



LONDON

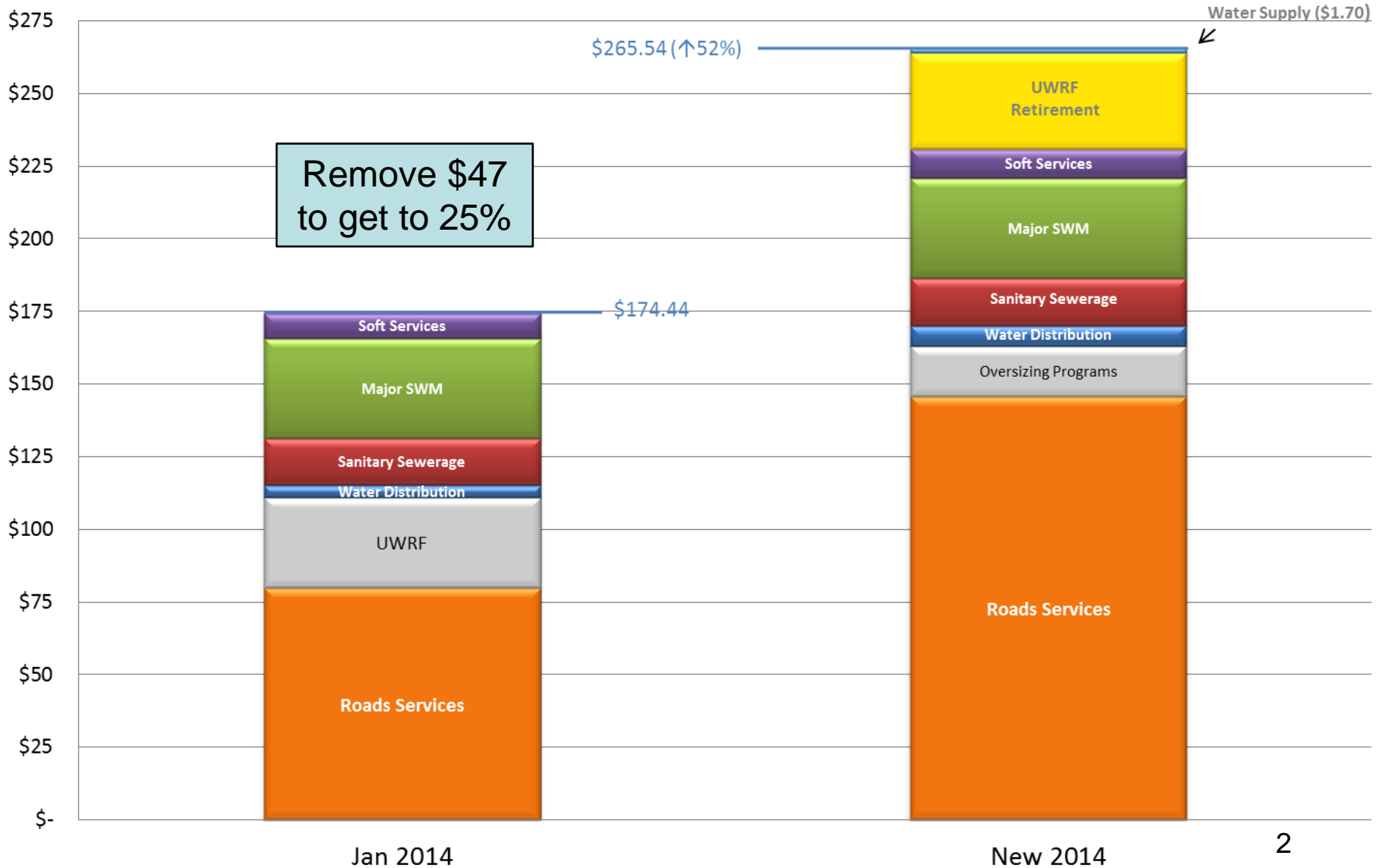


**Strategic Priorities and Policy
Committee**

*Commercial Development Charge
Rate Discussion*

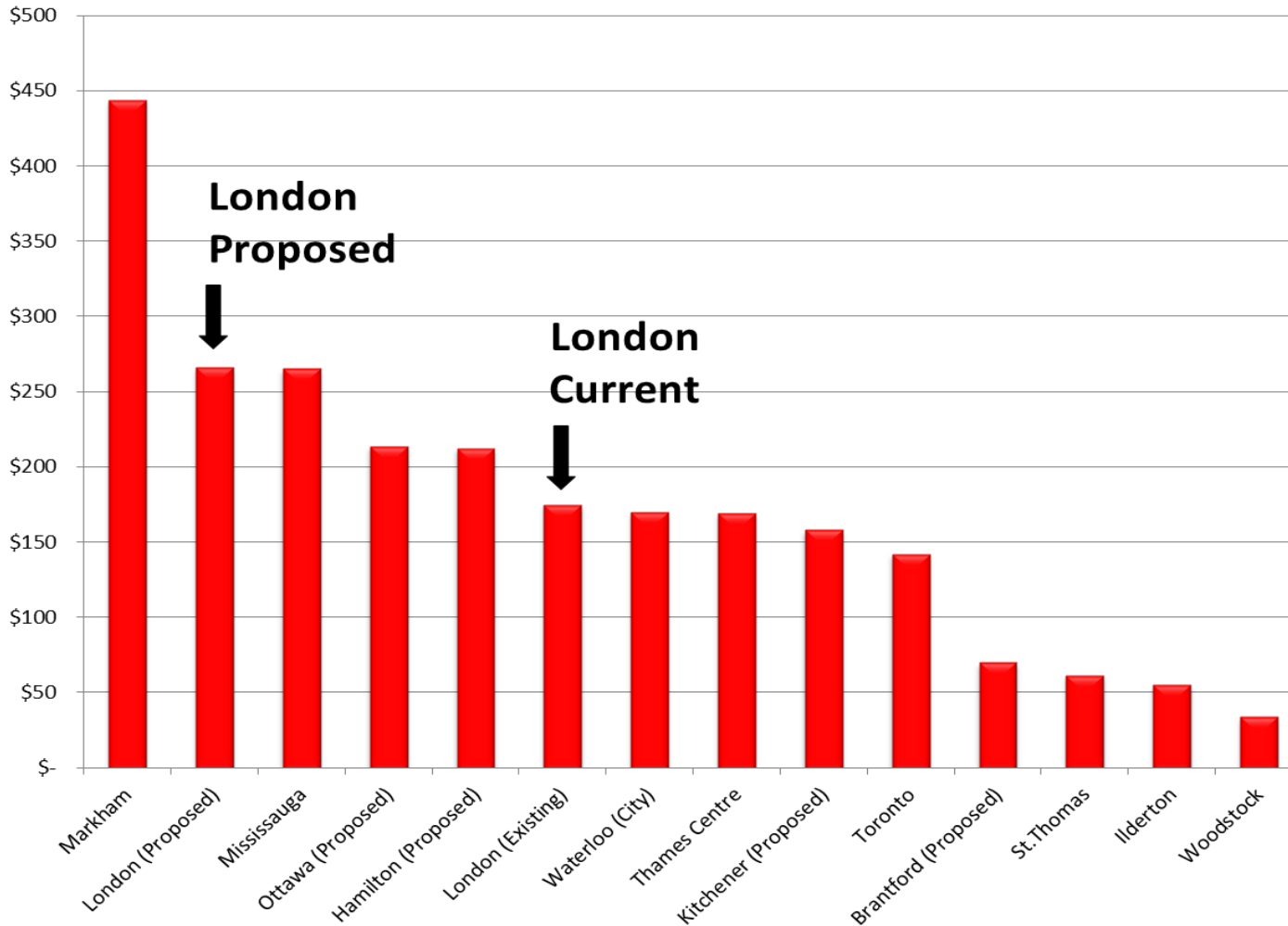
June 9, 2014

Commercial Rate 2009 vs. 2014



How do we compare?

Development Charges Inter-Municipal Comparison
("Commercial" Rate)



