

The Corporation of the City of Kawartha Lakes

Amended Agenda

Special Council Meeting

CC2019-26

Tuesday, November 5, 2019

Open Session Commencing at 10:00 a.m.

Council Chambers

City Hall

26 Francis Street, Lindsay, Ontario K9V 5R8

Members:

Mayor Andy Letham

Deputy Mayor Doug Elmslie

Councillor Ron Ashmore

Councillor Pat Dunn

Councillor Patrick O'Reilly

Councillor Tracy Richardson

Councillor Kathleen Seymour-Fagan

Councillor Andrew Veale

Councillor Emmett Yeo

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		Pages
1.	Call to Order	
2.	Adoption of Agenda	
3.	Disclosure of Pecuniary Interest	
4.	Statutory Public Meeting - Proposed Development Charges By-law	
4.1	CC2019-26.2.1	5 - 27
	Proposed Development Charges By-law and Background Study Presentation	
	Adam Found, Manager of Corporate Assets	
	Andrew Grunda, Watson and Associates	
4.2	CC2019-26.4.2	
	Development Charges Task Force Presentation	
	Eugene McDonald, Chair of the Development Charges Task Force	
4.3	CC2019-26.4.3	
	Public Comments - Proposed Development Charges By-law	
4.4	CC2019-26.2.4	28 - 41
	Written Public Submissions - Proposed Development Charges By-law	
4.5	CC2019-26.2.5	
	Adjournment - Statutory Public Meeting	
5.	Report EA2019-015	
5.1	CC2019-26.5.1	42 - 53
	Presentation - Direction Regarding Development Charges By-law Update	
	Adam Found, Manager of Corporate Assets	
5.2	EA2019-015	54 - 63
	Direction Regarding Development Charges By-Law	
	Adam Found, Manager of Corporate Assets	

That Report EA2019-015, **Direction Regarding Development Charges By-Law**, be received;

That the proposed development charges (DC) by-law be revised to reflect a uniform DC rate for industrial, commercial and institutional development for each municipal service, and a 50% DC exemption for industrial development that does not qualify for the legislated industrial DC exemption;

That the effective date of the proposed DC by-law and proposed DC assistance policy be revised from January 1, 2020 to April 1, 2020; and

That the DC study, proposed DC by-law and proposed DC assistance policy, as revised, be presented to Council for adoption at the December 10, 2019 Council meeting.

5.3

CC2019-26.5.3

64 - 65

Memo - Proposed Direction for New Development Charges By-law - Incenting Job Creators
Andy Letham, Mayor

That the November 5th, 2019 memorandum from Mayor Letham regarding a **proposed direction for new Development Charges By-law-Incenting Job Creators**, be received;

That the proposed development charges by-law be revised to reflect a full development charges exemption for industrial development;

That the proposed development charges by-law be revised to reflect a full development charges exemption for the first 2,500 square metres of gross floor area for any single commercial development;

That staff report to Council in Q4 of 2021 with a financial update on development charges and the results of these incentives, including additional non-residential floor space and jobs achieved; and

That staff provide Council an interim update in Q4 of 2020 on the future “community benefits charge” and any resulting adjustments that may need to be made to the above-noted business incentives.

6. **Closed Session**

7. **Matters from Closed Session**

8. Confirming By-Law

8.1 CC2019-26.8.1

66 - 66

A By-law to Confirm the Proceedings of a Special Meeting of Council,
Tuesday, November 5, 2019

9. Adjournment



City of Kawartha Lakes

Development Charges Public Meeting

November 5, 2019

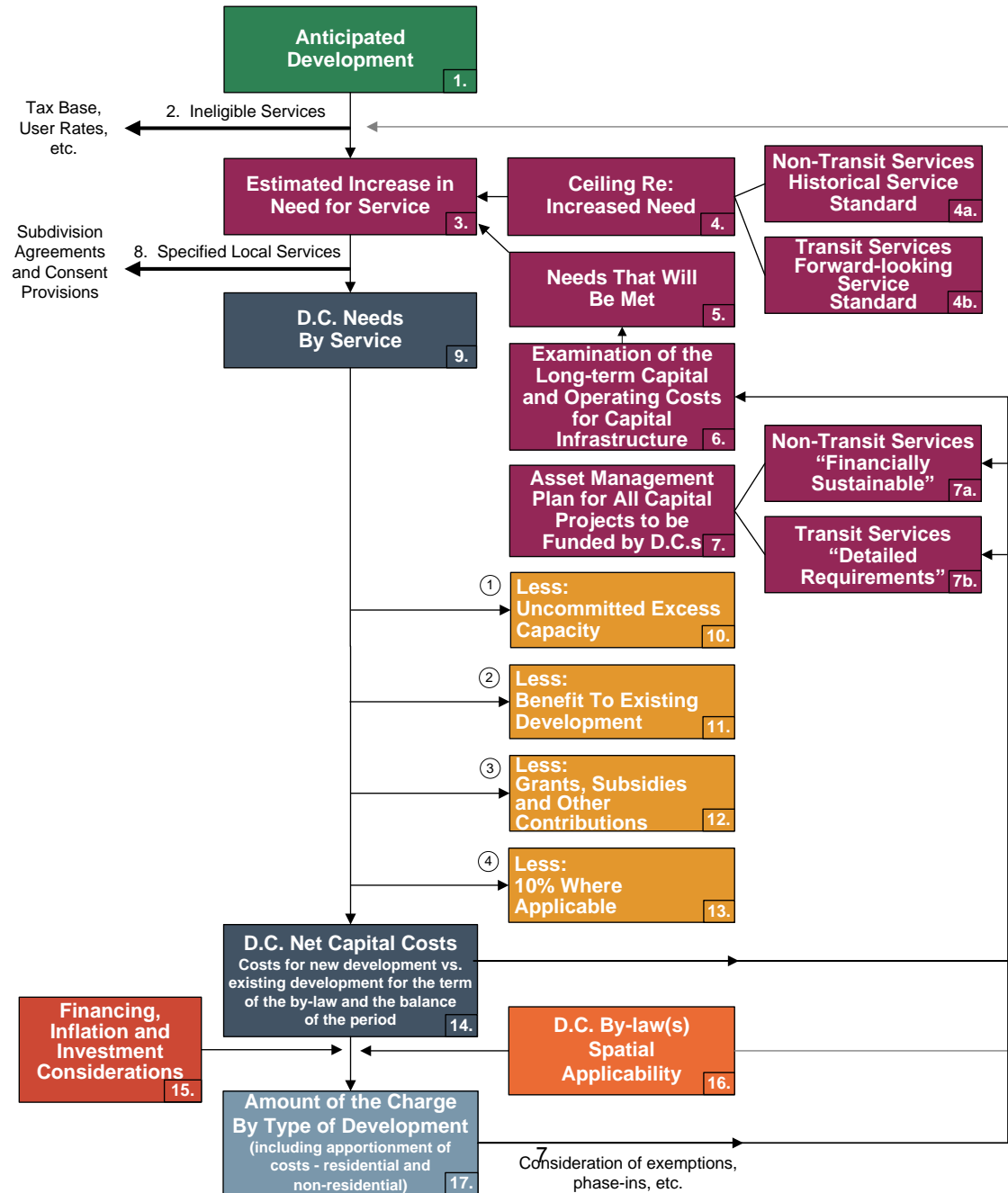
Public Meeting Purpose



Purpose:

- This meeting is a mandatory requirement under the *Development Charges Act (D.C.A.)*
- Prior to Council's consideration of a by-law, a background study must be prepared and available to the public a minimum of 2 weeks prior to a public meeting and provided on the municipality's website 60 days prior to by-law passage (released on October 7, 2019)
- This public meeting is to provide a review of the Development Charges (D.C.) proposal and to receive public input on the proposed policies and charges

The Process of Calculating a Development Charge under the Act that must be followed



Growth Forecast

Anticipated Residential Development



Time Horizon	Residential ¹	
	Net Population	Dwelling Units
City-Wide		
2019	89,113	36,224
2029	107,017	45,479
2031	110,152	47,036
Incremental Change		
Urban (Lindsay)		
2019-2029	11,646	5,553
2019-2031	13,664	6,510
Urban (Other)		
2019-2029	3,305	1,645
2019-2031	3,878	1,920
Rural		
2019-2029	2,487	2,057
2019-2031	2,958	2,383
City-Wide		
2019-2029	17,438	9,255
2019-2031	20,500	10,813

1. Excluding Institutional Population and including 50% seasonal population

Growth Forecast

Anticipated Non-Residential Development



Time Horizon	Industrial		Commercial		Institutional		Total	
	Employment ¹	Sq.ft. of G.F.A.	Employment ¹	Sq.ft. of G.F.A.	Employment ¹	Sq.ft. of G.F.A.	Employment ¹	Sq.ft. of G.F.A.
City-Wide								
2019	3,170	N/A	7,623	N/A	6,314	N/A	17,107	N/A
2029	3,610	N/A	9,297	N/A	6,804	N/A	19,711	N/A
2031	3,678	N/A	9,574	N/A	6,891	N/A	20,143	N/A
Incremental Change								
Urban (Lindsay)								
2019-2029	389	466,800	1,230	615,000	363	254,100	1,982	1,335,900
2019-2031	449	538,800	1,434	717,000	428	299,600	2,311	1,555,400
Urban (Other)								
2019-2029	39	46,400	431	215,500	127	88,900	597	350,800
2019-2031	45	53,900	503	251,400	149	104,300	697	409,600
Rural								
2019-2029	12	14,800	13	6,500	-	-	25	21,300
2019-2031	14	16,900	14	7,100	-	-	28	24,000
City-Wide								
2019-2029	440	528,000	1,674	837,000	490	343,000	2,604	1,708,000
2019-2031	508	609,600	1,951	975,500	577	403,900	3,036	1,989,000

1. Excluding WAH and NFPOW



Increase in Need for Service

City-Wide (10-year)

- Parking Services
- Airport Services
- Parks and Recreation
- Library Services
- Administration Studies
- Municipal By-law Enforcement
- Paramedic Services
- Health & Social Services
- Waste Diversion

Lindsay (10-year)

- Transit Services

Lindsay and Ops (10-year)

- Police

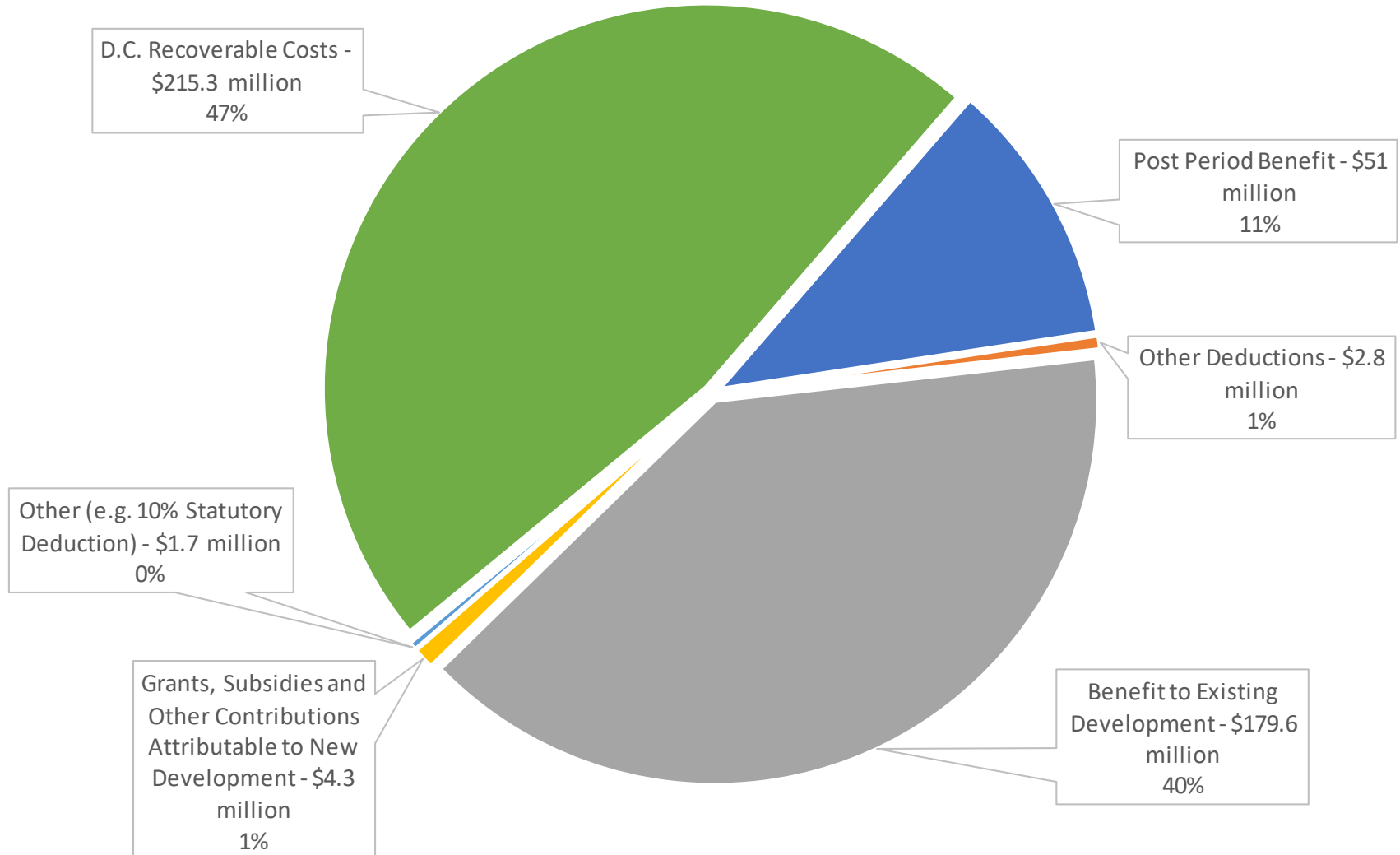
City-Wide (12-year)

