

2017 Development Charges Update

Development Charges Advisory
Committee

November 17, 2016



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Agenda

- A. Adjustments to Residential Growth and Revised DC Rates**
- B. DC Policy Review**
- C. Cost of Growth**
- D. Asset Management Plan**

A. Adjustments to the Residential Growth and Revised DC Rates

Residential Growth Adjustments (Per DCAC #1 Supplementary Info. Package)

Population	2011	2016	2021	2026	2031	Incremental Growth	
						2017-2026	2017-2031
Per BPE							
Population ¹	493,045	555,707	624,094	688,894	752,537	133,187	196,830
Population Net of Institutional	486,228	548,054	615,476	679,363	742,101	131,309	194,047
Per Estimated Actual							
Population ¹	501,649	536,708	624,094	688,895	752,537	152,187	215,829
Population Net of Institutional	494,832	529,055	615,476	679,363	742,101	150,308	213,046
Difference							
Population Net of Institutional	8,604	(18,999)	-	-	-	18,999	18,999

1. excludes net Census undercount.

Dwelling Units	2011	2016	2021	2026	2031	Incremental Growth	
						2017-2026	2017-2031
Per BPE							
Low	0	0	0	0	0	0	0
Medium	0	0	0	0	0	0	0
High	0	0	0	0	0	0	0
Total	178,232	205,293	234,455	262,450	288,556	57,157	83,263
Per Estimated Actual							
Low	0	(4,465)	0	0	0	4,465	4,465
Medium	0	(1,984)	0	0	0	1,984	1,984
High	0	(3,473)	0	0	0	3,473	3,473
Total	178,935	195,371	234,455	262,450	288,556	67,079	93,185
Difference							
Total	703	(9,922)	-	-	-	9,922	9,922

Revised Residential Growth Adjustments

		Population Per BPE (Net of Institutional)	Population Per Estimated Actual (Net of Institutional)	Difference
Population to 2011		486,228	494,832	8,604
Occupants of New Housing Units, 2011 to 2016	<i>Units</i>	27,061	16,436	(10,625)
	<i>multiplied by persons per unit</i>	2.90	2.74	(0.16)
	<i>gross population increase</i>	78,433	45,081	(33,352)
Decline in Housing Unit Occupancy, 2011 to 2016	<i>Units</i>	178,232	178,935	703
	<i>multiplied by ppu decline rate</i>	(0.09)	(0.06)	0.03
	<i>total decline in population</i>	(16,607)	(10,858)	5,749
Population Estimate to 2016 *		548,054	529,055	(18,999)

a.
b.

Total Unit Shortfall (a+b) **(9,922)**
Convert to SDE **(7,380)**

2011-2016 Projected Actual Shortfall by Dwelling Type:

Dwelling Type	PPU	Total Units	Per SDE
Single family & semi-detached	3.55	(5,397)	(5,397)
Multiples except apartments	2.69	391	296
Apartments	1.65	(4,916)	(2,280)
Total		(9,922)	(7,380)



Revised Residential Growth Adjustments

Unit Adjustment	W/WW	Roads	General Services
Per Nov. 3 DCAC	-	3,486	5,398
Per Revised	-	5,468	7,380
Difference	-	1,982	1,982

	W/WW	Roads	General Services*
BPE Total new units	83,263	83,263	57,156
Rural units	(272)	n/a	n/a
Net	82,991	83,263	57,156
Adjustments for DC Calculation:			
Convert to SDE (PPU 3.52)	62,863	63,111	41,733
Unit Adjustment	-	5,468	7,380
Institutional	789	791	538
Net SDEs	63,652	69,370	49,651

* Police is over 15 years (71,282) all other General Services are over 10 year.



Revised Residential DC

Residential	W/WW	Roads	General Service*
Total Costs (\$000's)	\$ 849,115	\$ 1,167,275	\$ 115,897
SDE (adjusted)	63,652	69,370	49,651
\$DC/SDE Per New Calculation	\$ 13,340	\$ 16,827	\$ 2,099
Per DCAC #3	\$ 13,340	\$ 17,358	\$ 2,204
Difference	\$ -	\$ (532)	\$ (105)