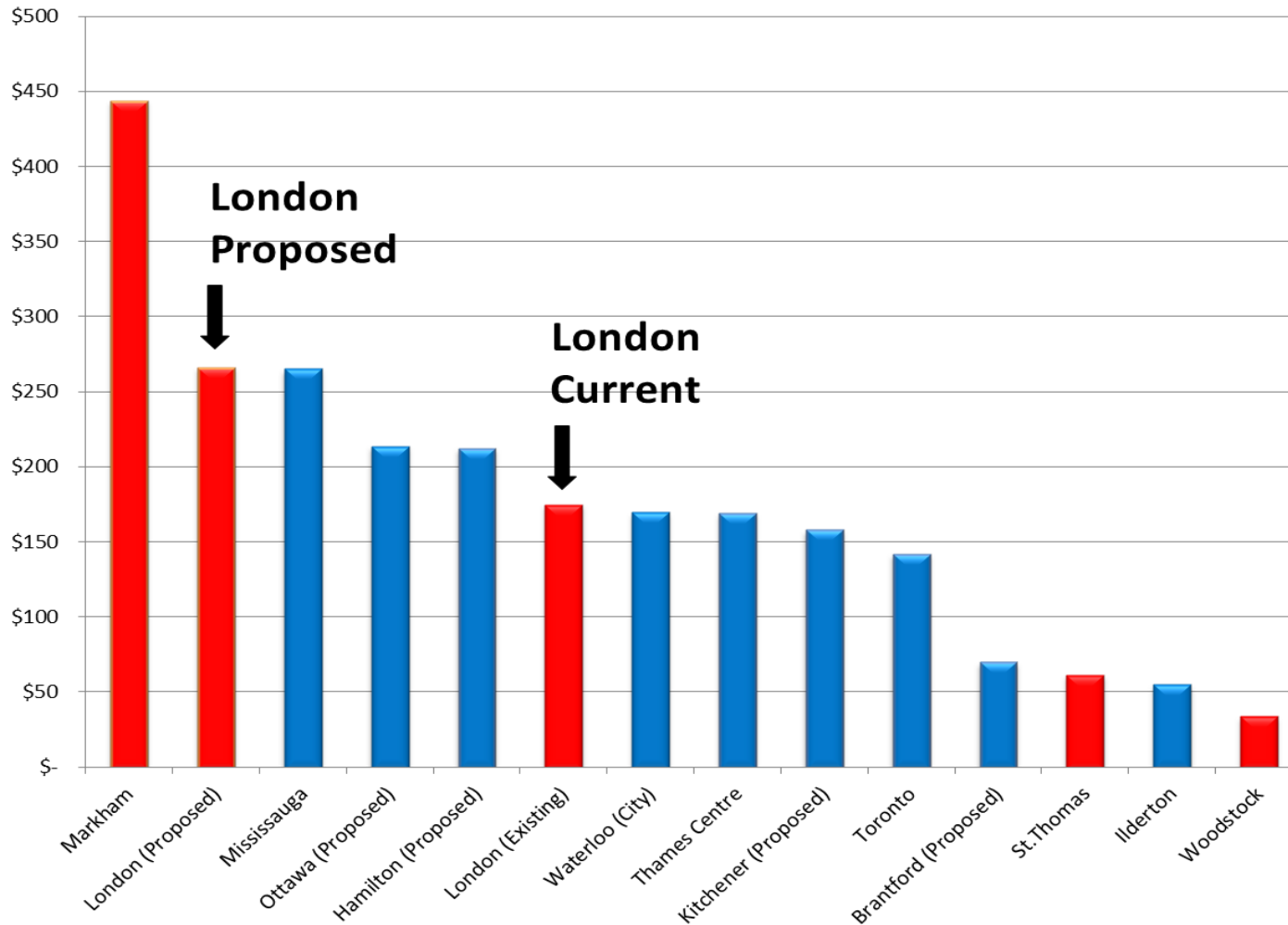
**DC By-law
Enactment Dates**

- Markham: 2013
- Mississauga: 2009
- Toronto: 2013
- Ottawa: 2014*
- Waterloo: 2012
- Hamilton: 2014*
- Kitchener: 2014*
- London: 2014*
- Brantford: 2014*

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Notes:
