



# Town of Essex 2019 D.C. Background Study

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Council Workshop on  
Development Charges  
August 14, 2019

# D.C. Overview

# Development Charges Overview - Purpose



- To recover the capital costs associated with residential and non-residential growth within a municipality
- The capital costs are in addition to what costs would normally be constructed as part of a subdivision (i.e. internal roads, sewers, watermains, roads, sidewalks, streetlights, etc.)
- Municipalities are empowered to impose these charges via the Development Charges Act (D.C.A.)



# Methodology

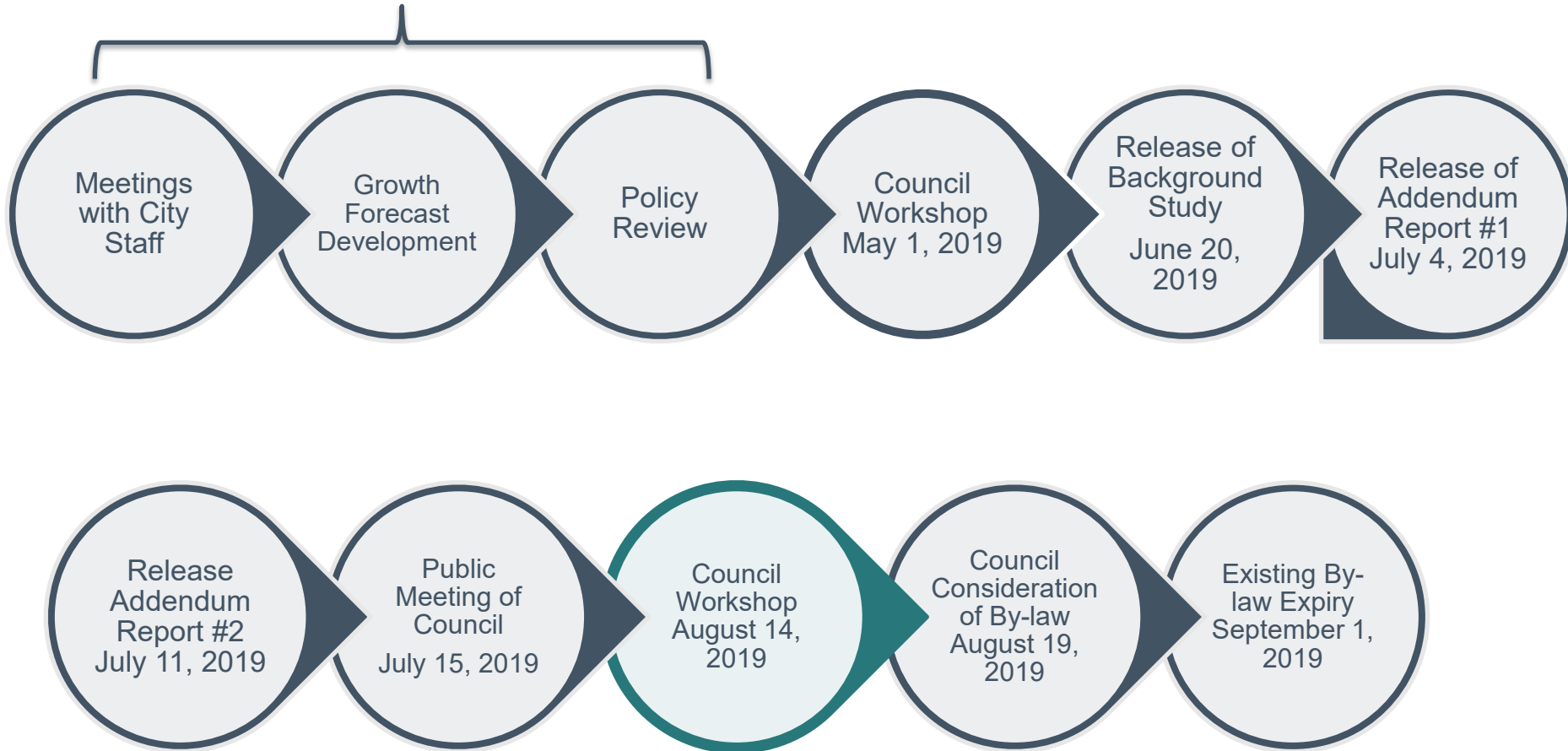
1. Identify amount, type and location of growth
2. Identify servicing needs to accommodate growth
3. Identify capital costs to provide services to meet the needs
4. Deduct:
  - i. Grants, subsidies and other contributions
  - ii. Benefit to existing development
  - iii. Statutory 10% deduction (soft services)
  - iv. Amounts in excess of 10-year historical service calculation
  - v. D.C. Reserve funds (where applicable)
5. Net costs then allocated between residential and non-residential benefit
6. Net costs divided by growth to provide the D.C. charge

