



Building Markham's Future Together  
**Journey to Excellence**

# DEVELOPMENT CHARGES

## UPDATE

General Committee  
January 21, 2013



# Agenda

1. Overview of Development Charges Act
2. Types of Development Charges
3. Current Development Charges By-laws
4. Growth Forecast
5. City Wide Development Charge Summary
6. Background Study Goals
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8. Hard Services Overview
9. Preliminary City Wide Hard Development Charges
10. Area Specific Development Charges
11. Gross versus Net Methodology
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14. Non-Growth Costs
15. Development Charge Borrowing
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# **1. Overview of The Development Charges Act**

- As the City grows, new infrastructure and facilities are required to maintain service levels, e.g. Roads, Community Centres, Fire Stations, Libraries, Parks
- A development charge (DC) is a fee charged to new development to finance the cost of new growth-related capital facilities and infrastructure
- Development charges provide a major source of funding for growth-related capital expenditures

## **1. Overview of The Development Charges Act**

- Residential development charges are generally charged on new housing units by type (i.e. single detached, townhouse and apartments)
- Non-residential development charges are generally charged on land area and floor space
- The maintenance and replacement of facilities and infrastructure are funded through tax dollars, not development charges



## **1. Overview of The DCA (Cont'd)**

- Governed by the Development Charges Act, 1997 (DCA) and its accompanying Regulation, O. Reg. 82/98
- The maximum life of a DC By-law is 5 years from date of passage (may be repealed/replaced earlier)
- A Development Charges Background Study is prepared in tandem with new DC By-laws. The Background Study identifies infrastructure required to service new growth. DC rates are calculated through this process





## **1. Overview of The DCA (Cont'd)**

- Eligible growth-related services which can be funded 100% from development charges:
  - Water
  - Waste Water
  - Storm Water Drainage and Control
  - Roads and Related Works
  - Fire Protection
  - Public Works – e.g. Fleet, Works Yards
- Eligible Markham growth-related services that require 10% funding from non-DC sources (as required by the DCA):
  - General Government – e.g. DC Background Studies
  - Library Services
  - Indoor Recreation
  - Park Development and Facilities – e.g. Soccer Fields

## 1. Overview of The DCA (Cont'd)

- Services that are excluded from DC's:
  - Cultural and entertainment facilities, including museums, theatres and art galleries
  - Tourism facilities including convention centres
  - Parkland acquisition including open spaces and trails (except land for indoor recreation buildings)
  - Hospitals
  - Headquarters for general administration of municipalities and local boards
  - Waste management

## 2. Types of Development Charges

- **City Wide Hard (CWH)** – infrastructure such as roads, bridges, sidewalks, intersections, illumination, property acquisition, stormwater management, studies
- **Area Specific (ASDC)** – mainly for stormwater management and sanitary sewers.
- **City Wide Soft (CWS)** – services such as Indoor Recreation, Park Development, Fire, Libraries, Public Works and General Government (studies, staff/consultants)



### 3. Current Development Charge (DC) By-laws

- Markham passed its City Wide Hard (CWH) and Area Specific Development Charge (ASDC) By-laws in June 2008 and its City Wide Soft (CWS) Services By-Law in June 2009
- Markham is required to pass new City Wide Hard (CWH) and ASDC By-laws by June 2013 and a City Wide Soft (CWS) Services By-law by June 2014
- Staff have commenced the preparation of the DC Study for all the DC By-laws with completion projected by May 2013
- Approval of by-law generally recognizes Council's intent to undertake projects subject to annual budget limitations

## 4. Growth Forecast

- The Growth Forecast is prepared by the Planning Department and Hemson Consulting and projects:
  - ☐ The population growth to 2031
  - ☐ The net developable land area available for development
  - ☐ How the vacant land will be developed (residential / non residential)
  - ☐ The size or type of the built form
    - Gross floor area of non-residential
    - Residential unit type (ie. single, townhouse, apartment)
- Forecast is consistent with the Provincial Places to Grow Act

## 4. Growth Forecast

- The growth forecast for the period 2013-2031 projects the following:

❑ 3,598,481m<sup>2</sup> (38,733,727 sq ft) of non residential floor space

Industrial	56%
Office	22%
Retail	11%
Institutional	11%

❑ 45,427 new residential units

Singles/Semis	10,626 (24%)
Townhouses	9,210 (20%)
Apartments	25,591 (56%)

❑ Approx. 122,413 new residents, net population growth – 98,240

## 5. City Wide DC Summary

### Residential – City Wide Hard & Soft

Preliminary City-Wide Hard & Soft	Current 2008 Residential Charge	Proposed 2013 Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/Unit	\$/Unit	\$	%
Single/Semi Detached	\$19,626	\$22,211	\$2,585	13.2%
Townhouse	\$15,424	\$17,186	\$1,762	11.4%
Large Apartment	\$12,138	\$14,270	\$2,132	17.6%
Small Apartment	\$7,292	\$14,270	\$6,978	95.7%

## 5. City Wide DC Summary

### Non-Residential – City Wide Hard & Soft

<u>Preliminary</u>	Current 2008 Non-residential Charge	Proposed 2013 Non-residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
Service	per net ha	per net ha	\$	%
City-Wide Hard	\$191,243	\$223,280	\$32,037	16.8%

<u>Preliminary</u>	Non-Residential (\$/Square Metre)			
Soft Services	Current 2008 Non-Residential Charge	Proposed 2013 Non-Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
Retail	\$9.39	\$10.94	\$1.55	17%
Industrial/Institutional/Office (IOI)	\$8.64	\$10.09	\$1.45	17%
Mixed Use	\$5.92	\$7.02	\$1.10	19%





## **6. Background Study Goals**

- Recover Maximum Amount for Growth-Related Costs / Reduce Financial Risk
- Incentive for High Density, Mixed-Use Developments, Community Use Facilities and Office Buildings
- Streamlining Administration

## 7. Development Charge Policies

Recover maximum amount for growth-related costs

### Funding of Sanitary Sewer Oversizing Issue

- ☐ With intensification, the City is required to oversize existing sewers to meet the requirements of development

### Sub-Committee Resolution

- ☐ That the cost of oversizing sanitary sewers be funded 100% from development charges

## **7. Development Charge Policies**

**Recover maximum amount for growth-related costs**

### Indexing of Rates

#### Issue

- ☐ Current wording in by-laws, mandates the reduction in DC rates when the construction price index declines

#### Sub-Committee Resolution

- ☐ That the by-laws be amended to allow for rate increases only

## 7. Development Charge Policies

Recover maximum amount for growth-related costs

### Calculation of DCs

#### Issue

- ☐ City calculates development charges using the rates in effect on the date of building permit application. Results in less development charge revenues if permit applications are received prior to an indexing or by-law update

#### Staff Recommendation

- ☐ That development charges be calculated using the rates in effect at building permit issuance

## 7. Development Charge Policies

Recover maximum amount for growth-related costs

### Service Level Expansion

#### Issue

- ☐ As the City's population grows so do the services required to operate the municipality

#### Sub-Committee Resolution

- ☐ That staff include other service levels in development charge recoveries, including but not limited to, Parking services



## 7. Development Charge Policies

### Incentive for High Density, Mixed-Use Development

#### Deferral of DCs

##### Issue

- ☐ Currently, high density developments do not benefit from payment in instalments over 12 months (30%/35%/35%) as afforded to developments approved under subdivision agreements

##### Sub-Committee Resolution

- ☐ That 12 month deferrals be made available to high-rise mixed use developments in the ratio 30%/35%/35%

## 7. Development Charge Policies

### Incentive for High Density, Mixed-Use Development

#### Mixed-Use Rate

##### Issue

- ☐ Differentiated rate which is a 35% reduction from the average non-residential rate is currently offered
  - Retail \$10.94/sq.m.
  - Industrial/Institutional/Office \$10.09/sq.m.
  - Mixed Use \$7.02/sq.m.

