

London Development Institute

May 10, 2013

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

Attn.: Chair and Members Strategic Priorities and Policy Committee

Re: Development Charges Policy Review, UWRF Framework & Timing of DC Payment, May 13, 2013

Dear Chair and Members of the Committee,

The LDI does not support the recommendations before you this evening regarding the policy amendments with respect to the changes to the Urban Works Reserve Fund (UWRF) Stormwater Management component and the future funding mechanism for Stormwater Management Facilities (SWMs).

We received the Staff report yesterday, Thursday May 9, 2013 which includes recommendations that the report be **"Approved in Principle"** with the proviso that it is **"Subject To"** further dialog with the Stakeholders on five key points that were raised in a meeting last week with the LDI, City Staff and Lyn Townsend, the City's Consultant. We cannot agree today with the amendments until we have had the discussions recommended in the report on these five points to determine how the changes will affect the industry.

The UWRF SWM fund is not in a debt position and is operating as the fund was intended whereas the City Services Reserve Fund (CSRF) SWM component is running in a debt situation as reported to Council by Staff in the December 2012 Growth Management Implementation Strategy (GMIS) update.

The following points highlight the LDI's position regarding moving UWRF SWM works to the CSRF.

Retention of UWRF SWM Ponds

Pros

- UWRF SWM fund built all SWM ponds before the changes to the 2009 DC By-law and did not create the debt problems currently facing the CSRF since the City took over those projects
- The developer carries the cost of the Project Management and the construction of the SWM facility thereby saving the City money and the need for additional City staff

- The UWRF is self regulating because the development community continually monitors the current financial status of the fund and closely monitors the future economic conditions of the housing marketplace
- Unless the City intends to pay out all remaining UWRF SWM claims the UWRF will continue to be calculated in the DC as a separate charge to pay-off the existing claims to the fund and any remaining UWRF ponds to be built should stay in the UWRF
- Developers build SWM ponds as needed and don't over extend the fund by building works to service lands in advance of draft approval
- The developer takes 100% of the risk for the cost of construction of the SWM pond under the current UWRF at no risk to the City
- UWRF SWM ponds can be built by the developer and timed to be more responsive to changes in the housing market place
- UWRF SWM fund is working better today as a result of the recommendations of the BRP report and because the UWRF originally did not contemplate regional SWMF's that cost millions of dollars
- There is currently a positive balance of \$1.6mil in the UWRF SWM fund and the current payback times are shorter and are steadily being further reduced
- The developer can coordinate the design and construction of the UWRF SWM ponds with the construction of the subdivision to place surplus fill on site and save the UWRF money by not having to truck these surplus materials off site for disposal

Moving the UWRF SWM to the CSRF

Cons

- CSRF SWM fund is currently in a debt situation as reported in the December 2012 GMIS Update prepared by the City
- The City is not as reactive to changes in the housing market or the economy as is the development industry
- The City did not phase the construction of the CSRF SWM facilities to service lands that are not draft plan approved
- Transitional issues with the movement of the Regional UWRF SWM facilities to CSRF SWM as recommended by the Blue Ribbon Panel have led to large cost overruns
- Engineering Consultants working for the development community are more accountable for costs, meeting design standards of the City and the schedule of the host developer
- The City may require additional staff to Project Manage SWM facility construction

The following points highlight the LDI's position on charging the SWM portion of the DC Charge at the time of the registration of the subdivision and not at the time of the building permit issuance as is currently the practice.

Accelerated DC SWM Payments

- The prepayment of the DC SWM charge at the time of registration will increase the cost of new homes

- The majority of London's home builders are smaller family-owned firms and the prepayment of the SWM DC will be an unduly and heavy financial burden to these businesses
- The prepayment of a DC charge is not financeable by the banks to new home builders and therefore draws down the builder's working capital
- Home builders cannot afford to pay a SWM prepayment on lots prior to receiving an offer to purchase for a new house
- Currently the home builder pays the SWM DC at the time of the building permit once an agreement of purchase and sale has been entered into with the future home purchaser
- Prepayment of DCs works in the GTA due to the fast build-out of new home developments and also because the Developer is the builder of the homes in most cases
- Prepayment of SWM works will not work in the London market due to the slower build-out of subdivisions
- Under the UWRP the Developer pays 100% of the costs of the UWRP SWM works which creates no capital debt for the City
- Developers may initiate smaller phases of developments to reduce the cost of the prepayment thereby creating a need for additional City staff time to review multiple phases of a development

The LDI also has concerns with the report when it recommends that the policy amendments "**BE APPROVED IN PRINCIPLE**", when usually, once Staff has obtained an "**APPROVAL IN PRINCIPLE**" to a recommendation there is little further discussion on the subject as it fast becomes the rule.

We appreciate that the recommendation is "**Subject To**" further dialog but the LDI, as a member of the External DC Stakeholder Committee, has raised the issue that there has been very little open discussion in the process leading to the amendments proposed in the Staff report.

We request that the Committee not pass the Staff recommendation and to further instruct Staff to engage in discussions with the industry to resolve our outstanding concerns regarding the UWRP and to bring back a report to the Committee outlining how those concerns have been addressed.

Sincerely,

London Development Institute



Jim Kennedy
President, LDI

cc LDI Members
cc Martin Hayward, CFO
cc John Braam, City Engineer
cc Lyn Townsend, Townsend & Associates
cc Art Zuidema, City Manager