* Police is over 15 years (71,282) all other General Services over 10 years

B. DC Policy Review

Current DC Policies and Proposed Changes

DC Policies (By-law No. 48-12)	Current Policy	Proposed Changes
Intensification:		
Industrial Expansion Exemption (<i>Mandatory</i>)	Exempt 50% of Existing TFA	No change
Commercial Expansion (Non-Retail)	Exempt first 3,000 sq.ft.	No change
Non-Residential Lot Coverage Relief	50% DC for $1x < TFA \leq 1.5x$ 25% DC for $TFA > 1.5x$	Exempt DCs for TFA that is greater than 1X the lot area
Demolition Credit	Credit for 5 years	No change
Conversion Credit	Retail conversion - exempt if conversion is less than 3,000 or pay full DC	Retail conversion - exempt greater of 25% of TFA or 10,000 sq. ft. (930 sq. m.);
Existing Housing Expansion Exemptions (<i>Mandatory</i>)		No change
Accessory Dwelling Units	DC payable at special care unit rate	No Change
High Density Condominium Apartment	DC payable at building permit	No Change
Purpose Built High Density Apartment - Rental	DC payable at building permit	1 year deferral from BP issuance, with interest: - deferral agrmt. - security by LC or agrmt. registered on title - subject to financial plan requirements
Purpose Built Assisted High Density Apartment - Rental, Under Housing program	DC payable at building permit	3 year deferral from BP issuance with No Interest: - deferral agrmt. - security by LC - proof of "Contribution Agrmt." (eg. IAH). - Subject to financial plan requirements

Current DC Policies and Proposed Changes

DC Policies (By-law No. 48-12)	Current Policy	Proposed Changes
Economic Development:		
Non-Residential Payment Deferral	10 year deferral	No change
Non-Residential Categories	Differentiated between Retail and Non-retail	No change
Temporary Non-Residential Building	Exempt for 3 years	No change
Seasonal Structures (to be removed within 3 months)	Exempt	No change
Temporary Venues (to be removed within 1 week)	Exempt	No change
Other		
Municipal and School Board Exemptions (<i>Mandatory</i>)	Exempt	No change
Parking Garages	Exempt	No change
Temporary Residential Building - Garden Suite, Other	Exempt	No change
Agricultural	Exempt (except for residential & retail/commercial use)	No change
Hospital	Exempt	No change
Places of Worship	Exempt	No change
Conservation Authority	Exempt (except for retail/commercial use)	No change

C. Cost of Growth

Cost of Growth

- The DCA is an important tool for Halton to recover growth-related costs in order to provide infrastructure in a timely way to support growth and more importantly the Provincial Growth Plan.
- However, there are two funding gaps experienced by Halton in accommodating growth:
 - Significant upfront growth related infrastructure requirements.
 - Growth pays for growth.
- At the request of Regional Council further information has been provided regarding the second funding gap.

Cost of Growth

Category	Growth Pays for Growth	D.C.A. (As amended by Bill 73)
Exempt Services	<ul style="list-style-type: none"> No exempt services (Include All Growth Related Services) 	<ul style="list-style-type: none"> Waste Diversion is a service that has been added to the current eligible list. No change to other services
Service Level Calculations	<ul style="list-style-type: none"> Remove 10 Year historic service level limits with a forward looking service level for all services 	<ul style="list-style-type: none"> 10-year planned level of service for prescribed services for transit All other services based on 10 year historical average
10% Discount	<ul style="list-style-type: none"> No discount. (Remove 10% Discount for All Services) 	<ul style="list-style-type: none"> Transit is the only new service that is not subject to the 10% deduction The 10% also continues not to be subject for water, wastewater, roads and police
50% Industrial Exemption	<ul style="list-style-type: none"> Provide Council with ability to determine exemptions (no mandatory exemptions) 	<ul style="list-style-type: none"> Still includes mandatory exemptions

Cost of Growth

A. DCA vs. “Growth pays for Growth”

- Cost of Ineligible Services - **\$4.7 million/year**
 - Services such as waste management, acquisition of parkland, municipal administration buildings, museums and computer equipment are not covered, even though demand for these services directly relates to the level of growth.
- Cost of 10% Deduction - **\$1.4 million/year**
 - The DCA allows for a full cost recovery of only seven services: storm water, wastewater, water, fire, roads, transit and police. Capital costs for all other services (“soft services”) must be reduced by 10 per cent.