##### Sub-Committee Resolution

- ☐ That the policy of applying a differentiated rate for the non-residential portion of mixed-use developments be continued

## 7. Development Charge Policies

### Incentive for Community Use Facilities

#### Issue

- ☐ Currently, there is no incentive for developments offering community facilities (e.g. community centre and recreation facility)

#### Sub-Committee Resolution

- ☐ That a policy be adopted to defer development charges for facilities owned and operated by a non-profit organization that meet City specifications

## 7. Development Charge Policies

### Incentive for Office Buildings

#### Exemption for Expansion in Gross Floor Area

- Current Policy

- ☐ The expansion of an industrial building by 50% or less of the original gross floor area of the structure results in an exemption from development charges. This is based on an industrial exemption in the *Development Charges Act*.

#### Issue

- ☐ There is no incentive for the expansion of office buildings in the City's by-laws even though the Region provides this exemption

#### Staff Recommendation

- ☐ That the industrial exemption for the expansion of up to 50% of a structure be broadened to include office buildings

## 7. Development Charge Policies

### Incentive for Larger Apartment Units

- Current Policy

- ☐ Smaller apartments ( $\leq 750$  sq ft) have a lower DC Rate than large apartments ( $> 750$  sq ft) units
- ☐ Region defines small apartments as units  $< 700$  sq sf; to be reduced to 650 sq ft in June 2014

#### Issue

- ☐ Developers seem to be building smaller apartment units partly due to the development charge rates

### Staff Recommendation

- ☐ That the City institute one apartment rate for large and small apartments to incent the construction of larger units



## 7. Development Charge Policies

### Incentive for Larger Apartment Units

Preliminary City-Wide Hard & Soft	Current 2008 Residential Charge	Proposed 2013 Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/Unit	\$/Unit	\$	%
Single/Semi Detached	\$19,626	\$22,211	\$2,585	13.2%
Townhouse	\$15,424	\$17,186	\$1,762	11.4%
Large Apartment	\$12,138	\$14,270	\$2,132	17.6%
Small Apartment	\$7,292	\$14,270	\$6,978	95.7%
<b>If Differentiated Rate</b>				
Large Apartment	\$12,138	\$16,133	\$3,995	32.9%
Small Apartment	\$7,292	\$9,927	\$2,635	36.1%

## **7. Development Charge Policies**

### **Streamlining Administration**

- **New Non-residential Structures**

#### Issue

- ☐ Construction of buildings with no confirmed tenants makes it difficult to determine whether to charge retail or industrial/office development charge rates

#### Sub-Committee Resolution

- ☐ That a policy be adopted to apply the average non-residential rates (Retail : Industrial/Office) to non-residential structures where no information on tenancy is available

## 7. Development Charge Policies

### Other

- Closure of Area Specific Development Charges

#### Issue

- ☐ There are a number of ASDCs that have not been renewed since 1994 and 2004
- ☐ Balances of approximately \$5M remaining in these reserve accounts are not allocated to infrastructure

#### Sub-Committee Resolution

- ☐ That a policy be adopted to close the reserve accounts of inactive by-laws and transfer the net balance to the City Wide hard reserve at every by-law review

## 7. Development Charge Policies

### Other

- Local Bridges

#### Current Policy

- ☐ Where local bridges are determined by the City to provide a benefit to all residents, a maximum of 25% of the cost may be recovered through the CWH

#### Sub-Committee Resolution

- ☐ That the current policy of funding 25% of local bridges that have a city wide benefit from the City Wide Hard reserves be continued

## 7. Development Charge Policies

### Other

- Public Works

#### Current Policy

- ☐ All capital infrastructure is funded 90% from development charges and 10% from non-DC revenue sources

#### Staff Recommendation

- ☐ That all capital infrastructure be funded 100% from Development Charges



## 7. Development Charge Policies

- Enhanced Streetscaping

### Current Policy

- Enhanced streetscaping within a plan of subdivision or abutting site plan for *Markham Centre only* was previously funded CWH (25%), ASDC (50%) and non-growth (25%)
- Enhanced streetscaping on external and regional roads are funded (CWH 50% and non-growth 50%)

### Staff Recommendation

- That enhanced streetscaping on internal roads within a plan of subdivision or abutting site plan be treated as 100% local cost
- That enhanced streetscaping on external and regional roads be funded CWH 50% and non-growth 50%

## 7. Development Charge Policies

- Roads

### Current Policy

- 3<sup>rd</sup> and 4<sup>th</sup> lanes in a residential subdivision funded by CWH (100%)

