

City of Cornwall

2017 Development Charges Background Study

Development Industry Consultation

July 26, 2017

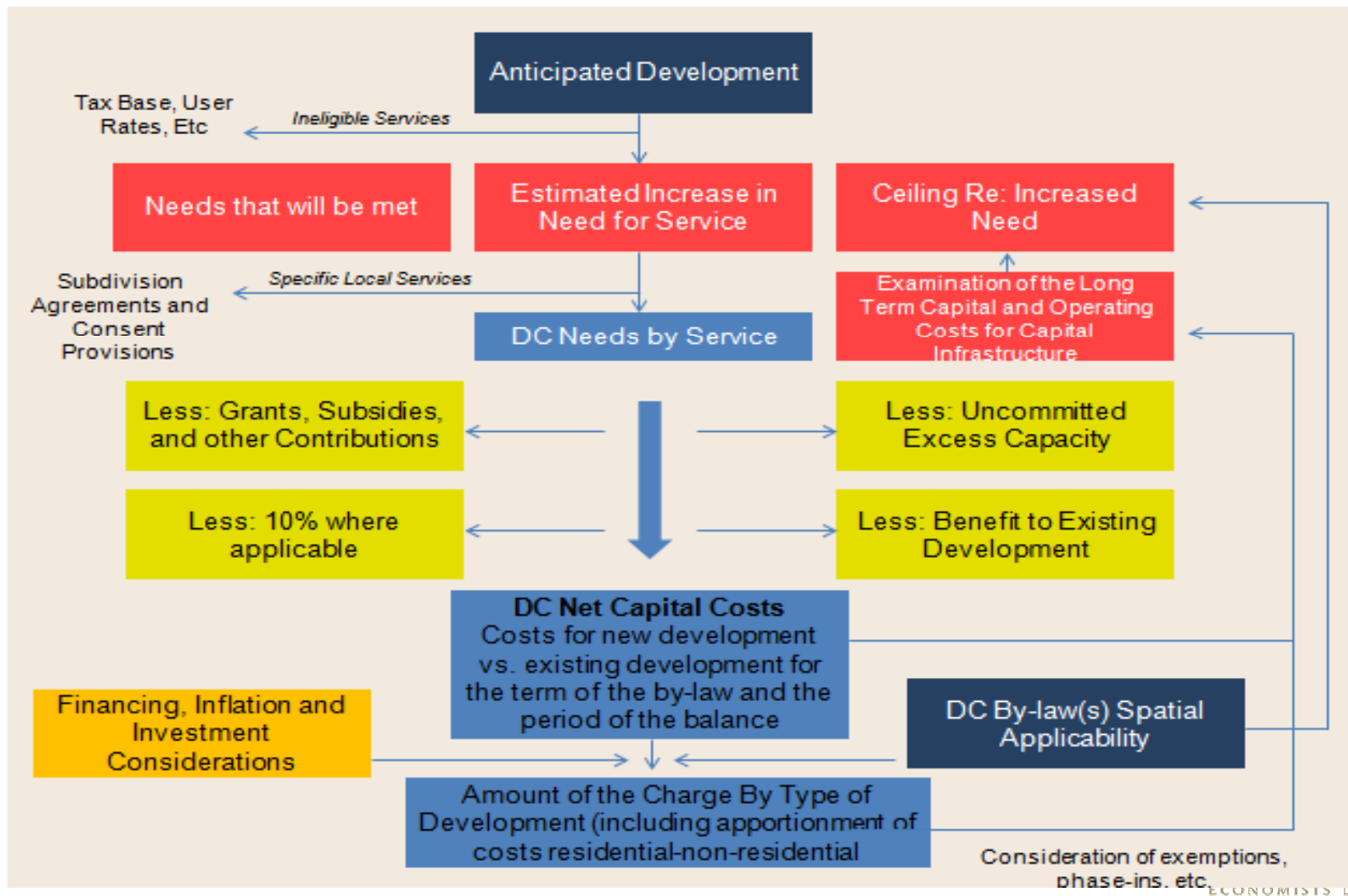
Development Charges

- Purpose of Development Charges (D.C.) is to recover the capital costs associated with residential and non-residential growth within the municipality
- The capital costs are in addition to what costs would normally be included as part of a subdivision (i.e. internal roads, watermains, roads, sidewalks, streetlights, etc.)
- Municipalities are empowered to impose these charges via the *Development Charges Act* (D.C.A.)

