



City of  
**Peterborough**

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**TO:** Chair and Members of the Planning Committee

**FROM:** Brian Horton,  
Director of Finance & Administrative Services

Malcolm Hunt  
Director, Planning and Development Services

**MEETING DATE:** November 29, 2004

**SUBJECT:** **Report FAFS04-032**  
**Development Charges**

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## **PURPOSE**

A report to present the proposed development charge rate structure and policy to be in effect for the period January 1, 2005 to December 31 2009.

## **RECOMMENDATIONS**

It is recommended that:

a) **Development Charge Rates**

The development charge rates, as shown on Table 1 of report FAFS04-032, that a reflect a one year phase-in for the residential rates, be adopted.

b) **Development Charge By laws**

- i) A development charge by-law to impose a City-wide uniform development charge, as set out in the Hemson Study as amended through this report FAFS04-032, with a five-year term covering January 1, 2005 to December 31, 2009 be adopted.
- ii) Separate by-laws to impose Area Specific Development Charges for each of the eight specific planning areas, as set out in the Hemson Study as amended through this report FAFS04-032, be passed with a five-year term covering January 1, 2005 to December 31, 2009 be adopted.
- iii) The by-laws be passed at a special Council meeting to be held December 6, 2004.

c) **Amendments to the Study**

For the purpose of complying with the *Development Charges Act, 1997*, Council adopt the Development Charge Background Study (Appended to Report FAFS04-032 as Appendix F prepared by Hemson Consulting Ltd, dated October 2004, as amended, and including the development-related capital program contained in the study, but with the following specific amendments:

- i) Change Appendix C Table 1 and 2 (City Wide Engineering – Uniform Recovery) to delete the \$3.6 million **Airport Road - Spillsbury Drive to the Southern City Limit Project** - that appears as line 20. ✓
- ii) Change Appendix C, Table 1 and 2 (City Wide Engineering – Uniform Recovery) Item 4a) **Armour Road Realignment** to read as "new 2 lane urban arterial" with a Road cost of \$2,000,000 plus \$400,000 Engineering and Construction and show a growth share \$1,584,000 and non-growth share \$816,000. ✓
- iii) Change Appendix D, Table 1 and 2 (Jackson Growth Area); Item 4) **Weller Street Sewer** to show a revised cost of \$755,330 plus \$151,066 engineering and construction cost for a total cost of \$906,396.
- iv) Change Appendix D, Table 1 and 2 (Jackson Growth Area) ; Item 5) The **Parkway Trunk** to show a revised cost of \$880,000 plus \$176,000 engineering and construction cost for a total cost of \$1,056,000. ✓
- v) Change Appendix D, Table 5 and 6 (Lily Lake Growth Area) to add new Item 6 - **Weller St. Sewer** - and show a cost of \$1,304,670 plus \$260,934 Engineering and Construction for a total cost of \$1,565,604.

- vi) Change Appendix D, Table 5 and 6 (Lily Lake Growth Area) to add new Item 7. **The Parkway Trunk** and show a cost of \$1,520,000 plus \$304,000 Engineering and Construction for a Total Cost of \$1,824,000.
- d) **Transitional issues**
- i) The Area Specific charge and City-Wide Uniform charge for any lots of record as of December 31, 2005 be calculated and paid at the time of building permit issue (subject to the deferral to occupancy policy).
  - ii) For lots created after December 31, 2005, the Area Specific charge be calculated and paid at the time of subdivision approval, and the City-wide charge be calculated and paid at the time of building permit issue (subject to the deferral to occupancy policy).
  - iii) The current development charge rates as set out in by-law 04-156 apply until December 31, 2004 where the following conditions are met:
    - 1 The lot is capable of being developed (the correct zoning is in place, site plan approval if applicable has been obtained, the lot is on a serviced street, the subdivision has all the necessary servicing connections, etc)
    - 2. The complete application for building permit with all fees paid, plans supplied and information complete is filed no later than noon, December 24, 2004.
    - 3. The current development charge is paid in full prior to December 31, 2004.
  - iv) Where the conditions set out in recommendation d (iii) have been met, the current development charge rates as set out in by-law 04-156 will apply, even if the City issues the building permit after December 31, 2004.
  - v) In accordance with the approved schedule of fees for the Building Division, where a building permit has been issued and construction has not commenced within a period of 6 months from the date of issue, the permit will be cancelled, 50% of the permit fee will be refunded, and the development charge in connection with any new permit will be calculated and paid as of the time of permit issue.
  - vi) Where a permit has been issued prior to December 31, 2004, and the recipient has elected to defer payment of the development charge until occupancy, and occupancy occurs after December 31, 2004, the

development charge will be calculated and paid as of the date of occupancy.

e) **Exemptions**

- i) In addition to the legislated requirement under the *Development Charges Act 1997* to exempt 50% of any industrial growth from development charges, Council resolve to continue to exempt all industrial growth from development charges and resolve to finance the foregone development charge revenue from other sources.
- ii) Council discontinue its current policy of exempting the first 465 square meters (5,000 square feet) of building floor area of a commercial development so that no commercial exemptions from Development Charges apply.
- iii) Development Charges be waived within the Commercial Core Sub-Area and the Waterfront Commercial Sub-Area of the Central Area as depicted on Schedule J of the Official Plan, to recognize the City's policy commitment to the enhancement of the Downtown.
- iv) Development Charges be waived in all other Sub-Areas of the Central Area, as depicted on Schedule J of the Official Plan, for redevelopment occurring within existing buildings, to recognize the value of heritage properties and the City's policy commitment to the enhancement of the Downtown.

f) **Deferral to occupancy policy**

Subject to a satisfactory agreement being signed with the Peterborough and District Home Builders Association (PDHBA), as permitted under section 27 of the *Development Charges Act 1997*, the current practice of deferring calculation and payment of applicable "Residential A" development charges until occupancy for any member of the PDHBA continue, subject to periodic review.

g) **Indexing of Development Charges**

The development charges shall be adjusted by the City Treasurer without amendment to the by-laws annually on January 1st in each year, commencing January 1, 2006, in accordance with the most recent annual change in the Statistics Canada Quarterly, Construction Price Statistics.

## **BUDGET AND FINANCIAL IMPLICATIONS**

If the proposed development charge rates are adopted, and all of the growth assumptions outlined in the Hemson Study occur, and before considering the proposed one-year phase in for the residential Planning Area Charges and the 100% industrial exemption, the development charge rates are expected to raise \$1.9 million annual revenues from residential development and \$0.4 million from non-residential development. Over the five year term of the by-law \$11.5 million would be raised.

