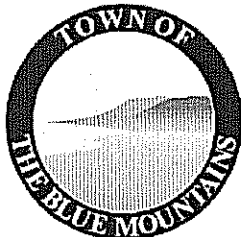


STAFF REPORT: Financial Services



REPORT TO: Council
MEETING DATE: June 2, 2008
REPORT NO.: FS.08.27
SUBJECT: Town-Wide Development Charge By-law Update
PREPARED BY: Robert Cummings, Director of Finance

A. Recommendations

THAT Council receive Staff Report FS.08.27 "Town-Wide Development Charge By-law Update" and approve the proposal from Hemson Consulting Limited dated May 27, 2008, for the review and update of the Town Development Charge background study and related Development Charge By-law (By-law No. 2005-27) at an estimated cost of \$50,000.

B. Background

1. The previous Development Charges By-law, No. 2005-27, was required to be updated as per the Development Charges Act (within five years of the enactment of a Development Charges By-law).
2. The Town issued a "Request for Proposal" during November 2004 for an updated Development Charges (DC) Background Study and By-law.
3. The submitted proposal from Hemson Consulting Limited was approved.
4. In the 2008 approved budget, the staff recommended an update to the Development Charges By-law a year earlier than required due to changing growth forecasts and inflationary constructions costs that made our current Development Charges insufficient in meeting the growth requirements of the Town.
5. It is important to have updated and accurate Development Charge By-laws to ensure proper and adequate collection of required charges related to revised growth related capital costs and planning data.
6. Hemson Consulting Limited has submitted a proposal dated May 27, 2008 for the update to the Town's Development Charge Background Study and related DC By-law.
7. Working with Hemson Consulting Limited will facilitate an effective and efficient process for updating of the DC Background Study and related By-law, as Hemson has extensive knowledge of Town information for update purposes.

C. The Blue Mountains' Strategic Plan

Providing a strong well managed municipal government.

D. Environmental Impacts

Support decision making that considers environmental impacts.

E. Budget Impact (cc: Treasury if required)

Ensure adequate imposition of Development Charges to support growth related capital costs in the future.

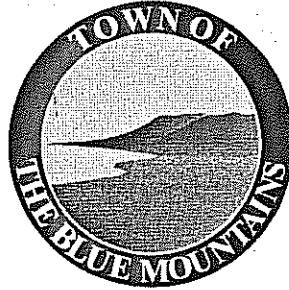
This project was identified in the approved 2008 Town Budget. There is no impact on Operating Budget, as related costs are funded from Development Charges.

F. Attached (Relevant documentation not personal information about an identifiable person)

1. November 4, 2004 Request for Proposal
2. By-law No. 2005-27 DC Pamphlet
3. May 27, 2008 Hemson Consulting Ltd. – proposal for Consulting Services for Updating Development Charges Background Study



Signature



TOWN OF THE BLUE MOUNTAINS

**DEVELOPMENT CHARGES
BACKGROUND STUDY AND BY-LAW
*Development Charges Act, 1997 Compliance***

**Expression of Interest
REQUEST for PROPOSAL
Terms of Reference**

November 2004

INTRODUCTION

The Town of The Blue Mountains (the "Town") is requesting Proposals from Consultants under the following Terms of Reference for a development charges background study and by-law. The deadline for Proposals is November 22, 2004.

The *Development Charges Act, 1997*, "An Act to promote job creation and increased municipal accountability while providing for the recovery of development costs related to new growth", came into force on March 1, 1998. Pursuant to the *Act*, a background study dated September 1999 and addendum report dated March 2000 were prepared by Hemson Consulting Ltd. on behalf of the Town. On April 10, 2000, the Council enacted By-law No. 2000-27, "Being a By-law to establish development charges for the Town of The Blue Mountains", including both residential and non-residential development charges. The amounts of the charges were indexed in 2001, 2002, 2003, and 2004.

In anticipation of the expiry of By-law No. 2000-27 on April 10, 2005, the Town requires an updated background study and by-law.

