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DATE 10 June 1999

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

FROM/EXP. Co-ordinator
 1999 Budget Sub-Committee

SUBJECT/OBJET **1999 BUDGET SUB-COMMITTEE MEETING**
 REGIONAL DEVELOPMENT CHARGE REVIEW

The 1999 Budget Sub-Committee met on 20 May 1999 to discuss the Regional Development Charge Policy report.

Attached for the information of the Corporate Services and Economic Development Committee are the draft Minutes from this meeting.

Original signed by
Kim Johnston

Attach. (1)

MINUTES

1999 BUDGET SUB-COMMITTEE

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

COLONEL BY ROOM

20 MAY 1999

9:00 A.M.

PRESENT

Chair: R. van den Ham

Members: R. Chiarelli, H. Kreling, A. Loney, M. McGoldrick-Larsen,
D. Holmes

Regrets: G. Hunter

Prior to the commencement of the meeting, Councillor Holmes put forward the following motion: That the meeting be deferred so that public notification can occur as per all Regional committees of Council.

Speaking to her motion, Councillor Holmes considered it unfair that OCHBA and BOMA were invited to the meeting, while other interested parties and the public at large were not. She felt it appears the Sub-Committee is showing bias. In her opinion the meeting should be deferred until there is proper public notification in the newspapers as per all other Regional committees of Council. She added that Council moved this Sub-Committee would follow the same procedures as all other committees of Council and it was her view the Sub-Committee was not acting in a proper procedural manner.

Chair van den Ham, commenting on Councillor Holmes motion, noted a revised agenda was distributed prior to the start of the meeting, pointing out the Item for presentations by OCHBA, BOMA and the industrial sector had been removed. It was his initial view that presentations from these groups on behalf of the industry would be beneficial in providing the Sub-Committee with information regarding the impact of the proposed rates to that sector. It was not the Chair's intent to override the public process currently in place. He added that it has not been the past practice of this Sub-Committee or the Clerk's Department to advertise ad hoc or sub-committee meetings in the newspapers.

Chair van den Ham indicated the meeting was called to provide internal discussion between the Sub-Committee, other Members of Council and staff, giving an opportunity for everyone to better understand the entire RDC issue.

Responding to Councillor Munter, the Chair indicated there would be no alternate proposal, new staff report or motions brought forward at this meeting, however, as a result of the meeting staff could be asked to prepare something in time for the public meeting.

A lengthy discussion ensued regarding the purpose and format of the meeting. Some Councillors supported holding a meeting on this issue to provide another opportunity for questions and answers and information gathering in an informal manner prior to the public meeting on 15 June 1999. It was pointed out all Members of Council were invited to attend.

Some Councillors spoke in support of Councillor Holmes' motion and felt that all members of the public should have been informed of the meeting if presentations were to be received from OCHBA and BOMA.

Mr. Tim Marc, Solicitor, Legal Department, responding to questions from the Sub-Committee, indicated the key restriction in The Municipal Act with respect to a group of Councillors meeting to discuss an issue under Regional jurisdiction, is that the meeting be open, which it is. He added the public is required to be advised of any alternatives that the Region is considering 14 days in advance of the public meeting.

Councillor Loney suggested deleting Item 8, *Recommendations to Corporate Services and Economic Development Committee*. He felt the meeting was for information gathering not decision making. He moved a motion to that effect.

Chair van den Ham, responding to questions from Councillor Legendre, noted he reviewed the Sub-Committee's Terms of Reference, which are to deal with the budget process and any other issues the Sub-Committee agrees upon in their first meeting. He indicated at the first meeting of the Sub-Committee it was decided that any other financial matters could be considered.

Responding to Councillor Legendre's concern with respect to Item 5, Chair van den Ham explained the OCHBA letter was the only detailed submission from the public and, therefore, review of the staff response would provide further information for Councillors. He suggested changing Item 5 to *Review of Staff Response to Public Consultation*.

Moved by D. Holmes

That the meeting be deferred so that public notification can occur as per all Regional committees of Council

LOST

NAYS: H. Kreling, A. Loney, M. McGoldrick-Larsen and R. van den Ham...4
YEAS: D. Holmes...1

Chair van den Ham suggested amending Councillor Loney's motion to delete *Recommendations* in Item 8 and replace it with "Comments" rather than deleting the entire Item and delete *OCHBA Letter* in Item 5 and replace it with "Public Consultations". Councillor Loney agreed.

Moved by A. Loney

That *Recommendations* in Item 8 be replaced with *Comments* and *OCHBA Letter* in Item 5 be replaced with *Public Consultations*.

CARRIED
(D. Holmes dissented.)

1. Confirmation of the 20 Jan 99 Minutes

That the 1999 Budget Sub-Committee confirm the minutes of 20 January 1999.