1) Municipalities with a "Non-residential rate" combine capital costs for various non-residential (commercial, institutional, industrial) sectors.

■ Non-residential
■ Commercial/Retail Rate

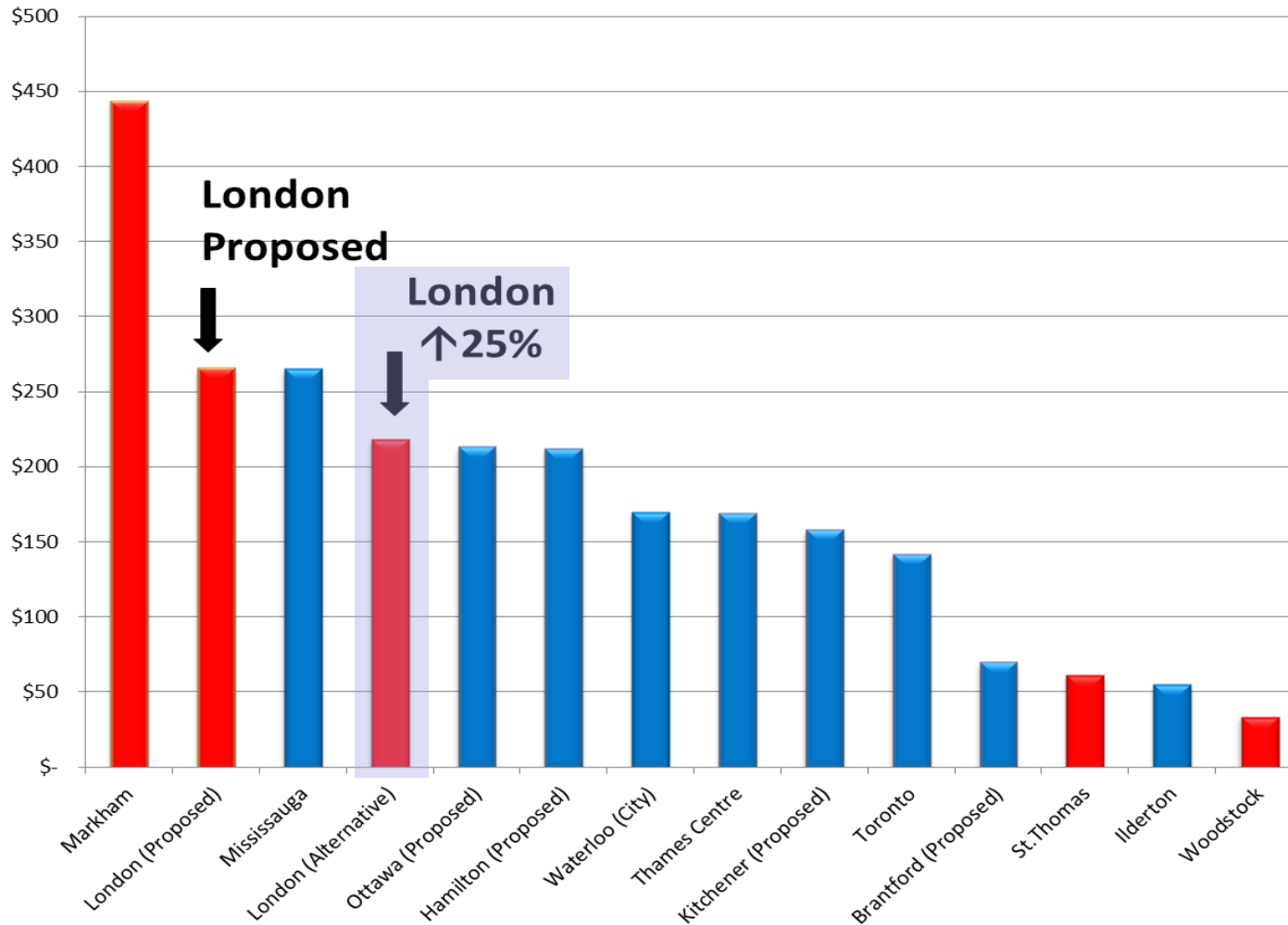
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Commercial: Why such an increase?