The proposed 100% industrial exemption will result in an estimated \$66,600 annual revenue loss that must be financed from other sources to ensure the growth-related capital program as set out in the Hemson Study can proceed.

By adopting the development-related capital program contained in the study, as amended. Council is committing to fund \$34.4 million of the growth related capital program related to General Services from sources other than development charges over the next ten years. In addition the City Wide Engineering Capital Program calls for a \$43.7 million portion to be funded from sources other than development charges over the planning horizon.

The proposal to continue the "deferral to occupancy" practice would result in lost interest revenue that would otherwise be credited to the DC reserve funds. Actual lost revenue depends on the area and the length of time from permit issue date to occupancy, but assuming a \$7,013 city-wide uniform charge, a 2.5% interest rate and an average four month deferral period, lost interest per charge would amount to \$58 per permit once the full charge comes into effect January 1, 2006.

The proposed residential phase in program is expected to cost the City about \$0.5 million during the year 2005.

The costs of the proposal to exempt certain portions of the Commercial core from all development charges is not possible to estimate although staff believe it will be relatively insignificant in the overall picture. It likely can be argued that the proposal will generate development in the core that would not otherwise happen and was not contemplated in the Hemson Study.

## **BACKGROUND**

### **Format of this report**

Hemson Consulting Ltd. has produced an excellent Development Charges Background Study (The Study) that summarizes the need for development charges and the technical requirements of producing the background study. A full copy of that Study is appended to this report FAFS04-032 as Appendix F. In addition, a very informative, summarized overview of the study was presented by Hemson during the November 8th public meeting.

Accordingly this report does not attempt to duplicate the material contained in the Study or provided in the overview, but focuses on specific recommendations that need to be adopted to implement proposed changes to the Study since it was released October 15th. Some of the proposed recommendations stem directly from input received at the November 8 public meeting and through ongoing dialogue with the Peterborough and District Home Builders Association (PDHBA) while others set out various policy issues not addressed in the Study but which will be reflected in the final development charge by-laws.

Specifically, the balance of this report will cover the following topics:

- Part 1 - Proposed Development Charge Rates
- Part 2 - Council Reference
- Part 3 - Response to Public Meeting Submissions
- Part 4 – Supporting Rationale for Recommendations
- Part 5 - Summary

## **Part 1 Proposed Development Charge Rates**

If all the recommendations set out in this report are adopted, the Development Charge rates shown on Table 1 will come into effect on January 1, 2005. The residential rates incorporate a one-year phase in program whereby the Planning Area Charges to be effective January 1, 2005 will be lower than the maximum calculated charge and then will move to the maximum calculated charge, after indexing, as of January 1, 2006.

Table 1 also reflects eight distinct Planning Areas each of which attracts a distinct Planning Area Charge plus a City-Wide Uniform Charge. Table 2 is a map that shows the geographic location of each Planning Area.

**TABLE 1 TO REPORT FAFS04-032  
PROPOSED DEVELOPMENT CHARGES**

**Residential**

Rates as of January 1, 2005

Planning Area		Residential Charge Per Unit								
		Residential A - Singles & Semi			Residential B - Other Multiples			Residential C - Apartments		
		Planning Area Charge	City-Wide Uniform Charge	Total Charge	Planning Area Charge	City-Wide Uniform Charge	Total Charge	Planning Area Charge	City-Wide Uniform Charge	Total Charge
C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11
1.	Jackson	\$791	\$7,013	\$7,804	\$662	\$6,046	\$6,728	\$464	\$4,112	\$4,576
2.	Carnegie	\$667	\$7,013	\$7,680	\$575	\$6,046	\$6,621	\$391	\$4,112	\$4,503
3.	Lily Lake	\$1,246	\$7,013	\$8,261	\$1,076	\$6,046	\$7,122	\$732	\$4,112	\$4,844
4.	Chemong	\$2,111	\$7,013	\$9,124	\$1,630	\$6,046	\$7,666	\$1,237	\$4,112	\$5,349
5.	Auburn	\$2,846	\$7,013	\$9,859	\$2,453	\$6,046	\$8,499	\$1,668	\$4,112	\$5,780
6.	Littlock	\$1,780	\$7,013	\$8,793	\$1,534	\$6,046	\$7,580	\$1,043	\$4,112	\$5,155
7.	Coldspring	\$667	\$7,013	\$7,670	\$567	\$6,046	\$6,613	\$385	\$4,112	\$4,497
8.	City-Wide Dev Area	\$772	\$7,013	\$7,785	\$666	\$6,046	\$6,712	\$453	\$4,112	\$4,565
Rates in effect December 31, 2004				\$5,567			\$4,090			\$3,130
Average		\$1,359	\$7,013	\$8,372	\$1,172	\$6,046	\$7,218	\$797	\$4,112	\$4,909

Rates as of January 1, 2006

Planning Area		Residential Charge Per Unit								
		Residential A - Singles & Semi			Residential B - Other Multiples			Residential C - Apartments		
		Planning Area Charge	City-Wide Uniform Charge	Total Charge	Planning Area Charge	City-Wide Uniform Charge	Total Charge	Planning Area Charge	City-Wide Uniform Charge	Total Charge
C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11
1.	Jackson	\$3,335	\$7,013	\$10,348	\$2,875	\$6,046	\$8,921	\$1,955	\$4,112	\$6,067
2.	Carnegie	\$2,977	\$7,013	\$9,990	\$2,049	\$6,046	\$8,095	\$1,393	\$4,112	\$5,505
3.	Lily Lake	\$5,711	\$7,013	\$10,724	\$3,198	\$6,046	\$9,244	\$2,175	\$4,112	\$6,287
4.	Chemong	\$3,690	\$7,013	\$10,703	\$3,354	\$6,046	\$9,400	\$2,281	\$4,112	\$6,393
5.	Auburn	\$2,846	\$7,013	\$9,859	\$2,453	\$6,046	\$8,499	\$1,668	\$4,112	\$5,780
6.	Littlock	\$6,305	\$7,013	\$13,318	\$5,435	\$6,046	\$11,481	\$3,696	\$4,112	\$7,808
7.	Coldspring	\$962	\$7,013	\$7,975	\$829	\$6,046	\$6,875	\$564	\$4,112	\$4,676
8.	City-Wide Dev Area	\$772	\$7,013	\$7,785	\$666	\$6,046	\$6,712	\$453	\$4,112	\$4,565
Rates in effect December 31, 2004				\$5,567			\$4,090			\$3,130
Average		\$3,025	\$7,013	\$10,038	\$2,608	\$6,046	\$8,654	\$1,773	\$4,112	\$5,865

