Steering Committee Meeting #4

Development Charge & Impost Fee Background Study

Summary Notes

Steering Committee Meeting #4 was held on April 9th, 2014 in the Councillor’s Lounge, City Hall. The following briefly summarizes the discussions at this Meeting.

Attendees: Andrew Grunda (Watson & Associates), Peter Simcisko (Watson & Associates), George Wallace (City), Desiree Kennedy (City), Jim Keech (UK), Jim Miller (UK), Randy Murphy (UK), Terry Willing (City), Mark Van Buren (City), Lanie Hurdle (City), Ian Semple (City), Sheldon Laidman (City), Neal Ritchie (KHBA), Jordan Van Leuken (KHBA), Doug Haight (KCA), Harry Sullivan (KCA), Alf Hendry (Homestead), Jeff Garrah (KEDCO)

Regrets: Lana Foulds (City), Cherie Mills (City), Sheila Kidd (City), Christian Hugget and Bernard Luttmer (Podium Developments)

Development Charge/Impost Fee (Combined or Separate Charges)

Watson & Associates reviewed the statutory authorities for both charges under the Development Charges Act and Municipal Act, noting that there is no prescribed methodology for calculating the Impost Fee. It was noted that the City uses the same methodology, review and calculation processes for both the DC and Impost Fee and has the same reporting process for both to ensure transparency. It was confirmed that the respective charges would be the same whether calculated separately or as a single DC. It was also noted that from a historic perspective, water and wastewater services have always been separate.

Watson & Associates noted that the separate charges provide certain benefits to the City. For example, the statutory exemptions for DC do not apply to Impost Fees and there are certain legal precedents for exemptions for federal and provincial bodies that do not apply to Impost Fees. Combining the charges could represent a potential revenue loss to the City. Maintaining separate fees also provides the City with greater flexibility in the application of the charges and the use of the collected funds. For example, there is some flexibility under the DC to replace one project with another project of similar cost, whereas replacing one project with another project with a significant cost deviation would require an amendment to the DC By-law. That is not the case with the Impost Fees.

For the foregoing reasons (i.e. consistency of process, no requirement to witness statutory declarations or legal precedents with Impost Fee, no difference in charges if separate or combined, historical separation of services and flexibility in application), it is the City’s position that the DC and Impost fee remain separate with separate By-laws and will not be merged into a single charge or By-law.

The Kingston Home Builders Association (KHBA) reiterated their position that the charges should be combined as a single DC as is the case with almost all Ontario municipalities and noted that the Development Charges Act allows for water and wastewater services to be included as part of the DC. There should be one By-law that incorporates both charges.
Watson & Associates confirmed that the position of the KHBA regarding this matter would be included in the Background Study and/or Policy Implementation Report.

UK Staff noted that Kingston is the only municipality with a separate company that is responsible for water and wastewater services which is another reason to maintain the separate charges. In response to comments by the KHBA that the reason the charges were not combined in 2009 was due to a lack of time and that this would be incorporated in the next review, UK staff advised that any previous commitment by the City would have been only to reconsider the issue at the next review, not that the charges would be amalgamated. It was also noted that prior to amalgamation, each of the three former municipalities had an impost fee and those fees were carried forward after amalgamation.

KHBA commented that if the impost fees hadn’t pre-dated DC, there would likely be just one charge.

**Capital Needs and Preliminary Development Charge & Impost Fee Calculations**

Watson & Associates reviewed the tables attached to the agenda (Appendix A) and explained how the preliminary charges for the various services (Roads and Related, Water and Wastewater) had been calculated. Revised calculations for Parks and Recreation Services (inclusion of the east end community centre) and Administration Studies were also presented. During the discussions, the following issues, concerns were raised:

**Roads and Related Service**

Watson & Associates provided an overview of the Roads and Related Service and noted that:

- The list of roads projects is preliminary only;
- The list is based on decreasing the level of service from D to E;
- The majority of the roads projects were included in the 2009 Study and have been carried forward;
- The increase of 28% is due to increased material costs and land acquisition costs;
- With respect to Project #10 (City-wide intersection/corridor improvements) the increased cost is due to combining a number of projects in the previous 2009 Study;
- Project #9 (Highway 15 widening, 2 - 4 lanes) is the only new road project from 2009;
- Projects #11 - #13 (Transit Priority Measures, Transit Shelters, Cycling/Bike Plan) are new additions to this service that were former Transit works;
- The Post Period Benefit (PPB) is the same as the 2009 Study; and
- The Benefit To Existing (BTE) is the same as the 2009 Study.