# Town of Essex 2019 D.C. Background Study and Draft By-law

# Study Process & Timelines



February to May 2019



# Background Study and Draft By-law

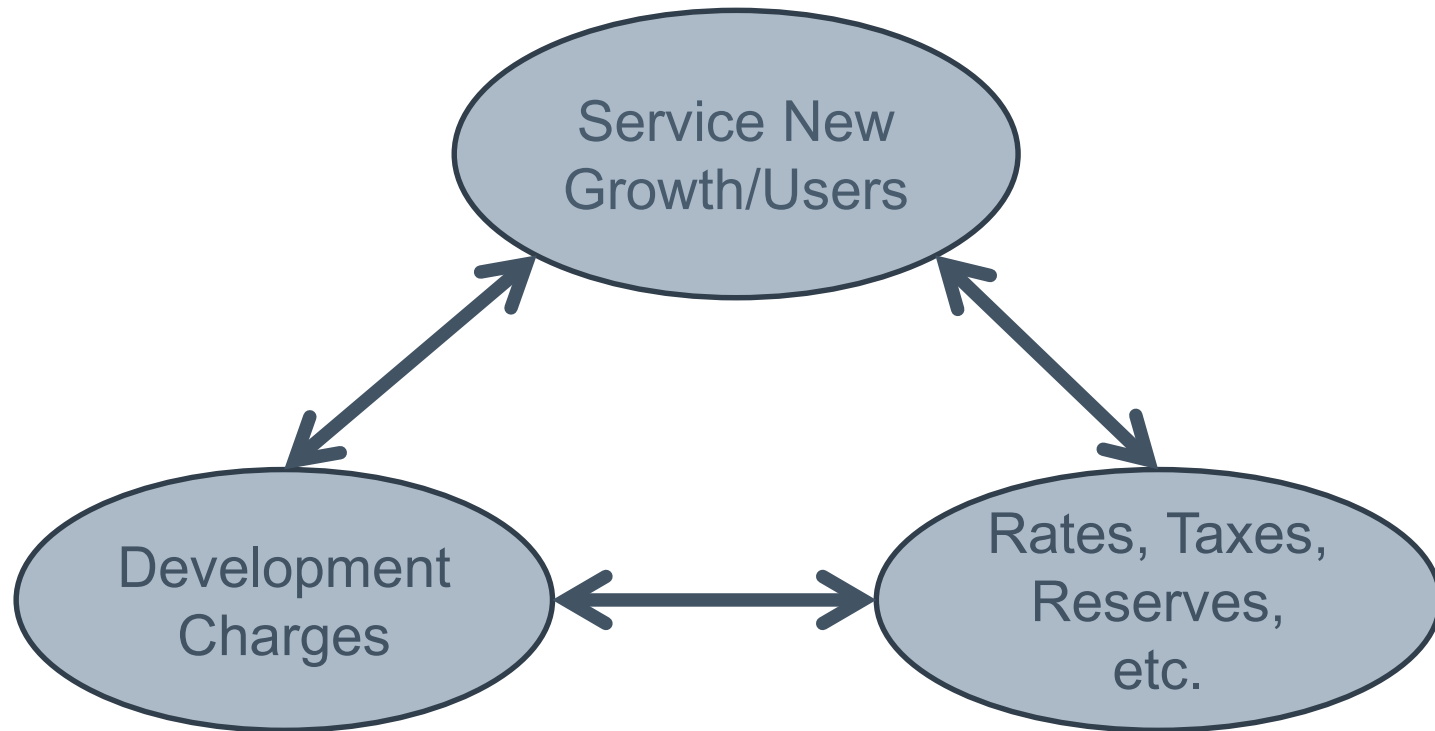


- The D.C. Background Study (including a Draft D.C. By-law) was Released to the Public on June 20, 2019, identifying the anticipated capital costs associated with residential and non-residential growth within the Town or Essex
- Subsequent to the release of the Background Study, staff requested further refinements to the exemptions provided in the Draft By-law which lead to the Release of 2 Addendum Reports:
  - Addendum #1
    - Exempt commercial non-residential development (in addition to institutional and industrial exemptions included in the June 20<sup>th</sup> background study).
    - Added exemption for rental apartment developments for municipal-wide D.C.s only.
  - Addendum #2
    - Exempt affordable housing development for municipal-wide D.C.s only versus exempting this development from all D.C.s.

# Funding of Exemptions/Discounts



# Relationship Between Needs to Service Growth vs. Funding





# D.C.A. – Cross Subsidization

- The Development Charges Act clarifies that a cost recovery shortfall from one type of development may not be made up through higher charges on other development. However, it also clarifies that the charge for any particular development does not have to be limited to the cost increase attributable to that development.
- Hence, the portion of growth-related capital that is not recovered through D.C.s due to exemptions provided in the D.C. By-law, must be funded from other sources (i.e. property taxes, wastewater rates, non-D.C. reserves).

# Policy Considerations for D.C. By-law

# Policy Considerations for D.C. By-law Passage



- Should Charges be imposed?
- Phase-ins
- Area-Rating
- Exemptions

# Should Charges be Imposed – Wastewater Services



No.	Increased Service Needs Attributable to Anticipated Development	Gross Capital Cost Estimate (2019\$)	Less:		Potential D.C. Recoverable Cost		
			Benefit to Existing Development	Grants, Subsidies and Other Contributions Attributable to New Development	Total	Residential Share	Non-Residential Share
1	Ward 1 - Essex Service Area	10,576,156	5,580,787	-	4,995,370	4,020,663	974,706
2	Ward 2 - Colchester North Service Area	130,868	-	-	130,868	130,868	-
3	Ward 3 - Colchester South Service Area	6,850,000	160,000	3,300,000	3,390,000	2,582,032	807,968
4	Ward 4 - Harrow Service Area	6,484,902	5,292,546	-	1,192,356	894,267	298,089
	<b>Grand Total - Municipal-wide Services</b>	<b>24,041,927</b>	<b>11,033,332</b>	<b>3,300,000</b>	<b>9,708,594</b>	<b>7,627,831</b>	<b>2,080,764</b>

## Note:

- 40% of Capital Costs are required to service growth.
- 79% of growth-related costs are attributable to residential development and 21% are attributable to non-residential development.

