



2019 Development Charges Area Rating



Strategic Priorities and Policy Committee
January 29, 2018



Specific Area Rates Council Direction

- What is 'Area Rating'?
- How is it currently applied?
- What services could be Area-Rated?
- Next Steps

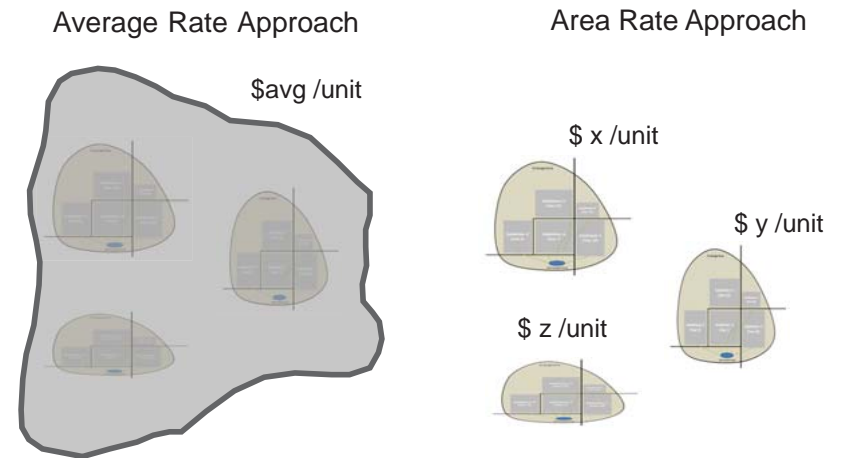


Legislative Context Development Charges Act

- Section 5(1) establishes the method that must be used in developing a Development Charge By-law, and to determine that Development Charges that may be imposed.
- Section 10(2) c.1 of the DCA requires that "the development charges background study shall include consideration of the use of more than one DC By-law to reflect different needs for services in different areas"
- Development Charges are made up of a bundle of distinct services
- Area Rating permits charges for services within the City to be split into distinct areas having separate by-laws and separate reserve funds
- Currently, the City determines Development Charges using service access and average cost pricing



"Average" vs. "Area Rate"



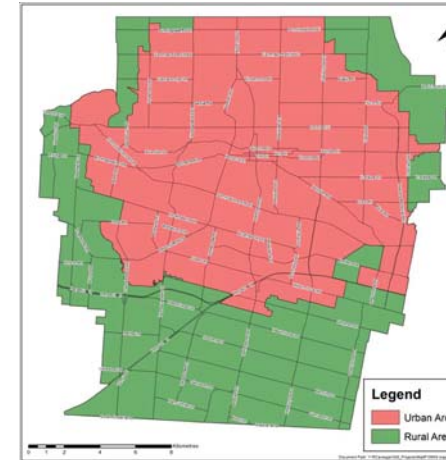


Developing an Area Rate

- To consider Urban Area Rating for a service, to ‘reflect different needs for services in different areas’, it would need to be demonstrated that:
 - infrastructure to be area-rated is not serving all residents
 - distinct service area boundaries can be defined and defended that clearly distinguish between different areas; and
 - a ‘benefitting population’ can be allocated within the service area to determine required infrastructure and timing for rate calculation purposes



How is Area-Rating currently used in the City?



City-Wide Services

- Fire Services
- Police Services
- Growth Studies
- Library Services
- Parks and Recreation
- Roads
- Transit

Urban-Only Services

- Pollution Control Plants
- Sanitary Sewers
- Water Distribution System
- Water Supply System
- Stormwater Management



What services could be candidates for Area Rating?

City-Wide Services

- Fire Services
- Police Services
- Growth Studies
- Library Services
- Parks and Recreation
- Roads
- Transit

Urban-Area Services

- Urban-Wide Services*
 - Pollution Control Plants
 - Water Supply System
- Area Services*
 - **Sanitary Sewers**
 - **Water Distribution System**
 - **Stormwater Management**



Next Steps

- Identifying Suitable Services for Area-Rating
 - candidate services are not available to all City residents
- ‘Untangling the Honeycomb’
 - identify logical service area boundaries where a service and associated costs can be distinguished from the same service in a different area
 - CASS, Pollution Control and Prevention Plan and Rapid Transit studies need to be completed



Sanitary Sewer System overlaid onto CASS area



Next Steps

- Forecasting Population within Service Area Boundaries
 - how to forecast growth for service areas that do not align with policy boundaries? (e.g. built area boundary)
 - gain experience with new London Plan growth framework to predict the precise location and timing of intensification
- Implementation Issues
 - how to allocate existing debt between service areas? how to manage multiple DC reserve funds for the same service?



