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Development Charges (DCs): Introduction

Strategic Priorities and Policy Committee
December 17, 2018



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HOW WE PAY FOR A GROWING CITY

YOUR CITY FINANCES

The world of **Development Charges!**

"HOW WE PAY FOR A
GROWING CITY"



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Introduction

- General Information regarding DCs
- 2019 DC Study Introduction
- Report Recommendations
- Summary



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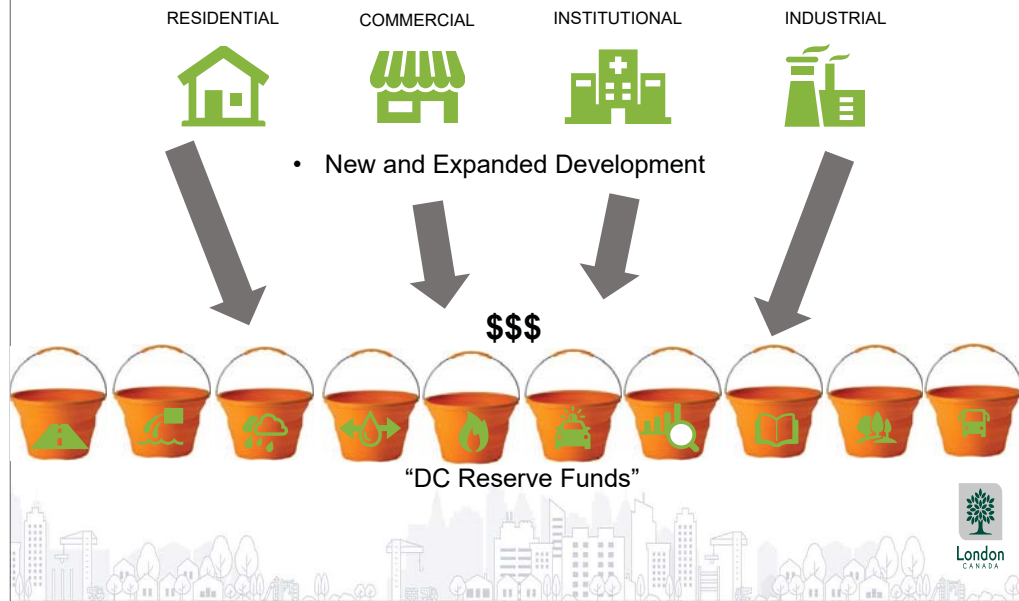
DC Act

- Section 2(1): DCs to pay for increased capital costs for servicing arising from development
- Section 5: DC Background Study Methodology (“rules”)
 - Amount of DCs for particular development not necessarily related to infrastructure costs for that particular development
- Section 9: DC By-law automatic expiration (5 years)
- Section 33: Separate DC reserve funds



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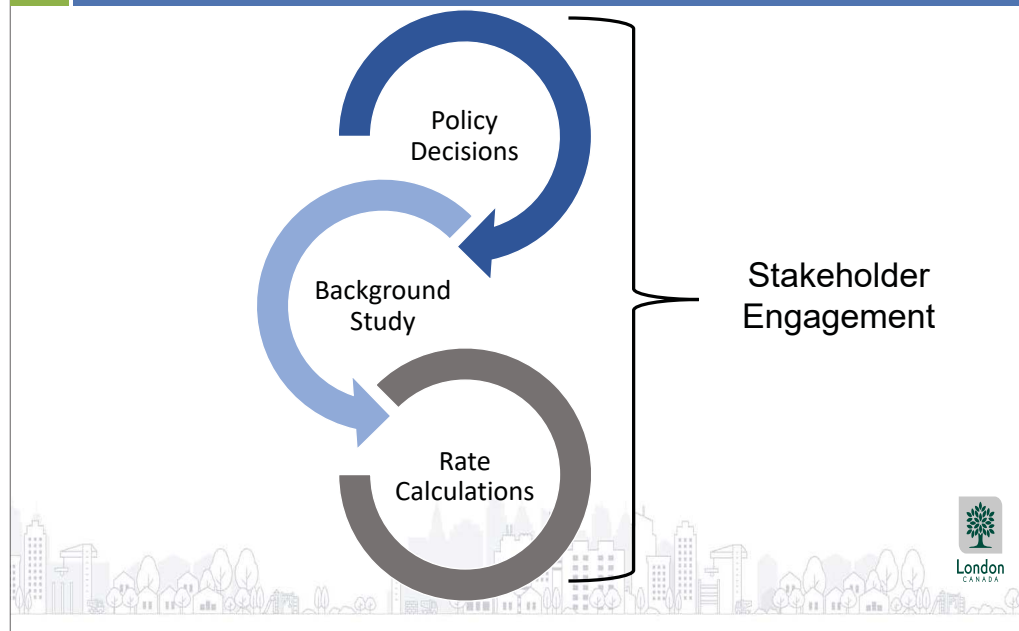
Who pays DC's? and where does it go?