- Roads and Related Services
- Fire Services

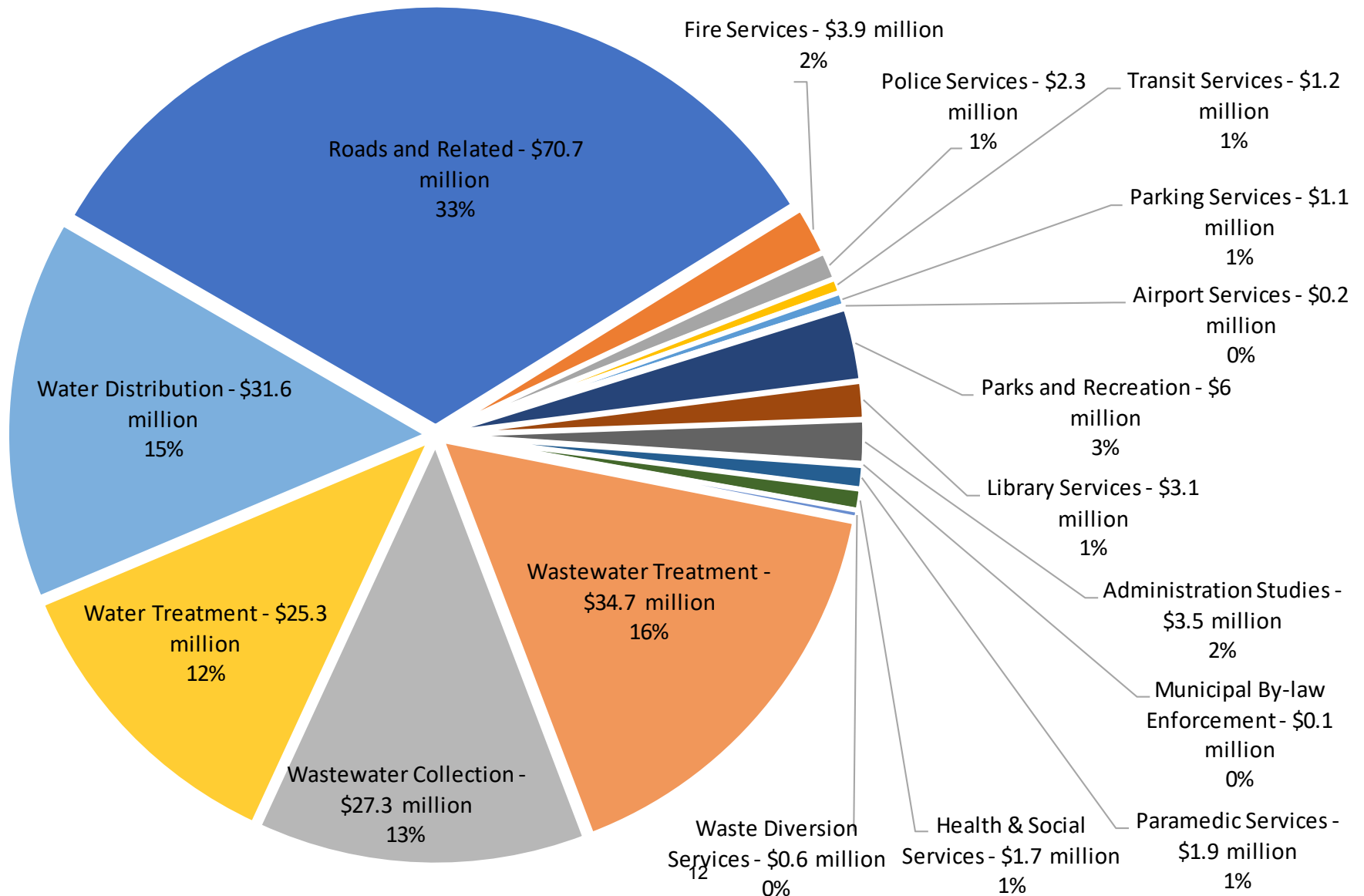
Urban Serviced Area (12-year)

- Wastewater Treatment
- Wastewater Collection (excl. Northwest Lindsay Development Area)
- Water Treatment and Distribution

Gross Capital Costs – \$446.6 million



D.C. Recoverable Costs – \$215.3 million



Calculated Schedule of D.C.s

Residential Development



Service	RESIDENTIAL			
	Single and Semi-Detached Dwelling	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Row or Multiple
Municipal Wide Services:				
Fire Services	341	205	154	304
Police Services ¹	393	236	178	350
Roads and Related	6,027	3,615	2,724	5,361
Transit Services ²	240	144	108	213
Parking Services	111	66	50	98
Airport Services	22	13	10	20
Parks and Recreation	664	398	300	590
Library Services	340	204	154	303
Paramedic Services	190	114	86	169
Municipal By-law Enforcement	14	9	6	13
Health & Social Services	206	123	93	183
Waste Diversion Services	64	38	29	57
Administration Studies	362	217	164	322
Total Municipal Wide Services	8,974	5,382	4,056	7,983
Urban Services				
Wastewater Treatment	4,057	2,433	1,834	3,609
Wastewater Collection ³	5,890	3,533	2,662	5,240
Water Treatment	3,185	1,910	1,439	2,833
Water Distribution	3,302	1,981	1,493	2,938
Total Urban Services	16,434	9,857	7,428	14,620
Urban - Lindsay	25,408	15,239	11,484	22,603
Urban - NWT	19,518	11,706	8,822	17,363
Urban - Other	24,776	14,859	11,198	22,040
Rural - Ops	8,734	5,238	3,948	7,770
Rural - Other	8,341	5,002	3,770	7,420

1. Police services only payable within Lindsay and the former Township of Ops

2. Transit Services only payable within Lindsay 13

3. Wastewater Collection Services only payable within municipal service area, outside of the Northwest Lindsay Development Area

Calculated Schedule of D.C.s

Non-Residential Development



Service	NON-RESIDENTIAL (per sq.m. of Gross Floor Area)				NON-RESIDENTIAL (per 500kW nameplate generating capacity)
	Uniform	Industrial	Commercial	Institutional	
Municipal Wide Services:					
Fire Services	2.79	1.54	3.66	2.59	341
Police Services ¹	2.69	1.51	3.62	2.59	393
Roads and Related	49.21	26.86	64.48	46.06	6027
Transit Services ²	1.71	0.96	2.30	1.65	
Parking Services	0.90	0.49	1.18	0.84	
Airport Services	0.18	0.10	0.24	0.17	
Parks and Recreation	1.91	1.91	1.91	1.91	
Library Services	0.98	0.98	0.98	0.98	
Paramedic Services	1.55	0.85	2.03	1.45	190
Municipal By-law Enforcement	0.12	0.06	0.15	0.11	
Health & Social Services					
Waste Diversion Services	0.52	0.29	0.68	0.49	
Administration Studies	2.95	1.61	3.87	2.77	362
Total Municipal Wide Services	65.50	37.15	85.11	61.59	7,314
Urban Services					
Wastewater Treatment	28.24	15.32	36.76	26.26	
Wastewater Collection ³	51.90	28.15	67.56	48.26	
Water Treatment	22.41	12.30	29.52	21.07	
Water Distribution	23.24	12.76	30.61	21.85	
Total Urban Services	125.79	68.53	164.44	117.45	-
Urban - Lindsay	191.29	105.68	249.55	179.04	7,314
Urban - NWT	139.40	77.53	181.99	130.78	7,314
Urban - Other	186.90	103.21	243.62	174.81	6,921
Rural - Ops	63.79	36.20	82.81	59.95	7,314
Rural - Other	61.10	34.69	79.18	57.36	6,921

1. Polices services only payable within Lindsay and the former Township of Ops

2. Transit Services only payable within Lindsay

3. Wastewater Collection Services only payable within municipal service area, outside of the Northwest Lindsay Development Area

City D.C. Comparison

Residential Development (Single and Semi-Detached Dwelling Units)



Single and Semi-Detached Dwelling	Current	Calculated	Change (%)	Change (\$)
Urban - Lindsay	20,179	25,408	26%	5,229
Urban - NWT	14,354	19,518	36%	5,164
Urban - Other	19,594	24,776	26%	5,182
Rural - Ops	7,037	8,734	24%	1,697
Rural - Other	6,529	8,341	28%	1,812

City D.C. Comparison

Non-Residential Development (per sq.mt. of Gross Floor Area)



Differentiated

Service	Industrial			
	Current	Calculated	(%)	(\$)
Urban - Lindsay	89.54	105.68	18%	16.14
Urban - NWT	66.13	77.53	17%	11.40
Urban - Other	87.18	103.21	18%	16.03
Rural - Ops	36.50	36.20	-1%	(0.30)
Rural - Other	34.45	34.69	1%	0.24

Uniform

Service	Industrial			
	Current	Calculated	(%)	(\$)
Urban - Lindsay	89.54	191.29	114%	101.75
Urban - NWT	66.13	139.40	111%	73.27
Urban - Other	87.18	186.90	114%	99.72
Rural - Ops	36.50	65.50	79%	29.00
Rural - Other	34.45	62.81	82%	28.36

Service	Commercial			
	Current	Calculated	(%)	(\$)
Urban - Lindsay	202.97	249.55	23%	46.58
Urban - NWT	149.85	181.99	21%	32.14
Urban - Other	197.35	243.62	23%	46.27
Rural - Ops	81.20	82.81	2%	1.61
Rural - Other	76.30	79.18	4%	2.88

Service	Commercial			
	Current	Calculated	(%)	(\$)
Urban - Lindsay	202.97	191.29	-6%	(11.68)
Urban - NWT	149.85	139.40	-7%	(10.45)
Urban - Other	197.35	186.90	-5%	(10.45)
Rural - Ops	81.20	65.50	-19%	(15.70)
Rural - Other	76.30	62.81	-18%	(13.49)

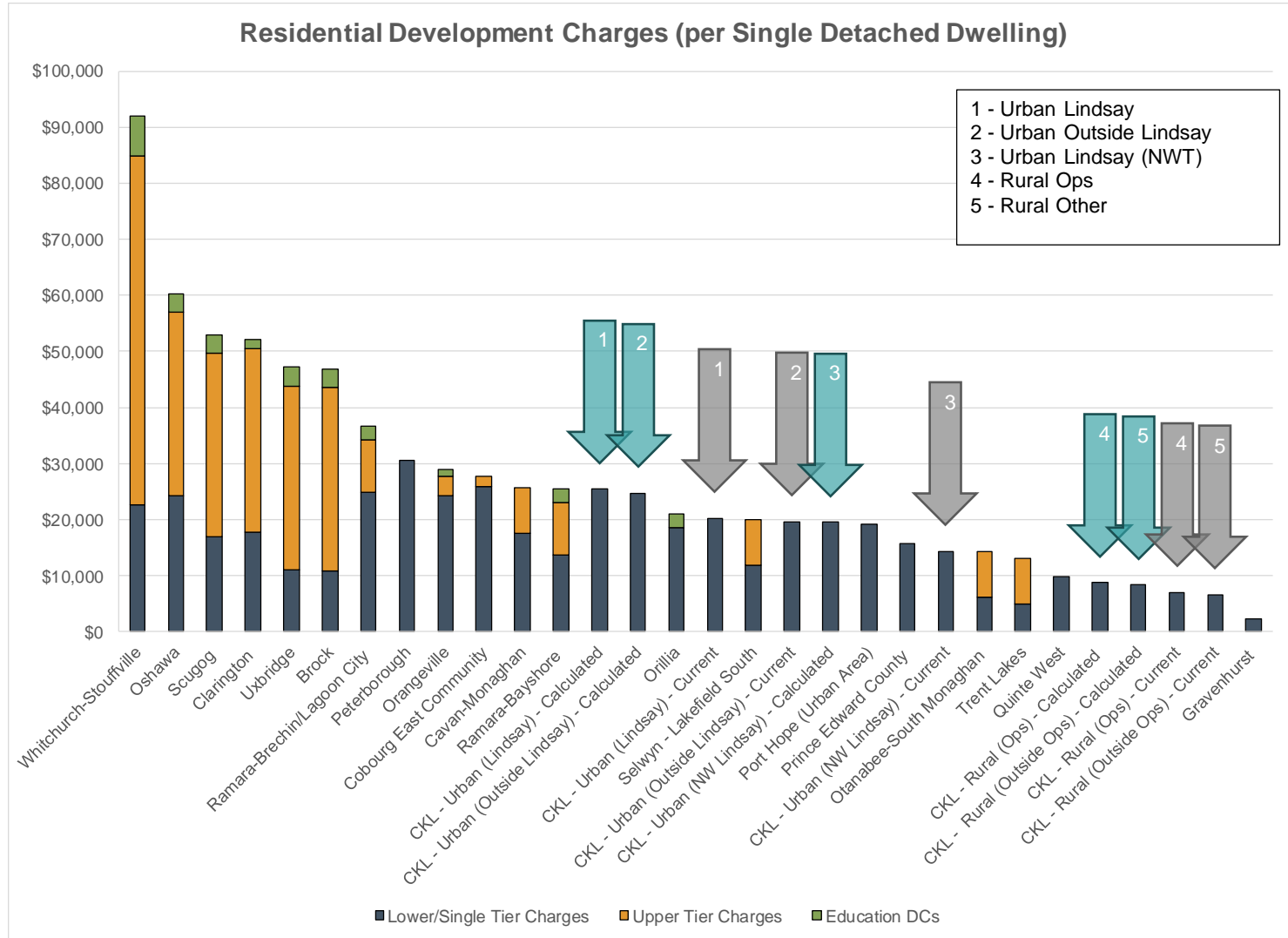
Service	Institutional			
	Current	Calculated	(%)	(\$)
Urban - Lindsay	145.98	179.04	23%	33.06
Urban - NWT	107.87	130.78	21%	22.91
Urban - Other	141.97	174.81	23%	32.84
Rural - Ops	58.76	59.95	2%	1.19
Rural - Other	55.25	57.36	4%	2.11

