

**Township of Severn  
Development Charges  
Update Study – Indoor  
Recreation Services**

February 2, 2017



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 **Planning for growth**

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## **List of Acronyms and Abbreviations**

D.C.	Development Charge
D.C.A.	Development Charges Act
F.I.R.	Financial Information Return
G.F.A.	Gross floor area
P.P.U.	Persons per unit
S.D.E.	Single detached equivalent
S.D.U.	Single detached unit
sq.ft.	Square foot

# 1. Introduction

## 1.1 Background

The Township imposes development charges to recover the increase in needs for service arising from growth. The basis for the calculation of the Township's existing municipal wide development charges is documented in the "Township of Severn Development Charge Background Study", dated April 15, 2014 which provided the supporting documentation for By-law 2014-51, as amended by By-law 2015-82. By-law 2014-51 was adopted by Council on June 5, 2014, with the development charges coming into effect September 1, 2014.

The resultant 2014 development charges are summarized as follows:

**Table 1-1  
2014 Development Charges (Unindexed)**

Service	RESIDENTIAL				NON-RESIDENTIAL (per ft <sup>2</sup> of Gross Floor Area)
	Single and Semi-Detached Dwelling	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Other Multiples	
<b>Municipal Wide Services:</b>					
Roads and Related	3,112	2,097	1,488	2,808	2.22
Other Transportation Services	294	198	141	265	0.20
Fire Protection Services	722	487	345	651	0.47
Outdoor Recreation Services	424	286	203	383	0.11
Indoor Recreation Services	642	433	307	579	0.17
Library Services	133	90	64	120	0.03
Administration	210	142	100	189	0.13
Septage and Hauled Treatment	85	57	41	77	0.04
<b>Total Municipal Wide Services</b>	<b>5,622</b>	<b>3,790</b>	<b>2,689</b>	<b>5,072</b>	<b>3.37</b>
<b>Area Specific Services:</b>					
<u>Westshore</u>					
Wastewater Services	9,533	6,424	4,559	8,600	2.99
Water Services	877	591	419	791	0.28
<b>Total Westshore</b>	<b>10,410</b>	<b>7,015</b>	<b>4,978</b>	<b>9,391</b>	<b>3.27</b>
<u>Coldwater</u>					
Wastewater Services	4,886	3,293	2,337	4,408	3.01
<u>Severn Estates</u>					
Water Services	12,500				

Subsequent to the passage of By-law 2014-51, the Township's development charges have been indexed (in accordance with section 5 of the by-law) annually on the anniversary date of the by-law and are currently 4.9% higher than presented above. The updated calculations reflected herein will be presented in 2014 values (the same values as the 2014 D.C. By-law) and 2016 values to reflect current values.

## **1.2 Existing Policies (Rules)**

The following subsections set out the rules governing the calculation, payment and collection of development charges as provided in By-law 2014-51, as amended, in accordance with the *Development Charges Act, 1997 (Act)*.

### ***1.2.1 Payment in any Particular Case***

In accordance with the *Development Charges Act, 1997*, the development charge shall be calculated, payable and collected where the development requires one or more of the following:

- a) the passing of a zoning by-law or of an amendment to a zoning by-law under section 34 of the *Planning Act*;
- b) the approval of a minor variance under Section 45 of the *Planning Act*;
- c) a conveyance of land to which a by-law passed under section 50(7) of the *Planning Act* applies;
- d) the approval of a plan of subdivision under Section 51 of the *Planning Act*;
- e) a consent under Section 53 of the *Planning Act*;
- f) the approval of a description under section 50 of the *Condominium Act*;
- g) the issuing of a building permit under the *Building Code Act* in relation to a building.

### ***1.2.2 Determination of the Amount of the Charge***

The calculation for residential development is generated on a per capita basis, and based upon different forms of housing types (single and semi-detached, apartments - two bedroom and larger, apartments - bachelor and one bedroom and all other multiples). The total cost is divided by the “gross” (new resident) population to determine the per capita amount. The eligible D.C. cost calculations are based on the net anticipated population increase (the forecast new unit population less the anticipated decline in existing units). This approach acknowledges that service capacity will be “freed up” by the population decline in existing units. The cost per capita is then multiplied by the average occupancy of the new units to calculate the charges by type of residential dwelling unit.

The non-residential development charge has been calculated based on a per square foot of gross floor area basis.

### ***1.2.3 Application to Land Redevelopment***

Despite any other provisions of this By-law, where, as a result of the redevelopment of land, a building or structure existing on the same land within 36 months prior to the date of payment of development charges in regard to such redevelopment was, or is to be demolished, in whole or in part, or converted from one principal use to another principal use on the same lane, in order to facilitate the redevelopment, the development charges otherwise payable with respect to such redevelopment shall be reduced by the following amounts:

- 1) in the case of a residential building or structure, or in the case of a mixed-use building or structure, the residential uses in the mixed-use building or structure, an amount calculated by multiplying the applicable development charge under Subsection 3.10 by the number, according to type, of dwelling units that have been or will be demolished or converted to another principle use; and
- 2) in the case of a non-residential building or structure, in the case of mixed-use building or structure, the non-residential uses in the mixed-use building or structure, an amount calculated by multiplying the applicable development charges under Subsection 3.11, by the gross floor area that has been or will be demolished or converted to another principal use;

provided that such amounts shall not exceed, in total, the amount of the development charges otherwise payable with respect to the redevelopment.