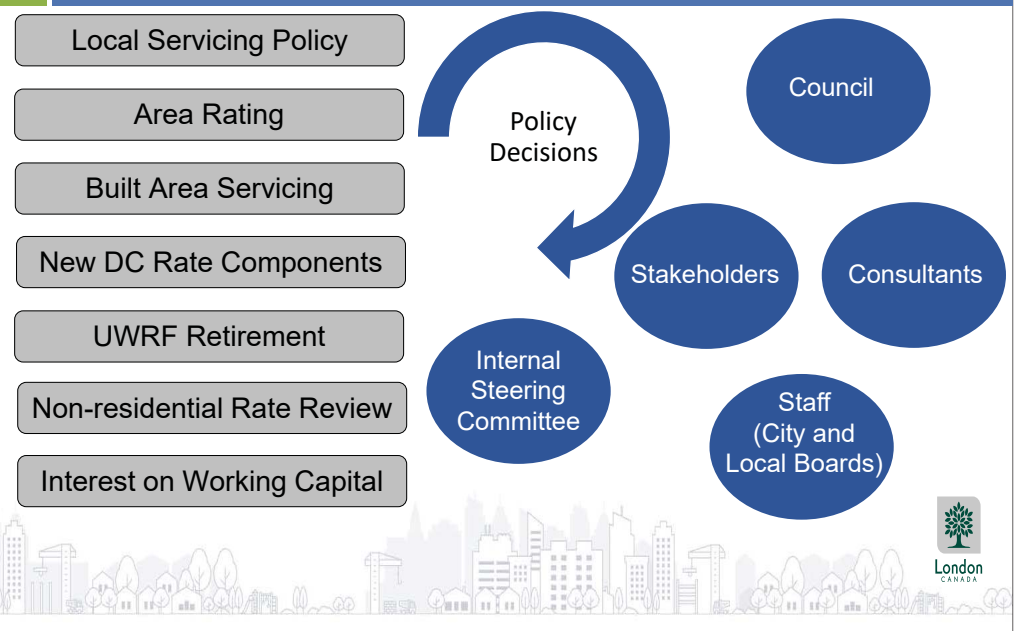
2019 DC Study



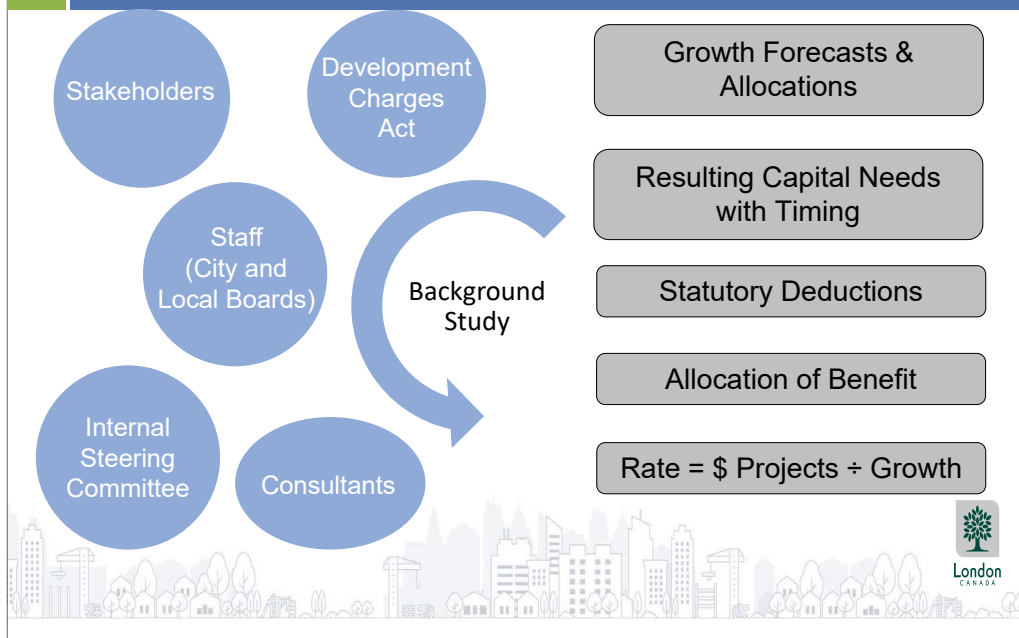
Development Charges Study Process Overview



