



City of  
**Peterborough**

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**To: Members of the General Committee**

**From: Richard Freymond  
Commissioner of Corporate and Legislative Services**

**Meeting Date: November 12, 2019**

**Subject: Report CLSFS19-046  
Development Charges**

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## **Purpose**

A report to recommend a Development Charge rate structure for the City-Wide General Services for the period January 1, 2020 to December 31, 2024, and the City-Wide Discounted Services for the period January 1, 2020 to the earlier of December 31, 2024, or the date at which the City passes a Community Benefits Charge By-law.

## **Recommendations**

That Council approve the recommendations outlined in Report CLSFS19-046 dated November 12, 2019, of the Commissioner of Corporate and Legislative Services, as follows:

- a) That the Development Charge rates, as shown on Table 1 of Report CLSFS19-046 be approved.
- b) That the development-related capital program included in the 2019 Amended City-Wide Development Charges Background Study, be adopted subject to annual review through the City's normal capital budget process.
- c) That By-laws 14-134 for the City-wide General Services Development Charge Rate and By-law 14-135 for the City-Wide Engineered Services Development Charge Rate, both as amended by By-law 18-034, be repealed effective January 1, 2020, provided that the By-laws will continue to be in force and effect to the

- extent only of development charges that became payable under them prior to their repeal and that remain unpaid as at their repeal.
- d) That a by-law be passed to impose the City-wide Services Development Charge Rate, with a five-year term covering January 1, 2020 to December 31, 2024.
  - e) That a by-law be passed to impose the City-wide Discounted Services Development Charge Rate, with a term ending on the earlier of the date at which the City passes a Community Benefits Charge By-law or December 31, 2024.
  - f) That the Development Charges be adjusted by the City Treasurer without amendment to the by-laws annually on January 1 of each year, commencing January 1, 2020, 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 the growth assumptions outlined in the 2019 Amended City-wide Development Charges Background Study (the Study) by Hemson Consulting Ltd. occur, the development charge rates are expected to raise \$42.3 million from January 1, 2020 to December 31, 2024.

By adopting the development-related capital program contained in the Study, Council is committing to fund the \$316.5 million portion of the growth-related capital program related to Discounted and Non-Discounted Services from sources other than development charges (DCs) over the next sixteen years.

The estimated impact to the property tax base if a phase-in of the rate increase were adopted as suggested by the Peterborough & Kawartha Home Builders Association would be \$2.7 Million. Grandfathering the existing house purchase agreements that are signed, so that they would not be subject to the rate increase is estimated to have a further impact of \$0.5 Million.

## **Background**

On January 1, 2020, By-law 14-134 for the General Services rates and By-law 14-135 for the Engineered Services rates, both as amended by By-law 18-034, will expire.

There are no changes proposed to the series of By-laws 17-072 to 17-079 inclusive, to impose DCs for the recovery of area-specific engineered services in each City Planning Area.

A public information session was held on October 10, 2019 to provide an overview of the Draft Background Study, the methodology and assumptions used to calculate the development charges and provide the public with an opportunity to comment on the Study and give feedback. The final Study is attached as Appendix A to this report. The final version of the Study was updated to reflect a further refinement of the timing and costs of the capital works with the budget documents, the prior commitments of the DC reserve funds and a review of the treatment of DC debt.

### **October 28, 2019 Public Meeting**

The **Development Charges Act, 1997** stipulates that before passing a development charge by-law, Council shall hold at least one public meeting. The public meeting was advertised in the Peterborough Examiner on October 3, 2019 and the Background Study was available as of September 26, 2019 for pick up at the Clerk's Office and via the City's website.

A public meeting was held on October 28, 2019 in the City Council Chambers during which Hemson Consulting Limited presented an amended Development Charge Background Study and proposed DC by-laws. The public meeting presentation from Hemson is attached in Appendix B.

Members of the public had an opportunity to make presentations to Council concerning the proposed new Development Charges rates. Delegations were received from representatives of the Peterborough & Kawarthas Home Builders Association (PKHBA) and Reimagine Peterborough, as well as from resident Steve Hill, who was a member of the Steering Committee. PKHBA expressed concerns about the significant increase in the proposed DC rates and asked Council to consider mitigating the impact of the increase by phasing-in the additional charge over three years and grandfathering the existing house purchase agreements that are signed so that they would not be subject to the new 2020 rates. Reimagine Peterborough expressed concern that the costs of growth would be put onto existing residents if there is any delay or deferral of the proposed DC rates and requested that future master plans and DC background studies identify and reflect servicing needs under a more compact growth pattern. City resident Stephen Hill stated that he is not in support of the mitigation strategies proposed by PKHBA as this would require existing taxpayers to subsidize the costs of growth that should be borne by development.