Service	Institutional			
	Current	Calculated	(%)	(\$)
Urban - Lindsay	145.98	191.29	31%	45.31
Urban - NWT	107.87	139.40	29%	31.53
Urban - Other	141.97	186.90	32%	44.93
Rural - Ops	58.76	65.50	11%	6.74
Rural - Other	55.25	62.81	14%	7.56



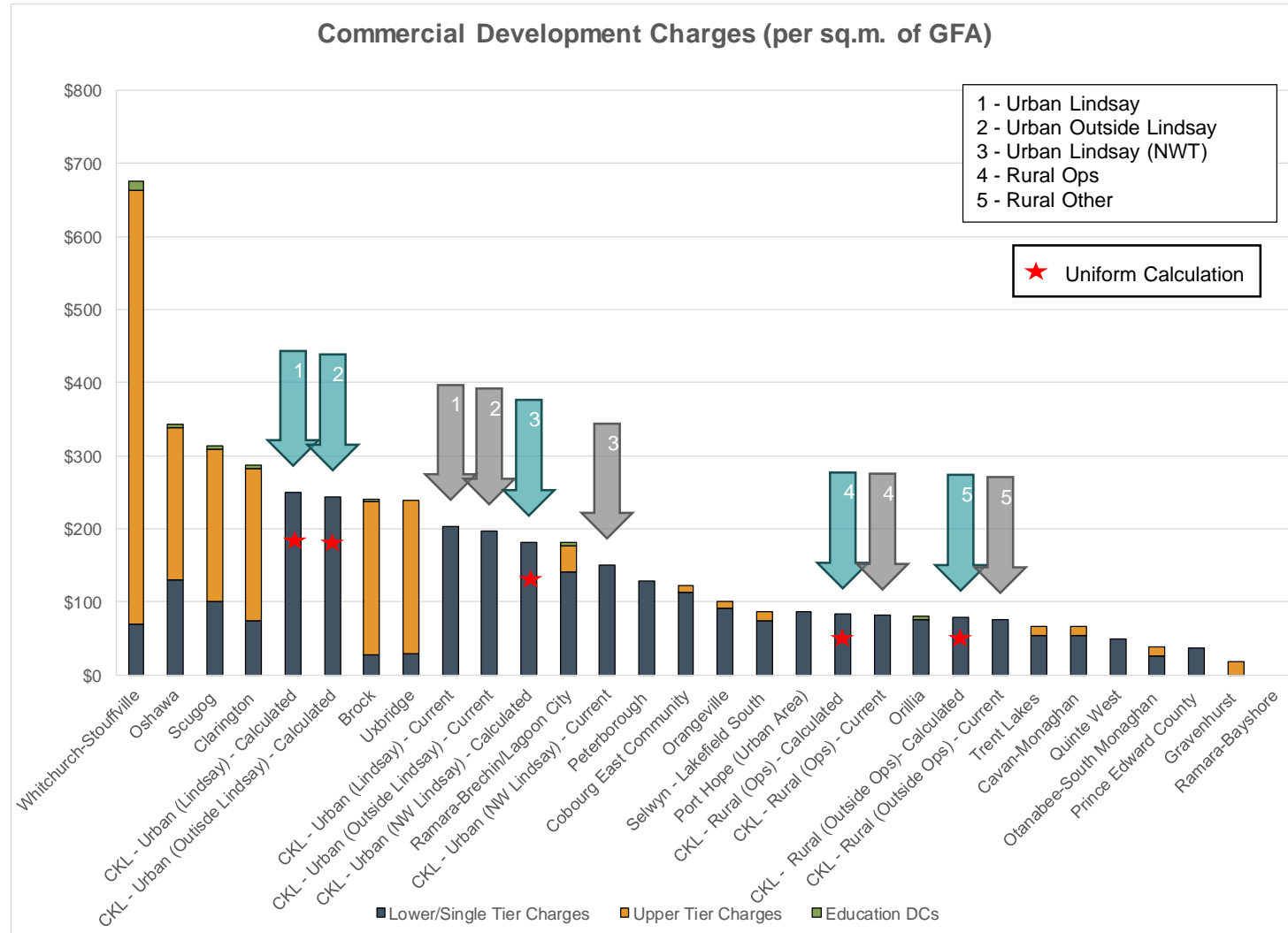
Municipal D.C. Comparison

Residential (per Single and Semi-Detached Dwelling Units)



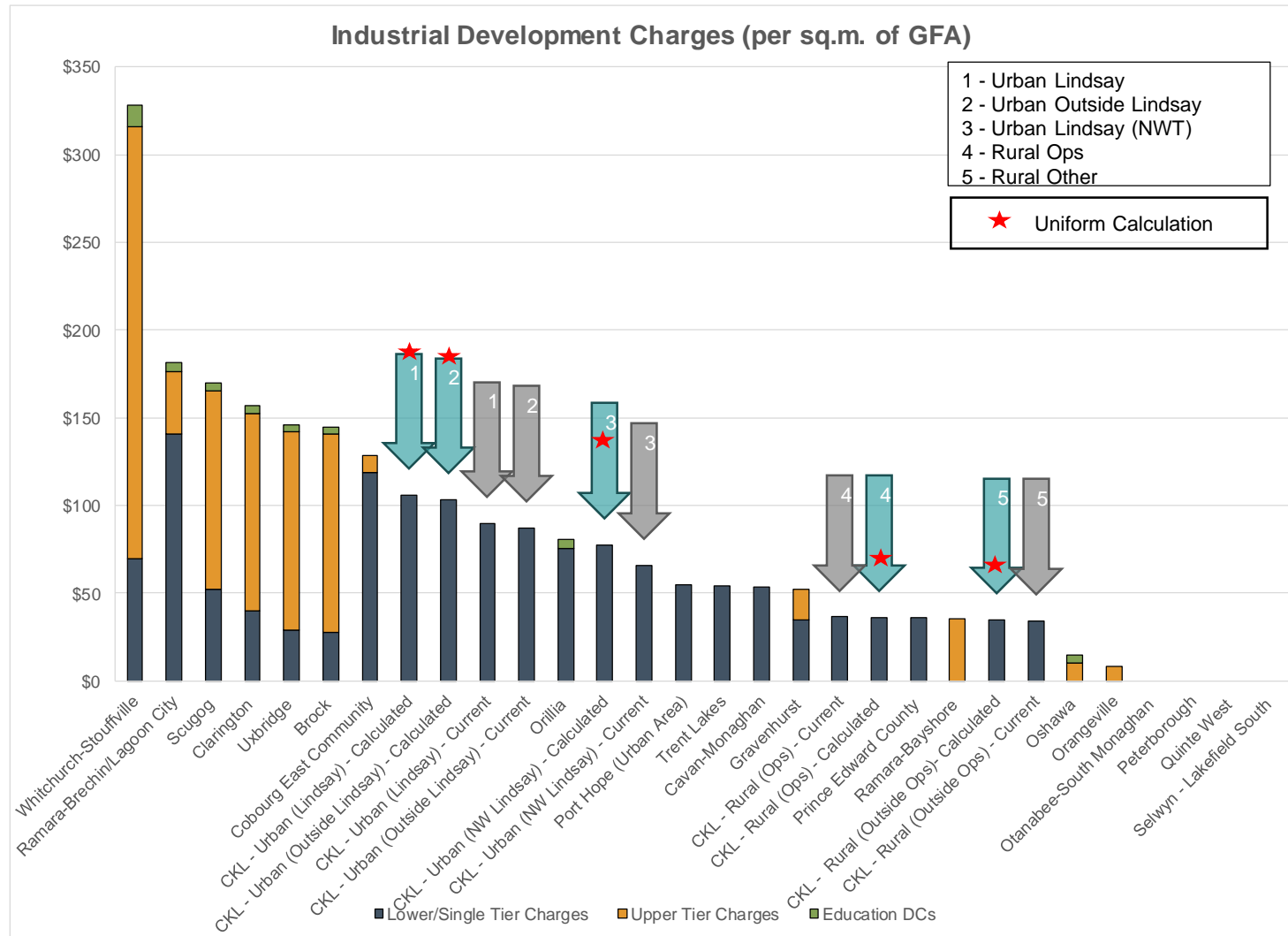
Municipal D.C. Comparison

Non-Residential – Commercial (per sq.mt. of Gross Floor Area)



Municipal D.C. Comparison

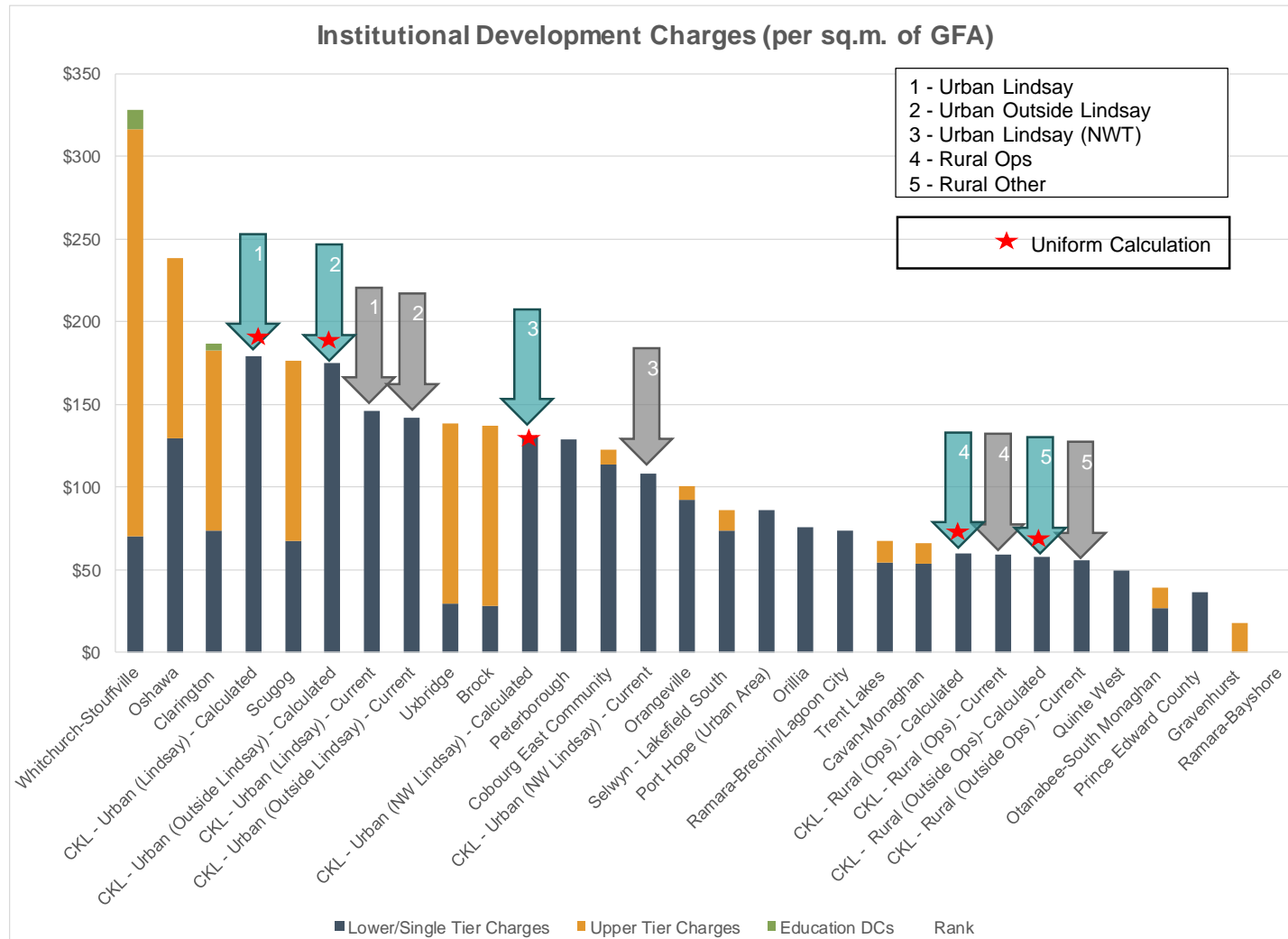
Non-Residential – Industrial (per sq.mt. per Gross Floor Area)