Water Distribution System



Recommendation

- This report **BE ENDORSED** for use in the preparation of the 2019 Development Charges Background Study consistent with the *Development Charges Act* requirements related to area rating;
- The current policy to distinguish Development Charges rates inside the Urban Growth Boundary from those outside the Urban Growth Boundary, **BE CONTINUED**; and
- Civic Administration **BE DIRECTED** to continue its analysis to review services that are candidates for differential recovery areas, and that the City work towards an area rating servicing policy to be implemented beyond 2019.



Next Steps

FIN



Comparison of DC Recovery Alternatives

Average Cost	Area Rating
<p>Pros:</p> <ul style="list-style-type: none"> - Everyone pays the same rate - Avoids “winners” and “losers” - Easier to administer – simpler calculation –pooling of funds <p>Cons:</p> <ul style="list-style-type: none"> - Perceived issues re: fairness - Potential to pay for services you don’t benefit from - Lacks financial incentive that may assist in directing development to certain locations 	<p>Pros:</p> <ul style="list-style-type: none"> - Improved link between DC payable and service provided - Cited as a potential incentive for intensification/infill - Use as a strategic tool for growth management <p>Cons:</p> <ul style="list-style-type: none"> - Justification of area rate “networked” services – eg. roads, wastewater treatment - Multiple DC by-laws to administer - Potential for high costs to develop certain areas - Transitional complexity

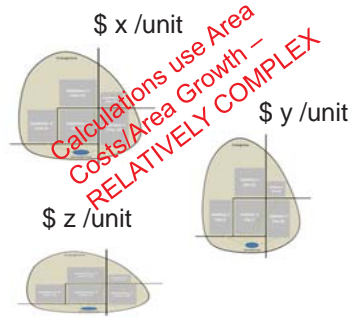


Average vs. Area Rate

Average Rate Approach

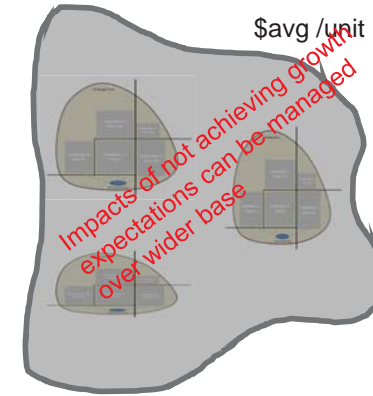


Area Rate Approach

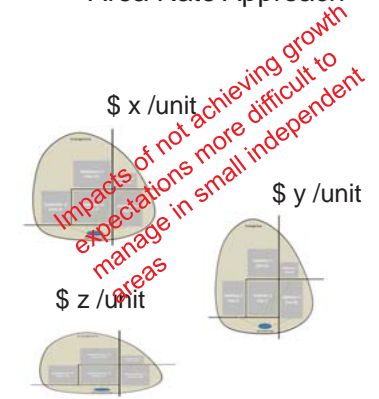


Average vs. Area Rate

Average Rate Approach



Area Rate Approach

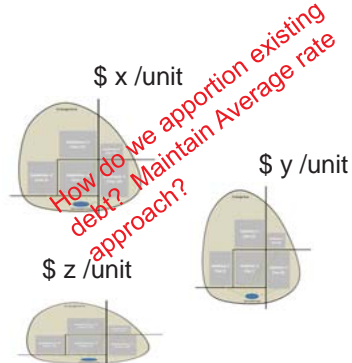


Average vs. Area Rate

Average Rate Approach



Area Rate Approach



Summary

- Most City services are provided on a city-wide system basis (e.g. transit, roads, etc.)
- City-wide charges provide more flexibility to prioritize funding to growth-related capital projects
- Area-specific boundaries are contentious and more difficult to define and defend
- City-wide charges have lower administration costs
- Most Ontario municipalities have established municipal-wide charges; where area-specific charges have been used, they are generally related to “hard services” such as water, sanitary sewer and stormwater management services.



