

# Development Charges Update

**Growth Management Committee**

**April 30, 2015**



# Agenda

- Background
- Growth Management Program
- Growth Forecasts
- Preliminary DC Rate Changes
- DC Policy Considerations
- Stakeholder Engagement Process
- Bill 73
- Future Work
- Summary of Recommendations (2015 DC Review)

# Background

- Resolution 2012-949:
  - Annual adequacy assessment of DC rates
  - CFO to commence new background study if rate shortfall > 20 %
  - New by-law in 12 months to give development industry time to transition
  
- 2014 capital plan: shortfall 15.5 %
  
- Resolution 2014-593 (June 2014):
  - start new DC Background Study for new by-law in July 2015
  - BILD notified and in turn notified members
  
- 2015 Capital Plan: Shortfall 20.6%

# Growth Management Program

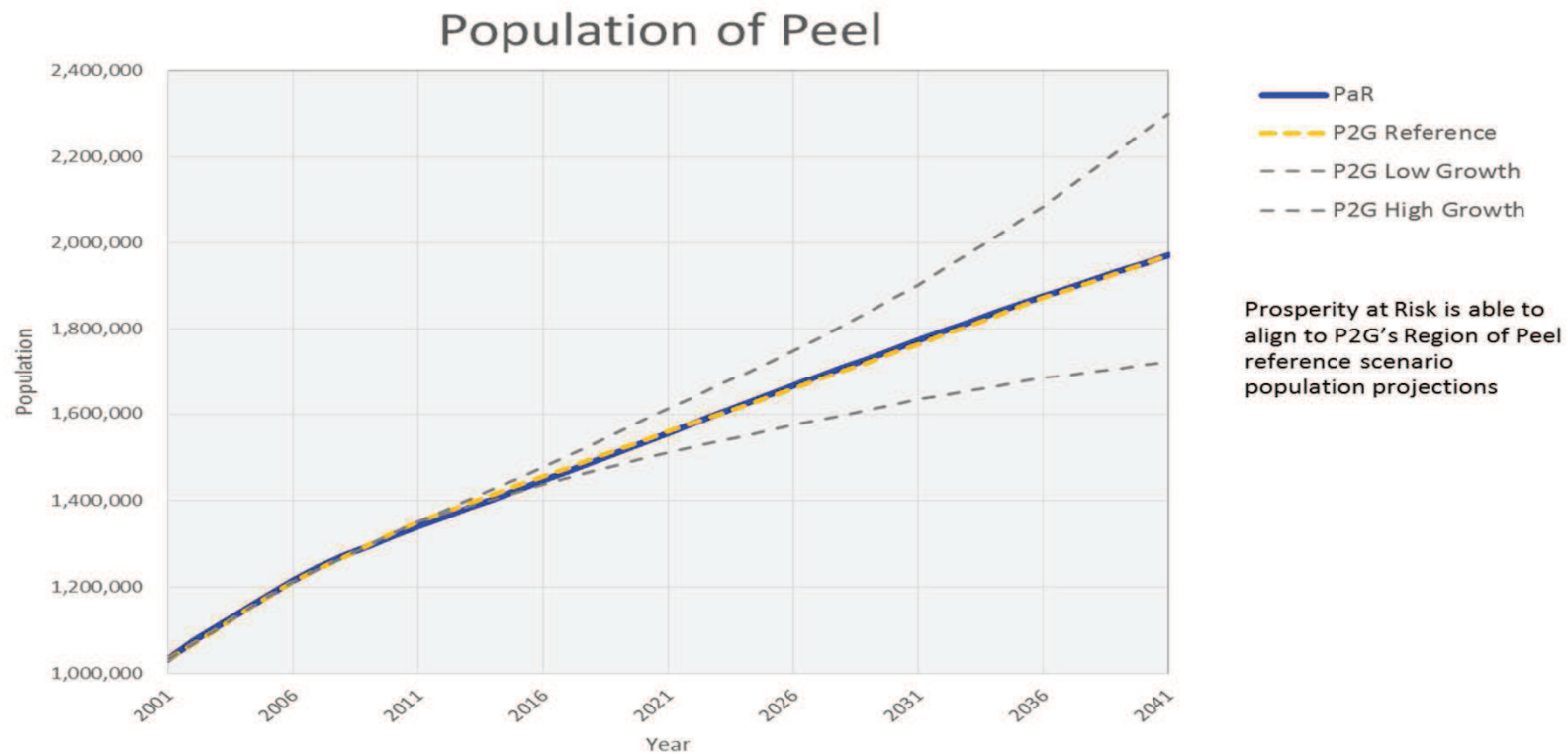
- Supports Long-term Financial Planning Strategy including principle that “growth should pay for growth”
  
- Key Components of Growth Management Program include:
  - 2015 DC By-law update focused on updating DC rate and policies within the current DC legislative framework using 2031A Provincial growth forecasts and associated Regional master servicing plans
  
  - 2017 DC By-law update based on 2031B and 2041 Provincial growth forecasts and related master servicing plans to be developed



# Growth Forecasts

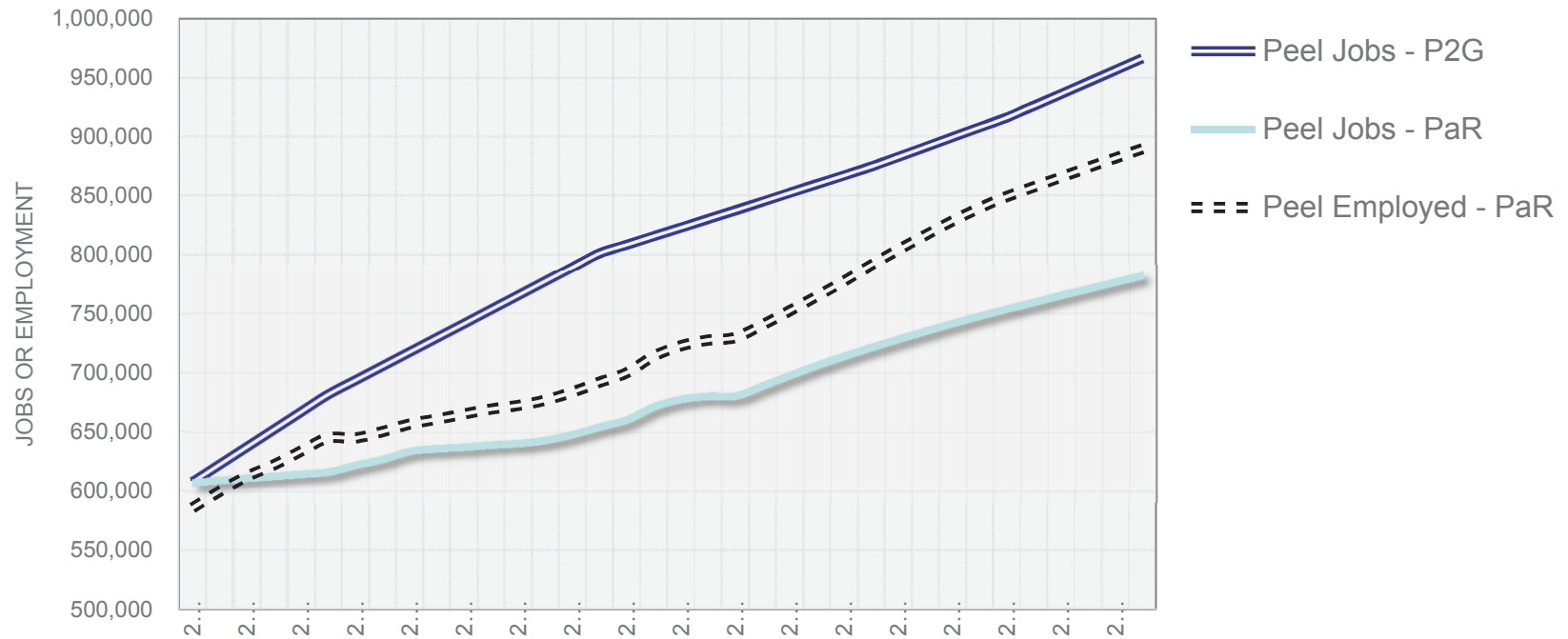
- Working towards 2031A provincial Places to Grow growth forecasts
- Employment forecast timing updated
- Growth assumptions reviewed and grounded

