



Development Charges Update (Soft Services)

General Committee

May 4, 2009

Agenda

- Overview
- Methodology/Policy Changes
- Proposed Development Charge Rates
- Review of Capital Forecast
- Summary of Capital Programs
- Recommendations
- Next Steps

Town Wide Soft Services Overview

- The current Town Wide Soft Services by-law expires on August 31, 2009
- The Town Wide Soft by-law needs to be renewed to enable the collection of development charges
- The review is being conducted with the expectation that the by-law will be approved at the first Council meeting in June 2009
- The Town Wide Soft development charges are used to fund capital infrastructure for:
 - Indoor Recreation
 - Park Development and Facilities
 - Fire Services
 - Library Services
 - Public Works Yard and Fleet
 - General Government (i.e. Studies)

Town Wide Soft Services Overview

- In order to facilitate the preparation of the draft background study, (to be completed by May 12th) staff requires Council's endorsement of methodology and policy changes in the following areas:
 - Fleet Inventories
 - Residential/Non-Residential Allocation
 - Mixed-use Non Residential Rates
 - Use of Gross Population versus Net Population

Methodology Policy/Changes

Fleet Inventories

- Current Methodology
 - Rolling stock kept by the Town for 7 years included in inventory
- Recommended Methodology
 - All rolling stock utilized by the Town with an estimated useful life of 7 years or more is included in inventory
- Impact
 - Increases the 10-year average service levels for Public Works by \$7.40/capita and Fire Services by \$0.2/capita
 - Provides a larger pool to fund future capital acquisitions
 - Increases the development charge rate to Developer

Methodology Policy/Changes

Residential/Non-Residential Allocation

- Current Methodology
 - General Government and Fire Services are allocated based on property assessment. Public Works based on population and employment forecast
- Recommended Methodology
 - General Government, Fire Services and Public Works based on population and employment forecast
- Impact
 - Reduces the share of Fire Services and Public Works allocated to residential development
 - Increases the non-residential rate by \$0.49 sq.m

Methodology Policy/Changes

Mixed-Use Non-Residential Rates

- Current Policy
 - One rate is imposed for all non-residential development
- Recommended Policy
 - To apply a differentiated rate for the non-residential portion of mixed-use developments
- Impact
 - Provides a cost reduction to developers building to the Town's preferred standards
 - The proposal should have no impact on total development charge revenues
 - Preliminary calculations indicate a mixed-use charge approximately 40% lower than a non mixed-use charge
 - Raises the non mixed-use rate by 10% over the preliminary non-residential calculation

Methodology Policy/Changes

Possible Mixed-Use Non-Residential Rates

DRAFT	Proposed Dev. Charge (\$/sq.m)	Mixed Use D/Charge	Non-Mixed Use D/Charge
SERVICE			
General Government	\$2.37	\$2.37	\$2.37
Fire Services	\$3.04	\$1.74	\$3.47
Public Works	\$2.85	\$1.63	\$3.26
Total D/Charge Per Square Metre	\$8.26	\$5.74	\$9.10
Percentage Change from Proposed D/Charge		-31%	10%

Assumptions:

- a) 25% of Non-Residential Development will be Mixed-Use
- b) 50% Discount Provided on Mixed-Use Development

* Rates used are preliminary and may change with variations in the underlying assumptions

Methodology Policy/Changes

Use of Gross Population versus Net Population

- Current Methodology – Net Population
 - Based on the net population growth (i.e. takes into account the effects of the reduction in the existing population base)
- Recommended Methodology – Gross Population
 - Based on gross population growth which excludes the reducing effect of the existing population base
- Impact
 - Results in an additional \$26M being recovered from future development
 - Increases the development charge by 17%

Methodology Policy/Changes

Use of Gross Population versus Net Population

Growth Forecast	2008 Estimate	2009 - 2018	
		Growth	Total
Households	82,203	20,550	102,753
Population			
Census	275,287	51,711	326,998
In New Households		61,022	

	2008 Estimate	2009 - 2018	
		Growth	Total
Employment	172,859	38,376	211,235
Non-Residential Building Space (sq.m.)		1,512,483	

Methodology Policy/Changes

Use of Gross Population versus Net Population

Developer Issue:

The proposed new gross population methodology does not accurately reflect the requirements for future services in the Town as the effects of “empty nesters” are not accounted for

Response:

- Gross Population Methodology appropriately accounts for service requirements in new households (e.g. parks, fire services)
- The use of the net population methodology will reduce the funding available from development charges by \$26M
- The adoption of the Gross Population Methodology will maximize the funding envelope and provide the Town with the funds required to achieve its growth related capital infrastructure programs

Methodology Policy/Changes

Rationale – Gross Population Method

- Continued shortfall in growth-related infrastructure funding
 - Funding envelopes established using the net population methodology are inadequate to fund growth-related infrastructure
- Provision of many municipal services are driven by the amount of land development not population change
 - The need to expand infrastructure and facilities is driven by land development, not population change

