

MEMORANDUM

To: Members of York Region Council

From: Craig Binning and Nataliya Kelbas, Hemson Consulting

Date: April 22, 2022

Re: ASDC Methodology including Greenfield and Built Boundary delineation

This memorandum provides members of York Region Council with comments on Area Specific Development Charge (ASDC) methodology as part of the ongoing advice on the Region's 2022 DC Background Study development. At the public meeting held on March 24th, 2022, members of Regional Council requested additional information on area-specific development charges, particularly, built-boundary vs greenfield charges.

This memo includes our opinion regarding the appropriateness of the region-wide structure for Regional services, including why a built boundary or greenfield delineation would not be the appropriate mechanism for recovering growth-related costs, supported by an inter-jurisdictional review of uniform vs ASDC structures.

A. BACKGROUND

a) What are ASDCs?

Under section 2(9)(11) of the Development Charges Act (DCA), Council enacting a DC By-law must give consideration to the use of area rating. DCs can be levied on a region-wide basis, area-specific or a combination of the two. Area-specific rate structure has three dimensions: geography, service and development charge rate category.

Dimension	Description
Geography	Infrastructure servicing requirement is directly attributed to a definable geographic area.
Service	The benefiting population or population and employment to a specific service can be clearly isolated.
Development charge rate category	Infrastructure considered for ASDC could be a distinct or sub-category of a development charge rate category.

An area-specific development charge is appropriate when there is a clearly defined geographic area, benefiting development and a specific development charge eligible service. This criteria typically aligns most closely to hard infrastructure or engineering projects such as water towers, water mains, sewer pumping stations, sewer mains and sometimes roads and related infrastructure. ASDCs in Ontario are typically not used for “soft” services or protection services such as social housing, paramedic stations or others. These types of services are typically planned for and delivered on a municipality-wide basis and therefore an area-specific approach would be inappropriate. This report focuses on the use of ASDCs for transit related infrastructure and also examines the use of ASDCs for other services by upper-tier governments.

b) Greenfield vs Built Boundary

One common way to differentiate rates in a developing municipality is to charge a varied rate based on the development being within the built boundary or in a greenfield area. In particular this relates to engineering services of water, wastewater, roads and sometimes stormwater. Typically greenfield development implies that servicing is needing to be extended and so local linear infrastructure or potentially a localized pumping station or water tower. These capital costs in the Region are under the responsibility of the local municipalities. A number of the York Region area municipalities, notably Markham, Vaughan and Richmond Hill, use DC area-rating extensively to reflect difference in servicing costs between greenfield areas and development within the built boundary.

Other services like long-term care/senior, housing, court, growth studies, protection, health and waste diversion benefit all development across the region. Furthermore there is no data available in the Region to support a higher share of cost should be attributed to built boundary or greenfield areas.

In Hemson’s opinion the Region’s use of region-wide DC appropriately reflects the nature of the infrastructure provided by the Region and that a number of the area-municipalities effectively utilize area-rating to reflect geographic differences in more localized linear infrastructure.

c) Other Considerations

Looking beyond development charges, the Region levies property taxes and user rates on a region-wide basis. The non-DC eligible portions of growth-related infrastructure would therefore be collected for in a uniform region-wide manner. In introducing area-specific

recoveries, the way in which the other portions of the capital costs is paid for is given consideration.

B. PRINCIPLES AND CONSIDERATIONS FOR ASDC RATES IN YORK REGION

Area-specific rates would better apportion costs based on servicing requirements where the delineation of the benefitting user is clear. This would result in lower development charges in some areas, and higher charges in others. This effect may provide a financial incentive for developers to build in low cost areas. Excessively high ASDCs may discourage development in the areas contrary to the goals of the Region's Official Plan. Introduction of an ASDC should be reviewed from a feasibility perspective to ensure no adverse effect is created on the Region's planning policies.

Considerations used in evaluating the appropriateness of an area-specific approach include:

- Is the service accessible to everyone across the Region?
- Is the need for service growth determined based on the overall population and employment growth in the Region?
- Is the service managed as a network? Does improvement in one part of the system impact another part of the system?