### ***1.2.4 Exemptions (full or partial)***

The following lands are exempt from development charges:

- a) Statutory exemptions
  - i. Industrial additions of up to and including 50% of the existing gross floor area of the building - for industrial additions which exceed 50% of the existing gross floor area, only the portion of the addition in excess of 50% is subject to development charges;
  - ii. Land used for Municipal or Board of Education purposes; and
  - iii. Residential development that results in only the enlargement of an existing dwelling unit, or that results only in the creation of up to two additional

dwelling units where the total gross floor area of the additional unit(s) does not exceed the gross floor area of the existing dwelling unit.

b) Non statutory exemptions

- i. Lands, buildings or structures used or to be used for a place of worship or for the purposes of a cemetery or burial ground exempt from taxation under the Assessment Act; and
- ii. A non-residential farm building.

### ***1.2.5 Indexing***

The by-law provided for the automatic indexing of the development charges, without amendment, annually, beginning on September 1, 2015 (the anniversary date of the by-law) in accordance with the Statistics Canada Quarterly, Non-Residential Building Construction Price Index (CANSIM Table 327-0043).

### ***1.2.6 By-law Duration***

This by-law will expire at 12:01 AM on September 1, 2019 unless it is repealed by Council at an earlier date.

### ***1.2.7 Timing of D.C. Payments***

Development charges imposed under this By-law for fire, library, parks, recreation and administration are calculated, payable and collected upon issuance of a building permit for the development; the development charges for roads and related, other transportation services, water, and wastewater are calculated, payable and collected at the time of Subdivision Agreement with respect to each dwelling unit, building or structure.

Despite Section 3.13, Council from time to time, and at any time, may enter into Agreements providing for all or any part of the development charge to be paid before or after it would otherwise be payable, in accordance with Section 27 of the Act.

## **1.3 Basis for D.C. By-law Update**

This D.C. Update Study provides for an amendment to the Township's municipal wide development charges by-law. The purpose of the amendment is to provide for updates to the capital infrastructure contained within the Township's 2014 D.C. Background

Study for Indoor Recreation Services. This amendment is being recommended at this time due to updated capital costing estimates for the Westshore Community Centre.

The original 2014 D.C. calculations, included an estimate of \$2 million in gross costs associated with Indoor Recreation Facilities. Since completion of the study, the revised gross costing for the Westshore Community Centre has been identified at \$7 million. The revised capital cost estimate provided above is based on the Township's recent costing of the facility and associated cost of land. The latest details for the facility include space that will service the 20-year growth forecast. Therefore, both current growth (over the 10-year forecast) and future growth will benefit from this facility, resulting in a deduction for post period benefit in the D.C. calculations.

Details on the capital cost update are presented in Chapter 4 of this report. The revised schedule of development charges is presented in the draft amending by-law in Appendix B of this report.

It should be noted that this report, is provided as an update to the Township's 2014 D.C. By-Law (i.e. By-law 2014-51, as amended) and as such, the calculations are undertaken in 2016 values and then deflated to 2014 values (the dollars used at the time of the study). The amended D.C. rates are then subsequently indexed to current rates for implementation.

## **1.4 Summary of the Process**

The Public Meeting required under section 12 of the Development Charges Act, 1997, has been scheduled for March 15, 2017. Its purpose is to present the update study to the public and to solicit public input. The meeting is also being held to answer any questions regarding the study's purpose, methodology and the proposed modifications to the Township's development charges.

The process to be followed in finalizing the report and recommendations includes:

- consideration of responses received prior to, at or immediately following the Public Meeting; and
- Council consideration of the amending by-law subsequent to the public meeting.

Figure 1-1 outlines the proposed schedule to be followed with respect to the development charge by-law adoption process.

**Figure 1-1**  
**Schedule of Key Development Charge Process Dates**  
**for the Township of Severn**

1.	Data collection, Calculations & Policy Development	December, 2016
2.	Meetings with Township Staff	December, 2016
3.	Notice of Public Meeting	No later than February 22, 2017
4.	D.C. Background study update report and proposed amending D.C. by-law available to public (two weeks prior to the Public Meeting and 60 days prior to By-law passage)	February 2, 2017
5.	Public meeting of Council	March 15, 2017
6.	Council considers adoption of background study and passage of by-law	April 5, 2017
7.	Newspaper notice given of by-law passage	By 20 days after passage
8.	Last day for by-law appeal	40 days after passage
9.	Township makes available pamphlet (where by-law not appealed)	By 60 days after in force date

## 1.5 Policy Recommendations

It is recommended that the Township's current D.C. policies, as identified in section 1.2 of this report, be continued with one minor amendment to the timing of collection of D.C.'s at the time of first building permit issuance to ensure the by-law is in compliance with the amendments to the D.C.A. as set out in Bill 73 which came into force January 1, 2016.

## **2. Changes to the D.C. and Items to be Addressed by the Update**

With the amendment of the D.C.A. (as a result of Bill 73 and O.Reg. 428/15), there are a number of areas that must be addressed to ensure that the Township is in compliance with the D.C.A., as amended. The following provides an explanation of the changes to the Act that affect the Township's Background Study and how they have been dealt with to ensure compliance with the amended legislation.