BACKGROUND

The Town of The Blue Mountains is located on the shores of Nottawasaga Bay in Georgian Bay, along Highway No. 26, in Grey County. There are eleven identified service areas within the Town with varying levels of municipal services. The service areas are 1) Craigeith, 2) Camperdown, 3) Castle Glen, 4) Swiss Meadows, 5) Reserved, 6) Lora Bay, 7) Clarksburg, 8) Osler, 9) Thornbury East, 10) Thornbury West, and 11) Rural including all other areas of the Town.

The Town completed a master servicing plan for water and wastewater projects in 2000. In addition, the Town has undertaken a Comprehensive Environmental Assessment for Lora Bay, Camperdown, Clarksburg, Thornbury East, and Thornbury West and a Combined Environmental Assessment for Craigeith, Castle Glen, and Osler including the Osler Recreational District in the northwest corner of the Township of Clearview and the western boundary of the Town of Collingwood adjacent to Osler Bluff Road.

The Town of The Blue Mountains is the amalgamation of the former Town of Thornbury and the former Township of Collingwood. The Town maintains separate revenue, expenditure, reserve, and reserve fund accounts based on these former boundaries. The reserves and reserve funds are not at relatively equal levels when measured or compared on a per unit or per user basis. The Town maintains the separation of costs by service area (separate cost centres) for water and sewer infrastructure works and capital projects. There are certain common elements, such as, the Water Filtration Plant and intake from the Bay. Otherwise, each service area has its own distinct needs and related costs. The Town imposes the water and sewer components of its development charges based on service area.

In the past, the Town has relied upon water works capital rates, sewer capital rates, and resident-driven local improvement charges to pay for the extension of local services as opposed to them being paid for through pooled rates or accumulated reserves from other users. The Town expects to continue to separately recognize local services pursuant to the *Act* and exclude them from overall development charges calculations.

In due course, if feasible, it may be ideal to have development charges, as well as, reserves and reserve funds at the same relative level for all service areas. A blending of development charges is not expected to be achieved through this study and resulting by-law. However, the Consultant will be expected to provide their opinion on such a transition.

Municipal facilities include: the L. E. Shore Memorial Library; the Beaver Valley Community Centre and Moreau Park sports complex; public beaches, trails, parks, and parkettes; police and fire services; public works facilities; and, a water treatment plant at Thornbury, sewage treatment plants at Thornbury and Craigeith, and related distribution and collection systems. A municipally owned

campground has been closed and is now operated as a public park. The Town has sold its hydro-electric facilities. The Town also operates the Thornbury Harbour and solid waste management facilities.

There are many natural recreational amenities within the Town as well as resort recreational facilities.

OBJECTIVES

Under Section 10 of the *Act*, municipalities must prepare a development charge background study (the Study). In accordance with *Ontario Regulation 82/98, as amended*, the Study "shall set out the following for each service to which the development charge relates:

1. The total of the estimated capital costs relating to the service.
2. The allocation of the costs referred to in paragraph 1 between costs that would benefit new development and costs that would benefit existing development.
3. The total of the estimated capital costs relating to the services that will be incurred during the term of the proposed development charge by-law.
4. The allocation of the costs referred to in paragraph 3 between costs that would benefit new development and costs that would benefit existing development.
5. The estimated and actual value of credits that are being carried forward relating to the service."

In addition, the Study for the Town is expected to involve:

6. A review of the existing development charge by-law, By-law No. 2000-27, and relevant development charges of comparative municipalities and comparing alternative approaches with a view to improving upon methodology.
7. A review of defined areas (service areas) and the specific development charges related to each area.
8. Integration of the Municipal Water and Sewer Master Servicing Plan, Comprehensive Environmental Assessment results to date, and Combined Environmental Assessment results to date, and related development charges into the Study.
9. Integration of the Roads and Bridges preliminary estimated costs and related development charges into the Study.
10. The collection and compilation of data necessary to calculate new development charges.
11. The documentation of the methodology for calculating and collecting development charges.
12. The preparation of a new development charges by-law (the By-law) for the Town, including defined area development charges.
13. The documentation of implementation and transition policies for the By-law.
14. The discussion of alternative approaches available for use in the calculation of development charges and improvements to the development charges process.