Service-specific considerations and proposed methodology are detailed in the following section.

C. SERVICE-BASED CONSIDERATIONS

The following section provides a discussion to the methodology used to determine if ASDCs are appropriate recovery mechanisms for DC Services in the Region's 2022 By-law. These services consist of:

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| ▪ Water | ▪ Waste Diversion | ▪ Housing Services |
| ▪ Wastewater | ▪ Police | ▪ Growth Studies |
| ▪ Roads | ▪ Ambulance Services | ▪ Public Works |
| ▪ Transit | ▪ Public Health | ▪ Court Services |
| ▪ Subways (TYSSE, YNSE) | ▪ Long Term Care/Senior Services | |

Under each service is a description of key considerations and typical DC calculation approaches for each service for which DCs are currently levied in the York Region, supported by several municipal examples. Area rating is most typically restricted to engineered services, although there are some examples of area rating for general services within a small number of Ontario municipalities.

The following section details by service category the appropriateness of using ASDCs for the recovery of growth-related costs.

i. Long Term Care/Senior Services, Housing Services, Court Services, and Growth Studies

These services are typically calculated and levied on a municipal-wide basis for the following reasons:

- Facilities are open and accessible to all residents in the municipality;
- Needs are established and planned for based on municipal-wide population growth;
- For some services like growth studies, increased online and digital material supports a municipal-wide approach; and
- Many facilities have different functions and are destination centres attracting residents from across the region.

While area rating of these services is rare, it may be considered in municipalities with central locations that have well established facilities with sufficient capacity to meet the anticipated needs arising from intensification. This can serve as a rationale for a lower DC rate in central locations. Ottawa applies a hybrid approach, with City-wide charges for protection, studies, recreation and library in addition to area-rated DCs for the broad areas of inside the greenbelt, outside the greenbelt, and rural areas.

York Region does not have clear geographical areas among which there would be any significant difference in the nature of long term care/senior, housing, court, and growth related studies service delivery. The capital costs included in the Region's DC Study align best with the entire geography of the municipality. As such, a region-wide approach to the calculation and applications of these DCs will likely continue to be appropriate.

ii. Protection and Health Services (Police, Ambulance and Public Health)

Similar to social services above, protection and health services benefit all residents and employees in the region. The following factors would be considered in applying an ASDCs to these services:

- Facilities are open and accessible to all residents in the municipality;
- Needs are established and planned for based on municipal-wide population growth;
- For some services such as public health, increased online and digital material supports a municipal-wide approach; and
- Many facilities have different functions (i.e. education) and are destination centres attracting residents from across the region.

There is one instance of the surveyed municipalities where police services are levied on an area-specific basis in Peel Region. In that example, it is to account for the service delivery in Caledon being done by OPP rather than Peel Region Police.

There are no definitive areas in the Region that have differentiated demand on these services and so no ASDC is recommended for protection and health services. A region-wide approach to the calculation and application of these DCs continues to be the most appropriate.

iii. Waste Diversion

Waste diversion services are also driven by, planned for, and delivered on a municipal-wide basis, with typically no significant differences in service delivery or cost across geographic areas. Hemson is not aware of any municipalities that have introduced area rating for waste management services DCs. As such, a region-wide methodology is most appropriate for the recovery of waste diversion DCs.

iv. Water, Wastewater, Roads, Transit and Subway

The engineering services, with the exception of transit, are the most common services to which ASDCs apply as noted in the survey of municipalities.

It is common practice to not levy water or wastewater rates against development which does received servicing. The Region follows that methodology, water and wastewater are only levied against serviced development. This itself does not necessarily constitute an ASDC but does generally follow the built boundary. Of importance to the structure of the delivery of these services in the Region is that the upper-tier is responsible for providing water and wastewater treatment, trunk conveyance and delivery services. Capacity from the Region system is allocated to local municipalities, who are responsible for delivering the services to individual customers.