### **Study Complies with the Act and Steering Committee Established**

The Study has been undertaken in compliance with the provisions of the **Development Charges Act, 1997** (DCA) and its regulation (Ontario Regulation 82/98). A Development Charges Steering Committee was established to oversee the Study that included two representatives from the Peterborough and the Kawarthas Homebuilders Association and two community representatives. The Committee included:

- Chief Administrative Officer
- Commissioner of Infrastructure and Planning Services
- Commissioner of Corporate and Legislative Services
- Commissioner of Community Services
- Manager of Financial Services
- Manager of Planning
- Manager of Transportation
- Financial Analyst, Special Projects
- Monique Cleary, representative from the PKHBA
- Danika Logan, representative from the PKHBA,
- Stephen Hill, community representative;
- Laura Keresztesi, community representative;
- Stefan Krzeczunowicz of Hemson Consulting Ltd

### **Development Forecast**

The development forecast used in this Development Charge Background Study is consistent with the Growth Plan for the Greater Golden Horseshoe, 2017. The Growth Plan provides population and employment projections for all upper and single-tier municipalities in the Greater Golden Horseshoe. In accordance with Provincial legislation, all affected municipalities must adopt these projections into their Official Plans.

The Study considers two planning horizons: a ten-year period from mid-year 2019 to mid-year 2028, and a thirteen-year planning horizon from mid-year 2019 to mid-year 2031. The ten-year planning period is used for the general services, and the longer planning period is used for the City-wide engineering and sewage treatment services.

The forecast has projected growth in the 2019 to 2031 period to accommodate 17,729 persons in nearly 7,018 new dwelling units. This is a decrease from 2014, the last time the engineered services by-law was amended. In 2014, the Growth Plan projected a population increase of 21,640 and 8,400 units.

The non-residential portion of the forecast is based on the projected increase in employment levels and amount of new building space required to accommodate them. The forecast projects a growth of approximately 5,233 new employees in roughly 327,039 square metres of new non-residential building floor area. This is relatively stable in comparison to 2014, when the forecasted growth in employment was 4,790 new employees accommodated in 338,430 square metres of new non-residential building space.

A decrease in the development forecast has put upward pressure on the proposed development charge rates.

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## **Development Related Capital Program**

### **General Services**

Of the \$234.1 million net capital cost, 25 per cent, or \$58.8 million, is related to the Police Services capital program. This includes a new Police facility, equipment and studies.

The Public Works capital program totals \$22.3 million and includes the Public Works' share of the building relocation project, stormwater management ponds & drainage, fleet upgrades and equipment.

The capital program for Parks is recovering for ongoing parkland development, additional park facilities, the City's trail network and studies. It represents 13 per cent, or \$29.8 million, of the City's total capital program for general services.

The Parking capital program totals \$24.6 million and recovers solely for a structured lot in 2024. The DCs for these services continue to be limited by the average level of service provided in Peterborough over the last 10 years. The proportionately higher rate increases for the Parks and Parking services can be attributed to: a rise in the historical average service level in recent years as new infrastructure has been acquired; a better understanding of the quantity and quality of current infrastructure, particularly in the case of Parking where more appropriate unit costs for structured parking have been used to calculate service levels; and, particularly in the case of Parks, a more substantial growth-related capital program.

The capital program for Affordable Housing is recovering for the City's ongoing investment in affordable housing. It represents 5 per cent, or \$12.4 million, of the City's total capital program for general services.

### **Transit**

Transit Services represents 10 per cent, or \$23.9 million of the capital program. This is related to various buildings, including Transit Services' share of the Public Works building relocation, Bus Barn, Downtown Terminal and Satellite Terminal; additional shelters, signs and additional vehicles.

The Transit charge has increased substantially, principally because amendments to the DC Act and its associated Regulation passed since the enactment of the current DC by-law allow the City to base the Transit charge on the "planned level of service" rather than the "historical level of service". The City is planning for a major reorganization of its transit facilities and an expansion of its bus fleet. Significant provincial and federal grant funding is anticipated to help fund these investments. A portion of the costs associated with these works is required to meet increased ridership generated by development in Peterborough. It is noted that the legislative changes that allow the City to use a planned level of service only apply to Transit.