- Kingston Construction Association (KCA) commented on the timing for the 3rd Crossing (Project #3) being shown as To Be Determined. City staff advised that the entire timing column should be considered as preliminary at this time and that the TransCad Model is being reviewed in order to establish the timing for the various projects. Staff further advised that the need for the various projects should not be viewed on an individual basis, but rather on a roads network needs basis. With respect to the 3rd Crossing in particular, it was noted that the last report to Council indicated that it would take 3 ½ years (42 months) just to get the project construction ready;
• KCA inquired about the grant amount for the 3rd Crossing and whether it was a best guess or a commitment. City staff advised that it was a best guess and that the project would not proceed without grant funding;

• With respect to the Wellington Street Extension (Projects #4 and #5), KCA questioned the lack of or the amount of the Benefit to Existing (BTE) allocation. City staff advised that it should be the same as 2009. Staff agreed to review the BTE for these projects;

• KCA commented that the BTE is too low for Projects #9 - #12 (Highway 15 widening, Transit Priority Measures, Transit Shelters, Cycling/Bike Plan). With respect to the widening of Highway 15, it was indicated that more should be factored in to the BTE than just the resurfacing of the two existing lanes. KHBA also stated that the BTE was too low for Project #9;

• With respect to Projects #14 and #15 (Transportation Master Plan/Model Updates), KCA indicated that the split should be 50 - 50, the same as other Studies. Watson & Associates replied that the 75 - 25 (growth – BTE) split was based on the fact that these studies are primarily intended to look at the roads needs relative to new growth;

• KHBA questioned the residential / non-residential shares and the increase of 4% to the residential share. Watson & Associates advised that the change was due to the residential growth allocations;

• KHBA questioned the 50 - 50 split (growth - BTE) for Project #1 (John Counter Boulevard Widening) and requested that it be reviewed;

• With respect to Project #6 (Cataraqui Woods 2-lane road), KHBA indicated that they would outline their concerns in their written comments;

• Respecting Project #8 (Leroy Grant Drive), KHBA questioned why there was no BTE and requested that this be reviewed as in their opinion there would be benefits to existing development in the area with the construction of this road;

• KHBA questioned the total amount of Project #10 (City-wide intersection/corridor improvements) when compared with the 2009 Study. As noted above, this Project consolidates a number of Projects from the 2009 Study resulting in the higher cost;

• KHBA expressed concern with the inclusion of Projects #11, #12 and #13 (Transit Priority Measures, Transit Shelters, Cycling / Bike Plan) in the Roads Services and the BTE allocation for each. It was stated that these are transit works that should be subject to the statutory 10% deduction. In response, Watson & Associates indicated that these works are part of the overall transportation system and therefore should be included under Roads;

• KHBA indicated that they have major concerns with the amount of the preliminary charge for Roads and Related and does not support any of the numbers. It was further stated that KHBA has no problem paying their fair share, but do not agree with having to subsidize existing development;
KHBA noted the many roads projects that have been completed since 2009 and questioned the increase from $240 Million to $250 Million when only one new road has been added. In response, City staff noted that this was due in part to increased material costs and that the cost estimates are now more inclusive in terms of accounting for such things as utility re-locates, land acquisitions, cost of EAs, etc.;

In response to a question from KCA, Staff confirmed that the project costs reflect today’s dollars and are reviewed every 5 years to account for inflationary costs;

Homestead Land Holdings noted that the extension of Cataraqui Woods Drive east of Sydenham Road was not included in the list of road projects. Homestead indicated that they build the majority of apartment dwellings in the City. It was reiterated that if they cannot finalize a second means of access to the Purdy’s Mill site, they will be “frozen out” of development in Kingston after the first three apartment buildings in Purdy’s Mill are constructed. It was suggested that, if this is the case, the City may need to look at the latest housing projections in terms of the number of expected apartment dwellings.

**Water Service**

Watson & Associates provided an overview of the Water and Wastewater Services and noted that:
- In 2009, the water costs were based on the Water Master Plan;
- The Sewer Master Plan was not completed until 2010, therefore the wastewater costs are higher than in 2009.

KHBA questioned why there was no Post Period Benefit for Projects #15 and #16 (King Street – Sandy Bay to SJA Macdonald and King Street – SJA Macdonald to King St. WTP). UK Staff indicated that they will need to review that;

In response to a request from KHBA, UK Staff agreed to provide drawings showing the location of the various planned improvements to the water and wastewater systems. Engineering Staff agreed to provide a drawing to show the location of the various roads projects.