# Peel Expected to Achieve P2G Population Forecast

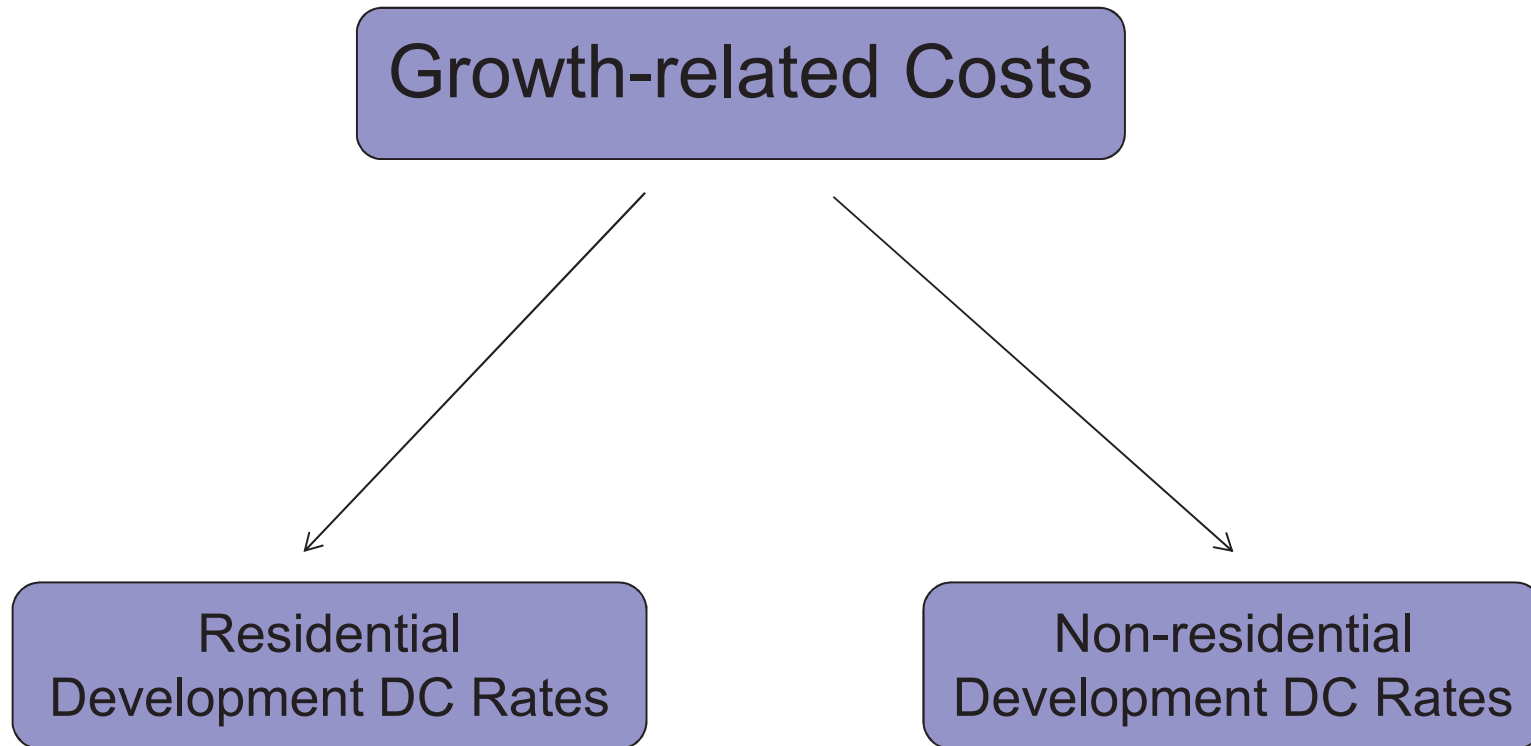


# Will Peel Achieve P2G Employment Forecast?

PEEL JOBS & EMPLOYMENT



# DC Cost Distribution



- Share of Water Consumption Increasing
- Assessment Values and Growth Faster than Non-residential

- Share of Water Consumption Decreasing
- De-manufacturing Trend



# Key Factors Driving Residential and Non-Residential Rates

- Comparative (residential vs non-residential) demand for Regional services
- Persons Per Residential Unit
- Floor Space Per Worker/Employee

# Persons Per Unit (PPU) Changes – Impact on Rates

- Denser residential populations / Peel PPU's increasing
- Residential costs distributed by person
- Higher PPU's result in higher residential DC rates per unit

# Floor Space per Worker (FSW) Changes – Impact on Rates

- Bigger buildings and fewer workers / more floor area per worker
- Non-residential costs distributed by employee
- Higher FSW results in lower-non residential DC rate per square metre

