

<b>TO:</b>	<b>CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON MAY 13, 2013</b>
<b>FROM:</b>	<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>DEVELOPMENT CHARGES POLICY REVIEW LOCAL SERVICES POLICY</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, with the concurrence of the Managing Director and City Engineer Environmental & Engineering Services, the following changes to the City's "local service" definitions **BE APPROVED** in principle:

1. Watermain oversizing be claimable from the City Services Reserve Fund;
2. Stormwater Open Channel Oversizing be claimable from the Urban Works Reserve Fund - Minor Storm Works;
3. The definition of Sanitary Sewer Oversizing be reconsidered subject to information to be provided by the Master Servicing Study consultants; and
4. The definition of storm water management works be more broadly defined as all works required to provide stormwater management servicing that satisfies the requirements of a Class Environmental Assessment process.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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Strategic Priorities and Policy Committee – April 30, 2012 - Initiation Report  
2014 Development Charges Background Study and DC By-Law Update

Strategic Priorities and Policy Committee – August 27, 2012 - Master Servicing and 2014  
Development Charge Studies Consultant Appointment

<b>POLICY REVIEW</b>
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### **I. Preamble**

The work on the 2014 Development Charges (DC) by-law update was initiated in April, 2012. That report identified a number of policy issues that would be addressed and brought before Council prior to consideration of the DC rate study. This report addresses DC policy related to the definition of a "local service" as required by the *Development Charges Act* and required for the preparation of a Development Charges Background Study.

### **II. Background**

Determining the definition of "local service" is an exceptionally important step in completing a Development Charges Background Study and significantly impacts the final Development Charges Rate. Local services are defined as services that are required to be installed to service a plan of subdivision as a condition of a subdivision or consent approval which are to be paid for by the owner. As outlined in the *Development Charges Act* a municipality cannot recover for the cost of local services as these costs are rightfully borne by the initiating developer. Infrastructure work that provides a benefit beyond the "local service" (therefore providing a regional benefit to multiple developments) can be incorporated into a Development Charge rate calculation and funded at least in part from a Development Charge Reserve Fund.

In some situations, there is still uncertainty related to the definition of what local services are claimable and what costs should be borne by the developer. In addition, there are certain aspects of City growth funding policy that could be improved to better reflect the provisions of the *Development Charges Act*. The following recommendations have been developed to improve the existing development charges “local services” policies.

### **III. Major Recommended Changes**

As part of the “local service” definitions review it was Staff’s priority to ensure that the definitions were provided in clear language and aligned with the requirement of the *Development Charges Act*. A substantial amount of the language of the current DC project criteria and local services policy has been updated to provide enhanced clarity and to provide improved formatting that is easier to follow. Feedback on the proposed changes and research regarding the local services policy of other municipalities was provided by the Development Charge background study consultant C.N. Watson and was incorporated into the recommended changes. A number of the specific claimable works have been redefined in order to better align with the provisions of the *Development Charges Act*. The following sections outline a number of the specific local services definitions that are recommended to be improved:

#### **1. Watermain Oversizing**

Developer’s that make claims for oversizing of watermains are currently paid from a water rate supported account. It is recommended that like all other services watermain oversizing be financed by development charges through the City Services Reserve Fund. Historically \$50,000 per year has been included in the water budget to provide for watermain oversizing costs. Watermains that would be eligible for an oversizing payment would have a diameter greater than 250mm and must service more than one development. Using the Water City Services Reserve Fund as a source of financing for watermain oversizing is recommended as it better aligns with the provisions in the *Development Charges Act* and the City’s Official Plan.

#### **2. Stormwater Open Channel Oversizing**

Currently Developers may make claims for oversizing storm sewer through their development to accommodate upstream land owners. In some instances storm sewer pipes are not the appropriate means of servicing an area. An example would be an area that is naturally very flat (common near Dingman Creek). In these areas the preferred engineering solution would be overland stormwater channels. To reflect the possibility that a channel may need to be oversized to accommodate upstream development, Staff proposes allowing for claims for stormwater open channel oversizing. Staff proposes that claims would made against the Urban Works Reserve Fund - Minor Storm Works for the oversizing of open channels when an oversized open channel design is required for the reason of inherent site drainage constraints.

