

London Development Institute

Sept. 24th, 2011

Chair Bud Polhill and Members
Built and Natural Environment Committee
City of London
300 Dufferin Avenue
LONDON, Ontario
N6A 4L9

Re: Staff Comments on the LDI letter of July 26, 2011

Dear Chair Polhill and Committee Members:

As Chair of the BNEC you must be aware that the Project cost estimates incorporated in the Development Charges for those works identified as City Services Reserve Fund Projects (CSRF Projects) are intended to be based on the full Project costs, not just the tendered Construction costs.

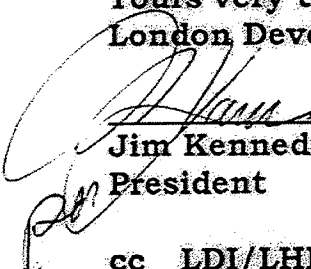
Costs associated with other important Project factors such as those associated with the EA process requirements, land surveys, easements and land purchase are all costs that were included in the pre-construction cost estimates prepared initially by the City's Consulting Engineers, AECOM, and then reviewed in considerable depth by City Staff and LDI. For CSRF Projects, these costs were all included in the pre-construction estimates placed in the DC By-law and adopted in the DC rates assessed at the time of issuance of the Building Permits.

LDI's concern underlying our July 26, 2011 letter is that Staff reporting on Project costs appears to be based on comparing only the Tendered construction cost figures with the cost estimates used in the DC rate calculation. Such a comparison is not only misleading but its incorrect. Costs being compared in City Reports for the Project's actual construction do not include the other factors listed above. These costs will likely have all been incurred well in advance of construction and will have been drawn and paid for from the DC reserve funds.

From LDI's review of the field experience in constructing CSRF Projects, particularly SWM Projects, we believe that the cost comparisons do not appear to include pre-construction costs. If this is correct then there may be a very significant short-fall in the Revenues required to handle the full Project costs which are currently being drawn from the DC Reserve Funds.

LDI respectfully requests that the Committee instruct Staff to meet with LDI and to undertake a case by case review of the full cost experience relative to the cost estimates included in the DC By-law for a range of CSRF Projects included in the Rate Charges and to Report back to the Committee on the findings. Our concern is that there appears to be a complete disregard for the scale of pre-construction activities and the associated cost estimates. We feel there is a trend to add-on additional factors without recognizing that they would not be fully funded, if at all, by the DC rates assessed to new development.

Yours very truly,
London Development Institute.



Jim Kennedy
President

cc LDI/LHBA

... developing and planning for a strong London

630 Colborne Street
Suite 203
London, ON N6B 2V2

Phone: (519) 642-4331
Fax: (519) 642-7203
email: jkennedy@londondev.ca