As a Provisional Item, the Town requests proposals to prepare a twenty-year revenue and expenditure capital budget, which will include non-development charge revenues, ineligible

expenditures, and non-growth related expenditures for all departments as well as incorporating development charge revenues and growth related expenditures from the development charges background study, and make recommendations.

The Consultant will be responsible for the preparation of a detailed development charges background study (the Study) which will result in the calculation of reasonable development charges for the Town, including defined areas. The Consultant will also be responsible for drafting of the By-law.

The Town has entered into agreements in principle with respect to servicing the Camperdown Service Area and the Lora Bay Service Area with benefitting developers. A separate background study and by-law are expected to be prepared for water and sewer services for these Service Areas in conjunction with the overall Study and By-law. The background study and related area specific water and sewer development charges by-law for these two Service Areas will be integrated into this undertaking.

The requirements of the *Sustainable Water and Sewage Systems Act, 2002* are to be taken into account in preparing the Study, that is, the Study should be consistent with the intent of that *Act*.

PROPOSAL SUBMISSION REQUIREMENTS

The following information is to be provided in the Proposal:

1. A detailed Work Plan, outlining the expected tasks for each phase of the assignment addressing the specific requirements of each task; tasks that are required by the *Act* and *Regulations* are to be distinguished from other tasks that are being requested by the Town.
2. A detailed Work Schedule, outlining the expected time for each task and phase of the assignment; there is an identified constraint in that the report is expected to be produced by the Consultant within four months of the commencement of the process.
3. Confirmation of key personnel to be assigned to the work team, including any sub-consultants, and demonstration of the Consultant's skill and experience in completing development charges background studies of similar scope and complexity.
4. An estimate of the costs for specific items of work, together with a breakdown of times and costs, including hourly rates, for key personnel, and estimates of disbursements. All estimates should be identified for each task and phase of the assignment. **As a Provisional Item, an estimate of the costs for a twenty-year capital budget. The Town will accept Proposals that include or exclude the Provisional Item.** The total of the cost estimates will

be considered the Upset Limit for the assignment. Upset Limit means the maximum amount that will be paid by the Town to the Consultant to complete the assignment irrespective of the time required to complete the assignment.

5. In order to be considered complete, the Proposal must provide answers to the Questions.
6. The Proposal must identify current claims, potential claims, or disputes against the Town, if any, that the firm is involved with. The Proposal must identify current developer and development interests that the firm has in the service areas, if any. This information and any conditions attached to the Proposal will be factored into the Town's evaluation of the Proposal.

Ten copies of the draft report and sixty copies of the final Study will be required. The final Study shall include an executive summary with recommendations which may be copied separately. The Town is to be provided with a print ready master of the final Study for future printings.

The Town will be responsible for the costs of advertising and notices for all public meetings.

The Consultant should describe the level of detail that they expect for input and data that they require from the Town.

If the Town determines that the scope of the assignment requires modification or amendment, then the Town and the Consultant shall agree in writing upon further compensation to the Consultant, if any, with respect to additional services or work that are required.

It is expected that the Study will commence in December 2004 with the statutory public meeting held no later than March 14, 2005. The By-law is to be in place by no later than March 30, 2005.

Ten (10) copies of the Proposal are to be provided. The Proposal shall be valid for not less than thirty (30) days from the submission deadline of November 22, 2004.

Proposals are to be submitted by 3:00 p.m., local time, on **Monday, November 22, 2004**, in a sealed envelope clearly marked:

Proposal for Development Charges Background Study and By-law

Proposals are to be submitted to:

Town of The Blue Mountains
26 Bridge Street East
P. O. Box 310, Thornbury, Ontario NOH 2P0
Telephone:(519) 599-3131, Ext 228
Fax: (519) 599-7723

Attention: Teresa Oakley, Acting Treasurer

APPEALS

In the event that an appeal, objection, or challenge is lodged with respect to the passage of the development charges by-law, the Consultant will be expected to appear and defend the Study at any Ontario Municipal Board hearings or similar tribunal. The cost associated with the Consultant's appearance as an expert witness will be charged at the hourly rates provided in the Proposal and would be in addition to the estimate of the costs and the Upset Limit.