Background: Why such an increase?

Issue 1:

Increase in 20-year roads costs

Issue 2:

2009 DC Commercial Policy Change

	Pre 2009	2014 DC	Difference
Commercial	Road Share 30%	Road Share 11.30%	↓19%

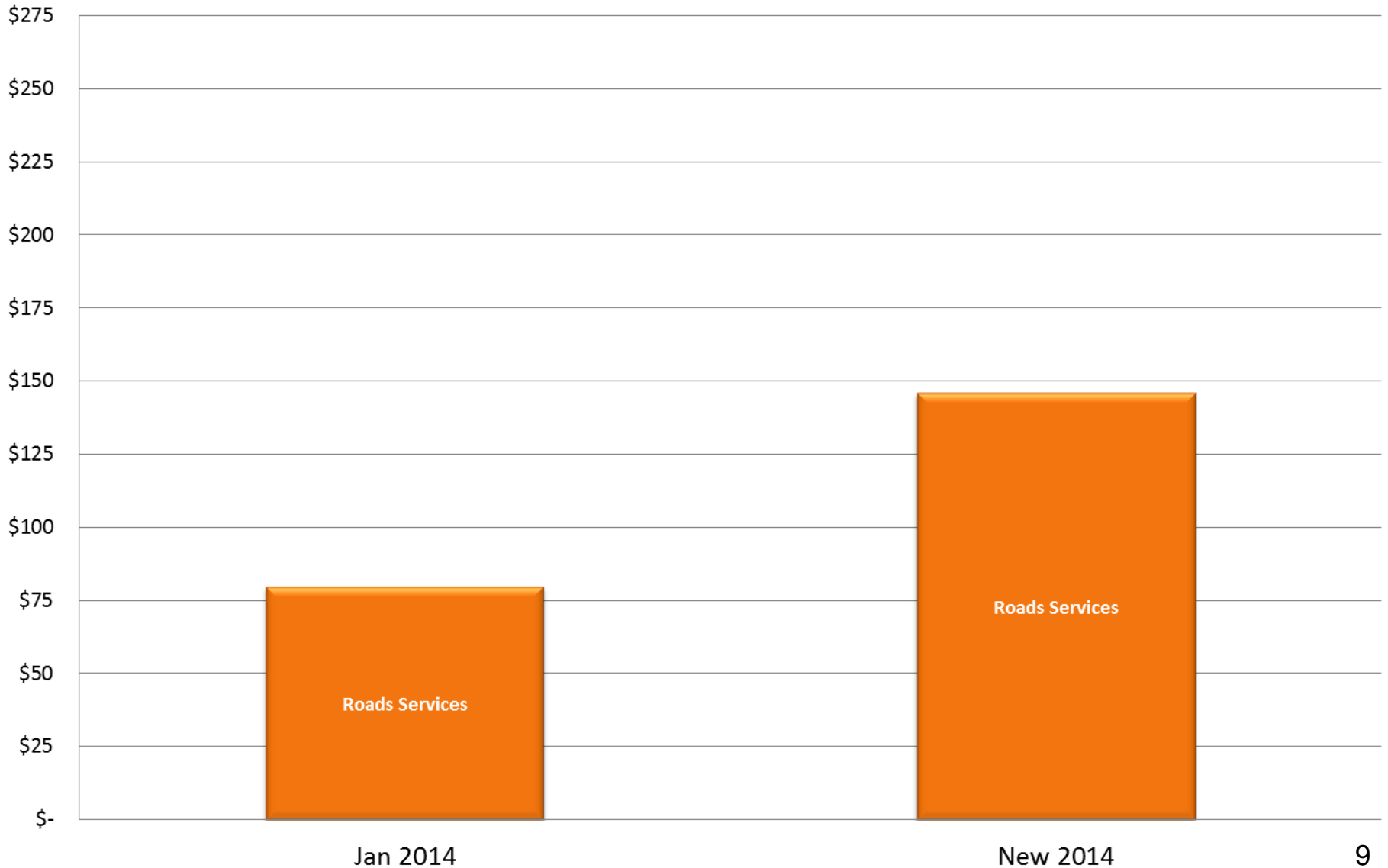
Background: Why such an increase?

Issue 1:

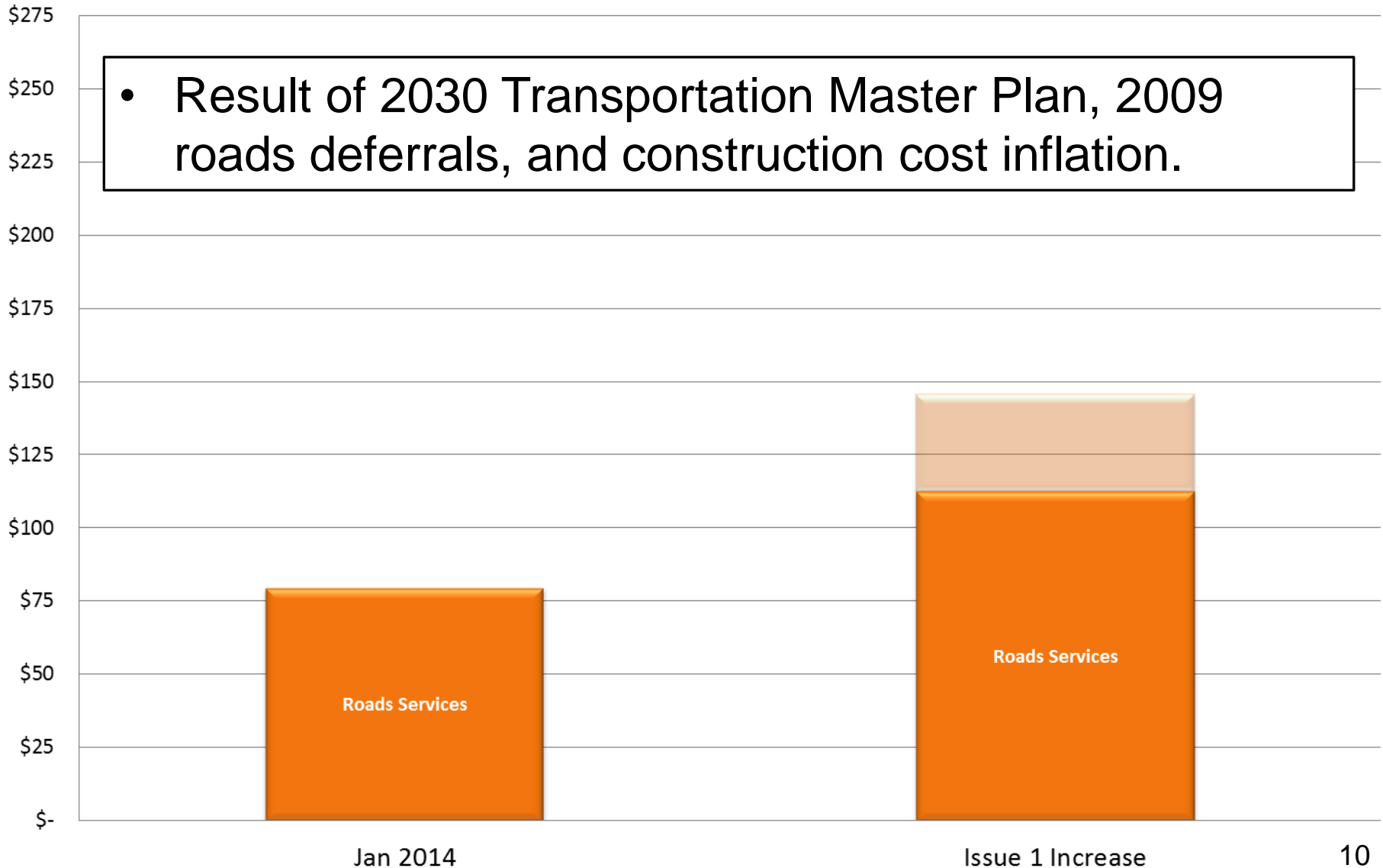
2009 Change Driven
by Council Decision to
Keep Commercial DC
Rates Low

	Pre 2009	2014 DC	Difference
Commercial	Road Share 30%	Road Share 11.30%	↓19%

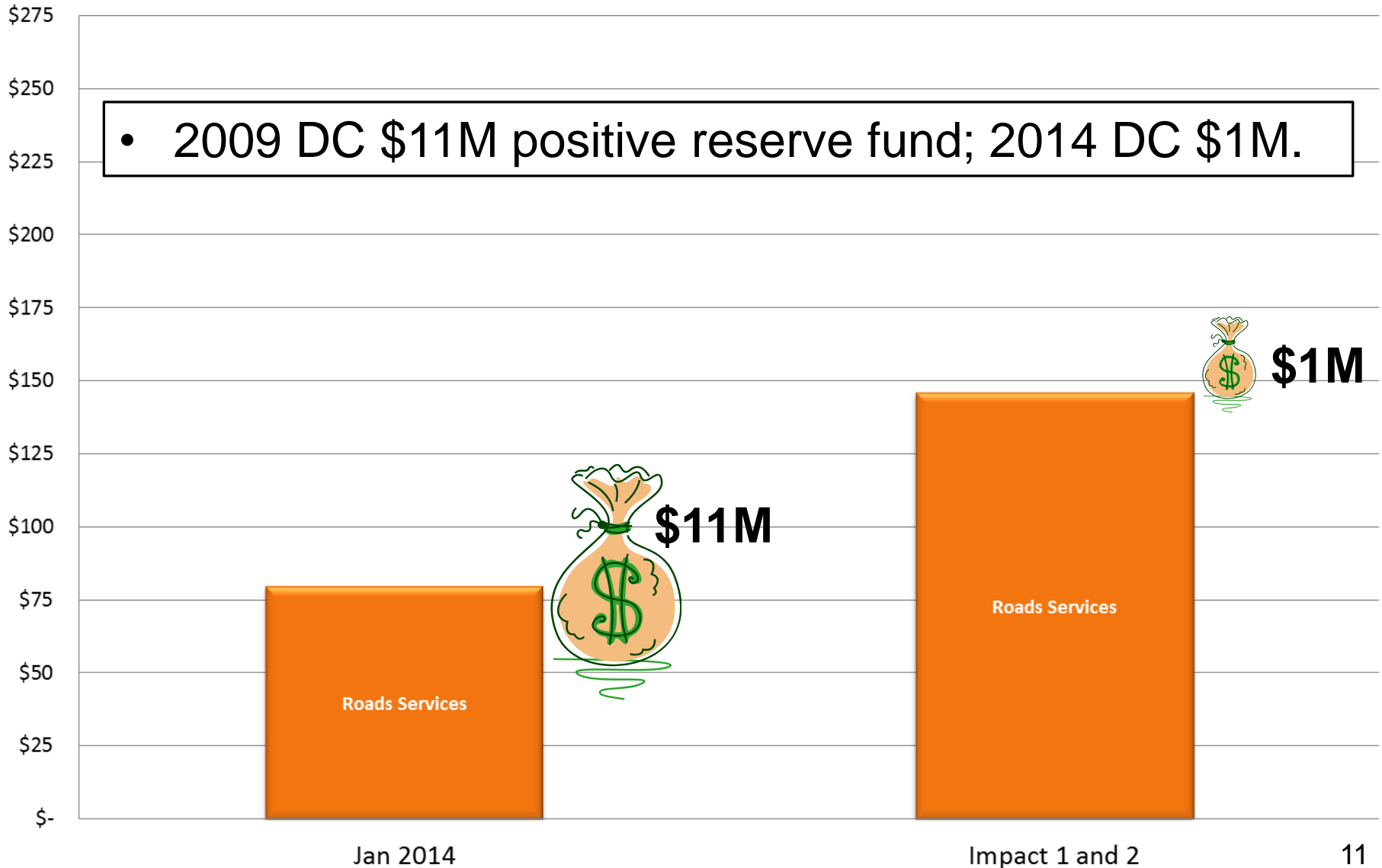
Let's Look at the Road Portion of the Rate