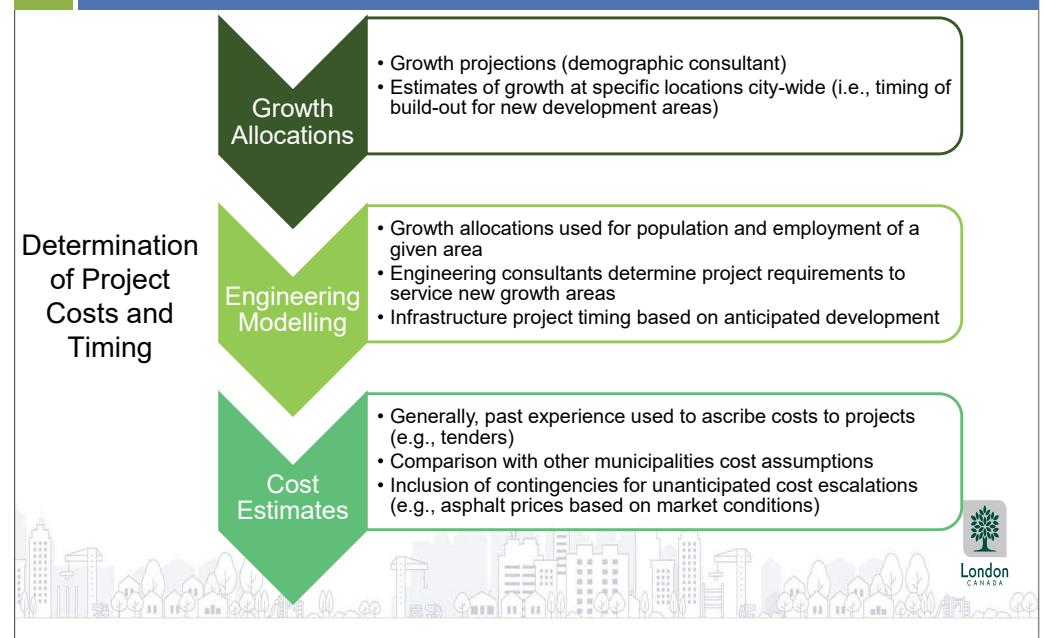
Policy Decisions



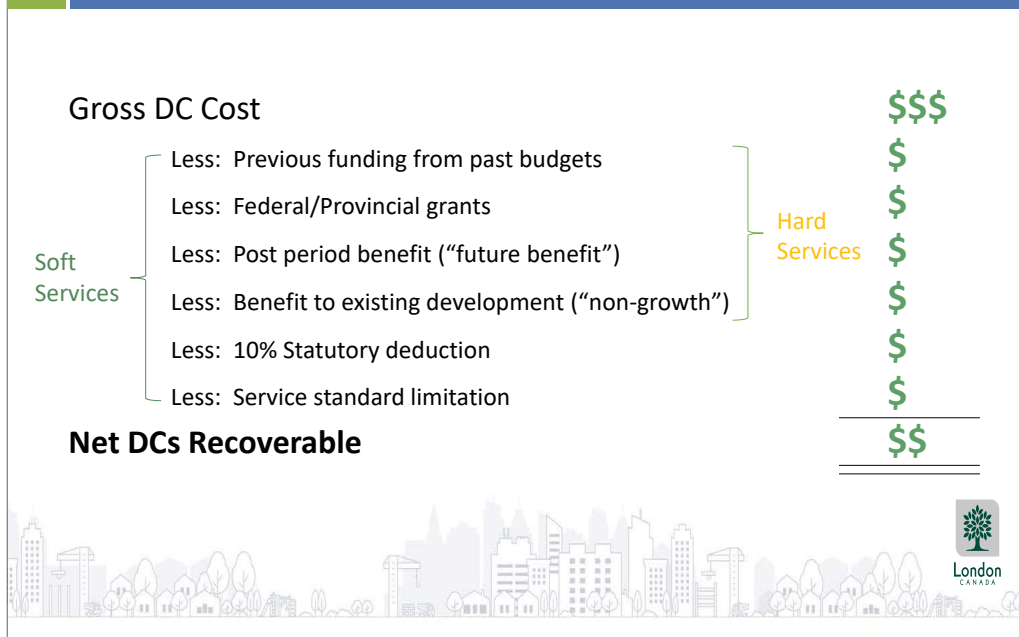
Background Study



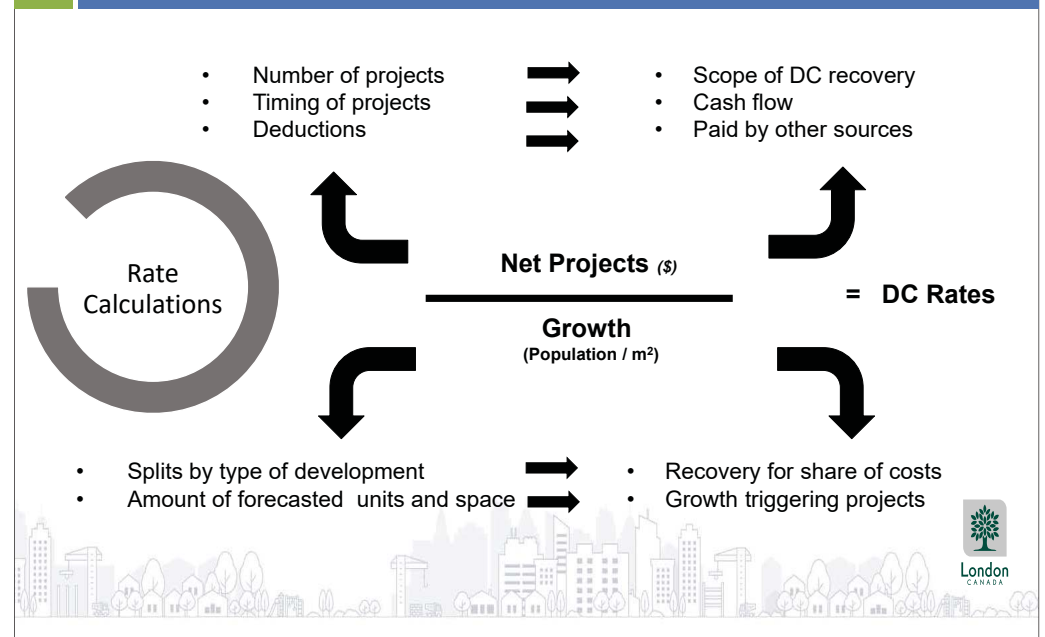
Development Charges Act, Section 5



Deductions Impacting Rate Calculations



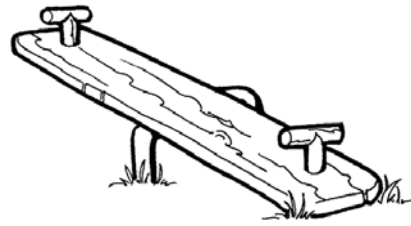
Rate Calculations