**Non-Residential Development Charges**

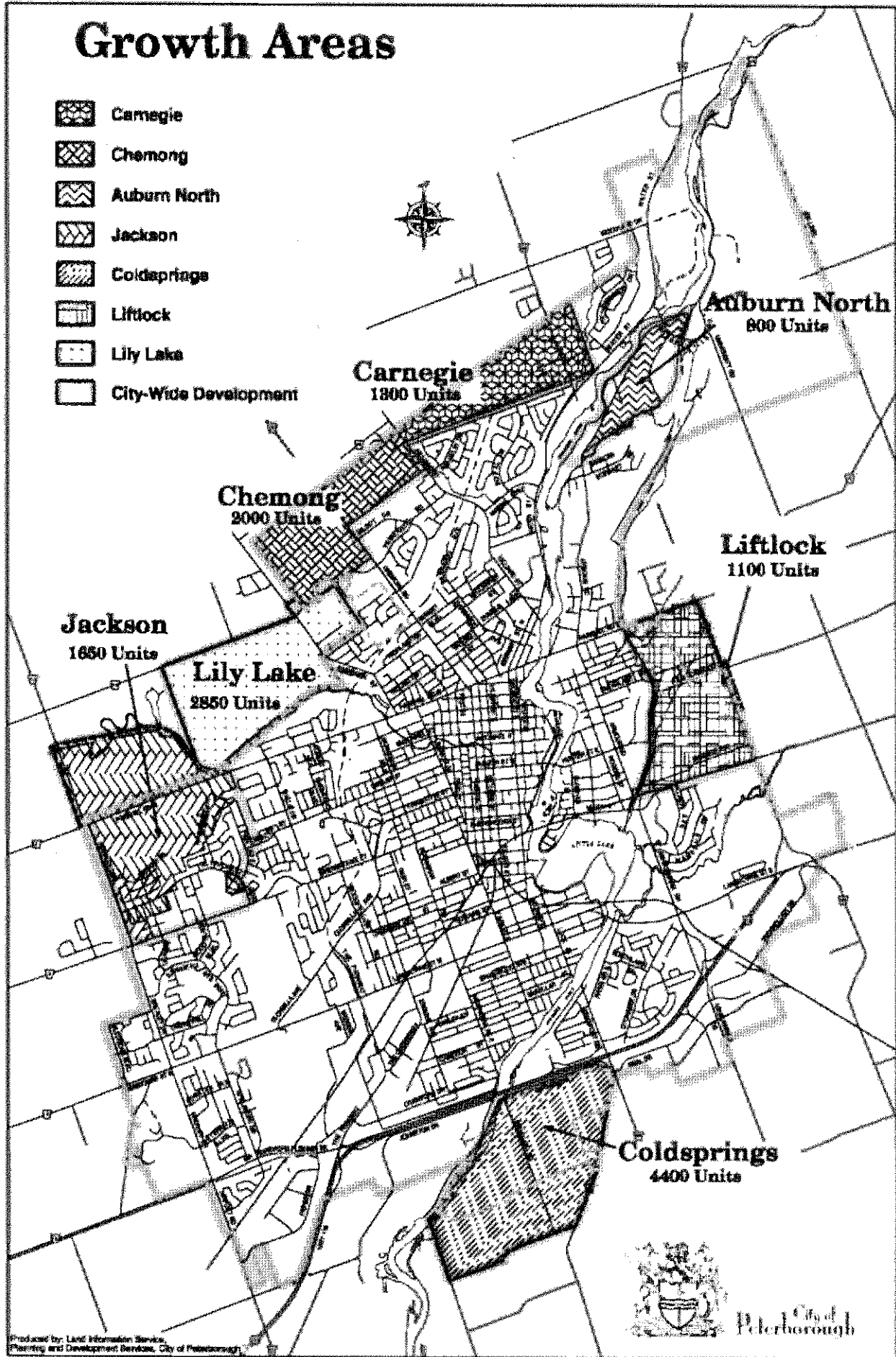
All Areas of The City	Proposed Calculated Non-Residential Charge (\$/sq.m)	Existing Non-Residential Charge (\$/sq.m)	\$ Change	% Change
General Services	\$11.49			
Roads & Related	\$22.30			
Sanitary Sewage Treatment & Related	\$5.30			
<b>Total City-Wide Uniform Charge</b>	<b>\$39.17</b>	<b>\$14.48</b>	<b>\$24.69</b>	<b>170.5%</b>

Notes

- 1 Residential rates shown for January 1, 2006 will be subject to indexing that will occur January 1, 2006
- 2 Industrial development would be 100% exempt from the proposed Non-residential development charge



Table 2: Map of Growth Areas



## **Part 2 - Council Reference**

The Council reference section of this report provides a brief overview of events covering the period February 16, 2004 to November 24, 2005.

### **RFP issue and award and PDHBA involvement**

On February 16, 2004, based on recommendations set out Report FAFS04-004, Council awarded Request for Proposals Document P24-03, which was a proposal seeking a consultant to conduct A Development Charge Study and Long Range Capital Infrastructure Needs and Financing Plan Study, to Hemson Consulting Ltd for a total price including GST of \$50,000.

Report FAFS04-004 also proposed that the PDHBA be invited to nominate a representative to be on the Development Charge Study Steering Committee, and Mr. Paul Lumsden and Mr. Paul Deitrich were ultimately nominated. Both have played a significant and valued role in the process to date.

### **Time table revised, interim by-law passed**

The Hemson timetable allowed for the preparation of a mandatory detailed Development Charge Study to be completed and a new Development Charge by-law to be in place by August 31, 2004 that coincided with the end of the term of the existing by-law.

By mid July 2004 it had become apparent due to workload and staffing issues within Financial Services Division, the original timetable could not be met. At its meeting held July 12, 2004, based on recommendations outlined in staff Report FAFS04-016, Council agreed it would adopt an interim development charge by-law at its August 16, 2004 meeting that would hold the current rates for the four-month period September 1, 2004 to December 31, 2004 based on an interim development charge study to be completed. Council also resolved that on November 22, 2004 it would adopt a development charge by-law covering the five-year period January 1, 2005 to December 31, 2009 based on a full development charge study to be completed. Report FAFS04-016 noted that the extra time taken to complete the full final study would allow more consultation with the PDHBA.

