Development Charges Update (Hard Services)

GENERAL COMMITTEE

November 12, 2007



Agenda

- Development Charge Review
- Development Related Infrastructure Costs
- Policy Issues
- Next Steps



Development Charge Review - Rationale

- The Town is faced with increasing expenses for capital works and property costs in excess of that projected in the 2004 Development Charges Background Study
- Despite the indexing of capital projects and property costs, tendered works continue to exceed the costs being recovered from Development Charges. It was therefore decided to update the Background Study in 2007
- The Town's Development Charges Reserves are being gradually eroded by these growth-related capital and property costs



Development-Related Infrastructure Costs

- These higher expenses are attributed to the increased cost and scope of works from 2004 to 2007.
- Town Wide Hard costs increased by 67% from \$161M in the 2004 bylaw (indexed to 2007) to \$270M in 2007 as a result of additional projects (\$68M) and inflationary costs above indexing (\$40M)



Development-Related Infrastructure Costs

TOWN WIDE HARD COSTS (Growth-Related)

Cost Component	Indexed * 2004 Charge \$	Net Additions \$	Inflation above Indexing \$	2007 Costs \$	
Illumination	2,796,997	461,070	346,173	3,604,241	
Intersection	1,460,054	3,966,771	261,796		
Roads	30,346,161	2,609,671	8,443,202		
Sidewalk	2,768,738	793,169	223,921	3,785,828	
Storm Water Management	22,570,763	55,910	3,162,809		
Structures	69,926,379	51,975,575	7,533,912	129,435,866	
Studies	6,466,146		67,409	6,533,555	
Special Projects	9,5 <mark>52,301</mark>	3,419,268	2,703,283	15,674,852	
Property	15,4 <mark>68,64</mark> 9	4,974,625	17,714,076	38,157,350	
Total Capital Cost	161,35 <mark>6,189</mark>	68,256,060	40,456,580	270,068,829	
* July 2007	67% Increase				

Variance

Net Additions	68,256,060	63%
Inflation above Indexing	40,456,580	37%
Cost Increase	108,712,640	100%



Major Growth-Related Project Costs (Town-Wide)

Intersections	
 Town Wide Intersection improvements 	\$4.0M
Roads	
 Centurion Drive Reconstruction 	\$2.2M
 Miller Avenue Reconstruction 	<u>\$0.4M</u>
	\$2.6M
Structures	
 404 Access Ramps @ Elgin Mills 	\$2.4M
@ Highway 7	\$4.6M
@ Major Mackenzie	\$5.9M
 Mid Block Crossing Hwy 404 between Elgin Mills & 19th 	\$4.8M
 14th Ave at CNR 	\$16.0M
 Verclaire Crossing @ Rouge River 	\$10.2M
 Beaver Creek Crossing @ Rodick Overpass 	\$3.7M
@ Yorktech Drive	\$3.2M
@ Miller Ave	<u>\$1.2M</u>
	\$52.0M



Major Growth-Related Project Costs (Town-Wide)

•	<u>Special Projects</u>	
	– Bike Lanes	\$3.3M
	– Other	<u>\$0.1M</u>
	and and an end of the second	\$3.4M
•	Property	
	 – 14th Avenue Grade Separation 	\$0.5M
	 Ramps to Hwy 404 – Elgin Mills 	\$1.4M
	 Mid-block Crossing Hwy 404 – Elgin Mills to 19th Ave 	\$0.8M
	– Hwy 7 to 16 th Ave	\$1.6M
	– Major Mac. To Elgin Mills	\$1.0M
	 Net Project additions/completions 	<u>(\$0.3M)</u>
		\$5.0M
•	Project Additions/Cost Increases	<u>\$ 1.3M</u>
	Net Project Additions	<u>\$68.3M</u>



Development-Related Infrastructure Costs

- Area Specific costs increased by 20% from \$143M in the 2004 bylaw (indexed to 2007) to \$171M in 2007 as a result of additional projects (\$19M) and inflationary costs above indexing (\$9M)
- The additional project costs are mainly due to new Area Specific bylaws proposed for:
 - Rodick Road Planning District (Area 17) \$11.6M
 - 404 North Employment Lands (Area 49) \$ 7.7M



Development-Related Infrastructure Costs

AREA SPECIFIC COSTS - (Growth-Related)