CARRIED

2. Introduction

Chair van den Ham welcomed Councillors to the meeting and indicated it was his desire to work with the Sub-Committee, Members of Council, staff and the public in trying to get the best RDC package before Council. He felt this meeting will provide an opportunity to ask questions and gather information without the restrictions in time, etc. of a public meeting.

3. Review of Staff Response to Public Consultations

Dave Atkins, Manager, Special Projects, Planning and Development Approvals Department (PDA) gave an overhead presentation (copy on file with the Regional Clerk) reviewing the comments from the public and staff's response to them. He noted this information was communicated to Members of Council in a memorandum dated 21 April 1999.

Mr. Atkins distributed Development Charge Surveys from C.N. Watson and Associates to the Sub-Committee providing comparison information on development charges for regional municipalities across Ontario (copy on file with the Regional Clerk).

In reviewing the Centretown Exemption area, Councillor Davis inquired as to the proper process to explore the possibility of expanding this area to include areas in her ward. Kent Kirkpatrick, Deputy Treasurer, Finance Department advised Regional Council has the authority to identify an area, if there is to be one, for exemption.

With respect to the Centretown Exemption, Mr. Kirkpatrick clarified there is not currently a Centretown Exemption in the RDC By-law approved by Regional Council. Regional Council decided to cancel the Centretown Exemption and the By-law has been sent for approval by the Minister of Municipal Affairs and Housing, however, he has not responded to the application to approve the amended By-law.

Councillor McGoldrick-Larsen asked if staff had looked into amounts foregone in development charges for this exemption area versus the increase in the annual tax base. Staff will prepare some information.

4. Questions, Answers and Discussion

Responding to Chair Chiarelli, Mr. Atkins indicated the total growth related capital requirements over the 22 year period is 2.2 billion, the non-growth related capital requirements over the same period is 4 billion dollars and over the next 10 years, the total growth related capital requirement is .4 billion dollars and non-growth related over the same period is 1.4 billion dollars.

Mr. Kirkpatrick confirmed for Chair Chiarelli by recommending a subsidized rate for non-residential development, staff are having regard for market forces. In doing this, staff have looked at what other upper tier municipalities are charging for non-residential rates. Staff reviewed the comparison charts previously distributed the Sub-Committee.

Chair Chiarelli questioned what the advantages would be for Ottawa-Carleton to be in the upper end with respect to development charges across Ontario. Mr. Kirkpatrick explained, as discussed in the report and a review of last year's 10-year capital forecast, the Region has a long-term capital funding issue that must be dealt with. Staff were recommending the highest rate they thought was comparable in residential and achievable in non-residential to not worsen the capital funding issue.

Chair Chiarelli believed the Region is using the development industry as a target to maximize capital income and it was his view the major problem in capital funding is the Provincial and Federal levels of government extracting from municipalities large amounts of capital traditionally provided. The Region is now confronted with attempting to maximize monies received from development charges to make up for this shortfall.

He felt there are many disadvantages to being in the upper level in development charges across Ontario such as higher priced houses, negative impact on the development industry, and it may remove affordability for many people in the community. He opined that collectively as a community the Federal and Provincial governments should be targeted and the Region should be looking at what is a competitive rate vis a vis the rest of the Province for the Region's homebuyers and the development industry.

Chair Chiarelli suggested the development industry should form a partnership with the Region to go to the Provincial and Federal Governments to attempt to solve the problem of serious withdrawal of revenue from municipalities, so the Region's requirements can be met. He felt this partnership could be for 24 to 36 months wherein the Region will create a competitive rate for the industry and homebuyer on condition that the industry join with the Region for this period i.e. provide some funds and/or resources. If resolution of the revenue issues are not achieved during this time with the two levels of government then the rates will have to be revisited. Chair Chiarelli indicated approving the rates as recommended does not solve the capital funding problems the Region is facing.

To put things in perspective, Chair Chiarelli noted three years ago the Region's Capital Budget for 10 years was 2 billion dollars of which 700 million dollars were Provincial subsidies. In 1999, the Capital Budget is 1.5 billion dollars of which no money is received from the Province.

Councillor Munter, with respect to Chair Chiarelli's idea on partnering with the development industry, suggested approving the theoretical rate recommended by staff, however, charging a reduced rate during this 24-36 month period. He felt this would provide more of an incentive for the development industry to actively participate in this partnership. Chair Chiarelli did not agree with this approach, however, felt it could form part of the debate at Corporate Services and Economic Development Committee (CSED).

The Councillor, referring to those who develop around the perimeter of Ottawa-Carleton, where taxes and development charges are artificially low as they benefit from Regional services, asked if any progress had been made with respect to extracting some new revenues in those areas. Staff will look into this and get back to Councillor Munter.

