

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING OF JULY 23, 2018
FROM:	GEORGE KOTSIFAS, P.ENG. MANAGING DIRECTOR, DEVELOPMENT AND COMPLIANCE SERVICES & CHIEF BUILDING OFFICIAL
SUBJECT:	2019 DEVELOPMENT CHARGES STUDY – UWRF RETIREMENT

RECOMMENDATION

That on the recommendation of the Managing Director, Development and Compliance Services & Chief Building Official, with the concurrence of the Managing Director, Corporate Services, City Treasurer and Chief Financial Officer, the following actions be taken:

- a) the implementation process for full retirement of the Urban Works Reserve Fund with the adoption of the 2019 Development Charges By-Law **BE ENDORSED**; and
- b) Civic Administration **BE AUTHORIZED** to conduct the necessary housekeeping adjustments to facilitate the wind-up of the Urban Works Reserve Fund.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Strategic Priorities & Policy Committee, January 29, 2018, Agenda Item 4, 2019 Development Charges Study Policy Matters Update

Strategic Priorities & Policy Committee, August 29, 2016, Agenda Item 4, 2019 Development Charge Study – Policy Review Scoping Report

PURPOSE OF REPORT

The purpose of this report is to seek Council endorsement for the implementation process to wind-up the Urban Works Reserve Fund (UWRF) with the adoption of the 2019 Development Charges By-Law. This report provides further details on how Civic Administration intends to wind-up the UWRF and provides Council and members of the public with a transparent implementation approach.

BACKGROUND

In January 2018, the Strategic Priorities and Policy Committee received a report regarding an update on policy matters pertaining to the 2019 Development Charges Study. As part of this report, Civic Administration received endorsement to review the process and implementation details for the wind-up of the UWRF.

Direction to Wind-up the Urban Works Reserve Fund

As part of the 2014 Development Charges Study, Council approved the retirement of the UWRF and the consolidation of UWRF funding under the various City Services Reserve Funds (CSRF). The 2014 Development Charges 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 Development Charges By-law (August 4, 2014). Although the Development Charges By-law formalized the intent to retire the UWRF, the logistics of the retirement are still an outstanding matter.

DISCUSSION

As part of the review process, alternative options associated with the timing to wind-up the UWRF were explored. The pros and cons associated with each alternative were evaluated (refer to Table 1).

Table 1 – Evaluation of UWRF Timing Options

OPTION 1	
Wind-up the UWRF with the adoption of the 2019 Development Charges By-Law with any outstanding claims transferred to the respective CSRF	
PROS	CONS
<ul style="list-style-type: none"> + Aligns with the intention to wind-up the UWRF as part of Council’s approved 2014 Development Charges By-Law. + Allows Owners to construct capital works and submit eligible claims consistent with the current process, but without the wait time related to cap restrictions. + Growth related capital works would be fully consolidated into the respective CSRF (eg. all road works would be funded from the same reserve fund). + Administrative efficiencies realized by reducing the number of reserve funds required to be managed. + UWRF rate component and rate calculations no longer required. 	<ul style="list-style-type: none"> - Effort required to conduct the analysis and implementation plan to wind-up the UWRF prior to all claims being paid.
OPTION 2	
Wait for all outstanding UWRF claims to be paid out before the UWRF Wind-up	
PROS	CONS
<ul style="list-style-type: none"> + Maintaining the status quo would minimize administrative effort required to implement the change. 	<ul style="list-style-type: none"> - UWRF would likely remain open for years (greater than 15 years) with the only activity occurring being claim payments which are subject to cap restrictions. - Delays the intention of retirement of the UWRF that was supported as part of the Council approved 2014 Development Charges By-Law. - Administrative time and effort is required to manage the UWRF.

Recommended Timing of UWRF Wind-up: Based on the comprehensive review of UWRF timing options, Civic Administration recommends the wind-up of the UWRF with the adoption of the 2019 Development Charges By-Law. It is also important to note that since no future claims to the UWRF have occurred for agreements entered into after the passing of the 2014 Development Charges By-law, the number of claims remaining as eligible UWRF is relatively minimal. Attached to this report in Appendix A is a schedule of the remaining eligible UWRF claims.