Municipal D.C. Comparison

Non-Residential – Institutional (per sq.mt. of Gross Floor Area)





Development Charge By-Law Policies

Development Charges Assistance Policy



- The City's "***D.C. Assistance Policy***" address specific D.C. implementation policies
- The policy establishes guidelines for the implementation of the D.C., with respect to:
 - Deferred D.C. payments
 - Extensions for the eligibility of redevelopment credits
- *D.C. Assistance Policy* approach is being utilized to allow the City to monitor the effectiveness of the policy and provide increased flexibility to amend the policy as required



D.C. By-Law Policies

Timing of Collection – Proposed Policies

- D.C.s for roads, water, and wastewater services may be payable at the time of subdivision or consent agreement, in accordance with Council policy
- D.C.s for all other services are payable at the time of building permit issuance
- D.C. deferrals will be addressed in City's *D.C. Assistance Policy*:
 - Deferral to date of occupancy for residential development only
 - Deferral for high density residential development (50% payable at 1.5 years from agreement and 50% at 3 years from agreement)
 - Deferral to earlier of condominium registration or occupancy for condominium dwellings
 - Deferral for specified period (non-residential development up to 3-year maximum deferral)
- D.C. by-law to provide for mandatory indexing of the charge on January 1st of each year

D.C. By-Law Policies

Statutory Exemptions



- The D.C.A. provides statutory exemptions for:
 - Industrial building expansions (may expand by 50% with no D.C.)
 - Residential intensification:
 - May add up to two apartments for a single detached home as long as size of home doesn't double
 - Add one additional unit in medium and high-density buildings
 - Upper/Lower Tier Governments and School Boards



Current D.C. Policies

Non-Statutory Exemptions

- Non-statutory exemptions proposed:
 - Place of worship, non-profit hospice, public hospital, cemetery, burial site, or crematorium
 - Agricultural development
 - Park model trailer
 - Municipal housing dwelling unit



D.C. By-Law Policies

Redevelopment Credits

- Redevelopment credits on conversions or demolitions of existing buildings or structures are generally granted to recognize what is being replaced on site (not specific in the Act but provided by case law)
- Redevelopment credits granted for conversions/demolitions
- Building/structure must have been capable of being occupied within 3-years prior to the date of redevelopment
- *D.C. Assistance Policy* proposes:
 - Maximum 3-year extension where commitment to redeveloping in timely manner has been demonstrated
 - Maximum 7-year extension where timely demolition of a derelict building is, in Council's determination, in the public interest

Next Steps



- Council to receive input from the public on the proposed D.C. By-Law;
- Council to consider further amendments to the D.C. Background Study and D.C. By-law prior to by-law passage, as required;
- Consideration of D.C. by-law and background study by Council (December 10th, 2019); and
- January 1, 2020 – D.C. By-law effective date
- Transition to More Homes, More Choice Act D.C.A. (Bill 108) amendments by January 1, 2021, based on current draft regulations

BACKGROUND FOR DEPUTATION TO COUNCIL
(Review of the DCBS / Proposed DC Bylaw and related Specific Industry Impact)

October 30th

Dear Mayor Letham and esteemed Councillor's,

First, thank-you for your consideration.

My concerns as outlined in this letter are from that of a concerned Citizen, Resident and Business Owner within the City of Kawartha Lakes. I have broken the letter into 3 parts which include an general analysis of the proposed DC Bylaw which was based on the current 2019 DCBS, a general opinion on options and a specific review of the proposed DC Bylaw in relation to my business.

After participating in several DC related discussions, reviewing the 2015 DCBS, being involved in a DC Deferral for our Storage Business and meeting and presenting to both Council and the DC Task Force I have reviewed the proposed/new 2019 DC Background Study (DCBS). I have done so in large part in comparison to the current 2015 DCBS and in doing so the new Report has made some very far reaching assumptions again on Population forecasting and Housing builds.

Understanding that these population assumption numbers stem from a larger document (A Place to Grow – Growth Plan for the Greater Golden Horseshoe) and that the Study is building a case for 100% attainment of those numbers. The fact is that the Population Targets are not within reach and really the CKL should be working with Province to move the CKL out of the Golden Horseshoe coverage area.

Using these targets coupled with a straight line approach to the forecasting and also “moving” the existing housing unit deficits from the previous years (Mid 2014 – Mid 2019) covered under the current DCBS” into the forecast has a very dangerous trickle down effect.

As seen within 2015 DCBS over the last 4.5 years compared to what actually transpired (from a net Population increase), the population did not come, yet Infrastructure and Capital Expenditures were built out too which the result is a significant DC Reserve Deficit. This is why the CKL is in the DC Deficit position it is. A position that is being financed by 3rd party debentures that will need to be accounted for within the go forward DC Strategy for years to come.

The DCBS is not a perfect science and relies heavily if not almost all on the assumptions and projections of Population to derive, residential units and employment projections, which in turn derive the non-residential needs of the Population from a Gross Floor Area (GFA) or Building size. However, given the past “known/actual Population and Housing Unit Numbers” and the fact that the population did not come as forecasted, common

sense coupled with using history as a general predictor of the immediate future would suggest the population that is being projected in this new DCBS is 1. Not attainable and 2. Irresponsibly high.

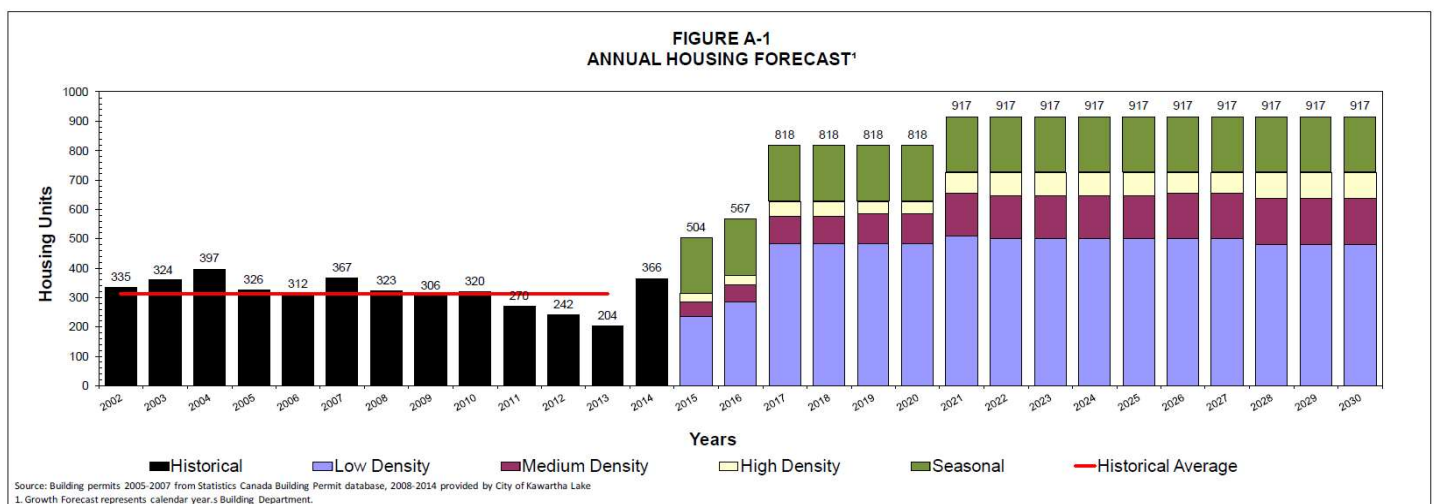
If CKL only sustained a **Permanent Population Increase of 1,619** (Schedule 3 and 9A of the New 2019 DC Background Study) from Mid 2016 to the end of the 2019 (**3.5 years**) then we should not expect and or budget for a **Permanent Population Increase of 16,236** (Schedule 9A from Late 2019 – Late 2029 - **10 years**), as we will be building Budgets, Infrastructure, Soft Cost Expense (staffing, et al) and thus DC Rates based on assumptions that are being proposed at the provincial level but not being executed at a Regional or Municipal Level.

In a perfect world, on paper or in a spreadsheet these numbers should work, however, this is not the case. There are real issues regarding population growth in the CKL and why the population and or industry is and is not coming.

For a simple visual example of the problem with the rationale of Population Assumptions/New Home Unit Assumptions see the following two charts.

In the "2015 DCBS" the PROPOSED/ESTIMATED amount of New Homes projected on the related assumptions detailed that we would have

- **504** new homes in 2015,
- **567** new homes in 2016,
- Then a blanket assumption of **818** new homes from 2017 to 2020 each year.
- Then a blanket assumption of **917** new homes from 2021 through 2031.



*2015 DCBS – POPULATION FORECAST

This resembles a traditional Business Case curve whereby the customers will ramp up and then average out. In this case the customers are the Population or persons acquiring New Housing Units.

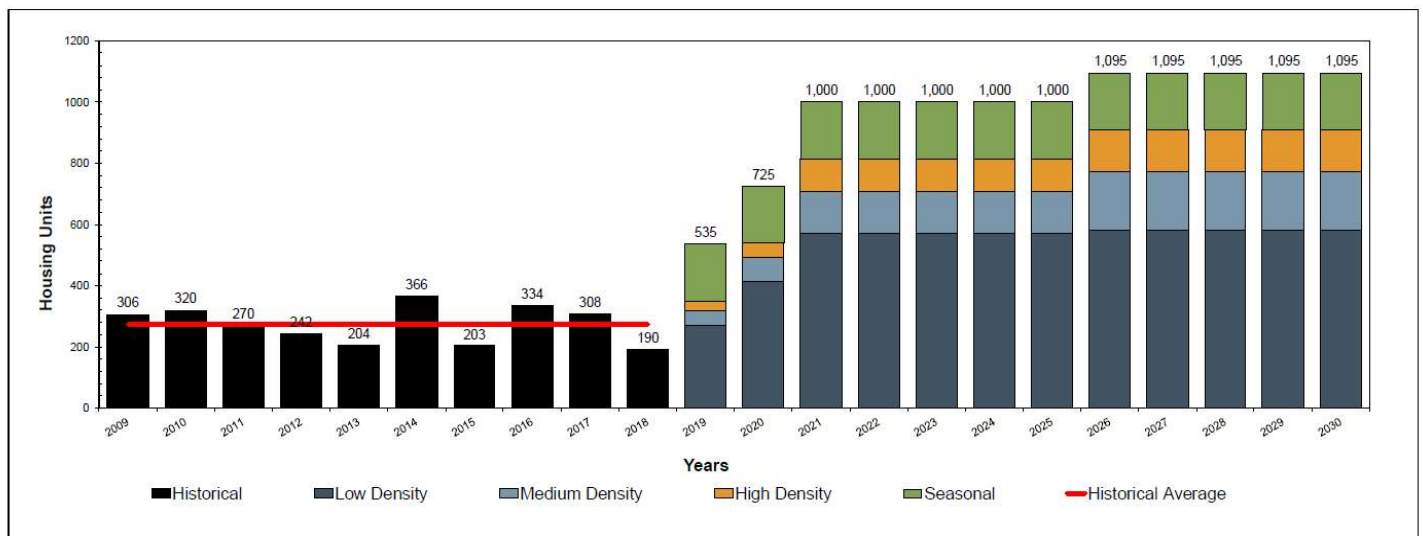
The province suggested the CKL will grow by X, the number was then averaged out over the forecast period (through 2031) and the Related Service and Capital Asset Needs and were calculated based on the estimated number of New Residential Unit Builds and the estimated aggregate (Industrial, Commercial and Institutional) amount of Non-Residential GFA. From this list of assumptions DC Rates were developed.

The ACTUAL number of New Homes that occurred over the period can be seen in the current and proposed "2019 DCBS" where you can see that the Actual homes versus the 2015 projected

Year	Actual Home Units	Proposed Home Units	Delta
2015	203	504	-301
2016	334	567	-233
2017	308	818	-510
2018	190	818	-628
Total	1,035	2,707	-1,672
Avg.	259	677	

This delta between the forecasted and actual homes installed equates to a deficit of over 1,672 home installs (1,035 Actual vs 2,707 Proposed) during the 4 Year period which means only **38%** of the projected home installs were achieved. The **2015 DCBS** had also projected **818 new homes for 2019 and 2020** respectively.

