

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING OF SEPTEMBER 14, 2015
FROM:	MARTIN HAYWARD, MANAGING DIRECTOR, FINANCE AND CORPORATE SERVICES & CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	COMMUNITY AND DEVELOPMENT INDUSTRY STAKEHOLDER CONSULTATION REGARDING PROPOSED AMENDMENTS TO THE DEVELOPMENT CHARGES ACT, 1997

RECOMMENDATION

That, on the recommendation of the Managing Director, Finance and Corporate Services and City Treasurer, Chief Financial Officer, the following report regarding stakeholder consultation on proposed amendments to the Development Charges Act, 1997 **BE RECEIVED** for information.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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“Proposed Amendments to the Development Charges Act, 1997 (Bill 73: Smart Growth for Our Communities Act) Second Reading,” Strategic Priorities and Policy Committee, July 27, 2015

“Information Report Bill 73 Amendments to the Planning Act,” Planning and Environment Committee, June 1, 2015

PURPOSE OF REPORT

This report provides an update on stakeholder consultation undertaken by City staff regarding the proposed changes to the provincial *Development Charges Act*.

BACKGROUND

On July 27, 2015, an information report was tabled with the Strategic Priorities and Policy Committee (SPPC) regarding proposed changes to the *Development Charges Act*, 1997 (Bill 73). The key changes to the Act (second reading) as outlined in the report are as follows:

- Ineligible services (municipal services with growth-related capital needs that cannot be subject to Development Charge [DC] recovery) – may include waste diversion as an eligible service in the future;
- Area rating (differing DC rates for areas of the City based on differing growth-related capital needs for the benefitting area) – certain areas of the city or specific services may be required to be area rated;
- Services with no percentage reduction (services not subject to the 10% mandatory deduction) – transit proposed to have 10% deduction removed, but will remain for other “soft services”;
- Service levels for determining maximum DC recovery (growth costs paid for by taxpayer contributions) – transit may use a planned level of service instead of the current historical service level to determine “caps” on recovery from growth;
- Growth assets and asset management plans (long-term asset replacement costs) – improved linkages between DC capital plans and asset management plans; and,
- DCs payable with the issuance of multiple permits (phased development) – development proponents would pay DCs at the time that the first building permit is issued.

As proposed to the SPPC, the City Treasurer convened a meeting on August 6th of community and development industry representatives to discuss the proposed amendments to the DC Act and implications of the changes on the upcoming 2019 Development Charges Background Study. The attendees were as follows: Lois Langdon, London Home Builders Association; Jim Kennedy, London Development Institute, and Sandy Levin, Urban League of London.

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The meeting provided a beneficial opportunity to continue a dialogue on DC-related policy issues and to build on positive working relationships established through the 2014 Development Charges Background Study. The discussions at the meeting generated debate on differing perspectives on the changes to the Act as well as the items identified by City staff in the July 27th SPPC report about areas of the Act where additional reform was needed.

Following on the discussions, correspondence has been received from the London Home Builders Association/London Development Institute and the Urban League of London (Appendix 'A'). As indicated by the submissions, future dialogue with stakeholders will be beneficial as the City develops its plan to incorporate the final changes to the *Development Charges Act* with the next DC Study. Stakeholders have been informed of opportunities to submit their comments to the Ministry of Municipal Affairs and Housing for consideration in the drafting of further changes to Bill 73.

At this time, Administration is not recommending that a formal submission for the City of London be prepared to the Province as City staff provided perspectives during the initial round of consultations that led to the draft Bill.

Debate by the Legislative Assembly on the second reading of Bill 73 resumes on September 14th. In the coming weeks, the working groups established by the Province will be finalizing their recommendations on the regulations associated with the Act. Additionally, Bill 73 will be referred to a standing committee for further debate and consideration. The committee deliberations will include opportunities for public depositions to highlight the positive changes of the proposed amendments to the DC Act, and also areas for requested improvement. The timing of the committee stage of the process is presently unknown; however, MMAH staff have indicated that entire process for review and approval of Bill 73 is anticipated to conclude within the fall session.