The DC Study Challenge

“Maximize new opportunities for growth”

“Minimize additional costs to homebuyers”



“Ensure sufficient recovery for the capital plan”

“Growth pays for growth”

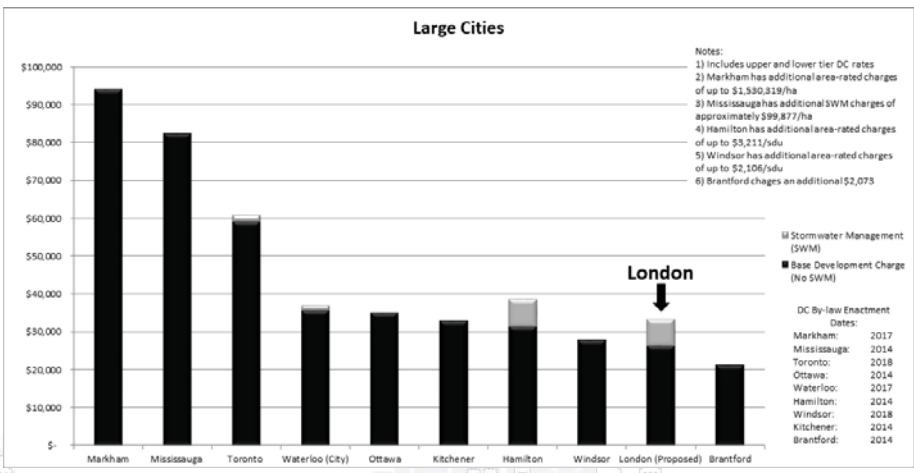


Draft 2019 DC Rates (December 17, 2018)

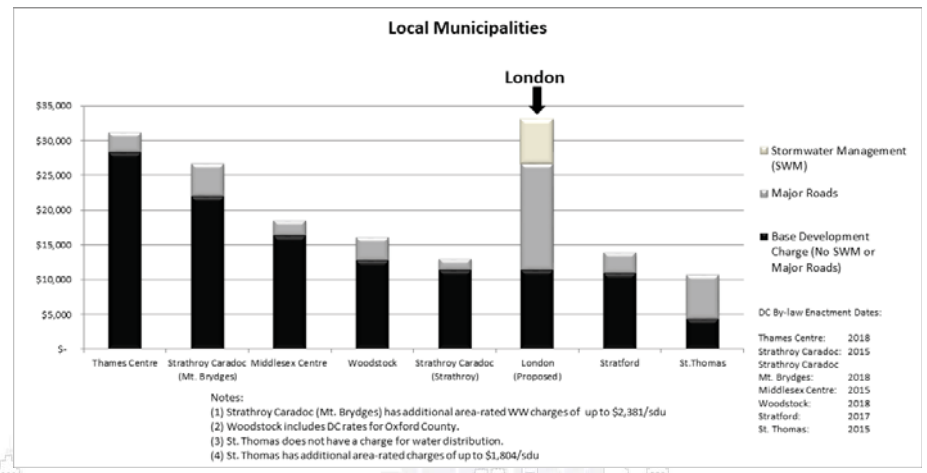
DC Component	Jan 1 2019 Indexed Rate	Draft 2019 DC Study Rate	% Change
Hard Services	\$25,724	\$27,72	2.2%
Soft Services	\$3649	\$5053	
UWRF	\$2638	\$0	
Base Rate	\$32,011	\$32,725	3.8%
Water Supply	\$0	\$6	
Waste Diversion	\$0	\$227	
Operations Centres	\$0	\$272	
Total Rate	\$32,011	\$33,230	