Figure 3-2
City of Kawartha Lakes
Annual Housing Forecast



Source: Historical housing units from City of Kawartha Lakes Building Department building permit data, 2009-2018
*2019 DCBS – POPULATION FORECAST

However, given the lack of Population recruitment from 2015-2018 the **NEW 2019 DCBS** waters down or discounts the 2019 and 2020 Housing Unit numbers from the 2015 DCBS Forecast (Compare Bar Charts for 2019 and 2020) and then doubles down on future New

Home Units by adding or averaging the deficit from 2015-2018 (The 1,672 Unit Deficit) to the future years of 2021 through 2025 and 2025 through 2031.

Even though there are “known” issues with Population recruitment, as evidenced by the failure to reach proposed levels from 2015-2018 the current 2019 DCBS continues to increase the New Home Units into the future on an average basis

- 535 new homes in 2019,
- 725 new homes in 2020,
- A blanket assumption of 1,000 new homes from 2021 to 2025 each year.
- Then a blanket assumption of 1,095 new homes from 2025 through 2031.

This could have significant consequences as the Report simply pushes the problem or housing unit load down the road and again in hopes the Population/Homes come. The projection of 2019 is 535 New Home Units when we did not have 500 in 2017 and 2018 combined.

Granted the development in Lindsay will eventually come but certainly not at these multiples and certainly not if the Non-Residential DC Rates (which is counter intuitive as they are based on Population assumptions) are cost prohibitive.

Non-Residential/GFA

All DC's (Residential and Non-Residential) are based on "proposed and assumed" Population growth which directly determine Non-Residential Employment (Institutional, Commercial and Industrial) and Gross Floor Area (GFA) Additions.

Meaning the Population growth numbers are used to determine as a percentage (assumed) the number of Commercial, Industrial and Institutional Businesses or Builds on a sq.ft basis that will be derived as a result of the "projected" Population.

Watson's assumptions are as follows:

Source: Watson & Associates Economists Ltd., 2019

Square Foot Per Employee Assumption

- Industrial 1,200 sq Ft per Employee
- Commercial/ Population Related 500 sq Ft per Employee
- Institutional 700 sq Ft per Employee

This is very counter intuitive especially given that the City only achieved 38% of the New Home Unit forecast from the 2015 DCBS Report. Again, Housing Units are based on Population and so is the Employment and in turn the estimated Non-Residential Builds. Much like the averaged out and inflated Housing Units the Deficit in GFA for the Non-Residential has also been seen through the comparison of the two Studies. Meaning the 2015 Study had projections based on Population assumptions that did not transpire, which can be seen on the actual GFA number from the 2019 Study. Again, the deficit accrued

from 2011-2015 is now being attributed or added to the future GFA assumptions which in turn will inflate the DC Rate beyond the actual or relevant growth.

Schedule 9b											
City of Kawartha Lakes											
Employment & Gross Floor Area (GFA) Forecast, 2014 to 2031											
		Employment					Gross Floor Area in Square Feet (Estimated) ¹				
Period	Population			Commercial / Population Related				Commercial / Population Related			T total
		Primary	Industrial		Institutional	Total	Industrial		Institutional	Total	sq. m
Incremental Change											
Mid 2001 - Mid 2006	5,597		862	492	1,790	3,144					
Mid 2006 - Mid 2011	-1,401		-458	-338	520	-275					
Mid 2011 - Mid 2015	1,487	0	152	452	225	828	181,800	225,700	157,500	565,700	52,428
Mid 2015 - Mid 2025	13,113	0	102	1,036	201	1,339	122,400	518,000	140,700	781,100	72,391
Mid 2015 - Mid 2031	22,730	0	300	1,445	286	2,031	360,000	722,500	200,200	1,282,700	118,879
Schedule 9b											
City of Kawartha Lakes											
Employment & Gross Floor Area (GFA) Forecast, 2019 to 2031											
		Employment					Gross Floor Area in Square Feet (Estimated) ¹				
Period	Population			Commercial / Population Related				Commercial / Population Related			T total
		Primary	Industrial		Institutional	Total	Industrial		Institutional	Total	sq. m
Incremental Change											
Mid 2006 - Mid 2011	-1,347	60	-433	-333	515	-190					
Mid 2011 - Mid 2016	2,209	10	-103	-153	-70	-315					
Mid 2016 - Late 2019	1,619	21	25	103	9	158	30,000	51,500	6,300	87,800	8,137
Late 2019 - Late 2029	16,236	0	440	1,674	490	2,604	528,000	837,000	343,000	1,708,000	158,295
Late 2019 - Mid 2031	19,108	0	508	1,951	577	3,036	609,600	975,500	403,900	1,989,000	184,337

For example, in the 2015 DCBS it was estimated that there would be 565,700 sq. ft (Blue) of Non-Residential GFA built from 2011-2015 based on the Employment assumptions too which there were actually incremental losses in Non-Residential Employment.

The 2015 DCBS also suggested **781,100 sq. ft** (Yellow) of Non-Residential GFA to be built from 2015-2025 yet as of the current 2019 DCBS we have only achieved an estimated **87,800 sq. ft.** (Green).

To illustrate how the Population assumptions and the carry forward of the GFA and Population deficit from the last Study is exacerbated compare the 2015 DCBS of 1,282,700 sq. ft over the period through 2031 to the current 2019 DCBS of 1,989,000 sq. ft of the same period. The delta between the two studies is effectively the GFA that was not built as a result of the Employment and Population not coming. Yet the current study carries forward with the same methodology while being further hampered by the past GFA and Population Deficits.

Again increasing the DC charges unproportionally, will not drive growth, but rather increase barriers to it.

It is almost a law of diminishing returns in that the Study has built a case that suggests significant estimated growth, which in turn creates a significant or inflated DC Cost that in turn hampers the same growth the Rates were based on.

There needs to be a catalyst for growth and an understanding that the discounting of the existing and maximum DC Rates will drive growth.

To increase the DC Rate on a Class Basis (Industrial, Commercial, Institutional) by approximately 23% and then apply a weighted average (which is extremely one sided +70% to the Commercial Rate – highest of them all) and then combine them into a uniform rate is counterintuitive.

Businesses, regardless if you want to blend the rate to make it more palatable will not come at these levels? The study effectively went back to the DC rates and methodology of 2014 (prior to the current Bylaw) and raised the rates by the assumed Population targets which we now know to be unattainable.

Perhaps a phased in DC Rate Program should have been proposed to spark investment and then raise the rates as traction occurs and the DC Reserve begins to move to Neutral.

To suggest through the Sensitivity Impact (Section 6.2 of the 2019 DCBS) that the Municipality will lose DC Revenue of \$7.5 million from a Flat DC Rate of \$100.00 sq. m from the proposed Uniform Rate of \$191.29 OR to say there would be a loss of \$8.1 million if the Municipality simply took the average of their Municipal Comparators at a rate of \$92.59 sq. m is again forecasting in vacuum.

These assumptions on loss are based on the 100% attainment of the assumptions made within the Population, New Home Unit and GFA Plan.

A Population Plan which is extremely ambitious to begin with as seen from the prior DCBS and is further hampered by the previous Population deficit in a Municipality that has struggled to achieve 38% of the New Home Units over the last 4.5 years. **On paper and within a spreadsheet these numbers are correct but if you do not have growth there are no DC losses from discounts only from lack of growth.**

Furthermore, what the Sensitivity Impact analysis does not comprehend is that for every sq. m of New Non-Residential GFA built under a discounted model, it would create approximately \$25.89 annually (Assume Non-Residential build cost of \$168.00/sq.ft Statscan and a 1% General Tax Rate) in Taxation Revenue. Generated too which the NPV over the life of the building would generate Current and Future Income that might not otherwise come as a result of higher barrier to entry being a Higher DC cost.

What to Do?

As discussed prior in this letter, the DCBS was built with heavy assumptions on Population attainment which generates New Housing Units, Employment and Non-Residential assumptions. This in turn develops Budgets and effectively the DC Rate.

As DC Rules do not allow municipalities to charge more DC's for Services that what can be used by the New Population. This Study is the best-case scenario from a Population Attainment perspective and also the maximum amount of DC's that could be charged if that attainment is reached.

“The cash-flow calculations of the maximum D.C.s that could be imposed by Council have been undertaken to account for the timing of revenues and expenditures and the resultant financing needs. The cash-flow calculations have been undertaken by service for each forecast development type, i.e. residential, industrial, commercial, institutional, and uniform non-residential development. D.C. cash flow calculation tables are provided in Appendix C and have been undertaken to account for 1.25% earnings on D.C. reserve fund balances and 3.25% interest charged for reserve fund borrowing.”

Source 2019 DCBS

Again, it would be extremely naïve to assume that the “assumed Population Targets” and thus the related Anticipated Revenues will be met given the past (10 years) of data that suggests they will not. So, to project this and then create DC Policy and Rates to that maximum will in all likelihood stifle development and exacerbate the deficit problem.

Therefore, although discounting might cost some upfront DC Revenue (which is a good thing as this means Development is occurring) it will in part offset short and longterm losses through the annuity of taxation in relation to these net new builds.

The policy approach might need to be more creative and thus enhance a development move in comparison to our Municipal Counterparts. Full/Partial or Time Line related Discounting and Exemptions are tools that need to be evaluated with the caveat that the Municipality cannot look at the “Projected Loss in Anticipated Revenue” which in large part is a result of inflated population targets, as a “Loss of Realized Revenue”. As the calculations are based on 100% attainment of the plan, which is based on significant assumptions.

- Perhaps, evaluate a plan with the larger Residential Developments for a discount program to accelerate New Home Units.
- Perhaps move to zero for Commercial and Institutional for 1-2 years, then to the prior Industrial Rate of \$89.54 sq. m (which is less than half of the current Commercial Rate) or to a Comparable Municipal Rate of \$92.59 sq. m (as noted above and in the Study under the Sensitivity Analysis which makes us competitive with adjacent and comparable Municipalities) for 2 more years and then re-evaluate.
- Perhaps reduce the Commercial Rate to the above noted levels and remove the Industrial DC Rates in their entirety. Yet create a sub class for Commercial and Industrial Large Square Foot Developments such as Warehousing and Storage

that are Non-Serviced from a Water and Sewer perspective that is commensurate with the current Industrial Rate less the Water and Sewer Component. If there is a change in business, use or development in the future then the new DC Rate less what their DC Redevelopment Credit would apply.

The costs of doing nothing and having the existing deficit not be reduced and the net new costing/forecasted needs outlined by the current DCBS not be covered again through a lack of, miss or over statement of Population and GFA enhancement, will be extremely significant and costly.

DC's on Storage/Non-Serviced (Water and Waste Water) Development

As discussed above and throughout my discussions/presentations with Staff, Council and the DC Taskforce there remains an issue for Large (sq. ft) Un-Serviced Developments.

An issue which I believe was recognized by Staff, by Council and the DC Task Force by way of the Self Storage Business being defined as a area to be reviewed by the Task Force in relation to the 2019 DCBS and the fact that the current DC Bylaw did not contemplate Non-Serviced Self Storage Facilities within a Serviced Area.

By not contemplating it, it effectively meant significant DC Charge application given the large amount of unserviced square footage being built. Furthermore, the current DC Bylaw defined ALL Self Storage as Commercial regardless of zoning. A change that was made after the public consultation of the current 2015 DC Bylaw.

As previously noted, our Business is built on Industrially Zoned Lands, under a Industrial Zoning Bylaw (meaning Industrial lands are the only place Self Storage is permitted in Bobcaygeon), under Industrial Setback Requirements/Zoning Limitations and under a Industrial Engineered Storm Water Plan with the MOE. Yet, because the definition of Commercial includes ALL Self Storage, the application of Commercial DC's were to be applied.

This issue is further compounded by the sheer size of the project as the warehousing nature of the square footage creates a significant sq./ft or sq./m multiplier for a very unsophisticated structure, service need and/or demand. (No Water or Sewer Demand)

In large part this was a result of the changes within the 2015 DC Bylaw which saw distinction made within the "Non-Residential" Class. This Bylaw effectively broke the Class into Commercial, Industrial and Institutional components. In doing so, a significant distinction and delta was created between the Commercial Class and the Industrial Class, which are **\$197.35/sq.m for Commercial DC's** (Urban Other DC Rate) and **\$87.18/sq.m for Industrial DC's** (Urban Other DC Rate) respectively, even though the prior DC Bylaw and supporting DC Bylaw Background Study suggests that there is not a distinction between the servicing and delivery of Capital Servicing (Water and Sewer) of these Classes (Commercial vs Industrial).

Therefore, this change and distinction in Class coupled with an addition into the 2015 DC Bylaw that designated **ALL Self Storage as being a “Commercial Use”** created a situation whereby Self Storage Buildings within a Serviced area would be charged significant DC’s regardless of the zoning and permitted use on which they resided.

