



Regular Council Meeting

To:	Mayor and Council
Date:	June 20, 2022
From:	Kimberley Pope, Director of Finance
Report Number:	Finance 2022-09
Subject:	2022 Development Charges Background Study Report & By-law No. 2022-43

Recommendations:

1. That Council adopt the Township of Cavan Monaghan 2022 Development Charges Update Study dated March 2, 2022, including Addendum #1 dated March 18, 2022, as presented on April 4, 2022 at the Public Council meeting by Watson & Associates Economists Ltd.; and
2. That Council approve By-law No. 2022-43, effective June 21, 2022; and
3. That Council review the previous motion (R/21/10/19/21, October 21, 2019) which reduced the Industrial class, Section 3.12.2, under the Non-residential charges as "the percentage to be imposed is to be modified, per Section 3.12.2 of By-law No. 2019-69, to reduce the Non-residential Charges Township Wide Services from 100% to 0%"; and
4. That Council advise if they wish to approve a new motion to reduce the Industrial Uses (Non-residential Charges) Township Wide Services from 100% to 0% under the new Development Charges By-law No. 2022-43.

Update:

On May 2, 2022 Council received Finance Report 2022-06, 2022 Development Charges Background Study Report and By-law for information and requested that staff report back to Council at a future meeting (R-2022-174). This was to provide Council the opportunity to review the DC Background Study and to provide staff opportunity to provide additional information, in consultation with Watson & Associates, for clarification as requested by Council.

Attached is a June 10, 2022 Memo from Mr. Gary Scandlan of Watson & Associates to outline the changes to the Development Charges Act (D.C.A.) with respect to the Development Charges (D.C.) rate freeze as well as to provide clarification on the proposed growth-related funding for the provision for additional facilities which includes the proposed operations centre. Mr. Scandlan and Mr. Abbs are both in attendance at

the Council meeting and are available to provide further clarification and/or answer any additional questions of Council.

Council had requested for staff to provide a breakdown of DC's received to date, since By-law 2019-69 was approved in October 2019. Therefore, the following is a financial summary of Development Charges Revenues received by class of service from 2019 – 2020 (Audited) and 2021 (in year Audit).

Township of CAVAN MONAGHAN
SUMMARY of Development Charges Revenues

	<u>2019</u>	<u>2020</u>
Development Charges - CMNM By-Law 2019-69		
DCRF - Water Services	\$ 175,190	\$ 478,720
DCRF - Wastewater Services	\$ 474,423	\$ 203,155
DCRF - Stormwater Management Services		\$ -
DCRF - Roads and Related	\$ 258,380	\$ 340,708
DCRF - Fire Protection Services	\$ 81,230	\$ 155,886
DCRF - Police Services	\$ 6,338	\$ 7,416
DCRF - Library	\$ 62,645	\$ 28,724
DCRF - Parks Reserve Fund	\$ 400,833	\$ 554,834
DCRF - Recreation		\$ 96,218
DCRF - Administration (Studies)	\$ 129,573	\$ 16,034

Council also requested an estimate of the loss of DC revenues based on the motion (October 21, 2019) R/21/10/19/21 which reduced the Industrial class, Section 3.12.2, to reduce the Non-residential Charges Township Wide Services from 100% to 0%. The Building Department has provided the following loss of DC revenues as summarized below.

Permit Type	Permit Number	Township DC	Work
Commercial	2021-120	\$ 29,437.25	Self Storage F
Commercial	2021-162	\$ 3,378.53	Gas Bar
Commercial	2022-90	\$ 22,000.03	Self Storage F
Industrial	2020-268	\$ 10,137.88	Warehou
Industrial	2021-30	\$ 13,115.88	Timber Manuf.
Industrial	2021-127	\$ 23,620.43	Truck Transportat

Overview:

On July 6, 2021, Watson submitted a proposal to update the Township's 2019 D.C. background study (included as Attachment 1). The proposal was approved and Watson & Associates Economists Ltd. began working with staff on this assignment.