### Staff Recommendation

- 4<sup>th</sup> lane in a residential subdivision funded by CWH (100%)
- 3 lanes or less in a residential subdivision funded by local developer

## 7. Policy Decisions

That Council endorse the following policies to be utilized in the preparation of the DC Background Study

- 1) THAT the cost of oversizing sanitary sewers be funded 100% from development charges
- 2) THAT the by-laws be amended to allow for rate increases only
- 3) THAT development charges be calculated using the rates in effect at building permit issuance
- 4) THAT staff include other service levels in development charge recoveries, including but not limited to, Parking services
- 5) THAT 12 month deferrals be made available to high-rise mixed use developments in the ratio 30%/35%/35%

## 7. Policy Decisions

- 6) THAT the policy of applying a differentiated rate for the non-residential portion of mixed-use developments be continued
- 7) THAT a policy be adopted to defer development charges for facilities owned and operated by a non-profit organization that meet City specifications
- 8) THAT the industrial exemption for the expansion of up to 50% of a structure be broadened to include office buildings
- 9) THAT the City institute one apartment rate for large and small apartments to incent the construction of larger units
- 10) THAT a policy be adopted to apply the average non-residential rates (Retail : Industrial/Office) to non-residential structures where no information on tenancy is available



## 7. Policy Decisions

- 11) THAT a policy be adopted to close the reserve accounts of inactive by-laws and transfer the net balance to the City Wide hard reserve at every by-law review
- 12) THAT the current policy of funding 25% of local bridges that have a city wide benefit from the City Wide Hard reserves be continued
- 13) THAT all Public works capital infrastructure be funded 100% from Development Charges
- 14) THAT enhanced streetscaping on internal roads within a plan of subdivision or abutting site plan be treated as 100% local cost
- 15) THAT the 4<sup>th</sup> lane of a road in a residential subdivision be funded 100% from the City Wide Hard reserves and 3 lanes or less in a residential subdivision be funded 100% by the local developer



## 8. Hard Services Overview

- Hard Services includes capital infrastructure such as:
  - ☐ Roads
  - ☐ Sidewalks
  - ☐ Illumination
  - ☐ Intersections
  - ☐ Stormwater Management
  - ☐ Sanitary Sewers
  - ☐ Structures (Bridges)
  - ☐ Special Projects (e.g. streetscaping/bike lanes)
  - ☐ Water
  - ☐ Studies

## 8. Hard Services Overview

### City Wide Hard

- Residential Charge – per unit
- Non-Residential Charge – per hectare

### Residential Calculation Example:

- Hard Services Charge = Expected Hard Infrastructure Cost/projected population
- \$300 million of expected Hard Infrastructure
- 150,000 new population expected by 2031
- Hard Services Charge = \$300 million / 150,000 = \$2,000/person
- \$2,000/person X Population Per Unit = Hard Services Charge

## 9. Preliminary City Wide Hard DCs

- The capital program included in the proposed development charge totals approximately \$1Billion and includes all required hard services infrastructure to support the growth in development to the build out of the urban boundary in 2031

City Wide Hard (CWH)	\$591M
Area Specific	\$174M
Local Cost	\$190M
Non Growth	\$ 70M



## 9. Preliminary City Wide Hard DCs

Preliminary					
Cost Component	Indexed 2008 Charge		Proposed 2013 Charge	Variance	
				\$	%
Illumination	\$14,820,709		\$18,535,937	\$3,715,228	25.1%
Intersection	\$22,353,946		\$16,681,637	(\$5,672,309)	-25.4%
Roads	\$82,212,680		\$125,434,546	\$43,221,866	52.6%
Property	\$45,727,159		\$70,599,851	\$24,872,692	54.4%
Sidewalk	\$16,605,431		\$17,545,592	\$940,161	5.7%
Storm Water Management	\$29,492,635		\$14,938,526	(\$14,554,109)	-49.3%
Structures	\$169,731,263		\$268,922,633	\$99,191,370	58.4%
Studies	\$6,756,116		\$9,762,000	\$3,005,884	44.5%
Water	\$16,081,936		\$7,470,013	(\$8,611,923)	-53.6%
Special Projects	\$22,119,428		\$34,544,738	\$12,425,310	56.2%
Credit Agreement Projects	\$7,284,461		\$6,418,593	(\$865,868)	-11.9%
<b>Total Capital Cost</b>	<b>\$433,185,766</b>		<b>\$590,854,066</b>	<b>\$157,668,301</b>	<b>36.4%</b>
Less: Reserve Fund Balance	(\$29,726,958)		(\$49,753,349)	(\$20,026,391)	-67.4%
Credit Agreements Paid	(\$3,354,296)		(\$2,955,587)	\$398,709	11.9%
Projects Funded from Reserve	(\$63,926,563)		(\$27,362,481)	\$36,564,082	57.2%
<b>Total Net of Adjustments</b>	<b>\$336,177,949</b>		<b>\$510,782,649</b>	<b>\$174,604,700</b>	<b>51.9%</b>