The impact of the application of the Current Commercial DC Rate to this Industrial Zoned, Designed and Permitted Use project would equate to over \$548,000.00 (\$197.35 x 2,780 sq. m) for the total development of 30,000 sq. ft (2,780 sq, m) of non-connected (Water, Sewer, Storm) pre-engineered steel warehousing. Applying this amount of Commercial DC’s on Industrial Zoned lands that has a total building cost of approximately \$1,150,000.00, which is approximately 48% of the project, is not “Fair or Reasonable”.

We were hoping for two things when we met with the DC Taskforce. First, we wanted to see the blanket inclusion of Self Storage removed from the Commercial Definition as it has significant and unfair impact on Self Storage Facilities within Serviced Areas and that the DC Rates for these Non-Serviced Buildings be more commensurate with their Service Demand.

The Blanket inclusion was not removed rather re-iterated within the New DC Bylaw Definition of Commercial.

“commercial” means non-residential lands, buildings or structures or any part thereof used, designed or intended to facilitate the buying or selling of commodities or services, including those related to self-service and other storage facilities, hotels, inns, motels and boarding, lodging, rooming houses and recreational lodging and all those that are non-residential in nature but excluded from all other types of non-residential land, structures and buildings otherwise defined in this by-law;

The Bylaw has once again through one sentence captured the entire Storage and Warehousing industry into the Commercial Class. It is not appropriate given the heavy weight applied to Water and Wastewater in this class (which is almost 58% of the cost) to lump this Industry into Commercial or Industrial or even a weighted average Uniform Rate.

When Watson and Associates were asked at the October 8th 2019 Council Meeting by Councillor Emslie as to whether there were any updates or considerations given to the question of Self Storage being moved to a different Class given the unfair application of Commercial DC’s to the industry given their low service demand, the answer was that they would be handling this request by moving Self Storage from the Commercial Rate Class they are currently being charged (which is the highest non-residential rate) to the New Uniform rate. This meant there DC rate would actually be reduced.

Again, in theory yes, however, **the New Uniform Rate at \$191.29 is the weighted average of the 2019 increased Industrial (\$105.68 sq, m.), Commercial (\$249.55 sq.**

m) and Institutional (\$179.04 sq. m) charges. Charges that have again increased from 2015 Levels as a result of the presumptions on Population Growth and funding the prior Deficit.

In fact, the reduction proposed and referred to by Watson and Associates would be the difference between the 2015 Commercial DC Rate for Urban Other at \$197.35 vs the proposed 2019 Uniform Rate for Urban Other of \$186.90 which equates to a reduction of \$10.45 sq. m or a reduction of the \$29,051 (\$10.45 x 2,780 sq. m) for the project.

Albeit a reduction on a general increase of a new weighted average uniform rate, it still means our Storage Project would pay over \$519,000.00 in DC related costs for total build cost of \$1,150,000.00, which remains 45% of the project cost?

See Table Below

CURRENT DC Cost per sq. m				
Service		Industrial	Commercial	Institutional
Urban - Other		\$87.18	\$197.35	\$141.97

30,000 Sq Ft of New Building	2780 sq m
Total DC Charges	\$548,633
Build Costs	\$1,150,000
DC's as a percentage of Build	48%

PROPOSED DC Cost per sq. m - WEIGHTED AVERAGE = Uniform				
Service	Uniform	Industrial	Commercial	Institutional
Urban - Other	186.9	103.21	243.62	174.81

30,000 Sq Ft of New Building	2780 sq m
Total DC Charges	\$519,582
Build Costs	\$1,150,000
DC's as a percentage of Build	45%

This remains an unreasonable and unfair approach to this Class of un-serviced building. Which, we believe at minimum requires a reduction for the Sewer and Water component of the Service Costs, as these buildings have a zero impact on these Services.

I hope Council, The DC Task Force and Staff reconsiders the current and proposed inclusion of all Self Storage as being defined Commercial regardless of zoning/permitted use and that the current and proposed DC Rate calculation be reviewed to align more directly to the Zoning, Demand and Use of these developments. Again, DC application as per the DC Act needs to "Fair and Reasonable"

In closing, the Study was developed on paper using industry standards, projections and assumptions too which it is Council's responsibility to apply the real world realities (geographic, economic, population attainment realities and otherwise) to form a DC Policy and Rate(s) that will drive the assumed growth.

Taxation is a pillar revenue driver. If you do not have development, you will not achieve the needed revenue through the annuity of taxation.

The Net Present Value of the taxation annuity far outweighs the one-time payment of a development charge especially so if the taxation annuity becomes non-applicable due to Development Barriers such as the high costs (DC Charges) of building that annuity.

If this DCBS, which is effectively a Business Plan for the City with Income (Anticipated Revenues) and Expenses (Service Costs) built in, which is currently running in a Deficit position, fails and the population does not increase (Through Commercialization or Industry) to offset the past DC Deficit and the go forward spending, the only revenue source left to mitigate these costs will be the General Rate Payer.

Thank-you,

A handwritten signature in dark ink, appearing to be 'JA' with a stylized flourish and a period.

Jay Allen

Shield Storage Centres Inc.



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31 October 2019
File: 16112

City of Kawartha Lakes
Mayor's Office
26 Francis Street, PO Box 9000
Lindsay, Ontario
K9V 5R8

Attention: **Mayor and All Members of Council**

Re: **Public Meeting on Proposed Development Charges By-law**
Ravines of Lindsay Estates (16T-88009)
CIC Developments Inc. (Bromont Homes)
Community of Lindsay

With regards to November 5, 2019 Public Meeting on Proposed Development Charges By-law, we are the Consulting Engineer retained by Bromont Homes Inc. related to their proposed Ravines of Lindsay Estates Subdivision located on 12.49 ha parcel on the west side of Angeline Street North, south of Jennings Creek, in the Community of Lindsay, City of Kawartha Lakes as indicated on the attached plan.

In preparation for the meeting we wish to advise of our client's concern related to the impact to his proposed development which would result should the proposed 20% increase in the Development Charge Rates be approved by Council.

As some background, the subject site is located in the Jennings Creek Community Development Plan Area, as delineated in the Town of Lindsay Official Plan, dated August 2000. This development plan area will accommodate new residential and institutional land uses. The proposed development consists of 148 residential lots (single detached homes), a park block and a SWM block.

The plan was originally draft plan approved in 1994, however, it was unable to proceed to construction due to servicing unavailability. The lands were purchased by Bromont in 2016, who immediately pursued engineering design approvals and marketing in order to advance the subdivision.

The current status of the development is as follows:

- Site Alteration Permit obtained in November 2017 from City of Kawartha Lakes (CKL) and Kawartha Conservation Authority (KCA).



Professional Engineers
Ontario

Authorized by the Association of Professional Engineers
of Ontario to offer professional engineering services.

- Topsoil stripping and earthworks was completed in 2018.
- Engineering Submissions followed throughout 2018 and 2019 to the CKL and KCA.
- MOEC ECA Approval has been issued for the sewer works and the SWM Pond on March 30th 2019.
- Bromont is ready to proceed with servicing and road works. Servicing contract has already been awarded and scheduled to proceed shortly with building activity scheduled for 2020.
- Bromont is commencing the clearance of draft plan conditions and finalization of the subdivision agreement.
- Bromont opened a Sales Centre in 2017 and has been actively selling homes for approximately two years, however, sales have unfortunately been slow. Bromont has had to sell some of the lots to another builder (Zancor Homes) in attempt to generate additional sales.

We want to emphasize that the proposed new development charges by-law, if approved by City Council, will result in a 20% increase in development charges in the amount of approximately \$800,000.00 for the 148 lot development. Bromont Homes did not contemplate such a significant increase in their original cost pro-forma so it will severely impact their decision on whether to proceed, post-pone or cancel the project. The timing for such an increase does not help in a market where home sales have dropped significantly over the past one to two years. Increasing the cost of the homes due to the increase in the development charges will further hamper the ability to sell homes in this area. For a project that was draft plan approved in 1994, it appeared that it was finally getting off the ground and is now in jeopardy.

On behalf of Bromont Homes, due to the advanced state of this development, we respectfully request that Council issue an exemption for this subdivision such that the new development charge rates would not apply.

We appreciate your consideration in this matter. Should you have any questions please do not hesitate to contact us.

Yours very truly,

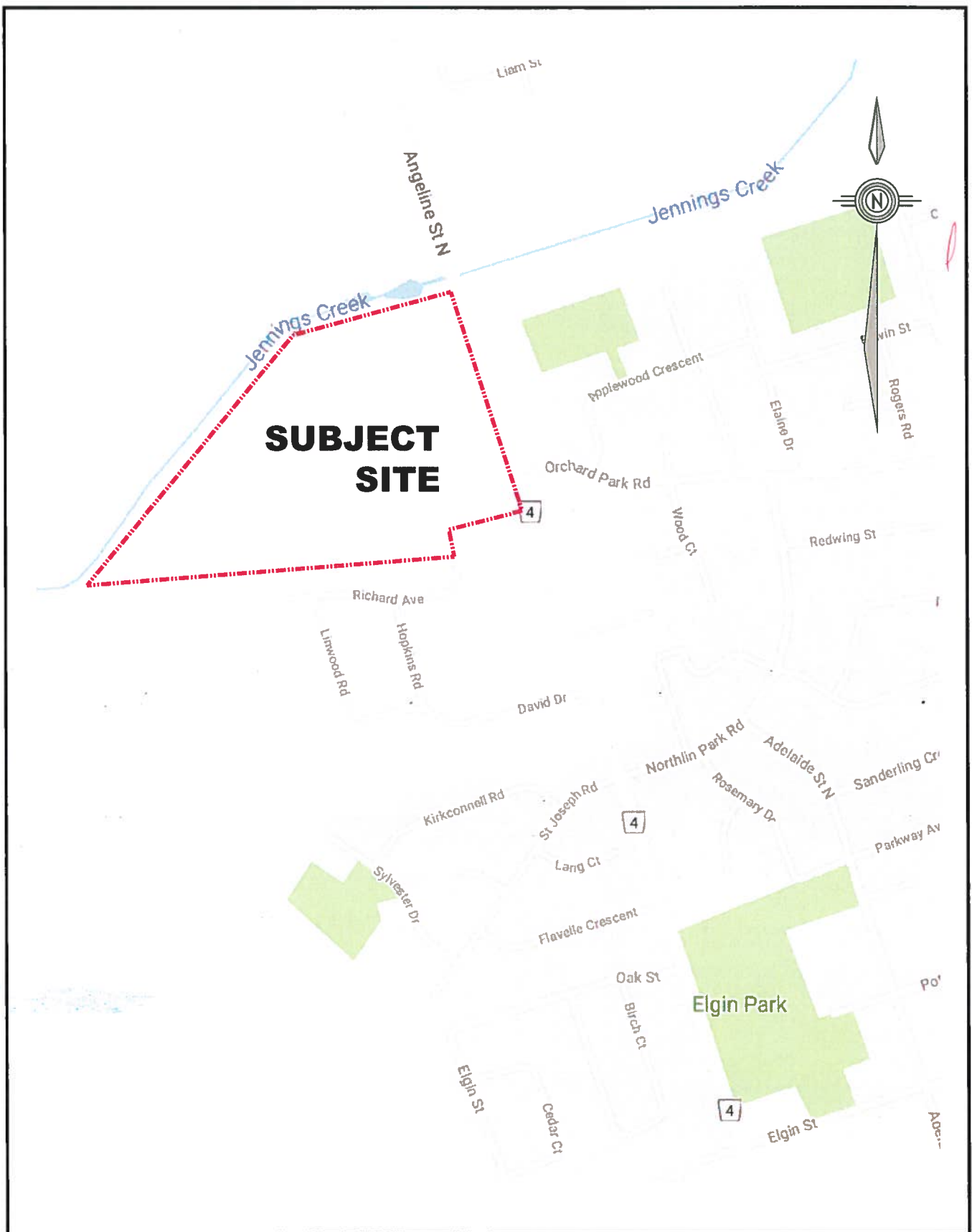
VALDOR ENGINEERING INC.


Peter S. Zourntos, P.Eng.
Associate

c: **Mr. S. Montemarano**, Bromont Homes

c: **Mr. Juan Rojas**, P.Eng., Director of Engineering & Assets, City of Kawartha Lakes

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RAVINES OF LINDSAY ESTATES SUBDIVISION
BROMONT HOMES INC.
CITY OF KAWARTHA LAKES

SITE LOCATION MAP



VALDOR ENGINEERING INC.
 Consulting Engineers - Project Managers
 741 ROWNTREE DAIRY ROAD, SUITE 2, WOODBRIDGE, ONTARIO, L4L 5T9
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 www.valdor-engineering.com

SCALE: N.T.S.	DRAWN.BY: O.B.	DWG: FIGURE 1
DATE: DECEMBER 2017	CKD.BY: D.G.	PROJECT: 16112

Direction Regarding Development Charges By-Law Update

Adam Found, PhD PLE

Manager of Corporate Assets

November 5, 2019



DC By-Law Update Process to Date

- January 15, 2019: Council establishes the DC Task Force, which holds its first meeting on February 1, 2019.
- April 23, 2019: Council expands the scope of the DC Task Force based on Mayor Letham's April 9, 2019 memo.
- September 27, 2019: DC Task Force adopts 28 recommendations to staff.
- October 7-8, 2019: DC study and proposed DC by-law and assistance policy are published and Council is updated accordingly.
- November 5, 2019: Council holds a public meeting on the DC study and proposed DC by-law and assistance policy, and considers further direction on the proposed DC by-law.