# % PPU and FSW Changes

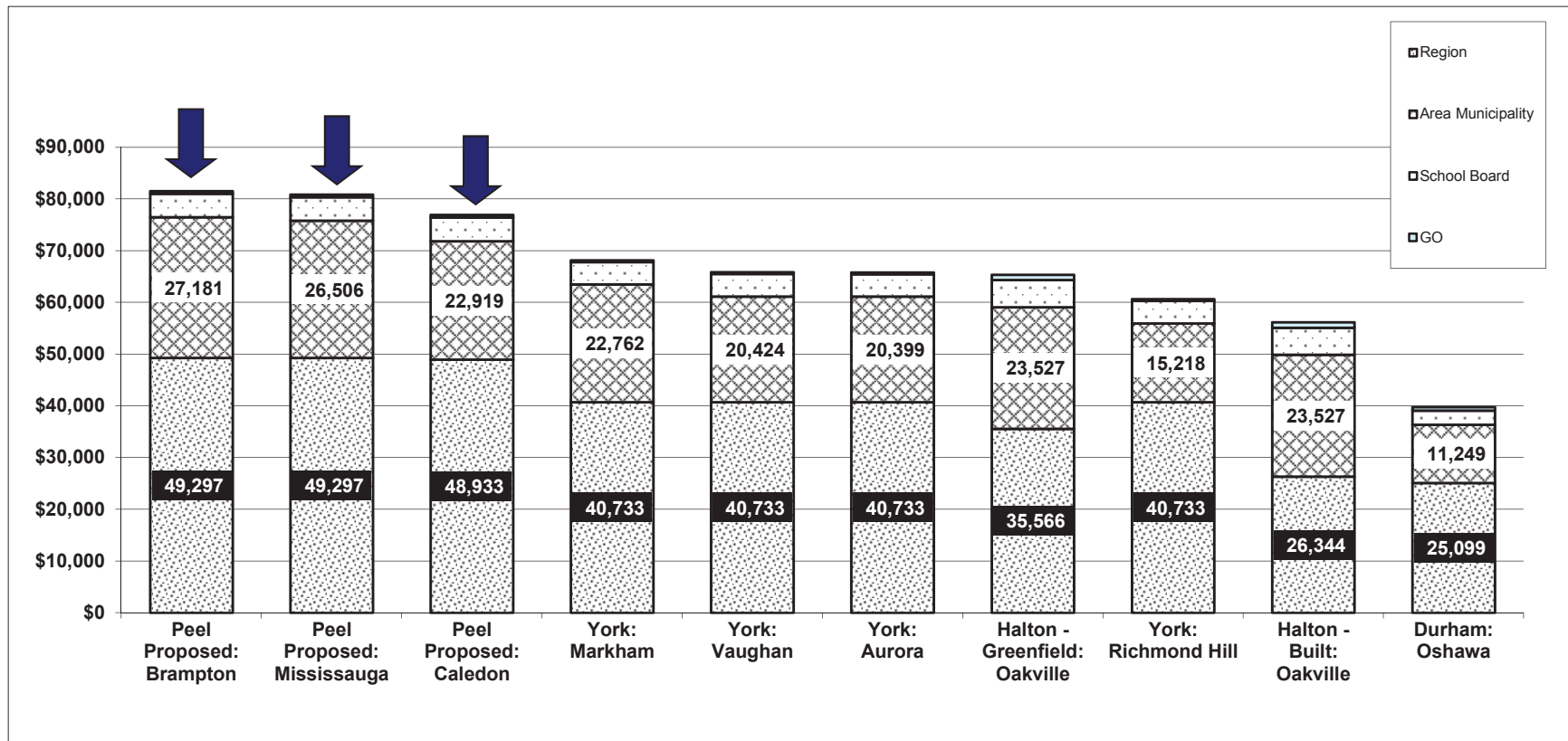
Assumptions	2012 DC Study	2015 DC Update	% Change
<b>Residential - PPU</b>			
Other Residential	3.50	n/a	n/a
Singles/Semis	n/a	4.15	18.6%
Rowhouses/Other Multiples	n/a	3.40	-2.9%
Small Unit	1.30	1.68	29.2%
Apartment	2.50	2.54	1.6%
<b>Non-Residential - FSW - M<sup>2</sup>/ Worker</b>			
Industrial	90	149	65.6%
Non-Industrial	35	37	5.7%

# Residential and Non-Residential DC Rate Changes

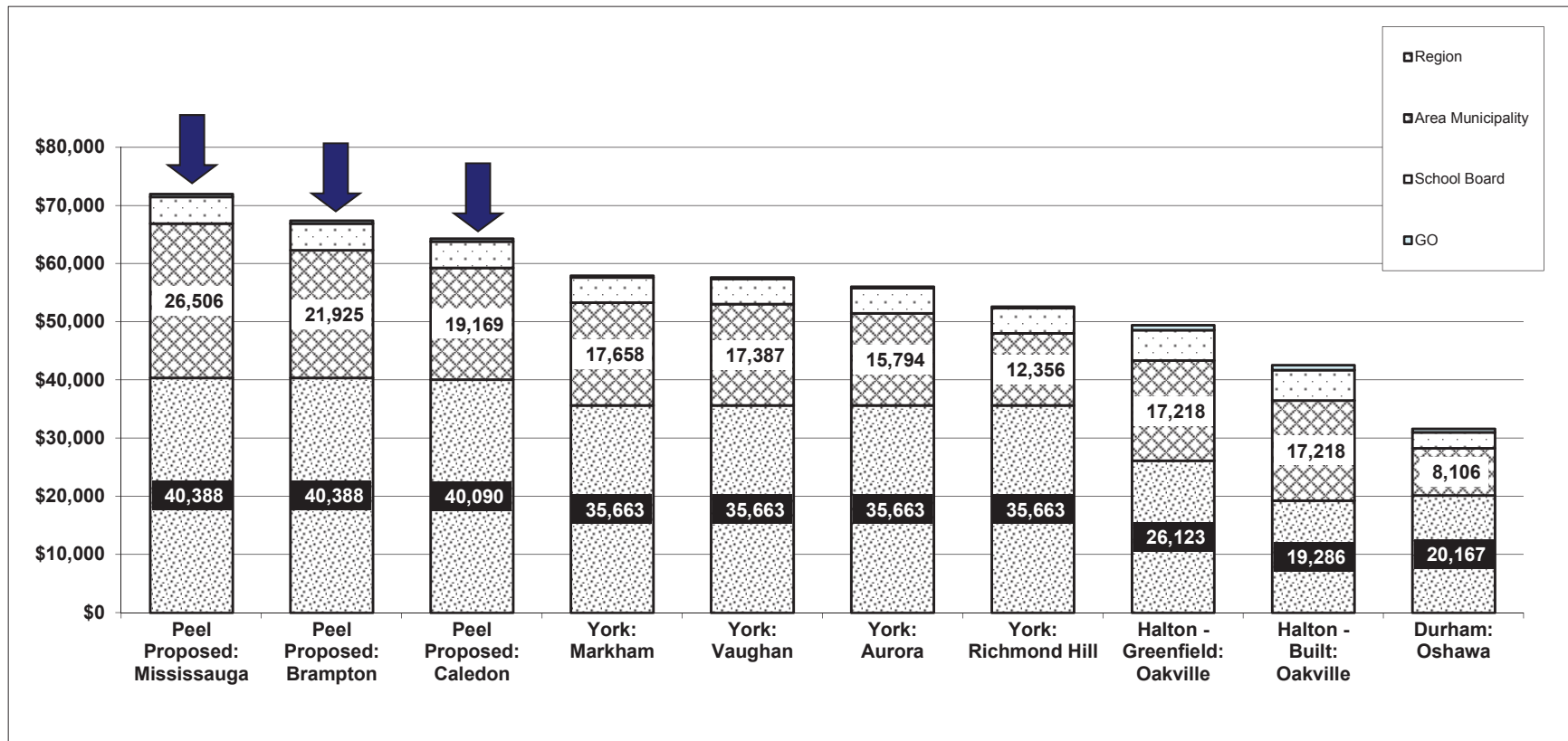
Type of Development	Current Rates	Preliminary Rates (March 2015)	Amount of Change \$	% Change
<b>Residential</b>				
Other Residential *	\$36,402	\$45,971	\$9,569	26.3%
Singles/Semis	n/a	\$49,297	\$12,895	35.4%
Rowhouses/Other Multiples	n/a	\$40,388	\$3,986	10.9%
Small Unit (<750 sq. ft.)	\$13,521	\$19,955	\$6,434	47.6%
Apartment (>750 sq. ft.)	\$26,002	\$30,172	\$4,170	16.0%
<b>Non-Residential</b>				
Industrial (per. M <sup>2</sup> )	\$137.06	\$138.60	\$1.54	1.1%
Non-Industrial (per M <sup>2</sup> )	\$199.57	\$205.45	\$5.88	3.0%