The following is a summarized overview of the requirements of the study:

- Update of the D.C. analysis to remove the 10% mandatory deduction for Parks and Recreation Services; Library Services; and Growth Studies;
- Update the Services Related to a Highway and Parks and Recreation capital project listings to include an additional projects;
- Amend the by-law with respect to creating classes of services where required (i.e. Growth Studies) and update D.C. policies in the by-law with respect to; D.C. instalment payments; D.C. rate freeze; Interest policies; timing of payment; mandatory exemption for new ancillary units and universities and additional & refined definitions, where required.

In 2021 while updating the Water and Wastewater rate study, RV Anderson provided additional information regarding capital needs identified over a 20-year time horizon totaling approximately \$40 million due to their ongoing work on the Master Servicing Plan. As a result of these capital needs and associated growth forecast, a full background study was completed which resulted in the new D.C. by-law, rather than an amending by-law. The scope change was submitted December 2, 2021 and Watson & Associates Economists Ltd. began working with staff on the revisions.

The additional tasks included in the full background study are as follows;

- Update the 2019 D.C. growth forecast to align with the 2020 G.M.S. forecast (2022 to 2041);
- Update parks and recreation, library, services related to a highway, and growth studies calculations to align with updated forecast (10-year forecast);
- Update the service standard and capital information for fire and police services;
- Update water and wastewater capital needs to include items identified by RV Anderson; and
- Meeting with staff to confirm water and wastewater calculation assumptions (e.g. scope of projects, benefit to existing development, post-period benefit, etc.).

The D.C.A. required specific steps to be followed in calculating a development charge, holding a public process and by-law approval to update for any necessary changes required to D.C. eligible services and/or policies as per Bill 108/Bill 197.

On March 2, 2022 the Development Charges Background Study was posted online at the Township's website www.cavanmonaghan.net with advertisements through the website News & Notices, the Peterborough Examiner (March 12) and the Millbrook Times (March 31). The Addendum No.1 was also posted online on March 18, 2022 and circulated through News & Notices. The Notice complies with the requirements of the D.C.A.

Council hosted the public meeting on April 4, 2022. Mr. Abbs, Manager with Watson & Associates, presented the 2022 Development Charges Update Study at the public meeting and was available for public comments. No public comments were received by the Clerk or staff in advance of the public meeting and no subsequent to comments received during the public meeting.

The Notice of By-law passage advertisement will appear by July 10, 2022 with opportunity for appeal up to and including August 1, 2022.

Council Motion to reduce Industrial Class percentage from 100% to 0%;

On October 21, 2019 Council passed a motion (R/21/10/19/21) which reduced the Industrial class, Section 3.12.2, under the Non-residential charges as “the percentage to be imposed is to be modified, per Section 3.12.2 of By-law No. 2019-69, to reduce the Non-residential Charges Township Wide Services from 100% to 0%”.

3.12.2 Notwithstanding subsection 3.12.1 of this By-law, the following percentages of each service for industrial uses, as provided below, shall be imposed for the period of October 22, 2019 to October 21, 2024.

Percentage of Schedules "B-1" and "B-2" Non-residential Charges to be Imposed					
Service	Industrial				
	October 22, 2019 to October 21, 2020	October 22, 2020 to October 21, 2021	October 22, 2021 to October 21, 2022	October 22, 2022 to October 21, 2023	October 22, 2023 to October 21, 2024
Township-wide Services:					
Services Related to a Highway	0%	0%	0%	0%	0%
Fire Protection Services	0%	0%	0%	0%	0%
Police Services	0%	0%	0%	0%	0%
Indoor & Outdoor Recreation Services	0%	0%	0%	0%	0%
Library Services	0%	0%	0%	0%	0%
Administration Studies - Engineering-related	0%	0%	0%	0%	0%
Administration Studies - Community Benefit-related	0%	0%	0%	0%	0%
Millbrook Area-specific Services					
Wastewater Services - Treatment	100%	100%	100%	100%	100%
Wastewater Services - Sewers	100%	100%	100%	100%	100%
Water Services	100%	100%	100%	100%	100%

As this motion of Council references the existing by-law, staff have included the same intent within the new Development Charges By-law 2022-43 under Section 3.12.1, as per below. Therefore pending Council's decision on recommendation No. 4 (Finance 2022-09) included is a draft of the motion that *“the percentage to be imposed is to be modified, per Section 3.12.1 of By-law No. 2022-43, to reduce the Industrial Uses (under Non-residential Charges) Township Wide Services from 100% to 0%”* is included for Council's information.