Methodology Policy/Changes

Rationale – Gross Population Method

- Capacity is not really created by forecast population decline in existing households
- Strong demand and use of local library and recreation facilities
 - Growth in demand is based on the expectation that facilities will be close to residences

Methodology Policy/Changes

Rationale – Gross Population Method

- Methodology is consistent with, and defensible under the DC Act
 - Received independent legal review which determined approach is consistent with DC Act
 - Under appeal in two municipalities
- Approach creates a larger funding envelope but must be supported by capital program

Methodology Policy/Changes

DC Funding Envelope 2009-2018 (Net vs. Gross)

	Net Pop. Method	Gross Pop. Method			
DRAFT					
Service	Maximum Amount Recoverable (\$000)	Maximum Amount Recoverable (\$000)	Difference in Maximum Amount Recoverable (\$000)	Potential Reduction in Services	
1. Library Board	\$9,302	\$11,852	\$2,549.6	6,300	Sq. ft.
2. Fire Services	\$10,099	\$11,119	\$1,019.8	3,700	Sq. ft.
3. Indoor Recreation	\$64,997	\$76,700	\$11,702.6	29,000	Sq. ft.
4. Park Development & Facilities	\$56,188	\$66,305	\$10,116.6	20	Parks
5. Public Works	\$10,680	\$11,784	\$1,103.8	3,900	Sq. ft.
	\$151,266	\$177,758	\$26,492		

Proposed Residential Development Charge Rates Net vs Gross Population Forecast

DRAFT				
Unit Type	Existing Development Charge	Proposed Development Charge (Net Method)	Difference Existing vs Net Method	Difference Existing vs Net Method
Single and Semi-Detached	\$6,566	\$8,750	\$2,184	33%
Townhouse	\$5,158	\$6,871	\$1,713	33%
Apartment - >750 sq. ft.	\$4,667	\$5,408	\$741	16%
Apartment - <750 sq. ft.	\$2,793	\$3,249	\$456	16%

Unit Type	Existing Development Charge	Proposed Development Charge (Gross Method)	Difference Existing vs Proposed (Gross)	Difference Existing vs Proposed (Gross)	Difference Net vs Gross DC Charges	Difference Net vs Gross DC Charges
Single and Semi-Detached	\$6,566	\$10,218	\$3,652	56%	\$1,468	17%
Townhouse	\$5,158	\$8,023	\$2,865	56%	\$1,152	17%
Apartment - >750 sq. ft.	\$4,667	\$6,316	\$1,649	35%	\$908	17%
Apartment - <750 sq. ft.	\$2,793	\$3,795	\$1,002	36%	\$546	17%

Proposed Non-Residential Development Charge Rates Net vs Gross Population Forecast

DRAFT		Net Pop'n Methodology	
SERVICE	Current Non-Residential Charge Sq. m	Calculated Non-Residential Charge Sq. m	Difference in Charge
General Government	\$0.70	\$2.37	\$1.67 241%
Fire Services	\$1.85	\$2.81	\$0.96 52%
Public Works	\$1.65	\$2.59	\$0.94 57%
Total Development Charge Per Square Metre	\$4.20	\$7.77	\$3.57 85%

DRAFT		Gross Pop'n Methodology		Difference in Net vs Gross Charge	
SERVICE	Current Non-Residential Charge Sq. m	Calculated Non-Residential Charge Sq. m	Difference in Charge		
General Government	\$0.70	\$2.37	\$1.67 241%	\$0.00	0%
Fire Services	\$1.85	\$3.04	\$1.19 64%	\$0.23	8%
Public Works	\$1.65	\$2.85	\$1.20 73%	\$0.26	10%
Total Development Charge Per Square Metre	\$4.20	\$8.26	\$4.06 97%	\$0.49	6%

Methodology Policy/Changes

Developer Comments

Issue:

- There is general concern about the increase in the DC rates (56% of Singles and Townhouses, 35% for apartments) given the methodology changes and downturn in the economy

Response:

- The Soft Service DC rates are determined based on 10-year service levels and replacement costs. The proposed increase in rates are necessary to maintain current service levels.
- Preliminary analysis of phasing-in the rates over 18 months (assuming a 50% reduction in the growth forecast used in the background study) indicate the DC revenue loss would be in the range of \$2.5M - \$7.5M. Any loss of DC revenue resulting from a phase-in approach will have to be covered by Non-DC sources (i.e. tax rate).