Once Bill 73 receives Royal Assent, Staff will report back to the Strategic Priorities and Policy Committee with information on the finalized changes to the *Development Charges Act* and the implications for the 2019 Development Charges Background Study. It is anticipated that the approval of Bill 73 will not result in implementation challenges for the 2019 DC Study.

CONCLUSION

Stakeholders from the Urban League of London, London Development Institute and London Home Builders Association met on August 6th to discuss proposed changes to the *Development Charges Act* under review by the Provincial Legislature. The dialogue was fruitful and produced many perspectives on how the draft amendments could impact London.

City staff will continue to monitor the progression of Bill 73 and will apprise Council of opportunities for further participation and/or the final amendments to the *Development Charges Act* upon Royal Assent.

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PREPARED BY:	SUBMITTED BY:
PAUL YEOMAN, MCIP, RPP MANAGER, DEVELOPMENT FINANCE FINANCE AND CORPORATE SERVICES	PETER CHRISTIAANS, CA, CPA DIRECTOR, DEVELOPMENT FINANCE FINANCE AND CORPORATE SERVICES
RECOMMENDED BY:	
MARTIN HAYWARD, CGA, CPA MANAGING DIRECTOR, FINANCE AND CORPORATE SERVICES & CITY TREASURER, CHIEF FINANCIAL OFFICER	

September 8, 2015

- c.c. George Kotsifas, Managing Director, Development and Compliance Services & Chief Building Official
Peter Kokkoros, Deputy Chief Building Official
John Braam, Managing Director, Environmental and Engineering Services & City Engineer
Edward Soldo, Director, Roads and Transportation
John Lucas, Director, Water and Wastewater
Gregg Barrett, Manager, Long-range Planning & Research

Appendix 'A': Stakeholder Correspondence Regarding Proposed Changes to the Development Charges Act

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Appendix 'A': Stakeholder Correspondence Regarding Proposed Changes to the Development Charges Act



Mr. Paul Yeoman,
 Manager, Development Finance
 Finance and Corporate Services
 City of London

Dear Paul:

Re: DC Stakeholders Meeting August 6, 2015

Our thanks to the City for being proactive in hosting the recent Stakeholder meeting to start the process of preparation for the 2019 DC bylaw.

• **Bill 73 – Proposed changes to the Development Charges Act – SPPC meeting 7.27.15**
Recovery for Transit Services – We are not in favour of the proposed removal of the 10% mandatory deduction for Transit Services because the current process represented a consistent way of recognizing at least part of the overall benefit to all Londoners. Going forward on this basis would place more importance on the accuracy of factoring in growth / non-growth splits on transit costs as well as post period benefit.

Planned level of service – As we understand from the meeting, there would not be much impact, even in light of London's plans for BRT, but this needs to be confirmed.

Area rating – This topic received considerable attention and discussion in meetings leading up to the 2014 DC bylaw. It is a complex issue that requires indepth knowledge on a local level. We understand and agree with the City's desire to maintain control over its potential use in London versus provincial regulation to 'prescribed services' in 'prescribed locations' This is a local issue.

Recovery for waste diversion – As we understand this, additional clarification is required to define waste versus garbage and what associated costs would be allowed, before the impact can be determined.
 Further discussion is required.

Link between DC Study and Asset Management – As we understand this item, the City of London is already well on its way in having these plans in place. Further discussion is required.

Phased development and the payment of DCs – Again these topics were discussed in length in past Stakeholder meetings in which the industry detailed difficulties in effecting change to the current processes that London already has in place. Further discussion is required.

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• **DC Monitoring**

We appreciate the flowchart that has been developed outlining steps required to establish a comparison between estimated costs and actual revenue. To be able to determine meaningful conclusions useful in establishing policies or guidelines for future DCs will require an indepth level of investigation into any differences found in the review (scope, time and dollars). The completion date of October 2015 is too tight to allow for such investigation. Milestones should be established to monitor the costs of projects as they progress to completion and as information is available.

