

Water supply should be left as a charge payable to the utility companies to ensure a viable water supply system that meets the ever increasing quality regulations required by the Province.

It is Council's decision whether to add a water supply charge to the DC. LDI and LHBA recommend that water supply should continue to be reflected in the utility rate and not be added to the DC.

Sincerely,

London Development Institute



Jim Kennedy
President, LDI

cc LDI Members
cc Peter Christiaans, Development Finance
cc Martin Hayward, City Treasurer
cc Scott Mathers, Development Finance
cc John Braam, City Engineer
cc John Lucas, Water Engineer