Study Process

- ❑ Growth forecast and detailed discussions with staff regarding future needs to service growth
- ❑ Council presentation
- ❑ Development Industry Consultation
- ❑ Draft recommendations and development industry feedback to Council
- ❑ Release of D.C. Background Study
- ❑ Statutory D.C. Public Meeting
- ❑ Council to consider D.C. By-Law for adoption

Development Charges Methodology



D.C. Growth Forecast (cont'd)

Time Horizon	Residential		Non-Residential	
	Net Population	Residential Units	Employment	Sq.ft. of Non-residential GFA
Mid 2017	46,641	21,041	24,149	
Mid 2027	48,139	22,394	25,640	
Mid 2036	49,400	23,080	26,801	
Incremental Change				
<u>Rural</u>				
10-year (2017-2027)	(17)	10	-	-
<u>Urban</u>				
10-year (2017-2027)	1,516	1,343	1,491	1,934,300
<u>City of Cornwall</u>				
10-year (2017-2027)	1,499	1,353	1,491	1,934,300

Increase in Need for Service

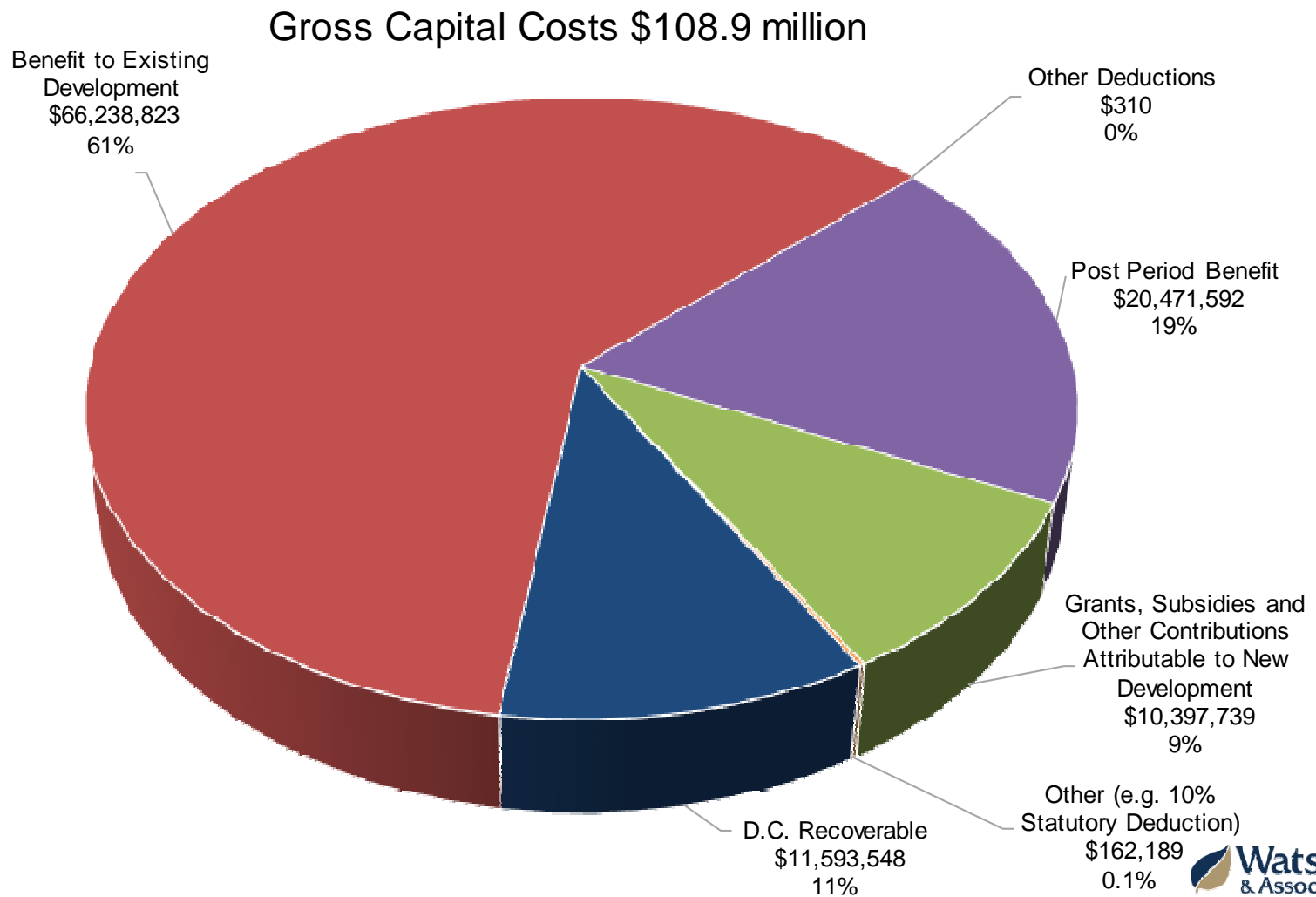
- City wide services
 - Transportation Services
 - Fire Services
 - Parks and Recreation Services
 - Library Services
 - Administration Studies
 - Child Care Services
 - Waste Diversion Services
- Area Specific – Urban Area
 - Water Services
 - Wastewater Services