# Should Charges be Imposed – Wastewater



- Council can choose to impose the D.C.s for wastewater service. This would continue to assist in the payment of existing annual debt charges for past capital works that were put in place to service growth. It will also provide cashflow for providing additional capital infrastructure required for future growth and reduce future debt required to finance the additional capital infrastructure.

OR

- Council can choose to not impose the D.C.s. In certain situations, the Town may collect revenues through a Part XII capital charge under the Municipal Act

OR

- Council can choose to not impose the D.C.s, not impose a future Part XII charge and collect revenues through increased wastewater rates.

# Should Charges be Imposed – Municipal-wide Services



No.	Increased Service Needs Attributable to Anticipated Development	Gross Capital Cost Estimate (2019\$)	Post Period Benefit	Net Capital Cost	Less:	Subtotal	Less:	Potential D.C. Recoverable Cost		
					Benefit to Existing Development		Other (e.g. 10% Statutory Deduction)	Total	Residential Share	Non-Residential Share
1	Fire Services	4,080,202	1,766,200	2,314,002	1,286,184	1,027,818		1,027,818	626,969	400,849
2	Policing Facilities	540,000	-	540,000	125,037	414,963		414,963	253,128	161,836
3	Policing Vehicles, Small Equipment and Gear	33,500	-	33,500	-	33,500		33,500	20,435	13,065
4	Services Related to a Highway - Roads	6,450,000	383,300	6,066,700	4,884,120	1,182,580		1,182,580	721,374	461,206
5	Services Related to a Highway - Facilities	1,379,620	1,231,980	147,640	-	147,640		147,640	90,060	57,580
6	Services Related to a Highway - Vehicles & Equipment	300,000	-	300,000	-	300,000		300,000	183,000	117,000
7	Administration Studies - Essential Services	263,400	-	263,400	175,335	88,065	7,340	80,725	49,242	31,483
	<b>Total - Essential Services</b>	<b>13,046,722</b>	<b>3,381,480</b>	<b>9,665,242</b>	<b>6,470,675</b>	<b>3,194,566</b>	<b>7,340</b>	<b>3,187,226</b>	<b>1,944,208</b>	<b>1,243,018</b>
8	Parkland Development	22,574,200	2,259,300	20,314,900	19,447,568	867,332	113,130	754,202	716,492	37,710
9	Parks Vehicles and Equipment	100,000	-	100,000	-	100,000	10,000	90,000	85,500	4,500
10	Indoor Recreation Facilities	5,748,541	2,620,671	3,127,870	1,264,226	1,863,644	2,130	1,861,514	1,768,438	93,076
11	Library Facilities	143,000	-	143,000	-	143,000	14,300	128,700	122,265	6,435
12	Administration Studies - Community Based Services	163,400	-	163,400	63,350	100,050	10,005	90,045	54,927	35,118
	<b>Total - Community Based Services</b>	<b>28,729,141</b>	<b>4,879,971</b>	<b>23,849,170</b>	<b>20,775,144</b>	<b>3,074,026</b>	<b>149,565</b>	<b>2,924,461</b>	<b>2,747,623</b>	<b>176,838</b>
	<b>Grand Total - Municipal-wide Services</b>	<b>41,775,863</b>	<b>8,261,451</b>	<b>33,514,412</b>	<b>27,245,820</b>	<b>6,268,593</b>	<b>156,905</b>	<b>6,111,688</b>	<b>4,691,831</b>	<b>1,419,857</b>

## Note:

- 15% of Capital Costs are considered “in-period” growth-related costs with another 20% considered “post-period” growth-related costs.
- 52% of the “in-period” growth-related costs are related to “Essential Services” and 48% are related to “Community Based Services”.
- 77% of “in-period” growth-related costs are attributable to residential development and 23% are attributable to non-residential development.

# Should Charges be Imposed – Municipal-wide Services



- Council can choose to impose the D.C.s for some or all of the Municipal-wide services. This would continue to assist in the payment of existing annual debt charges and provide cashflow for providing additional capital infrastructure required for future growth and potentially reduce future debt required to finance the additional capital infrastructure.

OR

- Council can choose to impose the D.C.s for the “Essential Services” (i.e. Services Related to a Highway, Fire Protection, Policing &/or Administration – Essential Services Studies). Once Bill 108 is fully passed and the Community Benefits Charges are in place, Council could choose to pass a C.B.C. by-law for the “Community Based Services” (i.e. Indoor & Outdoor Recreation, Library Services and/or Administration – Community Based Services Studies).

OR

- Council can choose to not impose the Municipal-wide D.C.s and collect revenues through property taxes.



# Phase-in of Development Charges

## Should the Charges be Phased-in Over Time?



- Council may choose to phase-in the charges over time based for specific types of development, for specific services and/or by area within Town.
- An example of a phase-in could be to impose 100% of the wastewater charges and then phase-in the municipal-wide charges over the 5-year term of the by-law in equal installments.