### **2.1 Area Rating**

Bill 73 has introduced two new sections where Council must consider the use of area specific charges:

1. Section 2(9) of the Act now requires a municipality to implement area specific D.C.s for either specific services which are prescribed and/or for specific municipalities which 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 which must be area rated. The second item requires Council to consider the use of area rating.

Presently, the Township's by-law includes area rated charges for water and wastewater services in the Westshore Area, wastewater services in Coldwater and water services in Severn Estates. These charges are for recovery of costs specific to specific developments that benefit directly from these water and/or wastewater systems. All other Township services are recovered based on a uniform, Township-wide basis. In past D.C. studies, discussion has been undertaken to consider area rating, however there have been several reasons why they have not been imposed including:

1. All Township services, with the exception of water and wastewater, require that the average 10-year service standard be calculated. This average service standard multiplied by growth in the Township, establishes an upper ceiling on

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the amount of funds which 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 terms, the average service standard multiplied by the growth within the specific area, would establish an area specific ceiling which would significantly reduce the total revenue recoverable for the Township hence potentially resulting in D.C. revenue shortfalls and impacts on property taxes.

2. Extending on item 1, attempting to impose an area charge potentially causes equity issues in transitioning from a Township-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 & C. The development charges would be lower in Area A (as all services are now funded) and higher in B and C. As well, funding shortfalls may then potentially encourage the municipality to provide less services to B and C due to reduced revenue.
3. Many services which are provided (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 Township 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).

For the reasons noted above, it is recommended that Council continue the D.C. approach to calculate the charges on a uniform Township-wide basis for all services except water and wastewater.

## **2.2 Asset Management Plan for New Infrastructure**

The new legislation now requires that a D.C. Background Study must include an Asset Management Plan (s. 10 (2)c.2). The asset management plan must deal with all assets that are proposed to be funded, in whole or in part, by D.C.s. The current regulations provide very extensive and specific requirements for the asset management plan related to transit services however, are silent with respect to how the asset management plan is to be provided for all other services. As part of any asset management plan, the examination should be consistent with the municipality's existing

assumptions, approaches and policies on asset management planning. This examination may include both qualitative and quantitative measures such as examining the annual future lifecycle contributions needs (discussed further in Appendix A of this report).

### **2.3 60-Day Circulation of D.C. Background Study**

Previously the legislation required that a D.C. Background study be made available to the public at least two weeks prior to the public meeting. The amended legislation now provides that the D.C. Background study must be made available to the public (including posting on the municipal website) at least 60 days prior to passage of the D.C. by-law. No other changes were made to timing requirements for such things as notice of the public meeting and notice of by-law passage.

This D.C. update study is being provided to the public on February 2, 2017 to ensure the new requirements for release of the study is met.

### **2.4 Timing of Collection of Development Charges**

The D.C.A. has been refined by Bill 73 to require that D.C.s are collected at the time of the first building permit. For many developments, this will not impact the Township's present process. However, there may be instances where several building permits are to be issued and either the size of the development or the uses will not be definable. In these instances, the Township may enter into a delayed payment agreement in order to capture the full development.

### **2.5 Other Changes**

It is also noted that a number of other changes were made through Bill 73 and O.Reg. 428/15 including changes to the way in which Transit D.C. service standards are calculated and the ability for collection of additional levies; however, these sections do not impact the Township's municipal wide D.C.

### 3. Anticipated Development

The 2014 development charges study provided for the anticipated residential and non-residential growth within the Township of Severn. The growth forecast associated with services included in the background study is provided in Table 2-1 below.

**Table 2-1**  
**Township of Severn**  
**2014 D.C. Background Study – Growth Forecast Summary**

<b>Measure</b>	<b>10 Year 2014-2024</b>	<b>17 Year 2014-2031</b>	<b>Urban Buildout 2014-Urban Buildout</b>
(Net) Population Increase	2,223	3,661	5,118
Residential Unit Increase	1,075	1,750	2,247
Non-Residential Gross Floor Area Increase (ft <sup>2</sup> )	220,100	356,200	587,950

For the purposes of this D.C. update, the 2014 D.C. Background Study growth forecast remains unchanged. The revised capital costs estimates have been considered in the context of the growth forecast and provisions for post-period benefit deductions have been provided where necessary to ensure the increase in need for service pertains to the underlying increase in development.

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## 4. Updates to the Anticipated Capital Needs

The Township passed By-law 2014-51 on June 5, 2014, being a by-law for the purposes of establishing and collecting a development charge in accordance with the provisions of the *Development Charges Act*. The D.C. Background Study and By-law identified anticipated capital needs for recovery through development charges for Township-wide Services as well as Area-Specific Charges for Westshore, Coldwater, and Severn Estates. This chapter of the report summarizes the changes in the anticipated capital needs for the Indoor Recreation Services component only and the statutory requirements for updating the calculations through a D.C. update process.

### 4.1 Services Updated

#### 4.1.1 Indoor Recreation Services

The Township is providing for the revision of the Westshore Community Centre that will service the growth identified within the 2014 D.C. Study.