At its meeting held August 16, 2004, based on recommendations outlined in Report FAFS04-022 Council, received an Interim Development Charge Background Study for the City of Peterborough prepared by Hemson Consulting Ltd. dated July, 2004 which confirmed the existing development charge rates and exemptions would continue to December 31, 2004, and passed an interim development charge by-law 04-156.

### **Significant consultation undertaken and final study released**

Over the period August 16, 2004 through to October 15, 2004, staff, Hemson and representatives of the PDHBA refined the capital programs outlined in the Interim Study and on October 15, 2004, the final Development Charge Background Study (Appended to Report FAFS04-032 as Appendix F) was released.

In keeping with requirements of the *Development Charges Act, 1997* a notice of Public meeting to be held November 8, 2004 was advertised in the Peterborough Examiner on October 12, 2004.

### **Ongoing consultation after final study released**

After release of the final study, the PDHBA submitted written correspondence related to the study dated October 25, October 29 and November 2 to which City staff responded via a letter dated November 4, 2004. Members of Council were emailed copied of the City's November 4<sup>th</sup>'s response.

### **Public meeting response**

The public meeting was held November 8, 2004 and two people made presentations.

The first was Jeannette Gillezeau of Clayton Research representing the PDHBA. A copy of her presentation is attached to this Report FAS04-032 as Appendix A.

The second presenter was Paul Dietrich, also representing the PDHBA. A copy of his presentation is also attached to this Report FAS04-032 as Appendix B.

In addition to the people who spoke at the public meeting, Mr. Murray Davenport sent a letter dated November 4, 2004 to the City on behalf of Roger and William White that is attached to this Report FAS04-032 as Appendix C,

Jay Amer, General Manager, and Bill Lockington, Chair, of the Greater Peterborough Area Economic Development Corporation (GPAEDC), also sent a letter on behalf of the GPAEDC that is attached to this Report FAS04-032 as Appendix D.

### **November 23, 2004 meeting held with PDHBA**

On November 23, 2004 staff met with Mr. Deitrich and Mr. Lumsden of the PDHBA and reviewed each issue that was noted in the Gillezeau and Dietrich presentations submitted at the November 8 public meeting. Mr. Deitrich and Mr. Lumsden subsequently attended a PDHBA meeting later the evening of November 23, 2004, and sent a follow up up email to City staff appended to this report FAFS045-032 as Appendix E.

### **Part 3 - Response to Public Meeting Submissions**

The Response to Public Meeting Submissions section of this report provides Council with staff's response to the verbal and written submissions submitted as part of the November 8, 2004 public meeting and follow up submissions. In some cases staff have proposed amendments be made to the Study through a specific recommendation(s) outlined in the recommendation section of this report, and in other cases have proposed no changes.

#### **PDHBA November 8 submissions (Gillezeau and Deitrich refer to Appendix A and B of this report FAFS04-032) and November 24 follow up email (Refer to Appendix E of this report FAFS04-032)**

##### Issue # 1 - Armour Road Realignment and Nassua Mills Road Bridge project

PDHBA suggested the Armour Road Realignment and Nassua Mills Road project identified on Appendix C Table 1 and 2, pages 105 and 106 of the Hemson Study (Appended to this report FAFS04-032 as Appendix F) should be distributed over the population base of 100,000 as opposed to 90,000 used in the Hemson Study.

##### Staff response

The Nassua Mills Road Bridge project has been moved from the "long term" as identified in the Transportation Plan to "immediate term" as the result of a more recent Environmental Assessment that has been completed showing the work will be required to proceed sooner as the result of more detailed growth forecasting in the north end of the City, including growth associated with the DNA project at Trent. Consequently using the 90,000 population base is an appropriate and therefore no change is made to the Study.

The study shows the Armour Road project as a \$4.2 million upgrade to a four lane urban arterial. As a result of the discussion with the PDHBA on November 23, staff agreed it would be more appropriate to show the project as a 2 lane urban arterial at a total cost of \$2.4 million. Recommendation c (ii) proposes to amend the study by showing the Armour Road Realignment to read as "new 2 lane urban arterial" with a Road cost of \$2,000,000 plus \$400,000 Engineering and Construction and show a growth share \$1,584,000 and non-growth share \$816,000.

### Issue # 2 Wellness Centre Residential Non residential Split

Page 62 of the Background Study, shows the Residential share of the Wellness Centre will be 100% with the Non-Residential share to be 0%. The Homebuilder's Association suggests that the Non-residential share be 35% in keeping with other shared components of the Charge as there will be considerable use of this facility by businesses in the immediate area. The builders also note in their follow up email dated November 24, 2004 they feel there should be surtax for non City residents.

#### Staff response

The 100% allocation of indoor recreation services is consistent with the City's previous development charges study and is an integral part of how the City will pay its share of the Centre's cost. The 100% figure reflects the fact that the vast majority of users of the new facility will be residents of the City of Peterborough.

The 100% residential allocation is also consistent with many other municipalities in the Province. Some municipalities allocate a minor share of recreation growth-related cost to non-residential development of 5% but rarely more than 10%. A non-residential allocation of 35% would be extraordinary.

In addition, less than 20% of the cost of the facility is to be funded from residential development charges. The City is receiving a \$4.7 million contribution from Fleming College, which is an "institution" or a non-residential land use. Non-residential land uses in the City are making a contribution to the Wellness Centre.

No change to the study is proposed.

### Issued # 3 Land Acquisition costs for widening Brealey Drive

Page 106 of the Background Study shows the land Acquisition costs for widening Brealey Drive will be paid for 100% by Development Charges, yet only 33% of the costs are growth related. The Homebuilders suggest Brealey Drive may in the future serve as an alternative roadway network for The Parkway and the Homebuilders suggested that only 33% of Land Acquisition costs be paid for by Development Charges.

#### Staff response

The Brealey Drive project and The Parkway project were both identified in the Transportation Plan and therefore the Brealey Drive upgrade is not an alternative to the Parkway. Staff's position consistently throughout the development charge study process has been that land acquisition cost would not be needed if it were not for growth impacts, and all land costs, therefore, should be 100% attributable to growth.

No change is proposed to the Study

Issue # 4 The Jackson Growth Area be divided into 2 distinct growth areas, Jackson south and Jackson north.