DC Rate Comparison: Large Municipal (Single Family)



DC Rate Comparison: Local Municipal (Single Family)



Non-Residential DC Rate Review

• Rationale for Non-Residential DC Rate Review:

- Concerns regarding commercial DC rate
- Concerns regarding non-residential conversions

• Examined options:

- Retain status quo (industrial, commercial, institutional structure and conversions approach)
- Blended non-residential DC rate
- Industrial and non-industrial DC rates
- Current rate structure and by-law approach

• Recommending:

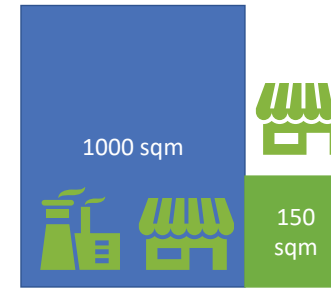
- Retain current ICI rate structure and by-law exemption for 1-to-1 space conversion (industrial buildings must be 10+ years old)
- No recommendation re: commercial DC rate



Non-Residential DC Rate Review

Current Conversion Approach

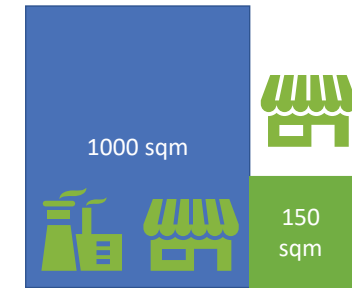
Commercial DCs: \$300/sqm
Industrial DCs: \$200/sqm



Net DCs: $[(1000 \times \$300) - (1000 \times \$200)] + (150 \times \$300) = \$145,000$

Proposed Conversion Approach

Commercial DCs: \$300/sqm
Industrial DCs: \$200/sqm



Net DCs: $\$0 + (150 \times \$300) = \$45,000$



Timetable



Summary

- 1 DCs pay for growth infrastructure projects and past investments in growth.
- 2 DCs only pay for the initial capital cost of major growth-related services identified in the DC Background Study – not local services, ongoing operating costs, or lifecycle renewal costs.
- 3 DCs are determined by an established legislated process that identifies the servicing needs and costs for future development.
- 4 Multiple internal and external stakeholders are involved in the DC rate setting process. Each has unique perspectives and goals regarding DCs.



RESERVE

RESERVE



Why Have Development Charges Changed 2014 DC vs 2019 DC

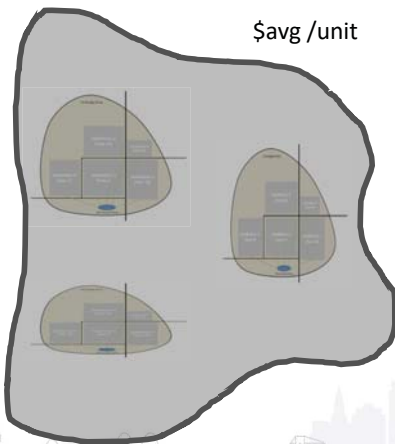
- There are a number of factors that have resulted in changes from the 2014 DC to the 2019 DC. Key factors include:
 - Updated growth projections across the City for the next 20 years
 - Adjustments to infrastructure servicing requirements to support growth demands
 - Updated capital project costing
 - Inflationary pressures
 - Experience from recently tendered projects
 - Addition of new programs in order to facilitate a growing City
 - Low Impact Development
 - Transportation Intelligent Mobility Management System
 - UWRF retirement



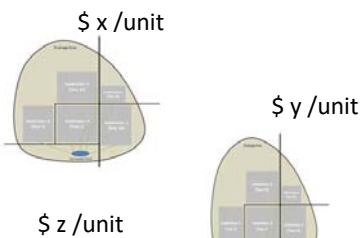
Average rate approach vs Area rate approach