DC Act Excerpts

- S.2(1): The council of a municipality may by by-law impose development charges against land to **pay for increased capital costs required because of increased needs for services arising from development of the area to which the by-law applies.**
- S.5(1)9.: Rules must be developed to determine **if a development charge is payable in any particular case** and to determine the amount of the charge, subject to the limitations set out in subsection (6)”
- S.5(6)3.: If the development charge by-law will exempt a **type of development**, phase in a development charge, or otherwise provide for a **type of development** to have a lower development charge than is allowed, the rules for determining development charges may not provide for **any resulting shortfall** to be made up through higher development charges for other development.



Area Rated Components of under current DC by-law

Line	Column 1	Column 2
1	Service Component	Single & Semi
<i>calculated according to density:</i>		
2	FIRE SERVICES	71.76
3	POLICE SERVICES	328.81
4	GROWTH STUDIES	488.06
5	LIBRARY SERVICES	0.00
6	PARKS AND RECREATION	2,058.72
7	TRANSIT SERVICES	316.71
8	ROADS SERVICES	13,069.72
9	SANITARY SEWERAGE	3,481.27
10	WATER SUPPLY	0.00
11	WATER DISTRIBUTION	1,153.10
12	MAJOR SWM	5,303.50
14	TOTAL (within Urban Gr Area)	\$26,271.65
	check	\$26,271.65
	hard services total	\$16,550.99
	Outside Urban Growth area	\$16,333.79
UWRF rates		
Line	Column 1	Column 2
1	Service Component	Single & Semi
2	Minor Road Works	672.49
3	Minor Sanitary Sewerage Work	428.58
4	Minor Storm Sewerage Works	323.09
5	Road Works, Sanitary Sewerage Works, Storm Sewerage Works	1,424.16
6	Storm Water Management Works	936.66
7	Total	\$2,360.82
	check	\$2,360.82
	DC RATE SUBTOTAL	\$28,632
	Total Rate (CSRF +UWRF)	\$28,632

Outside Urban Area charge

Additional charges - Inside Urban Growth Boundary



2014 Development Charges Study Policy Issues

Excerpts from London Plan

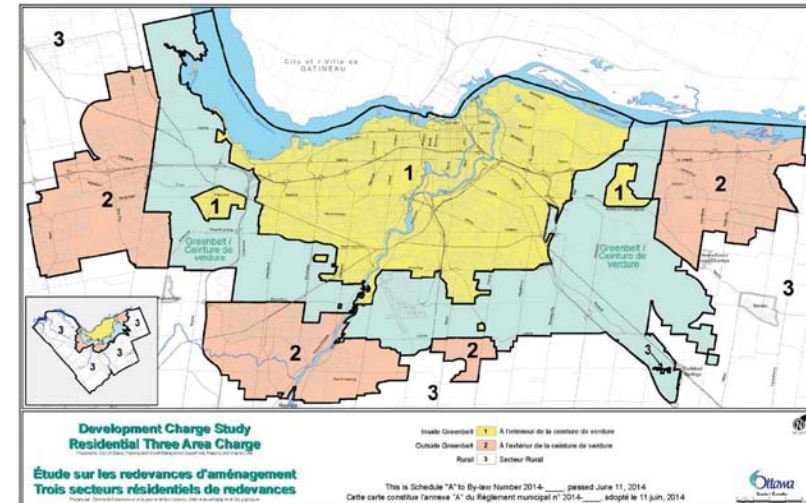
181 As part of any development charges study, the City **will consider** an area rating approach to recognize that the costs of growth in certain areas of the city may be substantially different from the costs of growth in other areas of the city.

1573 (7) The City **will consider**, as part of a development charges study, an area rating approach to recognize that the costs of growth in certain areas of the city may be substantially different from the costs of growth in other areas of the city.



Ottawa

- Greenbelt creates service systems that can be defined and defended





Kitchener

- Use Conostoga Parkway/Westmount Road
- Freeway creates distinct service systems that can be defined and defended