**Wastewater Service**

UK Staff provided an overview of the Wastewater Service and noted that:
- The wastewater numbers have changed significantly;
- The proposed works are intended to address projects and growth within the Urban Boundary;
- The various projects should not be looked at on an individual basis, but rather on the basis of the needs of the entire network systems;
- There are two systems – central and east areas flow to Ravensview – west area flows to Cataraqui Bay;
- Currently, proposed growth cannot be accommodated due to capacity issues;
- The EA for the Portsmouth Pumping Station looked at the option to reverse the flow;
- Currently everything goes east to Ravensview;
- One option was to twin the Harbourfront Trunk Sewer;
Flow reversal to Cataraqui Bay was deemed a viable option, however the Cataraqui Bay WTP needs a major upgrade to accept the additional flows;

The benefits of reversing the flow are excess capacity in the Harbourfront Trunk Sewer, River Street Pumping Station and Ravensview;

85% of wastewater in City’s west end goes through the Day’s Road Pumping Station;

Due to growth and intensification projects and the associated flows, Day’s Road PS needs to be upgraded;

This results in huge increases to the Cataraqui Bay WTP, adding to the need for a major upgrade of that facility;

The option to reverse the flows for Portsmouth PS was not included in the 2009 DC Study;

The Sewer Master Plan was completed in 2010;

There are also a number of drivers in the downtown area that added to the urgency to reverse flows to create excess capacity in the existing systems or development may not be accommodated due to constraints in the existing systems.

With the increased emphasis on intensification, KHBA raised the question about how much of the anticipated capital costs relate to intensification projects. It was further noted that most intensification projects are building on existing services. In response, staff noted that the existing infrastructure can’t support the increased density that the City wants to see and that on a go forward basis, the better option is for intensification;

KHBA commented that intensification is a City initiative and that new home builders are being penalized by requiring them to pay for upgrades to the existing infrastructure. In response, Staff noted that intensification projects are not just in Williamsville or the Downtown, but are occurring in the west end with higher densities than anticipated. Examples cited included the former Nortel property and potentially the Collins Bay penitentiary property;

KHBA inquired if it would be possible to assign more of the cost due to intensification to the apartment dwellings rather than to single and semi-detached dwellings;

KHBA questioned why there was no BTE for a number of the wastewater projects and if that could be reviewed. In response, staff used Project #1 (Beaver Crt / Safari Dr Collector) as an example noting that this upgrade is required due to new development in Westbrook. Staff further noted that is the case for most of the projects, i.e. the upgrades would not be required unless new development was occurring;

KCA noted the normal cycles for replacing infrastructure and stated that if an existing pipe is being replaced with a larger pipe, thereby deferring normal maintenance or replacement of that existing pipe, should there not be some benefit to existing?;

Staff confirmed that for existing plants, growth only pays for the expansion of the facility and not the replacement of the existing components;
• KHBA reiterated their previous comments that they have major concerns with the amount of the preliminary charges for Water and Wastewater and do not support any of the numbers.

**Parks and Recreation Services**
Watson & Associates reviewed the revised schedule for Parks and Recreation Services and noted the inclusion of the east end community centre (approved by Council on April 1st) with a gross capital cost of $9 Million. KHBA questioned the split (growth-BTE) of 50 - 50 and suggested that 20 - 80 (growth-BTE) or 10 - 90 (growth-BTE) would be more appropriate. Staff indicated that the split would be reviewed further. KHBA commented that, as proposed, the additional cost of $810 per house is a lot.

**Administration Studies**
Watson & Associates reviewed the revised schedule for Administration Studies and noted that three studies had been removed from the list of projects (Zoning By-law Consolidation, Pedestrian Plan and CIP City Gateways) and the Parking Intensification Study had been added to the list of projects with a 50 - 50 split (growth-BTE). It was also confirmed that the proposed new DC eligible Service for Parking had been removed.

**General Matters**
• KHBA asked about any potential grants that might be available. Staff advised that there was nothing forthcoming but that they would be looking into the New Canada Building Fund that was recently announced;

• KHBA advised that they had received some preliminary comments from their Consultant (Altus Group) regarding the materials that were attached to the agendas for Steering Committee Meetings #3 and #4 and that these would be forwarded to the City following the meeting (It is noted that the comments were received on April 9th and have been forwarded to staff for review and response to the matters raised);

• KHBA also advised that they were in the process of compiling additional comments / questions on the circulated materials and these would be submitted as soon as possible;

• Watson & Associates indicated that all comments / responses should be received by April 21st (if possible) in order to ensure incorporation into the materials to be distributed on April 23rd for the April 30th Steering Committee Meeting.

**Submissions Received**
The submission from the Kingston Construction Association respecting the materials discussed at Steering Committee Meeting #3 was attached to the Agenda as Appendix B. It was indicated that the matters raised in the submission would be discussed at the next meeting on April 30th either in the Policy Implementation Report or the Draft Background Study.

**Summary Notes – Steering Committee Meeting #3**
The Summary Notes were attached to the Agenda as Appendix C. There were no comments or requested revisions respecting the Summary Notes for Steering Committee Meeting #3.
Other Business
There were no items identified.

Next Steering Committee Meeting
Wednesday, April 30th, 2014, 10:00 a.m., Councillor’s Lounge, City Hall.