

Appendix 1-2
Development Charge Background Study (July 2004)

**TOWN OF TECUMSEH
DEVELOPMENT CHARGE
BACKGROUND STUDY**

**FOR PUBLIC CIRCULATION AND
COMMENT**

JULY 15, 2004

PLANNING FOR GROWTH



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EXECUTIVE SUMMARY

1. The report provided herein represents the Development Charge Background Study for the Town of Tecumseh as required by the *Development Charges Act* (DCA). This report has been prepared in accordance with the methodology required under the DCA. The contents include the following:
 - Chapter 1 – Overview of the legislative requirements of the Act;
 - Chapter 2 – Review of present DC policies of the Town and a review of policy matters being considered by the Town;
 - Chapter 3 – Summary of the residential and non-residential growth forecasts for the Town;
 - Chapter 4 – Detailed review of the DC methodology;
 - Chapter 5 – Review of historic service standards and identification of future capital requirements to service growth;
 - Chapter 6 – Calculation of the development charges;
 - Chapter 7 – Development charge policy recommendations and rules;
 - Chapter 8 – Reserve fund policy matters.

2. Development charges provide for the recovery of growth-related capital expenditures from new development. The *Development Charges Act* is the statutory basis to recover these charges. The methodology is detailed in Chapter 4. A simplified summary is provided below:
 - 1) Identify amount, type and location of growth
 - 2) Identify servicing needs to accommodate growth
 - 3) Identify capital costs to provide services to meet the needs
 - 4) Deduct:
 - Grants, subsidies and other contributions
 - Benefit to existing development
 - Statutory 10% deduction (soft services)

- Amounts in excess of 10 year historic service calculation
 - DC Reserve Funds (where applicable)
- 5) Net costs then allocated between residential and non-residential benefit
 - 6) Net costs divided by growth to provide the DC charge
- The growth forecast is based upon a number of studies, including the Tecumseh Water and Wastewater Master Plan, Working Paper # 1, KMK Consultants Ltd., 2000, Town of Tecumseh - Development Charges Background Study, and the Town of Tecumseh Official Plan (OP) (January 2000 Consolidated Version). Consolidated Official Plans were also reviewed for the former Village of St. Clair Beach (Consolidated November, 1999), and the former Township of Sandwich South (Consolidated July 2003). Furthermore, regard was also given to the Maidstone Hamlet Secondary Plan, revised September, 2003.

Time Horizon	Residential		Non-Residential	
	Population	Total Units	Employment	Sq.ft. of Building Space
10 years	30,617	10,477	16,366	11,362,300
20 years	38,089	13,347	19,903	13,617,900
Buildout	47,420	17,112	24,872	17,010,400

3. The Town's present by-law 1999-68 was passed on August 31, 1999 and will expire on August 31, 2004. Hence, the Town must undertake the development charge public process and pass a new by-law prior to the expiry date. The mandatory public meeting has been set for July 13, 2004 with adoption of the by-law anticipated for July 27, 2004.
4. The Town's current development charge by-law is based on seven specific development areas: Zone 1 (former Town of Tecumseh), Zone 2 (Village of St. Clair Beach), Zone 3 (Tecumseh Hamlet), Zone 4 (Oldcastle, Baseline Hamlet), Zone 5 (Maidstone Hamlet), Zone 6 (Twin Oaks Business Park) and Zone 7 (Rural Areas – former Township lands). The development charges under the by-law were phased in with a new charge in effect on September 1, 1999 and an increased charge effective November 1, 1999. The November 1999 charge is currently in effect. No residential development charges are currently collected for Zone 6, while the remaining charges range from \$576 for a single

detached dwelling unit in Zone 7 to \$4,976 for Zone 5. Non-residential development charges are collected per square metre of non-residential development and range from \$0.31 (\$0.03 per square foot) in Zone 5 to \$19.85 in Zone 6 (\$1.84 per square foot).

5. This report has undertaken a recalculation of the charge based on future identified needs and the proposed by-law included in this study recommends an area-specific development charge for water and wastewater services to be collected in the urban serviced area and a town-wide charge to be collected for all other services. The calculated Town-wide charges are \$3,980 and \$1.02 per square foot for residential and non-residential development respectively (Schedule ES-1). The calculated area-specific charge is \$4,859 per single-detached unit and \$2.74 per square foot for non-residential development (presented in Schedule ES-2). These rates are set before Council for their consideration.
6. The *Development Charges Act* requires a summary to be provided relative to the gross capital costs and the net costs to be recovered over the life of the by-law. This calculation is provided by service and is presented in Table 6-5. A summary of these costs is provided below:

	<u>\$Thousands</u>
Total gross expenditures planned over next five years	\$45,395.6
Less:	
Ineligible level of service	(0)
Benefit to existing development	(18,272.0)
Grants, subsidies and other contributions (County)	(2,372.5)
Mandatory 10% deduction for certain services	(181.3)
Post planning period benefit	<u>(0.0)</u>
Net costs to be recovered from development charges	\$24,569.8

Hence, \$20.8 million (or an annual amount of \$4,165,200) will need to be contributed annually from taxes and rates, or other sources (note that most of this spending relates to water, wastewater and roads).

Based on the above capital listing, the Town plans to spend \$45.4 million over the next five years of which almost \$25 million (53%) is recoverable from development charges. Of this net amount, \$16.4 million is recoverable from residential development and \$8.1

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million from non-residential development. It is noted also that any exemptions or reductions in the charges would reduce this recovery further.

7. Considerations by Council – The background study represents the service needs arising from residential and non-residential growth over the forecast periods (40 years for Sanitary Sewer, 20 years for Water, Roads, Public Works, Fire Protection and Police Services, and 10 years for all other services). However, Council will consider the findings and recommendations provided for in the report and, in conjunction with public input, approve such policies and rates it deems appropriate. These directions will refine the draft DC by-law which is appended in Appendix D. These decisions may include:

- adopting the charges and policies recommended herein;
- consider additional exemptions to the by-law;
- consider reductions in the charge by class of development (obtained by removing certain services on which the charge is based and/or by a general reduction in the charge);
- consider phasing in the charge over a period of time.

SCHEDULE "ES-1"

SCHEDULE OF MUNICIPAL-WIDE DEVELOPMENT CHARGES

SERVICE	RESIDENTIAL				NON-RESIDENTIAL (per s.f. of Gross Floor Area)
	Single-Detached Dwelling & Semi- Detached Dwelling	Apartments 2 Bedrooms +	Apartments Bachelor & 1 Bedroom	Other Multiples	
Roads and Public Works	1,141	716	459	880	0.66
Fire Protection Services	168	105	67	129	0.13
Police Services	45	28	18	35	0.03
Parks and Recreation Services	2,342	1470	942	1807	0.11
Library Services	149	94	60	115	0.01
Administration	135	85	54	104	0.08
TOTAL	3,980	2,498	1,600	3,070	1.02

SCHEDULE "ES-2"

SCHEDULE OF AREA-SPECIFIC DEVELOPMENT CHARGES

SERVICE	RESIDENTIAL				NON-RESIDENTIAL (per s.f. of Gross Floor Area)
	Single-Detached Dwelling & Semi- Detached Dwelling	Apartments 2 Bedrooms +	Apartments Bachelor & 1 Bedroom	Other Multiples	
Wastewater Services	3,873	2431	1559	2990	2.17
Water Services	986	619	397	761	0.57
TOTAL	4,859	3,050	1,956	3,751	2.74