Service	Year 1		Year 2		Year 3		Year 4		Year 5	
	Residential	Non-Residential (per sq.ft. of G.F.A.)	Residential	Non-Residential (per sq.ft. of G.F.A.)	Residential	Non-Residential (per sq.ft. of G.F.A.)	Residential	Non-Residential (per sq.ft. of G.F.A.)	Residential	Non-Residential (per sq.ft. of G.F.A.)
<b>Municipal Wide Services:</b>										
Services Related to a Highway	20%	20%	40%	40%	60%	60%	80%	80%	100%	100%
Fire Protection Services	20%	20%	40%	40%	60%	60%	80%	80%	100%	100%
Policing Services	20%	20%	40%	40%	60%	60%	80%	80%	100%	100%
Outdoor Recreation Services	20%	20%	40%	40%	60%	60%	80%	80%	100%	100%
Indoor Recreation Services	20%	20%	40%	40%	60%	60%	80%	80%	100%	100%
Library Services	20%	20%	40%	40%	60%	60%	80%	80%	100%	100%
Administration	20%	20%	40%	40%	60%	60%	80%	80%	100%	100%
<b>Area Specific Charges (Wastewater)</b>										
Ward 1 - Essex Service Area	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Ward 2 - Colchester North Service Area	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Ward 3 - Colchester South Service Area	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Ward 4 - Harrow Service Area	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

# Area Rating of Development Charges



- Council may choose to impose some or all of the charges in specific areas of Town (e.g. All Wards except Ward 4).
- Note that any revenues from charges not collected in one area cannot be imposed and collected from other areas, the foregone revenue must be funded from other sources.



# Exemptions as per the D.C.A.

## **Mandatory Exemptions**

- For industrial building expansions (may expand by 50% with no DC)
- May add up to 2 apartments for a single as long as size of home doesn't double
- Add one additional unit in medium & high density buildings
- Upper/Lower Tier Governments and School Boards

## **Discretionary Exemptions**

- Reduce in part or whole DC for types of development or classes of development (e.g. industrial or churches)
- May phase-in over time
- Redevelopment credits to recognize what is being replaced on site (not specific in the Act but provided by case law)

# Existing Exemptions for Council's Consideration in Draft D.C. By-law



Since the passage of the 2014 D.C. By-law, Council has reviewed the exemptions to be provided in the D.C. By-law and has amended the by-law three times over 2016 to 2018. With each amendment, Council voted to provided additional exemptions based on type and/or location of development.

## By-law #1344 Existing Exemptions (100%)

- Places of worship, cemeteries or burial grounds;
- Public Hospitals;
- Non-residential farm buildings constructed for bona fide farm uses; and
- Non-residential – Industrial & Institutional development.

## By-law #1558 Amending By-law #1344

- Provided for a 50% D.C. Discount to Residential Development in Ward 4 (Harrow)

# Existing Exemptions for Council's Consideration in Draft D.C. By-law (cont.)



## By-law #1657 Amending By-law #1344

- Provided for a full (100%) D.C. Discount to Residential Development in Ward 4 (Harrow)

## By-law #1686 Amending By-law #1344

- Non-residential Commercial development outside the Community Improvement Plan boundaries – 100% Discount
- Non-Residential Commercial development inside the Community Improvement Plan – No Discount

# Additional Exemptions for Council's Consideration in the 2019 Draft D.C. By-law



Additional Exemptions as per Draft 2019 D.C. By-law (in addition to all existing exemptions):

- Apartment rental housing – exempt 100% of municipal-wide D.C.s (note would still be subject to Wastewater D.C. where applicable)
- Affordable housing – exempt 100% of municipal-wide D.C.s (note would still be subject to Wastewater D.C. where applicable)

# Alternative Funding Sources

# Alternative Funding Sources



- Outside of Development Charges, there are some opportunities to impose charges to offset the costs onto property taxes and rates. These include
  - Local Service Policies
  - Municipal Act:
    - Local Improvement
    - Part 12
  - Planning Act – S. 42 & 51.1



# Local Service Policies



- New section 59.1(1) and (2) of the D.C. Act “No Additional Levies” - prohibits municipalities from imposing additional payments or requiring construction of a service not authorized under the D.C.A. (updated as per Bill 73)
- Due to Bill 73, “no additional levies” clause, a Local Service Policy is required to be developed and approved by Council, through the D.C. study process, to clearly define what developers would be required to do as part of their development agreements versus what would be included in the D.C.
- Subdivision Agreement Conditions - the Act provides coverage of such agreements to include “local services related to a plan of subdivision or within the area to which the plan relates”.
- Items to consider may include; collector & arterial roads, intersection improvements & traffic signals, streetlights & sidewalks, Bike Routes/Bike Lanes/Bike Paths/Multi-Use Trails/Naturalized Walkways, Noise Abatement Measures, Land dedications/easements, Water, Wastewater, Stormwater, and Park requirements.