Of note in the municipal comparison, the Region of Halton levies water and wastewater DCs on Greenfield and Built Boundary DC. In Halton Region's 2022 DC Background Study it

notes, the area specific water and wastewater charges were calculated based on the distribution/collection infrastructure required to service growth planned within the Greenfield and Built Boundary areas. The DC rates relating to the water and wastewater capacity (e.g. plant expansions) are calculated on a Region-wide basis given the difficulty in identifying area specific infrastructure related to capacity projects. Similar to the Region of Halton, York Region levies capacity projects such as plant expansions on a uniform basis. As noted previously, in York Region, the distribution and collection of water and wastewater falls with the local municipalities.

As indicated in the Region's 2022 DC Background Study, uniform residential and employment design unit rates are used to identify and plan for infrastructure needs over the long term.

Another approach is to split the capital programs based on urban and rural areas. For example, in the City of Kitchener, sanitary and water services are levied against suburban areas and an intensification allowance charge for the Central Neighbourhood. This is reflective of the way in which the City has approached the planning of the capital works and the way in which it has collected in the past and likely to continue into the future.

The road network in the Region is generally treated as a single network for the purposes of capital planning. It is also accessible to residents and employees across the Region. Typically regional road infrastructure, where it is not a local service, is recovered for on a region-wide basis.

The use of ASDCs for transit was explored as part of this DC Background Study review and analysis of the Yonge North Subway Extension benefitting area can be found under Appendix B of the 2022 DC Background Study.

Consideration was given to using ASDCs throughout the study period and based on the way in which the Region plans for delivering the services, past methodology and planned capital program a region-wide approach continues to be the most appropriate method for recovering development-related costs.

D. CONCLUDING REMARKS

Of the municipalities surveyed, ASDCs are used in specific cases where there is a clear benefit of the capital works related to the anticipated development. The Region's current approach of levying most services, with the exception of the Nobleton Wastewater rate, on a region-wide basis to be both appropriate and defensible under the Development Charges Act.

A final point is some municipalities such as Niagara Region have reduced DCs for specific areas such as Brownfield redevelopment sites. This type of exemption or reduction in DCs is permitted under the by-law but the shortfall created by this policy initiative cannot be made up from higher DCs elsewhere. Likewise the cities of Brantford provide for DC exemptions and reductions in defined downtown areas, the foregone DC revenues in these areas are funded from property taxes and utility rates. In another example, the City of Kitchener prior to 2019 had an exemption on all DCs in the downtown core. Although it is critical to be mindful of the potential impacts DCs and the DC rate structure could have on various developments, as the DCA is highly prescriptive in nature and therefore other tools such as CIPs, grant programs or others are best suited for achieving policy goals.

E. TABLE OF MUNICIPAL SURVEY

The following table includes the methodology applied in the latest DC Study by municipality.

#	Municipality	Tier	Uniform/Municipal-wide or Area Specific DC
1	Halton Region	Upper	Water and Wastewater Services – area-specific (Built Boundary and Greenfield) including rural if at the time of building permit is issued for the development, a connection of the building to water and/or wastewater services is proposed. Residential Water, Wastewater and Roads Recovery of Early Payment Development Charge – Recovery Area identified as Recovery DC Area (2012-2021) on Schedule “A” of By-law 37-17 where such lands require a servicing allocation under a future allocation program.
2	Peel Region	Upper	Region-wide uniform rates with one exception: The exception is Town of Caledon, which is not serviced by Region of Peel Police but instead pays for OPP services.
3	Durham Region	Upper	Region-wide uniform with one exception Water and Sanitary Sewage ASDC for Seaton Service Area in Pickering

#	Municipality	Tier	Uniform/Municipal-wide or Area Specific DC
4	Waterloo Region	Upper	<p>Region-wide uniform with two exceptions:</p> <p>Rates for Transit are only applicable to the Cities of Cambridge, Kitchener and Waterloo.</p> <p>Library services apply only to Townships of North Dumfries, Wellesley, Wilmot and Woolwich. (The cities have their own Library Boards and recovered under local DCs.)</p>
5	Niagara Region	Upper	<p>Region-wide uniform.</p> <p>Note: DC reductions available in Brownfield Development Areas.</p>
6	Simcoe County	Upper	All services uniform.
7	Toronto	Single	All services uniform.
8	Hamilton, City	Single	All services uniform with the exemption of the Dundas and Waterdown ASDC related to wastewater services (Equalization Tank, diversion forcemain and sanitary sewers).

