

**DRAFT FINAL REPORT**  
(Revision 2)

**DEVELOPMENT CHARGES STUDY**  
**For The**  
**TOWNSHIP OF DOURO-DUMMER**

**May, 2019**

**Submitted by:**

**Morehouse Associates**  
**A division of 1322365 Ontario Inc.**

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## 1.0 INTRODUCTION

The Township of Douro-Dummer retained Morehouse Associates to update the Township's development charge policy. The development charge policies recommended in this report are based on the philosophy that new growth should not create a financial burden on existing residents of the community, but the existing residents should not enjoy a financial benefit at the expense of new residents.

The Township of Douro-Dummer is located northeast of Peterborough and is flanked by the southern shores of Clear Lake and Stony Lake. The Township has a mix of urban and rural development. The Township has experienced steady growth during the past several years, which is expected to continue into the future. As with almost all Ontario communities, financial resources available for the Township to respond to the pressures of growth and increasingly expensive service demands are limited.

To offset the cost of growth, the Township of Douro-Dummer has been setting and collecting development charges on residential development and re-development for some time.

The Township of Douro-Dummer recognizes that growth will continue to generate additional pressures on its municipal infrastructure and, thus, the financing thereof. The Township intends to pass a new by-law to continue its authority to collect development charges. The by-law will conform to the requirements of the Development Charges Act, 1997, and its regulations (82/98 and 428/15) and Bill 73. This study addresses the Township's requirement for growth and the resulting demand on its services **excluding**:

- Parkland dedication as provided for in the Planning Act which enables the Township of Douro-Dummer Township to obtain at least a portion of its parkland needs;
- Development charges for School Board purposes;

- Facilities such as the municipal administration building, cultural facilities, computer equipment and rolling stock with less than seven years of useful life;
- Waste management services including landfills, vehicles and equipment, but not waste diversion;
- Most industrial expansions; and,
- Ten percent of growth-related capital costs for services not listed in Section 5(5) of the Development Charges Act (water, sewage, storm water, roads, electric power, police and fire).

## **2.0 LEGAL REQUIREMENTS**

The methodology for the study conforms to the Development Charges Act, 1997 and Regulations (identified in this report as 'the Act') and sets out the framework for municipal development charges. Recommendations put forth for adoption by the Township will ensure that Douro-Dummer Township's development charge practices will comply with all relevant legislation.

### **Study Requirements**

The development charges study must review the following features of the Act as summarized below:

#### **Based on Section 5 of the Development Charges Act, 1997:**

1. Amount, type and location of development estimated.
2. Estimate for each service, the increase in need attributable to the development.
3. Council must adopt the projects providing the increase in need as though it were a capital budget element. (Official Plan., Capital Budget or other similar expression of intent)
4. Increase in need must be no more than the average level of service for the last 10 years (immediately proceeding). Both quantity and quality of service must be taken into account. Excluded areas must be included (identified) in the by-law. A level of service specified in the Act can be used.
5. Existing excess capacity must be used to reduce the need, but cannot be charged unless Council, at the time the capacity was created (or before) expressed a clear intent that the capacity would be paid for by development charges (or similar).
6. Increase in need must be reduced by the extent to which the increase in service would benefit existing development.
7. Capital costs estimated must be reduced by anticipated grants. Capital costs are defined in Section 5(3) [excludes computer equipment and short-life vehicles (life shorter than 7 years)].
8. Costs of services not listed in Section 5(5) of the Act must be reduced by 10%.
9. Rules for determining if a development charge is payable or not. If so, how much.

- For Example:
- availability of service,
  - demolition & rebuild,
  - exclusions (e.g. Lots of record),
    - timing,
    - expansions,
    - exemptions (full or partial),
    - phasing in,
    - Indexing.

10. Full or partial exemptions are permitted.

Based on Section 10 of the Development Charges Act, 1997

1. Requirements under listed above with calculations.
2. Long-term capital and operating costs for infrastructure used in calculating development charge.
3. For each service, study must identify:
  - total estimated related capital cost,
  - allocation of total related costs to new & existing development,
  - total of the estimated related capital costs to be incurred during the term of the by-law to be passed,
  - allocation of related costs incurred during the by-law period to new and existing development,
  - Estimated and actual value of credits being carried forward for each service.

