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DATE 23 May 1996

TO/DEST. Corporate Services and Economic Development Committee

FROM/EXP. Co-ordinator  
Corporate Services and Economic Development Committee

SUBJECT/OBJET **REGIONAL DEVELOPMENT CHARGE (RDC) POLICY  
REPORT - RECOMMENDED APPROACH**

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### COMMITTEE RECOMMENDATIONS

**That the Corporate Services and Economic Development Committee and Council approve the following:**

- 1. The schedule for completion of the RDC policy report and Bylaw as indicated on Annex B;**
- 2. Amending Bylaw 210 of 1991 to delete the expiry date and introduce the schedule of rates identified on Annex C effective 26 June 1996;**
- 3. The appointment of C.N. Watson and Associates, Mississauga, Ont., to complete the RDC policy report at a cost of \$55,000 including all applicable taxes;**
- 4. The new schedule of rates in Annex C apply uniformly on a service area basis across the Region.**

### BACKGROUND

At the 7 May 1996 Corporate Services and Economic Development Committee meeting, the above noted report was received and tabled by the Committee, to allow for advertising of the Public Meeting to be held on 4 June 1996.

Attached immediately following the staff report is an extract of minute from the Corporate Services and Economic Development Committee meeting of 07 May 96.

*Approved by  
Cheryle Watson*

Attach. ( 2 )

Our File/N/Réf.  
Your File/V/Réf.

DATE 1 May 1996

TO/DEST. Co-ordinator  
Corporate Services and Economic Development Committee

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **REGIONAL DEVELOPMENT CHARGE (RDC) POLICY  
REPORT - RECOMMENDED APPROACH**

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### DEPARTMENTAL RECOMMENDATION

**That the Corporate Services and Economic Development Committee receive and table the report with the following recommendations to be considered by the Corporate Services and Economic Development Committee at the Public Meeting scheduled for 4 June 96:**

**That the Corporate Services and Economic Development Committee and Council approve the following:**

- 1. The schedule for completion of the RDC policy report and Bylaw as indicated on Annex B;**
- 2. Amending Bylaw 210 of 1991 to delete the expiry date and introduce the schedule of rates identified on Annex C effective 26 June 1996;**
- 3. The appointment of C.N. Watson and Associates, Mississauga, Ont., to complete the RDC policy report at a cost of \$55,000 including all applicable taxes.**

### PURPOSE

The current Regional Development Charges Bylaw (No. 210 of 1991) was enacted by Regional Council on 25 Sept 91. The Bylaw contains an expiry provision that would see the Bylaw expire on 24 Sept 96 and with it the RMOC's ability to impose development charges. Staff have been planning the necessary policy report required to develop a successor Bylaw. The purpose of this report is to outline a recommended strategy and timetable for that report.

## BACKGROUND

Bylaw 210 of 1991 is based on an Regional Development Charge (RDC) policy report prepared by C.N. Watson and Associates in the spring of 1991. The report calculated values for residential and non-residential development charges based on the growth-related capital infrastructure requirements necessary to service projected growth at the service level standards expressed in the Regional Official Plan (ROP) over a twenty-year planning period (1991 to 2011). The report identified a calculated residential charge of \$12,443 (per single residential unit) and a non-residential charge of \$10.76 (per square foot).

In approving Bylaw 210 of 1991, Council set a schedule of rates to be phased in over time that were significantly less than the rates calculated by the policy report. Several appeals were filed to the OMB against Bylaw 210 of 1991. One of the concerns expressed by both the Ottawa-Carleton Home Builders Association and the Building Owners and Managers Association of Ottawa-Carleton was that the annual increases to the development charge rates would have a negative impact on the recovery of the construction industry in Ottawa-Carleton. In resolving these appeals, Council agreed to freeze RDC rates at \$8,000 (residential) and \$1.50 per square foot (non-residential). These rates were to remain in effect subject to a review of the RDC policy to be conducted prior to 30 Nov 94.