The PDHBA suggest the Jackson growth area be divided into 2 distinct growth areas, Jackson south and Jackson north. Jackson south referring to those developments and lands where signed subdivision agreements are already in place, draft plans finalized, and any improvements to existing infrastructure has already commenced and/or been paid for (eg. Sanitary infrastructure).

Staff response

Staff are vigorously opposed to splitting the area into two as suggested. Developers commenced development in the south area, knowing full well some of the required infrastructure upgrades they were required to pay for were temporary in nature and permanent solutions would be required that would be paid for through development charges. Reports to Council and written letters to some of the developers made that perfectly clear. Splitting the area now would result in an unfair burden on developers wishing to develop the north area.

During the November 23 discussions with the PDHBA, it did become apparent that some of the infrastructure work assigned 100% to the Jackson Growth Area should more properly be shared with the Lily Lake Growth Area.

Accordingly, recommendations C (iii) through C (vi) reprinted below are proposed to change the allocation and have reduced the Jackson Creek Charge significantly while increasing the Lily Lake charges:

- iii) Change Appendix D, Table 1 and 2 (Jackson Growth Area); Item 4) Weller Street Sewer to show a revised cost of \$755,330 plus \$151,066 engineering and construction cost for a total cost of \$906,396.
- iv) Change Appendix D, Table 1 and 2 (Jackson Growth Area) ; Item 5) The Parkway Trunk to show a revised cost of \$880,000 plus \$176,000 engineering and construction cost for a total cost of \$1,056,000.
- v) Change Appendix D, Table 5 and 6 (Lily Lake Growth Area) to add new Item 6 - Weller St. Sewer - and show a cost of \$1,304,670 plus \$260,934 Engineering and Construction for a total cost of \$1,565,604.
- vi) Change Appendix D, Table 5 and 6 (Lily Lake Growth Area) to add new Item 7. The Parkway Trunk and show a cost of \$1,520,000 plus \$304,000 Engineering and Construction for a Total Cost of \$1,824,000.

Issue # 5 Waste Treatment Plant project

The PDHBA wanted a clearer understanding of the \$10.0 million being allocated to new growth in regards to the Wastewater Treatment Facility.

Staff response

The \$20.0 million total costs, included in the Development Charge Study on page 107 and 108, is consistent with the City's Capital Budget for 2004 and appeared in the capital budget document as project 5-8.04. The Development Charge is showing 50% (\$10.0 M) as growth related. Staff feel it could be easily argued that a full 100% of the costs could be considered growth related, as the project would not be required at all if no additional growth occurred.

The 2004 Capital Budget documents included these comments about the project:

"Primary treatment tank and lagoon storage expansion will increase WWTP capacity from the current 60,000 M3 /day to 68,000 M3 /day, average daily flow. A Septage Receiving Facility will also be incorporated into this next expansion phase allowing the WWTP to effectively receive septage from the county.

Plant capacity increase due to this expansion will be necessary to secure enough capacity for future city growth. When flows to the WWTP are within 10% of the design plant capacity new expansion must be initiated, if not new developments will not be approved by the MOE."

The Director of Utility Services plans to bring forward a report to the December 6, 2004 Committee of the Whole meeting prepared by R.V. Anderson that provides an update on this project and the need for it to be advanced to 2005. Staff have provided an executive summary of that report to the PDHBA.

No change is proposed to the Study.

### Issue # 6 Phasing in

Due to the almost doubling of the proposed Development Charge, the developers have asked in their November 8 submission that the increase be phased-in over a three year period to allow their members and homebuyer's to adapt to the new rates. In their November 24 follow up email they note even a 12 month phase in would help ....

*"The significant increase is too much for the industry to immediately pass on to the new homebuyer. We have already begun to see a decrease in sales velocity compared to same periods of last year, this will translate in to fewer starts for the industry, and with mortgage rates increasing combined with a substantial increase in the DC, this will further compound the slowing effect, It is very possible that as we move into the Spring 2005 market we will see a recessionary period in the housing industry with further job losses. The membership is very concerned that this increase will have a very dramatic effect on housing starts, it is being strongly suggested that there be a phase in of the new charge possibly over the next 12 months. This is a technique that is common to the industry, for example material prices that will be spiking up, are implemented in a manner where only some of the increase is immediate with a phasing in period over 9-12 months. A phase in may also eliminate the rush at the end of the year for bulk building permit applications that would also skew the revenue stream that is anticipated by the City"*

### Staff response

The City is facing a capital budget financial crisis as evidenced by the \$22.3 million capital financing shortfall identified in report FAFS04-031 the 2005 Budget guideline report. Development charges are an important piece of the City's capital financing policy.

A phase-in program of any sort or duration ultimately impacts on the amount of cash raised to pay for the required capital works. This means the works cannot proceed as quickly as would otherwise be the case or the development charge reserve funds could become overdrawn. This is especially so in some of the Growth areas where a relatively few projects are identified but where some projects must proceed on a timely basis for growth to proceed.

It could also be argued that there already has been a phase in of sort given the fact the rates have been held at the existing rates for the 4 month period from September to December of 2004.

Notwithstanding all of the above, in an effort which demonstrates a willingness to compromise by achieving the maximum calculated rates within one year, staff are proposing to phase in the area specific residential rates whereby the Planning Area Charges to be effective January 1, 2005 will be lower than the maximum calculated



charge as shown on Table 1 and then will move to the maximum calculated charge , after indexing, as of January 1, 2006.

The planning area specific charges to be in effect for the period January 1, 2005 to December 31 2005 are derived rates that have been calculated by temporarily removing all sanitary sewer works from the each growth area calculation.

Staff have contended all along, any phasing in means there will be less DC revenues collected than would otherwise be collected without a phase in, and that is definitely still the case. Staff estimate that the Jackson and Carnegie planning areas are the only areas where significant permits will be issued during 2005 and further estimate 250 permits might be issued during 2005 at the reduced area specific rates. Assuming an average \$2,100 difference between the maximum area charges and the phased amounts, the City might expect to lose \$0.5 million (250 X \$2,100) if the phase in program as proposed is adopted. Actual impacts would depend on the number of permits issued during 2005.

Although the revenue loss is significant, such a phase in program would help mitigate the proposed significant increases in the residential development rates and gives the industry some time to adjust to the maximum rate structure. It may also help secure ultimate buy-in from the builders.

#### Issue # 7 Deferral to occupancy

The Builders argue the status quo regarding deferral of development charge payment should continue with the development charge payable at time of occupancy.