Increase in Need for Service

(Cont'd)

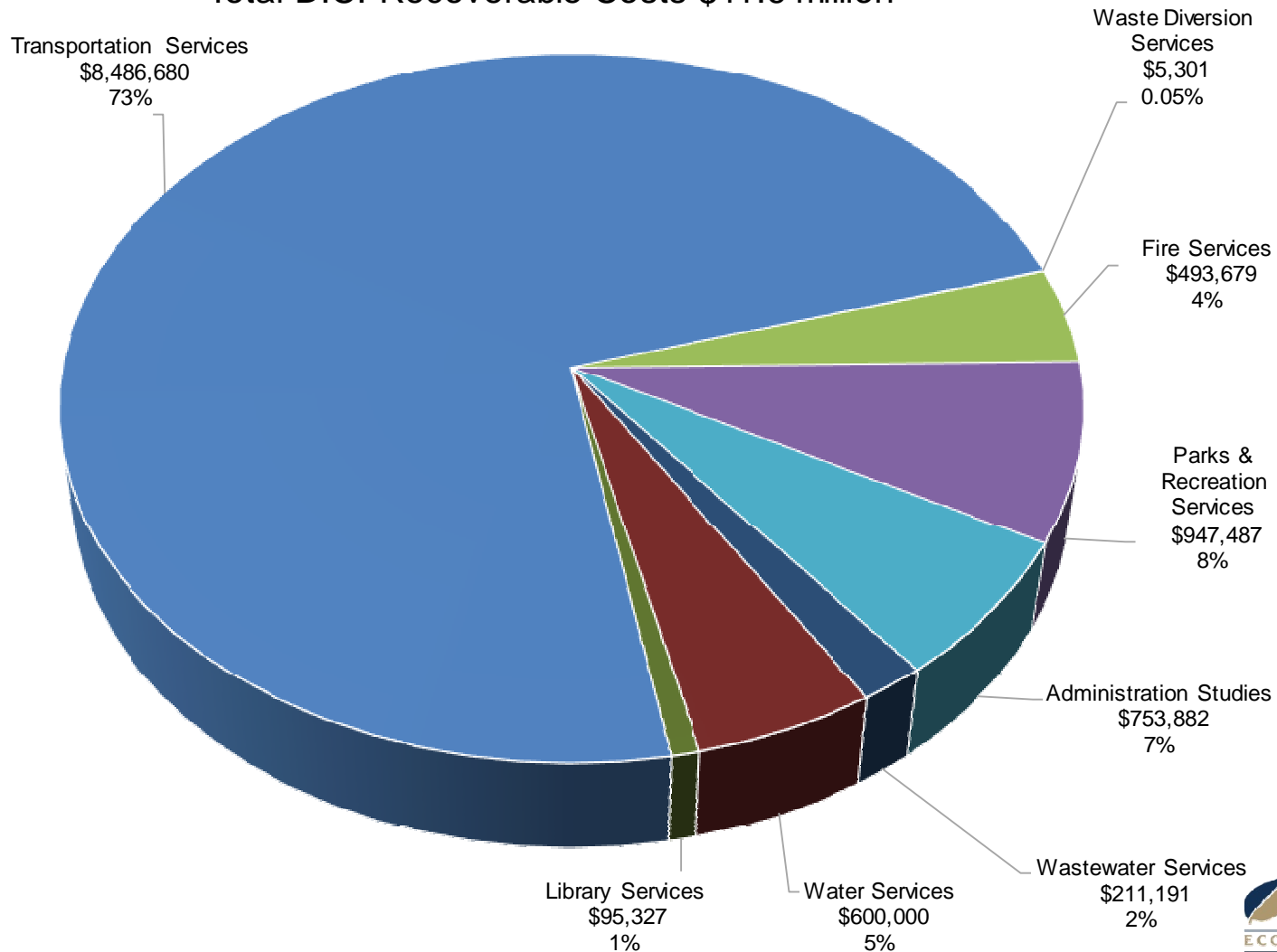
- Other services considered within the review, for which no increase in growth-related capital costs were identified
 - EMS
 - Transit
 - Police
 - Homes for the Aged
 - Social Housing
 - Airport
 - Medical Centres