Other Considerations

Other considerations for the current study include:

- 5 (4) only capital component of lease costs is eligible.
- 5 (5) Services not subject to a ten percent discount are:
  - sewer & water treatment and collection/distribution,
  - storm water services,
  - electricity,
  - transportation,
  - police,
  - fire protection.

The development charge must be less than or equal to the capital cost on a service-by-service basis and on a development type basis (but not necessarily on a development-by-development basis).

Reductions in development charges for one type of development cannot be financed by higher development charges to another type of development.

### By-law Requirements

In addition to requirements for the background study, the new Act also sets out features that must be contained in the development charges by-law. These features are described briefly below:

#### Based on Section 6 of the Development Charges Act, 1997

1. A definition of capital cost [5(3), (4), (5)];
2. The geographic area(s) where the development charge by-law applies;
3. A definition of the service categories (can be as few as two);
4. The rules developed to determine development charge liability;
5. A statement with respect to exemptions, phasing-in and indexing;
6. A statement of how the rules apply to redevelopment;
7. Each service or category of services must have its own reserve fund, or a portion of a reserve fund;
8. Must be passed within one year of completion of study.

### Permissive

1. Can apply to services provided outside the municipality;
2. Can apply to part or all of the municipality;
3. More than one by-law can apply to a single area;
4. Services can be grouped, but services subject to a ten percent discount cannot be mixed with services not subject to a ten percent discount.

### **3.0 METHODOLOGY**

Development charges are fees on new property development within a municipality and are used to defray the cost of providing the infrastructure necessary to supply the new property with the level of municipal services currently provided to existing property owners.

To develop a development charges rate structure, it must be determined who will pay for constructing the necessary infrastructure. After grants, donations, and subsidies are deducted from each project's total cost, the residual cost must be borne by the taxpayers in the municipality, either existing or new. This analysis is aimed at determining a development charges rate structure, such that it would not be necessary for existing taxpayers to contribute to the capital costs of new growth. Similarly, new taxpayers should contribute no more than the net capital cost attributable to providing the current level of municipal services. This approach is guided by provisions in the Development Charges Act, 1997, its Regulations and Bill 73.

To provide future capacity for new residents, capital costs are grouped into two categories:

- Future capital projects needed to service projected population growth; and
- Capital projects built in the past with additional capacity to service future residents.

The capital costs planned for new residents are then compared to the present level of service provided to the existing residents. This ensures that increases in the overall level of service for each function are allocated fairly between existing (increased levels of service) and future population. To do this, an inventory of existing facilities is developed. This inventory is then expressed as a capital service level standard for each eligible municipal service provided by the Township of Douro-Dummer.

The overall development charge-funding requirement is then established by also considering:



- Other funding sources (grants, other contributions, etc.);
- The cost of projects, both completed and planned; and
- The development charge policy and its compatibility with Provincial policy expressed in the Act and its regulations.

At this stage of the study, careful analysis was carried out to determine which expenditures, or which share of expenditures, are attributable to growth. Similarly, the allocation of these expenditures to the various types of development required specific analysis and discussion with Township of Douro-Dummer officials. Common measures for costing are adopted, namely “per capita” and “per household” for residential housing, and “per square foot of building space” for non-residential development.

Morehouse Associates along with the Douro-Dummer Township staff generated a population and household growth forecast for the next ten years using data gathered from the Township, the Municipal Property Assessment Corporation, and Statistics Canada population data to identify historical counts and relevant future projections. In addition, three subdivisions are in the approval process, namely:

- Halls Glen Subdivision, located in Concession 3, Lot 26, consisting of approximately 52 units.
- Riel Subdivision, located in Concession 2, Lot 13, consisting of approximately 15 units.
- Chretien Subdivision, located in Concession 11, Lot 2, consisting of approximately 15 units.

These subdivisions are expected to be purchased by people from outside the municipality that would not otherwise be part of the growth forecast. The units are therefore added to the existing growth forecast. Halls Glen is expected to come on stream in 2021 and sell at the rate of 7 units per year. The Riel subdivision is expected to start selling units in 2024 at the rate of 3 units per year. The Chretien subdivision should start selling units in 2025 at the rate of 3 units per year. All units are expected to have an occupancy rate of 1.6.