#### Staff response

Although the deferral to occupancy has been an added administrative burden, and there is a definite lost revenue component, staff are proposing to continue the deferral to occupancy under a more firm policy as set out in recommendation (f) that reads as follows:

*“Subject to a satisfactory agreement being signed with the Peterborough and District Home Builders Association (PDHBA), as permitted under section 27 of the Development Charges Act 1997, the current practice of deferring calculation and payment of applicable “Residential A” development charges until occupancy for any member of the PDHBA continue, subject to periodic review”*

The deferral would apply only to the portion of the development charge payable at the permit issue stage..

As noted in the budget and financial implication section of this report, there is a lost revenue of adopting this recommendation that amount to approximately \$58 per permit when the maximum rates come into effect.

Issue # 8 - Subdivision's registered prior to December 31, 2004 should be exempt from the Area Specific Charge

The PDHBA argue any and all subdivision's that have been registered or will be registered prior to December 31, 2004 should be exempt from the Area Specific Charge, as the intent and support of the Area Specific Charge that was provided to The City of Peterborough by the Homebuilder's Association.

Staff Response

The calculations for the area specific charges have been based on the fact that all lots, even those that have been registered prior to December 31 2004, would be subject to both the area specific and city-wide charges under the new by-law. There are approximately 1,700 unbuilt lots or units represented in registered plans, and if it is assumed an average \$1,359 area specific charge would apply, under the proposed relief \$2.3 million in DC revenue would be lost.

In addition, if the City adopted one uniform City wide rate, including all of the area-specific charges, and abandoned the planning area specific rate, everyone would be paying the higher City-wide rate at the time of building permit issue and PDHBA objection would not be an issue.

Recommendations d (i) and (ii) clarify how the transitional issue will be addressed and state:

- i) *The Area Specific charge and City-Wide Uniform charge for any lots of record as of Dec 31 2005 be calculated and paid at the time of building permit issue (subject to the deferral to occupancy policy)*
- ii) *For lots created after December 31, 2005, the Area Specific charge be calculated and paid at the time of subdivision approval, and the City-wide charge be calculated and paid at the building permit stage (subject to the deferral to occupancy policy).*

The date is December 31, 2005, and not December 31, 2004, to make it clear that under the proposed phased in program any lots created by the end of 2005 but for which a permit has not been issued in 2005, must pay the full Area Specific charge and City-Wide Uniform charge in effect at the permit issue date.

Issue # 9 Excess capacity

The Gillezeau submission questions how the study handles excess police, indoor recreation and parking services as required under the Development Charges Act.

Staff Response

This issue gets fairly technical and we rely on the advice of our consultant who responds as follows:

*“The analysis of the historical inventory data has shown that the current (2003) service level is higher than the 10-year historical service level for each of the three services identified. We have reviewed the calculated excess capacity and determined that it is uncommitted for each of these services and have not included the cost of this capacity in the 2004 development charge calculation. The City has expressed intent to construct additional growth-related facilities in each of these three service areas as identified in the capital program contained in Appendix B of the Development Charges Background Study that begins on page 33. Consistent with the Development Charges Act, the share of the growth-related capital programs being recovered for under the development charge calculation does not exceed the ten-year historical service levels for each of the particular services”.*

No change to the Study is proposed.

Issue # 10 Population in Units

The Gillezeau submission questions how Hemson calculates the population per units figures used in the study.

Staff response

This once again gets in to the more technical side of the calculations, and we rely on the advice of our consultant who responds as follows::

*“The data shown on Table A.3 (p. 26) of the Development Charges Background Study illustrates that the average household size for units constructed over the period 1991-2001 was 2.57. This overall value is consistent with the average new unit ppu figure of 2.58 used in the background study for the 10-year planning horizon services (or “soft” services).*

*The 2.9 factor used for the Residential A type units is consistent with the 2.93 ppu identified on Table A.3 for new constructed (1991-01) single detached units (2.93) and semi-detached units (2.57) for weighted for number of units. The Residential C, or high density development, ppu for newly constructed units was*

set at 1.7 based on the newly constructed (1991-01) apartments unit value of 1.71 as shown on Table A.3

The ppu for Residential B type units was set at 2.5 based on the overall data for medium density units shown on Table A.3. It is recognized that Table A.3 displays a lower figure for the newly constructed "row" units, a ppu of 2.1, however this figure was adjusted to reflected the higher value for overall group (2.53 for the total and 2.65 for the pre 1991 units) and a recognition that the Peterborough Residential B classification captures low density grouping that the Statistics Canada definition of "rows".

The development charge services being recovered on a longer timeframe, "hard" services, of 20+ years, are based on a lower ppu for new units of 2.55 recognizing the overall declining household size in Peterborough.

In addition, it is anticipated that new developments will have a large share of higher density development than the City has experienced in the past and that infill development in the central area of the City will be of a higher density. Both of these factors will contribute towards new development being more dense and providing a broader range of Residential B and Residential C units."

No change to the study is proposed

#### Issue # 11 Cash flow projections

The Gillezeau submission questions the fact the cash flow projections generally end in a positive balance of at least \$12,000 and should be zero. She estimates that might have a \$40- per unit impact.

#### Staff response

This once again gets in to the more technical side of the calculations, and we rely on the advice of our consultant who responds as follows:

*"The positive balances in at the end of the individual service cash flow analysis are minor in the context of the growth-related capital programs being funded. For almost all services the balance at the end of the planning period, 2013, represents less than 5% of the total allocated growth-related capital program for each specific service, and for many services the value is less than 2.5%. In addition, most of the cash flows show a negative annual balance in all but the final year of the analysis. Allowing for the minor positive balances in the final year of the analysis is well within normal contingency considerations.*

*Furthermore, in the past the City of Peterborough has provided for most residential development charges at the time of occupancy of newly constructed units as compared to the normal practice, as set by the Development Charges*

*Act, of the early point of build permit issuance. The cash flows contained in the Development Charge Background Study are based on collection at building permit issuance rather than occupancy of the newly constructed unit which is often 3-6 months latter."*

No change is proposed to the Study.

**Response to Davenport letter dated November 4, 2004 (Refer to Appendix C attached to this report FAFS04-032)**

Issue # 12 - Lots in existence December 31, 2004 should not be exempt from Planning Area Charges

The Davenport letter points out it would be unfair to allow lots in existence December 31, 2004 within Plan of Subdivisions to not pay the planning specific charges.