Councillor Holmes noted her support of the nine area charge and questioned why staff are recommending the three area charge. Mr. Kirkpatrick indicated in studying the options, staff looked at a number of different criteria i.e. user pay, extent to which the impact the charges might have on the market, etc. He noted there is not much difference between the two area charges inside the greenbelt, however, outside the greenbelt significant differences are seen; approximately 50 to 60% differential in the charge. Staff felt it was more equitable from a market perspective to have a common charge in the suburban growth areas outside the greenbelt. He added staff felt the three area charge does meet one of the principle objectives of the Regional Official Plan (ROP), which was promoting development inside the greenbelt.

Mr. Kirkpatrick further explained the three area charge does differentiate between inside and outside the greenbelt, however, it does not promote one or more suburban growth area over other suburban growth areas to the same extent the nine area charge would.

A discussion ensued regarding the timing or phasing of development in the growth areas of the Region which is outlined in the ROP. Councillor Holmes felt in the three area charge the more expensive lands will be publicly subsidized. Mr. Kirkpatrick clarified these lands will be subsidized by other growth areas in the Region and agreed with Councillor Holmes that these lands are much more costly with respect to the infrastructure the Region needs to provide in those areas.

Councillor Kreling noted his agreement with Chair Chiarelli's partnership idea and felt the Region needs to proceed with what can be done in order to achieve the type of intensification that was anticipated/supported in the ROP. It was his opinion one development charge across the Region can achieve that along with looking at certain densities and areas inside the greenbelt that may need assistance by an exemption or lowering of the charge.

Councillor Legendre, discussing the appropriateness of the various RDC models, agreed with the partnership idea put forward by Chair Chiarelli with respect to overall competitiveness and revenues generated, however, felt it was inappropriate that some buyers would subsidize other buyers in the three area charge model. He agreed with Councillor Holmes and supports the nine area charge regardless of the impact it may have on the marketplace. He indicated attention needs to be paid to the implementation side of the issue i.e. the leverage the Region has to get movement on the ROP.

Councillor McGoldrick-Larsen inquired as to the standards assumed for costs of transportation and other related works. Brendan Reid, Branch Head, Project and Infrastructure Planning Branch, PDA, told the Councillor the estimates of future costs that were used are primarily based on the length of widening existing roads or new roads using a unit price reflective of an average standard.

The Councillor asked staff if they had looked at the previous RDC and compared what the actuals were versus the projected in this regard. Mr. Kirkpatrick indicated staff had not made that comparison but would look into it and respond back to the Councillor.

Referring to Table 1 in the report, Councillor McGoldrick-Larsen noted specific areas have had significant infrastructure works partly funded through development charges collected Region-wide, while other areas have contributed through the RDC's, but not had any infrastructure works. Mr. Kirkpatrick indicated this is one of the reasons staff are recommending the three area charge as this model responds to the inequity that has existed in the spending patterns over the last 10 years as it averages the work in the suburban growth areas.

The Councillor asked staff to look at some type of a credit to areas such as South Nepean to compensate for this inequity. Mr. Kirkpatrick indicated he felt that would be a difficult task, however, staff will look into it.

Councillor McGoldrick-Larsen felt some consideration should be given to having the transportation costs associated Region-wide, while other costs using the three area charge with some consideration for Centretown. Staff had looked at this with respect to what the resulting charges would be. Mr. Kirkpatrick said this is an issue that has also been raised by a number of the public respondents. He noted an area specific methodology is easier to apply for service components such as water and sewer, however, with a network such as the Regional road network it becomes more difficult.

Councillor Davis, reviewing the fact that there is a lower cost to the Region and its taxpayers for development inside the greenbelt, felt there should be more of a proactive approach to promote development inside the greenbelt.

Councillor Loney, referring to Chair Chiarelli's partnership idea, asked how long it would take to redo the process should the partnership fail to resolve the issues with the Federal and Provincial levels of governments. Mr. Kirkpatrick indicated it takes six months to one year to do a background study.

Again on the partnership idea, the Councillor asked if there were any legal restrictions in setting a rate and actually collecting a lesser amount for the two year period. He wondered if the Minister could disallow the Region to return to the higher rate if Council chose to. Mr. Kirkpatrick felt the by-law would need to be very clear indicating something such as a phase-in period where the rates will be less than the theoretical rates. He will check with Legal before the 15 June 1999.

The Councillor, with respect to collecting less than the theoretical rate over a period of two years, questioned the result this would have on the capital plan and without any other sources of revenue coming in, how would that affect the tax rate. He asked staff to prepare some projections for the 15 June 1999 meeting.

Chair Chiarelli discussed and felt there are various options that could be considered with respect to partial or total exemptions within the context of a Region-wide rate. He also put forward the idea of a \$150. - 200. surcharge per unit to go into an intergovernmental relations capital fund used for lobbying the Federal and Provincial government to solve the major funding problems.

