

DEVELOPMENT CHARGES AMENDMENT STUDY

Municipality of Clarington

HEMSON Consulting Ltd

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EXECUTIVE SUMMARY

Hemson Consulting Ltd. was retained by the Municipality of Clarington to complete a Development Charges Amendment Study. This Amendment Study provides the basis and background to update the Municipality's development charges to accurately reflect the servicing needs and fully recover the increasing costs related to servicing growth in Clarington.

A. BACKGROUND AND INTRODUCTION

- In February 2008, a Study of the Fiscal Impact Analysis of New Development in Clarington was completed. The Study examined the effects of allowing several large scale residential proposals to proceed earlier than was anticipated under the Municipality's 2005 Development Charges Background Study.
- The results of the Fiscal Impact Analysis show that the Municipality's current development charge rates do not adequately fund the growth-related costs eligible for recovery through development charges. The most significant funding shortages are with respect to the provision of roads and related infrastructure.
- A key recommendation of the Fiscal Impact Analysis was that current development charge rates be reviewed immediately and that new rates be established to more fully recover the cost of servicing growth in the Municipality. Following this recommendation, this 2008 Development Charges Amendment Study was initiated in February 2008.
- The Amendment Study provides the basis for amending Clarington's current development charges by-law, By-law No. 2005-108, as permitted under section 19 of the *Development Charges Act (DCA)*.
- The focus of the Amendment Study is limited to adjusting the development charge rates to reflect the increased cost of servicing growth in Clarington.

- The growth forecast for the Amendment Study is consistent with the growth forecast of the 2005 Development Charges Background Study and has been adjusted to account for growth that has occurred since the completion of that Study and data released from the 2006 Census.
- The end date of the planning periods in the Amendment Study remains consistent with the 2005 Development Charges Background Study. The proposed planning periods for this Amendment Study are a seven-year period from 2008 to 2014 for the general services and 2008 to 2031 for the engineered services. Historic service levels are based on the ten-year historical period from 1998 to 2007.
- This study calculates new development charges for the Municipality of Clarington in compliance with the provisions of the *DCA*.
- The Municipality needs to continue implementing development charges to fund capital projects related to growth throughout Clarington so that development continues to be serviced in a fiscally responsible manner. The calculated changes to the development charges rates are required in order to reflect the revised costs associated with the infrastructure requirements.
- This report identifies the growth-related net capital costs which are attributable to development that is forecast to occur in the Municipality. These costs are apportioned to types of development (residential, non-residential) in a manner that reflects the increase in the need for each service attributable to each type of development. This report therefore presents development charges for each type of development.

B. ELIGIBLE SERVICES ARE INCLUDED IN THE ANALYSIS

- The following Municipal services have been included in the development charges analysis:
 - Public Library
 - Emergency Services
 - Indoor Recreation

- Engineering – Park Development and Facilities
- Operations
- Parking
- General Government
- Roads and Related (including storm drainage, sidewalks, street lights, streetscapes, intersection and level crossings, etc.)

C. THE MUNICIPALITY HAS AN EXTENSIVE GROWTH-RELATED CAPITAL PROGRAM FOR THE PROVISION OF ELIGIBLE SERVICES

General Services 2008 - 2014

- Municipal staff, in collaboration with Hemson Consulting, has developed a growth-related capital program setting out projects that are required to service the anticipated growth. The growth-related capital programs are based on a seven-year planning period of 2008 to 2014.
- The gross cost of the Municipality's growth-related capital program for general services amounts to \$93.3 million and provides for a wide range of infrastructure expansions. A government grant of \$2.2 million for the public library has been identified, and thus the net cost of the growth-related capital program is \$91.1 million. Of the \$91.1 million, approximately \$62.2 million has been identified as eligible for recovery through development charges over the 2008 – 2014 planning period.

- The following is a summary of the growth-related capital program for the general services:

| Service | Capital Forecast | | | DC Recoverable 2008 - 2014 (\$000) |
|---|-----------------------|-------------------------------------|---------------------|--|
| | Gross Cost (\$000) | Subsidies/ Recoveries (\$000) | Net Cost (\$000) | |
| 1.00 TOTAL - PUBLIC LIBRARY | \$10,465.0 | \$2,244.4 | \$8,220.6 | \$5,331.3 |
| 1.1 Buildings, Land & Furnishings | \$9,865.0 | \$2,244.4 | \$7,620.6 | |
| 1.2 Material Acquisitions | \$600.0 | \$0.0 | \$600.0 | |
| 2.00 TOTAL - EMERGENCY SERVICES | \$11,872.0 | \$0.0 | \$11,872.0 | \$7,076.9 |
| 2.1 Buildings, Land & Furnishings | \$10,260.0 | \$0.0 | \$10,260.0 | |
| 2.2 Vehicles | \$1,500.0 | \$0.0 | \$1,500.0 | |
| 2.3 Firefighter Equipment | \$112.0 | \$0.0 | \$112.0 | |
| 3.00 TOTAL - INDOOR RECREATION | \$41,069.0 | \$0.0 | \$41,069.0 | \$30,388.9 |
| 3.1 Buildings, Land, Furnishings & Equipment | \$41,069.0 | \$0.0 | \$41,069.0 | |
| 4.00 TOTAL - ENGINEERING - PARK DEVELOPMENT AND FACILITIES | \$17,090.0 | \$0.0 | \$17,090.0 | \$9,927.1 |
| 4.1 Park Development, Facilities & Equipment | \$17,090.0 | \$0.0 | \$17,090.0 | |
| 5.00 TOTAL - OPERATIONS | \$8,619.4 | \$0.0 | \$8,619.4 | \$5,774.0 |
| 5.1 Buildings, Land & Equipment | \$5,179.5 | \$0.0 | \$5,179.5 | |
| 5.2 Municipal Fleet | \$3,439.9 | \$0.0 | \$3,439.9 | |
| 6.00 TOTAL - PARKING | \$518.1 | \$0.0 | \$518.1 | \$432.9 |
| 6.1 New Parking Spaces | \$518.1 | \$0.0 | \$518.1 | |
| 7.00 TOTAL - GENERAL GOVERNMENT | \$3,680.0 | \$0.0 | \$3,680.0 | \$3,312.0 |
| 7.1 Growth Studies | \$3,680.0 | \$0.0 | \$3,680.0 | |
| TOTAL - 7 YEAR GENERAL SERVICES | \$93,313.5 | \$2,244.4 | \$91,069.1 | \$62,243.2 |

- Details regarding the capital programs for each of the general services are provided in Appendix B of this report.

Engineered Services 2008 – 2031

- The growth-related capital program for roads and related services is based on a build-out planning period of 2008 to 2031.
- The Municipality's growth-related capital program for roads and related services amounts to a gross cost of \$153.1 million and provides for roads construction, storm drainage, sidewalk, street lights, streetscapes and other related works. No government grants have been identified, and thus the net cost of the growth-related capital program remains at \$153.1 million. Of the \$153.1 million, approximately \$133.6 million has been identified as eligible for recovery through development charges.
- The following is a summary of the growth-related capital program for the roads and related services:

| Service | Capital Forecast | | | DC Recoverable 2008 - 2014 (\$000) |
|---------------------------------------|-----------------------|-------------------------------------|---------------------|--|
| | Gross Cost (\$000) | Subsidies/ Recoveries (\$000) | Net Cost (\$000) | |
| 1.00 TOTAL - ROADS AND RELATED | \$153,058.4 | \$0.0 | \$153,058.4 | \$133,593.0 |
| 1.1 Roads & Related Projects | \$150,961.8 | \$0.0 | \$150,961.8 | |
| 1.2 Other Road Related Projects | \$2,096.6 | \$0.0 | \$2,096.6 | |
| TOTAL - ENGINEERED SERVICES | \$153,058.4 | \$0.0 | \$153,058.4 | \$133,593.0 |

- Details regarding the capital programs for the roads and related services are provided in Appendix C of this report.

D. DEVELOPMENT CHARGES RATES CALCULATED WITH FULL REFERENCE TO THE *DCA*

- Development charges rates have been established under the parameters and limitations of the *DCA*. This study provides the rationale and basis for the calculated rates.
- A Municipality-wide uniform cost approach is used to calculate development charges for the eligible services. This results in uniform residential and non-residential charges throughout the Municipality.
- The calculated charges are the maximum charges the Municipality may adopt. Lower charges can be approved; however this will require a reduction in the capital plan and reduced service levels or financing from other sources, most likely through property tax increases.
- It should be noted that the capital programs put forward for Operations and Parking have not fully utilized the maximum allowable funding envelope.
- The fully calculated residential charges are recommended to vary by unit type, reflecting the difference in occupancy patterns expected in various unit types and the associated differences in demand that would be placed on Municipal services.
- The fully calculated non-residential charges are recommended to be applied on a Municipal-wide basis. This study has differentiated a non-residential charge for the roads and related component, remaining consistent with the currently imposed non-residential charges. The charge is differentiated between industrial and all other non-residential land uses (commercial, institutional).