Cost Component	Indexed * 2004 Charge \$	Net Additions \$	Inflation above Indexing \$	2007 Costs \$	
Illumination Intersection Roads Sidewalk Storm Water Management Sanitary Sewers Structures Structures Studies Water Special Projects Property	7,084,856 10,406,105 45,157,596 9,917,396 21,834,641 15,910,632 1,868,091 1,998,903 20,501,899 8,249,892	856,456 3,135,926 3,825,607 450,371 4,794,612 3,871,219 0 (65,884) 2,209,786 (248,505)	523,460 1,936,785 3,559,010 888,881 191,383 815,803 390,108 (117,397) (573,261) 1,673,087	8,464,772 15,478,816 52,542,212 11,256,648 26,820,637 20,597,654 2,258,199 1,815,622 22,138,423 9,674,474	
Total Capital Cost	142,93 <mark>0,012</mark>	18,829,588	9,287,858	171,047,457	
* July 2007	20% Increase				

3%

<u>Variance</u>		-
Net Additions	18,829,588	67
Inflation above Indexing	9,287,858	33
Cost Increase	28,117,446	100



Development-Related Infrastructure Costs (Town Wide)

TOWN WIDE COSTS	2004 By-law Growth-Related Costs Indexed to July 2007		2007 Growth-Related Costs Indexed to July 2007		Change 2004 to 2007		
Total Capital cost	\$	161,356,189	\$	270,068,829	\$	108,712,640	67.4%
Adjustments (Reserves/Credits Given)	\$	(19,710,293)	\$	(13,981,678)	\$	5,728,615	-29.1%
Net Town Wide Hard Cost Recovery	\$	141,645,896	\$	256,087,151	\$	114,441,255	80.8%
Residential	Palls	and here being the		Contrast Annual Contrast	-		1000
Total Recovery	\$	90,653,373	\$	144,765,654	\$	54,112,280	59.7%
Population in New Units		99,526	\$	78,296	\$	(21,229)	-21.3%
Unadjusted Charge Per Capita	\$	911	\$	1,849	\$	938	103.0%
Non-Residential				STATE OF TAXABLE PARTY.			
Total Recovery	\$	50,992,523	\$	111,321,497	\$	60,328,975	118.3%
Net Developable Area - Non-Residential Ha		731	\$	793		62	8.5%
Unadjusted Charge Per Ha	\$	69,729	\$	140,353	\$	70,624	101.3%

• Split between residential and non-residential went from 64/36 in 2004 to 57/43 in 2007 based on population and land changes

- Unadjusted charge per capita excludes financing costs



Development-Related Infrastructure Costs (Area Specific)

	Area Specific Capital Costs						
and the second second	2004	2007	Variance	Variance			
Total Capital cost (indexed to July 2007)	\$142,930,012	\$171,047,457	\$28,117,446	20%			
Net Developable Land (ha)	1,5 <mark>89</mark>	1,348	(241)	-15%			
Average Capital Cost Per Hectare	\$ 89,950	\$ 126,907	\$ 36,957	41%			



Total Town Charge Per Unit for Single Family Home (Includes TWH, TWS & ASDC)

Resid	ential Charges Per Unit for Single/	Semi Deta	ched Homes	-		
Ward	Area Specific	-	Current 2004 By- Laws (Indexed)	2007 with Cost Escalations & New Projects		tinina)
	and the second se		Total	Total	Variance	Variance
	Description	Area	\$	\$	\$	%
1	Shouldice	21	11,322	14,747	3,425	30%
3	North Hwy 7 (PD 1-7)	9	25,849	43,532	17,683	68%
3	South Unionville	42A	18,765	16,687	(2,078)	-11%
3	South Unionville - Helen Avenue	42A-1	39,385	56,430	17,045	43%
3	Markham Centre - South Hwy 7	42B-6	20,661	43,146	22,485	109%
3	Markham Centre - Remington	42B-7	13,104	15,418	2,314	18%
3	Markham Centre - Sciberras	42B-8	61,568	97,605	36,037	59%
3	Markham Centre - East Precinct	42B-9	47,314	43,550	(3,764)	-8%
3, 6	Markham Centre	42B	17,076	25,498	8,422	49%
4	Wismer	45A	10,804	14,791	3,987	37%
4	Berczy	45B	9,667	12,464	2,797	29%
5	Mount Joy	23	20,667	14,230	(6,437)	-31%
5	Cornell	41	10,750	14,432	3,681	34%
5	Greensborough	43	10,892	15,660	4,769	44%
	<u>Town Wide C</u> Town Wi	-	3,142	6,441		