\* Based on recommendation, the other residential rate will not be in effect in the new By-law, it is included for comparative purposes only

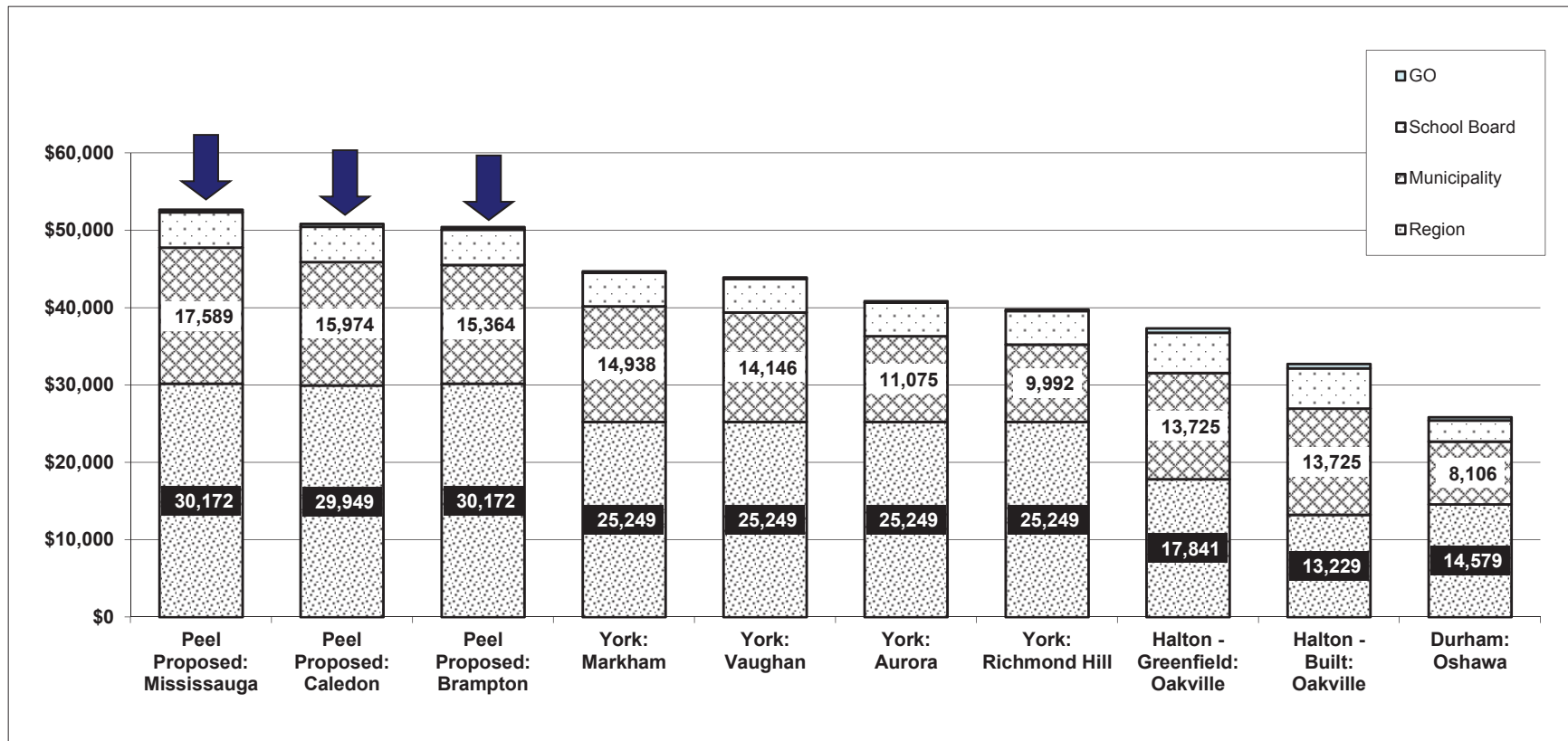
# Singles/Semis Rates Comparisons – GTA Municipalities



