



**Open House Number 2**  
**2019 Development Charge Background Study and By-law**  
**Development**

(Thursday, May 29, 2019 – 6:00 p.m. – 8:30 p.m.)

**Attendees:** Watson & Associates Economists Ltd. (1 member of Consultant Team), 2 members of City staff, 3 members of the public

**Format:** The Consultant Team displayed six poster boards that outlined information with respect to the following:

- what are development charges?
- who pays development charges?
- public consultation requirements;
- the draft 2019 Development Charge for Kingston; and
- a comparison of the draft residential and non-residential development charge in Kingston to other Ontario municipalities.

There was a formal presentation by the Consultant at 6:30 p.m. with questions and answers throughout. The Consultant Team presentation was distributed to those in attendance and has been posted on the Development Charge webpage ([CityofKingston.ca/Projects](http://CityofKingston.ca/Projects)).

**What Was Heard:**

**1. Background Study Process**

The Consultant responded to a number of questions with respect to the Background Study process and how the development charge is calculated (outlined on Slide 4 of the presentation). This included a discussion of how the increase in the need for the various services is calculated, identifying the capital costs that are necessary to provide for the increase in service, establishing the historical levels of service, required deductions for such things as anticipated grants, benefits to existing development, uncommitted excess capacity, and the mandatory 10% reduction for certain services.

**2. Non-Eligible Costs**

In response to a question about non-eligible costs, the Consultant explained that

the *Development Charges Act* defines a number of services as being ineligible for inclusion in the development charge. This includes such things as parkland acquisition, cultural, entertainment and tourism facilities, landfills/incineration and associated transfer vehicles and equipment, and buildings associated with municipal administration. Computer hardware, as well as, rolling stock with an estimated useful life of less than seven years is also an ineligible cost. Also, local services covered by a subdivision agreement are an ineligible cost.

### **3. Climate Change**

In response to a question about whether or not climate change gets factored into the Background Study and calculations, the Consultant indicated that it does. It is factored in through the determination of the need and capital costs for the various services (as applicable), as well as the preparation of Master Plans.

### **4. Variability and Flexibility – Is it “guesswork”?**

A question was raised about accounting for variability and flexibility in order to respond to such things as rates of growth and whether or not the calculations are based on “guesswork”? The Consultant responded that there are lots of established norms that have been developed over the years and that are utilized in the preparation of the Background Study and the calculation of the development charge. There are broader guidelines that are being followed and the needs for the various services are being looked at over longer timelines. The development charge is reviewed every five years which provides an opportunity to update the assumptions and the needs for the various services. The municipality is permitted to only recover the actual capital costs that are expended to meet the identified need. In that regard, the development charge is “self-correcting”. If growth slows down and is not at the projected level, expenditures may be delayed in response. If new expenditures are identified or project costs increase substantially, the By-law can be amended at any time.

### **5. Development Charge Accounting**

In response to a question about how the funds collected are tracked, the Consultant indicated that the City Treasurer is required to report annually on the amount of development charge revenue that is collected and the expenditures. Separate reserve funds are established for each eligible service and the reserve fund balances and activities are included in the Treasurer’s annual reporting.

### **6. Does More Growth Mean Higher Costs?**

In response to a question if more growth means higher costs, the Consultant responded that the pace of growth will determine the pace of spending. It is important that the municipality spend the development charge funds that are collected to maintain levels of service. The municipality needs to collect the funds that are required for the anticipated increases in service and then spend the funds on the projects that are required to meet that growth.

### **7. Implications of Student Accommodation**

In response to a question about the implications of student accommodation, the Consultant indicated that off-campus student housing has been expressly forecast in the D.C. Background Study and that there has been an increase in the amount of purpose-built student housing with more residents per unit. Also, larger apartments may be more heavily occupied by students. The 2019 Background Study factors in the student occupancy projections.

### **8. Sensitivity Analysis for Population Change**

A question was raised about any sensitivity analysis to account for changes in population. The Consultant advised that a slower or faster rate of population growth may not have an impact on the development charge. This is because the needs for such major services as roads, water and wastewater are forecast over a longer period of time and the pace of growth may only impact the timing of expenditures and related cashflows. The only real impact may be if a major capital project is required to meet the anticipated long-term growth, such as a new water treatment plant, and is required to be emplaced early in the development process. In this case if development was to slow there would be increased financing impacts on development. It was also noted that project costs may also increase which could result in an increase in the development charge. Ideally it would be preferable to calculate all service needs and the associated charges over the longer horizon rather than the ten years for some services.

### **9. 1% Annual Capital Levy**

In response to a question about the City's annual 1% levy for infrastructure, the Consultant advised that this levy is not used for growth related works but for asset management lifecycle costs and therefore has no impact on the development charge.

### **10. Non-Statutory Exemptions**

In response to a question about how the municipality protects itself for the three years following approval of an exemption from the development charge for an industrial use, the Consultant advised that an agreement is entered into with the proponent. The agreement provides that if the use changes within the three years to a use not eligible for an exemption then the development charge becomes payable immediately. If not paid, it can be added to the property owner's tax bill.