This forecast is located on Table 4 and results in a growth projection of:

- An additional 484 people and 248 new residential units;
- An additional 132 thousand square feet of non-residential building space.

These projections were used in three ways in calculating an appropriate development charge:

- First, the population and square feet of building space forecast is a key factor in determining the timing and sizing of construction of new facilities to serve newcomers.
- Second, the forecasted growth in housing units and non-residential building space provides an estimate of the number of people and businesses that will be sharing in the cost of these new facilities.
- Third, the development charge requirement for each house was determined by recognizing changes in population and the yield per unit over time. This would similarly affect non-residential development.

Consideration was then given for development types that will not pay development charges, or will pay only partial development charges, either because of Township of Douro-Dummer policy, legislation, or other reasons. The cost of servicing these developments, such as senior or affordable housing would have to be omitted from the calculation of the development charge if Council decided to exclude such types. The funds not collected through the development charge would be financed by other methods, primarily the general property tax rate. At this time, all types of development except agricultural and sectarian development have been included, and any reductions or exclusions from paying a development charge are to be included in the by-law.

The final step in the analysis deals with potential areas of double taxation. Growth in the community generates property tax revenue through assessment increases. This tax revenue has two uses - operating costs and capital funding (debt carrying costs and capital expenditures from current revenue). That portion of capital funding that exceeds the requirement on the new

resident for capital replacement and service upgrading will be netted out of the development charge rate. This approach avoids the double taxation of paying both development charges and a portion of property taxes for the same facility. See Section 8.2 Credit for Capital Costs in Taxes for details.

It is important to generate the funds needed to support growth in the Township. It is just as important to ensure that those funds are spent for the purpose planned. This assurance is achieved by placing development charge proceeds in special reserve funds where the uses are delineated and proper control is exercised. In addition, recommendations are made concerning increases in the level of development charges necessitated by cost escalation from inflation and study updates caused by changing circumstances in Section 10.2.

## **Development Charge Calculation - Table Structure**

The calculation of the development charge schedule for the Township of Douro-Dummer is developed in a series of tables that will be presented and described later in this report. The structure of these tables is set out below.

### **Input Table**

This table contains variables that could change over time. The model refers to the values in this table so a change here reflects changes throughout the remainder of the tables.

### **Table 1 – Levels of Service Calculation**

The first table lists the demographics and facilities that applied to the Township over the last ten years. The facilities are grouped within the service categories the Township should include in the development charges calculation. These are

- General Government
- Public Works
- Fire Protection
- Recreation
- Library Services

For each facility, Table 1 lists,

- the quantity of the facility the Township owned for each of the last ten years;
- the size of the facility (where applicable);
- the replacement cost of all such facilities;
- the average level of service of that facility over the last ten years in units and dollars;
- the measurement base for each service unit;
- Other relevant data.

## Table 2 – Existing Capacity and Future Municipal Facilities

The second table lists the existing assets with excess capacity and future facilities the Township will need to acquire during the next ten years that are at least partially required to provide future growth with existing (ten year average) levels of municipal services. The facilities are listed within the service categories the Township should include in the development charges calculation. These categories are:

- General Government
- Fire Protection
- Public Works
- Recreation
- Library Services

For each facility, Table 2 lists,

- year of expenditure for the facility (2019 represents an existing facility);
- the gross cost of the facility in 2019( \$000);
- the net cost of the facility after grants, subsidies and other contributions;
- the net cost of the facility after the legislated reduction (10% for soft services);
- the percentage of the net cost of the facility that can reasonably be attributable to growth in the Township over the next ten years;
- the dollar value (2019 \$) of the facility that is eligible for inclusion in the development charge calculation; and,
- The allocation of the eligible costs to residential and non-residential development.

### Table 3 - Schedule of Future Acquisitions by Year

The third table sets out a summary of the net growth-related capital cost (2019 \$) of the facilities listed in Table 2 according to:

- year of acquisition;
- service classification.

The table also shows the net present value (NPV) in 2019 dollars of the cost of each service category for each land use type less any existing development charge reserve fund balance attributable to the service category and the ratio of that cost to the total net present value of net growth-related capital costs for the land use type. The ratios shown are those that should be used in allocating development charges revenues to the listed service categories.

