

City of Hamilton

City-Wide vs. Area-Specific Development Charges

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 Planning for growth

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1. City-Wide vs. Area-Specific Development Charges

The Development Charges Act, 1997 (D.C.A.) historically has provided the opportunity for a municipality to impose municipal-wide charges or area-specific charges. Sections 2(7) and 2(8) of the D.C.A. provide:

- A development charge by-law may apply to the entire municipality or only part of it; and
- More than one development charge (D.C.) by-law may apply to the same area.

As per Bill 73, two new sections were introduced where Council must consider the use of area-specific charges:

1. Section 2(9) of the D.C.A. now requires a municipality to implement area-specific D.C.s for either specific services that are prescribed, and/or for specific municipalities that are to be regulated (note that at this time, no municipalities or services are prescribed by the Regulations).
2. Section 10(2)c.1 of the D.C.A. requires that, “the development charges background study shall include consideration of the use of more than one development charge by-law to reflect different needs for services in different areas.”

In regard to the first item, there are no services or specific municipalities identified in the regulations that must be area rated. The second item requires Council to consider the use of area rating, but not necessarily impose this type of charge.

Across Ontario, the most prevalent approach is the municipal-wide charge. In the case of water, wastewater, and storm services, however, most by-laws make the distinction between urban vs. rural servicing in order to not impose the charge where the service is not provided. These services are also most often incorporated into more localized area-specific by-laws.

The use of municipal-wide vs. area-specific by-laws is most often a matter of policy by the municipality and may be employed based upon the request of landowners, a matter of perceived equity, or in order to facilitate financing agreements.

General perspectives for both approaches are provided as follows:

Municipal-wide

- Charges collected can be spent anywhere throughout the municipality without restriction.
- A wider collection area results in a larger pool of D.C. revenue that can be used to fund growth-related projects sooner.
- Fewer appeals to the D.C. by-law from non-residential developers occur, given their preference for the municipal-wide approach to funding growth-related infrastructure.
- D.C. funding may be collected in one area of the municipality and spent on infrastructure in another area, resulting in residents having a geographic separation from the new service, causing concern for those who are less mobile.

Area-specific

- Defining D.C. collection by individual area ensures that the investment of those funds is in the areas where development is occurring.
- Infrastructure that is to be funded from D.C.s may be delayed in areas where growth is not occurring.
- Area-specific D.C.s may encourage more development in built-up areas through increased densities and infill, as D.C. rates may be lower in these areas.
- Area-specific D.C.s increase the administrative requirements for the City related to accounting and reporting purposes (for example, instead of one pooled service, the City would be required to account and report on multiple separate service areas).
- Area-specific D.C.s can also increase the complexity for some developers and local area municipalities, where there are differing charges based on the services applicable and/or service areas where a development is located (e.g. municipalities that may be serviced by multiple water systems, therefore requiring the building official to be cautious in applying the City by-law).
- Area-specific D.C.s would require additional debenture financing as funds are isolated to individual areas, thus removing the ability to pool or access other D.C. contributions.

Based on the above, generally, with fewer area-specific charges a municipality is better able to:

- Fund its infrastructure priorities from a larger pool of D.C. revenue;

- Maintain flexibility and respond quicker to infrastructure needs (e.g. advance growth-related infrastructure as a catalyst for economic development opportunities);
- Be more strategic in its provision of services; and
- Ensure new growth users of a service pay their share, i.e.:
 - Monies collected for services in relation to D.C.s cannot be used for another purpose; therefore, care must be taken in the definition of D.C. collection areas. If areas are too finely established, it may remove users of the new service from the requirement to pay the relevant D.C.s (i.e. those located outside the defined area).

1.1 Non-Water/Wastewater/Stormwater Services

In regard to non-water/wastewater services, the City has recovered these costs historically based on a uniform, City-wide basis. In past D.C. studies, discussion has been undertaken to consider area rating; however, there have been several reasons why these rates have not been imposed:

1. All non-water/wastewater/stormwater City services require that the average 10-year service standard be calculated. This average service standard, multiplied by growth in the City, establishes an upper ceiling for the amount of funds that can be collected from all developing landowners. Section 4(4) of O.Reg. 82/98 provides that, "...if a development charge by-law applies to a part of the municipality, the level of service and average level of service cannot exceed that which would be determined if the by-law applied to the whole municipality." Put in layman's terms, the average service standard, multiplied by growth within the specific area, would establish an area-specific ceiling that would significantly reduce the total revenue recoverable for the City. Hence, this would potentially result in D.C. revenue shortfalls and impacts on property taxes.
2. Expanding on item 1, attempting to impose an area charge potentially causes equity issues in transitioning from a City-wide approach to an area-specific approach. For example, if all services were now built (and funded) within Area A (which is 75% built out) and this was funded with some revenues from Areas B and C, moving to an area rating approach would see Area A contribute no funds to the costs of services in Areas B and C. The D.C.s would be lower in Area A (as all services are now funded) and higher in Areas B and C. As well, funding shortfalls may then potentially encourage the municipality to provide less services to Areas B and C due to reduced revenue.