Anticipated Capital Needs



D.C. Recoverable Capital Costs (2017-2026)

Total D.C. Recoverable Costs \$11.6 million



Calculated Schedule of Development Charges

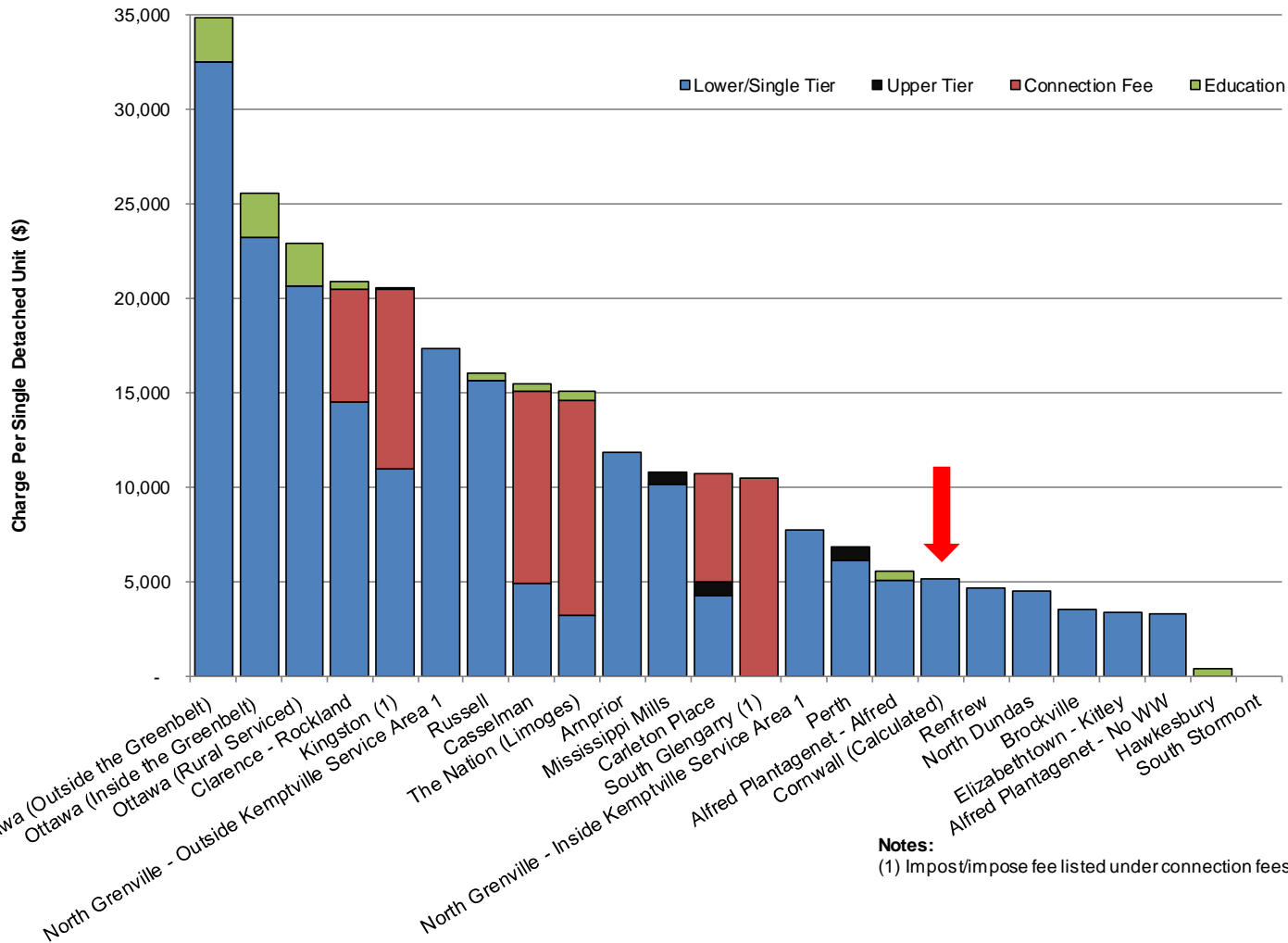
Service	RESIDENTIAL					NON-RESIDENTIAL
	Single and Semi-Detached Dwelling	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Other Multiples	Special Care/Special Dwelling Units	(per ft ² of Gross Floor Area)
Municipal Wide Services:						
Transportation Services	3,477	2,484	1,342	3,302	1,342	2.19
Fire Services	202	144	78	192	78	0.13
Parks and Recreation Services	738	527	285	701	285	0.02
Library Services	74	53	29	70	29	0.00
Administration Studies	309	221	119	293	119	0.19
Child Care Services	-	-	-	-	-	-
Waste Diversion Services	2	1	1	2	1	0.00
Total Municipal Wide Services	4,802	3,430	1,854	4,560	1,854	2.53
Urban Services						
Wastewater Services	87	62	34	83	34	0.03
Water Services	248	177	96	236	96	0.09
Total Urban Services	335	239	130	319	130	0.12
GRAND TOTAL RURAL AREA	4,802	3,430	1,854	4,560	1,854	2.53
GRAND TOTAL URBAN AREA	5,137	3,669	1,984	4,879	1,984	2.65

Budget Impact

- Recovering growth-related capital costs from future development, reduces the cross-subsidization from existing tax/rate payers
- Based on charges calculated herein and historical building permit data, revenue forgone from not imposing D.C.s between 2011-2015 estimated at \$4.2 million (\$840,000 annually)
 - Potential revenue represents approximately 1.3% of annual tax levy

Residential D.C. Comparison (\$/serviced single detached dwelling unit)