## 9. Preliminary City Wide Hard DCs

- Variance in CWH
  - ❑ Roads – Increase of \$43M due to new projects in Whitebelt, Miller Avenue extension (Woodbine to Kennedy), East Precinct (YDSS) and 14<sup>th</sup> Avenue Reconstruction
  - ❑ Property – Increase of \$25M due to additional properties required for the new roads and structures infrastructure. Costs have also increased substantially
  - ❑ Stormwater Management – Reduction of \$14M due to completion of infrastructure since 2008
  - ❑ Structures – Increase of \$99M due to new Whitebelt 4 lane structures (\$30M), two Langstaff structures (\$25M), the Miller Avenue extension (\$28M) and local bridges (\$17M)
  - ❑ Water – Reduction of \$9M due to less infrastructure requirements outside of secondary plans
  - ❑ Special Projects – Increase of \$12M due to cycling and streetscaping



## 9. Preliminary City Wide Hard DCs

Preliminary				
Cost Component	Indexed 2008 Charge	Proposed 2013 Charge	Variance	
			\$	%
<b>Total Net of Adjustments</b>	<b>\$336,177,949</b>	<b>\$510,782,649</b>	<b>\$174,604,700</b>	<b>51.9%</b>
<b>Residential</b>				
Total Recovery	\$193,638,499	\$341,423,393		
Population in New Units	86,499	122,413		
<b>Adjusted Charge Per Capita</b>	<b>\$2,421</b>	<b>\$2,947</b>	<b>\$526</b>	<b>21.7%</b>
<b>Non Residential</b>				
Total Recovery	\$142,539,450	\$169,359,257		
Net Developable Area - Ha	795	761		
<b>Adjusted Charge Per Ha</b>	<b>\$191,243</b>	<b>\$223,280</b>	<b>\$32,037</b>	<b>16.8%</b>

## 9. Preliminary City Wide Hard DCs Residential

Preliminary City-Wide Hard	Current 2008 Residential Charge		Proposed 2013 Residential Charge		Increase/ (Decrease)	Increase/ (Decrease)
	PPU	\$/Unit	PPU	\$/Unit	\$	%
Per Capita		\$2,421		\$2,947	\$526	21.7%
Single/Semi Detached	3.77	\$9,126	3.58	\$10,550	\$1,424	15.6%
Townhouse	2.96	\$7,182	2.77	\$8,163	\$981	13.7%
Large Apartment		\$5,648	2.30	\$6,778	\$1,130	20.0%
Small Apartment		\$3,395	2.30	\$6,778	\$3,383	99.6%
<b>If Differentiated Rate</b>						
Large Apartment	2.33	\$5,648	2.60	\$7,662	\$2,014	35.7%
Small Apartment	1.40	\$3,395	1.60	\$4,715	\$1,320	38.9%

- With change in population per unit (PPU), there is a shift in cost to the apartments



## 9. Preliminary City Wide Hard DCs Non-Residential

Preliminmary Service	Current 2008 Non-residential Charge	Proposed 2013 Non-residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	per net ha	per net ha	\$	%
City-Wide Hard	\$191,243	\$223,280	\$32,037	16.8%



## 10. Preliminary ASDCs

### Area Specific Development Charges (ASDC)

- Charged to development within specific boundaries
- Residential & Non-residential Charge – per hectare
- Area Specific Development Charge per hectare = expected Hard Infrastructure Cost/hectares to be developed