The RDC policy review, completed in May of 1994, confirmed the RDC rates calculated by the initial policy report. The review highlighted a concern, however, related to the affordability of the growth assumptions, service level standards and development strategy prescribed by the ROP when subjected to current economic realities and revenue sources. The review concluded with the following statement:

*“The process of reviewing the Official Plan is currently underway. A major part of this review will centre on examining growth forecasts, service standards and developing an overall strategy for regional development. This review will incorporate and link the findings from several initiatives such as the Transportation Master Plan, the Environmental Review, the Development Strategy review and the Water and Wastewater Master Plan studies. The issue of “affordability” will be addressed as part of the Official Plan Review and will be integrated into the review of the Regional Development Charges Bylaw which will be required prior to the expiry of the current Bylaw 210 of 1991 on September 25, 1996.”*

After considering the conclusions and recommendations of the review, Council amended Bylaw 210 of 1991 to extend the rate freeze for the remaining term of the Bylaw (until 24 Sept 96). This action was based on the expectation that the Regional Development Strategy (RDS) would likely identify a much reduced requirement for growth related capital infrastructure which in turn would provide for lower development charges.

## DISCUSSION

The draft Regional Development Strategy (RDS) is now being completed by staff. It is scheduled to be submitted to Council this coming June. Following a period for public consultation, it is expected that approval of the RDS will be made by Council at its meeting of 9 Oct 96. The schedule for completion of the RDS and Official Plan Review (OPR) is attached as Annex A. **This schedule does not allow for the completion of an RDC policy report that is based on a Council-approved RDS prior to the expiry of the current Bylaw.**

### Deferral Strategy

On April 3, 1996, royal assent was given to *the Land Use Planning and Protection Act, 1995 (LUPPA)*. This omnibus Act changed a number of statutes including the *Planning Act*, the *Municipal Act* and the *Development Charges Act (DCA)*. The *LUPPA* amended *the DCA* most significantly by:

1. Providing that a development charge bylaw or amendment thereto, except an amendment which reduces the amount of a charge or eliminates a term of a bylaw, does not come into force until it is approved by the Minister;
2. Eliminating the right to appeal a bylaw to the Ontario Municipal Board, and;
3. Eliminating the maximum term of a bylaw.

As a consequence, *the DCA*, as recently amended, provides Council with the ability to delete the current expiry provision of Bylaw 210 of 1991. **This would allow Council the alternative of extending Bylaw 210 of 1991 until a successor Bylaw supported by an RDC policy report based on a Council-approved RDS can be completed.**

This deferral strategy possesses other merits. On 22 June 94, Council, directed staff to include in the next RDC policy report an examination of the use of area-specific development charges. This is a significantly different approach from Bylaw 210 of 1991 which employs a schedule of uniform region-wide charges. The decision to use uniform region-wide charges in Bylaw 210 of 1991 was made with due consideration given to:

- a) the Region's fundamental purpose in providing a standard level of services throughout its jurisdiction and encouraging growth in all designated areas, based on uniform sanitary sewer and water rates and other averaged cost shares;
- b) the widespread acceptance of uniform development charges throughout Ontario by municipalities.

Area-specific development charges focus on the servicing costs of each development area versus the region as a whole. While this approach may be seen to be more equitable conceptually, in practice it is very difficult to implement. The most significant problem involves identifying an equitable basis of allocating the costs of infrastructure projects that are, by definition, regional in nature. The process of calculating area-specific development charges requires the use of many more assumptions and allocations than the uniform charge approach. Many of these assumptions flow from the development scenario in the current ROP. Since the RDS has the potential to fundamentally change the development scenario, an RDC policy report is premature at this time.

Finally, the deferral strategy has become more relevant given that the provincial government has announced plans to introduce a new DCA this fall that may substantially change the framework for development charges in Ontario.

The deferral strategy would lead to a proposed schedule for an RDC policy report and successor Bylaw to be approved by Council in June of 1997. A detailed workplan and schedule is attached as Annex B.