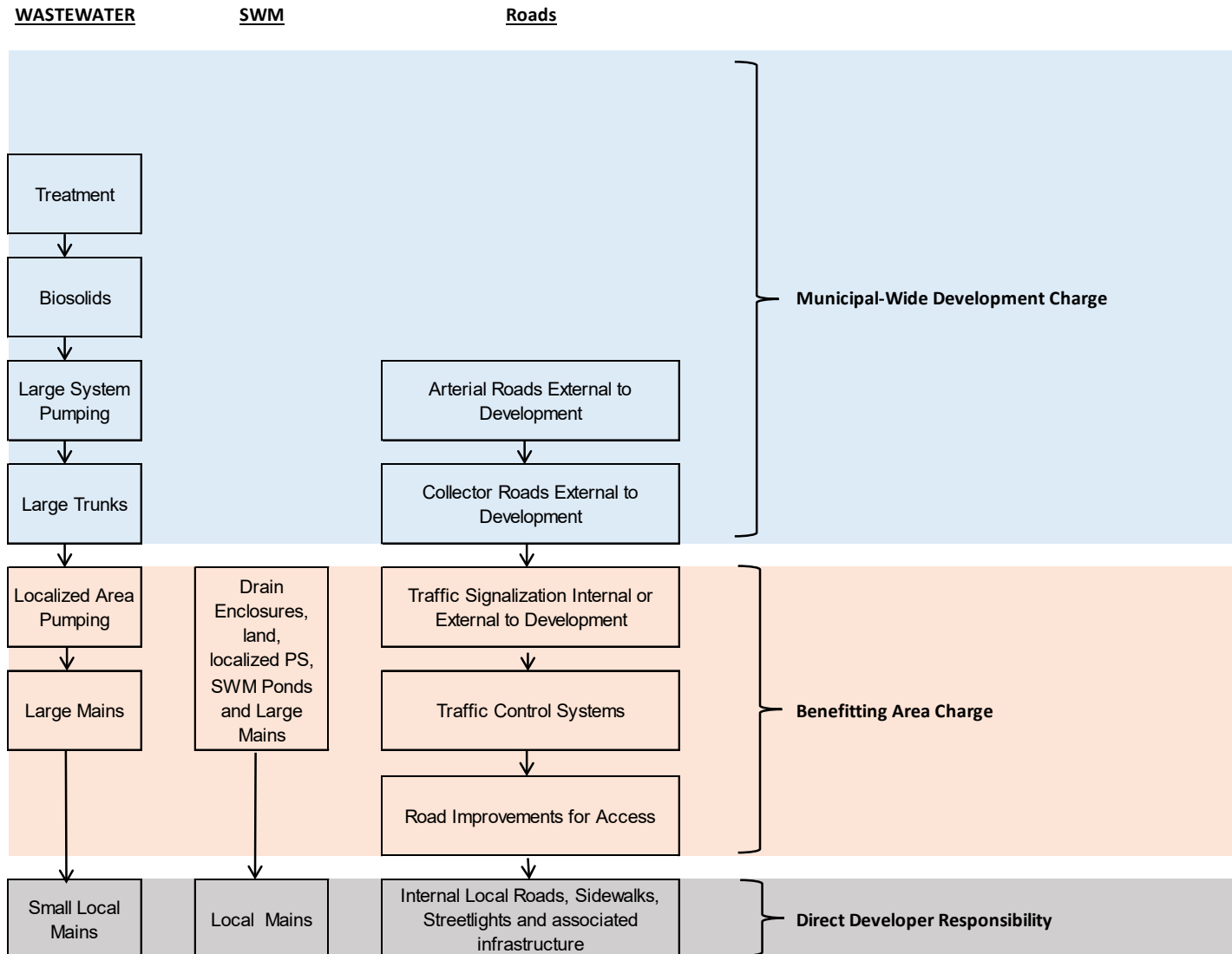
# Items to Review and Consider in Local Service Policy

- Collector & Arterial Roads
- Intersection Improvement and traffic signals
- Streetlights and Sidewalks
- Bike Routes/Bike Lanes/Bike Paths/Multi-Use Trails/Naturalized Walkways
- Noise Abatement Measures
- Land dedications/easements
- Water, wastewater, and stormwater
- Parkland development (base condition for acceptance of dedicated lands, trails, landscaping, connections, underground services, etc.)

# Local Service Example



## Example Allocations of Services Included in Capital Charges



# Municipal Act



- In 2001, the Province passed the most recent version of the Municipal Act
- This update provided broad powers to impose fees and charges vs. former Act which provided a variety of specific fees
- Provides authority for imposition of fees and charges to recover operating and capital costs
- Also incorporated other past financial Acts

# Municipal Act – Local Improvements



- In 2001, the Local Improvement Act was incorporated into the Municipal Act as a Regulation (586/06)
- Generally, same powers and rules were maintained
- Services provided under this authority for existing properties include:
  - Water – localized and potentially full system
  - Wastewater – localized and potentially full system
  - Localized roads and sidewalks
- Works may be initiated by the municipality or by petition of landowners (signed by at least two-thirds of the owners representing at least one-half of the value of the lots)
- Charges provided on a frontage basis – limitations and reductions provided usually resulting in a municipal share of the works
- Extensive process to be established including a Committee of Revision for lot owner to appeal charges to – also appealable to LPAT



# Municipal Act – Part 12

- Section 2(1) of O. Reg. 584/06 provides that
  - *“A municipality and a local board do not have power under the Act to impose fees or charges to obtain revenue to pay capital costs, if as a result of development charges by-laws ... payments have been, will be or could be made to the municipality or local board to pay those costs.”*
- Based on the above, charges and fees may be developed to recover the non-D.C. portion of the capital costs
- Part 12 is used to impose capital charges for water and sewer:
  - Similar to a local improvement to recover localized works
  - Similar to a D.C. to recover broader system costs from “existing properties” who are new users of the system



# Municipal Act – Part 12

- Powers for the above were provided under s.221 of the “old” Act
- Allows charges to be imposed on a per lot, acreage, frontage, assessment basis or “any method Council deems equitable”
- Benefits to this approach vs. a local improvement is:
  - broader forms of charges can be imposed
  - more flexibility to address specific issues within the calculations
  - full cost recovery
  - the charge cannot be appealed to the LPAT
- **Note that Regulation 584/06 Section 2 requires that these charges may not replace what could be imposed under the D.C.A.**



# Planning Act – S. 42 & 51.1 (to be modified by C.B.C.)

- Generally, municipalities seek to have land conveyed for parkland purposes or to receive a cash-in-lieu contribution
- Planning Act provides for 5% of residential lands and 2% for commercial/industrial lands for developing or redeveloping lands
- Many municipalities look to receive the land or payment at the time of executing the subdivision agreement