Average Rate Approach

\$_{avg} /unit

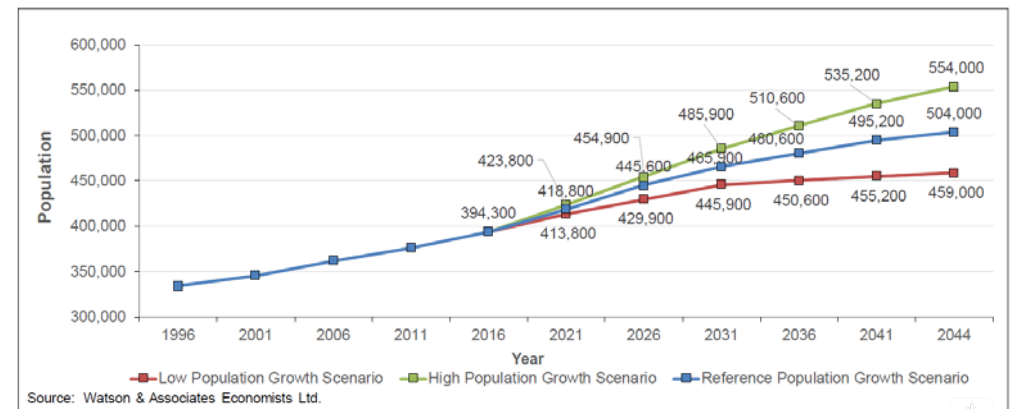


Area Rate Approach



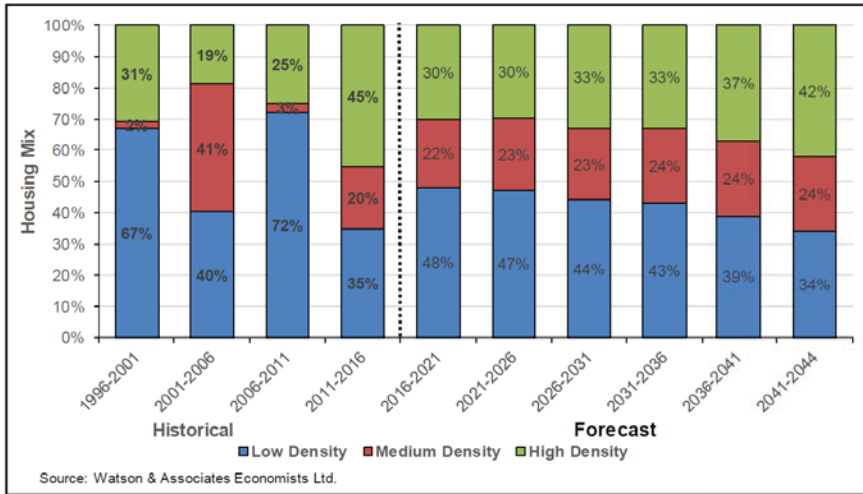
Our Growing City

City of London
Population Growth Projection Scenarios, 2016 to 2044



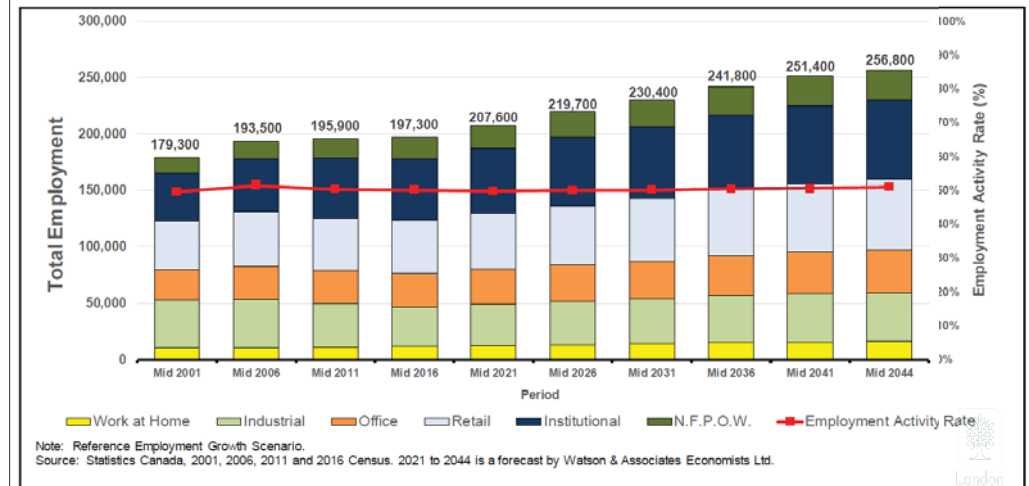
Our Growing City

City of London
Forecast Households by Structure Type

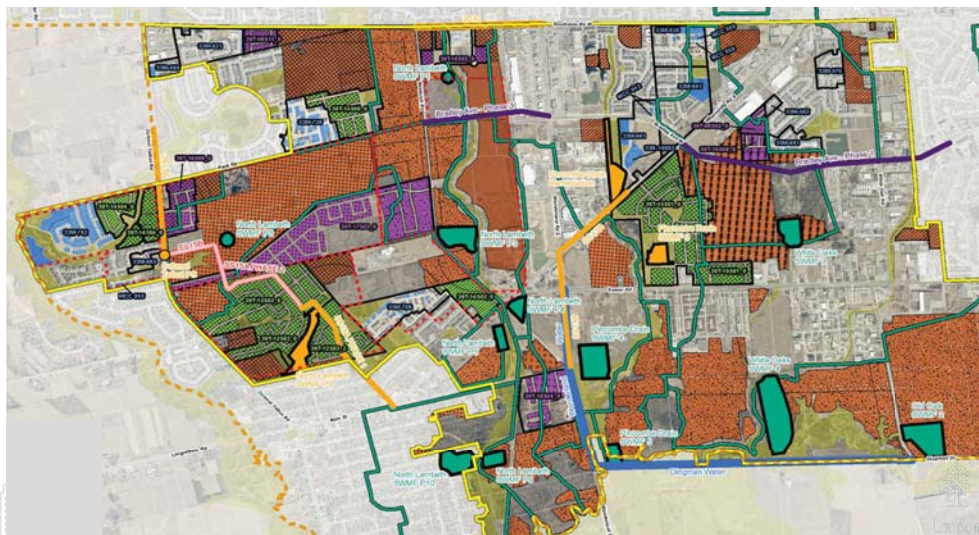


Our Growing City

Reference Employment Growth Scenario Forecast
Employment Growth by Major Sector, 2001 to 2044



Our Growing City



Key Messages Cont'd

- 5 DCs are paid by individuals constructing buildings. Certain forms/areas of development are exempted (DC paid by taxpayers). DC rates are charged uniformly throughout the City.
- 6 DC rate setting involves consideration of “affordability” and “flexibility.” Affordability is about keeping the cost of growth down by minimizing DC rates. Flexibility is about maximizing development opportunities by extending municipal services in numerous locations. The two ideals often conflict.
- 7 Council is ultimately tasked with balancing the desire for development with the increased investment required to facilitate growth.

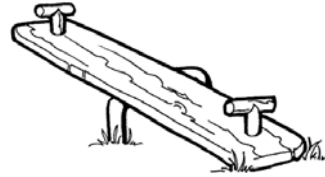




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Housing Affordability

- City of London is mindful of the issue associated with housing affordability and works hard to ensure that growth costs are compiled accurately and allocated equitably



- Reductions to DC rates to aid in the affordability of new homes do not eliminate growth costs...but means that costs must be paid for by someone else
- New homeowners get to choose whether to pay for growth costs; existing taxpayers do not
- Important to be mindful of burden that affordability would place on the City's tax base as a whole

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TOGETHER WE ARE MAKING A DIFFERENCE