### Table 4 – Demographic Forecast

Table 4 provides the growth forecast for each land use type. It shows population and housing forecasts for the residential sector, plus the calculation of the expected occupancy rate (persons per household).

The table continues by showing the growth forecast for the non-residential sector in square feet of building space.

### Table 5 – Development Charges Calculation

This table shows the calculation of the justifiable development charge for residential and non-residential development. Elements of the calculation that are shown include the net present value of eligible capital costs and demographic growth by land use type. Also shown are the adjusted occupancy rate and any property tax credit (to eliminate double taxation).

## **4.0 MUNICIPAL SERVICING STANDARDS**

### **4.1 Servicing Standards**

The Development Charges Act limits the development charge calculation to the average level of service provided over the last ten years as a maximum. Annual levels of municipal services provided to the people of the Township of Douro-Dummer are set out in Appendix A – Table 1, “Levels of Service Calculations”. These service levels are summarized on the table entitled, “Average Levels of Service” on the following page. They are also used to determine the amount of facilities or other requirements to provide the future population of the Township with existing levels of service (average of last ten years).

### **4.2 Grant and Subsidy Estimates**

With changes in the provincial transfer payment system, no grants or subsidies for future capital works are expected. If a grant or subsidy is expected, the amount is deducted from capital costs before determining growth shares.

Township of Douro-Dummer

**AVERAGE LEVELS OF SERVICE**

(2014 \$)

<b>CATEGORIES OF SERVICES</b>	<b>MEASUREMENT BASE</b>	<b>EXCESS CAPACITY</b>	<b>AVERAGE LEVEL</b>
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<b>GENERAL GOVERNMENT</b>			
Studies	n/a		as required

<b>FIRE PROTECTION</b>			
Buildings	Cost Per Household		\$385
Rolling Stock	Cost Per Household		\$630

<b>PUBLIC WORKS - ROADS &amp; BRIDGES</b>			
Roads and Bridges	Cost Per Household		\$19,336

<b>PUBLIC WORKS - BUILDINGS &amp; EQUIPMENT</b>			
Buildings	Cost Per Household		\$149
Rolling Stock	Cost Per Household		\$850

<b>RECREATION</b>			
Buildings	Cost Per Capita		\$1,567
Infrastructure	Cost Per Capita		\$258

<b>LIBRARY SERVICES</b>			
Buildings	Cost Per Capita		\$82
Books & Materials	Cost Per Capita		\$134



## **5.0 GROWTH FORECASTS**

### **5.1 Relevance of Demographics**

The analysis of the Township of Douro-Dummer population with respect to its past trends, present structure and future projections, is key in the determination of Douro-Dummer Township's future infrastructure, programs and policies. The demand for its services is ultimately determined by its growth.

Morehouse Associates along with the Douro-Dummer Township staff generated a population, household and non-residential growth forecast for the next ten years using data gathered from the Township, the Municipal Property Assessment Corporation (MPAC), and Statistics Canada population data to identify historical counts and relevant future projections.

The general principle behind a development charge rate is that the capital costs of development should not be borne from general taxation of the existing population, but should be paid by contributions from the persons that will require the additional municipal services. Therefore, it is necessary to review population trends and forecast growth in order to calculate an appropriate rate. This is important for two main reasons:

1. Timing and sizing of construction can be scheduled for the new municipal services and facilities.
2. Estimating the number of people and non-residential development sharing the cost of the new facilities and services.

## 5.2 Development Charges Demographic Forecast

Population and housing unit counts from 2009 to 2018 are shown on Table 1. This data was obtained from Statistics Canada and MPAC. The population figures are based on the annual reports from MPAC and Statistics Canada. Housing counts are updated annually from assessment role information.

A population and household forecast is located on Table 4, Demographic Forecast and shows a growth projection of an additional 484 people and 248 new residential units. Recent growth experienced in Douro-Dummer has been 0.6%. It is expected that this growth rate will continue at least over the next ten years, plus the growth experienced from the three subdivisions. Consequently the growth rate used in this study will be as set out in Table 4.