# Calculated Development Charges, Comparison of Essex Charges, & Survey of Development Charges

# Town of Essex 2019 D.C. Calculated Rates

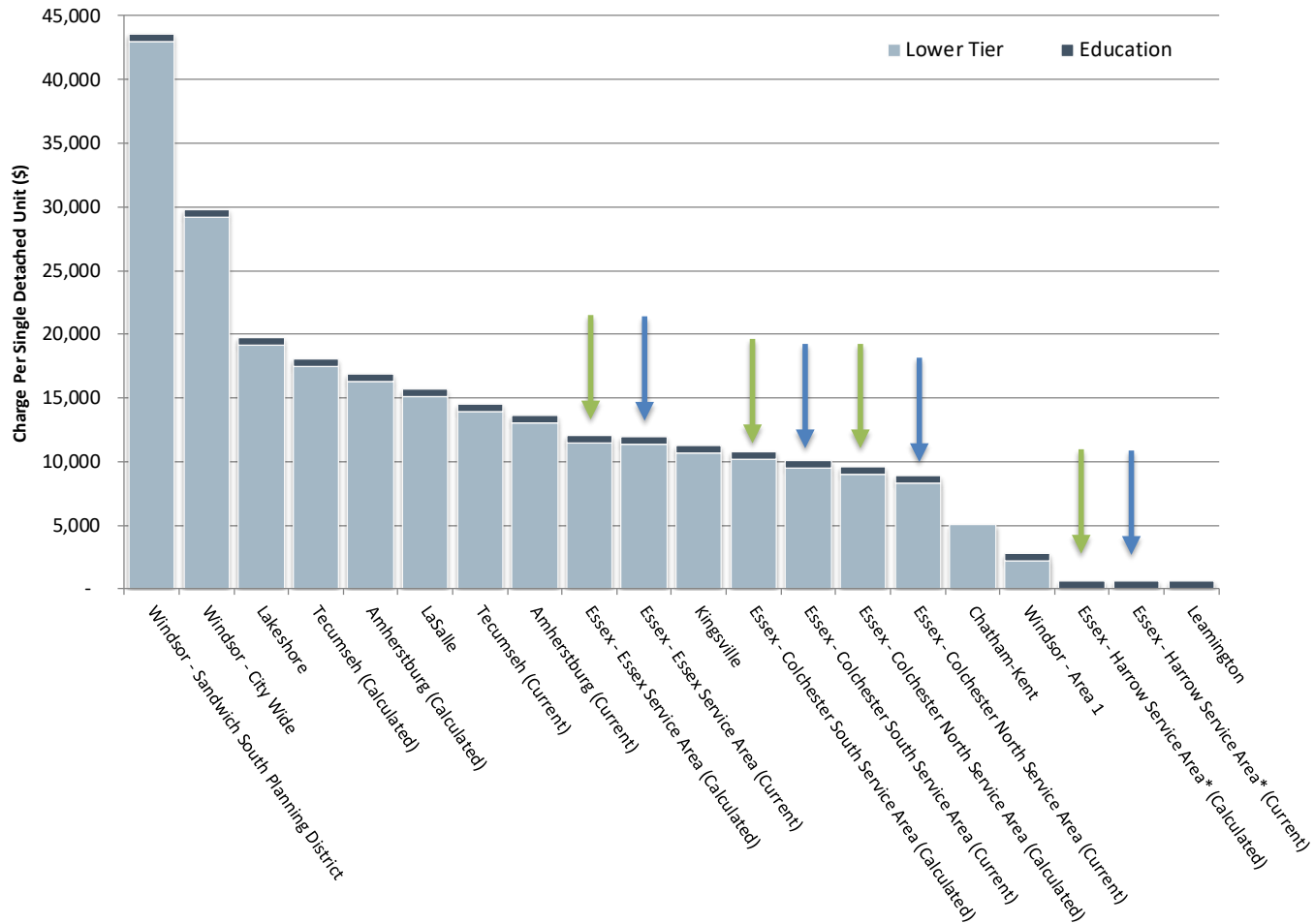


Service	RESIDENTIAL					NON-RESIDENTIAL	Wind Turbines and Telecommunication Towers	Solar Farms (per sq.ft)
	Single and Semi-Detached Dwelling	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Other Multiples	Special Care/Special Dwelling Units	(per sq.ft. of Gross Floor Area)		
<b>Municipal Wide "Hard Services":</b>								
Services Related to a Highway	1,552	783	653	940	554	0.73	1,552	0.73
Fire Protection Services	979	494	412	593	349	0.46	979	0.46
Policing Services	427	215	180	259	152	0.19	427	0.19
Administration - Essential Services Studies	90	45	38	55	32	0.04	90	0.04
<b>Total Municipal Wide Services - "Hard Services"</b>	<b>3,048</b>	<b>1,537</b>	<b>1,283</b>	<b>1,847</b>	<b>1,087</b>	<b>1.42</b>	<b>3,048</b>	<b>1.42</b>
<b>Municipal Wide "Soft Services":</b>								
Outdoor Recreation Services	1,473	743	619	892	525	0.06	-	-
Indoor Recreation Services	3,248	1,639	1,366	1,967	1,158	0.11	-	-
Library Services	225	114	95	136	80	0.01	-	-
Administration - Community Based Studies	101	51	42	61	36	0.05	-	-
<b>Total Municipal Wide Services - "Soft Services"</b>	<b>5,047</b>	<b>2,547</b>	<b>2,122</b>	<b>3,056</b>	<b>1,799</b>	<b>0.23</b>	<b>-</b>	<b>-</b>
<b>Area Specific Services:</b>								
Ward 1 - Essex Service Area	3,351	1,690	1,409	2,029	1,195	2.03	-	-
Ward 2 - Colchester North Service Area	872	440	367	528	311	0.00	-	-
Ward 3 - Colchester South Service Area	2,067	1,043	869	1,252	737	1.18	-	-
Ward 4 - Harrow Service Area	2,484	1,253	1,045	1,505	886	1.43	-	-