Approach for Addressing Remaining UWRF Eligible Claims

Civic Administration has reviewed all remaining eligible UWRF claims and has categorized the actions necessary in order to facilitate the wind-up of the UWRF as follows:

1. Claims for eligible capital works submitted prior to the adoption of the 2019 Development Charges By-Law;
 - Until the 2019 Development Charges By-Law is adopted, the process for payment of eligible UWRF capital works will remain status quo. This means that all eligible claims submitted prior to the adoption of the 2019 Development Charges By-Law will continue to get paid out of the UWRF for both general and stormwater management components.
2. Prior approved claims that were subject to payment cap rules:
 - Included in the Council approved 2014 Development Charges By-Law were provisions associated with maximum claim payment amounts for both the general and stormwater management components. The maximum payment from the general fund is capped at \$1,000,000 and from the stormwater management fund is capped at \$250,000. Subsequent claim instalments are eligible to be paid 12 months following the immediately preceding instalment. Remaining claim payments are placed in a “queue” and paid in order of receipt.
 - The recommended approach for claims that fall within this category is to pay out any outstanding claims in the “queue” upon the adoption of the 2019 Development Charges By-Law. These payment cap rules were implemented at a time when there were many UWRF claim obligations that had not been submitted for claim reimbursement and the timing of claim submission was not easily determined. In order to ensure the financial sustainability of the UWRF, cap rules were implemented to allow for the smoothing of cash flows. Since no new UWRF obligations have been entered into since the adoption of the 2014 Development Charges By-Law, the number of remaining claim obligations is now understood and considered minimal. As a result, since these claims have already been approved and there is an obligation to make payment, it is recommended to pay all outstanding obligations that were subject to cap rules in order to not delay the wind-up of the UWRF.
3. Eligible UWRF capital works where a claim has not been received prior to the adoption of the 2019 Development Charges By-Law:
 - All outstanding UWRF obligations where no claim has been submitted prior to the adoption of the 2019 Development Charges By-Law are recommended to be transferred to the respective CSRF. Claims submitted for eligible works would be paid from the respective CSRF. This approach is simply shifting payment from one fund to another with no impact to the Owner’s claim submission. The 2019 Development Charges Background Study will include transition provisions with a list of the specific projects being transferred to the CSRF.

Stakeholder Engagement

The process and implementation details associated with the wind-up of the UWRF have been discussed with the Development Charges External Stakeholder Committee. This Committee is composed of representatives from the London Development Institute, London Home Builders’ Association, and the Urban League of London that represent the interests of the community and industry. The recommended approach established in this report for the wind-up of the UWRF was supported by the representatives of the Committee. Attached to this report in Appendix B is a support letter from the London Development Institute.

In addition to the External Stakeholder Committee involvement, Civic Administration reached out to each individual Owner that had a remaining UWRF claim. Correspondence and follow-up meetings were held to discuss the status of the remaining claims as well as the approach to wind-up the UWRF. Feedback was positive and Civic Administration will continue to work with the Owners to ensure the capital works and claims are completed in order to reduce the number of transferred projects as much as possible.

FINANCIAL ANALYSIS

A financial analysis was conducted to determine the projected ending UWRF balance for both the general component and the stormwater management component (refer to Table 2). Projected revenues remaining to be collected are driven by the Council-approved growth estimates that have been prorated up to the end of the expiration of the 2014 Development Charges By-Law. In addition, the remaining estimated claims have been updated to reflect all outstanding obligations under the UWRF.

Table 2 – Projected UWRF Balance

	GENERAL	STORMWATER MANAGEMENT
OPENING UWRF BALANCE		
February 28th, 2018	\$ 4,693,133	\$ 4,835,831
ADD: REVENUE		
¹ Projected March 1, 2018 - December 31, 2018	\$ 3,100,055	\$ 2,128,336
¹ Projected January 1, 2019 - August 4, 2019	\$ 2,090,819	\$ 1,529,713
SUBTOTAL	\$ 9,884,007	\$ 8,493,881
LESS: DISBURSEMENTS		
Estimated Claims	\$ 4,981,405	\$ 8,238,206
ENDING UWRF BALANCE	\$ 4,902,602	\$ 255,675
<i>1) Prorated for calendar days; Watson & Associates 2019 DC growth forecasts were used for projected revenue figures.</i>		

The projected ending balance is \$4,902,602 for the general component which includes minor roadworks, minor sanitary and minor storm sewer works. Through detailed review and discussions with the Owners, some UWRF projects were not warranted or were included under larger CSRF projects which accounts for the majority of the remaining surplus. Variances in the estimated UWRF project costs and actuals may also account for some of this difference.

The projected ending balance is \$255,675 for the stormwater management component which is in line with estimates.