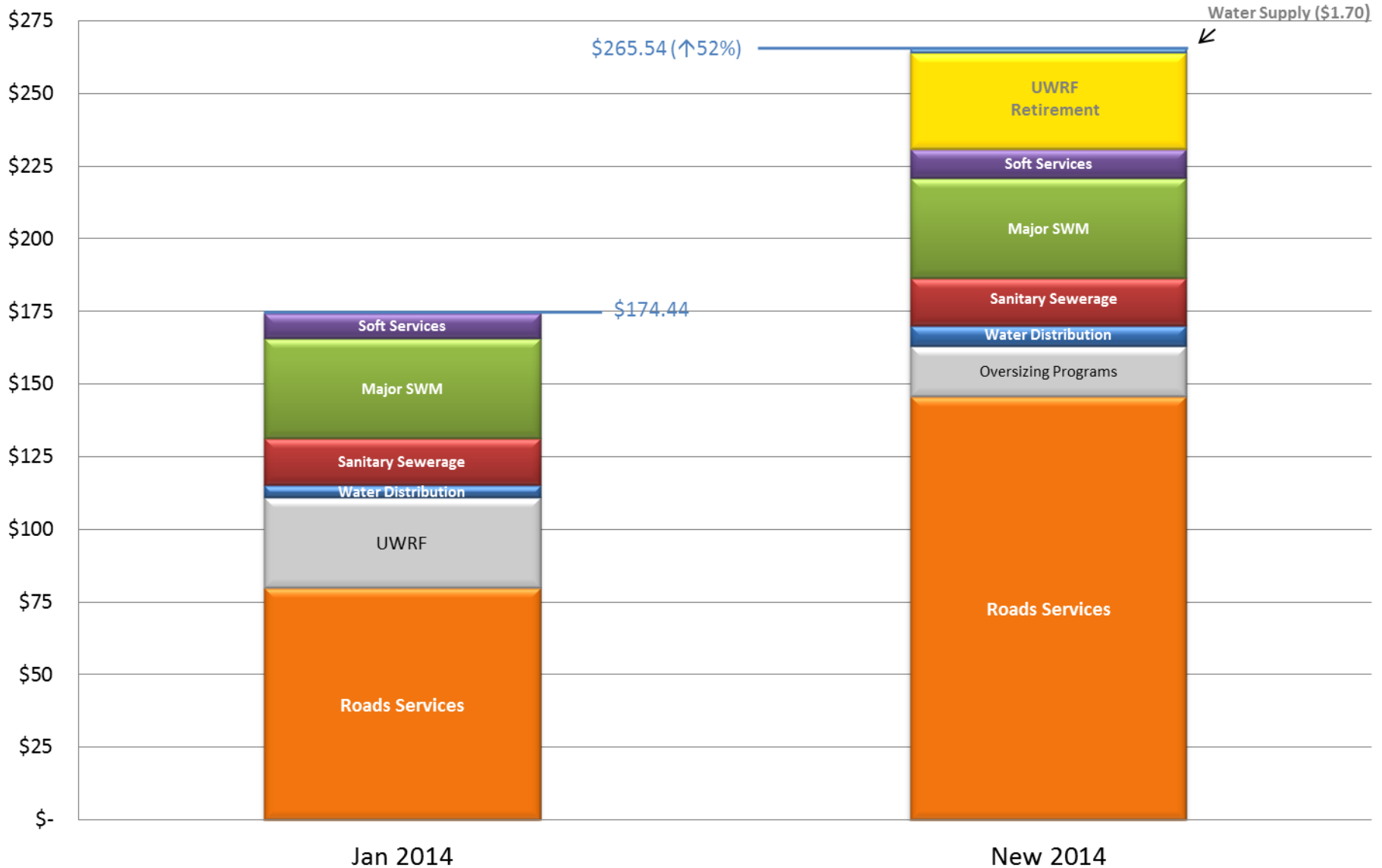
Issue 1: Increase in 20-year roads costs