**Waste Management**

Waste Management is a new service in the City of Peterborough's 2019 DC Background Study due to a change in the DCA and related regulation to allow the recovery of costs of waste diversion activities. It represents \$9.7 million of the City's total capital program. This includes funds for an Organics Processing Facility and additional vehicles and equipment.

**Roads, Other City-wide Engineering and Sewage Treatment Services**

Scheduled roads projects in the City are based on existing master plans and studies as well as discussions with City staff. These projects, which total \$627.6 million, include roadworks, roadway studies and other works such as sidewalks and multi-use trails. The list also includes a provision for a North/South Transportation Improvement project, the nature of which will be determined after updating the Transportation Master Plan and completing an Individual EA Study, that will have considered, in detail, the concerns expressed during The Parkway EA and will provide the City with a well rounded and documented transportation solution to accommodate growth.

This also includes two projects at the City of Peterborough Airport: one to extend water and sewer services to an industrial park; the other to expand water and sewer services at the Airport proper.

The Sewage Treatment projects total approximately \$7.8 million. This program provides for the continued recovery of the Phase 3 expansion of the Wastewater Treatment Plant and an Environmental Assessment Study for future plant capacity.

**Proposed Rates**

As shown in Table 1, the proposed calculated rate for the City-wide residential rate would be 26.4% (\$23,337 to \$29,500) more than the current rate and the non-residential rate will be 33.4% (\$92.59 to \$123.55) higher.

**Table 1**  
**Current and Calculated Residential City-wide DC Rates**

Service	Current	Calculated	Difference in Charge	
	Singles & Semis Charge	Singles & Semis Charge		
General Government	\$108	\$250	\$142	131.5%
Library Services	\$882	\$1,023	\$141	16.0%
Fire Services	\$735	\$684	(\$51)	-6.9%
Police Services	\$1	\$380	\$379	N/A
Recreation	\$2,275	\$1,912	(\$363)	-16.0%
Parks	\$1,280	\$2,328	\$1,048	81.9%
Public Works	\$389	\$716	\$327	84.1%
Parking	\$508	\$966	\$458	90.2%
Transit Services	\$398	\$1,903	\$1,505	378.1%
Affordable Housing	\$237	\$284	\$47	19.8%
Waste Management	\$0	\$146	\$146	N/A
<b>Subtotal General Services</b>	<b>\$6,813</b>	<b>\$10,592</b>	<b>\$3,779</b>	<b>55.5%</b>
Roads & Other City-Wide Engineering	\$15,458	\$17,912	\$2,454	15.9%
Sewage Treatment	\$1,064	\$996	(\$68)	-6.4%
<b>Subtotal Engineered Services</b>	<b>\$16,522</b>	<b>\$18,908</b>	<b>\$2,386</b>	<b>14.4%</b>
<b>TOTAL CHARGE PER UNIT</b>	<b>\$23,337</b>	<b>\$29,500</b>	<b>\$6,165</b>	<b>26.4%</b>

Table 2 provides a comparison of the current and calculated rates for both the City-wide Uniform charge and Area Specific Development Charge, assuming the proposed rate increase is approved.

**Table 2**  
**Comparison of Proposed Calculated and Current City-wide and Area Specific DC Rates**

Development Charges By Growth Area	Charge Per Unit Residential A - Singles & Semi			
	Calculated 2019 City-wide Uniform plus Area Charge	Current City-wide Uniform plus Area Charge	Difference in Charge	
			\$	%
1 Jackson	\$32,701	\$26,538	\$6,165	23.2%
2 Carnegie East	\$35,282	\$29,119	\$6,165	21.2%
3 Carnegie West	\$33,703	\$27,540	\$6,165	22.4%
4 Lily Lake	\$36,578	\$30,415	\$6,165	20.3%
5 Chemong - East	\$37,048	\$30,885	\$6,165	20.0%
6 Chemong - West	\$40,074	\$33,911	\$6,165	18.2%
7 Liftlock	\$37,082	\$30,919	\$6,165	19.9%
8 Coldspring	\$33,323	\$27,160	\$6,165	22.7%
9 City-Wide Dev. Area	\$29,500	\$23,337	\$6,165	26.4%

**Non-Residential Development Charges**

City-Wide Uniform Charge	Charge Per Square Metre of Gross Floor Area			
	Calculated 2019 Charge	Current Charge	Difference in Charge	
			\$	%
Total Charge	\$123.55	\$92.59	\$30.96	33.4%

The increase in proposed development charges are due to changes in the eligibility of Transit and Waste Management services, as well as the significant number of large capital projects in which the City is looking to invest over the planning horizon.