With relatively small municipalities, it is difficult to project population and household growth with certainty; however this forecast of population is supported by:

- The forecasted persons per household figure adequately reflect the characteristic trends in the Township of Douro-Dummer based on the past trends;
- Residential development in the past has been predominantly single detached dwellings, which have been occupied by the local market;
- The majority of the expected new residential development will consist of single family units;
- Vacant land is available within the Township boundary for any significant residential or non-residential projects.

### 5.3 Non-residential Development

The basis for a non-residential development charge parallels that of a residential charge; the capital costs of providing municipal infrastructure to development should not be borne from general taxation from the existing businesses or residents, but should be paid by contributions from the businesses that will require the additional municipal services. Hence, it is also important to review the development charge requirements for this type of development recognizing differences in levels of service and future infrastructure requirements.

Forecasts for development activity in this sector are very difficult to estimate due to unforeseeable factors such as the state of the economy, interest rates, and the attractiveness of the community, are invariably difficult to predict.

For the purposes of this study, an annual average growth forecast of square feet of building space for the non-residential sector of the Township will be used. A summary of the non-residential forecast for the ten-year planning period is set out in Appendix A – Table 4. The table shows an annual growth in square feet of building space for non-residential development to total 132 thousand square feet for the ten-year planning period.

### 5.4 Assessment Analysis

The Input Table calculates how the eligible development charge from both existing and future facilities is allocated between various land uses: residential, non-residential. This is required to ensure that the new housing units only pay the residential portion of the growth and new non-residential development pays its share. In the absence of an estimate of actual consumption rate of a service, the ratio of assessed value is used as an appropriate estimate. Assessed value is calculated by excluding vacant land and payments-in-lieu assessment. Non-residential development is not deemed to benefit from library and recreational services so all recreation and library growth costs are assigned to the residential sector.

## 5.5 Geographic Location of Growth

The growth forecasted in this study for the Township of Douro-Dummer is expected to take place randomly throughout the Township with slightly higher concentrations in the following areas:

- Region adjacent to the City of Peterborough (Donwood);
- Waterfront or shoreline along Stoney Lake and Clear Lake; and
- Area surrounding the community of Warsaw.
- Areas of the three pending subdivisions.

Three subdivisions are under consideration consisting of 82 lots. The timing and size of all three subdivisions is problematical, so their impact on the location of growth over the next 10 years is included, but the particulars are subject to change.

## **6.0 EXISTING FACILITIES & FUTURE ACQUISITIONS**

The existing facilities and assets owned by the Township of Douro-Dummer were examined to determine any existing portion that would be available for future growth in the Township. All existing facilities and assets analyzed do not demonstrate a measurable existing growth portion that could be allocated for future growth, therefore they are not considered in the calculation of the development charge and therefore not included in Appendix A – Table 2.

Table 2 does include the future acquisitions and upgrades scheduled from 2019 to the year 2028, which are whole or partially related to growth. The net cost after grants, subsidies and donations, the percent that is expended to serve new growth and the cost eligible to be included in the development charge calculation are also identified in this table. The following outlines this analysis by service category.

### General Government

The projected studies, which are wholly or partially attributable to growth, are illustrated in this section and consist of a development charges study in 2024 and a Zoning By-law study in 2020. These studies result in an eligible capital expenditure of \$95,000 to be included in the calculation, resulting in an addition of \$35,000 to net growth-related cost.

### Fire Protection

The fire protection projects considered for the course of the planning period include replacement and upgrades of several vehicles, plus the construction of a new centralized facility scheduled for 2020 shared with Public Works costing \$6 million, with expected subsidies amounting to \$4 million. The Fire share is \$3 million gross and \$1 million net. The gross cost of these requirements is \$4,957,000 and \$2,957,000 net. Twelve percent of this is considered growth related, for an amount of \$355,000.

### Public Works - Roads

Road construction projects included in this report involve road sections as outlined in Appendix A - Table 2. These projects are upgrades. The combined total gross and net costs are estimated at \$8.06 million. The growth-related portion is judged to be twelve per cent or \$1,066,000.

### Public Works – Buildings & Equipment

The additional equipment that will be required to service Township growth is outlined in this portion of the model. The new facility to be shared with Fire Protection will cost \$6 million in 2020 with the Public Work share at \$3 million, \$1 million after expected subsidies.. The new facility, plus equipment to be replaced and upgraded will cost \$5.168 million, with a subsidy of \$2 million expected for a total net cost of \$3,168,000. The growth related portion of these upgrades is evaluated at 12% or \$380,000.