3. Many services that are provided (e.g. roads, parks, recreation facilities, library) are not restricted to one specific area and are often used by all residents. For example, arenas located in different parts of the City will be used by residents from all areas depending on the programming of the facility (i.e. a public skate is available each night, but at a different arena; hence, usage of any one facility at any given time is based on programming availability).
4. When a municipality is undertaking master plans for transit, the changes in mode share (the number of trips anticipated in transit vs. other vehicles) is based on a municipal-wide transportation/transit system. With growth anticipated throughout a municipality, including both greenfield and intensification growth targets, the need for transit-oriented growth is heightened. The targets related to transit also have an impact on the amount of additional road works that are/are not required to service growth. Again, this is a service that is not restricted to one specific area and is often used by all residents and employees, regardless of where their development takes place.

For the reasons noted above, staff are recommending that the City continue the current D.C. approach to calculate the charges on a uniform City-wide basis for non-water/wastewater/stormwater services.

1.2 Water/Wastewater/Stormwater Services

Recently, an analysis was undertaken to assess what the water, wastewater and stormwater charges would have been for the City if the 2014 D.C. study had included these services on an area-specific basis.

1.2.1 Water and Wastewater Services

Water and wastewater services were split based on the built boundary vs. greenfield. One of the factors that led to this split was due to the growth forecast not being detailed in a way to break the growth down further.

As part of the analysis, it was identified that the facilities would need to continue to be charged on a City-wide basis; however, linear works could be split, based on those that serviced greenfield vs. the built boundary.

It is noted that both water and wastewater services are provided on systems that deliver a consistent level of service across the City, and many projects, including linear projects, have the potential to provide benefits to both the greenfield and built boundary areas. This makes it difficult to calculate proportionate shares of some projects.

The analysis of the 2014 linear works resulted in a nominal difference between the built boundary and the greenfield area.

It is noted that the growth forecast being used for the 2019 D.C. study continues to target the 2031 population and employment estimates set out by the Province. The planning work to identify where additional growth will be accommodated to meet the Province's 2041 targets is still underway. Further, the associated updates to master plans to support the 2041 growth will not be available for use in the 2019 D.C. process. It is noted, however, that the Province's targets for 2041 include increasing the goal for intensification from 40% to 60%. This could result in increased costs in the built boundary that may lead to area-specific charges being higher than what they would currently be with only 40% intensification targets.

For these reasons, City staff are recommending that the City continue the current D.C. approach and calculate the water and wastewater charges on a uniform City-wide basis for the 2019 D.C. study.

1.2.2 Stormwater Services

Stormwater services were split, based on the combined vs. separated sewer systems. For calculation purposes, the amount of growth included in the 2014 D.C. study was estimated within the built boundary area, as there were clear boundaries between the combined and separated systems.

As part of the analysis, it was identified that some of the stormwater works, including channels, drainage and studies, benefit both the combined and the separated systems. These works were proportioned between the combined system and the separated system based on the anticipated growth in population and employment in each system. Other works, such as on-site controls, are required in the combined system, as the development of stormwater management ponds is not possible; whereas, ponds are required for development in the separated system. It is noted that on-site stormwater management controls in the combined system are required to be fully paid by landowners as a requirement of their development. As such, it is recognized that these costs can be extensive and, therefore, while developments in the combined system may pay a lower D.C., they may experience higher overall costs.

The 2014 (unindexed) existing City-wide stormwater charge is \$6,450 (for a single detached residential unit) and \$1.29 per square foot for non-residential development. The 2014 (unindexed) area-specific calculations undertaken resulted in a charge of \$638 in the combined sewer system area and \$7,370 in the separated sewer system

(for a single detached residential unit. For non-residential developments, the 2014 (unindexed) area specific calculations resulted in a charge of \$0.42 per square foot in the combined sewer system area and \$1.48 per square foot in the separate sewer system area.