### Calculation Example:

- \$3 million of expected Hard Infrastructure
- 10 hectares of land to be developed
- Area Specific Charge per hectare = \$3 million/10 hectares = \$300,000

## 10. Preliminary ASDCs

- The objective is to reduce the number Area Specific Development Charges (ASDCs) while recovering the maximum capital costs
- ASDCs consist of mainly sanitary sewers and stormwater management systems
- The options available in updating the ASDC by-laws include:
  1. Status Quo
  2. One City Wide ASDC and One ASDC for Markham Centre



## 10. Preliminary ASDCs - Status Quo

- Keep ASDCs currently in force across the City
- Intensification areas – with the absence of verifiable land areas, an intensification ASDC will be instituted (in addition to the current ASDCs) to be charged based on units for residential and gross floor area for non-residential

### Pros

- Each area will continue to pay for its infrastructure requirement(s)
- Existing DC Credit agreements will continue with the same conditions

### Cons

- Some financial exposure (in terms of underfunded ASDCs) – rectified through ASDC Closure policy
- Administration is more time-consuming

## 10. Preliminary ASDCs-Status Quo

<u>Preliminary</u>		Current 2008 ASDC Charge \$/ha	Proposed 2013 ASDC Charge \$/ha	Increase/ (Decrease)	Increase/ (Decrease)
Area Specific	Area				
Don Mills/Browns Corner	4	\$33,332	\$326,878	\$293,546	881%
Armadale	5	\$12,136	\$32,233	\$20,097	166%
Milliken	8	\$222,762	\$171,004	(\$51,758)	-23%
PD 1-7	9	\$576,969	\$1,259,424	\$682,455	118%
Armadale East	16	\$0	\$328,670	\$328,670	
Buttonville Airport	18	\$0	\$31,300	\$31,300	
Rodick/Miller Road Planning District	17	\$332,762	\$458,209	\$125,447	38%
Markham Centre - South Unionville - Helen Ave	42a.1	\$873,918	\$542,652	(\$331,265)	-38%
Markham Centre	42b	\$54,894	\$11,929	(\$42,965)	-78%
Markham Centre - Clegg	42b.2	\$72,635	\$62,181	(\$10,453)	-14%
Markham Centre - Hotel	42b.4	\$963,243	\$559,572	(\$403,671)	-42%
Markham Centre - South Hwy 7	42b.6	\$365,131	\$1,123,224	\$758,092	208%
Markham Centre - Sciberras	42b.8	\$614,656	\$321,394	(\$293,261)	-48%
Markham Centre - East Precinct	42b.9	\$595,619	\$2,794,733	\$2,199,113	369%
Wisper	45a	\$7,542	\$12,050	\$4,508	60%
Cathedral	46	\$3,525	\$83,633	\$80,108	2273%
404 North	49	\$19,552	\$51,608	\$32,056	164%



## **10. Preliminary ASDCs - Option 2**

One City Wide charge for current ASDCs outside Markham Centre and  
One Markham Centre ASDC

### Pros

- There will be less ASDC by-laws and all new development will contribute to the infrastructure cost
- Streamlined administration

### Cons

- Development areas with no current ASDCs will be required to pay a charge even if they have already financed their own infrastructure
- Anticipate developer opposition from those that will pay a higher charge (vs Status Quo)

## 10. Preliminary ASDCs

- **Recommendation**

- ❑ THAT the ASDC By-laws are not consolidated and that the City continue with the current ASDC methodology for the 2013 update of the by-laws
  - Consolidate ASDCs where possible
  - Transfer the responsibility for the construction of some ASDC infrastructure to the developers group, where possible



## **11. Gross vs Net**

### **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



## 11. Gross vs Net

### 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 -  $\$200 \times 20,000 = \$4\text{M}$
  - ❑ Net Population Approach -  $\$200 \times 15,000 = \$3\text{M}$