### Recreation

The Township plans to replace the two ice resurfacers at the arenas and replace and upgrade the mower. New playground equipment will be acquired in 2019 at a cost of \$100,000. The total cost will be \$285,000. The portion of these project costs related to growth at 15% comes to \$38,000.

### Library

Additions to the collection will be required in order to keep up with an increasing population for the Township, as well an addition to the library building. In addition to the major addition scheduled for 2028, the Township is undertaking a small expansion this year. Annual additions along with the building renovations will result in a \$222,000 cost, with \$152,000 attributable to growth, after the legislative 10% discount from total net cost.

### ALLOCATION

The eligible portion of costs attributable to the development charge is located on Table 2. This share is allocated to residential and non-residential development proportionately with assessment

for all projects; that is, 98% and 2% respectively, except for library and recreation services which are deemed to service only the residential sector.

## **7.0 DEVELOPMENT CHARGE CALCULATION**

### **7.1 Derivation**

The growth-related share of the net capital cost of infrastructure needed to provide the existing level of Township services to new residents of the Township are projected by year of construction (see Table 3, “Schedule of Acquisitions by Year” for the residential and non-residential sectors). Expenditures benefiting the Township of Douro-Dummer consist of:

- General Government
- Fire Protection
- Public Works
- Recreation
- Library Services

The net present value of growth-related capital expenditures is calculated, using a discount rate of two percent (the rate expected to reflect a long-term rate of return excluding inflationary factors).

In a similar way, the net present value of projected growth was calculated. The development charge calculation is shown on Table 5, "Development Charges Calculation" for both the residential and non-residential sectors. The calculation of the net chargeable development charge was performed as follows:

1. Show summary of future growth-related net costs of future acquisitions and current excess capacity by service and year (Tables 3).
2. Show net present value of the ten years of cost including existing balances if any (Table 3).
3. Calculate net present value of population growth projections (Table 4).



4. Calculate net present value of capital expenditures for Township-wide services (Table 5 - A).
5. Calculate net present value of capital expenditures for dwelling units, by multiplying net present value of expenditures per capita by the adjusted expected occupancy rate for dwelling units (Table 5 - B).
6. Calculate the net present value of the debenture debt element (if any) in capital portion of the Township of Douro-Dummer's share of property taxes for new growth (Table 5).
7. Subtract the net present value of the capital portion of the Township of Douro-Dummer's debt incurred for new growth from the per capita capital cost (Table 5).
8. The result is the maximum net development charge the Township of Douro-Dummer could charge for residential and non-residential growth.

## 7.2 Credit for Capital Costs in Taxes

Ratepayers each year are required to pay taxes covering operating, administration and capital costs. The capital costs are for capital projects to increase levels of service, major repair and replacement, and debenture repayments for past projects. The Township of Douro-Dummer has no debenture debt relating to these projects and as a result there is no tax credit.

## **8.0 OTHER CONCERNS**

### **8.1 Development Charge Exemptions**

The Act specifically exempts municipal and school board property used for legislated purposes but all other real estate property is subject to development charges whether exempt from property taxes or not.

The Township of Douro-Dummer has the authority to give full or partial exemption from development charges. In some instances in other municipalities, exemptions are given to special projects such as subsidized or senior citizens housing where the municipality wishes to provide extra support. It is recommended that no blanket exemptions from development charges be given other than agriculture and religious development. Instead, the Township should use provisions in the Municipal Act to give grants directly to individuals to alleviate the impact of development charges. In this way, the Township of Douro-Dummer retains greater control over those who receive financial benefit from the Township and those who do not.

### **8.2 Impact on Development Industry**

Overall, there is a consistent view that the residential real estate market in the Township of Douro-Dummer will grow at a steady rate.

For single family dwellings, the average price of a new house is approximately \$415,000. A development charge of \$6,718 by the Township of Douro-Dummer is 1.6 percent of this amount. Experience in other jurisdictions would indicate that a development charge that is less than five percent of the selling price of a dwelling would not have a significant impact on the housing market. This impact could be more significant in falling or fluctuating markets, however. The impact could also be greater if the development charge is factored in early in a developer's cost estimates such as at the subdivision agreement stage and thus subject to interest provisions and

percentage mark-ups. It is not likely that the recommended development charge will adversely affect the residential real estate market in the Township of Douro-Dummer.