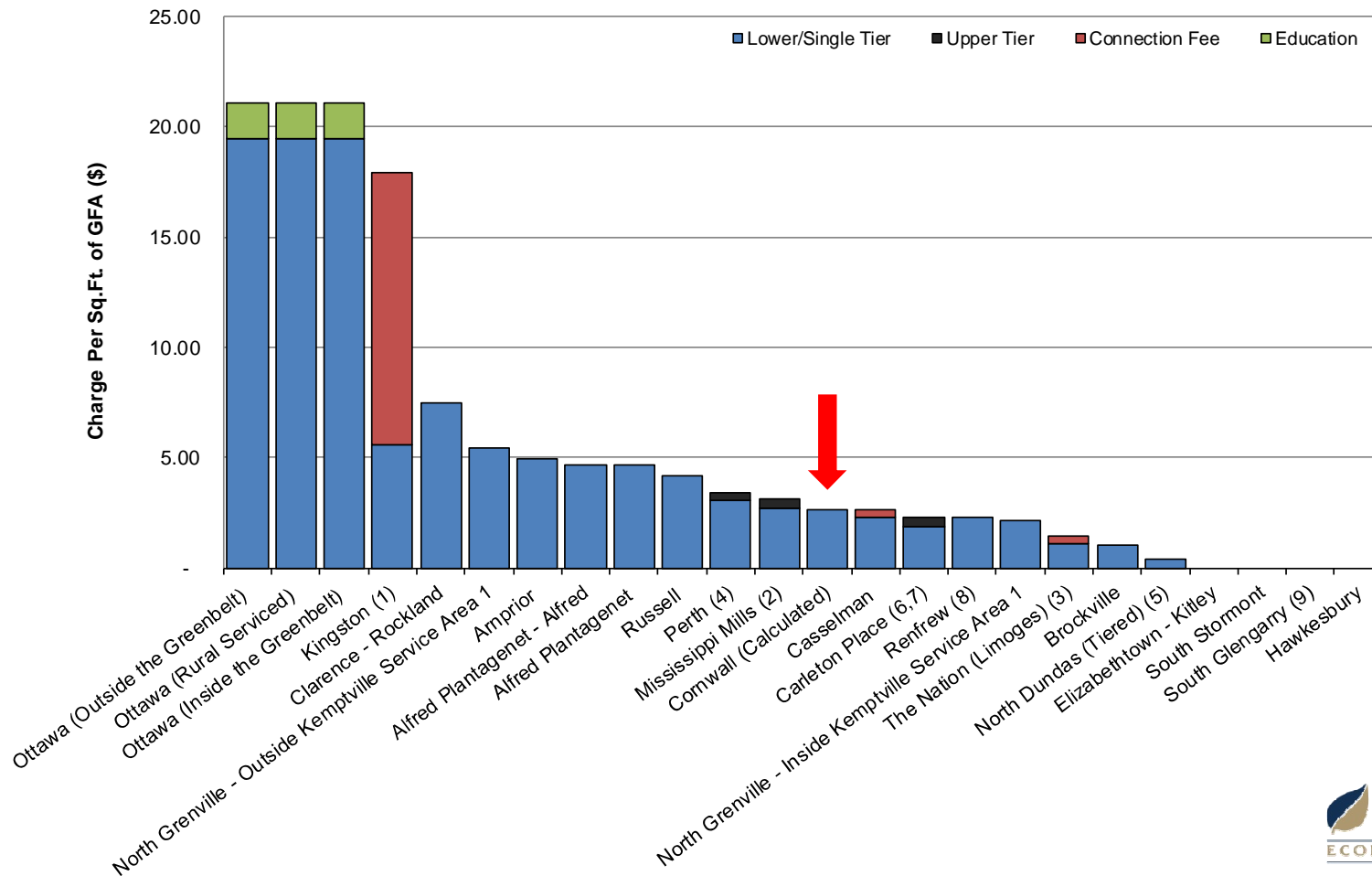
Development Charge Rates for Municipalities in the Vicinity of Cornwall
Residential Per Fully Serviced Single Detached Unit
(As of June 1, 2017)



Notes:
(1) Imposed/impose fee listed under connection fees.