#### **3. Sanitary Sewer Oversizing**

At the request of the London Development Institute, Staff have been requested to review the minimum sanitary sewer pipe size (currently 300mm) that is eligible for a oversizing payment from the Urban Works Reserve Fund. Staff have requested that the master servicing planning consultant review the cost of moving from the current 300mm diameter for oversizing to the 250mm limit. This work will also include a “Municipal survey” to determine “cut-off” levels for sanitary sewer claims in other municipalities. The final determination of the appropriate sanitary sewer claim “cut-off” size will be brought to Council as part of the final Development Charges By-law.

#### **4. Stormwater Management Works**

The current Development Charges By-law speaks of stormwater management ponds as being claimable from the City Services Reserve Fund. In practice stormwater management servicing often entails more types of infrastructure than just stormwater management ponds (examples include: infiltration trenches, flow split chambers, 3rd pipe systems etc.). It is recommended that the definition of storm water management ponds be replaced by Stormwater Management Works. These works would include facilities, remediation or any other work identified through the Environmental Assessment (EA) process that is considered to satisfy a regional benefit to growth.

**IV. Minor Recommended Changes**

A substantial amount of the language of the current DC project criteria and local services policy has been updated to provide enhanced clarity and to provide improved formatting. These detailed changes will continue to be refined based on feedback from the DC Technical Committee and the Master Servicing Study consultants. The final version of the detailed policy will be incorporated into the final Development Charges By-law to be brought forward to Council in early 2014.

**V. Consultation with External Stakeholders**

Consultation on the background, objectives and strategies has occurred with members of the External Stakeholder Committee (LDI, Building Industry, non-LDI developer, Urban League) monthly since October of 2012. It was the opinion of all of the stakeholder groups that a “local service” policy using clear language was beneficial. Written comments as provided by the London Development Institute and the Urban League have been attached as “Appendix ‘A’ DC Stakeholder Comments”. The comments provided by the London Development Institute favor a change to the minimum sanitary sewer pipe size and support the need improved formatting and improved language clarity. LDI has also requested that continuing dialogue and clarification be provided by the City as these policies are applied to individual projects in preparing the Development Charge calculation. The comments provided by the Urban League generally support the revised local service policies.

**VI. Conclusions**

In conclusion, it is City Staff’s opinion that the proposed “local service” policy changes are one step forward in the continual improvement of our corporate development charges policy framework. The recommended changes align with municipal best practices, provide for clear language and should lead to improved understanding by both City staff and external clients. In addition, the proposed changes are consistent with the principle that growth pays for growth.

<b>ACKNOWLEDGEMENT</b>
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This report has been completed with the assistance of the entire Internal Stakeholder committee of the 2014 DC Study process and all of the various stakeholder groups for their comments.

<b>SUBMITTED BY:</b>	<b>CONCURRED IN:</b>
<b>SCOTT MATHERS, P. Eng., MPA</b> Manager, Development Finance	<b>PETER CHRISTIAANS, CA</b> Director, Development Finance
<b>CONCURRED IN:</b>	<b>RECOMMENDED BY</b>
<b>JOHN BRAAM, P. Eng.</b> Managing Director and City Engineer Environmental & Engineering Services	<b>MARTIN HAYWARD</b> Managing Director, Corporate Services and City Treasurer, Chief Financial Officer

May 6, 2013

Attach. Appendix “A” – DC Stakeholder Comments

c.c. George Kotsifas, Managing Director, Development And Compliance Services and Chief Building Official  
Edward Soldo, Director of Roads and Transportation  
John Lucas, Director of Water and Wastewater & Treatment  
Jennie Ramsay, Manager, Development Services & Engineering Liaison  
Terry Grawey, Manager, Development Services & Planning Liaison

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