The service standard has been updated to incorporate updated information from Township staff. Matchedash Community Hall was acquired by the Township in 2014 and is utilized for municipal recreation programming. Further, the old Washago Hall has now been removed from the service standard as it was no longer in service as of 2006. The square feet of building area for the Coldwater Arena was also updated to provide for the increased space added for a new dressing room. This updated service standard calculation provides for a D.C. recoverable amount of approximately \$1.41 million.

The revised costing for the Westshore Community Centre has increased from the 2014 D.C. Study budgeted estimate. The gross cost of the Community Centre has increased from the estimated \$2 million (in 2014\$) to \$7 million (in 2016\$) to reflect anticipated tender prices and the actual land prices. The percentage for any existing benefit has remained the same, therefore no benefit to existing development has been included. The post period benefit amount associated with the Community Centre is approximately \$4.47 million. Interest costs have been included assuming the growth-related share of the project, less the reserve fund balance, is debentured at 3.49% (30 year Infrastructure Ontario lending rates as of January 16, 2017). There is a D.C. reserve fund balance of \$1,116,248 that has also been included as a deduction to the D.C. calculation. After these deductions and the 10% mandatory deduction, this result in a net recoverable cost of \$1.98 million for the 10-year forecast period.

Table 4-1 shows the updated Indoor Recreation Service Standard calculation and Table 4-2 shows the updated Westshore Community Centre project included in the capital program.

**Table 4-1  
Updated Indoor Recreation Service Standard Calculation**

**Township of Severn  
Service Standard Calculation Sheet**

Service: Indoor Recreation Facilities  
Unit Measure: ft<sup>2</sup> of building area

Description	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 Bld'g Value (\$/ft <sup>2</sup> )	Value/ft <sup>2</sup> with land, site works, etc.
Coldwater Arena	43,522	43,522	43,522	43,522	43,522	43,522	43,522	43,522	44,290	44,290	\$200	\$224
Lake St. George Hall	3,526	3,526	3,526	3,526	3,526	3,526	3,526	3,526	3,526	3,526	\$200	\$224
Washago Hall	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	5,701	\$180	\$202
Matchedash Community Hall	-	-	-	-	-	-	-	6,468	6,468	6,468	\$190	\$213
<b>Total</b>	<b>52,749</b>	<b>59,217</b>	<b>59,985</b>	<b>59,985</b>								

Population	18,987	18,934	18,878	18,812	18,869	19,020	19,185	19,373	19,588	19,737
Per Capita Standard	2.7782	2.7859	2.7942	2.8040	2.7955	2.7733	2.7495	3.0567	3.0623	3.0392

10 Year Average	2007-2016
Quantity Standard	2.8639
Quality Standard	\$221
Service Standard	\$634

DC Amount (before deductions)	10 Year
Forecast Population	2,223
\$ per Capita	\$634
Eligible Amount	\$1,409,093

**Table 4-2**  
**Updated Indoor Recreation Capital Projects**  
 INFRASTRUCTURE COSTS COVERED IN THE DC CALCULATION

Township of Severn  
 Service: Indoor Recreation Facilities

Prj.No	Increased Service Needs Attributable to Anticipated Development	Timing (year)	Gross Capital Cost Estimate (2016\$)	Post Period Benefit	Net Capital Cost	Less:		Subtotal	Less: Other (e.g. 10% Statutory Deduction)	Potential DC Recoverable Cost		
						Benefit to Existing Development	Grants, Subsidies and Other Contributions Attributable to New Development			Total	Residential Share	Non-Residential Share
	2014-2023										95%	5%
1	Community Centre (Westshore)	2018	7,000,000	4,474,659	2,525,341	-		2,525,341	252,534	2,272,807	2,159,167	113,640
2	Growth-related Interest (Discounted)		2,625,058	1,805,908	819,149	-		819,149		819,149	778,192	40,957
	Reserve Fund Adjustment					1,116,248		(1,116,248)		(1,116,248)	(1,060,436)	(55,812)
	<b>Total</b>		<b>9,625,058</b>	<b>6,280,567</b>	<b>3,344,490</b>	<b>1,116,248</b>	<b>-</b>	<b>2,228,242</b>	<b>252,534</b>	<b>1,975,708</b>	<b>1,876,923</b>	<b>98,785</b>

## 4.2 D.C. By-law Revised Schedule of Charges

### 4.2.1 Updated D.C. Calculation (2014 \$)

Detailed calculation tables underlying the anticipated capital needs are summarized in Table 4-3 below. Table 4-3 calculates the proposed uniform development charge to be imposed on anticipated development in the Township for Indoor Recreation services over a 10-year planning horizon.

For the residential calculations, the total cost is divided by the “gross” (new resident) population to determine the per capita amount. The eligible D.C. cost calculations set out in Table 4-1 and Table 4-2 are based on the net anticipated population increase (the forecast new unit population less the anticipated decline in existing units). The cost per capita is then multiplied by the average occupancy of the new units to calculate the charge in Table 4-3. With respect to non-residential development, the total costs in the uniform charge allocated to non-residential development (based on need for service) have been divided by the anticipated development over the planning period to calculate a cost per sq.ft. of gross floor area.

Tables 4-4 and 4-5 compare the amended and existing single detached dwelling unit and non-residential per square foot development charges for Indoor Recreation Services (2014\$ values).

