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AMENDMENT TO THE 2003 DEVELOPMENT CHARGE BY-LAW

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, November 25, 2004, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. Staff be authorized to hold a statutory Public Meeting, in accordance with the Development Charges Act, 1997 with the intent of amending the 2003 DC By-law.
2. The firms of C.N Watson and Associates and McCarthy Tetrault be retained by the Region at an estimated cost of \$30,000 in order to provide technical analysis and legal direction to support the Development Charge By-law amendment, to be funded from the Capital Studies Development Charge Reserve.

2. PURPOSE

The purpose of the report is to request authorization to hold the necessary public meeting with the intent of amending the 2003 Development Charge (DC) By-law. The Region is currently undertaking a comprehensive review of the water and wastewater Development Charge rates. It is anticipated that an amendment to the DC By-law will be required in order to reflect the increased capital project costs. This report also seeks authorization to retain the firm of C.N. Watson and Associates for technical advice and McCarthy Tetrault as legal consultant.

3. BACKGROUND

On May 22, 2003, Council enacted the Regional Development Charge By-law which was effective June 23, 2003. The current DC By-law is based on a Background Study that was prepared in 2003. The wastewater capital costs used to calculate the development charge rates are based on the York Durham Sewage System Master Plan completed in 2002. The water capital costs are based on preliminary results of the Long Term Water Supply Master Plan at the time the DC By-law was prepared.

4. ANALYSIS AND OPTIONS

4.1 Water and Wastewater Development Charge Rates

The Long Term Water Supply Master Plan and the York Durham Sewage Master Plan were used to determine the provision of water and wastewater infrastructure within the Region. Once the needs for the project have been established the estimated costs are

developed. The cost estimating process is dependent on several factors. For example, the need for acquiring property, approvals required, typical construction costs presently available, timing-estimated time of deliver of the infrastructure and contingencies to name a few. These estimates are then used to form the basis of the current development charge rates.

The DC rates used to prepare the Background Study reflect 2002 estimated costs. These estimates did not contemplate significant increases in construction costs and additional MOE requirements which have occurred since 2002. As a result, an extensive review of DC rates will need to be undertaken. The water and wastewater development charge rates will need to be revised to reflect the cost increases of the required infrastructure. It is anticipated that rates will have to be increased significantly as the cost of recent projects have been awarded at approximately 25% to 40% higher than the estimates included in the DC Background Study, reflecting the impact of the above noted subsequent events.

4.2 Ministry Of Environment Requirements

The Ministry of Environment (MOE) is the responsible agency responsible for overseeing significant aspects of the approvals process for water and wastewater projects. Recent events relating to ongoing environmental conditions with dewatering activities required for the 16th Avenue sewer construction have increased concerns of these types of activities for other Regional projects.

On October 1, 2004, the MOE issued a letter to the Region outlining additional conditions for many of the regional wastewater projects. These conditions relate to ensuring that environmental impacts have been adequately assessed and mitigated for these projects. These requirements will result in additional investigations and increased construction costs.

It is important to note that the majority of the water and wastewater projects that will be undertaken in the near future have been planned for and estimated based on out of date permits/approvals timelines and estimates. A review of the cost estimates for 16th Avenue, Southeast Collector, Bathurst Langstaff Trunk Sewer and other water and wastewater projects are required in order to update DC rates so that the growth related capital costs are borne by the development creating the need. Based on current tendering and awarding of Regional water and wastewater infrastructure projects, it is important to note that these costs have increased approximately 25% to 40% from the original cost estimates used for budgeting purposes.

4.3 Proposed Time Table

In order to amend the By-law in a timely manner to capture the costs of growth from the development creating the need for these costs, and provide time for stakeholder consultation, the following timetable is proposed:

- Begin Stakeholder Consultation – December, 2004
- Notice of Public Meeting – February, 2005
- Background Study Available – February, 2005
- Public Meeting – March, 2005
- Adopt Amendment – March, 2005

4.4 DC Appeals

The Region received four appeals regarding the 2003 DC By-law. To date one appeal has been withdrawn. The Region is continuing to dialogue with the remaining appellants in order to resolve these outstanding appeals. Despite these outstanding appeals, it is imperative that the Region proceed with an amendment to the DC By-law in order to recover the increased water and wastewater costs from development that is creating the need for these projects.

5. FINANCIAL IMPLICATIONS

Table 1 below outlines current DC rates for the single family dwelling and non-residential development.

Table 1
Schedule of Residential and Non-residential Development Charges

	Residential	Non-Residential (per square ft.)	
	<u>Single Family Dwelling</u>	<u>Non-Retail</u>	<u>Retail</u>
Total	\$12,695	\$3.17	\$4.79
Water portion	\$3,441	\$0.56	\$0.82
Wastewater portion	\$3,466	\$0.50	\$0.73

The cost of providing the required regional infrastructure has increased and if the water and wastewater DC rates are not increased, a shortfall in DC funding of growth related projects will result. This places an additional burden on the tax levy and water and wastewater rates to ensure adequate funds are available to support the infrastructure projects.

Development charges are a major source of capital funding for the Region's growth-related capital program, and will be required to finance the capital costs associated with the rapid growth forecasted within the Region. Enactment of the DC By-law amendment helps ensure that the growth-related capital costs are borne by the development creating the need for these works.

Staff retained C.N. Watson and Associates as technical advisors, and McCarthy Tetrault as legal consultants for the 2003 DC By-law review. It is recommended that staff be authorized to retain these firms to provide additional analysis and legal support in the DC By-law amendment process, at a cost not to exceed \$30,000. The costs associated with

the retention of the consultant and legal advisor in the amount of \$30,000 will be funded from the DC reserve for capital studies, and has been provided for in the 2005 Business Plan and Budget.

6. LOCAL MUNICIPAL IMPACT

Development Charges are a significant source of funding for the Region's growth-related capital programs. The completion of these capital infrastructure works facilitates the co-ordinated buildout of proposed developments within the area municipalities.

7. CONCLUSION

Due to the significant increase in costs associated with the recent water and wastewater capital projects, an amendment to the current DC By-law is recommended to ensure growth-related costs are recovered from new development creating the need. It is recommended that staff be authorized to hold a Public Meeting, required under the Development Charges Act, 1997 to enact an amendment to the By-law. It is also recommended that the firms of C.N. Watson and Associates and McCarthy Tetrault be retained to assist in the amendment process.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the December 2, 2004 Committee meeting.)