



Building Markham's Future Together
Journey to Excellence



DEVELOPMENT CHARGES UPDATE

General Committee
January 28, 2013



SILVER RECIPIENT 2010
ORGANIZATIONAL QUALITY
& HEALTHY WORKPLACE



Note: On January 21, 2013, General Committee deferred the following recommendation to the meeting this date.

- 1) That the City adopt the Alternate Methodology for calculating the Soft Services Charge as follows:
 - Library Services and Indoor Recreation – Population and Households
 - Park Development – Population and Households
 - Fire Service and Public Works – Households and Employment

Background on Gross vs Net Methodology

- For the 2009 By-law update, Hemson Consulting Ltd. recommended the gross population methodology, to calculate the increased need for services
- The gross population methodology does not take into account the decline in the existing population base and establishes the development charges based on the population in new units
- This ensures that the municipality will have the ability to recover sufficient DC monies to provide services in new development areas at the prevailing ten-year historic service levels – Hemson believed this was consistent with the spirit and intent of the Development Charges Act



Net vs Gross - Example

- Gross Population – Population growth in New Households to 2031 e.g. 20,000
- Net Population – Population growth in New Households reduced by population leaving existing households to 2031 e.g. 20,000 less 5,000
- 10-year average service level e.g. \$200
- Development Charges recoverable is based on the 10-year average service level X the population growth
- Using the two methods the difference in the DCs recoverable is:
 - ❑ Gross Population Approach - $\$200 \times 20,000 = \4M
 - ❑ Net Population Approach - $\$200 \times 15,000 = \3M

Appeal of Gross Methodology

- BILD appealed the Gross Population methodology which was used by other municipalities such as Orangeville, Mississauga and Clarington
- Orangeville's DC by-law was appealed to the Ontario Municipal Board (OMB) and the Board issued its decision in September 2010, allowing the appeal and determined that the gross methodology was not authorized by the Act since it would “*result in the level of service exceeding the average level of service provided in the municipality over the 10-year period...*”
- Orangeville sought leave to appeal the decision in the Divisional Court and this was denied in March 2011

Proposed Alternate Methodology

- Hemson Consulting has proposed an alternate methodology to calculate the historic service levels and funding envelopes using households and (net) population.
- Using households recognizes the importance of location of facilities. Proximity and reasonable access ties together with the notion of developing complete communities.
- The use of population recognizes that the delivery of the services is driven by the population.

Alternate Methodology

- The proposal is to calculate the service levels as follows:
 - ☐ Library Services and Indoor Recreation – Population and Households
 - ☐ Park Development – Population and Households
 - ☐ Fire Service and Public Works – Households and Employment
- The 2013 rates have been calculated using the Alternate Methodology as it allows for:
 - ☐ Recovery of Maximum Amount for Growth-Related Costs
 - ☐ Reduces Financial Risk as its more defensible than Gross Methodology
- The Alternate Methodology results in a DC rate that falls between the Net and the Gross Methodology



Alternate Methodology

Sub-Committee Recommendation

- That the City adopt the Alternate Methodology for calculating the Soft Services Charge as follows:
 - ☐ Library Services and Indoor Recreation – Population and Households
 - ☐ Park Development – Population and Households
 - ☐ Fire Service and Public Works – Households and Employment



Building Markham's Future Together
Journey to Excellence

QUESTIONS



9

SILVER RECIPIENT 2010
ORGANIZATIONAL QUALITY
& HEALTHY WORKPLACE