**Table 4-3  
Township of Severn  
Development Charge Calculation (2016\$)**

SERVICE	2016 \$ DC Eligible Cost		2016 \$ DC Eligible Cost	
	Residential	Non-Residential	SDU	per ft <sup>2</sup>
	\$	\$	\$	\$
1. <u>Indoor Recreation Services</u>				
1.1 Recreation facilities	1,876,923	98,785	1,725	0.45
<b>TOTAL</b>	<b>\$1,876,923</b>	<b>\$98,785</b>	<b>\$1,725</b>	<b>\$0.45</b>
<b>DC ELIGIBLE CAPITAL COST</b>	<b>\$1,876,923</b>	<b>\$98,785</b>		
10 Year Gross Population / GFA Growth (ft <sup>2</sup> .)	3,003	220,100		
Cost Per Capita / Non-Residential GFA (ft <sup>2</sup> .)	\$625	\$0.45		
<b>By Residential Unit Type</b>				
	<b>D.P.U</b>			
Single and Semi-Detached Dwelling	2.76	\$1,725		
Apartments - 2 Bedrooms +	1.86	\$1,163		
Apartments - Bachelor and 1 Bedroom	1.32	\$825		
Other Multiples	2.49	\$1,556		

**Table 4-4  
Township of Severn  
Comparison of Amending and Existing Residential D.C. (2014\$)**

<b>Service</b>	<b>Current Charge Based on 2014 DC Study (2014\$)</b>	<b>Calculated Charge Based on 2016 DC Update (2014\$)</b>
<b>Municipal Wide Services:</b>		
Roads and Related	3,112	3,112
Other Transportation Services	294	294
Fire Protection Services	722	722
Outdoor Recreation Services	424	424
Indoor Recreation Services*	642	1,645
Library Services	133	133
Administration	210	210
Septage and Hauled Treatment	85	85
<b>Total Municipal Wide Services</b>	5,622	6,625
<b>Area Specific Services:</b>		
<u>Westshore</u>		
Wastewater Services	9,533	9,533
Water Services	877	877
<b>Total Westshore</b>	10,410	10,410
<u>Coldwater</u>		
Wastewater Services	4,886	4,886
<u>Severn Estates</u>	-	-
Water Services	12,500	12,500

**Table 4-5**  
**Township of Severn**  
**Comparison of Amending and Existing Non-Residential D.C. (2014\$)**

Service	Current Charge Based on 2014 DC Study (2014\$)	Calculated Charge Based on 2016 DC Update (2014\$)
<b>Municipal Wide Services:</b>		
Roads and Related	2.22	2.22
Other Transportation Services	0.20	0.20
Fire Protection Services	0.47	0.47
Outdoor Recreation Services	0.11	0.11
Indoor Recreation Services*	0.17	0.43
Library Services	0.03	0.03
Administration	0.13	0.13
Septage and Hauled Treatment	0.04	0.04
<b>Total Municipal Wide Services</b>	<b>3.37</b>	<b>3.63</b>
<b>Area Specific Services:</b>		
<u>Westshore</u>		
Wastewater Services	2.99	2.99
Water Services	0.28	0.28
<b>Total Area Specific Services</b>	<b>3.27</b>	<b>3.27</b>
<u>Coldwater</u>		
Wastewater Services	3.01	3.01
<u>Severn Estates</u>		
Water Services	-	-

#### **4.2.2 Revised D.C. Schedules (2014\$ and 2016\$)**

Based on discussions with Township staff, the following changes were required:

- a) Revise project costs for Westshore Community Centre as the tendered price is significantly higher than the initial estimate and actual land costs are now known.
- b) Update Indoor Recreation service standard calculation to include expanded facility space at the Coldwater arena, and the acquisition of the Matchedash Hall, as well as update the replacement costs.

Table 4-6 provides for the updated Township-wide development charges in 2014 values. As the study was originally completed in 2014, the updated charges were calculated in 2016 dollars (see Table 4-3) and deflated to 2014 dollars. Table 4-6 provides for the indexed 2016 values as the Township's current development charges have been indexed to 2016 values.

**Table 4-6**  
**Township of Severn**  
**Updated Development Charge Calculation (2014\$)**

Service	RESIDENTIAL				NON-RESIDENTIAL
	Single and Semi-Detached Dwelling	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Other Multiples	(per ft <sup>2</sup> of Gross Floor Area)
<b>Municipal Wide Services:</b>					
Roads and Related	3,112	2,097	1,488	2,808	2.22
Other Transportation Services	294	198	141	265	0.20
Fire Protection Services	722	487	345	651	0.47
Outdoor Recreation Services	424	286	203	383	0.11
Indoor Recreation Services*	1,645	1,109	787	1,484	0.43
Library Services	133	90	64	120	0.03
Administration	210	142	100	189	0.13
Septage and Hauled Treatment	85	57	41	77	0.04
<b>Total Municipal Wide Services</b>	<b>6,625</b>	<b>4,466</b>	<b>3,169</b>	<b>5,977</b>	<b>3.63</b>
<b>Area Specific Services:</b>					
<u>Westshore</u>					
Wastewater Services	9,533	6,424	4,559	8,600	2.99
Water Services	877	591	419	791	0.28
<b>Total Westshore</b>	<b>10,410</b>	<b>7,015</b>	<b>4,978</b>	<b>9,391</b>	<b>3.27</b>
<u>Coldwater</u>					
Wastewater Services	4,886	3,293	2,337	4,408	3.01
<u>Severn Estates</u>					
Water Services	12,500				