Staff response

Staff agree and as noted above, recommendations d (i) and (ii) clarify how the transitional issue will be addressed and state:

- i) The Area Specific charge and City-Wide Uniform charge for any lots of record as of Dec 31 2005 be calculated and paid at the time of building permit issue (subject to the deferral to occupancy policy).*
- ii) For lots created after December 31, 2005, the Area Specific charge be calculated and paid at the time of subdivision approval, and the City-wide charge be calculated and paid at the building permit stage (subject to the deferral to occupancy policy).*

**Response to GPAEDC letter dated November 5, 2004 (Refer to Appendix D attached to this report FAFS04-032)**

Issue #13 Impact of the \$39.17 on Industrial development

The GPAEDC representatives raise concerns about the impact the proposed \$39.17 per square metre non-residential charge would have on industrial growth.

Staff response

Through recommendation e (i) printed below staff are proposing a 100% exemption for industrial development.

*In addition to the legislated requirement under the Development Charges Act 1997 to exempt 50% of any industrial growth from development charges, Council resolve to continue to exempt all industrial growth from development charges and resolve to finance the foregone development charge revenue from other sources.*

## Part 4 – Supporting Rationale for Recommendations

Part 4 of this report provides rationale for some of the recommendations that have not been specifically addressed in previous parts of the report in some manner beginning with a restatement of the recommendation followed by a brief rationale.

### Recommendation (b) Development Charge By laws

- i) A development charge by-law to impose a City wide uniform development charge, as set out in the Hemson Study as amended through this report FAFS04-032, be passed with a five-year term covering January 1, 2005 to December 31, 2009.
- ii) Separate by-laws to impose Area Specific Development Charges for each of the eight specific planning areas, as set out in the Hemson Study as amended through this report FAFS04-032, be passed with a five-year term covering January 1, 2005 to December 31, 2009.
- iii) The by-laws be passed at a special Council meeting to be held December 6, 2004

### Rationale

Gillezeau suggested the City should consider separate by-laws for each planning area as part of her verbal presentation during the November 8 public meeting. Hemson and City staff see some merit to the approach, as it would be easier for the City to update the capital program and rates for a particular area if required during the term of the by-law. The approach would also limit any appeals to a specific area as opposed to the entire City.

It is proposed that the by-law be passed at a Special Council meeting to be held December 6, 2004 to provide a one week leeway in the event, for whatever reason, Council felt one more week was needed and the by-law could be passed on the December 13, 2004 regularly scheduled meeting which is the last meeting of the year.

Prelude to Recommendation (c) Amendments to the Study

For the purpose of complying with the *Development Charges Act, 1997*, Council adopt the Development Charge Background Study (Appended to Report FAFS04-032 as Appendix F) prepared by Hemson Consulting Ltd, dated October 2004, as amended, and including the development-related capital program contained in the study, but with the following specific amendments.....

Rationale

The specific amendments set out in Recommendation C have been discussed previously, but the phrase...."and including the development-related capital program contained in the study" is an important phrase. Council is committing to proceed with the identified work and to provide the required funding.

Recommendation d (iii) (iv) (v)(vi) Transitional issues

- iii) The current development charge rates as set out in by-law 04-156 apply until December 31, 2004 where the following conditions are met:
  - 1 The lot is capable of being developed (the correct zoning is in place, site plan approval if applicable has been obtained, the lot is on a serviced street, the subdivision has all the necessary servicing connections, etc)
  - 2. The complete application for building permit with all fees paid, plans supplied and information complete is filed no later than noon, December 24, 2004.
  - 3. The current development charge is paid in full prior to December 31, 2004.
- iv) Were the conditions set out in recommendation d(iii) have been met, the current development charge rates as set out in by-law 04-156 will apply, even if the City issues the building permit after December 31, 2004.
- v) In accordance with the approved schedule of fees for the Building Division, where a building permit has been issued and construction has not commenced within a period of 6 months from the date of issue, the permit will be cancelled, 50% of the permit fee will be refunded, and the development charge in connection with any new permit will be calculated and paid as of the time of permit issue.
- vi) Where a permit has been issued prior to December 31, 2004, and the recipient has elected to defer payment of the development charge until occupancy, and



occupancy occurs after December 31, 2004, the development charge will be calculated and paid as of the date occupancy.

### Rationale

Recommendations (iii) and (iv) sets out the conditions and time frames during which builders can pay the current rates as the end of December 2004 approaches.

Recommendation (v) makes it clear that builders should not pay for a permit in December of 2004 simply to take advantage of the lower current rates if it will not be possible for them to start construction within 6 months.

Recommendation (vi) makes it clear the if a builder opts to defer until occupancy, they must pay the going development charge rate at the time of occupancy even if it has increased substantially from the rate in effect at the permit issue date.

### Recommendation e (i) Industrial Exemption

- i) In addition to the legislated requirement under the *Development Charge Act 1997* to exempt 50% of any industrial growth from development charges, Council resolve to continue to exempt all industrial growth from development charges and resolves to finance the foregone development charge revenue from other sources.

### Rationale

Staff recommended a complete exemption for industrial development based on the following reasons:

- (a) industrial firms are footloose, their markets are often province-wide or even larger, and they could choose to locate anywhere in Ontario
- (b) development charges represent a higher proportion of development costs for industrial uses compared to most commercial developments
- (c) industrial developments have large multiplier effects, as firms choose to locate in close proximity to their suppliers and customers, and the incomes paid to industrial employees are re-circulated in the local economy
- (d) industrial jobs are high value-added and are relatively well paid "good jobs".
- (e) industrial developments generally generate net fiscal benefits for the City

- (f) City staff agree with points raised by the GPAEDC when they write:

“To address the proposed charges specifically, at \$40.00 per square metre, this will be approximately \$4.45 per square foot. Industrial buildings built within the past 10 years in Peterborough are currently renting for \$4.25 - \$5.00 per square foot per year. When faced with a development charge equal to the first full year's rental income from a building to be built, this will certainly discourage developers of industrial properties from building for custom tenants who will generally only guarantee the first five years of a lease. Equally important, this will virtually eliminate any prospect of "spec" industrial buildings being erected. One of the great disadvantages of our industrial attraction policy is the fact we have no inventory of existing industrial buildings and prospective clients are often discouraged by the anticipated waiting time for space to become available”

Recommendation e (ii) Discontinue Commercial Exemption

- ii) Council discontinue its current policy of exempting the first 465 square meters (5,000 square feet) of building floor area of a commercial development so that no commercial exemptions from Development Charges apply.