The reduction in the combined sewer system area of \$5,812 per single detached dwelling, and \$0.87 per square foot for non-residential development, is a significant change that would assist in providing a more equitable cost for development in the combined sewer system area, due to the additional on-site works for which landowners are required to pay. The increase in stormwater D.C.s in the separated sewer system amounts to an additional \$920 per single detached dwelling and \$0.19 per square foot for non-residential development. As such, staff are recommending that the 2019 D.C. study calculates area-specific stormwater D.C.s based on the combined sewer system instead of the separated sewer system.

2. Municipal Area-Specific By-laws

As noted previously, in the case of water, wastewater, and stormwater services, most by-laws make the distinction between urban vs. rural servicing to avoid imposing the charge where the service is not provided or is not anticipated to be provided in future. There are a number of municipalities, however, that impose area-specific charges vs. municipal-wide charges for these and other services. A summary of the municipalities that impose area-specific charges is provided in Table 2-1.

It is noted that in recent years some municipalities, such as Renfrew, Stratford, Brant County and Russell, have eliminated area-specific D.C.s and adopted municipal-wide D.C.s. Further, a number of municipalities such as East Gwillimbury and Richmond Hill, have reduced the number of area-specific D.C. by-laws by broadening the service areas.

**Table 2-1
Municipalities with Area-Specific Development Charges**

Municipality	Upper/Lower/ Single Tier	Service Area	Service(s) Contained in Area-Specific By-law(s)
Durham Region	Upper	Carruthers Creek	Watermains, sanitary forcemains, sewers and pumping stations
Durham Region	Upper	Seaton Community	Water Supply: Watermains, pumping stations, reservoirs, supply plants and wells, studies, E.A.s, capital equipment, water use efficiency strategy and well interference. Wastewater: Pumping stations, forcemains, trunk and sanitary sewers, pollution control plants, sludge storage and disposal facilities, capital equipment, studies, E.A.s and water use efficiency.
Halton Region	Upper	Greenfield vs. Built Boundary	One by-law that distinguishes two areas for water and wastewater services only; all other services are Region-wide.
Milton	Lower	Derry Green, Sherwood and Boyne Secondary Plan Areas	Stormwater monitoring (three separate charges for each secondary plan area)
York Region	Upper	Nobleton	Wastewater treatment facility.
Vaughan	Lower	Pressure District 5 West, Pressure District 6 West, Pressure District 6 East, Pressure District 7	Watermain (charges differ between four areas)
Vaughan	Lower	Dufferin/Teston Sanitary Sub Trunk Extension, Zenway/Fogal Sanitary Sub Trunk, Highway 27 South, Huntington Road Sewer	Sanitary sewers (charges differ between four service areas)
Vaughan	Lower	Edgeley Pond and Black Creek, Rainbow Creek Drainage	Stormwater (charges differ between two service areas)
Markham	Lower	Yonge Steeles Corridor, Miliken Mills, PD 1-7, Buttonville Airport, South Unionville - Helen Avenue, Markham Centre - Clegg, Markham Centre - Hotel, Markham Centre - Sciberras, Markham Centre - East Precinct	Roads (charges differ between nine service areas)
Markham	Lower	Yonge Steeles Corridor, Don Mills/Browns Corner, Miliken Mills, PD 1-7, Rodick/Miller Road Planning District, Buttonville Airport, Mount Joy, South Unionville - Helen Avenue, Markham Centre, Markham Centre - Hotel, Markham Centre - South Hwy. 7, Markham Centre - Sciberras, Markham Centre - East Precinct, York Downs, 404 North Employment Lands	Wastewater (charges differ between 14 service areas)
Markham	Lower	Armada, Armadale NE, Wismer, Cathedral, PD 1-7, Rodick/Miller Road Planning District, South Unionville - Helen Avenue, Markham Centre - Hotel, Markham Centre - South Hwy. 7, Markham Centre - Sciberras, Markham Centre - East Precinct	Stormwater (charges differ between 11 service areas)
Markham	Lower	PD 1-7	Special bike lane projects
Markham	Lower	Markham Centre - East Precinct, York Downs	Structures (charges differ between two areas)
Newmarket	Lower	NW Quadrant Development Area	General government, library, fire, recreation, outdoor recreation, yards and fleet, parking, engineered services
Richmond Hill	Lower	Bayview Northeast, Elgin West, Urban Fringe (East), Headford Storm North of Rouge, Oak Ridges Lake Wilcox (Overall), Oak Ridges Lake Wilcox Greenfield	Stormwater and related studies (charges vary between six service areas)
Richmond Hill	Lower	Bayview Northeast, Headford, Elgin West, Urban Fringe (East), Oak Ridges Lake Wilcox (Overall)	Local roads and related studies (charges vary between five service areas)

