

Memo

To: Members of Council

From: Matt Day – Manager, Development Financing & Investments
Jonathan van der Heiden – Deputy Treasurer and Director of Finance
Nancy Sully – Commissioner, Corporate Services and Treasurer

Date: July 4, 2022

Subject: Cost of Growth for the Town of Oakville

At the Council meeting of June 20, 2022, the Development Charges (DCs) public meeting was held to present the 2022 DC Background Study and proposed DC By-law. DCs are the main source of funding for the growth-related land and infrastructure required to maintain service levels as the town grows. The intent of the DC By-law and collection of DCs is to pay for infrastructure while minimizing the financial impact on the existing taxpayer.

At the public meeting, questions arose regarding the cost of exemptions as required under the *Development Charges Act, 1997* (DCA), as well as the overall cost of growth to the existing taxpayer. Within the DCA, there are a number of rules that limit the amount that the town can collect towards growth-related infrastructure. These can be summarized in three main categories: limitation on eligible services, limitation based on service standards, and exemptions. The following sections provide detail on these “costs of growth”, with a detailed summary of the 2022-2031 cost of growth in Table 1.

Limitation on Eligible Services

The DCA prescribes the services that are eligible for the collection of DCs towards growth-related capital costs. There are some services that have growth-related capital costs; however, are ineligible for DCs. These capital costs are considered a cost of growth, as the town must fund these requirements through other financing sources. As a result of recent legislative changes to the DCA, municipal parking is now an ineligible service. There have also been legislative changes to the *Planning Act* that allow the town to pass a Community Benefits Charge (CBC) By-law to collect for the growth-related costs for services that are ineligible for DCs. There are limitations for the CBC as well, as the town can only collect to the extent the capital costs benefit high density development, and to a maximum charge of 4% of the land value per site. The total cost of ineligible services has been included based on the draft CBC Strategy, and only

includes the growth-related share of capital projects (no costs considered a benefit to existing). After considering the amount that will be collected utilizing the CBC, the cost that must come from other sources is \$105.4 million from 2022-2031. The CBC Strategy will be discussed at the August 9th meeting of Council.

Limitation based on Service Standards

The DCA requires that the future collection of DCs is limited to the previous ten-year service standard that has been provided for each service. For Transit, a forward-looking calculation is required. Due to these requirements Fire Protection, Library, and Transit services are unable to fully collect for the growth-related capital costs that will be incurred in the 2022-2031 timeframe to accommodate growth. A total of \$17.5 million is recognized as a benefit beyond 2031, and as they are deemed growth-related capital costs, they will be collected for in a future DC by-law.

Exemptions

The DCA includes mandatory exemptions for certain types of development, and the town also has discretionary exemptions. The town must fund (or pay) the DCs that would have been payable from exempt developments. This is a cost of growth, as the funding comes from the capital reserve and is applied towards growth-related capital projects in place of DCs.

The following table summarizes the cost of growth to the Town of Oakville over the 2022-2031 as a result of legislative restrictions.

Table 1: 2022-2031 Cost of Growth

Town of Oakville - Cost of Growth	<u>2022-2031</u>	<u>Annualized</u>
Limitation on Eligible Services¹		
Civic Administration	\$ 8,777,235	\$ 877,724
Cultural Services	13,360,471	1,336,047
Growth Studies	727,500	72,750
Municipal Parking ²	82,485,889	8,248,589
Subtotal	\$ 105,351,095	\$ 10,535,110
Limitation based on Service Standards³		
Fire Protection Services	\$ 1,276,100	\$ 127,610
Library Services	12,492,900	1,249,290
Transit Services	3,710,600	371,060
Subtotal	\$ 17,479,600	\$ 1,747,960
Exemptions⁴		
Mandatory Exemptions;		
Secondary Units	\$ 4,872,960	\$ 487,296
Board of Education development	10,754,533	1,075,453
Crown/Region development	2,634,271	263,427
Town development	3,165,706	316,571
Industrial Expansion	5,264,375	526,438
Discretionary Exemptions;		
Places of Worship	117,773	11,777
Temporary Structures	-	-
subtotal	\$ 26,809,619	\$ 2,680,962
Total Cost of Growth	\$ 149,640,314	\$ 14,964,031

1) Based on the draft 2022 Community Benefits Charge (CBC) Strategy. A portion of these costs are considered a post-period benefit, which could have partial funding from development as part of a future CBC By-law.

2) Municipal Parking is a self-supported program, with funding for Parking related projects supported by revenues generated by Parking, and not tax levy sources.

3) The limitation based on service standards is deemed a post period benefit that will be collected for in a future DC By-law.

4) Secondary Units are based on the 2022-2031 residential growth forecast. Other exemptions are based on the 2017-2021 five-year average.