Issue 2: Policy Change Leading to Less Money in the “Commercial” Bank



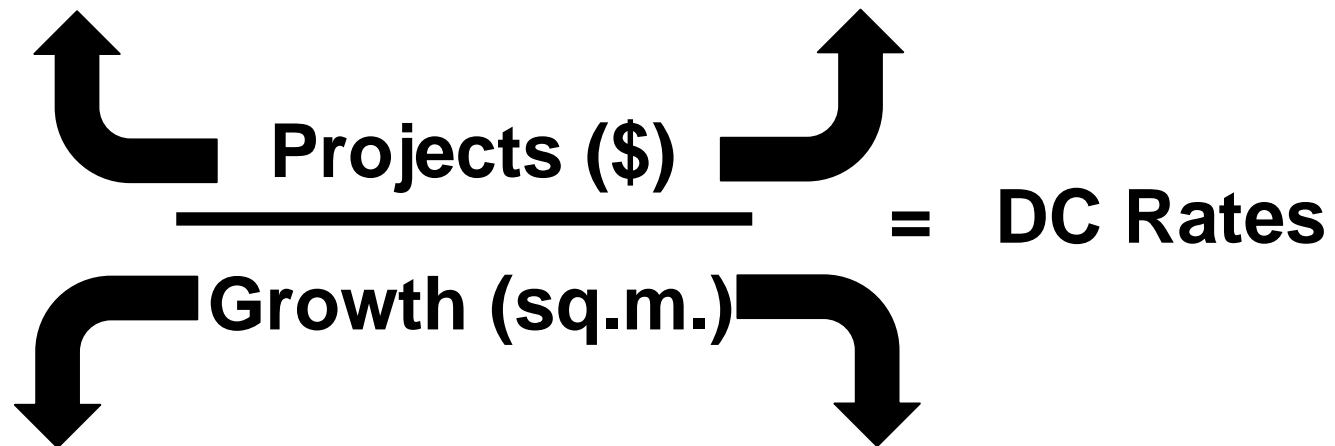
Issue 2: Policy Change Leading to Less Money in the “Commercial” Bank



How could we get to a 25%
Commercial Rate
Increase?

Impacting the Rate

- Remove Projects ➡ ✓ Reviewed modelled need
- Defer Timing ➡ ✓ GMIS process (flexibility?)



- Amount of forecasted space ➡ ✓ Altus Group revised forecast.
- Change RICl Splits ➡ ✓ Changed in 2009.

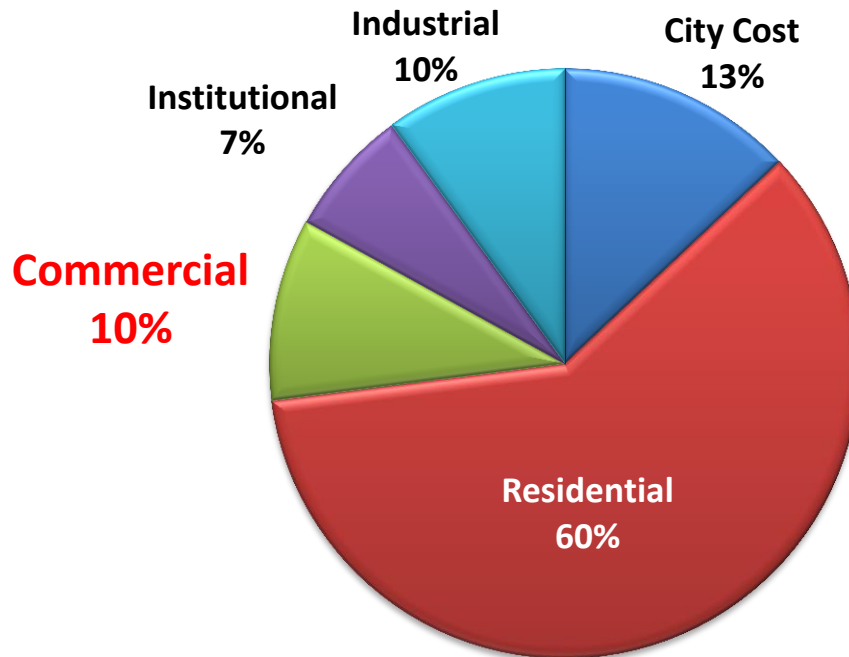
However...We Align With the *DC Act*

1. Determine growth (Altus Projection).
2. Allocate Growth.
3. Provide Servicing for growth.

In order to meet requirements of the legislation this relationship must be maintained!

Roads RICl Split

- Allocations based on Altus Projections.
- Split applied roads projects citywide.
- RICl allocations are interrelated. No one project is 100% Commercial.



Scenarios to get to a 25% Commercial Rate Increase

- Alternative 1: Keep the rate at 52%
- Alternative 2: Defer Roads
- Alternative 3: Defer/Remove Servicing
- Alternative 4: Combination of Deferrals
- Alternative 5: Non-Residential Rate
- Alternative 6: Phase-in (rate subsidy)

Note: None of the proposed scenarios impact the industrial rate.

Alternative 1: Keep the rate at 52%

- Maintain the proposed program and proposed timing.

Increase in January 1, 2014 DC Rate			Taxpayer cost over 5-years
Commercial %	Residential %	Institutional %	
52%	19%	23%	\$0

Alternative 2: Defer Roads

- Remove all roads between 2024 and 2033(10 years) out of the program.