Cost of Growth

- Cost of average service level - **\$5.1 million/year**
 - The DCA limits the DC recoverable cost based on the **average service level** provided throughout the 10 years leading up to a DC background study.
- Cost of Industrial Expansion Exemption - **\$2.9 million/year**
 - The DCA contains the 50% industrial expansion exemption that was not in the previous Act (DCA, 1989).
- **Total - \$14.1 million/year**

Cost of Growth

B. Mandatory Institutional Exemptions

- Board of Education – Although the Province is responsible for funding new schools, the municipalities are required to provide a mandatory DC exemption under the DCA, 1997 for municipal infrastructure.
- Local/Regional Municipalities buildings.
- **Total - \$5.4 million/year**

C. Discretionary Exemptions

- The Region provides a number of discretionary exemptions, relief and credits including demolition/conversion, commercial expansion, places of worship, hospital, Conservation Authority and agricultural.
- **Total - \$5.9 million/year**



Cost of Growth

- A) DCA vs “Growth pays for Growth”- **\$14.1M per year**
 - The amount based on current calculations in the 2017 DC Update, under the DCA, 1997 versus growth pays for growth.
- B) Mandatory Institutional exemptions- **\$5.4M per year**
 - related to schools and municipal buildings.
- C) Discretionary exemptions- **\$5.9M per year**

D. Asset Management Plan

Asset Management Plan (AMP)

- Operating and Capital Budget Forecast (2017 – 2031) based on:
 - 2017 Budget and Business Plan Forecast
