

**STAFF REPORT: Financial & Information Services**



**REPORT TO:** Council  
**MEETING DATE:** January 25, 2010  
**REPORT NO.:** FIS.10.07  
**SUBJECT:** Non-Residential Growth Forecast for the purposes of Town Wide Development Charges  
**PREPARED BY:** Robert Cummings, Director of Financial & Information Services  
Darcy Chapman, Capital Accountant

**A. Recommendations**

THAT Council receive Staff Report FIS.10.07 “Non-Residential Growth Forecast for the purposes of Town Wide Development Charges”, illustrating the impact of a 75% discount rate of the Statistics Canada Employment figure on non-residential Development Charges; and,

THAT Council direct Staff to utilize 40m<sup>2</sup> of gross floor area for each estimated new employee as part of the calculation to determine the commercial rates; and,

THAT Council direct Staff to redistribute employment percentages to the various service areas to better illustrate the potential non-residential development based on Official Plan designated lands that have changed from the 2005 Background Study data.

**B. Background**

Council completed a training session on January 19, 2010 relating to the current draft of the Town Wide Development Charges Background Study.

A full review of the background information utilized such as Fire Master Plans, Roads Needs Studies, Class EA’s, Environmental Servicing Reports, current engineering standards and others were shown to contain the bulk of the assumptions carried forward into the Background Study. An evaluation of the legislation that governs how the Town completes the Background Study was also reviewed. Affects on future taxation rates were also discussed to ensure that future growth would not hinder the current tax rate. Lastly a discussion regarding the non-residential component of the rate was looked at in depth.

As was discussed at the meeting, the following formula has been assumed in establishing the non-residential share of the capital program contained in the study;

Total anticipated residential household growth	2,100 units	x
Average people serviced per unit (TBM specific)	<u>3 people</u>	=

Total population serviced through residential growth	6300 people	
Total anticipated residential household growth	2,100 units	x
Average employees per household*	<u>0.2 employees</u>	=
Total new employees	420 employees	

(TBM specific data of 0.4 employees per household with a discount factor of 50% to account for lack of OP designated lands for future orchard and ski hill developments)

Based on this analysis the split of residential to non residential equates to the following

6,300 (Residential people) / 6,720 (total people) = 93.75%  
 420 (Non-Residential employees) / 6,720 (total people) = 6.25%

Due to the fact that the 2005 Background Study determined a split of 97% to 3% it was decided that a factor of 95% to 5% would be used to help smooth the impact of the increase in rates.

During the training session, Council determined that in order to further reduce pressures on the non-residential sector a reducing factor of 75% should be utilized against the StatsCan employment data to better reflect future possible employment and to reduce the non-residential rate by as much as 50%.

Although this method was suggested at the meeting and agreed to by staff, a critical component of the analysis was missed in the discussion. Although the employee per new residential unit establishes the split between the residential and non-residential share of the capital costs, there is a further factor that determines the allocation within the non-residential rates.

Upon determining the employment increase, gross floor area per employee (GFA), is multiplied by the anticipated number of new employees to determine the total non-residential floor area to be constructed in the next ten years. The Background Study utilizes a factor of 35.7m<sup>2</sup> per employee to determine a total of 15,000m<sup>2</sup> of new building within the planning period. This 15,000m<sup>2</sup> is then divided into the 5%. If we reduce the discount factor on the StatsCan data from 50% to 75% and therefore reduce the employees from 420 to 210 we reduce the residential to non residential ratio from 95%-5% to 97.5%-2.5% however we also reduce the GFA from 15,000m<sup>2</sup> to 7,500m<sup>2</sup>.

What does this mean? With all things being equal the rate would remain exactly the same. The employment data only drives half of the equation and as such reducing only that factor does not decrease the rate. The GFA factor would have to be doubled in order to realistically reduce the rate by any significant amount. After speaking with Craig Binning, it has been determined that doubling the GFA from 35m<sup>2</sup> to 70m<sup>2</sup> would not be defensible however increasing it to the upper edge of 40m<sup>2</sup> would still be considered within limits. As well, reducing the employment data discount to 75% would not make a difference and could also become un-defensible by the consultant at an OMB hearing.