## 11. Gross vs Net

### 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

## **11. Gross vs Net**

### **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.

## **11. Gross vs Net 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

## 11. Gross vs Net 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



## 12. Soft Services

Preliminary	Current 2008 Residential Charge (Gross)	Proposed 2013 Residential Charge (Alternate)	Increase/ (Decrease)	Increase/ (Decrease)
City-Wide Soft	\$/Unit	\$/Unit	\$	%
Single/Semi Detached	\$10,500	\$11,661	\$1,161	11.1%
Townhouse	\$8,242	\$9,023	\$781	9.5%
Large Apartment	\$6,490	\$7,492	\$1,002	15.4%
Small Apartment	\$3,897	\$7,492	\$3,595	92.3%
If Differentiated Rate				
Large Apartment	\$6,490	\$8,471	\$1,981	30.5%
Small Apartment	\$3,897	\$5,212	\$1,315	33.7%
Average Rate Increase				20.7%

## 12. Soft Services

<b>Preliminary</b>  <b>Soft Services</b>	<b>Non-Residential (\$/Square Metre)</b>			
	<b>Current 2008 Non-Residential Charge</b>	<b>Proposed 2013 Non-Residential Charge</b>	<b>Increase/ (Decrease)</b>	<b>Increase/ (Decrease)</b>
Retail	\$9.39	\$10.94	\$1.55	17%
Industrial/Institutional/Office (IOI)	\$8.64	\$10.09	\$1.45	17%
Mixed Use	\$5.92	\$7.02	\$1.10	19%

## 13. City Wide DC Rates Summary Residential – City Wide Hard & Soft

Preliminary City-Wide Hard & Soft	Current 2008 Residential Charge	Proposed 2013 Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
	\$/Unit	\$/Unit	\$	%
Single/Semi Detached	\$19,626	\$22,211	\$2,585	13.2%
Townhouse	\$15,424	\$17,186	\$1,762	11.4%
Large Apartment	\$12,138	\$14,270	\$2,132	17.6%
Small Apartment	\$7,292	\$14,270	\$6,978	95.7%
<b>If Differentiated Rate</b>				
Large Apartment	\$12,138	\$16,133	\$3,995	32.9%
Small Apartment	\$7,292	\$9,927	\$2,635	36.1%

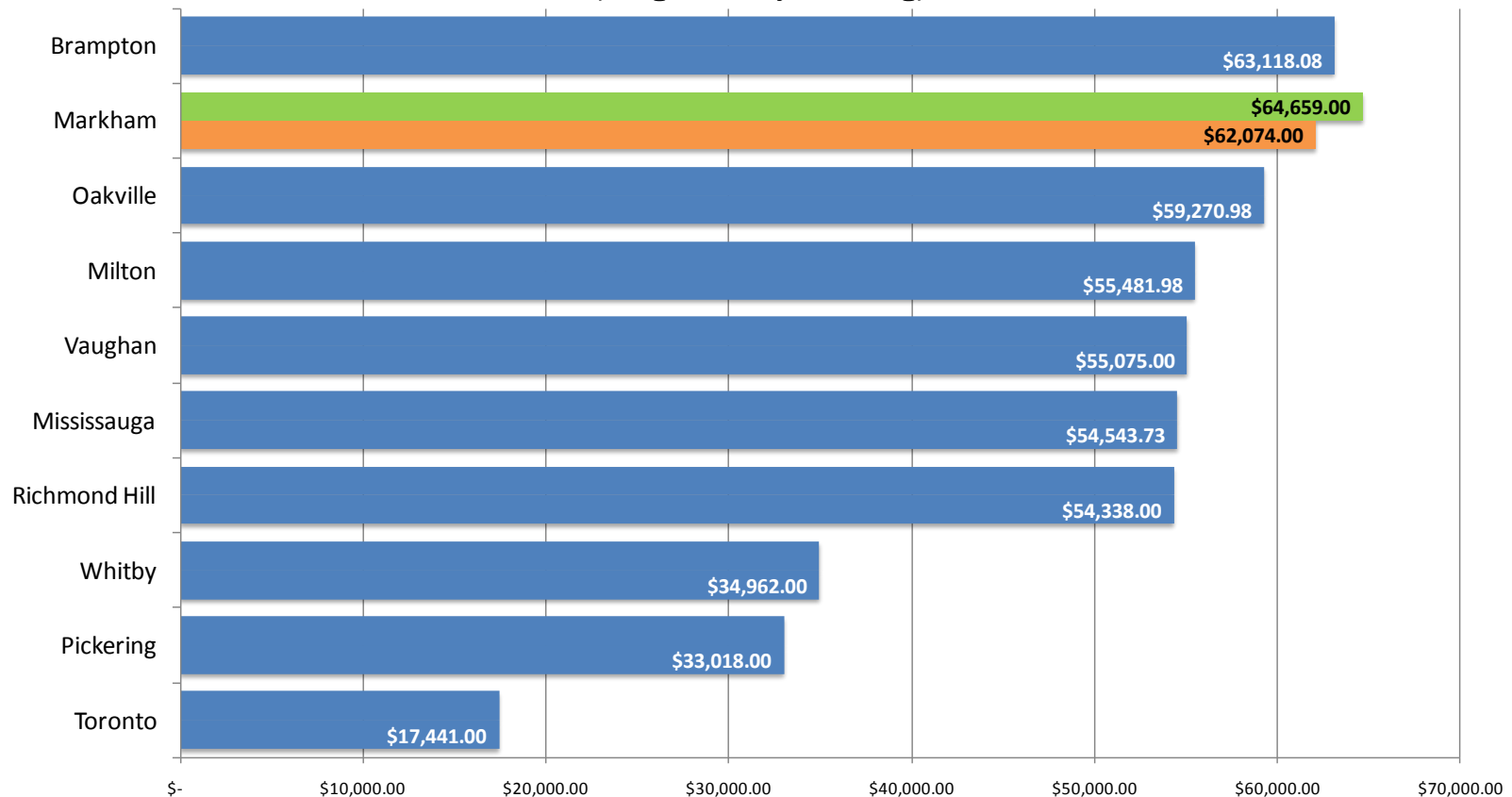
## 13. City Wide DC Rates Summary Non-Residential – City Wide Hard & Soft