#### Consultant Appointment

The schedule for the completion of the RDC policy report and Bylaw assumes involvement of a development charge consultant to assist staff in the development of the policy report. This is due primarily to the requirement for the policy report to consider area specific versus uniform charges. This requirement significantly expands the scope of the policy development exercise and staff will require the assistance of a consultant. **Staff recommend the appointment of C.N. Watson and Associates.** This firm produced the first RDC policy report in 1991 and were involved in the 1994 review. The firm has also been involved in several area municipality development charge studies within the Regional Municipality of Ottawa-Carleton (RMOC). The firm is very familiar with the issues at RMOC as well as development, and planning issues around the Province.

## Interim RDC Rates

Council may consider setting an interim schedule of development charge rates to be in force until the enactment of the new Bylaw in June of 1997. The RDS is being developed with a number of set funding parameters to measure financial impact. Among these, a threshold level for development charges has been set at \$7,000 per single unit and \$1.30 per square foot for residential and non-residential development, respectively. These rates approximate a 12.5% reduction from the charges currently imposed.

Effective with the 1996 Budget year, the Province introduced a new block funding program (MSP) which effectively eliminated provincial road subsidy on capital infrastructure. As a consequence, staff conducted a sensitivity analysis of the calculations made in the 1994 review of the RDC policy report to model the effects of the loss of this provincial road subsidy which in the 1994 report had generally represented an average revenue of approximately 30% of eligible infrastructure expenditures. **That revenue will no longer be available to support growth infrastructure requirements.** In addition, staff analyzed the additional capital spending cuts that would be necessary to reduce the calculated residential charge from \$12,398 to \$7,000 per single unit. That high-level analysis identified that a significant reduction in infrastructure spending would be required for all service components. The 1994 review provided for \$5.2 billion (\$1994) in total infrastructure spending for projects with a growth component. This would have to be reduced by 51% to reach a calculated residential charge of \$7,000 per single unit. This is an average figure based on total spending. More specifically, (assuming the same service component ratios of the total charge), transportation spending would need to be reduced by 61% with all other service components requiring a 44% reduction.

These required reductions in the infrastructure spending plan represent a major challenge for the RDS. As a consequence, staff would not recommend the consideration of interim RDC rates below these threshold levels.

A complete schedule of proposed RDC rates is attached as Annex C. Implementing interim rates at these levels effective June of 1996 would result in an estimated reduced RDC revenue of approximately \$1.5 million from the current rates over the twelve month period ending in June of 1997. This reduction is not significant enough to require adjustments to the growth-related capital spending authorities approved by Council to date.

These lower interim rates would assist the development industry in recovering from a poor 1995 season that saw a 27% reduction in residential building starts over the previous year. **It should be emphasized however that this strategy would see these rates as interim only. With the completion of the RDS and the subsequent RDC policy report in early 1997, Council would be provided with the long term planning context with which longer term decisions regarding the setting of development charge rates can be made.**

## PUBLIC CONSULTATION

*The DCA* requires that public notice be given at least 20 days prior to the scheduling of a public meeting to consider any amendment to Bylaw 210 of 1991. The following timetable is proposed for the review and consideration of the recommended bylaw amendments made by this report:

Notice of Public Meeting in Newspapers	11 May 96
Corporate Services and Economic Development Committee (Public Meeting)	04 June 96
Council Meeting (Review of Recommendations)	12 June 96
Council Meeting (passing of amending Bylaw)	26 June 96

**It is recommended that this report be tabled to be considered by the Corporate Services and Economic Development Committee at its regular meeting of 04 June 96 which will serve as the public meeting for the purposes of *the Development Charges Act*.**

## FINANCIAL CONSIDERATIONS

Funds are available in the Development Charge Reserve Funds to fund the cost of the C.N. Watson appointment. The use of these funds for this purpose is in accordance with *the DCA*.