# Rowhouse/Other Multiples Rate Comparisons – GTA Municipalities

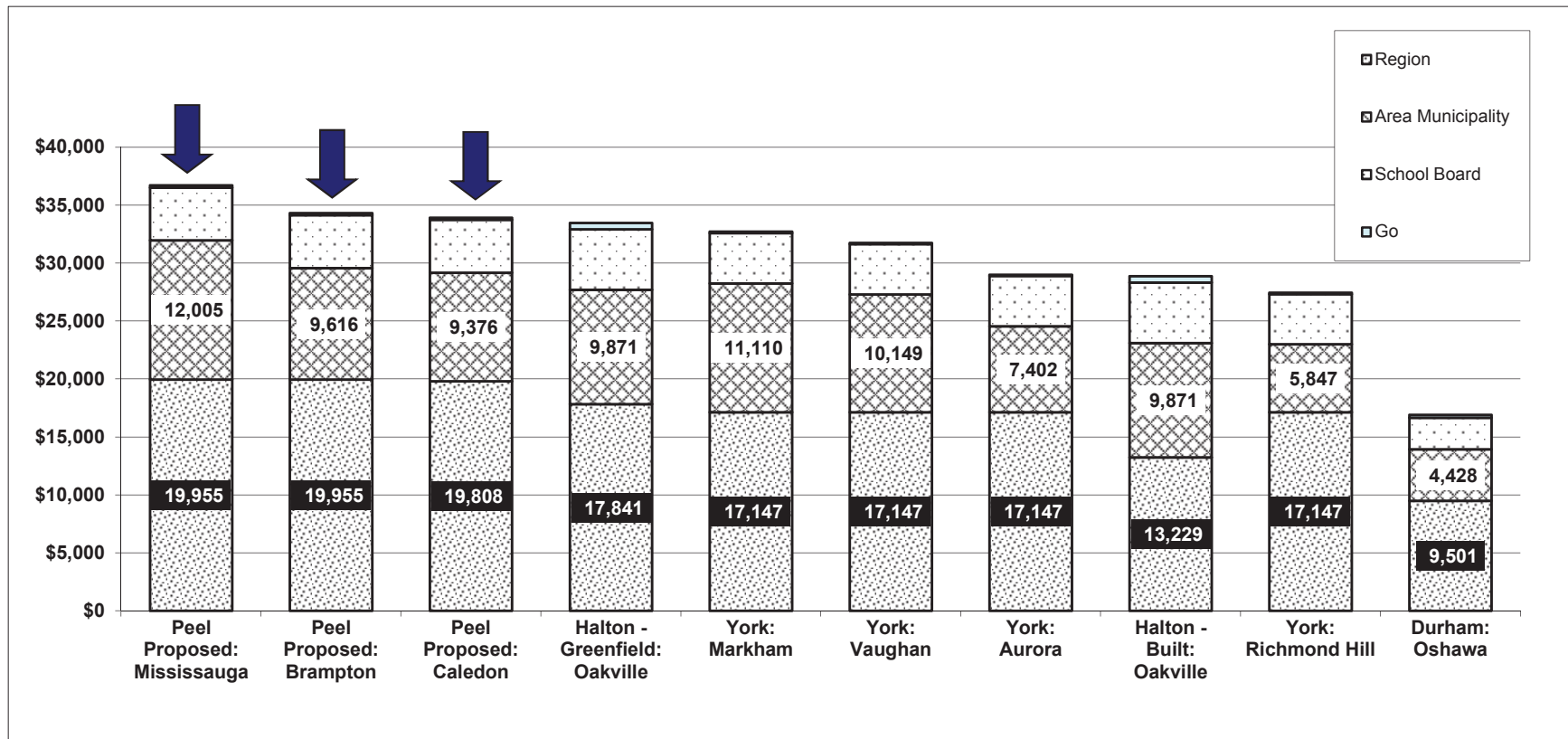


# Large Apartment Rate Comparisons – GTA Municipalities

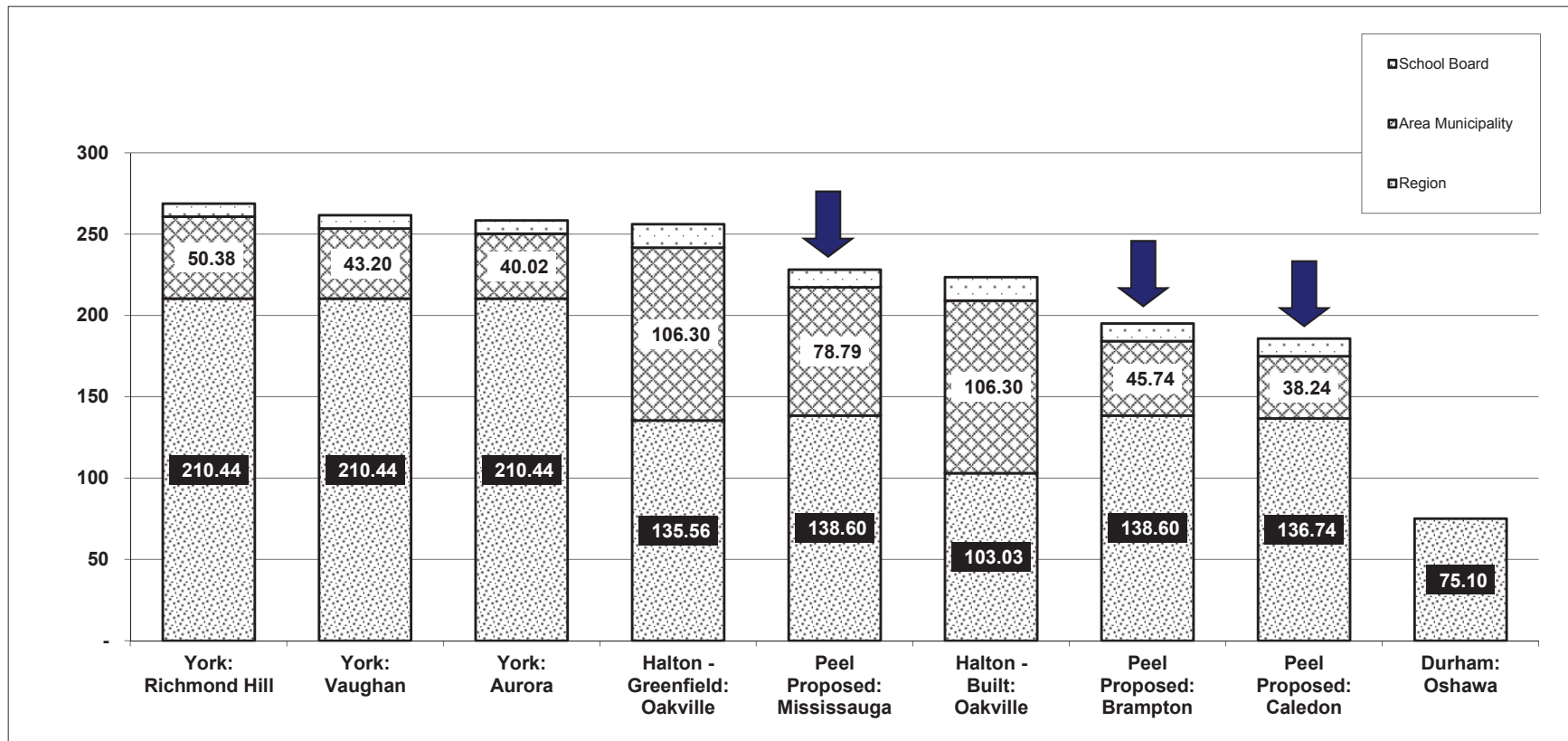




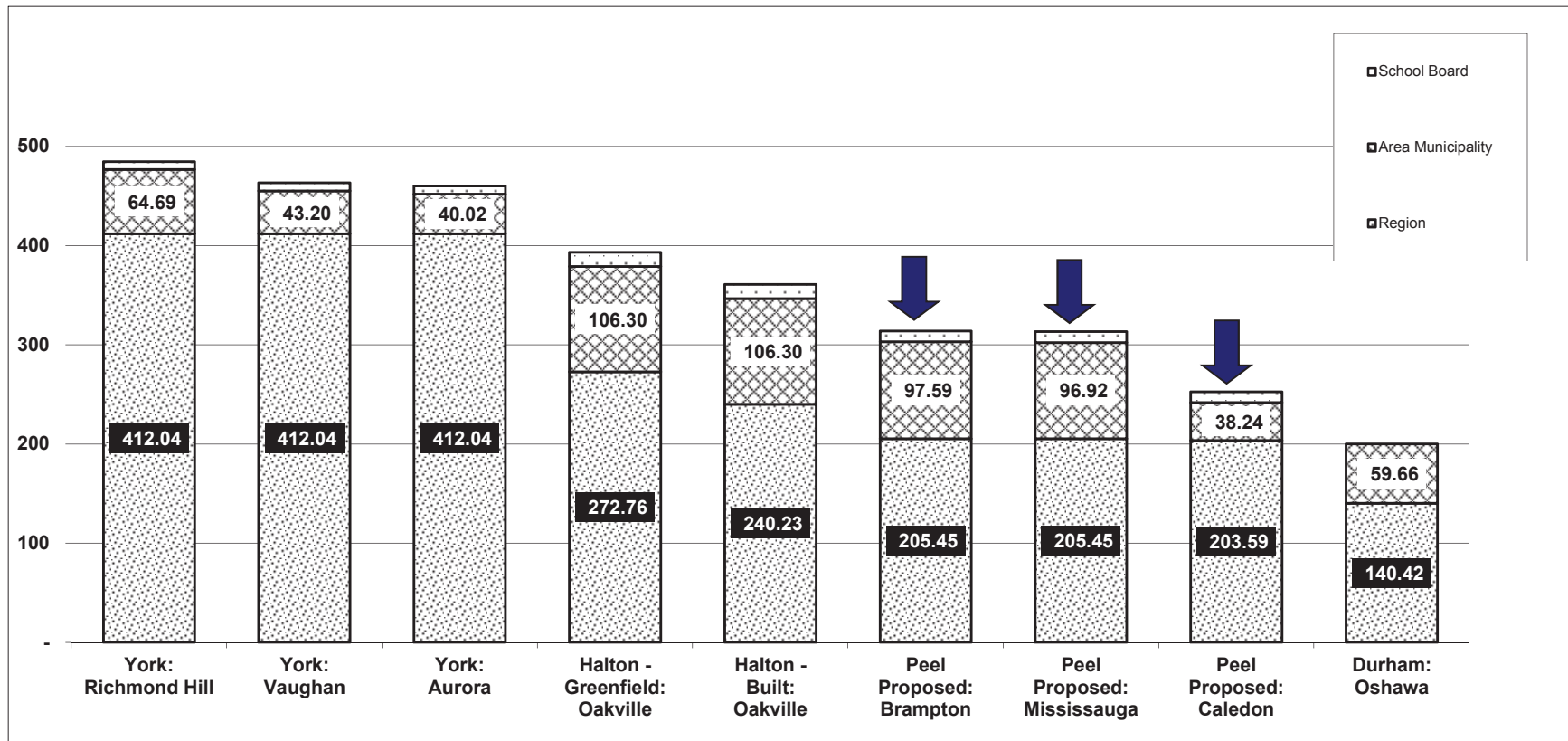
# Small Apartment Rate Comparisons – GTA Municipalities



# Industrial Rate Comparisons – GTA Municipalities



# Non-Industrial Rate Comparisons – GTA Municipalities



# Key DC Policy Considerations

- Review 750ft<sup>2</sup> small unit threshold size
- Review and potentially revise “agricultural use” definition
- Unbundle “other residential” into singles/semis and rows/other multiple categories
- Consider collection of “hard service” DC for residential properties at time of subdivision approval

# Potential Change of Small Unit Size from 750ft<sup>2</sup> to 700 ft<sup>2</sup>

- Consider reducing Peel's small unit threshold size from 750 sq. ft. to 700 sq. ft.
- Match City of Mississauga change in 2014 By-law
- City of Mississauga change under appeal at the OMB
- The City of Brampton and the Town of Caledon still at 750 sq. ft.
- Regional staff recommend maintaining current threshold and potentially revisit in the 2017 DC By-law update