<u>Preliminary</u>	Current 2008 Non-residential Charge	Proposed 2013 Non-residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
Service	per net ha	per net ha	\$	%
City-Wide Hard	\$191,243	\$223,280	\$32,037	16.8%

<u>Preliminary</u>	Non-Residential (\$/Square Metre)			
Soft Services	Current 2008 Non-Residential Charge	Proposed 2013 Non-Residential Charge	Increase/ (Decrease)	Increase/ (Decrease)
Retail	\$9.39	\$10.94	\$1.55	17%
Industrial/Institutional/Office (IOI)	\$8.64	\$10.09	\$1.45	17%
Mixed Use	\$5.92	\$7.02	\$1.10	19%



### Comparison of Total Development Charges (Single Family Dwelling)





## 14. Non-Growth Costs

The non-growth portion of the infrastructure costs are:

- City Wide Soft for period 2013-2022 is approximately \$30M
  - ❑ \$13M of funding has already been identified
- City Wide Hard is approximately \$70M over 19 years to 2031
  - ❑ \$1.4M of funding has already been identified
- Total remaining annual non-growth cost to be funded is approximately \$5.3M per annum over the next 10 years (\$1.7M for soft services and \$3.6M for hard services)



## **14. Non-Growth Costs**

- Other potential funding sources are the Non-DC Growth Reserve (current balance of \$9.5M), Non-Lifecycle Funded Capital (\$3.1M) or other sources (Section 37, Grants, Partnerships/Sponsorships)
- Staff will report back on a funding strategy for the non-growth portion of the capital costs

## 15. DC Borrowing

- Based on the soft services 10-year capital programs, the City will be constructing facilities ahead of growth with over 50% of the programs planned in the first 4 years (2013-2016)
- Based on the projected capital program timelines, DC borrowing should commence in 2014-2015 and peak at approximately \$150M in 2018
- Staff will undertake a more detailed cash flow analysis prior to the approval of the by-laws
- The City can ask developers to upfront the cost of infrastructure which will reduce the requirement for borrowing

## 16. Timelines

- Developer Consultation – December 2012 to April 2013
- Council Workshop – January 21, 2013
- Council Sub-Committee – March 2013
- Finalize Study – March to April 2013
- Public Meeting – April 2013
- Council Approval – May 2013



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# QUESTIONS



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