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TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MAY 5, 2014
FROM:	PETER CHRISTIAANS, DIRECTOR, DEVELOPMENT FINANCE
SUBJECT:	REVISIONS TO THE DRAFT 2014 DEVELOPMENT CHARGES BY-LAW AND BACKGROUND STUDY

RECOMMENDATION

That on the recommendation of the Director, Development Finance, the following amendments **BE INTRODUCED** to the draft 2014 Development Charges(DC) By-law identified in Appendix J of the “2014 Development Charges Covering Report and Draft DC Rate By-law” report and 2014 Development Charges Background Study tabled for consideration at the statutory public meeting as required under the Development Charges Act, 1997, on May 5, 2014:

- a) the definition of “development” **BE AMENDED FROM** “development’ means as per Section 10 of the Ontario Building Code.....” **TO** “development’ means as per Section C.1.3.1.4 of the Ontario Building Code.....” per Appendix A of this report.
- b) Section 15 of the 2014 Draft DC By-law (Appendix J of the April 14, 2014 report) **BE AMENDED** to the wording for Section 15 identified in Appendix A of this report;
- c) Schedule 1 being the proposed DC rates identified in the 2014 Draft DC By-law (Appendix J of the April 14, 2014 report) **BE AMENDED** to Schedule 1 identified in Appendix A of this report, noting that the changes include minor revisions to the recommended DC rates as well as the addition of text at the bottom of the schedule.
- d) The 2014 Development Charges Background Study **BE AMENDED** as outlined in Appendix B to reflect comments provided by members of the Strategic Priorities and Policy Committee on April 14th and comments received from the Development Charges External Stakeholders Committee members.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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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, October 21, 2013: “2014 Development Charges Study: Proposed Changes to Development Charges Non-Residential Building Conversion and Demolition Policies”

BACKGROUND

Since the April 14, 2014 meeting of Strategic Priorities and Policy Committee, three minor technical issues have been identified requiring revisions to the submitted draft 2014 Development Charges By-law (see attached Appendix A):

- **Definition of “development”**
 - The previously submitted draft by-law definition for “development” is identical to that of the present Development Charges By-law. However, recent changes to the Ontario Building Code resulted in section numbering changes. The revised definition in Appendix A reflects the change in the Building Code section reference.

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- **Anti-avoidance Provision: Non-Residential Conversions**

- On October 22, 2013, Municipal Council approved a policy change for conversion credits associated with converted non-residential buildings from one use to another (e.g., an industrial building converted to a commercial building). The previously submitted by-law provisions reflect this policy change and permit an applicant for a non-residential conversion to have his/her DCs payable reduced by the value of the calculated DCs for the former use.
- Staff has identified a potential “loophole” associated with the proposed conversion provisions, whereby an applicant could build an “industrial building” and shortly thereafter apply for a change of use permit for a commercial building – essentially as a means of avoiding paying full commercial DCs.
- The revised by-law provision establishes a ten (10) year “window” from the issuance of the initial building permit before the full conversion credit could be applied to a non-residential building. This temporal limit is being introduced strictly to avoid potential abuse of the conversion credit provisions and is not intended to conflict with Council’s approved policy change.
- Additional provisions have also been introduced to permit the City Treasurer to recover the outlay for the tax supported DC exemption/CIP grant if the conversion occurs within the ten (10) year time frame of the building’s original construction.

- **By-law Schedule 1: Rate Changes and Explicit References to DC Exemptions**

- Schedule 1 of the previously submitted 2014 Development Charges By-law provides the recommended calculated DC rates applicable to each form of development defined in the by-law. The schedule includes a calculated rate for industrial buildings that is not present in the current DC By-law.
- The purpose of including the calculated industrial rate is:
 - to allow a calculation of the value of the DC exemption/CIP grant to be transferred from an exemption/grant reserve fund to the DC reserve funds; and,
 - to permit a future Council to modify the percentage or amount of industrial CIP grants without the need to amend the DC By-law. It should be noted that Council has recently approved to continue to provide a complete discount of industrial DCs and that industrial development proponents will not be required to pay development charges).
- Schedule 1 has been modified with revised calculated development charge rates (discussed further below) and to include notes explicitly identifying the industrial DC exemption (both for additions and new buildings), the discount for select institutional buildings and the exemption for residential units constructed in the Downtown and Old East Village.

Minor Revisions to the Development Charges Background Study

Following the April 14th, 2014 Committee meeting, various comments from both Council and the Development Charge Stakeholders have been received. These changes result in a net minor decrease in the single family rate of \$20.95. The various changes have been documented in Appendix ‘B’ of this report and are represented in the final Development Charges By-law rate schedule as shown in Appendix ‘A’ of this report.