Increase in January 1, 2014 DC Rate			Taxpayer cost over 5-years
Commercial %	Residential %	Institutional %	
25% vs. 52%	2% vs. 19%	-1% vs. 23%	\$0

Alternative 3: Defer/Remove Servicing

- Remove all greenfield servicing including water mains, sewers, SWM facilities (30% Commercial rate).
- Extend UWRF payback from 7-10 years.

Increase in January 1, 2014 DC Rate			Taxpayer cost over 5-years
Commercial %	Residential %	Institutional %	
25% vs. 52%	-9% vs. 19%	4% vs. 23%	\$0

Alternative 4: Combination

- Remove 5-years of the road program.
- Remove SWAP Servicing from the 20 year.
- Extend UWRF payback from 7-10 years.

Increase in January 1, 2014 DC Rate			Taxpayer cost over 5-years
Commercial %	Residential %	Institutional %	
25% vs. 52%	-4% vs. 19%	0% vs. 23%	\$0

Alternative 5: Non-Residential Rate

- Adopt a combined Commercial and Institutional Rate.

Increase in January 1, 2014 DC Rate			Taxpayer cost over 5-years
Commercial %	Residential %	Institutional %	
10% vs. 52%	19% vs. 19%	71% vs. 23%	\$5.7M

- Taxpayer cost reflects costs of a) statutory exemptions (schools, municipal buildings) and b) 50% CSRF discount.

Alternative 6: Phase-in

- Phase in the commercial rate over the 5-year period.
- 0% until Dec 31'14; 25% increase in 2015 increasing year over year to 52% by 2019.

Increase in January 1, 2014 DC Rate			Taxpayer cost over 5-years*
Commercial %	Residential %	Institutional %	
0% → 52%	19% vs. 19%	23% vs. 23%	\$2.6M

*Taxpayer subsidy required to make the DC whole as required by the *Development Charges Act*.

Summary of Alternatives

Option	Commercial %	Residential %	Institutional %	Taxpayer cost over 5-years
Alternative 1: Keep the rate at 52%	52%	19%	23%	\$0
Alternative 2: Defer Roads	25%	2%	-1%	\$0
Alternative 3: Defer/Remove Servicing (No Greenfield servicing, extend UWRF)	25%	-9%	4%	\$0
Alternative 4: Combination (Extend UWRF, remove SWAP, 5yrs of Roads,)	25%	-4%	0%	\$0
Alternative 5: Non-Residential Rate	10%	19%	71%	\$5.7M
Alternative 6: Phase-in	0% → 52%	19%	23%	\$2.6M

Summary of Alternatives

Option	Commercial %	Residential %	Institutional %	Taxpayer cost over 5-years
Alternative 1: Keep the rate at 52%	Consequences: No cost to taxpayer and no change in program.			
Alternative 2: Defer Roads	Consequences: Increased congestion; intergenerational inequity.			
Alternative 3: Defer/Remove Servicing (No Greenfield servicing, extend UWRF)	Consequences: Holds up greenfield development, difficult to support from a growth allocation perspective.			
Alternative 4: Combination (Extend UWRF, remove SWAP, 5yrs of Roads,)	Consequences: Limited growth opportunities, increased congestion.			
Alternative 5: Non-Residential Rate	Consequences: Higher cost to taxpayer and institutional; limited policy analysis.			
Alternative 6: Phase-in	Consequences: Cost to taxpayer to support commercial development.			

May 15 Stakeholder Comments

- Stakeholder consultation session held May 15 to discuss DC commercial rate alternatives
 - Concerns raised about 25% commercial rate cap limiting growth and servicing opportunities
 - Support for investigating further a non-residential DC rate structure (post-2014 DC Study)
 - Desire for reduced DCs for small businesses (small business CIP)
 - Most in attendance were in favour of a commercial rate phase-in

Requested Direction

1. Address the recommendations provided in the June 9th report (information on Water Supply, Commercial DC rate alternatives and stakeholder comments)
2. Decision to either include or exclude the Water Supply rate in DC rates
3. Decision on the preferred Commercial rate alternative
4. Direct Staff to prepare final DC By-law and Background Study for SPPC consent on June 23rd

Water Supply Rate: Non-Residential Impacts

Customer Type	Annual Consumption m ³	Total Annual Water & Wastewater Charges	
		Average Annual Charge	Net Annual Benefit of Water Supply in DC Rate
Average High Rise Residential Building	8,650	\$ 20,303	\$ 170
Small Commercial Building	350	\$ 1,857	\$ 16
Average Commercial Building	1,750	\$ 5,935	\$ 44
Medium Commercial Building	26,500	\$ 56,840	\$ 456
Large Commercial Building	65,000	\$ 142,686	\$ 1,151
Small Institutional Building	2,750	\$ 8,264	\$ 61
Average Institutional Building	6,300	\$ 19,299	\$ 125
Hospital Institutional Building	625,000	\$ 1,127,825	\$ 9,771
Small Industrial Building	6,400	\$ 20,194	\$ 141
Medium Industrial Building	180,000	\$ 334,970	\$ 2,922
Large Industrial Building	700,000	\$ 1,187,418	\$ 10,378
High Water User Industrial Building	1,900,000	\$ 2,973,530	\$ 26,104

Notes:

- 1) The annualized benefit of including Water Supply in the DC rate reflects \$1.1 million in savings.
- 2) Benefits to water rate will begin to be realized with the commencement of Water Supply growth projects (2019).