

Report to Strategic Priorities & Policy Committee

To: Chair and Members
Strategic Priorities and Policy Committee
From: Anna Lisa Barbon, Deputy City Manager, Finance Supports
Subject: Development Charge Stormwater Management Land
Payment Trigger Policy Review
Date: June 7, 2022

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the development charge stormwater management land payment trigger threshold for future stormwater management land acquisition **BE DISCONTINUED** effective July 31, 2022, it being noted that payment will now occur at the time of agreement execution.

Executive Summary

The purpose of this report is to provide Council with an update on a review conducted by staff on the Development Charge (DC) Stormwater Management (SWM) Land Payment Trigger policy. Currently, land required for the construction of a SWM facility is initially transferred to the City at no cost when the land acquisition agreement is registered. Once 25% of the building permits associated with the development have been issued within the storm catchment area, repayment of the SWM land costs are made to the Owner of the development.

The SWM land payment trigger was established at a time when the Urban Works Reserve Fund (UWRF) was experiencing financial pressures along with accelerated timing of many SWM facility projects. The UWRF has been retired and the health of the City Service Reserve Fund (CSRF) is stable. As a result, it has been determined that the SWM land payment trigger threshold is no longer required.

Linkage to the Corporate Strategic Plan

This report supports the 2019-2023 Strategic Plan for the City of London through the Building a Sustainable City strategic area of focus by ensuring infrastructure is built to support future development.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

July 29, 2013 – Strategic Priorities and Policy Committee – Development Charges Policy Review: Major Policies Covering Report

May 13, 2013 – Strategic Priorities and Policy Committee – Development Charges Policy Review UWRF Framework & Timing of DC Payment – SWM Component

1.2 Background and Review

On May 13, 2013, a report was brought forward to the Strategic Priorities and Policy Committee (SPPC) with proposed changes to various DC policies. This included policy changes to the UWRF framework and timing of DC payment for the SWM component to the Owner of the development. This report was referred back to Administration to engage in further dialogue with DC Stakeholders.

After several months of extensive DC Stakeholder conversations, Administration brought forward an updated report to the SPPC on July 29, 2013. The report outlined a number of DC policy matters where consensus was achieved with the DC Stakeholders. Included in the report were new processes for Design and Construction of SWM facilities, including the establishment of a SWM land payment trigger (timing of when reimbursement for the land cost to the owner occurs). The scope and balance of this report is limited to the DC SWM land payment trigger policy review.

Current SWM Land Payment Process

SWM facilities that are identified as a growth need and that are contained in the DC Background Study are eligible for DC funding. Construction of these projects are typically led by the City with ownership being retained by the City. However, the placement of these facilities is usually on developable lands owned by Developers.

The current framework for land required to construct SWM facilities necessitated by growth is as follows:

- Prior to construction of the SWM facility, the landowner will enter into a land acquisition agreement which includes the following requirements and provisions:
 - the land for the SWM facility will initially be transferred to the City at no cost; and,
 - repayment of the SWM facilities land cost will be made when 25% of the building permits have been issued within the storm catchment area.

Once the SWM land payment trigger has been achieved, the City will reimburse the landowner. The value of the land is determined by calculating the proportion of land that is classified as 'open space land', 'hazard land' or 'table land' and applying the associated values from the By-law CP-9 for the Conveyance of Land and Cash in Lieu Thereof for Park and Other Purposes. This land valuation methodology is consistent with the current DC By-law.

Context

The implementation of the SWM land payment trigger was established at a time when the UWRF was experiencing financial pressures. In addition, at that time there was a significant demand by developers for SWM facility projects resulting in accelerated timing of capital investments.

As part of the 2019 DC Study, the UWRF was retired and remaining UWRF projects were transferred to the CSRF. The CSRF provides Administration with a greater ability to control the construction and timing of the SWM facilities. This has allowed Civic Administration to better manage the financial health of the Fund.

While SWM facilities are still required to facilitate new development, the number of SWM facilities has declined since the 2014 DC Study. The 'front end loading' of these facilities has resulted in a more balanced infrastructure requirement that has been captured in the most recent DC Study.

Approach Moving Forward

As a result of the retirement of the UWRF, the balanced SWM facility infrastructure investment in the most recent DC Study, and a stable SWM CSRF, the SWM land payment trigger is no longer required. Beginning August 1, 2022, for all future SWM facility investments, payment from the City for the lands would occur once the Owner enters into a land acquisition agreement. All existing SWM facility land payments should be paid out in accordance with existing land acquisition agreements.

1.3 Implication for Developers / Land Owners

The discontinuation of the SWM land payment trigger will provide a number of benefits to the landowners. A few key benefits include:

- Improved developer / landowner cashflows since land payment would occur much earlier in the process;
- Greater developer / landowner certainty for timing of land payment. Under the current process, establishing the timing of land payment may be challenging since it is contingent upon development buildout. Market conditions or other factors beyond the control of the developer / landowner may influence land payment timing; and
- There have been occasions when the landowner is separate from the developer. In these circumstances, the landowner must wait for land payment once the developer achieves the land payment trigger threshold. The proposed changes would eliminate this issue.

1.4 Stakeholder Consultation

The DC External Stakeholder Committee meets regularly with staff to discuss various development charge matters. The Committee is composed of representatives from the Urban League of London, London Development Institute, London Home Builders' Association, and the London and District Construction Association. Members of the Committee are in agreement with the modified approach to the SWM facility land payment trigger contained in this report.

2.0 Financial Impact/Considerations

There are no direct financial expenditures associated with this report. The Stormwater DC reserve fund will be able to fund future land payment costs once the Owner enters into a land acquisition agreement.

Conclusion

The SWM facility land payment trigger was established at a time when the UWRF was experiencing financial pressures, along with accelerated timing of many SWM facility investments. Since the UWRF has been retired, future SWM facility investment timing is more balanced, and the health of the CSRF is stable, the SWM land payment trigger is no longer required.

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