the urban league of london

association of community groups

1017 Western Road, London, Ontario, N6G 1G5. Tel: 519-645-2845.

October 17, 2011
Chair and Members
Built and Nature Environmental Committee

Re: Agenda Item #14 – Growth Management Implementation Strategy

The Urban League of London has been involved in most growth related studies since the 1990s. We were disappointed that we were not offered an opportunity to review this document at the same time as the industry received it back in September. Otherwise our comments would have been on your agenda. We do hope that with the next review, League representatives will be offered the opportunity to comment.

Having said this, we are in agreement with the staff choice of Option 1 on page 108 and 109 of your agenda. In support, we point to a few key points in the report:

Page 131 of your agenda

- Demand for single family units is running at about 1,000 units per year versus a forecasted figure of 1270 annually in the last Development Charge Study.

Page 132 of your agenda

- Supply of single family lots exceeds demand by over two years. "Of the over 5000 lots currently recorded as draft approved but not registered in the Vacant Land Inventory more than half already have major servicing in place and can be progressed to registration without additional CSRF (*City Services Reserve Fund*) works." And, we might add, without any new taxpayer funded capital costs.

<u>Urban League:</u>

- Putting in more infrastructure to create more residential supply does not increase demand. but does increase the capital and operating budget demands

- Growth related projects in the capital budget come with non-growth costs which are absorbed by the taxpayer not by development charges

- Don't add projects that are not in the current DC study. Anything you add comes without a DC revenue stream to support it. This is a grave concern we share with the LDI.

- We remind Council that the following were NOT in the last DC study

    - The LPH lands
    - any work around the 401 interchanges that is not industrial
    - sewage capacity in the SW part of the city.

Page 134 of your agenda

- "Accumulation of debt in the CSRF can directly impact GMIS and as the deficit increases so does the risk that DC revenues will not be able to support debt payments. One way of managing debt financing is not providing servicing in excess of market demand."

Urban League:

- To adopt Option 3 you would repeat the mistakes of the council of 2000-03 which helped saddle this city with a large debt load and constrained future capital budgets by putting in more infrastructure than demand could support.

- It also runs the risk of creating a structural deficit in the CSRF (City Services Reserve Fund) which should concern you because you need to issue for debt to cover the negative cash flow.

- While some debt coverage is expected, when the revenue stream (new housing) does not meet forecast, you get a cash flow crunch.

- Council has finally addressed the structural deficit in the Urban Works Reserve Fund – for taxpayers' sake don't go down this road with the CSRF. We can't afford another 1% special levy for this as well.

Page 133 of your agenda

- "Since the Background Study *(for the most current DC Study)* there has been some increase in cost estimates. The increase in recent tenders is a suspected result of recent stimulus activity causing massive construction activity in 2010." "Staff are continuing to monitor project estimates and tender awards, but at this time the observed increases are not great enough to trigger a review of the DC rate."

Urban League:

- We are not surprised that capital costs are higher for projects nor are we surprised that supply is below forecast.
- Overstating demand and understating costs has been the pattern for development charge studies in London over the years. It just reinforces how hard it is to get it right.

- The higher the supply forecast in a DC study, the lower the development charge. The same is true if the cost estimates are lower than they should be. This benefits the homebuilding industry.
- It does require watching because creating a structural deficit is a bad thing.
- If this pattern continues, there should be a new DC study.

Final Comments:

- Your internal auditors pointed out (Sept 29th audit committee meeting, page 72), that there is a pressing need to make sure "**claims are documented in a consistent manner with sufficient detail.**" We assume the audit committee will make sure this and other related recommendations are in place by year end.
- Council already settled at the OMB with the industry and delayed a number of road projects to lower the DC charge (page 134)
- This allowed more funds to flow to the Urban Works Reserve Fund (UWRF) allowing it to reduce the delay in repayment to developers.
- **$69 M** in backlogged claims remains in the UWRF (page 107).

Submitted by : Sandy Levin 59 Longbow, s.levin@

Gloria McGinn-McTeer 18-683 Windermere Rd, gmcginn-mcteer@

UL Representatives UWRF Review Committee