Commercial D.C. Comparison (\$/serviced sq.ft. of gross floor area)

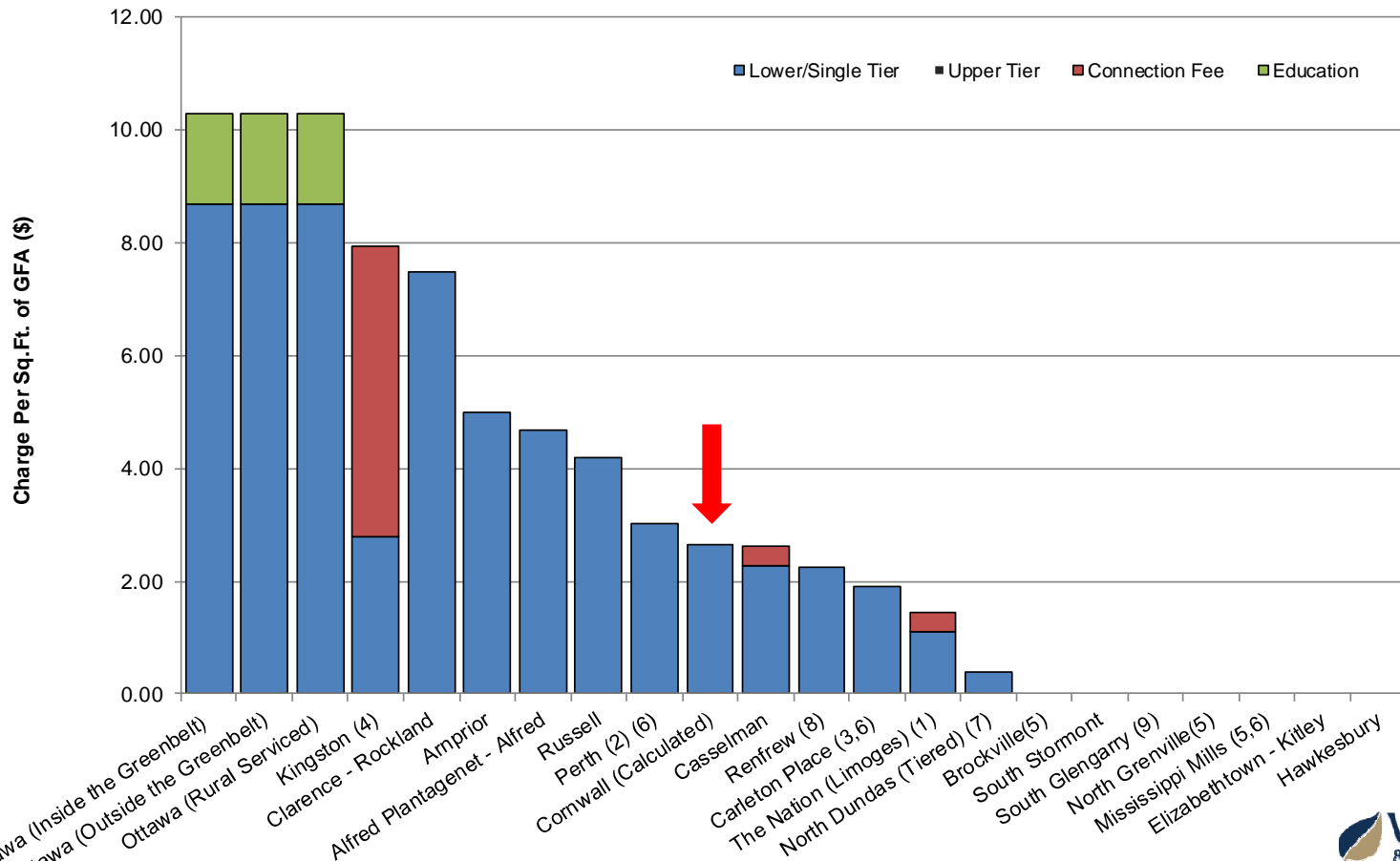
Development Charge Rates for Municipalities in the Vicinity of Cornwall
Commercial/Retail Per Fully Serviced Square Foot of GFA
(As of June 1, 2017)



Industrial D.C. Comparison

(\$/serviced sq.ft. of gross floor area)