Also there was no mention of future opportunities for review or feedback from the Stakeholder group related to DC monitoring.

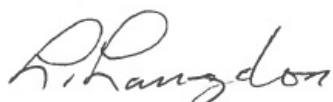
Lastly we also want to reiterate that the recent 59 day strike of inside city workers impacts the revenue not only during the strike period but also for months afterward as sales have been delayed and in many cases, home buyers have chosen resale or new homes outside the city which results in loss of the DC to London. This needs to be recognized when reviewing revenue estimates in the 2014 DC bylaw and drawing conclusions for future revenue projections. To more fully understand the impact, the rate of growth in surrounding municipalities could be tracked.

We appreciate the City's continuing approach to stakeholder input and look forward to continuing discussions.

Yours truly,



Mr. J. Kennedy, President
London Development Institute



Ms. Lois Langdon, Executive Officer
London Home Builders' Association

London Development Institute
630 Colborne St. Suite 203 London N6B 2V2
jkennedy@londondev.ca

London Home Builders' Association
571 Wharncliffe Road South, Unit 5, London N6J 2N6
llangdon@lhba.on.ca

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Argyle
 Bishop Hellmuth
 Blackfriars
 Byron
 Meadowlily Woods
 Glanworth
 Hamilton Road
 Lambeth
 North East London
 Orchard Park-Sherwood Forest
 Oakridge-Hazelden
 Old East Village
 Old Masonville
 Old South
 Riverforks
 St. George-Grosvenor
 SoHo
 Stoneybrook Heights-Uplands
 Westminster
 Woodfield

A.C.O. (London Branch)
 CAN-Bike (London)
 London Cycle Link
 Mantis Arts & Eco
 Nature London
 ReForest London
 T.R.E.A.
 Women & Politics London

August 28, 2015

Chair and Members
 SPPC
 City of London

RE: Development Charges Act Changes

The Urban League of London provides the following comments on the proposed changes to the Development Charges Act and asks Council to encourage the Province to make these changes.

10% "penalty"

We support the elimination of the 10% penalty on transit and urge the City to support ending the penalty for all soft services. Ten percent is an arbitrary number from an earlier Act. As your staff wrote on July 27, it results in growth related costs being funded from the general tax base.

Waste Management

The League has supported the idea of recovery for waste management before and continue to support it. The existing way the city funds its planned land fill expansion (including the use of gas tax funds) seems to undo the philosophy that growth should pay for growth.

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Ineligible Services

The League also supports the notion that some municipal services be removed from the list of ineligible services. We would support making it eligible to include upland woodlands (the cost of acquisition and related conservation infrastructure) that are part of the Natural Heritage System. This would help speed acquisition and conservation and encourage and reward landowners who have protected London's natural assets. However, removing tourism and entertainment facilities from the list does not have a high priority with the League at this time.

OMB Appeals

We strongly support the City indicating that the appeals to the OMB of DC by-laws also include the possibility of increasing the rate. The present system only encourages appeals as the appellant "can't lose" at the Board. While we hope that there will be no appeals to the 2019 by-law as was the case with the 2014 by-law, allowing the Board to raise rates if the evidence supports it, would be beneficial across Ontario.

Service Levels

Service Levels for soft services have all been subject to calculations that limit the amount of DC that can be collected in future based on a level of service from the PRIOR 10 years. As staff pointed out in its July 27th report, this implies that despite intentions to improve service levels to present standards, the DC Act "caps" services at historical levels; even when a service review or technological change has identified higher funding needs. We support the proposed amendments to the Act to introduce "planned level of service" to identify the period AHEAD. This will end the present practice of going forward while staring at the rear view mirror.

Area Rating

While the League has supported area rating, we realize it is difficult to apply and do not support the idea of the province specifying areas of London where it would be applied. Such decisions should be left with municipal Councils.

Sincerely,

Sandy Levin and Gloria McGinn-McTeer on behalf of

Greg Thompson, President