

Development Charges Steering Committee

MINUTES

Date: April 22, 2022
Time: 2:00 pm
Location: Virtual Meeting

Members: Councillor Robertson, Chair
Mayor Burton
Councillor Elgar
Councillor O'Meara

Regrets: Councillor Parmar

Staff: J. Clohecyc, Chief Administrative Officer
N. Sully, Commissioner of Corporate Services and Treasurer (In person)
C. Bell, Commissioner of Community Services
N. Garbe, Commissioner of Community Development
D. Carr, Town Solicitor (In person)
J. van der Heiden, Deputy Treasurer and Director of Finance (In person)
D. Huctwith, Assistant Town Solicitor
M. Day, Manager of Development Financing and Investments (In person)
K. Patrick, Manager of Council and Committee Services
G. Abma, Senior Planner
J. Marcovecchio, Council and Committee Coordinator (In person)

Also Present: Councillors Adams, Gittings, Grant, Haslett-Theall, and Knoll
Gary Scandlan, Managing Partner, Watson & Associates Economists Ltd.
Byron Tan, Senior Project Coordinator, Watson & Associates Economists Ltd.

A virtual meeting of the Development Charges Steering Committee was held on April 22, 2022, via videoconference, in the Council Chamber of the Oakville Municipal Building, commencing at 2:00 p.m.

1. Regrets

As noted above.

2. Confirmation of Minutes of Previous Meeting(s)

There were no minutes for approval.

3. Discussion Item(s)

3.1 Election of Committee Chair

Mayor Burton called for nominations for the position of Chair of the Development Charges Steering Committee. Councillor O'Meara nominated Councillor Robertson for the position of Chair. Councillor Robertson accepted the nomination.

There being no further nominations put forth, the nominations were closed on a motion by Councillor Elgar.

Moved by Councillor O'Meara

That Councillor Robertson be appointed Chair of the Development Charges Steering Committee.

CARRIED

Mayor Burton transferred the Chair to Councillor Robertson.

3.2 Presentation on 2022 Development Charges Background Study and Community Benefits Charge Strategy

Matt Day, Manager of Development Financing & Investments, advised that the Development Charges (DC) 2022 Background Study and Community Benefits Charges (CBC) Strategy are being finalized. Mr. Day asked for

the committee's comments and feedback on the projects that were kicked off concurrently in October 2021.

Matt Day provided opening remarks advising that a DC study is required in order to pass a new DC by-law, and the current by-law expires at the start of 2023. Mr. Day advised that the DC by-law is the reason for the study, noting the 2031 time horizon, which is similar to the previous study, master plans, and capital forecast. Mr. Day explained that the project costing and timing are the focus as part of the technical update to ensure that the rates collected are what is needed to provide the growth related land and infrastructure over the next ten years. Mr. Day further advised that there will likely be a DC update before the normal five year cycle once the new master plans that extend beyond 2031 have been completed.

Matt Day provided additional opening remarks advising that the CBC Strategy is the new Section 37 of the *Planning Act* or bonusing. Mr. Day advised that the province has made some adjustments to the way of using this revenue tool, which is more similar to DCs. Mr. Day explained that a DC study is required to pass a DC by-law and to collect the charge, and a CBC strategy is required to pass a CBC by-law and collect revenue thru Section 37, which is a good tool and opportunity for the town to recover growth related costs that it previously has not been able to collect for things that are not eligible for development charges.

Matt Day introduced Gary Scandlan, Managing Partner and lead consultant on the projects, Watson & Associates Economists Ltd., retained by the town to complete the 2022 DC Background Study and CBC Strategy.

Gary Scandlan presented the Development Charges and 2022 Background Study, and Community Benefits Charges as provided in the PowerPoint presentation. Mr. Scandlan provided an overview of the work completed to date and details related to the proposed development charges and community benefits charges. Mr. Scandlan further provided an overview regarding the new legislation related to the Community Benefit Charges (Bill 197), which will revise how Section 37 of the *Planning Act* will be implemented. Mr. Scandlan advised that the current DC By-law expires February 2023, and this study is intended to be an interim DC By-law based on the town's 2031 growth forecast. Mr. Scandlan outlined the development charges study process and timelines, and passing a new DC By-law on July 12, 2022 (August 9, 2022 alternate date).