#	Municipality	Tier	Uniform/Municipal-wide or Area Specific DC
9	Ottawa	Single	<p>City-wide Services & Inside the Greenbelt / Outside Greenbelt / Rural</p> <ul style="list-style-type: none"> ▪ Roads and Related Services ▪ Sanitary (Waste Water) ▪ Water ▪ Stormwater Drainage ▪ Protection ▪ Public Transit ▪ Parks Development ▪ Recreation Facilities ▪ Libraries ▪ Paramedic Services ▪ Affordable Housing ▪ Corporate Studies <p>6 ASDCs</p> <ul style="list-style-type: none"> ▪ Millennium Park (District Parks) ▪ Village of Manotick (Sanitary Sewer & Water) ▪ Village of Richmond (Sanitary Sewer) ▪ Provence Ave (Roads & Sanitary Sewer) ▪ Flag Station Road (Roads) ▪ Trillium Line Extension (Public Transit)
10	Peterborough, City	Single	8 ASDCs for sanitary trunk sewers, stormwater facilities and servicing and planning studies.
11	Windsor	Single	Sandwich South Planning District ASDC for Roads, Sanitary Sewer, Storm Sewer & Municipal Drains, and Water.
12	Brantford	Single	<p>Northern Settlement Expansion Area & Tutela Heights Settlement Area ASDCs –</p> <ul style="list-style-type: none"> ▪ Roads and Related ▪ Water Services ▪ Wastewater Services ▪ Stormwater
13	Aurora	Lower	All services uniform.

#	Municipality	Tier	Uniform/Municipal-wide or Area Specific DC
14	East Gwillimbury	Lower	ASDC for Yonge Street Watermain.
15	Georgina	Lower	ASDCs for Services Related to a Highway, Water, Sewer, and Development-Related Studies in 4 service areas.
16	King	Lower	ASDC for Water Serviced areas (King City, Schomberg & Nobleton) and Wastewater serviced areas (King City & Nobleton). All other services are Township-wide.
17	Markham	Lower	18 ASDCs levied based on land area for mainly Sanitary Sewer and Storm Water Management. Total of 22 ASDCs proposed in 2022 DC Study/By-law.
18	Newmarket	Lower	ASDC for the Northwest Quadrant for services related to a Highway, Water, Wastewater and Stormwater.
19	Richmond Hill	Lower	ASDCs in 8 areas related to the following services: <ul style="list-style-type: none"> ▪ Collector Roads (including new road construction, road improvements, land, intersection improvements, street lighting and signals) ▪ Watermains and Appurtenances ▪ Sanitary Sewers and Appurtenances ▪ Storm Sewers and Appurtenances ▪ Boundary Road Surface Works (sidewalks, landscaping and street lighting) ▪ Studies (including Master Environmental Servicing Plans, Environmental Management Studies, Secondary Plan Studies and Consulting Studies)
20	Vaughan	Lower	Various ASDCs for water, wastewater and stormwater services. Currently have 13 ASDCs in place, proposing to close 1 and create 2 new ones in upcoming DC approval.

#	Municipality	Tier	Uniform/Municipal-wide or Area Specific DC
21	<u>Whitchurch-Stouffville</u>	Lower	All services uniform. Developments not receiving water and/or sewer services are not obligated to pay those charges.
22	<u>Mississauga</u>	Lower	All services uniform.
23	<u>Brampton</u>	Lower	All services uniform.
24	<u>City of Waterloo</u>	Lower	All services uniform.
25	<u>City of Kitchener</u>	Lower	Central Neighbourhoods charged an Intensification Allowance charge as related to engineering works. The Suburban area is allocated other engineering works (Roads, Sanitary, Water, Stormwater, and Engineering Studies).