Portions of the capital forecast that are related to the replacement of existing facilities, shares of projects that benefit the existing population, or growth anticipated to occur beyond the planning period are accounted for as a reduction. After these reductions, the remaining development related capital costs are brought forward to the development charges calculation. Staff are of the opinion that although the 26.4% increase is significant, the overarching principle that “growth pays for growth,” should be followed. As such, staff do not support either a phase-in of the rate increase, nor a grandfathering of the existing house purchase agreements that are signed so that they would not be subject to the new 2020 rates.

The proposed charges are in line with comparable municipalities as shown in Table 3.



**Table 3**  
**Current and Proposed Development Charges Compared to Other Municipalities**

Municipality	Singles & Semis - DC Rate
Belleville	\$ 12,321
Port Hope	\$ 19,125
Kawartha Lakes	\$ 20,179
Kingston	\$ 22,361
Brantford	\$ 22,785
City of Peterborough (Current)	\$ 23,337
City of Peterborough (Calculated)	\$ 29,500
London	\$ 33,136
Guelph	\$ 35,098
Barrie	\$ 39,916

Municipality	Non-Residential DC Rate
Belleville	\$ 52.64
Brantford	\$ 75.55
City of Peterborough (Current)	\$ 92.59
Port Hope	\$ 120.23
City of Peterborough (Calculated)	\$ 123.55
Guelph	\$ 133.15
Kawartha Lakes	\$ 202.97
Kingston	\$ 210.65
London	\$ 278.74
Barrie	\$ 323.85

### Indexing of Development Charges

Indexing is permitted under the DCA and ensures the development charge rates as calculated are adjusted by an inflation factor on the assumption that the capital costs identified in the Study will also be increasing due to inflationary impacts. The proposed calculated rates reflected in this report are in 2019 dollars and will be indexed for the first time January 1, 2020 and then each January 1 thereafter.

### Deferral of Payment Agreement

Since 2006 an agreement has been in effect between the City and the Peterborough Kawarthas Homebuilders Association (PKHBA) that permits its members to defer the payment of residential development charges from the time of issuance of a building permit to the date of occupancy. Pending amendments to **the Development Charges Act, 1997** effected by Bill 108 will compel municipalities to defer the collection of development charges in equal annual instalments over five years for rental housing, institutional, industrial and commercial development and over 20 years for non-profit housing development. Accordingly, staff will further review deferral payment agreements within the context of the pending Bill 108 amendments.

## No Changes to Exemptions

No changes are proposed to the exemptions that are in the current by-laws. This includes an exemption for public hospitals, places of worship, cemetery or burial grounds, Trent University and Fleming College, farm buildings and development 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. There is also an exemption to re-development within existing buildings in all other Sub-Areas of the Central Area, as depicted on Schedule J of the Official Plan.

## Community Benefits Charges

Bill 108, the More Homes, **More Choice Act 2019**, included several changes to the Development Charges Act and Planning Act that will impact the City's Development Charges once fully enacted.

Effective January 1, 2021, municipalities will no longer be permitted to collect development charges on "soft" services. The Planning Act will allow Community Benefits Charges (CBC) instead for discounted services including parking, library, affordable housing and recreation. The details of how the CBC will be calculated have not been released yet, except that the amount charged will be capped as a percentage of land values. Before a municipality passes a community benefits charge, local governments will be required to develop a strategy and identify the facilities, services, and matters that will be funded by a CBC. The City plans to complete this work with Hemson Consulting during 2020 and bring a new CBC bylaw before Council during fall of 2020.

## Summary

The fundamental principal behind development charges is that the costs of growth-related infrastructure should be primarily borne by the beneficiaries of such infrastructure, subject to reductions and eligibility criteria set out in legislation. Existing taxpayers should not be required to pay for a substantial portion of the costs of growth-related infrastructure.

At the same time, any development charge revenue collected must be supported by a Background Study as required under the **Development Charges Act, 1997** and staff must be able to justify the projects and costs to any new ratepayers. By setting both the City-wide and City-wide Discounted Services Development Charge rates as supported by the Background Study, staff believe this is the fairest approach to both existing and future ratepayers.

Submitted by,

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Attachments:

Appendix A – City of Peterborough Development Charges Background Study, as amended

Appendix B – Presentation by Stefan Krzeczunowicz, Hemson Consulting Ltd, October 28, 2019

Appendix C – Letter from Peterborough Kawartha Home Builders Association dated October 28, 2019