Gary Scandlan advised of next steps, including finalizing the capital cost to be included in the community benefits charge, releasing the Community Benefits Charges Strategy, undertaking public consultation, and passing the new DC and CBC By-laws.

The committee provided the following comments for consideration:

- benefit to existing calculation as it relates to under depreciated asset values (road depreciation), and the loss of money is a concern;
- determining the land value prior to a building permit is a concern;
- increases in project costs for roads (more regional) from recent years compared to the new values coming in and development charges; and
- consider the costs of financing development through instalment arrangements, negotiating or increasing DC interest rates, any acceptable form of securities, and covering our costs.

Questions arose regarding how the value of the land is determined for building permits. The consultant advised that it is calculated based on the value of the land (market value) the day before the building permit under the DC Act. The consultant is working with staff on the mechanics of determining the value of land. The consultant noted the public processes of other municipalities with developers in Guelph preparing the values to be submitted for staff consideration, and Hamilton is looking to do their own valuations with their Realty Division. The consultant further advised that whoever establishes the values, the other party gets to take a look at it, and if they're not in agreement then a second appraisal (or third party valuation) would be prepared as the deciding value.

Questions arose regarding how much would need to be spent on town capital projects in order to collect the potential \$11.8 million community benefits charges revenue based on the draft calculations. The consultant advised that a range was provided for the allocation of town projects, and the total required spending would depend on the type of capital projects that the community benefit charge would apply to.

Questions arose regarding how we will define what a community benefit is from a development charges perspective. As we shift to infill and density over sprawl, it becomes more difficult to equate how much of a new community centre needs to be upgraded to deal with the amount of new population in infill. How are we going to tackle this impending wave of infill and intensification rather than greenfield, geography focused development

in terms of what is new build and what is community benefit, and what does the legislation say in terms of how we can appropriately prescribe where things need to go and what those will look like.

The consultant advised that there are only 20 development charges services that can be collected for and some are regional, which limits the number of services that can be charged for development charges, everything else is eligible to be included thru the community benefits charge, and the two charges are very different in terms of what services can be recovered. When looking at development charges as they relate to infill versus greenfield, the consultant gave an example of a new arena, and that the concern would be less about where the new population is located, but that because there are more people, there will be a need for more hours for programming and space. The consultant indicated that the changing nature of built form in the community is a challenge, and that the updated Parks, Recreation and Library Facilities Master Plan will provide innovation on how those services will be addressed.

Questions arose regarding whether the upgrades to existing infrastructure, and the costs of rehabilitating existing rather than building new, would be eligible for development charges. The consultant advised that replacing what's there is more asset management, and if reconstructing or rehabilitating in order to expand capacity of a facility then a portion of it could be eligible (convert library storage space to program space, and the cost associated with renewing the space would be included in the development charge was provided as an example). The consultant further advised that it's on a project by project and item by item approach which they will look at.

Questions arose regarding long term financing for certain charges, charging interest, and what kind of securities could be imposed. The consultant advised that there is no guidance on security under the Act, and that the municipality can implement it's own measures, indicating that most municipalities are having agreements signed for commitment to payments. It was noted that for rental housing or institutional development the payment doesn't start until occupancy, and it's made in six payments starting on the date of occupancy and thereafter on the anniversary, and for non-profit housing it's 21 payments with a payment made each year. The consultant advised that there is the ability to set the interest rate to be charged, most municipalities are adopting the DC indexing charge, some municipalities are imposing 5.0% to 5.5% after looking at the cost of financing and debenturing, and one municipality is charging 10%.

Questions arose regarding securing a form of letter of credit or bond from developers that could be drawn upon should the developer not fulfill payment obligations. The consultant advised that the obligation lies with the land, it can be collected in a manner like taxes, late payment agreements are allowed, and allowing some developers to pay and if they don't there is still the ability to recoup from the land.

Questions ensued regarding conveying land to a third party and penalizing the new landowner at that time should the developer not fulfill its obligations. The consultant advised that a lot of municipalities are taking an extra step and looking at agreements to be signed for clear communication, and that contractors and owners are aware of their obligations.