# Residential (per single-detached unit) D.C. Comparison



**Development Charge Rates for Town of Essex and Select Municipalities**  
**Residential Per Single Detached Unit**  
**(As of August 13, 2019)**



\*Exempt

# Rate Comparison – Residential (Single Detached Dwelling)



## Residential (Single Detached) Comparison

Service	Current	Calculated
<b>Municipal Wide Services:</b>		
Services Related to a Highway	1,477	1,552
Fire Protection Services	624	979
Policing Services	528	427
Administration - Essential Services Studies*	50	90
Outdoor Recreation Services	895	1,473
Indoor Recreation Services	3,640	3,248
Library Services	196	225
Administration - Community Based Studies*	61	101
<b>Total Municipal Wide Services</b>	<b>7,471</b>	<b>8,095</b>
<b>Area Specific Services - Wastewater:</b>		
Ward 1 - Essex Service Area	3,859	3,351
Ward 2 - Colchester North Service Area	828	872
Ward 3 - Colchester South Service Area	1,997	2,067
Ward 4 - Harrow Service Area	2,816	2,484

\* Current Rates are estimated based on similar split had the two categories been separated in the 2014 DC Study

# Rate Comparison – Non-Residential (per sq.ft.)



## Non-Residential (per sq.ft.) Comparison

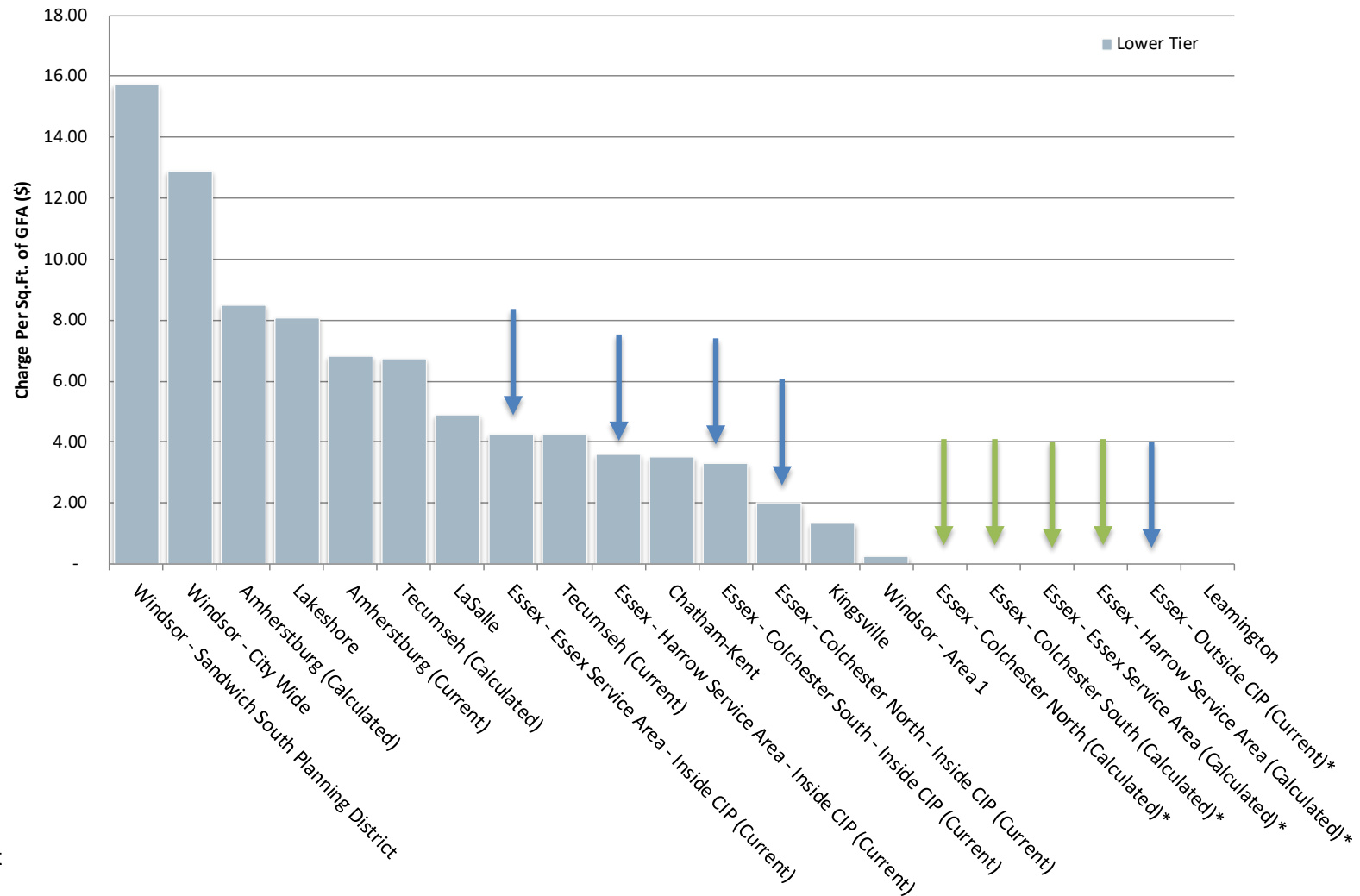
Service	Current	Calculated
<b>Municipal Wide Services:</b>		
Services Related to a Highway	0.90	0.73
Fire Protection Services	0.38	0.46
Policing Services	0.31	0.19
Administration - Essential Services Studies*	0.02	0.04
Outdoor Recreation Services	0.08	0.06
Indoor Recreation Services	0.29	0.11
Library Services	0.01	0.01
Administration - Community Based Studies*	0.03	0.04
<b>Total Municipal Wide Services</b>	<b>2.02</b>	<b>1.64</b>
<b>Area Specific Services:</b>		
Ward 1 - Essex Service Area	2.26	2.03
Ward 2 - Colchester North Service Area	-	-
Ward 3 - Colchester South Service Area	1.27	1.18
Ward 4 - Harrow Service Area	1.57	1.43