SCHEDULE "B"

BY-LAW NO. 2022 - 38

SCHEDULE OF DEVELOPMENT CHARGES

Service/Class of Service	RESIDENTIAL					NON-RESIDENTIAL		Wind Turbines/ Telecommunications Towers (per unit)	Solar Farms (per sq.ft. of Gross Floor Area of Panels)
	Single and Semi- Detached Dwelling	Other Multiples	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Special Care/Special Dwelling Units	Industrial (per sq.ft. of Gross Floor Area)	Non-Industrial (per sq.ft. of Gross Floor Area)		
Municipal Wide Services/Class of Service:									
Services Related to a Highway	2,990	2,026	1,890	1,161	1,125	1.16	1.16	2,990	1.16
Fire Protection Services	1,306	885	826	507	491	0.51	0.51	1,306	0.51
Policing Services	37	25	23	14	14	0.01	0.01	37	0.01
Parks and Recreation Services	2,635	1,786	1,666	1,023	992	0.11	0.11	-	-
Library Services	936	634	592	363	352	0.04	0.04	-	-
Growth Studies	201	136	127	78	76	0.07	0.07	201	0.07
Total Municipal Wide Services/Class of Services	8,105	5,492	5,124	3,146	3,050	1.90	1.90	4,534	1.75
Millbrook Area-specific Services							0.00		
Wastewater Services	14,520	9,841	9,180	5,638	5,464	2.41	2.41	-	-
Water Services	6,863	4,651	4,339	2,665	2,583	2.03	2.03	-	-
Total Urban Services	21,383	14,492	13,519	8,303	8,047	4.44	4.44	-	-
GRAND TOTAL RURAL AREA	8,105	5,492	5,124	3,146	3,050	1.90	1.90	4,534	1.75
GRAND TOTAL URBAN AREA	29,488	19,984	18,643	11,449	11,097	6.34	6.34	4,534	1.75

3.12.1 Notwithstanding subsections 3.11 and 3.12 of this By-law, the following percentages of each service for industrial uses, as provided below, shall be imposed for the period of June 21, 2022 to June 20, 2027.

Percentage of Schedule "B" Non-residential Charges to be Imposed for Industrial Uses

Service	June 21, 2022 to June 20, 2023	June 21, 2023 to June 20, 2024	June 21, 2024 to June 20, 2025	June 21, 2025 to June 20, 2026	June 21, 2026 to June 20, 2027
Municipal Wide Services/Class of Service:					
Services Related to a Highway	0%	0%	0%	0%	0%
Fire Protection Services	0%	0%	0%	0%	0%
Policing Services	0%	0%	0%	0%	0%
Parks and Recreation Services	0%	0%	0%	0%	0%
Library Services	0%	0%	0%	0%	0%
Growth Studies	0%	0%	0%	0%	0%
Millbrook Area-specific Services	100%	100%	100%	100%	100%
Wastewater Services	100%	100%	100%	100%	100%
Water Services	100%	100%	100%	100%	100%

Financial Impact:

The cost of the Development Charges Update Study approved in the 2021 Capital Budget under Development Charges, with the December 2021 amendment, increasing the proposal by an additional \$7,000 for a total cost of \$24,500, as fully funded through Development Charges (Administrative Studies). Council approved that staff proceed with the Development Charges Study Update, and contract consulting services of Watson & Associates as a Single Source procurement (Section 5.6, Purchasing Policy By-law No. 2022-12).

Attachments:

1. Watson & Associates Memo – June 10, 2022
2. By-law No. 2022-43
3. Addendum #1 to the March 2, 2022 DC Background Study (March 18)
4. 2022 Development Charges Background Study Report (March 2)

Respectfully Submitted by,

Reviewed by,

Kimberley Pope
Director of Finance/Treasurer

Yvette Hurley
Chief Administrative Officer

Memorandum

To	Kimberley Pope
From	Gary Scandlan
Date	June 10, 2022
Re:	Information for Council – June 20 Council Meeting

Fax ☐

Courier ☐

Mail ☐

Email ☒

In advance of the June 20, 2022 Council meeting, we are providing this memo to outline the changes to the Development Charges Act (D.C.A.) with respect to the Development Charges (D.C.) rate freeze as well as to discuss the proposed growth-related funding for the proposed operations centre.