5,685

8.827

5,685

12,126

Town Wide Soft

MARKHAM

Total Town Charge Per Unit for Single Family Home (Includes TWH, TWS & ASDC)

Resid	ential Charges Per Unit for Single/	Semi Deta	ched Homes		The state of	
Ward	Area Specific	-	Current 2004 By- Laws (Indexed)	2007 with Cost Escalations & New Projects		ilineit .
			Total	Total	Variance	Variance
	Description	Area	\$	\$	\$	%
6	Buttonville North	3A	21,680	30,642	8,962	41%
6	Woodbine North	12	9,016	12,183	3,168	35%
6	Markham Centre - Cox	42B-1	18,970	16,835	(2,136)	-11%
6	Markham Centre - Clegg	42B-2	14,766	20,708	5,943	40%
6	Markham Centre - IBM	42B-3	9,898	12,767	2,869	29%
6	Markham Centre - Hotel	42B-4	18,182	73,139	54,957	302%
6	Cathedral	46	11,054	14,047	2,994	27%
6	Angus Glen	47A	13,084	16,249	3,164	24%
6	York Downs	47B	11,188	14,241	3,052	27%
6	404 North Employment Lands	49	8,827	15,888	7,061	80%
7, 8	Armadale	5	9,740	14,489	4,749	49%
7	Armadale NE	7	10,609	14,417	3,809	36%
7	Box Grove	44B	11,290	14,787	3,497	31%
2, 6, 8	Don Mills / Browns Corner	4	13,259	15,670	2,411	18%
8	Milliken Mills	8	8,827	38,804	29,977	340%
8	Rodick Road - Planning District	17	8,827	48,900	40,073	454%

	Town Wide Charges:		
	Town Wide Hard	3,142	6,441
	Town Wide Soft	5,685	5,685
ARKHAM		8,827	12,126
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Total Town Charge Per Unit for a 2+ Bedroom Apartment (Includes TWH, TWS & ASDC)

R	esidential Charges Per Unit for a 2-	+ Bedroom A	partment		ALL ALL	
Ward	Area Specific		Current 2004 By-Laws (Indexed)	2007 with Cost Escalations & New Projects		Ninesi's
	and the second s		Total	Total	Variance	Variance
	Description	Area	\$	\$	\$	%
1	Shouldice	21	6,333	9,069	2,735	43%
3	North Hwy 7 (PD 1-7)	9	8,803	13,962	5,159	59%
3	South Unionville	42A	7,598	9,398	1,800	24%
3	South Unionville - Helen Avenue	42A-1	11,104	16,155	5,051	45%
3	Markham Centre - South Hwy 7	42B-6	7,921	13,896	5,976	75%
3	Markham Centre - Remington	42B-7	6,636	9,183	2,546	38%
3	Markham Centre - Sciberras	42B-8	14,875	23,154	8,279	56%
3	Markham Centre - East Precinct	42B-9	12,452	13,965	1,513	12%
3, 6	Markham Centre	42B	7,311	10,896	3,585	49%
4	Wismer	45A	6,245	9,076	2,831	45%
4	Berczy	45B	6,052	8,680	2,629	43%
5	Mount Joy	23	7,922	8,981	1,059	13%
5	Cornell	41	6,236	9,015	2,779	45%
5	Greensborough	43	6,260	9,224	2,964	47%

	Other Town Charges:		
	Town Wide Hard	1,867	4,581
	Town Wide Soft	4,042	4,042
ARKHAM		5,909	8,623
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Total Town Charge Per Unit for a 2+ Bedroom Apartment (Includes TWH, TWS & ASDC)

R	Residential Charges Per Unit for a 2	+ Bedroom A	partment				
Ward	Area Specific	Area Specific		2007 with Cost Escalations & New Projects		Contract of	
	Description		Total \$	Total \$	Variance \$	Variance %	
6	Buttonville North	3A	φ 8,094	Ψ 11,770	پ 3,676	45%	
6	Woodbine North	12	5,941	8,633	2,692	45%	
6	Markham Centre - Cox	42B-1	7,633	9,423	1,790	23%	
6	Markham Centre - Clegg	42B-2	6,919	10,082	3,163	46%	
6	Markham Centre - IBM	42B-3	6,091	8,732	2,641	43%	
6	Markham Centre - Hotel	42B-4	7,499	18,995	11,496	153%	
6	Cathedral	46	6,288	8,950	2,662	42%	
6	Angus Glen	47A	6,633	9,324	2,691	41%	
6	York Downs	47B	6,310	8,982	2,672	42%	
6	404 North Employment Lands	49	5,909	9,263	3,354	57%	
7, 8	Armadale	5	6,064	9,025	2,961	49%	
7	Armadale NE	7	6,212	9,013	2,801	45%	
7	Box Grove	44B	6,328	9,075	2,748	43%	
2, 6, 8	Don Mills / Browns Corner	4	6,662	9,225	2,563	38%	
8	Milliken Mills	8	5,909	13,158	7,249	123%	
8	Rodick Road - Planning District	17	5,909	14,875	8,966	152%	