 - Master Plans (e.g. Paramedic Services Master Plan - MO-14-15, W/WW and Transportation)
 - Asset Conditions (e.g. 2013 Infrastructure Condition Report Card - PW-24-15/FN-39-15/LPS109-15)
 - Building Condition Assessments
 - Asset Management Plan
 - Capital Needs Assessments
 - Asset Failure Data (e.g. water main breakages)
 - Optimization studies (e.g. Annual Transportation Progress Report – PW-19-15)
 - Refined costs estimates (e.g. based on detailed design)
 - Construction schedules

Asset Management Plan (AMP)

The forecast has been prepared based on the following assumptions:

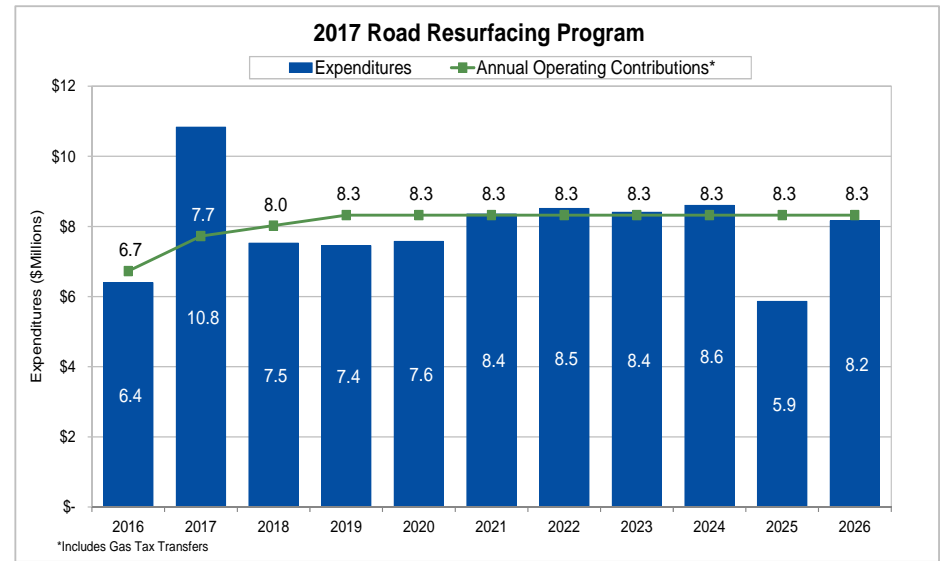
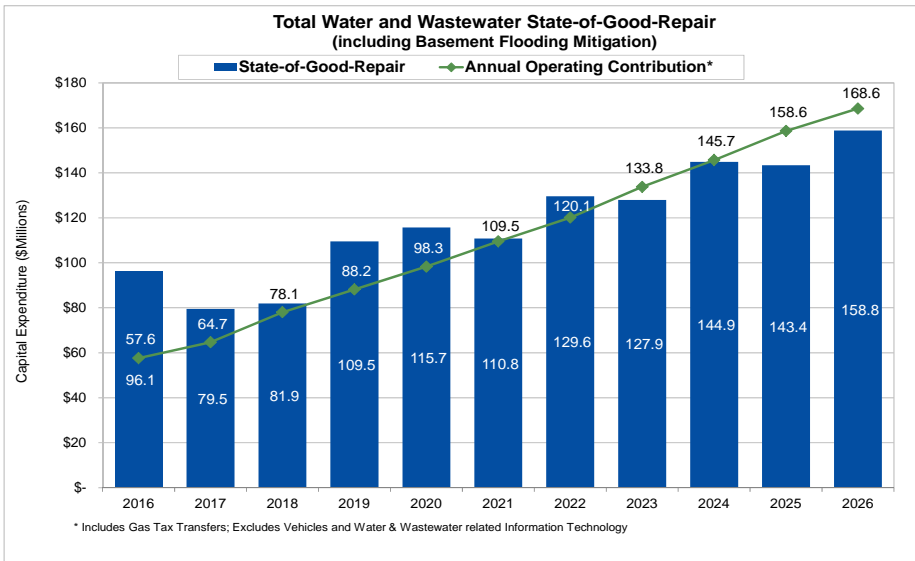
- **Growth Assumptions**
 - forecasted assessment growth is 1.5% per year to reflect moderate growth.
 - water and wastewater customer growth is estimated to be 1.6%, consumption growth is budgeted at -3.5% in 2017 and 0% thereafter.
- **Provincial Subsidies**
 - Subsidy identified for many programs does not keep pace with the increase in cost and demand for service.
 - In particular, public health subsidy is expected at 0% increase in the forecast.
- **Demands for Services particularly in Social Services and Health Services**
 - Increased demands are reflected in the 2017 Budget based on a 5% increase in caseloads at the Ontario Works office and demands for other services.
- **Performance of the Region's Investment Portfolio**
 - A continued low interest rate environment will make it challenging to generate the current level of returns.