Upon the adoption of the 2019 Development Charges By-Law, it is recommended that all outstanding revenues and claims be transferred to the respective CSRF. It is important to note that the financial analysis and projected ending balances noted in Table 2 are estimates and subject to change. The estimated ending net positions of the UWRF (uncommitted ending balances) will be reflected in the 2019 Development Charges rate calculations for the respective successor CSRFs.

CONCLUSION

Council approved the consolidation of the UWRF under the CSRF with the passing of the 2014 Development Charges By-Law. This report provides the approach for the wind up of the UWRF with the adoption of the 2019 Development Charges By-Law. The recommended approach is consistent with Council’s desire to retire the UWRF and is supported by the Development Charges External Stakeholder Committee and individual Owners.

PREPARED BY:	PREPARED BY:
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SUBMITTED BY:	CONCURRED IN BY:
PAUL YEOMAN, RPP, PLE DIRECTOR, DEVELOPMENT SERVICES	ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES & CITY TREASURER, CHIEF FINANCIAL OFFICER
	RECOMMENDED BY:
	GEORGE KOTSIFAS, P.ENG. MANAGING DIRECTOR, DEVELOPMENT AND COMPLIANCE SERVICES & CHIEF BUILDING OFFICIAL

Attachments:

- Appendix A – List of Remaining UWRF Projects
- Appendix B - Support letter from Bill Veitch of the London Development Institute

APPENDIX A - LIST OF REMAINING UWRF PROJECTS

Information as of February 28, 2018

PLAN NUMBER	OWNER	DEVELOPMENT NAME	UWRF	DESCRIPTION	STATUS (Note 1)	ESTIMATED CLAIM AMOUNT
M-490	HAMPTON GROUP	BYRON HILLS ESTATES	GENERAL	Pumping station upgrades	CLAIM UNDER REVIEW	\$52,873
M-517	PEMIC / SIFTON	RIVERBEND WEST SUBDIVISION	GENERAL	Sidewalk and internal widening	DESIGN COMPLETED	\$50,000
M-524	NORTH LAMBETH INC.	NORTH LAMBETH PHASE 2	GENERAL	External Street Lights	CONSTRUCTED	\$100,000
M-528	JACKSON LAND CORP	SUMMERSIDE PHASE 9	GENERAL	External Sanitary Sewer	UNDER CONSTRUCTION	\$1,605,000
M-544	CITY OF LONDON	AIRPORT ROAD SOUTH INDUSTRIAL PARK	GENERAL	Signals, streetlights and turn lanes	CONSTRUCTED	\$284,000
M-548	SIFTON	FANSHAWE RIDGE PHASE 1	GENERAL	Traffic signals & sidewalks	DESIGN COMPLETED	\$22,500
M-592	CITY OF LONDON	INNOVATION PARK PHASE 2	GENERAL	Left turn lane, street lights and traffic signals	CONSTRUCTED	\$270,000
M-596	NORQUAY (WEST KAINS LAND CORP)	WEST KAINS	GENERAL	Widening and intersection improvements	CONSTRUCTED	\$10,000
M-602	SIFTON	ANDOVER TRAILS PHASE 2	GENERAL	Traffic signals	DESIGN COMPLETED	\$22,500
M-603	REMBRANDT	MEADOWLILLY WOODS	GENERAL	Internal widening, pavement markings and sidewalk	DESIGN COMPLETED	\$164,000
M-609	CITY OF LONDON	INNOVATION PARK PHASE 4	GENERAL	Turn lanes, street lights and traffic signals	CONSTRUCTED	\$302,000
M-622	AUBURN (FOXHOLLOW)	FOXHOLLOW PHASE 2	GENERAL	Channelization	UNDER CONSTRUCTION	\$462,000
M-633	AUBURN / CORLON	UPPER RICHMOND VILLAGE	GENERAL	Channelization	UNDER CONSTRUCTION	\$315,000
M-638	SIFTON	WARBLER WOODS PHASE 2	GENERAL	Traffic signals & streetlights	DESIGN COMPLETED	\$30,000
M-640	AUBURN (CEDAR HOLLOW)	CEDARHOLLOW PHASE 2	GENERAL	Left turn lane	CLAIM APPROVED	\$390,635
M-652	SOUTHSIDE (LANDEA)	CREEKVIEW PHASE 2	GENERAL	Internal widening	CONSTRUCTED	\$10,000
M-655	AUBURN	CLAYBAR SUBDIVISION PHASE 2	GENERAL	Oversizing subsidy	CLAIM APPROVED	\$132,393
M-671	DREWLO	HYDE PARK PHASE 2	GENERAL	Internal widening & Traffic Signals	CONSTRUCTED	\$42,797
M-672	SIFTON	VICTORIA ON THE RIVER PHASE 2	GENERAL	Oversizing subsidy and channelization	CLAIM UNDER REVIEW	\$393,765
M-676	AUBURN	CLAYBAR SUBDIVISION PHASE 3	GENERAL	Oversizing subsidy	CLAIM APPROVED	\$311,941
SP-06028	CROWN DEVELOPMENTS LTD.	1777 Highbury Avenue	GENERAL	Sidewalk across frontage	CONSTRUCTED	\$10,000
TOTAL GENERAL						\$4,981,405