Questions arose regarding the benefits to existing for development charge projects, particularly the cost of road improvements (widening), and undepreciated value of the existing road. The consultant advised that there is generally a 15% deduction for non-growth component, recognizing that there is some benefit to the road surface to be renewed and possibly reconstructing the whole base. The consultant indicated that this is to be discussed further, and will be looked at when reviewing the transportation masterplans and projects that have been constructed (widening and complete reconstruction of an existing road, 66% cost rehabilitation of existing roads and only getting 15% benefit to existing was provided as an example).

Questions ensued regarding the value of land. The consultant reiterated that it's market value under the legislation, and that the town appraiser (Robson) has mapped out land values in areas of the town which are similar and can be used as a guide for looking at different developments, as well as indexes to update values, such as CMHC. The consultant indicated that some municipalities have appraisal reports prepared at the beginning of every year. The *Planning Act* says that if there is a 5% variance between appraisal values no adjustment would be made, only if it exceeds that level is it eligible for being contested.

Questions ensued regarding community benefits charges, land values per acre, and areas of high density development in town. The consultant advised that the actual charge is the percentage, and up to 4% it's capped and in order to get the maximum it has to be justified (4% of \$28,310,000 Downtown and \$5,750,000 North Oakville were provided as examples).

Questions ensued regarding development charge rates for planning applications. The consultant advised that development charge rates are frozen as of the date a completed application is submitted subject to interest. The consultant further advised that the applicant has two years from Council approval of an application to get going with construction and building permits, and if not the frozen rate is gone.

Questions ensued regarding the details of what makes up the numbers and dollars. The consultant advised that work is in progress, and that a draft list is being completed to identify works which fall into those categories. The consultant further advised that it's almost like a development charges list with a number of different projects and calculations, and that information will be provided as part of the background study (strategy).

Questions ensued regarding increases in project costs for roads in recent years and development charges. The consultant advised that they are working with staff to update the costs as best possible, monitoring tender prices (cost of asphalt) and payments, and reasonable estimate increases. The consultant noted that the \$60 million Wyecroft Road project was removed is sizeable and drops down the development charge pretty good, and some other adjustments still growth related mostly post period were made.

Questions arose regarding collecting charges for municipal parking. The consultant advised that up until the changes were made charges for municipal parking could be collected as it was an eligible service, it's only the new changes that have come out thru Bill 197, and are not allowed to collect for this after September 18, 2022. The consultant further advised that municipal parking was financed with debt that has not been fully repaid, under the legislation it cannot be collected, and now that nondevelopment charge eligible it can be moved over on the list to community benefit charge to help finance the \$1.4 million deficit.

Questions arose regarding development charges on seasonal patios. The consultant advised that the town policy on patios as part of COVID-19 recovery recognized seasonal use, which are unique and that the development charge is not imposed on the temporary structure.

Matt Day provided clarification on the town's development charges interest rate policy. Mr. Day advised that two developments have been eligible for longer payments, agreements are entered into at building permit, there is the ability to put it on the tax roll and collect in a manner like taxes, and

the full charge is due at that time if an installment payment is missed. Mr. Day further advised that there will be more information on installment agreements and revenue as part of the annual report that staff are working on for May 2022. Mr. Day indicated that for the development charge interest rate policy, it's the 3.2% prime lending rate of the financial institution, capturing the cost of borrowing, and a cash flow of approximately \$2 million currently we don't have because of the new legislation. Mr. Day explained the town's process for the value of land in terms of cash in lieu of parkland, and looking at providing administrative efficiencies with a similar process, and having land appraisals done with a time period of around six months and reflect the value the day before building permit. Staff are looking at interest rates and inflation.

Moved by Councillor O'Meara

That the presentation from Gary Scandlan, Managing Partner, Watson & Associates Economists Ltd., regarding the Town's Development Charges Background Study and Community Benefits Charge Strategy, be received.

CARRIED

4. Information Item(s)

There were no information items.

5. Date and Time of Next Meeting

No additional meetings were scheduled at this time.

6. Adjournment

The Chair adjourned the meeting at 3:21 p.m.