*Approved by J.C. LeBelle  
Finance Commissioner*

**OFFICIAL PLAN REVIEW AND MASTER PLANS  
PROPOSED TIMING**

June 6, 9:00 a.m. Colonel By Room	Briefing for Regional Council on proposed RDS. Release of background reports and draft Planning and Environment Committee (PEC) and Transportation Committee report.
June 10-21	Briefings of local Councils
June 20, 3:00-9:00 p.m. Council Chambers	Open House/Public Meeting. The Open House will take place from 3:00-7:00 p.m. following by the public Meeting
September 3	Deadline for comments to be included in report
September 24	PEC and Transportation joint public meeting and discussion on proposed RDS and phasing - recommend to Council
October 9	Council decision on RDS and phasing
January 1997	Release of draft Official Plan
June 1997	Adoption of Official Plan by Council



**PROPOSED DEVELOPMENT SCHEDULE FOR NEW RDC BYLAW**

October 1996	Council Approval of RDS
December 1996	Develop and Report to Council on Area Specific Methodology
February 1997	Completion of Policy Report
March 1997	Public Meeting and Meetings with Area Municipalities and Development Industry
April 1997	Receipt and Consideration of Public Responses
May 1997	Finalization of Policy Report and Circulation to Staff and Council
June 1997	Bylaw Adoption by Council

REGIONAL DEVELOPMENT CHARGE RATES

By-Law No. 210 of 1991	Full Rate-All Services	Singles & Semi's	PROPOSED	Apartment with 2+ Bedrooms & Singles, Semi's, Rows, Mobile Home Multiple Dwellings Under 1,100 sq.ft.	PROPOSED	Row Housing Multiple Dwellings	PROPOSED	Apartment with Less than 2 Bedroom	PROPOSED	Non-Residential Per sq. ft.	PROPOSED	Industrial Per sq. ft.	PROPOSED	0.650
														0.750
	No Transit	\$7,333	\$6,416	\$4,529	\$3,962	\$6,254	\$5,472	\$2,804	\$2,453	1.377	1.193	0.689	0.597	0.597
	No Water	\$6,044	\$5,288	\$3,733	\$3,266	\$5,155	\$4,510	\$2,311	\$2,022	1.157	1.003	0.578	0.501	0.501
	No Sewer	\$6,959	\$6,089	\$4,298	\$3,760	\$5,935	\$5,193	\$2,661	\$2,328	1.315	1.140	0.658	0.570	0.570
	No Water & Sewer	\$5,003	\$4,377	\$3,090	\$2,703	\$4,267	\$3,733	\$1,913	\$1,673	0.972	0.842	0.486	0.421	0.421
	No Transit & Sewer	\$6,292	\$5,505	\$3,886	\$3,400	\$5,366	\$4,695	\$2,406	\$2,105	1.192	1.033	0.597	0.517	0.517
	No Transit & Water	\$5,377	\$4,704	\$3,321	\$2,905	\$4,586	\$4,012	\$2,056	\$1,799	1.034	0.896	0.517	0.448	0.448
	No Transit, Water & Sewer	\$4,336	\$3,794	\$2,678	\$2,343	\$3,698	\$3,235	\$1,658	\$1,450	0.849	0.736	0.425	0.368	0.368

REGIONAL DEVELOPMENT CHARGE (RDC) POLICY  
REPORT - RECOMMENDED APPROACH

- Finance Commissioner's report dated 1 May 96

Councillor van den Ham concurred with the deferral of the by-law for one year in order to allow conjunction with the Regional Development Strategy. The Councillor inquired if staff had considered any reduction or change in standards requiring such things as road reconstruction and light standards, therefore reducing the overall cost. K. Kirkpatrick, Deputy Treasurer, confirmed this would be possible when reviewing the Regional Development Charge policy report and added it was currently under review through the development of the Regional Development Strategy. Mr. Kirkpatrick added one of the main focuses of the Regional Development Strategy was to review the forecasted growth and the infrastructure works that would be required to maintain the current level standards as expressed in the Official Plan, the costs of the works, and how they fit in the total financial affordability.

Councillor van den Ham inquired if staff had considered a further reduction to the interim charges of more than 12%. Mr. Kirkpatrick explained staff did not believe it would be prudent for Council to set a series of interim charges that would be significantly less than what may be achievable in terms of what Council may wish to do with regard to the many issues around the Regional Development Strategy and the Official Plan Review. In addition, Mr. Kirkpatrick noted the proposed reduction already represented a significant challenge for the planning priorities, and staff could therefore not recommendation anything less. In closing, Councillor van den Ham acknowledged his support for the report in light of the economic times.