Development Charge Rates for Municipalities in the Vicinity of Cornwall
 Industrial Per Fully Serviced Square Foot of GFA
 (As of June 1, 2017)



Affordability and Development Activity Impact

- Imposition of D.C. absorbed by, exclusively or in combination:
 - the selling price or commercial/industrial rent;
 - a land price reduction;
 - a reduction in other production costs; and
 - a reduction in the developer/builder margins
- Absorption of D.C. into selling price/rental rate impacts the purchaser (mortgage costs) and developer/builder (market size)
 - Calculated D.C.s represent 2.1% of the average selling price for new single detached home (\$250,000)

Affordability and Development Activity Impact

- Imposition of calculated D.C.s would represent a \$300 increase in annual mortgage payments (\$25/month)
 - 3% interest rate and 25 year amortization
 - Require commensurate increase in the equity and/or income of purchaser
- In some cases this could have a marginal impact on the size of the City's housing market

Policy Issues

- ❑ As no D.C.s currently exist, Council may wish to consider phasing-in the implementation of the charge over multiple years (e.g. equal instalments over the 5-year by-law term)
- ❑ This would allow Council to be able to gauge the impact on D.C.s on development
- ❑ D.C. revenue forgone during phase-in period must be funded from non-D.C. sources (e.g. taxes, user fees, reserves or other financial resources)

Policy Issues (cont'd)

- Charge Applicability, Timing and Deferral Agreements
 - Recommend that the City's D.C. by-law provide for calculation and collection of the charges at the time of building permit issuance
 - The City has ability to enter into deferral or accelerated payment agreements
 - Recommend that water and wastewater services D.C.s be imposed for the urban serviced area only, and that all other charges be imposed on a City-wide basis

Policy Issues (cont'd)

□ Exemptions

- The D.C.A. provides for some mandatory exemptions but also allows municipalities the ability to provide exemptions by by-law at the municipality's discretion
- Exemptions provide that certain classes of development will not be required to pay the charge and may be determined by:
 - Use (e.g. places of worship, farm buildings)
 - Geographic area
 - Development type
 - Service exemption

Policy Issues (cont'd)

□ Exemptions (Cont'd)

- The Act is specific in identifying that these costs may not be made up by increases in the D.C. for other classes of development
- In effect, it is a loss of revenue to the municipality which will have to be funded from non-D.C. sources (e.g. taxes, user fees, reserves or other financial resources)

Policy Issues (cont'd)

□ D.C. Statutory Exemptions

- Industrial additions of up to and including 50% of the existing gross floor area of the building - for industrial additions which exceed 50% of the existing gross floor area, only the portion of the addition in excess of 50% is subject to development charges
- Land used for Municipal or Board of Education purposes
- Residential development that results in only the enlargement of an existing dwelling unit, or that results only in the creation of up to two additional dwelling units

Policy Issues (cont'd)

- Non-Statutory Exemptions
 - Recommend that non-statutory exemptions are considered to achieve policy objectives
 - Most common non-statutory exemptions across Ontario include exemptions for:
 - Agricultural and farm uses
 - Places of worship
 - Hospitals
 - College or University buildings

Policy Issues (cont'd)

□ Redevelopment Credits

- Often provided for development involving the conversion of existing floor space from one use to another, or if an existing building on site is being demolished and replaced
- Credits commonly witnessed for a 5-year period from demolition or conversion

□ Indexing

- Allows for adjustment of charges to reflect underlying cost increases and reduces municipal cash flow impact between statutory by-law reviews
- Commonly delegated to staff for annual adjustment

Next Steps

- ❑ Receive comment from development industry representatives;
- ❑ Present draft recommendations to and development industry feedback to Council;
- ❑ Prepare formal D.C. Background Study and draft By-Law;
- ❑ Release D.C. Background Study for public review;
- ❑ Undertake a statutory public meeting;

Next Steps (Cont'd)

- Receive input from the public on the matter and consider any amendments to the background study and by-law;
- Determine if a subsequent public meeting is required on the matter;
- Council to approve the D.C. Background Study and consider adoption of D.C. by-law