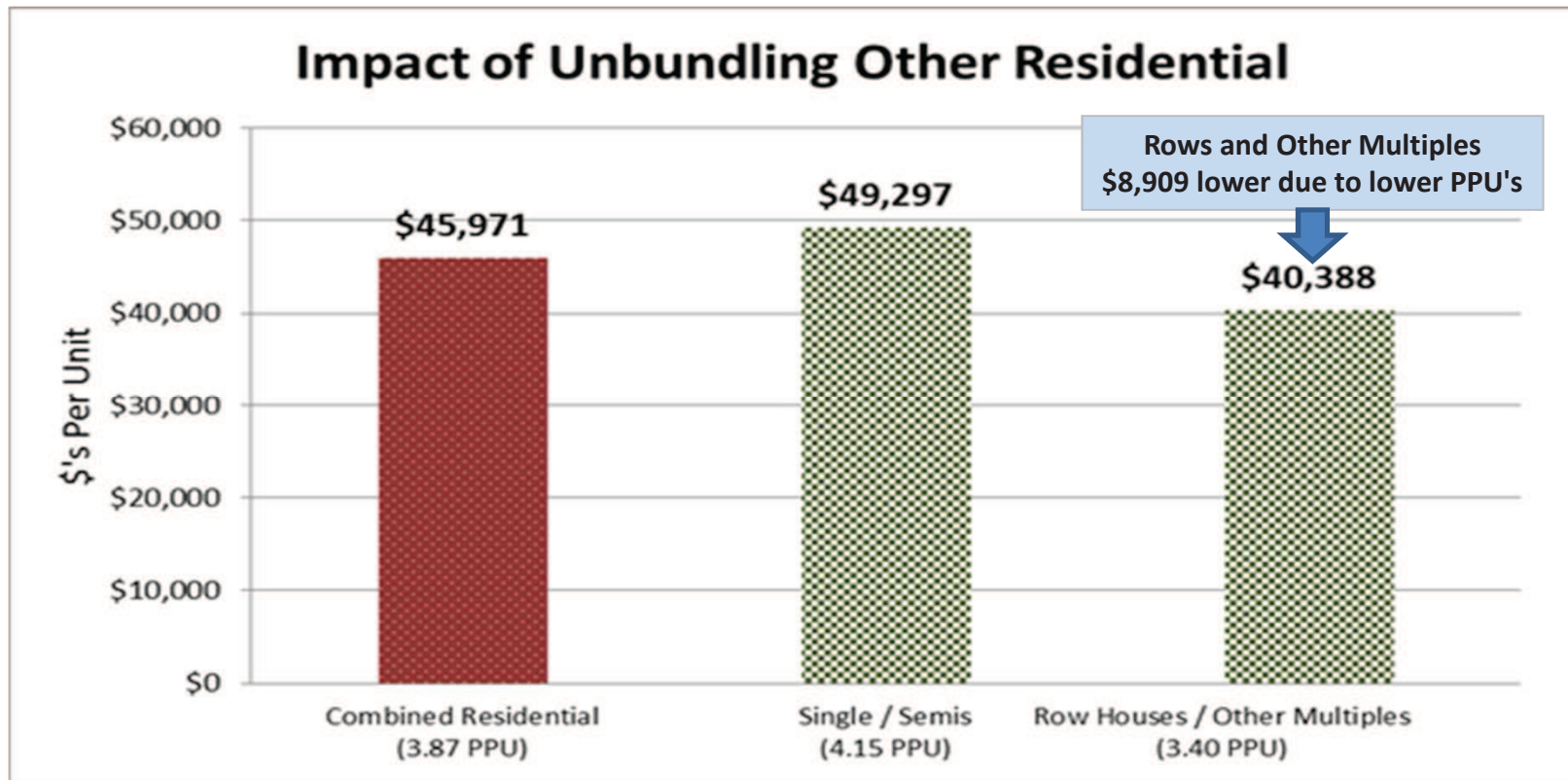
# Review “Agriculture Use” Definition

- Town of Caledon has broader agricultural use definition than the Region
- Region does not charge water and wastewater where services not available
- Region supports near urban farming
- DC revenues lag forecast and more DC debt is required
- Regional DCs fund expansion of Regional services for growth
- Regional staff recommend maintaining current exemption policy

# Separate Singles/Semis and Rows/Other Multiples Categories

- The Region currently has “other residential” rate category that combines single, semi-detached, rowhouses and other multiples
- Town of Caledon and the City of Brampton separate singles/semis and rows/other multiples
- Separating or “unbundling” would be revenue neutral overall
- Lower rate for rowhouses and other multiples due to lower PPU's
- Supports intensification and affordable housing
- Regional staff recommend separate singles/semis and rows/other multiple rates

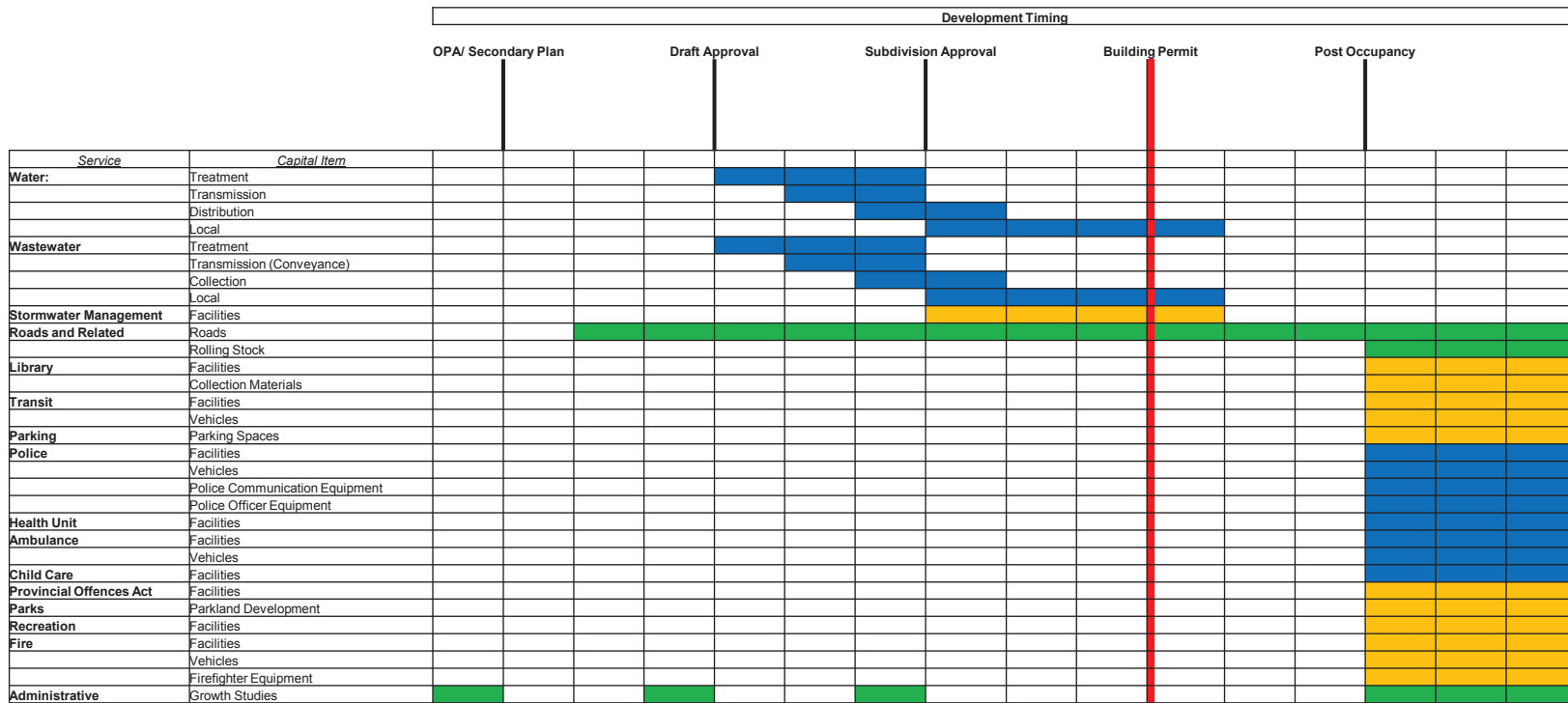
# Separate Singles/Semis and Rows/Other Multiples Categories