\* Current Rates are estimated based on similar split had the two categories been separated in the 2014 DC Study

# Non Residential – Commercial (per sq.ft.) D.C. Comparison



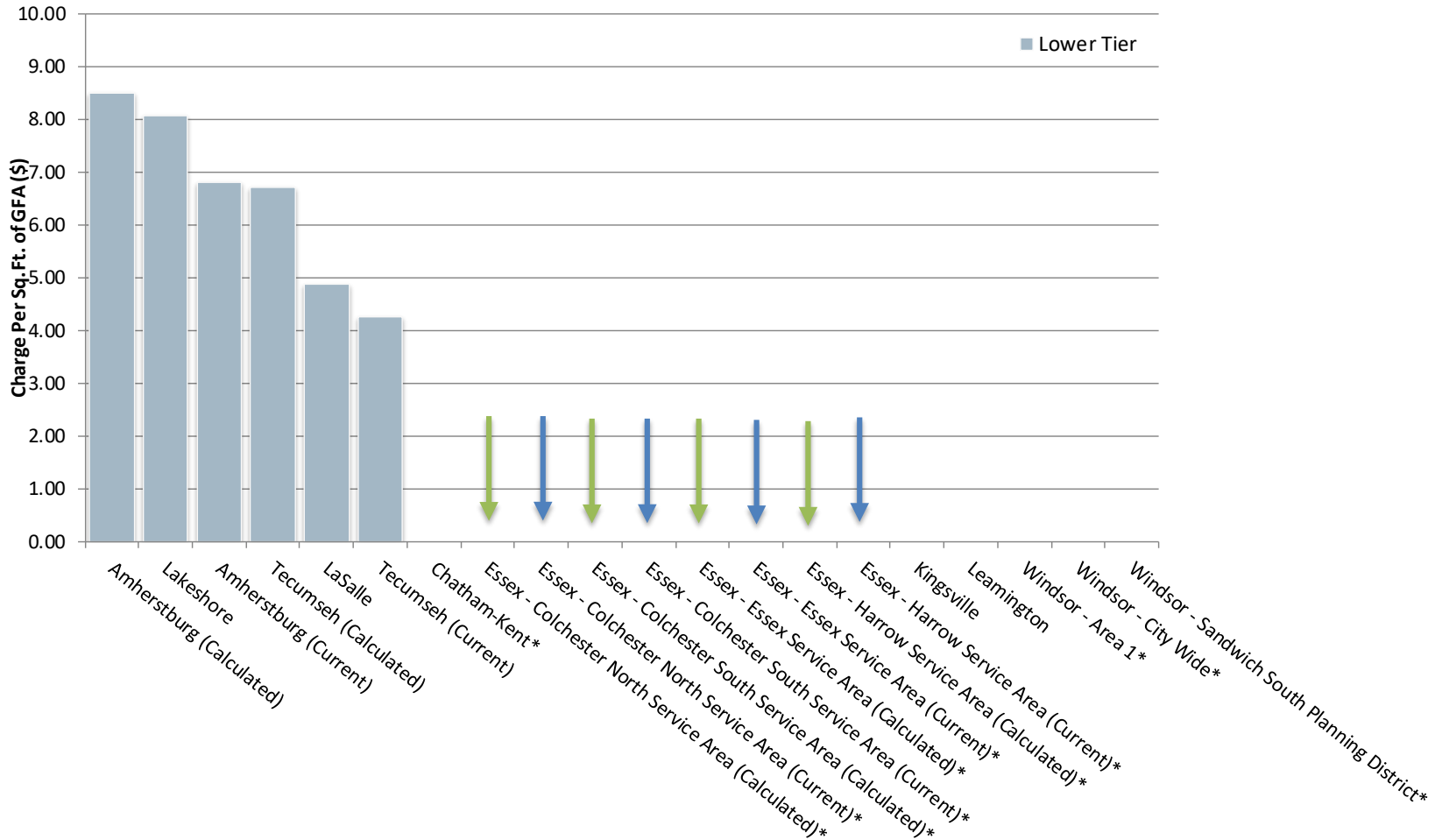
**Development Charge Rates for Town of Essex and Select Municipalities**  
**Commercial Per Square Foot of GFA**  
**(As of August 13, 2019)**



# Non Residential – Industrial (per sq.ft.) D.C. Comparison



**Development Charge Rates for Town of Essex and Select Municipalities**  
**Industrial Per Square Foot of GFA**  
**(As of August 13, 2019)**



\*Exempt

# Next Steps