**Another Option:**

Upon further review of the drivers utilized it was discovered that the non-residential GFA was distributed to each service area using 2004 data from the previous background study. The data was updated to better reflect the development potential in Thornbury East and West, Camperdown and most importantly Craigleith. The percentage split was largely skewed towards the Craigleith area however staff felt that the 2004 data was now stale dated due to the mass of non-residential development in the last five years at the Village.

In making changes to both the GFA calculation, from 35m<sup>2</sup> to 40m<sup>2</sup> and recalculating the non-residential percentages by service area the rates have now been calculated as follows;

	<b>Existing Non-residential Rates</b>					<b>% Change</b>
	<b>Agricultural</b>	<b>Other</b>	<b>Private Ski</b>	<b>Restaurant,</b>	<b>Current</b>	<b>over 2009</b>
	<b>Etc.</b>	<b>Commercial</b>	<b>Club</b>	<b>Industrial</b>	<b>Proposed</b>	<b>Intensive Rate</b>
		<b>Etc.</b>		<b>Intensive</b>	<b>Rate</b>	
Craigleith	\$25.89	\$47.18	\$61.39	\$89.79	\$121.61	35%
Camperdown	\$52.83	\$73.84	\$85.25	\$143.09	\$151.80	06%
Lora Bay	\$42.60	\$80.62	\$103.37	\$156.65	\$153.28	-2%
Thornbury E	\$29.28	\$53.97	\$70.44	\$103.36	\$103.37	0%
Thornbury W	\$31.45	\$58.32	\$76.22	\$112.02	\$130.04	16%
Rural						
Commercial	\$10.15	\$15.72	\$19.43	\$26.85	\$67.53	152%

In this regard, Council still has a few options available.

1. The typical commercial application utilizes approximately 35m<sup>2</sup> to 40m<sup>2</sup> GFA per employee. The Town could establish an average of 40m<sup>2</sup> for new development. This would mean that the estimated increase in non-residential space would be 16,800m<sup>2</sup> over the next 10 years resulting in an increase of 12% therefore reducing the average commercial rate by that amount. As a note, the previous non-residential development was 49,070m<sup>2</sup> from 2000 to 2009.
2. Council could follow staff's recommendation to change the distribution percentages to better reflect current Official Plan designated lands and the ability for non-residential development in the different service areas.
3. Council could determine that the current road standards are too high and change direction in policy thereby reducing the road capital costs.
4. Pull some of the road, water and wastewater projects from the DC Background Study with the hopes that the Town can enter into "one-off agreements" for

individual developments to establish the infrastructure required through subdivision agreements and planning requirements. This is not a desirable solution due to the issues surrounding the Planning Act. There may be some ability to influence developers into providing the infrastructure.

5. Reduce the benchmarking costs for hard services by 10-15%. This would directly reduce the rates by 5-11% depending on service area. This option would allow the Council to hedge against substantial construction cost increases. The resulting negative effect could be that the Town is short on funding at the next update resulting in large increases once again.
6. Utilize the provisions in the Development Charges Act and establish a phase-in or discount of non-residential rates or allow for the development of policies to entertain individual development discounts. Although taxation will have to cover the shortfall, a policy could be established that would fund the shortfall in DC's by allocating a portion of assessment growth dollars on an annual basis. Part of the assessment growth is the result of development.
7. Establish the rates as they are noting that a Commercial Impact Study needs to be completed along with a full review of all of the documents used to create the Background Study including an update to the Official Plan and Zoning By-law to create higher development densities, update the Environmental Servicing Report and the Leisure Activities Master Plan and review the current Engineering Standards with the intention that an update to the Study could possibly be completed before the five year requirement if most or all of the above has been done.

### **C. The Blue Mountains' Strategic Plan**

Ensuring a well managed municipal government

### **D. Environmental Impacts**

Nil

### **E. Budget Impact**

Our Five Year Capital Plan is largely based on Development Charges and the requirement to pass a new background study is necessary to ensure adequate flow of development charge dollars

### **F. Attached**

Respectfully submitted,

---

Signature

**For more information, please contact:**

Robert Cummings, Director of Financial & Information Services  
[rcummings@thebluemountains.ca](mailto:rcummings@thebluemountains.ca)  
519-599-3131 x245

---

Signature

Darcy Chapman, Capital Accountant  
[dchapman@thebluemountains.ca](mailto:dchapman@thebluemountains.ca)  
519-599-3131 x274