CONTINUED - APPENDIX A - LIST OF REMAINING UWRF PROJECTS

PLAN NUMBER	OWNER	DEVELOPMENT NAME	UWRF	DESCRIPTION	STATUS (Note 1)	ESTIMATED CLAIM AMOUNT
39T-05505	DREWLO HOLDINGS	EDGEVALLEY SUBDIVISION	STORMWATER	Pond construction & land purchase	UNDER CONSTRUCTION	\$4,255,300
M-394	DREWLO HOLDINGS	CRESTWOOD PHASE 1	STORMWATER	Pond landscaping	CONSTRUCTED	\$40,000
M-583	DREWLO HOLDINGS	UPLANDS CROSSING PHASE 2	STORMWATER	Pond construction	CONSTRUCTED	\$350,000
M-596	NORQUAY (WEST KAINS LAND CORP)	WEST KAINS	STORMWATER	Pond adjustments	CONSTRUCTED	\$15,000
M-624	SOUTHSIDE (SPEYSIDE EAST CORP)	NORTH TALBOT SUBDIVISION - PHASE 2	STORMWATER	Pond construction	CLAIM APPROVED	\$88,642
M-633	AUBURN / CORLON	UPPER RICHMOND VILLAGE	STORMWATER	Pond construction	CLAIM APPROVED	\$459,375
M-633	AUBURN / CORLON	UPPER RICHMOND VILLAGE	STORMWATER	Pond Landscaping	CLAIM UNDER REVIEW	\$104,500
M-701	REMBRANDT (700531 ONTARIO LTD.)	STONEYCREEK SOUTH	STORMWATER	Berm Construction	CLAIM UNDER REVIEW	\$135,609
M-701	REMBRANDT (700531 ONTARIO LTD.)	STONEYCREEK SOUTH	STORMWATER	Pond construction & land purchase	CLAIM UNDER REVIEW	\$1,289,780
Various	Various	SWM Facility Remediation Contingency (DC14-UP01000)	STORMWATER	Pond remediation	UNDER CONSTRUCTION	\$1,500,000
TOTAL STORMWATER						\$8,238,206

Note 1 - Claims with the Status 'Claim Approved' have been reviewed and approved by Development Finance and sent to Finance for payment as of February 28, 2018.

London Development Institute

July 7, 2018

By Email sppi@london.ca

City of London
300 Dufferin Avenue
London, Ontario
N6A 4L9

Attn.: Chair and Members of the Strategic Priorities and Policy Committee

Re: Urban Works Reserve Fund – Retirement

Chair and Members of the Committee,

We wish to thank City Staff for meeting with stakeholders and to address the industry recommendations for the retirement of the Urban Works Reserve Fund.

History of the Urban Works Reserve Fund

London has a unique history in that it has collected money to offset growth costs for many years prior to the formal establishment of development charges bylaw legislation. These monies were deposited into a fund called the Urban Works Renewal Fund (“UWRF”). The UWRF has been in existence in London since 1971. It was initially put in place by by-law under special legislation granted in the *City of London Act*. The UWRF “*provides funding for works paid for by a developer related to a specific subdivision or a site-specific development where those works are identified as serving broader but still localized growth area*” (Terms of Reference). The formula for determining what is to be included in the fund has been subject to more specificity over the years and rules for taking money out of the fund have been developed. Specific definitions of these works and the rules for payment of claims were established in 1999 in a report entitled *Urban Works Reserve Fund Study, May 1999 (revised September 1999)*.

Background studies have also been conducted to assist in establishing inputs.

In 1991, with the advent of the Development Charges Act, 1989, the City continued with a charge for urban works (which provided for financing of growth related works built in conjunction with development), but also instituted a

separate charge for Roads, and Sanitary Sewers. The latter charge was designed to recover a part of the growth-related costs of works included in the City capital budgets.