	Other Town Charges:		
and the second second	Town Wide Hard	1,867	4,581
	Town Wide Soft	4,042	4,042
ARKHAM	CONTRACTOR STATISTICS	5,909	8,623

Development-Related Infrastructure Costs (Non-Growth Portion)

 Non-growth capital costs have also increased since the passage of the 2004 bylaws. These costs are funded from sources other than development charges

Non-Growth Costs (Indexed)		2004 \$'000		2007 \$'000		/ariance \$'000	Variance
Total Non-Growth Costs	\$	54,905	\$	82,663	\$	27,758	51%

66% - Project additions
 34% - Inflation over indexing



Policy Issues

- The Development Charges Sub-Committee reviewed the rising costs and the following policy issues:
 - Local Services
 - Project Deferral
 - Redevelopment
 - Continuation of Development Charge Exemptions
 - Change calculation base
 - Reduction/Elimination of ASDC



Local Services

Issue

- The Town's practice has been to include the cost of local services in the area specific development charge when
 - the Town is undertaking to construct the work
 - a developers cost sharing agreement does not exist
- Section 2(5) of the *Development Charges Act, 1997* states
 "a development charge by-law <u>may not</u> impose development charges with respect to local services"

Committee Recommendation

Discontinue the inclusion of local services in the development charge



Project Deferral

Issue

 In the preparation of previous development charge background studies, capital projects were eliminated, in consultation with the Developers, to reduce the development charge increase to a more acceptable level

Committee Recommendation

• All capital projects should be included in the calculation of the development charge



Redevelopment

Issue

- Current policy exempts land owners from paying development charges where redevelopment occurs
- The Province's mandate to intensify may require new infrastructure that the Town's current policies exempt from development charges



Redevelopment

Committee Recommendation

- Discontinue the exemption on expansions/additions to buildings where lot levies were previously paid
- The exemption/credit for redevelopment where a change of use exists be changed to provide a credit for an amount equal to the DC's <u>originally paid</u> (unindexed) and that the onus be placed on the landowner to provide proof of payment



Limited Exemption on Non-Residential Developments

Issue

- Council adopted in the 2004 DC By-laws an exemption under the following circumstances:
 - The property was being developed for non-residential purposes
 - The owner of the property was the same beneficial owner
 - The owner had paid lot levies prior to November 25, 1991
 - The owner made an application for exemption to the Treasurer prior to September 1, 2005
- Council also adopted that any exemption granted only be valid for the term of the by-law

Committee Recommendation

 Continue the exemption until August 31, 2009 to coincide with the natural expiry of the 2004 by-laws
 ARKHAM

Change in Calculation Base

Issue

Inconsistency in the Development Charges

- The Town Wide Hard <u>residential</u> development charge is calculated and charged on a per unit basis (ie. Single/Semi, Townhouse, Apartment)
- The Town Wide Hard <u>non residential</u> development charge is calculated and charged on a per net hectare basis
- The <u>area specific development</u> charge is calculated and charged on a per net hectare basis regardless of development type (residential or non residential)

Committee Recommendation

 Defer review of this policy until the next Background Study



Reduction/Elimination of Area Specific Development Charges (ASDC)

Issue

 Area Specific by-laws apply to small defined areas and all service costs are included in the charge. Minor changes in infrastructure requirements and/or development assumptions can result in a potential financial risk to the Town

Committee Recommendation

- Reduce the number of ASDC Areas resulting in:
 - Local costs of \$18M being removed to be collected through Development Agreements
 - \$97M in capital costs being transferred to Town Wide Hard
 - 14 ASDC areas being retained with the opportunity to further reduce the remaining (17) areas through consultation with the Development Industry



Next Steps

- Presentation of Development Charges Policy Recommendations to General Committee - November 19th
- Meeting with Developers Round Table December
- Consultation with the Developers Work Group December
 January 2008
- Proposed schedule for adoption of the by-laws February 2008