### 8.3 Public Meeting Results

The consultant, together with members of Township of Douro-Dummer staff will meet with interested taxpayers to explain the methodology of the development charges study on August 6, 2019. The results of this meeting will be reported to the Township of Douro-Dummer under separate cover.

### 8.4 Operating Costs

The operating costs of the new facilities identified in this study are expected to be similar to the operating costs of existing facilities owned by the Township; therefore no major change is anticipated.

## 9.0 FUND ADMINISTRATION

A separate development charge reserve fund has been created for each service type into which all development charge revenues are deposited. Interest earned on the fund balance accrues to the fund and is an integral part of the development charge structure. Withdrawals from the fund are made only to pay for the growth-related net capital cost of the service type involved or to refund overpayment to owners, with interest, if appropriate.

A reserve fund for each of the following service types should be continued and the indicated proportionate share of development charge revenues and interest accumulated in them, with appropriate expenditures deducted (Table 3).

	<u>Proportionate Share</u>	
	<u>Residential</u>	<u>Non-residential</u>
<u>Township-wide:</u>		
General Government	1.8%	2.8%
Fire Protection	17.8%	27.8%
Public Works (Roads, Bldgs & Equip)	71.5%	69.4%
Recreation	1.9%	0.0%
Library Services	7.0%	0.0%
<hr/>		
Total	100%	100%

Responsibility for the reserve fund operations should be with the Treasurer who is ultimately responsible for the fiscal viability of the reserve funds and their future commitments.

An annual report to Council must be made by the Treasurer, detailing for each reserve fund,

- the beginning and closing balances,
- amounts received,
- amounts transferred to the capital fund by project,
- amounts refunded, specifying interest paid,
- Interest accruals.

Minor variations in project timing and growth-related capital costs should be noted, but require no other immediate action. Major changes in the capital forecast require analysis to determine whether the existing development charge policy requires amendment or whether a new development charge policy should be developed leading to a new by-law. Any amendment to the development charges by-law requires an update of this study. In any event, the development charge by-law lapses after five years, necessitating a repeat of the entire study process.

## **10.0 IMPLEMENTATION**

### 10.1 Township-Wide Rate

A uniform development charge rate across the municipality is recommended for the Township of Douro-Dummer. There are several reasons for this structure:

- a) Capital expenditures for all service categories in the Township of Douro-Dummer are designed to service the entire population or the particular segment served changes from one project to the next. A Township-wide development charge for all services is therefore the most equitable system of allocating these costs.
- b) It is not practical to draw definitive geographic boundaries within the Township of Douro-Dummer to identify different levels of service.
- c) All services listed in this study are available to all residents.

### 10.2 Updating

#### Inflationary Adjustments

The development charge for the Township of Douro-Dummer and its area municipalities is based on a combination of projects to be built in the future, expressed in 2019 dollars. It is recommended, therefore, that an annual inflation factor be applied to the development charge fee, since no other provision is made to adjust for inflationary pressures.

There are two levels of review of the development charge rate that should be used. The first is a recalculation of the charge rates within the format of this report. This should be done whenever better estimates of timing, costs and growth rates become available that are not inflation oriented. This adjustment should be made concurrently with the inflationary adjustment; however, it

requires a process that includes a public meeting and is open to appeal, so it should only be used if major changes have occurred.

The second level of review is a periodic re-examination of the development charge structure. This must be undertaken on a five-year cycle as a maximum. If significant changes occur in the local economy, the Township of Douro-Dummer may decide to initiate a study earlier.

The performance of the development charge fund should be monitored annually by the Treasurer to ensure that expected revenues are received and planned expenditures made. A significant discrepancy may trigger corrective action, either by adjusting the development charge rate, modifying expenditures from the fund, rescheduling the capital program or adjusting the monitoring process. It is appropriate to conduct this review at the time that the required annual report to Council is made.

### 10.3 Development Charge Implementation

The development charge should be implemented in full on the date of passage of the development charge by-law and should apply to all new building permit applications, unless covered by an agreement already in force.