\*Deflated to 2014 \$ based on the 2nd Quarter Non-res Building Construction Price Index

**Table 4-7**  
**Township of Severn**  
**Updated Development Charge Calculation (2016\$)**

Service	RESIDENTIAL				NON-RESIDENTIAL
	Single and Semi-Detached Dwelling	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Other Multiples	(per ft <sup>2</sup> of Gross Floor Area)
<b>Municipal Wide Services:</b>					
Roads and Related	3,263	2,199	1,560	2,945	2.33
Other Transportation Services	308	208	148	278	0.21
Fire Protection Services	757	511	362	683	0.49
Outdoor Recreation Services	445	300	213	402	0.12
Indoor Recreation Services	1,725	1,163	825	1,556	0.45
Library Services	139	94	67	126	0.03
Administration	220	149	105	198	0.14
Septage and Hauled Treatment	89	60	43	81	0.04
<b>Total Municipal Wide Services</b>	<b>6,947</b>	<b>4,683</b>	<b>3,323</b>	<b>6,268</b>	<b>3.81</b>
<b>Area Specific Services:</b>					
<u>Westshore</u>					
Wastewater Services	9,997	6,737	4,781	9,019	3.14
Water Services	920	620	439	829	0.29
<b>Total Westshore</b>	<b>10,917</b>	<b>7,356</b>	<b>5,220</b>	<b>9,848</b>	<b>3.43</b>
<u>Coldwater</u>					
Wastewater Services	5,124	3,453	2,451	4,623	3.16
<u>Severn Estates</u>					
Water Services	13,108				

## 5. Recommendations

**It is recommended that Council:**

“Whenever appropriate, request that grants, subsidies and other contributions be clearly designated by the donor as being to the benefit of existing development (or new development as applicable)”;

“Continue the D.C. approach to calculate the charges on a uniform Township-wide basis for Indoor Recreation Services”;

“Approve the Development Charges Update Study – Indoor Recreation Services dated February 1, 2017, as amended (if applicable)”;

“Approve the updated capital projects set out in Chapter 4 of the Development Charges Update Study – Indoor Recreation Services dated February 1, 2017, subject to further annual review during the capital budget process”;

“Determine that no further public meeting is required”; and

“Approve the Amending Development Charge By-law as set out in Appendix B”.

# **Appendix A – Asset Management and Long Term Capital and Operating Cost Examination**

## A-1 Asset Management

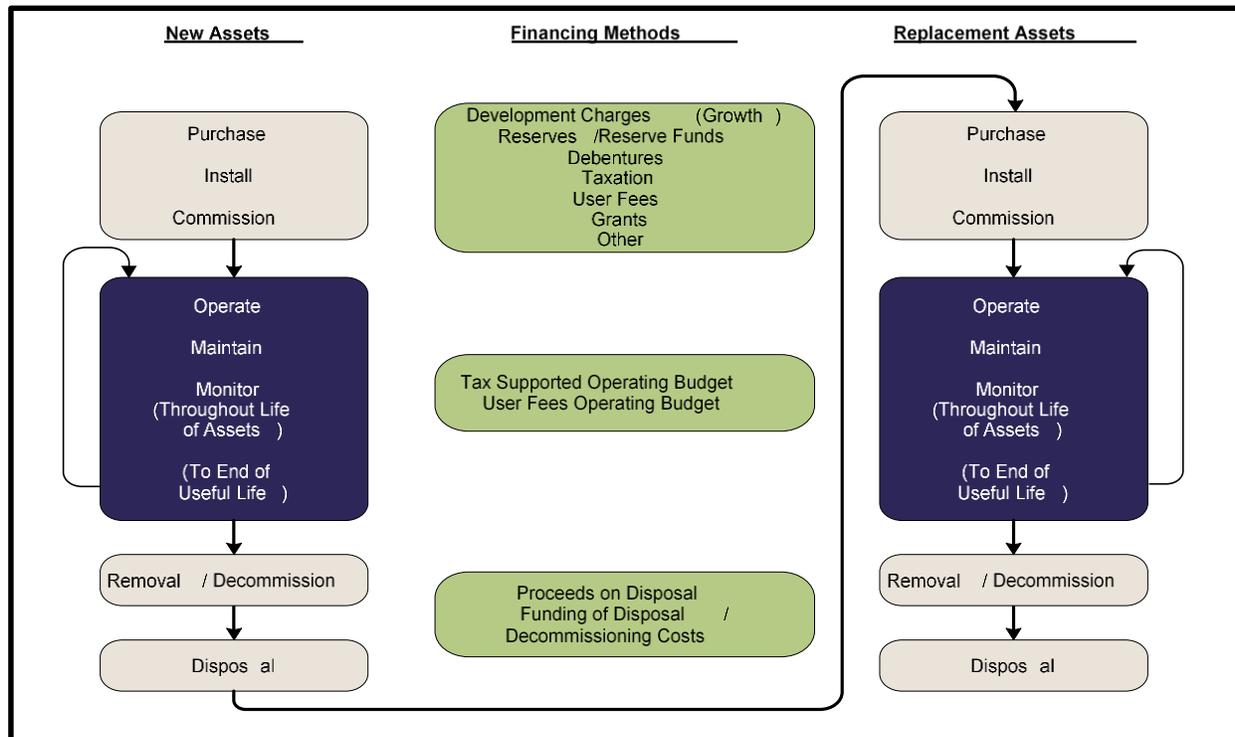
The recent changes to the D.C.A. (new section 10(c.2)) require that the Background Study must include an asset management plan related to new infrastructure. Section 10 (3) of the D.C.A. provides:

**The asset management plan shall,**

- (a) deal with all assets whose capital costs are proposed to be funded under the development charge by-law;**
- (b) demonstrate that all the assets mentioned in clause (a) are financially sustainable over their full life cycle;**
- (c) contain any other information that is prescribed; and**
- (d) be prepared in the prescribed manner.**

In regard to the above, section 8 of the Regulations was amended to include subsections (2), (3) and (4) which set out for specific detailed requirements for transit (only). For all services except transit, there are no prescribed requirements at this time thus requiring the municipality to define the approach to include within the Background Study.

At a broad level, the Asset Management Plan provides for the long term investment in an asset over its entire useful life along with the funding. The schematic below identifies the costs for an asset through its entire lifecycle. For growth related works, the majority of capital costs will be funded by the D.C. Non-growth related expenditures will then be funded from non-D.C. revenues as noted below. During the useful life of the asset, there will be minor maintenance costs to extend the life of the asset along with additional program related expenditures to provide the full services to the residents. At the end of the life of the asset, it will be replaced by non-D.C. financing sources.



In 2012, the Province developed Building Together: Guide for municipal asset management plans which outlines the key elements for an asset management plan (A.M.P.), as follows:

**State of local infrastructure:** asset types, quantities, age, condition, financial accounting valuation and replacement cost valuation.

**Desired levels of service:** defines levels of service through performance measures and discusses any external trends or issues that may affect expected levels of service or the municipality's ability to meet them (for example, new accessibility standards, climate change impacts).

**Asset management strategy:** the asset management strategy is the set of planned actions that will seek to generate the desired levels of service in a sustainable way, while managing risk, at the lowest lifecycle cost.

**Financing strategy:** having a financial plan is critical for putting an A.M.P. into action. By having a strong financial plan, municipalities can also demonstrate that they have made a concerted effort to integrate the A.M.P. with financial planning and municipal budgeting, and are making full use of all available infrastructure financing tools.

Commensurate with the above, the Township prepared an Asset Management Plan in 2013 for its existing assets, however, the plan does not include all asset categories that

are included for the indoor recreation services in the capital forecast needs of this D.C. background study. As a result, the asset management requirement for the D.C. must be undertaken in the absence of this information.

In recognition to the schematic above, the following table (presented in 2016 \$) has been developed to provide the annualized expenditures and revenues associated with new growth. Note that the D.C.A. does not require an analysis of the non-D.C. capital needs or their associated operating costs so these are omitted from the table below. As well, as all existing assets for the categories of assets included in the D.C. eligible capital costs are not included in the Township's Asset Management Plan (i.e. Indoor Recreation Facilities are not included), the present infrastructure gap and associated funding plan have not been considered at this time. Hence the following does not represent a fiscal impact assessment (including future tax/rate increases) but provides insight into the potential affordability of the new assets:

1. The non-D.C. recoverable portion of the projects which will require financing from Township financial resources (i.e. taxation, rates, fees, etc.). This amount has been presented on an annual debt charge amount based on 20-year financing.
2. Lifecycle costs for the 2016 D.C. capital works have been presented based on a sinking fund basis. The assets have been considered over their estimated useful lives.
3. Incremental operating costs for Indoor Recreation services (only) have been included.
4. The resultant total annualized expenditures are approximately \$770,000.
5. Consideration was given to the potential new taxation and user fee revenues which will be generated as a result of new growth. These revenues will be available to finance the expenditures above. The new operating revenues are \$1.3 million. This amount, totalled with the existing operating revenues of \$17.1 million, provide annual revenues of \$18.4 million by the end of the period.
6. In consideration of the above, the capital plan is deemed to be financially sustainable.

**Table A-1**  
**Township of Severn**  
**Asset Management - Future Expenditures and Associated Revenues**  
**2016\$**

	<b>Sub-Total</b>	<b>2036 (Total)</b>
<b>Expenditures (Annualized)</b>		
Annual Debt Payment on Non-Growth Related Capital <sup>1</sup> (2016 update)		18,582
Annual Debt Payment on Post Period Capital <sup>2</sup>		329,253
<b>Lifecycle:</b>		
Annual Lifecycle - Town Wide Services		362,822
<b>Incremental Operating Costs (for D.C. Services)</b>		\$61,032
<b>Total Expenditures</b>		<b>\$771,689</b>
<b>Revenue (Annualized)</b>		
Total Existing Revenue <sup>3</sup>		\$17,110,298
Incremental Tax and Non-Tax Revenue (User Fees, Fines, Licences, etc.)		\$1,286,675
<b>Total Revenues</b>		<b>\$18,396,973</b>

<sup>1</sup> Non-Growth Related component of Projects including 10% mandatory deduction on soft services

<sup>2</sup> Interim Debt Financing for Post Period Benefit

<sup>3</sup> As per Sch. 10 of FIR

## A-2 Long Term Capital and Operating Cost Examination

### Township of Severn Annual Capital and Operating Cost Impact

As a requirement of the D.C.A. s.10(2)(c), an examination for each service to which the development charge by-law would relate, of the long term capital and operating costs for capital infrastructure required for the service.” The D.C.A. s.10(2)(c.2) also requires an asset management plan be prepared. As prepared in Appendix A-1.