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CONCLUSION

Three (3) technical changes are recommended to be made to the draft 2014 Development Charges By-law and several minor changes to the 2014 Development Charges Background Study previously submitted to Strategic Priorities and Policy Committee on April 14, 2014:

- Definition of “development” to incorporate change in reference section to Ontario Building Code
- Anti-avoidance Provision: Non-Residential Conversions
- By-law Schedule 1: Rate Changes and Explicit Reference to DC Exemptions (ie. the DC rate schedule) to incorporate the changes identified in Appendix B and to ensure reader is aware of DC exemptions that would mitigate rates on the schedule.
- Changes to the Development Charges Background Study (as identified in Appendix B)

It is the opinion of Staff that these amendments are required to provide correct references, to clarify the intent of DC conversion policy changes, ensure awareness of DC exemptions and discount policies, and to revise DC rates based on the most up-to-date information.

PREPARED BY:	PREPARED BY:
	
PAUL YEOMAN MANAGER, DEVELOPMENT FINANCE FINANCE AND CORPORATE SERVICES	SCOTT MATHERS MANAGER, DEVELOPMENT FINANCE FINANCE AND CORPORATE SERVICES
REVIEWED AND RECOMMENDED BY:	
	
PETER CHRISTIAANS, CA, CPA DIRECTOR, DEVELOPMENT FINANCE FINANCE AND CORPORATE SERVICES	

May 2, 2014

- c.c. Martin Hayward, Managing Director, Corporate Services & City Treasurer, Chief Financial Officer
 George Kotsifas, Managing Director, Development and Compliance Services & Chief Building Official
 Peter Kokkoros, Deputy Chief Building Official

Appendix A: “Revisions to the Draft 2014 Development Charges By-law”
 Appendix B: “Revisions to the 2014 Development Charges Background Study”

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Appendix A: Revisions to the Draft 2014 Development Charges By-law

Relates to report Recommendation a):

“**development**” means the construction, erection or placing of one or more buildings or structures on land or the making of an addition or alteration to a building or structure that has the effect of changing the size or usability thereof, and includes all the enlargement of existing development which creates new dwelling units or additional non-residential space and includes work that requires a change of use building permit as per Section 40 C.1.3.1.4 of the Ontario Building Code ; and “redevelopment” has a corresponding meaning;

Relates to report Recommendation b):

15. Conversion From One Form Of Non-residential Use To Another Form Of Non Residential Use

Where, in conjunction with a change from one form of lawfully existing non-residential use to another form of non-residential use, a lawfully existing building or structure is wholly or partially converted, the area for which a development charge is payable shall be calculated using the following formula:

$$A - B = C$$

Where:

A = the development charge that, were it not for this section, would otherwise be payable at the current rate in respect of the use to which the space converted;

B = **the lesser of:**

- i. development charge that would be payable at the current rate in respect of the lawfully existing former space being converted; **or**
- ii. **where the building permit for the non-residential building for which the use is being converted was issued within the past ten (10) years and where the applicant for that permit was not required to pay a development charge by virtue of a tax supported program, discount or exemption that reduced or eliminated development charges otherwise payable at the time of the permit, the net amount of the development charge paid an owner or agent for the non-residential building at the time of issue of the building permit.**

C = the development charge payable in respect of the converted space, a negative being converted to zero.

Where a service is not provided (e.g., water or sanitary sewers) to a non-residential building or structure prior to its conversion, that component of the development charge shall be excluded from the rate applied in item B above.

Where part ii) of item B above is applied to determine the value of item B in the formula above, the City shall recover the amount it spent on the tax supported program, discount or exemption on the original construction, and the same shall be returned to the original City funding source (i.e., reserve fund or General fund) by the City Treasurer, in cooperation with the Chief Building Official.

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Appendix A: Revisions to the 2014 Development Charges By-law (Relates to report Recommendation c)):