In review, Chair Clark pointed out the original Regional Development Charge report indicated the charge today would be at \$11,500, but was froze four years ago at \$8,000 as the growth was not present to justified the charge and the capital plan was too large. However, the Chair noted the Provincial withdrawal of its 30% share of all capital projects put pressure on keeping the charge at a realistic level. The Chair noted it was not possible to make an intelligent decision on the Regional Development Charge until the completion of the Transportation Master Plan and Water and Sewer Master Plan.

Mr. Kirkpatrick emphasized he believed it was pre-mature of Council to approve a new Regional Development Charge policy report until the Regional Development Strategy was approved by Council and the new Development Act was introduced by the Province, as expected in the fall of 1996.

In response to a question from Councillor Hill, Mr. Kirkpatrick pointed out the study would also focus on area specific development charges, as directed by Council, which represented a policy area which was not well explored in Ontario and was new for the Regional Municipality of Ottawa-Carleton.

In response to a question from Councillor Hunter regarding the current uniform charges, Mr. Kirkpatrick confirmed it created a further complication to impose an area specific charge.

Councillor Hunter expressed concern with the appointment of a consultant, as stated in recommendation No. 3, to review area specific charge policy prior to the Province's legislation coming forward. Mr. Kirkpatrick explained the appointment of the consultant was based on the assumption that the new Development Charges Act would not preclude area specific development charges. Mr. Kirkpatrick added the indications from the Province included focusing on what kind of services could be included in a Development Charge regarding hard and soft infrastructure. In closing, Councillor Hunter believed it would be best if the Region develop the new Development Charges By-law that was specific to the service areas.

Moved by G. Hunter

**That the new schedule of rates identified in Annex C apply uniformly on a service area basis across the Region.**

The Committee agreed that Councillor Hunter's motion would be received and tabled with the report and other staff recommendations to be debated at the 4 June Public Meeting.

T. Marc, Solicitor, pointed out if the Region lowered the Development Charge or extended the length of the by-law, Council had the ability to do so without any external approvals. However, he added if Council decided to re-impose development charges in centretown, it would require the approval of the Minister of Municipal Affairs.

Mr. Kirkpatrick added there were a number of important issues in the last Regional Development Charge policy report that resulted in staff recommending to Council that the use of uniform region wide charges was the most appropriate basis for Ottawa-Carleton.

In response to a question from Councillor Cullen, Mr. Kirkpatrick pointed out an error in the report on page 46, last paragraph. In reference to the “27% reduction in residential building starts over the previous year”, Mr. Kirkpatrick confirmed the 27% reduction was for all building permits issued and staff were currently trying to identify what the percentage reduction was in the number of building permits for *new* home construction. He added he expected it would be more than 27% given there was a 42% reduction in actual revenues from regional development charges in 1995 over 1996.

Councillor Cullen pointed out that with the appointment of the consultant and the production of their report, Council would then have the option to review the policy of Regional Development Charges on an area specific methodology and on an uniform region wide methodology.

The Committee then received and tabled the report, including Councillor Hunter’s motion, as follows:

**That the Corporate Services and Economic Development Committee receive and table the report with the following recommendations to be considered by the Corporate Services and Economic Development Committee at the Public Meeting scheduled for 4 June 96:**

**That the Corporate Services and Economic Development Committee and Council approve the following:**

- 1. The schedule for completion of the RDC policy report and Bylaw as indicated on Annex B;**
- 2. Amending Bylaw 210 of 1991 to delete the expiry date and introduce the schedule of rates identified on Annex C effective 26 June 1996;**
- 3. The appointment of C.N. Watson and Associates, Mississauga, Ont., to complete the RDC policy report at a cost of \$55,000 including all applicable taxes;**

**4. The new schedule of rates in Annex C apply uniformly on a service area basis across the Region.**

CARRIED  
(Recommendations 1 - 4  
were tabled until the  
4 Jun Public Meeting)

(B. Hill dissented on  
Recommendation No. 3)