As part of this analysis, it was deemed necessary to isolate the incremental operating expenditures directly associated with these capital projects, factor in cost saving attributable to economies of scale or cost sharing where applicable, and prorate the cost on a per unit basis (i.e. sq.ft. of building space, per vehicle, etc.). This was undertaken through a review of the Township’s approved 2015 F.I.R.

In addition to the operational impacts, over time the initial capital projects will require replacement. This replacement of capital is often referred to as lifecycle cost. By definition, lifecycle costs are all the costs which are incurred during the life of a physical asset, from the time its acquisition is first considered, to the time it is taken out of service for disposal or redeployment. The method selected for life cycle costing is the sinking fund method which provides that money will be contributed annually and invested, so that those funds will grow over time to equal the amount required for future replacement. The following factors were utilized to calculate the annual replacement cost of the capital projects (annual contribution = factor X capital asset cost) and are based on an annual growth rate of 2% (net of inflation) over the average useful life of the asset:

Asset	Factor	Term
Recreation Facilities	0.011823	50

Table A-2 depicts the annual operating impact resulting from the proposed gross capital projects at the time they are all in place. It is important to note that, while Township program expenditures will increase with growth in population, the costs associated with the new infrastructure (i.e. facilities) would be delayed until the time these works are in place.

**Table A-2**  
**Township of Severn**  
**Operating and Capital Expenditure Impacts**  
**For Future Capital Expenditures**

SERVICE	GROSS COST LESS BENEFIT TO EXISTING	ANNUAL LIFECYCLE EXPENDITURES	ANNUAL OPERATING EXPENDITURES	TOTAL ANNUAL EXPENDITURES
1. Indoor Recreation Services				
1.1 Recreation facilities	7,000,000	362,822	61,032	423,854
<b>Total</b>	<b>7,000,000</b>	<b>362,822</b>	<b>61,032</b>	<b>423,854</b>

## **Appendix B – Draft Amending Development Charge By-law**

**The Corporation of the Township of Severn**

**By-law Number 2017-\_\_**

**Being a By-Law of  
The Corporation of the Township of Severn  
To Amend By-Law 2014-51  
Respecting Development Charges**

**Whereas** the Township of Severn enacted By-law 2014-51 pursuant to the *Development Charges Act, 1997*, S.O. 1997, c. 27, as amended (the “Act”), which Act authorizes Council to pass by-laws for the imposition of development charges against land;

**And Whereas** the Township has undertaken a study pursuant to the Act which has identified updated capital costs for inclusion in the Township’s development charges;

**And Whereas** Council has before it a report entitled “Township of Severn Development Charge Update Study – Indoor Recreation Services” prepared by Watson & Associates Economists Ltd., dated February 2, 2017 (the “update study”);

**And Whereas** the update study and proposed amending by-law were made available to the public on February 2, 2017 and Council gave notice to the public pursuant to section 12 of the Act.

**And Whereas** Council, on March 15, 2017 held a meeting open to the public, pursuant to section 12 of the Act, at which Council considered the study, and written and oral submissions from the public;

**NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE TOWNSHIP OF SEVERN HEREBY ENACTS AS FOLLOWS:**

1. By-law 2014-51 is hereby amended as follows:
  - a) Schedule “B” is deleted and the attached Schedule “B” substituted therefore.
  - b) Section 3.13 is deleted and replaced with the following:  
Development charges imposed under this By-law for fire, library, parks, recreation and administration are calculated, payable and

collected upon issuance of the first building permit for the development; the development charges for services related to a highway, other transportation services, water and wastewater are calculated, payable and collected at the time of Subdivision Agreement with respect to each dwelling unit, building or structure.

2. This by-law shall come into force on the day it is enacted.
3. Except as amended by this By-law, all provisions of By-law 2014-51 are and shall remain in full force and effect.

By-law read a first and second time this \_\_\_\_\_ day of April, 2017.

By-law read a third time and finally passed this \_\_\_\_\_ day of April, 2017.

Corporation of the Township of Severn

Mayor: \_\_\_\_\_

Clerk: \_\_\_\_\_

**Schedule B**  
**By-law \_\_\_\_\_**  
**Schedule of Development Charges**  
**2014\$**

Service	RESIDENTIAL				NON-RESIDENTIAL
	Single and Semi-Detached Dwelling	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Other Multiples	(per ft <sup>2</sup> of Gross Floor Area)
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<b>Area Specific Services:</b>					
<u>Westshore</u>					
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Water Services	877	591	419	791	0.28
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<u>Coldwater</u>					
Wastewater Services	4,886	3,293	2,337	4,408	3.01
<u>Severn Estates</u>					
Water Services	12,500				