Table 2-1 (Continued)
Municipalities with Area-Specific Development Charges

Municipality	Upper/Lower/ Single Tier	Service Area	Service(s) Contained in Area-Specific By-law(s)
Richmond Hill	Lower	Headford, Elgin West, Oak Ridges Lake Wilcox Greenfield	Water and related studies (charges vary between three service areas)
Richmond Hill	Lower	Oak Ridges Lake Wilcox Greenfield	Wastewater
East Gwillimbury	Lower	Yonge Street Benefitting Area	Water
Georgina	Lower	Keswick, Sutton, Suttone High Street Sewer	Water, wastewater and roads (charges vary between three service areas)
Niagara-on-the-Lake	Lower	St. Davids	Stormwater
Shelburne	Lower	School Road Area	Roads
Mulmur	Lower	Primrose Area, Mansfield Area	Roads (charges differ between service areas)
Barrie	Single	Former City Boundary, Salem and Hewitts Secondary Plans	Water, wastewater, stormwater (charges vary between secondary plan areas. Stormwater in charged in the Former City Boundary Area only)
Barrie	Single	Whiskey Creek	Stormwater
Collingwood	Lower	Black Ash Creek	Stormwater
Bradford West Gwillimbury	Lower	Bradford Settlement Area, Bond Head Settlement Area & BWG Strategic Settlement Employment Area	Water and wastewater (charges vary between service areas)
Clearview	Lower	Stayner, Creemore, New Lowell	Water and wastewater (charges vary between service areas, water only for New Lowell)
Hamilton	Single	Binbrook, Dundas/Waterdown	Water and wastewater (charges vary based on service area, wastewater only for Dundas/Waterdown. Charges are in addition to city-wide water and wastewater charges)
Waterloo Region	Upper	Cities vs. Townships	No transit charges in Townships. No library charges in cities
Woolwich	Lower	Breslau	Wastewater
Lucan Biddulph	Lower	Lucan Urban Area, Granton Urban Area	Water, wastewater, stormwater and transportation (charges vary between two service areas)
North Middlesex	Lower	Ailsa Craig/Nairn/Petty Area, Parkhill	Water, wastewater and roads (charges vary between two service areas). Stormwater charge imposed in Parkhill)
Bluewater	Lower	Bayfield, Hensall, Zurich	Wastewater services
Bluewater	Lower	Hensall	Water services
North Bay	Single	Cedar Heights/ College Education Centre/ Heritage Special Area	Water and wastewater
Ottawa	Single	Inside the Greenbelt vs. Outside the Greenbelt	All services differ between two defined areas
Ottawa	Single	Millennium Park	Parks
Ottawa	Single	Flag Station Road, Provence Avenue	Roads (charges differ between two service areas)
Ottawa	Single	Richmond, Manotick, Provence Avenue	Wastewater (charges differ between three service areas)
Ottawa	Single	Manotick	Water
Ottawa	Single	Riverside South, Leitrim, Nepean South, Nepean Ponds in Parks, Inner Greenbelt Ponds, Monahan Drain, Shirley's Brook, Cardinal Creek Erosion, Gloucester, N5 and Channelization	Stormwater (charges differ between 10 service areas)
Belleville	Single	Stanley Park Development, South Loyalist Secondary	Water and wastewater (charges vary between two service areas)
Perth	Lower	North Area, West Area, East Area	Fire, transportation, environmental, recreation, and studies (charges only apply to developments within the three specified service areas)
Montague	Lower	Non-Registered Plan of Subdivision	Separate charge for all services

Table 2-1 (Continued)
Municipalities with Area-Specific Development Charges

Municipality	Upper/Lower/ Single Tier	Service Area	Service(s) Contained in Area-Specific By-law(s)
North Grenville	Lower	Within Kemptville, Outside Kemptville	Water and wastewater (charges for water vary between two service areas, wastewater imposed outside Kemptville only)
Cobourg	Lower	East Community Service	Water, wastewater and stormwater
Trent Hills	Lower	Campbellford	Stormwater
Port Hope	Lower	Ward 1, Ward 2	Water, wastewater, police, transit (charges for police vary for Ward 2)
Alnwick-Haldimand	Lower	Grafton	Water
Asphodel-Norwood	Lower	Norwood	Stormwater
Alfred and Plantagenet	Lower	Alfred	Wastewater
Arnprior	Lower	Stave Court	Water and wastewater
McNab-Braeside	Lower	Jedd Creek, Dochart Creek	Stormwater (charges vary between service areas)
Laurentian Valley	Lower	Stafford Village, Stafford-Pembroke East, Pleasant View	Water, wastewater and stormwater (water and wastewater vary between three service areas, stormwater for Pleasant View only)