With annexation in 1993, the City again undertook a rate study which consolidated rates in the existing City, with those of the large predominantly rural areas. In 1997, a new act – the Development Charges Act, 1997 – required a further review of the rates. Development charge by-laws were approved under that legislation in 1999, 2004 and 2009.

The” Blue Ribbon Panel”

A “Blue Ribbon Panel” of development experts was commissioned by the City to address a growing concern over the financial health of the fund and to recommend changes to address these concerns. In, October, 2006 the Panel (chaired by Lyn Townsend, LLB) tabled a report on aspects of the City’s development charge policy.

The recommended actions addressed many general elements of the City’s existing DC policy including affordability, accuracy of cost estimates, use of DC funds collected and fund governance. They also address specific elements of the UWRF funding approach.

Retirement of the Urban Works Fund

In 2013 the following principles were established which outline the negotiated agreement related to the retirement of the Urban Works Reserve Fund:

- Funding of all Urban Works Reserve Fund works will be consolidated under the City Services Reserve Fund (CSRF) and suitable transitional provisions with respect to works currently included in draft plan conditions or under agreements will be addressed in the draft 2014 Development Charges DC By-law and Background Study.
- All transitional UWRF works obligations will be treated as debt and included in the CSRF charge.

- Repayment of “existing claims” (Approved, Authorized, Claimed/Unauthorized, Completed, Under Construction, or Under Agreement [not yet constructed]) will be based on the current UWRF repayment program including claim caps, order of claim payment, and limitations on payment based on a notional balance in the fund. In a word, claims under existing agreements would continue to be liquidated in the manner in which the fund currently operates. These rules will be included in the 2014 Development Charges By-law. These rules will form the basis for what is repaid to the developers as settlement of the current \$33 million claims at various stages of completion.
- In order to apply the existing fund rules to the remaining claims (\$33 million, as of July 2013) being liquidated, the UWRF repayment program will be the object of a separate cash flow and rate calculation in the 2014 Development Charges calculation.
- Based on calculations provided by Gary Scandlan of CN Watson, it is anticipated that the remaining claims (\$33 million, as of July 2013) will be retired in the next 5-7 years, based on forecasted growth rates and calculated charge attributed to the retirement will be included in the 2014 Development Charges By-law.

The 2014 Development Charges 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 Development Charges By-law (August 4, 2014). Although the Development Charges By-law formalized the intent to retire the UWRF, the logistics of the retirement were still an outstanding matter.

2019 Development Charge Bylaw Preparation

As part of the process to develop the principles and background studies for the 2019 Development Charges bylaw, options to implement the necessary actions to retire the UWRF were introduced to industry stakeholders. Following lengthy discussions with staff the methodology and timing to retire the UWRF was agreed upon. A major issue for LDI was that when the fund retires there should

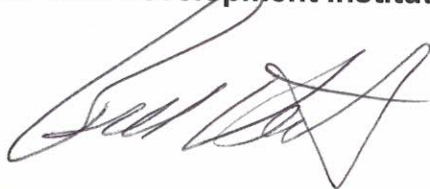
not be an excessive or significant debt transferred that would artificially require an increase to the 2019 DC rates. Staff have completed a thorough examination of the remaining unpaid and outstanding claims to the UWRF and have confirmed that the remaining balances following the passing of the 2019 DC bylaw should have a net positive impact to the DC rates. The options for payout of outstanding claims and in particular those payments that were subject to the cap rules were discussed and agreed to by the LDI and industry representatives. It was agreed that rather than prolonging the fund until all cap payments were complete it is necessary to wind down and retire the UWRF in a timely manner (2019 DC bylaw passing).

Conclusion

For almost a half a century the Urban Works Fund has been a very viably means for the City of London to grow the City of London. Without the benefit of the UWRF many of the established subdivisions and urban areas in the City of London may not exist today. Although LDI regrets seeing the demise of the UWRF and its inherent flexibility, the industry acknowledges that through the comprehensive engagement with industry prior to passing of each DC bylaw, the DC bylaw funds will continue to sustain those external servicing needs required to sustain future growth for the City of London

LDI wishes to thank Development Services for their significant efforts to address the LDI concerns with respect to the logistics required to affectively retire the Urban Works Reserve Fund.

Sincerely,
London Development Institute



Bill Veitch
President, LDI

cc LDI Members

cc Jason Senese, Development Services
cc Paul Yeoman, Development Services
cc Greg LaForge, Development Services
cc Kevin Edwards, Development Services
cc George Kotsifas, Development Services
cc Martin Hayward, City Manager