Asset Management Plan (AMP)

- **Growth-related Infrastructure**
 - Future Allocation Programs will continue to be subject to an update of the DC by-law and Development Financing Plan.
- **Future Liabilities**
 - Halton Region budgets reserve transfers for Tangible Capital Assets based on anticipated future capital replacement requirements.
- **Cost Increases**
 - The Operating Forecast has been prepared to maintain the tax impact for Regional services at or below inflation based on the following key assumptions:
 - General inflation of 2.0%
 - Interest on reserves of 3.4%
 - Debt financing rate of 5.0%
 - Assessment growth of 1.5% per year
 - Provincial subsidies will maintain current proportionate share
 - Water customer growth of 1.2% to 1.6%
 - Water consumption growth of -3.5% to 0%

Asset Management Plan (AMP)

- Investments to Maintain Existing Infrastructure



Tax Supported Capital Budget and Financing

2017 Capital Budget & Forecast

Summary of Tax Capital Budget & Financing (\$000s)

	Gross Cost	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Program Expenditures																
Transportation	\$ 2,189,963	\$ 70,914	\$ 347,951	\$ 127,113	\$ 148,482	\$ 96,656	\$ 131,657	\$ 93,658	\$ 165,918	\$ 198,267	\$ 113,314	\$ 151,140	\$ 150,260	\$ 56,825	\$ 123,920	\$ 213,888
Planning	242,872	22,384	28,704	14,412	27,852	11,560	13,250	12,260	14,880	13,860	23,350	12,260	12,000	12,390	11,850	11,860
Waste Management	65,254	1,887	1,861	10,575	951	16,789	2,263	1,629	640	3,461	1,244	18,956	925	1,321	604	2,148
Asset Management	104,880	6,030	6,053	31,187	5,762	3,764	3,994	4,105	3,241	4,335	3,535	7,324	6,204	7,114	5,772	6,460
Information Technology	64,813	3,977	4,150	3,176	3,900	4,481	3,782	4,430	4,235	4,531	4,406	5,636	4,918	4,521	3,969	4,702
Paramedic Services	37,465	2,368	2,921	1,698	1,523	1,967	1,832	2,398	4,720	3,098	2,293	2,355	2,284	1,408	4,638	1,962
Services for Seniors	9,750	650	650	650	650	650	650	650	650	650	650	650	650	650	650	650
Financial Planning & Budgets	7,017	305	305	305	814	610	305	305	305	814	610	305	305	305	814	610
Public Health	3,542	-	513	331	168	345	110	122	227	110	123	356	188	396	445	108
Children's Services	750	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
Police	95,608	10,056	26,023	7,777	4,767	4,166	3,698	3,705	4,228	3,927	3,638	5,837	5,992	3,677	4,042	4,077
Total	\$ 2,821,915	\$ 118,621	\$ 419,182	\$ 197,273	\$ 194,919	\$ 141,037	\$ 161,590	\$ 123,311	\$ 199,094	\$ 233,103	\$ 153,213	\$ 204,869	\$ 183,776	\$ 88,657	\$ 156,754	\$ 246,515
Financing																
Tax Reserves	\$ 1,561,629	\$ 72,101	\$ 221,672	\$ 128,312	\$ 124,274	\$ 91,111	\$ 90,137	\$ 69,547	\$ 109,115	\$ 124,373	\$ 87,165	\$ 110,619	\$ 91,507	\$ 52,902	\$ 78,038	\$ 110,754
Rate Reserves	13,450	1,090	280	7,021	179	687	474	465	181	274	382	649	360	561	244	602
Dev't Charges - Resid.	1,225,626	38,515	188,636	61,264	69,937	48,873	70,487	52,951	89,400	108,012	65,192	93,181	91,562	34,796	78,029	134,791
Dev't Charges - Non Res.	7,197	551	944	676	529	366	491	348	398	443	474	420	347	398	443	368
External Rcvry	6,363	6,363	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debentures	7,650	-	7,650	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 2,821,915	\$ 118,621	\$ 419,182	\$ 197,273	\$ 194,919	\$ 141,037	\$ 161,590	\$ 123,311	\$ 199,094	\$ 233,103	\$ 153,213	\$ 204,869	\$ 183,776	\$ 88,657	\$ 156,754	\$ 246,515



Tax Supported Operating Budget and Forecast

- Tax forecast to 2031 projects that tax rate increases are close to the rate of inflation, which is consistent with the 10 year tax forecast in the current (2017) and previous budgets

Fifteen Year Operating Budget Forecast
For Tax Supported Services

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
(\$000s)	Requested Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Operating Program	171,549	179,567	188,331	196,564	205,813	214,867	225,646	236,066	248,023	258,619	271,964	287,372	301,750	316,488	331,270
State of Good Repair	77,970	79,612	80,693	82,820	84,230	86,380	86,760	87,924	88,329	90,134	89,812	87,890	87,522	87,256	87,547
Region:															
Net Expenditures	\$ 249,520	\$ 259,179	\$ 269,024	\$ 279,384	\$ 290,042	\$ 301,247	\$ 312,406	\$ 323,990	\$ 336,352	\$ 348,753	\$ 361,776	\$ 375,262	\$ 389,272	\$ 403,744	\$ 418,817
Tax Impact (after assessment)	1.9%	2.3%	2.3%	2.3%	2.3%	2.3%	2.2%	2.2%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Halton Regional Police Service:															
Net Expenditures	\$ 144,940	\$ 150,359	\$ 156,609	\$ 162,643	\$ 168,845	\$ 175,232	\$ 181,870	\$ 188,775	\$ 195,948	\$ 203,405	\$ 211,141	\$ 219,199	\$ 227,576	\$ 236,383	\$ 245,475
Tax Impact (after assessment)	2.0%	2.2%	2.6%	2.3%	2.3%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Region Including Police:															
Net Expenditures	\$ 394,460	\$ 409,539	\$ 425,633	\$ 442,027	\$ 458,887	\$ 476,479	\$ 494,276	\$ 512,765	\$ 532,300	\$ 552,158	\$ 572,917	\$ 594,461	\$ 616,847	\$ 640,127	\$ 664,291
Tax Impact (after assessment)	1.9%	2.3%	2.4%	2.3%	2.3%	2.3%	2.2%	2.2%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Assessment Growth Assumption	1.7%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%



