

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING OF JANUARY 29, 2018
FROM:	GEORGE KOTSIFAS, P.ENG. MANAGING DIRECTOR, DEVELOPMENT AND COMPLIANCE SERVICES & CHIEF BUILDING OFFICIAL
SUBJECT:	2019 DEVELOPMENT CHARGES STUDY POLICY MATTERS UPDATE

RECOMMENDATION

That on the recommendation of the Managing Director, Development and Compliance Services & Chief Building Official, the following additional policy matters **BE ENDORSED** for review as part of the 2019 Development Charges Background Study:

- a) Urban Works Reserve Fund Retirement;
- b) Non-residential Development Charges Rate Review; and,
- c) Development Charges Recovery for Water Supply.

it being noted that the policy matters identified above will be subject to consultation with the Development Charges External Stakeholders Committee prior to recommendations being advanced to Council.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

August 29, 2016 “2019 Development Charge Study – Policy Review Scoping Report,”
Strategic Priorities and Policy Committee

PURPOSE OF REPORT

This report seeks Council endorsement for additional policy matters to be reviewed as part of the 2019 Development Charges Background Study (DC Study). Staff are providing information for Council and members of the public to inform the scope of the DC Study and to promote a transparent and responsive process. This report also provides updates on previously endorsed Development Charges (DC) policy matters and timelines for DC Study completion.

BACKGROUND

In August 2016, the Strategic Priorities and Policy Committee received a report regarding policy matters suggested for consideration with the 2019 DC Study. It was recognized in the report that the policy matters would be discussed with the DC External Stakeholder Committee to gather feedback on approaches, analysis and recommendations in order to inform submissions for Council consideration.

Staff have been working on various DC Study components over the past year, including the policy matters endorsed by Council. In the coming months, the Strategic Priorities and Policy Committee will receive several reports with recommendations related to the August 2016 policy matters.

As a result of further review and emergent issues, Staff are recommending that Council endorse additional policy matters to be reviewed as part of the DC Study. It is important to note that endorsement of the reviews described below does not constitute Council approval, but rather that Council is receptive to these matters being further investigated with recommendations for policy changes being prepared for consideration.

DISCUSSION

Proposed Policy Reviews

Further information regarding each proposed additional DC policy matter is provided below. As with all policy reviews, Staff intend to provide Council with recommendations for potential policy changes as the 2019 DC Background Study progresses this year and next.

Urban Works Reserve Fund Retirement

As part of the previous 2014 DC Study, Council approved the retirement of the Urban Works Reserve Fund (UWRF) and the consolidation of UWRF funding under the City Services Reserve Fund (CSRF). The 2014 DC By-law established clear rules related to claimability from both “families” of reserve funds and recognized that no future claims to the UWRF would occur for agreements entered into following the in force date of the 2014 DC By-law (August 4, 2014).¹

Although the DC By-law schedules formalized the intent to retire the UWRF, the logistics of the retirement are still an outstanding matter. Staff intend to have discussions with community stakeholders and developers with UWRF-funded infrastructure to explore options for the process, requirements/legal obligations and timelines for full UWRF retirement. The discussions may lead to the wind-up of the UWRF with the adoption of the 2019 DC By-law. Staff anticipate concluding stakeholder discussions and providing recommendations to the Strategic Priorities and Policy Committee by spring of 2018.

Non-residential Development Charges Rate Review

Presently, the City of London is one of the few larger municipalities that maintains separate DC rates for institutional, commercial and industrial (ICI) development. Throughout the province, the approach has been to consolidate the ICI growth and associated capital needs into one, or in some cases two, DC rates.

The City of London has historically been viewed as having one of the highest commercial DC rates in the province, especially since the City’s “benchmark” is blended ICI rates in other municipalities. During the 2014 DC Study deliberations, significant concerns were raised by community stakeholders and members of Council about the City’s commercial rate, which led to Council approving a commercial DC rate phase-in funded by taxpayer sources.

Although Council made significant improvements to the DC conversion and demolition policies for non-residential buildings with the last DC Study, concerns are still frequently expressed about DCs payable by those seeking to redevelop existing sites from one form of non-residential use to another (e.g., an older industrial building renovated for commercial uses) when no additional floor space is being added. The concerns relate to differing \$/square metre DC rates for ICI uses and circumstances where one DC rate for the converted use is higher than the DC rate for the previous use. Although there are technical reasons for this distinction, the non-residential DC rate review will examine whether this matter can and/or should be addressed through a new rate structure.

Staff intend to review the policy basis and rationale for a shift from separate ICI rates to a form of a blended ICI rate(s). The review and associated analysis will also consider the non-DC impacts on industrial and institutional DC incentives of the adoption of a blended rate(s). It is anticipated that the conclusion of Staff’s analysis and associated stakeholder consultation will be complete by the fall of 2018.

Development Charges Recovery for Water Supply

As part of the 2009 and 2014 DC Background Studies, Staff conducted a review of growth infrastructure needs associated with Water Supply. This information was provided to Council as an optional additional DC rate component that could be added for recovery.