- Based on the Municipality of Clarington's growth forecast and growth-related capital programs, new residential development charges rates have been calculated. The following is a summary of the calculated residential development charges by unit type:

| SERVICE | Calculated Charge After Cashflow Per Capita | Charge By Unit Type (1) | | | |
|---|---|-------------------------|------------------------|------------------|------------------|
| | | Singles & Semis | Rows & Other Multiples | Large Apartments | Small Apartments |
| PUBLIC LIBRARY | \$287 | \$890 | \$775 | \$611 | \$387 |
| EMERGENCY SERVICES | \$265 | \$822 | \$716 | \$564 | \$358 |
| INDOOR RECREATION | \$1,593 | \$4,938 | \$4,301 | \$3,393 | \$2,151 |
| ENGINEERING - PARK DEVELOPMENT AND FACILITIES | \$463 | \$1,435 | \$1,250 | \$986 | \$625 |
| OPERATIONS | \$216 | \$670 | \$583 | \$460 | \$292 |
| PARKING | \$17 | \$53 | \$46 | \$36 | \$23 |
| GENERAL GOVERNMENT | \$125 | \$388 | \$338 | \$266 | \$169 |
| SUB-TOTAL GENERAL SERVICES | \$2,966 | \$9,195 | \$8,008 | \$6,318 | \$4,004 |
| MUNICIPALITY-WIDE ENGINEERING SERVICES | \$1,906 | \$5,908 | \$5,145 | \$4,059 | \$2,573 |
| SUB-TOTAL ENGINEERING SERVICES | \$1,906 | \$5,908 | \$5,145 | \$4,059 | \$2,573 |
| | | | | | |
| TOTAL RESIDENTIAL CHARGE PER UNIT | \$4,872 | \$15,102 | \$13,153 | \$10,377 | \$6,577 |

(1) Based on Persons Per Unit Of:

3.10

2.70

2.13

1.35

- Based on the Municipality of Clarington's growth forecast and growth-related capital programs, new non-residential development charges rates have been calculated. The following is a summary of the calculated non-residential development charges:

| SERVICE | Commercial & Institutional | Industrial |
|---|---------------------------------|---------------------------------|
| | After Cashflow Per Square Metre | After Cashflow Per Square Metre |
| PUBLIC LIBRARY | \$0.00 | \$0.00 |
| EMERGENCY SERVICES | \$3.97 | \$3.97 |
| INDOOR RECREATION | \$0.00 | \$0.00 |
| ENGINEERING - PARK DEVELOPMENT AND FACILITIES | \$0.00 | \$0.00 |
| OPERATIONS | \$3.23 | \$3.23 |
| PARKING | \$0.25 | \$0.25 |
| GENERAL GOVERNMENT | \$1.87 | \$1.87 |
| SUB-TOTAL GENERAL SERVICES | \$9.32 | \$9.32 |
| MUNICIPALITY-WIDE ENGINEERING SERVICES | \$53.86 | \$25.97 |
| SUB-TOTAL ENGINEERING SERVICES | \$53.86 | \$25.97 |
| | | |
| TOTAL NON-RESIDENTIAL CHARGE PER SQ.M | \$63.18 | \$35.29 |

E. NEWLY CALCULATED RATES ARE 50% HIGHER THAN CURRENT RATES

- The fully calculated Municipality-wide residential charge for a single/semi-detached unit, \$15,102, represents an increase of 52% over the Municipality's current charge, \$9,961.
- The \$63.18 per square metre of gross floor area represents a 52% increase over the Municipality's current non-residential commercial and institutional charge of \$41.54 per square metre. The newly calculated non-residential industrial charge is \$35.29 per square metre, which is a 55% increase over the current charge of \$22.82 per square metre of gross floor area.
- The scale of these increases is consistent with the experience of many municipalities in Southern Ontario as the development charge inflation index has outpaced inflation and resulted in rapid increases in construction costs.
- The calculated development charges rates are increasing in the Municipality of Clarington largely as a result of significant increases in the costs of constructing municipal infrastructure.

F. THIS AMENDMENT IS NOT PROPOSING ANY CHANGES TO DEVELOPMENT CHARGE POLICIES AND PRACTICES

- The scope of this amendment is limited to a review of the cost of servicing growth in Clarington.
- The proposed amending by-law does not alter any of the terms of the by-law and all existing rules, exemptions and other provisions will remain unchanged.
- The expiry date of the by-law, June 30, 2010, is not altered by the proposed amendment.