Review of Capital Forecast

Review of Capital Forecast

DRAFT	Growth-Related Capital Forecast				
	Total (Net of Grants/ Subsidies)	Prior Growth	Net Cost After Prior Growth & Replacement	Pre-Built for Post 2018 Growth	Growth-Related Net Capital Costs 2009-2018
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
1.0 GENERAL GOVERNMENT	\$12,439.0	\$0.0	\$12,439.0	\$2,971.9	\$9,467.1
2.0 LIBRARY BOARD	\$17,991.4	\$3,115.0	\$14,876.3	\$3,024.5	\$11,851.8
3.0 FIRE SERVICES	\$16,083.0	\$2,628.8	\$13,454.2	\$2,311.8	\$11,142.4
4.0 INDOOR RECREATION	\$110,380.0	\$32,961.7	\$77,418.3	\$718.5	\$76,699.8
5.0 PARK DEVELOPMENT AND FACILITIES	\$171,087.8	\$34,903.1	\$136,184.6	\$69,924.3	\$66,260.3
6.0 PUBLIC WORKS	\$25,497.9	\$9,249.8	\$16,248.1	\$4,464.6	\$11,783.5
TOTAL 10 YEAR TOWN-WIDE SOFT SERVICES	\$353,478.9	\$82,858.4	\$270,620.6	\$83,415.6	\$187,205.0

Review of Capital Forecast

DRAFT	Total Growth-Related							
	Growth-Related Net Capital Costs 2009-2018	Service Discount Required	Net Capital Costs After Discount		Residential Share		Non-Residential Share	
	(\$000)	%	\$000	(\$000)	%	\$000	%	\$000
1.0 GENERAL GOVERNMENT	\$9,467.1	10%	\$946.7	\$8,520.39	61%	\$5,230.8	39%	\$3,289.58
2.0 LIBRARY BOARD	\$11,851.8	10%	\$1,185.2	\$10,666.61	100%	\$10,666.6	0%	\$0.00
3.0 FIRE SERVICES	\$11,142.4	0%	\$0.0	\$11,142.43	61%	\$6,840.5	39%	\$4,301.91
4.0 INDOOR RECREATION	\$76,699.8	10%	\$7,670.0	\$69,029.8	100%	\$69,029.8	0%	\$0.00
5.0 PARK DEVELOPMENT AND FACILITIES	\$66,260.3	10%	\$6,626.0	\$59,634.28	100%	\$59,634.3	0%	\$0.00
6.0 PUBLIC WORKS	\$11,783.5	10%	\$1,178.4	\$10,605.18	61%	\$6,510.7	39%	\$4,094.49
TOTAL 10 YEAR TOWN-WIDE SOFT SERVICES	\$187,205.0	9.4%	\$17,606.3	\$169,598.7	93%	\$157,912.7	7%	\$11,686.0

Summary of Capital Programs

Funded in 10-Year Forecast

		Gross Method	Net Method
Year	Fire Stations	2009-2018	2009-2018
2009	Cathedral (10,000 sf)	Funded	Funded
2010	Cornell (11,000 sf)	Funded	Funded
2017	Markham Centre (10,000 sf)	54% Funded	17% Funded

Year	Library Board	2009-2018	2009-2018
2010	East Markham (25,000 sf)	Funded	Funded
2011	Milliken Expansion (13,000 sf)	63% Funded	15% Funded

Year	Indoor Recreation	2009-2018	2009-2018
2010	East Markham CC (104,868 sf)	Funded	Funded
2013	Additional Rec. Space (127,500 sf)	99% Funded	76% Funded

Based on preliminary data

Summary of Capital Programs

Funded in 10-Year Forecast

		Gross Method	Net Method
Year	Public Works	2009-2018	2009-2018
2010	East Yard Land & Facilities (Greenhouse, Salt/Sand Brine)	Funded	Funded
2011	4 Bay Garage Addition (Miller)	Funded	Funded
2013	East Yard Garage/Office	73% Funded	63% Funded
2009-2013	Fleet	Funded - Avg. 10 units p.a	Avg. 10 units p.a
2014-2018	Fleet	Post 2018 - Avg. 8 units p.a	Post 2018 - Avg. 8 units p.a

Based on preliminary data

Summary of Capital Programs

Funded in 10-Year Forecast

			Gross Method	Net Method
Year	Park Facilities & Dev.	No.	2009-2018	2009-2018
2009	Developed Parkland	37*	Funded	Funded
2010	Developed Parkland	11	Funded	Funded
2011	Developed Parkland	13	Funded	Funded
2012	Developed Parkland	16	Funded	8 - Funded 8 - Post 2018
2013	Developed Parkland	8	3 - Funded 5 - Post 2018	Post 2018
2014	Developed Parkland	10	Post 2018	Post 2018
2015	Developed Parkland	12	Post 2018	Post 2018
2016	Developed Parkland	13	Post 2018	Post 2018
2017	Developed Parkland	9	Post 2018	Post 2018
2018	Developed Parkland	4	Post 2018	Post 2018

* Includes Parks currently in design & construction phase

Based on preliminary data

Recommendations

- That the draft background study be prepared to include the following methodology changes:
 - 1) Inclusion in inventory of all rolling stock with an estimated useful life of 7 years or more
 - 2) Non-residential allocation for General Government, Fire Services and Public Works to be based on population and employment forecast
 - 3) Population forecast and DC calculations based on gross population growth
 - 4) Development of a mixed-use definition and differentiated rate for the non-residential portion of mixed-use developments

Next Steps

- Finalize Background Study – May 12th
- Public Meeting – May 26th
- Council Approval – June 3rd



QUESTIONS