Water and Wastewater Capital Budget and Financing

2017 Capital Budget & Forecast Summary of Rate Capital Budget & Financing (\$000s)																
	Gross Cost	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Development																
Water	\$ 535,142	\$ 988	\$ 65,006	\$ 15,038	\$ 57,646	\$ 4,161	\$ 14,915	\$ 143,181	\$ 61,634	\$ 47,591	\$ 82,565	\$ 9,842	\$ 12,345	\$ 10,503	\$ 2,608	\$ 7,119
Wastewater	625,693	4,334	63,977	137,353	86,246	80,970	10,199	23,331	15,046	95,157	64,420	3,671	20,445	573	18,160	1,811
Sub-total	1,160,835	5,322	128,983	152,391	143,892	85,131	25,114	166,512	76,680	142,748	146,985	13,513	32,790	11,076	20,768	8,930
State-Of-Good-Repair																
Water	989,195	30,713	49,551	40,925	39,159	55,426	62,073	86,238	103,322	77,539	74,562	77,364	59,536	89,927	74,028	68,832
Wastewater	865,985	47,880	20,631	61,965	48,568	27,210	63,622	43,507	41,004	66,841	77,292	70,863	85,667	57,533	73,151	80,252
Sub-total	1,855,180	78,593	70,182	102,890	87,727	82,636	125,695	129,745	144,326	144,380	151,854	148,226	145,203	147,461	147,178	149,084
Total	\$ 3,016,015	\$ 83,915	\$ 199,165	\$ 255,281	\$ 231,619	\$ 167,767	\$ 150,809	\$ 296,257	\$ 221,006	\$ 287,128	\$ 298,839	\$ 161,739	\$ 177,993	\$ 158,537	\$ 167,946	\$ 158,014
Financing																
Dev't Charges - Res.	\$ 798,891	\$ 2,438	\$ 88,573	\$ 106,870	\$ 85,709	\$ 41,173	\$ 13,964	\$ 124,558	\$ 60,585	\$ 105,754	\$ 102,958	\$ 10,098	\$ 19,302	\$ 8,198	\$ 20,472	\$ 8,239
Rate Capital Reserves	1,962,426	80,651	82,887	111,128	116,615	112,165	132,241	129,755	145,871	144,420	160,335	148,226	154,409	147,461	147,178	149,084
Infstr. Invstmnt Rvl. Fnd.	254,698	826	27,705	37,283	29,295	14,429	4,604	41,944	14,550	36,954	35,546	3,415	4,282	2,878	296	691
Total	\$ 3,016,015	\$ 83,915	\$ 199,165	\$ 255,281	\$ 231,619	\$ 167,767	\$ 150,809	\$ 296,257	\$ 221,006	\$ 287,128	\$ 298,839	\$ 161,739	\$ 177,993	\$ 158,537	\$ 167,946	\$ 158,014



Water and Wastewater Operating Budget and Forecast

- The forecast to 2031 projects that the rate increases are in the 4% to 5% range, which is consistent with the 10 year rate forecast in the current (2017) and previous budgets

Fifteen Year Operating Budget Forecast
For Rate Supported Services

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
(\$000's)	Requested Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Operating Program	116,886	120,244	123,916	127,783	131,727	135,496	139,425	143,460	147,629	151,954	159,928	177,202	196,237	216,353	237,617
State of Good Repair	90,193	98,020	105,848	114,800	123,671	133,332	143,477	154,337	164,510	174,566	182,252	182,297	182,337	182,384	182,432
Total Gross Expenditures	\$ 207,079	\$ 218,264	\$ 229,764	\$ 242,583	\$ 255,398	\$ 268,828	\$ 282,902	\$ 297,797	\$ 312,139	\$ 326,520	\$ 342,181	\$ 359,499	\$ 378,574	\$ 398,737	\$ 420,048
Total Revenues	(18,368)	(18,480)	(18,600)	(18,727)	(18,854)	(18,986)	(19,120)	(19,258)	(19,392)	(19,530)	(19,530)	(19,530)	(19,530)	(19,530)	(19,530)
Net Program Impact	\$ 188,711	\$ 199,784	\$ 211,163	\$ 223,856	\$ 236,544	\$ 249,842	\$ 263,782	\$ 278,539	\$ 292,746	\$ 306,989	\$ 322,650	\$ 339,968	\$ 359,044	\$ 379,207	\$ 400,518
Customer Growth	1.6%	1.6%	1.5%	1.5%	1.4%	1.4%	1.4%	1.4%	1.2%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Consumption Growth	-3.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Annual Water Consumption m ³ (000s)	52,913	52,913	52,913	52,913	52,913	52,913	52,913	52,913	52,913	52,913	52,913	52,913	52,913	52,913	52,913
Rate Increase	5.1%	5.2%	5.0%	5.3%	5.0%	5.0%	4.9%	4.9%	4.5%	4.3%	4.5%	4.8%	5.0%	5.0%	5.0%