In summary, Chair Chiarelli felt the Region should look at revenue from development charges being comparable to other cities in Ontario and make the reduction part of the way towards a Region-wide rate and look at using part of any additional reduction to have either complete or partial exemptions for those areas that make sense, regardless of whether they are inside or outside the suburban or urban areas.

Chair van den Ham felt the staff report does partly speak to this issue in discussing sliding scales i.e. developments close to transit stations, etc. He felt it would be possible to have a very specific policy in terms of creating exemptions or reduced charges for RDC's i.e. apartment buildings over a certain number of units. He noted the current exemption for the downtown area applies to everything.

Chair Chiarelli suggested staff attempt to create hypothetical categories of exemption that may have public policy validity. He opined if looking at a conversion in the downtown core, there should not be any development charge as it is highly desirable to do so and it may impact on the conversion. He further opined for residential, which are not conversion, there could be a 50% rate in the urban area and possibly a 25-50% reduction for development with 75-100 units or social housing for any area in the Region regardless of it being suburban or urban. He felt a menu of these types of possible reductions/exemptions to look at as a Council within the framework of a Region-wide rate that is competitive with the rest of the Province, including a surcharge to create a fund to solve the funding problem would be beneficial.

Mr. Kirkpatrick indicated staff will comment on what is available to Council with respect to exemptions. He explained it is a difficult area as Section 111 of The Municipal Act supersedes Council's authority in the development charges and Council cannot bonus a particular development or class of development over another.

With respect to the surcharge idea, Chair Chiarelli suggested coming up with some formula that could be made relative to development units that the development industry could pay into a dedicated fund and be legally enforceable i.e. lobbying fund to be used to solve the problem in partnership with the industry. Mr. Kirkpatrick indicated it would be at the discretion of the development industry, however, it would be in keeping with the Chair's proposal that the industry agree to partner with the Region; the Region could not require them to pay a surcharge.

Councillor Holmes, referring to a report on the Transportation Committee on other forms of funding, asked if new/other forms of funding are acquired during the term of the RDC By-law, would staff envision any changes. Mr. Kirkpatrick indicated it would be at Council's discretion to review and revise the RDC By-law at any time.

The Councillor, with respect to Chair Chiarelli's idea, felt it was a political direction and did not fully support bringing in a lower development charge and asking the development community to join the Region in lobbying. Her preference is to charge what is really needed to support the Region's capital projects and, if possible, discount it for a short period while the lobbying is being done rather than approving a by-law that bears no relation to the actual funding needs.

Responding to Chair van den Ham, Mr. Kirkpatrick explained the Act allows for recovery of development charges for costs of infrastructure previously completed that provide capacity available to benefit future growth.

With respect to transportation costs, Chair van den Ham felt anytime a road is added or widened, there is some benefit to the existing community. He noted because subsidies are no longer available, which provided funds and reduced the percentage of RDC's charged to growth for transportation, the staff report is attributing 100% transportation costs to growth.

Mr. Reid explained the key word staff based their position on was not about using the road (and who), but the need for the enhanced facility. Staff were of the view the need for new roads or widening existing roads is totally attributable to future growth requiring additional road capacity. He further explained new green modes of transportation, i.e. bicycling, public transit, are increasing road capacity on the existing road network which is absorbed by the growth industry in addition to the need for new and wider roads.

Mr. Reid responded to various specific questions from Chair van den Ham regarding Section 15 of the Development Charge Background Study.

5. Future Capital Funding Requirements

Mr. Kirkpatrick, highlighting from the report, indicated there is 6.4 billion dollars in capital funding required of which 2.2 billion dollars are recoverable through development charges under the Act with the recommended rates bringing that number down to 1.2 billion dollars. He noted this leaves a 5 billion dollar capital funding shortfall to proceed with projects the ROP requires and to keep the Region's infrastructure maintained to an acceptable standard.

In 1996 during the ROP discussion, Mr. Kirkpatrick noted the models showed taxes and user fees would have to, at a minimum, keep pace with inflation to be able to fund the capital identified in the ROP. He said this has not occurred, and Local Services Realignment and its resulting downloading has exacerbated that problem and the Region now faces a funding gap. He added the funding gap can be quantified and measured, however, we will be facing significant increases in taxes and user fees if alternate sources of revenue are not identified and allocated to the Capital Budget. Councillor Holmes asked Mr. Kirkpatrick to quantify this for the 15 June 1999 meeting.

6. Comments to Corporate Services and Economic Committee

Chair van den Ham confirmed the minutes of this meeting will go forward to the CSED Committee for the RDC Public Meeting on 15 June 1999.

There being no further business, the Committee adjourned.

7. Adjournment

The meeting adjourned at 12:30 p.m.

COORDINATOR

CHAIR