DC Task Force Recommendations

- Appendix B of Report EA2019-015 contains the 28 recommendations made by the DC Task Force to date.
- A number of the recommendations relate directly to the DC by-law and assistance policy or to incidental and background matters.
- Still others relate to strategic and comprehensive considerations.
- Overall, staff sees the DC Task Force's meetings to date as having been highly productive and helpful to the DC by-law update.
- Staff has addressed, partially addressed or planned to address all 28 recommendations, or similar versions thereof.

DC Task Force Recommendations

No.	Recommendation	Status
1	That the DC Deferral Policy be reviewed for potential updates in light of Bill 108, extended to non-residential development and be incorporated into the broader DC Assistance Policy.	Addressed
2	That development type definitions in zoning and DC by-laws remain independent.	Addressed
3	That in the formulation of the DC study, Watson consider the issues arising from the 2014 / 2015 DC by-law appeals.	Addressed
4	That staff include an expense item in the 2020 and future operating budgets to stabilize the financial impacts of legislated DC exemptions and discretionary DC deferrals in a transparent, accountable, fiscally-responsible and legislatively-compliant manner.	Planned
5	That staff prudently triage growth-related capital works as much as reasonably possible until the DC reserve sufficiently regains its health.	Planned
6	That staff seek a third party expert in municipal finance to undertake a study of the fiscal impact of growth, including an evaluation of forecasted vs. actual growth and recommended strategies for managing the pattern of growth, the triaging of growth-related capital works and the continuity of the DC reserve.	Planned

DC Task Force Recommendations

No.	Recommendation	Status
7	That the 2009-2019 DC reserve reconciliation of approximately \$7M be implemented in 2020 as planned to help support the long-term health of the City's reserves.	Addressed
8	That discretionary DC exemptions be removed from the DC by-law and be replaced with a general authority for the City to, through policy, provide DC defrayals through direct payments to the DC reserve from other City funds.	Planned
9	That an agricultural development class be added to the non-residential DC rate schedule to minimize the financial burden to existing ratepayers of continuing a DC exemption or full DC defrayal for such development.	Addressed
10	That a DC Assistance Policy be developed to provide for the transparent, accountable, fiscally-responsible, fair and legislatively-compliant facilitation of DC defrayals, DC deferrals and other DC-related assistance authorized by Council.	Partially Addressed
11	That the DC Assistance Policy be brought under the City's Community Improvement Plan (CIP) the next time that plan is amended, whereby the CIP is updated to incorporate "growth" (in development / business / population) explicitly as one of its priorities.	Planned

DC Task Force Recommendations

No.	Recommendation	Status
12	That the DC Task Force's mandate be expanded to include the making of recommendations relating to the forthcoming community benefits charges by-law and the fiscal impact study, and that its term be extended accordingly.	Addressed
13	That the DC By-Law and DC Assistance Policy take effect January 1, 2020, with the intent of being amended or replaced as needed to align with Bill 108 by January 1, 2021.	Addressed
14	That an owner with a development in the approval process be permitted to enter into an agreement to lock in 2019 DC rates for the development, provided there is sufficient time to have the agreement prepared by staff and approved by Council by December 10, 2019, but subject to the DCs for the development being indexed on January 1, 2020 and paid by June 30, 2020.	Addressed
15	That soft services remain in the DC by-law until such time they can be transitioned to the new community benefits charges framework in late 2020.	Addressed
16	That a Master Planning Policy be developed by June 30, 2021 as required by the Strategic Asset Management Policy.	Planned

DC Task Force Recommendations

No.	Recommendation	Status
17	That the City continue to align its growth, capital and financial plans with the Provincial Growth Plan as required by legislation, while prudently implementing such plans based on actual and committed growth.	Addressed
18	That growth-related capital works required for corresponding growth to occur be given priority over other such works, all else equal.	Addressed
19	That growth-related capital works that can be deferred to a time after some or all of the corresponding growth occurs be prudently triaged based on actual and committed growth and with regard for the state of the DC reserve.	Addressed
20	That the fiscal impact study include strategies for long-term management of DCs.	Planned
21	That industrial, commercial and institutional (ICI) DC rates be blended into a uniform ICI DC rate to make DC rates applied to commercial development more competitive.	Addressed
22	That a 50% DC exemption or defrayal be provided for industrial development that does not qualify for the legislated industrial DC exemption, if a uniform ICI DC rate is adopted.	Addressed

DC Task Force Recommendations

No.	Recommendation	Status
23	That storage units be included in the definition of industrial development, if a uniform ICI DC rate is not adopted.	Addressed
24	That the DC Assistance Policy provide for a full DC defrayal for agricultural development, and that future updates to that policy consider expansion to the definition of "agricultural development" to reflect evolving uses of agricultural land.	Planned
25	That the fiscal impact study include a detailed inter-municipal comparison of DC rates and make recommendations to guide the future updating of the DC Assistance Policy.	Planned
26	That the matter of job creation incentives, as it relates to DCs, be considered in the formulation of the fiscal impact study and future updating of the DC Assistance Policy.	Planned
27	That the DC Assistance Policy provide for a full DC defrayal for affordable housing, but only to the extent that such housing is indeed affordable.	Planned
28	That the DC by-law include a general authority for the City to, through policy, conditionally extend the redevelopment credit obtainability period on a limited basis for derelict or blighted property.	Addressed

Key DC Task Force Recommendations

- Staff has identified four key DC Task Force recommendations for further examination by staff in partnership with Council.
- Recommendation #21: That industrial, commercial and institutional (ICI) DC rates be blended into a uniform ICI DC rate to make DC rates applied to commercial development more competitive.
- Recommendation #22. That a 50% DC exemption or defrayal be provided for industrial development that does not qualify for the legislated industrial DC exemption, if a uniform ICI DC rate is adopted.

Key DC Task Force Recommendations

- Recommendation #13: That the DC By-Law and DC Assistance Policy take effect January 1, 2020, with the intent of being amended or replaced as needed to align with Bill 108 by January 1, 2021.
- Recommendation #22. That an owner with a development in the approval process be permitted to enter into an agreement to lock in 2019 DC rates for the development, provided there is sufficient time to have the agreement prepared by staff and approved by Council by December 10, 2019, but subject to the DCs for the development being indexed on January 1, 2020 and paid by June 30, 2020.

Key DC Task Force Recommendations

- Recommendations of Report EA2019-015 incorporate #21 and #22, and reflect the intent of #13 and #14.
 - Blending of non-residential DC rates into a uniform rate.
 - 50% exemption for industrial development.
 - Extension of DC by-law effective date to April 1, 2020.
- Only Recommendation #22 carries a financial implication for existing ratepayers, which is estimated to be \$199,000/year if industrial development proceeds at historical growth rates.

Anticipated Milestones for Balance of DC By-Law Update

- November 26, 2019: Publication of revised DC study, proposed DC by-law and proposed DC assistance policy.
- December 10, 2019: Adoption of revised DC study, proposed DC by-law and proposed DC assistance policy.
- January 1, 2020: Current DC rates are indexed to inflation.
- April 1, 2020: Proposed DC by-law and assistance policy take effect.
- Q4, 2020: DC by-law and assistance policy are replaced or amended to align with Bill 108, and new community benefits charges by-law is enacted.

The Corporation of the City of Kawartha Lakes

Council Report

Report Number EA2019-015

Date: November 5, 2019

Time: 10:00 a.m.

Place: Council Chambers

Ward Community Identifier: All Wards

Title: Direction Regarding Development Charges By-Law

Description: This report expands on key recommendations to staff by the Development Charges Task Force with the intent of obtaining further direction from Council in advance of enactment of a new development charges by-law.

Author and Title: Adam Found, Manager of Corporate Assets

Recommendation(s):

That Report EA2019-015, **Direction Regarding Development Charges By-Law**, be received;

That the proposed development charges (DC) by-law be revised to reflect a uniform DC rate for industrial, commercial and institutional development for each municipal service, and a 50% DC exemption for industrial development that does not qualify for the legislated industrial DC exemption;

That the effective date of the proposed DC by-law and proposed DC assistance policy be revised from January 1, 2020 to April 1, 2020; and

That the DC study, proposed DC by-law and proposed DC assistance policy, as revised, be presented to Council for adoption at the December 10, 2019 Council meeting.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

At the Committee of the Whole meeting of October 8, 2019, members of Council were presented with information relating to the following documents that were published in draft or proposed form on the City's website on October 7, 2019:

1. Development Charges Background Study
2. Development Charges By-Law
3. Development Charges Assistance Policy

At the meeting, presentations relating to these documents were given on behalf of staff, the Development Charges (DC) Task Force and Watson and Associates, preparer of the DC study. At the conclusion of the presentations, members of Council were advised staff would bring to the November 5, 2019 Council meeting recommendations regarding further direction on the proposed DC by-law. This report fulfills that commitment.

Rationale:

As Council is aware, the DC Task Force has made 28 recommendations to staff pertaining to the 2019 DC by-law update and more generally to the City's DC framework. The recommendations reflect the Terms of Reference for the DC Task Force, as subsequently expanded by Council Resolution CR2019-275 based on Mayor Letham's memo to Council dated April 9, 2019. For Council's information, this memo and the DC Task Force's recommendations to date are attached hereto as Appendices A and B, respectively.

Many of the DC Task Force's recommendations have already been implemented or reflected in the DC study, by-law and or assistance policy to the extent applicable, while others pertain to incidental and background matters such as prioritization of growth-related works and DC reserve management. Still others pertain to more strategic and comprehensive considerations such as the undertaking of a fiscal impact and competitiveness study.

Of the DC Task Force's 28 recommendations, staff has identified the following for further examination in partnership with Council:

1. Recommendation #21: That industrial, commercial and institutional (ICI) DC rates be blended into a uniform ICI DC rate to make DC rates applied to commercial development more competitive.
2. Recommendation #22: That a 50% DC exemption or defrayal be provided for industrial development that does not qualify for the legislated industrial DC exemption, if a uniform ICI DC rate is adopted.

3. Recommendation #13: That the DC By-Law and DC Assistance Policy take effect January 1, 2020, with the intent of being amended or replaced as needed to align with Bill 108 by January 1, 2021.
4. Recommendation #14: That an owner with a development in the approval process be permitted to enter into an agreement to lock in 2019 DC rates for the development, provided there is sufficient time to have the agreement prepared by staff and approved by Council by December 10, 2019, but subject to the DCs for the development being indexed on January 1, 2020 and paid by June 30, 2020.

The rationale for extracting these recommendations for further examination with Council at this time is that staff understands they are of particular interest to Council, based on its direction to the DC Task Force, and that their effects warrant special consideration by staff and Council as part of the ongoing public consultation for the proposed DC by-law.

Recommendation #21 makes the City's commercial DC rates more competitive without causing a shortfall in the DC reserve balance that would have to be made up by non-DC sources supported by existing ratepayers. But this comes at the expense of making industrial and institutional DC rates less competitive than otherwise. Recommendation #22 proposes a DC exemption designed to offset the particularly acute impact of Recommendation #21 on industrial DC rates. Like any other exemption, however, this exemption could have financial consequences for existing ratepayers. Recommendations #21 and #22 should be considered as effectively a single recommendation; the latter should not be adopted without the former, and should subsequently be reviewed for its effectiveness if adopted. With that understanding, and recognizing Council's objective of balancing fiscal responsibility with investment in growth and development, staff is supportive of Recommendations #21 and #22 and has incorporated them into this report's recommendations.

Recommendation #13 reflects the need to implement the newly calculated DC rates as soon as practicable in order to support growth-related capital works and solvency of the DC reserve. By contrast, Recommendation #14 reflects the sentiment that owners of developments in the planning approval process ought to have the opportunity to lock in current DC rates for a reasonable period of time, subject to indexation on January 1, 2020. While this measure has no financial consequences for existing ratepayers like a DC rate phase-in or exemption would, it could place further pressure on the DC reserve. Balancing each other, Recommendations #13 and #14 should be considered as effectively a single recommendation; the latter arises only because of the former. With that understanding, staff is supportive of the general intent underlying these recommendations, and has incorporated that intent into this report's recommendations.

Other Alternatives Considered:

As staff is supportive of Recommendations #21 and #22 on a combined basis, the relevant alternative for Council would be to not direct staff to update the proposed DC by-law accordingly.