Given that Council a) has previously endorsed a review of additional services for potential DC recovery (Operations Centres and Waste Diversion) and b) that a methodology exists to calculate a DC rate for Water Supply, Staff is recommending that this rate component be examined through the 2019 DC Background Study. Consistent with the other additional rate component reviews, Water Supply will be reported on separately from the existing DC rate components (e.g., Parks

¹ Excepting two transitional stormwater management facilities, as agreed to through the UWRF retirement process.

and Recreation, Sanitary Sewerage, Major Stormwater Management) to provide Council with enhanced discretion on whether or not to include the additional services with DC rates.

Results of the policy review for additional services for DC recovery, including calculated rates are anticipated in the fall of 2018.

Update of Previous Endorsed Policy Reviews

Over the past year, Staff has been working on the policy matters previously endorsed by Council:

Area Rating

Staff has completed this policy review and a dedicated report will be received by Strategic Priorities and Policy Committee on January 29, 2018. It is recommended that the City continue two differential area rates for the Urban Growth Boundary and Outside the Urban Growth Boundary for water, wastewater and stormwater servicing. Further, Staff will continue to gather information on anticipated growth locations and associated capital costs for areas within the Urban Growth Boundary to determine whether additional area rating is warranted as part of the next DC Background Study.

Local Service Definitions

As part of the 2014 DC Background Study, Staff and Stakeholders worked together on an extensive review of the City's Local Service definitions – the thresholds that determine what infrastructure costs are paid for by DC funds and those that are directly borne by developers. These definitions and distinctions are a requirement of the *Development Charges Act*.

Due to the comprehensive nature of the 2014 review, it is anticipated that a limited number of updates will be recommended for Council consideration. Preliminary discussions have occurred with DC Stakeholders and discussions will be continuing in the coming months. The draft Local Service definitions will be submitted to Council in the summer of 2018.

Additional Services for Potential DC Recovery (Operations Centres and Waste Diversion)

As mentioned above, the review of potential additional DC-funded services is underway. Since Operations Centres and Waste Diversion would potentially be subject to recovery limitations under the *Development Charges Act*, Staff is gathering information associated with establishing the legislated service standards. Over the coming months, growth-based capital needs will be identified and rate calculations will be undertaken for these potential additional service components.

With the tabling of draft DC rate calculations, Staff will provide Council with the background information associated with the potential additional rate components and the results of DC rate calculations. This will provide Council with the opportunity to determine whether or not to proceed with the inclusion of these additional services in DC rates.

Timing of DC Payment and Calculation of DCs Payable

Preliminary conversations regarding the timing of DC payment have commenced with DC Stakeholders; however, this matter has been tabled for inclusion with DC By-law discussions, rather than as a separate policy issue. DC By-law preparation generally occurs later in the DC Study process, and more detailed conversations about this matter will continue in the fall of 2018. Staff will report on this matter with the tabling of the draft 2019 DC By-law.

Interim Financing Costs

On February 12, 2018, Staff will provide the Strategic Priorities and Policy Committee with a recommendation regarding the current practice of using the City's working capital to fund the construction of growth infrastructure identified in the DC Study. Although this matter is "housekeeping" in nature, it is important for transparency and education that the report be considered by Council, and direction be provided to Staff.

DC Study Timelines Update

Table 1 provides a high-level summary of the timing of major elements of the 2019 DC Background Study and when policy matters and/or DC Study components will be received by the Strategic Priorities and Policy Committee. These “touch-ins” permit an opportunity to update Council on the progression of the DC Study and issues that have arisen through the process. Consistent with previous DC Studies, Staff will also be undertaking extensive engagement with community stakeholders to inform analyses and recommendations.

Staff has structured the DC Study schedule to respond to potential *Municipal Act* considerations associated with the upcoming election. Further, the timelines are informed by an attempt to maximize the amount of time available to community stakeholders for the review and consideration of master plans and draft DC rate calculations.

Recognizing that the public notice requirements of the *Development Charges Act* and the expiration of the current DC By-law on August 4, 2019, Staff intends to provide Council with the completed DC Background Study and By-law by the spring of 2019.

TABLE 1: KEY DC STUDY TIMELINES

Item	SPPC Date	Notes
Core Area Servicing Studies	January 29, 2018	Complete
Area Rating	January 29, 2018	Complete
Growth Projections and Sensitivity Analysis	February 12, 2018	Will also include updated 2016 Census Employment data
Interim Financing Costs	February 12, 2018	N/A
UWRF Retirement	May 7, 2018	N/A
Draft Local Service Definitions	June 25, 2018	Will table for circulation and further community discussion
Draft DC Rate Calculations (Hard and Soft Services)	December 17, 2018	Delayed due to growth projections and potential <i>Municipal Act</i> considerations
Potential Additional DC Rate Components	December 17, 2018	N/A
Non-residential DC Rate Review	December 17, 2018	N/A
Draft DC Background Study and By-law	March 2019	Will table for circulation and further community discussion
Final DC Background Study and By-law	May 2019	N/A

CONCLUSION

Administration is recommending Council endorsement of three additional policy matters for consideration through the 2019 DC Study. Subsequently, Staff will undertake analysis and community engagement to make recommendations for Council consideration.

Throughout 2018, major elements of the DC Study will be finalized, with anticipated Council deliberation of the final DC Study and By-law in the spring of 2019.

PREPARED AND SUBMITTED BY:
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January 22, 2018