### 10.4 Collection Timing

The need for municipal services for which development charges are collected is generally required at or near the date the building is occupied. It is therefore appropriate to collect the development charge at the time the building permit is issued. This is a readily identifiable date, close to the date of occupancy and provides a measure of control by the Township of Douro-Dummer. It is also the date specified in the Development Charges Act, although different dates could be effected through the subdivision agreement or for services specified in the Act.

It is further recommended that the magnitude of any development charge be the one in effect at the date when the building permit is issued, unless an alternative date is agreed upon in a subdivision or servicing agreement.

#### 10.5 Reduced Development Charge

The Council of the Township of Douro-Dummer can elect to adopt a development charge schedule that is lower than the amounts established through this study. A reduction can be implemented on the five services in the same ratio as described in this study (see Section 9.0) or for specific services as specified by the Township of Douro-Dummer Council. A reduction in one service cannot be added to another service.



## **11.0 RECOMMENDATIONS**

It is recommended to Douro-Dummer Township Council that the uniform Township-wide development charge rates be as follows:

### **Development Charge for the Township of Douro-Dummer**

<u>Residential</u> (per unit)	<u>Township-Wide</u>
All Dwelling Units	\$6,718
<u>Non-Residential</u> (per sq. ft. of building space)	
All Development Types	\$0.20

1. It is recommended that the developer continue to be responsible for all associated costs of on-site storm drainage and road connections needed to service the proposed development. These would include, but not be limited to, traffic signals, road widening, road connections etc. These improvements should be incorporated into the development plans before submission by the developer.

It is recommended that any off-site costs and necessary servicing requirements be determined and included in the subdivision agreement. These requirements may be constructed by the developer or the applicable cost paid at the time of the development charge payment. In the event that these works or oversizing enables other lands to be serviced, the Township should include in the subdivision agreement an undertaking to use the front-end financing provisions in the Development Charges Act. This would allow the cost of such works to be recovered from future developers of such lands and utilised to reimburse the first developer. Further information regarding the negotiation and execution of a Front-end Agreement under provisions included in the Development Charges Act is available.

Where the works required are part of a development charge calculation, a credit against the development charge can be agreed upon up to the amount provided in the development charge.

2. It is recommended that the Township apply an annual inflation factor to the development charges as well as periodically review and monitor the development charges and the performance of the reserve funds.

It is recommended for the following reasons:

- a) The development charge for the Township is based on a combination of projects which are to be built in the future, expressed in 2019 dollars. It is recommended, therefore, that an annual inflation factor be applied to the development charge fee.
- b) Because the development charge rate is based on a combination of future capital projects, it is recommended that the rate be periodically reviewed. There are two levels of review of the development rate that should be used. The first is a recalculation of the development charge rates within the format of this report. This should be done whenever better estimates of timing, costs and growth rates become available that are not inflation oriented, but are significant in amount because of the process involved in amending the by-law.

The second level of review is a periodic re-examination of the development charge structure. It is recommended that this be undertaken on a five-year cycle, corresponding to The Development Charges Act, unless significant changes occur in the local economy that requires an earlier study.

- c) It is recommended that the performance of the development charge reserve fund be monitored annually by the Treasurer to ensure that expected revenues are received and

planned expenditures made. A significant discrepancy may trigger corrective action, either by adjusting the development charge rate, modifying expenditures from the fund, rescheduling the capital program or adjusting the monitoring process.

3. Developer contributions to the Township of Douro-Dummer should be paid at the time the building permit is issued. It appears satisfactory to developers and provides receipts for the Township within the timeframe of any necessary capital projects.
4. The administrative and accounting practices utilized for the operation of the development charge reserve funds of the Township, as described in this report should be continued. These practices are consistent with the relevant policies and by-laws used elsewhere and with provisions in the Development Charges Act, 1997.

Funds in the development charge reserve should be used whenever a specific capital project is at least partially growth-related. The amount of the withdrawal should be based on the ratio of growth cost to total net cost of the project (after grants and subsidies).

**APPENDIX A**

**DEVELOPMENT CHARGE CALCULATION**

**TABLES**

**APPENDIX B**

**PROPOSED BY-LAW**