Staff proposes an effective date of April 1, 2020 for the new DC by-law to reflect the intent underlying Recommendations #13 and #14. The relevant alternative for Council would be to establish a different effective date that is prior to November 25, 2020, the date the current DC by-law expires. Staff's position, however, is that extension of the proposed effective date from January 1, 2020 to April 1, 2020 reasonably safeguards the DC reserve while providing ample time for developments legitimately in the approval process to reach building permit or development agreement stages prior to the new higher DC rates taking effect.

Financial/Operation Impacts:

Among the four DC Task Force recommendations examined in this report, only Recommendation #22 carries a financial implication for existing ratepayers. Assuming a blended ICI DC rate and that industrial development primarily occurs in urban areas of the City, the 50% industrial DC exemption could cost the DC reserve an estimated \$199,000/year to \$385,000/year (in 2019 dollars), where the limits of this range reflect historical and aggressive forecasted rates of industrial development, respectively, as determined by Watson and Associates based on building permit data and the Growth Management Strategy.

As required by the DC Act, the resulting shortfall in the DC reserve must be paid for by ratepayer-supported (i.e. taxpayer-supported and water-wastewater user-supported) sources. Based on direction received by Council, and considering this exemption offsets the industrial DC rate increase arising from making commercial DC rates more competitive, staff are supportive of this recommendation with the understanding it will be subsequently reviewed for its effectiveness, ideally during the next DC by-law update.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

The recommendations of this report align with the "Vibrant and Growing Economy" strategic goal.

Consultations:

Watson and Associates Economists Limited
DC Task Force
Mayor
CAO

Attachments:

Appendix A: Memo to Council by Mayor Letham Entitled “Development Charge Review for New 2020 By-Law”



20190409 Mayor DC
Memorandum.pdf

Appendix B: Development Charges Task Force Recommendations as of October 29, 2019



20191029 DC Task
Force Recommendation

Department Head E-Mail: jrojas@kawarthalakes.ca

Department Head: Juan Rojas, Director of Engineering and Corporate Assets



Memorandum

Date: April 9th, 2019

To: Council

From: Mayor Letham

Re: Development Charge Review for new 2020 By-Law

Recommendation:

That the April 9th, 2019 memorandum from Mayor Letham regarding a **development charge review** be received; and

That the development charges task force consider the following issues when making recommendation on the new development charges by-law (and supporting background study) to take effect in January 2020:

- Payment deferral options currently in place for residential developments, and their effectiveness;
- Affordable housing incentive options for private sector development;
- The appropriateness of discounting commercial and industrial development charges (from 50% to 100%) where job creation goals are met;
- Mechanisms for deferring development charge- support projects that are “population serving” vs “growth incenting” to ensure stability;
- Look at derelict buildings and extend the development charge waiver up to ten years to encourage demolition and protect development rights;
- Consider development charges being charged within the existing zone category (for example, storage units);
- Reduce the development charge supported projects to specific user groups if appropriate (for example, transferring a portion of growth related costs from non-residential to residential for parks);



- Create a long term development charges plan that affordably funds growth related projects over a realistic timeline without relying on deficit funding to meet projected growth;

Rationale:

The City of Kawartha Lakes continues to invest heavily in growth inciting projects and has so, for over ten years. The foundation of the municipality and the required resources are now in place to realize that growth. A task force will assist us in determining whether or not the municipality should look at incentivizing potential development to aid in meeting projected growth targets.

The focus of this council term needs to be jobs and affordable housing for young, working families. Our residential growth is moving forward with success. That growth needs to be matched with commercial and industrial expansion to have an impact on our tax, water, and waste water rates. Through staffing and a focus on increased capacity projects, council has spent the last four years putting all of the pieces in place to realize that growth. Our goal should be to expand the tax base for young families and existing business. Increased revenues from taxation can then be invested back into population supporting assets.

By exploring these issues through the task force and consultant, and bringing back these recommendations through staff in the fall, I believe council will then have the proper information in front of them to make informed decisions regarding growth and investment in our community for the foreseeable future.

City of Kawartha Lakes Development Charges Task Force Recommendations
As of October 29, 2019

No.	Category	Issue	Recommendation
1	Administration	DC Deferral Policy	That the DC Deferral Policy be reviewed for potential updates in light of Bill 108, extended to non-residential development and be incorporated into the broader DC Assistance Policy.
2	Administration	Alignment of DCs with Zoning	That development type definitions in zoning and DC by-laws remain independent.
3	Administration	2014 / 2015 DC By-Law Appeals	That in the formulation of the DC study, Watson consider the issues arising from the 2014 / 2015 DC by-law appeals.
4	Administration	DC Reserve Management and Sustainability	That staff include an expense item in the 2020 and future operating budgets to stabilize the financial impacts of legislated DC exemptions and discretionary DC deferrals in a transparent, accountable, fiscally-responsible and legislatively-compliant manner.
5	Administration	DC Reserve Management and Sustainability	That staff prudently triage growth-related capital works as much as reasonably possible until the DC reserve sufficiently regains its health.
6	Administration	DC Reserve Management and Sustainability	That staff seek a third party expert in municipal finance to undertake a study of the fiscal impact of growth, including an evaluation of forecasted vs. actual growth and recommended strategies for managing the pattern of growth, the triaging of growth-related capital works and the continuity of the
7	Administration	DC Reserve Management and Sustainability	That the 2009-2019 DC reserve reconciliation of approximately \$7M be implemented in 2020 as planned to help support the long-term health of the City's reserves.
8	Administration	Legislated and Discretionary DC Exemptions	That discretionary DC exemptions be removed from the DC by-law and be replaced with a general authority for the City to, through policy, provide DC deferrals through direct payments to the DC reserve from other City funds.
9	Administration	Legislated and Discretionary DC Exemptions	That an agricultural development class be added to the non-residential DC rate schedule to minimize the financial burden to existing ratepayers of continuing a DC exemption or full DC deferral for such development.
10	Administration	Legislated and Discretionary DC Exemptions	That a DC Assistance Policy be developed to provide for the transparent, accountable, fiscally-responsible, fair and legislatively-compliant facilitation of DC deferrals, DC deferrals and other DC-related assistance authorized by Council.

City of Kawartha Lakes Development Charges Task Force Recommendations
As of October 29, 2019

No.	Category	Issue	Recommendation
11	Administration	Legislated and Discretionary DC Exemptions	That the DC Assistance Policy be brought under the City's Community Improvement Plan (CIP) the next time that plan is amended, whereby the CIP is updated to incorporate "growth" (in development / business / population) explicitly as one of its priorities.
12	Administration	Extension of Task Force Term	That the DC Task Force's mandate be expanded to include the making of recommendations relating to the forthcoming community benefits charges by-law and the fiscal impact study, and that its term be extended
13	Administration	Alignment with Bill 108	That the DC By-Law and DC Assistance Policy take effect January 1, 2020, with the intent of being amended or replaced as needed to align with Bill 108 by January 1, 2021.
14	Administration	Transition for Development in the Approval Process	That an owner with a development in the approval process be permitted to enter into an agreement to lock in 2019 DC rates for the development, provided there is sufficient time to have the agreement prepared by staff and approved by Council by December 10, 2019, but subject to the DCs for the development being indexed on January 1, 2020 and paid by June 30,
15	Capital Planning	Municipal Services Included in the DC Study	That soft services remain in the DC by-law until such time they can be transitioned to the new community benefits charges framework in late 2020.
16	Capital Planning	Service Master Planning	That a Master Planning Policy be developed by June 30, 2021 as required by the Strategic Asset Management Policy.
17	Capital Planning	Provincial Growth Projections for the City	That the City continue to align its growth, capital and financial plans with the Provincial Growth Plan as required by legislation, while prudently implementing such plans based on actual and committed growth.
18	Capital Planning	Growth-Related Capital Works Prioritization	That growth-related capital works required for corresponding growth to occur be given priority over other such works, all else equal.
19	Capital Planning	Growth-Related Capital Works Prioritization	That growth-related capital works that can be deferred to a time after some or all of the corresponding growth occurs be prudently triaged based on actual and committed growth and with regard for the state of the DC
20	Capital Planning	Long-Term Development Charges Plan	That the fiscal impact study include strategies for long-term management of DCs.

City of Kawartha Lakes Development Charges Task Force Recommendations
As of October 29, 2019

No.	Category	Issue	Recommendation
21	Economic Growth	Non-Residential DC Rates	That industrial, commercial and institutional (ICI) DC rates be blended into a uniform ICI DC rate to make DC rates applied to commercial development more competitive.
22	Economic Growth	Non-Residential DC Rates	That a 50% DC exemption or defrayal be provided for industrial development that does not qualify for the legislated industrial DC exemption, if a uniform ICI DC rate is adopted.
23	Economic Growth	Non-Residential DC Rates	That storage units be included in the definition of industrial development, if a uniform ICI DC rate is not adopted.
24	Economic Growth	Non-Residential DC Rates	That the DC Assistance Policy provide for a full DC defrayal for agricultural development, and that future updates to that policy consider expansion to the definition of "agricultural development" to reflect evolving uses of agricultural land.
25	Economic Growth	Non-Residential DC Rates	That the fiscal impact study include a detailed inter-municipal comparison of DC rates and make recommendations to guide the future updating of the DC Assistance Policy.
26	Economic Growth	Job Creation Incentives	That the matter of job creation incentives, as it relates to DCs, be considered in the formulation of the fiscal impact study and future updating of the DC Assistance Policy.
27	Economic Growth	Affordable Housing Incentives	That the DC Assistance Policy provide for a full DC defrayal for affordable housing, but only to the extent that such housing is indeed affordable.
28	Economic Growth	Redevelopment Credits for Blighted Property	That the DC by-law include a general authority for the City to, through policy, conditionally extend the redevelopment credit obtainability period on a limited basis for derelict or blighted property.



Memorandum

Date: November 5th, 2019

To: Council

From: Mayor Letham

Re: Proposed Direction for New Development Charges By-Law-Incenting Job Creators

Recommendation:

That the November 5th, 2019 memorandum from Mayor Letham regarding a **proposed direction for new Development Charges By-law-Incenting Job Creators**, be received;

That the proposed development charges by-law be revised to reflect a full development charges exemption for industrial development;

That the proposed development charges by-law be revised to reflect a full development charges exemption for the first 2,500 square metres of gross floor area for any single commercial development;

That staff report to Council in Q4 of 2021 with a financial update on development charges and the results of these incentives, including additional non-residential floor space and jobs achieved; and

That staff provide Council an interim update in Q4 of 2020 on the future "community benefits charge" and any resulting adjustments that may need to be made to the above-noted business incentives.



Rationale:

The City of Kawartha Lakes continues to invest heavily in growth incenting projects and has so, for over ten years. The foundational investments of the municipality and the required critical infrastructure are now in place to realize that growth. Historically, we have not been realizing that potential growth. Non-residential growth has been minimal over the past 5 years and we have an opportunity, with the new development charges by-law, to implement some aggressive incentives to help create jobs, and increase the non-residential portion of our tax base. The more commercial and industrial businesses we can grow, the more jobs created, the larger the tax base resulting in less pressure on our existing residential taxes and water and waste water rates. Add to that, the resultant influx of young workers with families to our community to help fill these jobs. Increased revenues from taxation can then be invested back into population supporting assets and infrastructure.

In every business, there comes a time when investments in the future must be made. That time is now as the interest in our community is increasing for residential and non-residential opportunities. These incentives will help stimulate job growth without jeopardizing our financial future. Any potential revenue not realized by offering these incentives will be more than made up for through increased taxation. Residential growth will naturally benefit as the demand increases for attainable housing in our community. As these incentives are being offered through a policy, Council can review their impact by end of 2021 and make adjustments if necessary.

The Corporation of the City of Kawartha Lakes

By-law 2019-XXX

A By-Law to Confirm the Proceedings of a Special Meeting of Council, Tuesday, November 5, 2019

Recitals

1. The Municipal Act, 2001, S.O. 2001 c. 25 as amended, provides that the powers of a municipal corporation are exercised by its Council.
2. The Municipal Act, also provides that the Council's powers must be exercised by by-law.
3. For these reasons, the proceedings of the Council of The Corporation of the City of Kawartha Lakes at this meeting should be confirmed and adopted by by-law.

Accordingly, the Council of The Corporation of the City of Kawartha Lakes enacts this By-law 2019-XXX.

Section 1.00: Confirmation

- 1.01 The actions of the Council at the following meeting:

Tuesday, November 5, 2019, Open Session, Special Council Meeting

and each motion, resolution and other action passed or taken by the Council at that meeting is, except where prior approval of the Ontario Municipal Board is required, adopted, ratified and confirmed as if all such proceedings had been expressly embodied in this By-law.

- 1.02 The Mayor and the proper officials of the City are authorized and directed to do all things necessary to give effect to the actions of the Council referred to in Section 1.01 of this By-law. In addition, the Clerk is authorized and directed to affix the corporate seal to any documents which require it.

Section 2.00: General

- 2.01 This By-law shall come into force on the date it is finally passed.

By-law read a first, second and third time, and finally passed, this 5 day of November 2019.

Andy Letham, Mayor

Cathie Ritchie, City Clerk