**SCHEDULE 1
to By-law C.P.-**

**Development Charge Rates Commencing August 4, 2014
Section 8 & 39**

Service Component:	Single & Semi-Detached (per dwelling unit)	Rowtousing (per dwelling unit)	Apartments with < 2 bedrooms (per dwelling unit)	Apartments with >= 2 bedrooms (per dwelling unit)	Commercial (per sq. m. of gross floor area)	Institutional (per sq. m. of gross floor area)	Industrial (per sq. m. of gross floor area)
	City Services						
Fire Services	\$ 69.48	\$ 49.47	\$ 31.48	\$ 42.95	\$ 1.14	\$ 0.40	\$ 0.06
Police Services	\$ 318.35	\$ 226.65	\$ 144.23	\$ 196.78	\$ 0.32	\$ 0.12	\$ 0.01
Growth Studies	\$ 472.54	\$ 336.43	\$ 214.09	\$ 292.09	\$ 5.52	\$ 3.06	\$ 2.13
Library Services	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ -	\$ -	\$ -
Parks & Recreation	\$ 1,993.24	\$ 1,419.14	\$ 903.09	\$ 1,232.07	\$ -	\$ -	\$ -
Transit Services	\$ 306.64	\$ 218.32	\$ 138.93	\$ 189.54	\$ 2.85	\$ 2.43	\$ 2.20
Roads Services	\$ 12,654.02	\$ 9,553.37	\$ 5,908.00	\$ 7,961.14	\$ 150.20	\$ 86.98	\$ 69.35
Sanitary Sewerage	\$ 3,370.54	\$ 2,544.65	\$ 1,573.66	\$ 2,120.54	\$ 16.78	\$ 6.98	\$ 26.74
Water Supply	\$ 400.03	\$ 302.01	\$ 186.77	\$ 251.68	\$ 1.70	\$ 2.48	\$ 6.36
Water Distribution	\$ 1,116.42	\$ 842.86	\$ 521.24	\$ 702.39	\$ 7.31	\$ 2.32	\$ 27.74
Major SWM	\$ 5,134.81	\$ 3,876.61	\$ 2,397.38	\$ 3,230.51	\$ 46.66	\$ 25.29	\$ 35.08
Minor Roadworks	\$ 651.10	\$ 491.56	\$ 303.99	\$ 409.63	\$ 10.45	\$ 2.54	\$ 3.52
Minor Sanitary Sewers	\$ 414.95	\$ 313.28	\$ 193.74	\$ 261.06	\$ 3.34	\$ 0.80	\$ 0.07
Minor Storm Sewers	\$ 312.81	\$ 236.16	\$ 146.05	\$ 196.80	\$ 4.94	\$ 1.32	\$ -
Minor SWM	\$ 906.87	\$ 684.65	\$ 423.40	\$ 570.55	\$ 14.32	\$ 3.84	\$ -
TOTAL RATE - City Services and Urban Works (applied within the Urban Growth Area)	\$ 28,421.80	\$ 21,096.16	\$ 13,086.06	\$ 17,667.71	\$ 266.54	\$ 138.57	\$ 173.26
TOTAL RATE - City Services (Rural Rate) (applied outside of the Urban Growth Area)	\$ 15,814.27	\$ 11,803.38	\$ 7,339.83	\$ 9,914.56	\$ 160.04	\$ 92.99	\$ 73.76

IMPORTANT NOTES

- 1) Sections 37 (industrial building additions exemption) and 40 (new industrial building exemption) shall apply to the calculation of development charges for industrial buildings. See the specific sections for details.
- 2) Section 40 (institutional building discount) shall apply to the calculation of development charges for some institutional buildings. See the specific section for details.
- 3) Section 40 (Downtown and Old East Village exemption) shall apply to the calculation of residential development charges in the Downtown and Old East Village. See the specific section for details.

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**Appendix B: Revisions to the 2014 Development Charges Background Study
(Relates to report Recommendation (d)):**

ROADS SERVICES		
Project	Change	Reason
DC14-RS00016 -12(1b), Sunningdale Road, Stage 1 - Phase 2 - Richmond/Sunningdale Intersection, TS1496	Change date from 2019 to 2020.	Improved progression of project staging.
DC14-RS00021 12 (2a), Sunningdale Road Stage 2 - Phase 1 - Adelaide to Bluebell,	Change date from 2022 to 2025	Improved progression of project staging.
DC14-RS00033 12 (2b), Sunningdale Road Stage 2 - Phase 2 - Bluebell to Richmond, TS1496	Change date from 2025 to 2022	Improved progression of project staging.
DC14-RS00212 Colonel Talbot - 300m South of Southdale to Kilbourne (2LUA)	Change in Post Period Benefit	Correction
DC14-RS00009: 19: Veterans Memorial Parkway-Huron Street to Clarke Road (New 2 through lanes).	Change date from 2017 to 2019	Align with 2015 capital budget development.
Impact: Decrease of \$21.00 in the Single Family Rate		

WATER DISTRIBUTION		
Project	Change	Reason
DC14-WD00024 River Bend (2021/2022) Oxford-Westdel Bourne-Kains	Include in DC table	Align with 2015 capital budget development.
Impact: Increase of \$19.72 in the Single Family Rate		

Urban Works Reserve Fund		
Project	Change	Reason
DC14-UW00595 M-528 - SUMMERSIDE PH 9 (JACKSON LAND CORP) - Internal and external oversizing	Increase cost from \$281k to \$491K.	Updated estimate provided.
Impact: Increase of \$14.75 in the Single Family Rate		

Major SWM Works		
Project	Change	Reason
DC14-MS00006 Fox Hollow 1 - Phase 2	Decrease in cost of \$900k	Changed based on updated design information.
DC14-MS00032 River Bend SWMF Trib. C SWMF 'F'	Change in Post Period Benefit (6% increase)	Changed based on updated design information.
Impact: Decrease of \$34.42 in the Single Family Rate		