1. D.C. Rate Freeze

Overview

The changes to the D.C.A. include revisions to Section 26 which details the calculation and timing of payment of D.C.s. Prior to the revisions, D.C.s were calculated and payable at time of the first building permit (unless stated in the municipality's bylaw, that is D.C.s for roads, water, wastewater, and stormwater may be collected at time of the subdivision agreement). Section 26.2 has been added to the D.C.A. At a high level, this section provides that the D.C. rates are frozen at the time of submission of an application for development in a site plan control area or an application for a zoning by-law amendment. If neither of these are applicable, then the D.C.s are calculated and payable at the time of the first building permit.

Interest

Once the D.C. rates are frozen, the municipality may impose interest on the D.C.s (Section 26.2(3)) from the date of the application referred to above (i.e. site plan control or zoning by-law amendment). The interest rate must not be more than the prescribed maximum rate (currently there is no prescribed maximum rate).

More than One Application

If there is more than one application submitted, the later application is the date for which the D.C. rate freeze applies.



Time Limit

The D.C. rate freeze has a limit of 2 years from the date the application is approved by the municipality to one of the following:

- The date the first building permit is issued; or
- The date the D.C. is payable (e.g. in the case of payment at agreement stage for hard services).

If this time has elapsed, D.C.s are calculated and payable upon issuance of the first building permit or at the agreement stage (for hard services).

Early or Late Payment Agreement

The D.C. rate freeze does not apply where a municipality has entered into an early or late payment agreement under Section 27 of the D.C.A.

Schematic of Process



2. D.C. Funding for Services Related to a Highway – Facilities, Vehicles, and Equipment

The capital included in the D.C. study for public works (identified on Page 5-13 and 5-14 of the D.C. background study) results in a total of \$2,322,000 included in the D.C. calculations. This provides the Township with the maximum amount they can include based on the Service Standard Limitation (as set out in the D.C. Act).

The service standard worksheets for services related to a highway – facilities, vehicles, and equipment are provided on Page B-6 and B-7 of the D.C. Background study. The D.C. Act requires us to look at the historical 10-year average service standard. This is measured by taking the inventory of facilities, vehicles, and equipment in each year and applying the current replacement value of the items. This provides for a total replacement value of inventory in each year. This is then divided by the population in each year to establish the per capita standard. This annual per capita standard is then averaged (as required by the Act) to determine the service standard to be used in the maximum limitation calculation.



The bottom tables on Page B-6 and B-7 show the maximum D.C. eligible calculation. This is measured by multiplying the dollars per capita service standard by the anticipated growth over the forecast period. For facilities, this provides us with \$779,959 and for vehicles and equipment this provides us with \$1,544,924. In total, there is a maximum service standard of \$2,324,884. This means that the dollar amount included in the D.C. calculations, can be no higher than \$2,324,884. With the list of projects and costs included in the D.C. (subject to rounding), we have “maxed out” our service standard.

Currently there is a provision for additional facilities, vehicles, and equipment identified at \$2.8 million which, through initial considerations, included replacement of an existing facility. A deduction of 51% (\$1.44 million) for benefit to existing development was made to reflect that potential replacement of existing infrastructure. This leaves \$1.36 million to be included in the D.C. calculations. As we understand, recent discussions are underway for a new operations centre which would not replace the existing facility. Once plans are finalized, Township staff may refine the growth/non-growth allocations to this project, however, as the Township has “maxed out” the service standard, only \$1.36 million may be funded from D.C.s until the Township undertakes the next D.C. study. At this time, if more than \$1.36 million of the project is determined to be growth-related, this additional growth-related amount would be considered “post-period benefit” and would be funded from other sources (e.g. tax-supported reserves) in the interim. This would be recorded as an unfunded amount in the D.C. reserve fund at the time of the next D.C. study. Once the next D.C. study is undertaken, this unfunded amount would be included in the calculations and the Township could use D.C.s to repay the tax-supported reserves (with interest).