Rationale

In 1999 the commercial exemption the first 5,000 square feet of commercial development was seen as a way of not discouraging small business owners from expanding or building new. As there was no way of limiting the exemptions to small business operators, all commercial developers no matter how large benefited from the exemption. The 465 sq m (5,000 square feet) equates to \$18,214 development charge based on the proposed \$39.17 non-residential charge. Staff believe most of the benefits have gone to larger commercial expansions and the exemption should not continue.

Recommendations e (iii) & (iv) Central Area

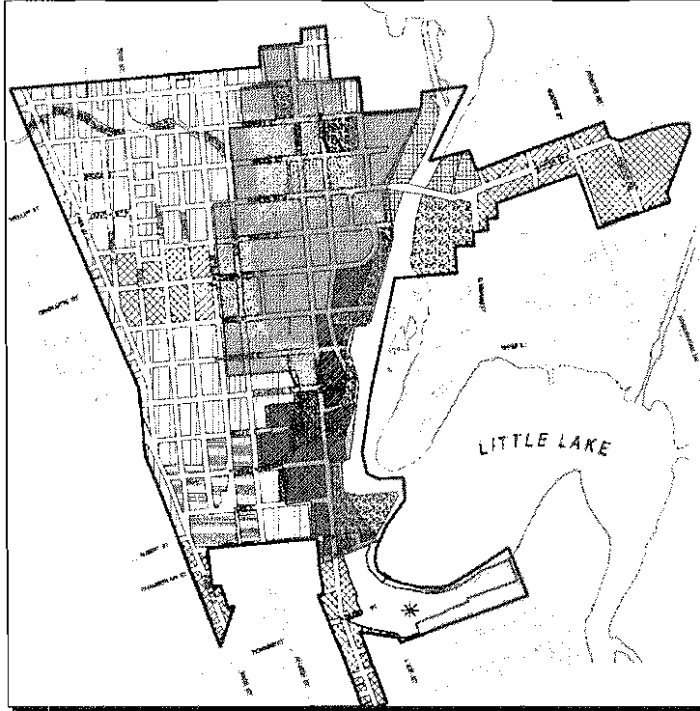
- iii) Development Charges be waived within the Commercial Core Sub-Area and the Waterfront Commercial Sub-Area of the Central Area as depicted on Schedule J of the Official Plan, to recognize the City's policy commitment to the enhancement of the Downtown.
- iv) Development Charges be waived in all other Sub-Areas of the Central Area, as depicted on Schedule J of the Official Plan, for redevelopment

occurring within existing buildings, to recognize the value of heritage properties and the City's policy commitment to the enhancement of the Downtown.

### Rationale

The exemptions in the core area are proposed for a number of reasons.

**Table 3**  
**Map of Central Area**



The Central Area is Peterborough's traditional centre. It is the historic heart of the community. This area accommodates the largest and most diverse concentration of central place functions in the City. It is the policy of the City to maintain and enhance the breadth, depth and continued viability of Downtown Peterborough.

The development and redevelopment of property within the Central Area, the intensification of land use and the maximization of existing infrastructure not only represents solid planning policy but it is also important to the ongoing health and vitality of the downtown.

Development charges can present a real financial penalty to the realization of private investment in the Central Area. In a location where new investment returns broad community benefits, the payment of substantial development charges becomes counter-productive to municipal planning policy.

The current development charge structure has provided some relief for downtown development. Where a property is zoned for a range of uses no development charge has been payable for any renovated floor space, even if the new use would have otherwise attracted a higher charge. The city has always provided a credit against the new charge to reflect the existing use of existing floor space.

The resulting cost of the proposal to exempt certain portions of the Commercial core from all development charges is not possible to estimate although staff believe it will be relatively insignificant in the overall picture. It likely can be argued that the proposal will generate development in the core that would not otherwise happen and was not contemplated in the Hemson Study

Recommendation (g) Indexing of Development Charges

- f) The development charges shall be adjusted by the City Treasurer without amendment to the by-laws annually on January 1st in each year, commencing January 1, 2006, in accordance with the most recent annual change in the Statistics Canada Quarterly, Construction Price Statistics.

Rationale

Indexing is allowed under the Act and ensures the development charge rates as calculated are adjusted by an inflation factor on the assumption that the capital cost identified in the study will also be increasing due to inflationary impacts.

It is important to note that the rates shown in Table 1 to become effective January 1, 2006 will be indexed by this factor.

## **Part 5 - Summary**

Development Charge revenues are a key component of the City's Infrastructure Financing Policy and when fully implemented will contribute an estimated \$2.3 million per year to help build growth related capital works.

The City's current development charge by-law will expire December 31, 2004. A new by-law must be approved by then, if Council wishes to continue to use development charge revenues as a source of funding for growth-related capital expenditures.

Following a lengthy consultation period with the PDHBA, that began back in March of 2004, and after responding to specific issues raised at the November 8 public meeting, and in subsequent follow up meetings, staff are recommending a proposed development charge structure which we believe has the support of most stakeholders including all City departments.

The fundamental principal behind development charges is that the costs of growth-related infrastructure should be primarily borne by the beneficiaries of such infrastructure. Existing taxpayers should not be required to pay for a substantial portion of the costs of growth-related infrastructure.

However, this principal must be balanced against the City's other urban planning and long-term economic development objectives. It is in the interests of all of the City's residents, both new and existing, that the policies adopted by Council contribute towards the City's long-term growth, quality of life and prosperity.

Finally, the proposed by-law must also achieve, and be seen to achieve, a basic fairness to all of the potential stakeholders. Staff believe that the policies set out within the Hemson Study, and further refined through this report, will result in Development Charge By-laws that will achieve this fairness through a balancing of the City's fiscal and other public policy objectives.

All of which is respectfully submitted

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### **Appendixes**

**Appendix A** Jeannette Gillezeau of Clayton Research representing the PDHBA at the November 8, 2004 Public Meeting.

**Appendix B** Paul Dietrich, representing the PDHBA presentation at the November 8, 2004 Public Meeting.

**Appendix C**, Mr. Murray Davenport written letter dated November 4, 2004 to the City on behalf of Roger and William White

**Appendix D** Jay Amer, General Manager, and Bill Lockington, Chair, of the Greater Peterborough Area Economic Development Corporation mailed letter on behalf of the GPAEDC

**Appendix E** November 24, 2004 follow up email from Paul Dietrich, representing the PDHBA)

**Appendix F** Development Charge Background Study prepared by Hemson Consulting Ltd, dated October 2004