# Investing in Infrastructure for Growth

## Peel Assumes Risk



Stage at which ROP currently collects DC

Blue – Region

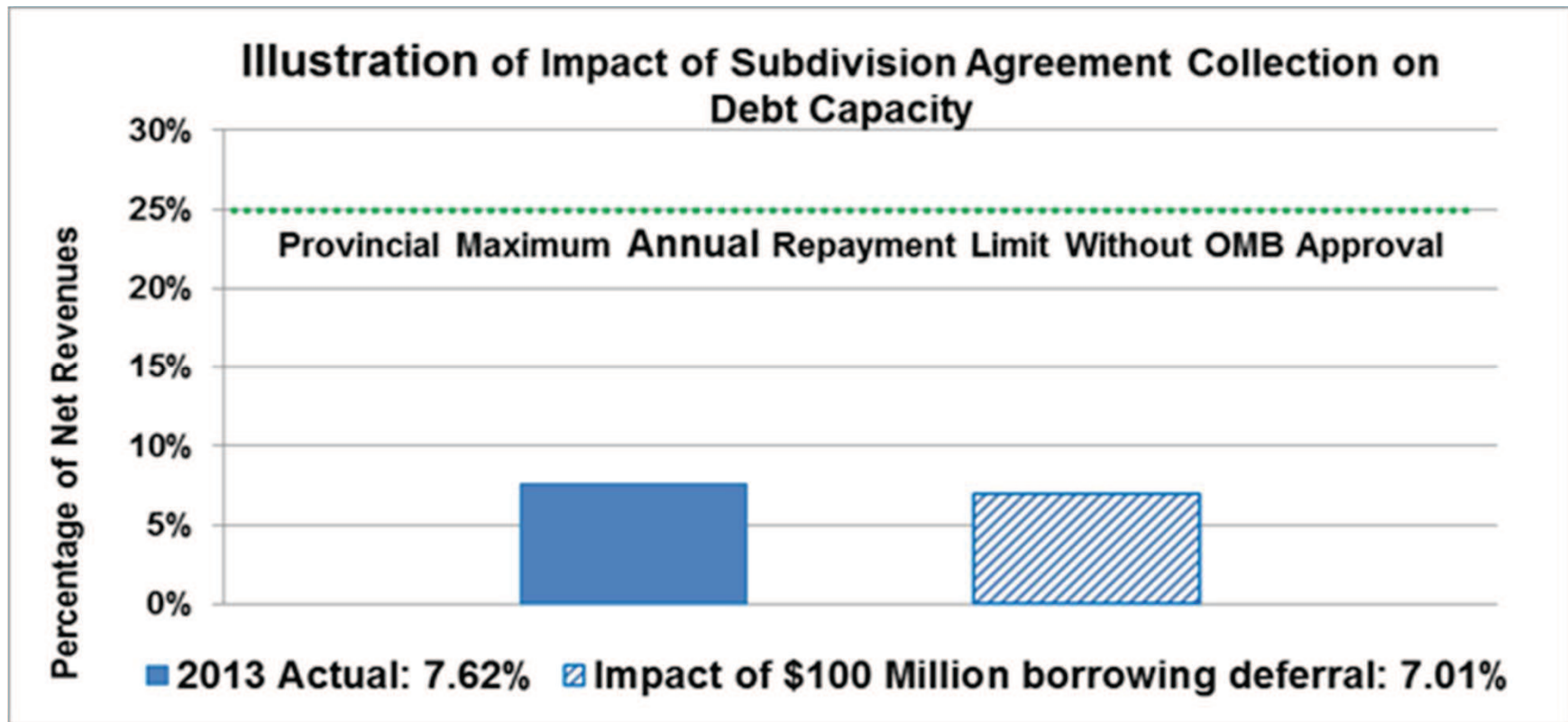
Yellow – Area Municipality

Green – Area Municipality & Region

# Collect Hard Service DCs at Subdivision Agreement

- Advance payment of DCs for water, wastewater and roads eight months sooner
- Similar process followed by York, Durham and Halton
- Deferred borrowing of \$100M – less than original estimate
- Administrative impact on the Region, area municipalities and developers
- 2.5 FTEs to administer - \$300K annually in tax supported budget
- Regional staff recommend collection of DCs at plan of subdivision agreement

# Impact of Collecting DC Sooner on the Region's Debt Capacity



# Stakeholder Engagement Process

- Consultation with Area Municipalities on potential policy and process changes
- Early and continued engagement of the development community in sharing of information
- Growth Management Committee and Workshops
- BILD has been actively engaged partner in process
- Schedule a DC By-Law review Public Meeting on May 28, 2015
- Present new DC By-Law to Regional Council on July 9, 2015 for consideration and approval

2015

# Timelines



**We Are Here**

New DC By-Law Adoption by Council July 9, 2015

Public Meeting May 28, 2015

Release of Background Study May 14, 2015

Draft Background Study to Senior staff and the Development Community 2015/Q2

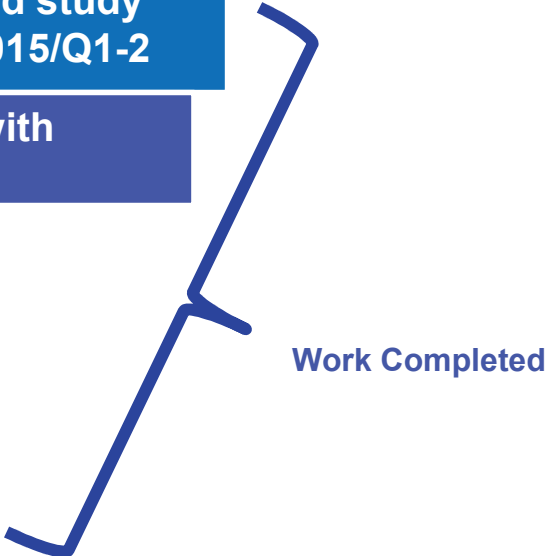
Watson & Associates background study including rates & input review 2015/Q1-2

Discussed Potential DC Policy Changes with Regional Staff and Area Municipalities

Began 2015 DC Background Study per Council Direction – 2014/Q3

Completed DC Rates Adequacy Tests Based on 2014 & 2015 Capital Plans

Employment Trends Study (Hemson) – 2012/2013



Work Completed

2012

# Bill 73 – Proposed Changes to the DCA

## Overview

- New legislation
- Feedback from public review
- Region of Peel made submission
- No regulations to date
- Working groups
- Can proceed with 2015 update under old legislation
- Change will impact 2017 update

# Bill 73 – Proposed Changes to the DCA

## Areas of Change

- Transit
- Service Standard Calculations
- Voluntary payments
- Area specific DCs
- Asset management Plan
- Annual report of Treasurer

# Future Work/After 2015 DC Update

- Determine distribution of population and employment growth forecasts based on growth projections to 2041 from Province's Places to Grow plan
- Update Regional Master Plans and determine servicing costs based on 2041 growth projections
- Plan to update DC By-Law in late 2017 based on growth forecasts to 204, updated Regional master servicing plans and Bill 73
- Consider further financing options including allocation programs ("Made in Peel" solution) subject to interpretation of Bill 73



# Recommendations

- Collect hard service DC's at subdivision agreement which will come into force 120 days after passing of new By-law
- Unbundle Other Residential rate category to Single/Semi-detached and Rowhouse/Other multiples
- One year notice to the development community serves as the transition period
- Schedule May 28 Public Meeting and July 9 By-law adoption