EVALUATION OF PROPOSALS

The Town will evaluate the Proposals based on the submission requirements, including understanding of the undertaking, the proposed work plan description, the proposed work schedule, the identified work team and work team experience, answers to the questions, the ability to meet objectives, the estimate of the costs, breakdown and Upset Limit, and conflicts of interest. Previous work experience with the Town will also be considered which includes, without limitations, current claims, potential claims, and disputes with the Town and current developer and development interests that the firm has in the service areas.

Each Consultant may be required to make a scheduled presentation to a selection committee once the submissions are received. The selection committee will be established by the Town, will be responsible for the evaluation of all submissions and presentations, and will make a recommendation of the selected Consultant to the Town Council for their consideration and approval. It is expected to make a decision and recommend a Consultant to Council in the month of November 2004.

The selected Consultant shall provide the Town with proof of insurance as follows: minimum of \$ 2,000,000 for general liability, minimum of \$ 1,000,000 for automobile liability, and minimum of \$ 2,000,000 for professional liability.

The successful Consultant will be required to enter into a contract with the Town, which will include an Upset Limit, based on the accepted Proposal, as amended.

The Town reserves the right to accept or reject any or all proposals. This request for proposals should not be construed as an agreement to purchase goods or services.

DOCUMENTATION OF PROCESS

The Request for Proposals will provide a framework for preparing the Study and By-law and serve as a benchmark for reviewing them and the Consultant's work. It is expected that the Study and By-law will be produced by the Consultant within four months of the commencement of the process. The Study and By-law must be in accordance with the *Act* and related *Regulations*.

It is intended that the Study be undertaken on a comprehensive basis in order to coordinate the various service infrastructure requirements for all service areas. Accordingly, this assignment is for the preparation of a By-law with charges for each service area. It is recognized that some works and service areas may require more detailed investigation.

It may be appropriate to distinguish the various required infrastructure works which are particular to each service area or common to two or more service areas, to identify benefiting areas, and to complete the detailed plan separately for those works.

It is preferred that the Study and By-law will be completed for this assignment to include all required growth related infrastructure. The requirements for a town-wide by-law and area-specific by-laws will be confirmed by the Town during the Study process. Any resulting adjustment to the scope of the assignment, and any associated adjustment to cost and timing, will be reviewed throughout the process.

Other municipal interests, including those of the Town of Collingwood and Township of Clearview in the County of Simcoe, may warrant municipal consultation in addition to resident and public consultation. At this time, the County of Grey does not have a development charges by-law.

WORKING GROUP

A Development Charges Working Group shall be established by the Town and may consist of representatives from the Town Council, Town Staff, and the Consultant. It shall be a non-voting, advisory committee that provides direction for the study, review and analysis of all information and technical issues, and allows for ongoing comment and input throughout the study. The Consultant will keep records of the regular meetings and circulate the records with the agenda for the next meetings.

QUESTIONS

Answers to these questions are to be explicit within the Proposal and form part of evaluation criteria.

Q1. Traditionally, development representatives, recognizing that municipal councils have the legislative authority to do so, request councils to phase-in increases in development charges to "cushion" the impact on near term development and those who have already made certain purchase commitments, thereby passing the costs onto someone else. What are the pros and cons of a phase-in, where have you previously encountered the issue and what were the results? If development charges are phased-in, then what source of funding would you recommend be used to make up for the shortfall?

Q2. Traditionally, the argument is made that commercial and industrial development are good for the economy and benefit the municipality in the long run through increased assessment and employment and therefore development charges for such types of uses should be reduced or discounted from those charges otherwise calculated. What are the pros and cons of discounts, where have you previously encountered the issue and what were the results? If such reductions were granted, where would you recommend that the shortfall in revenues be made up from?

Q3. Traditionally, development charges have been collected by most municipalities at the time of building permit issuance while the legislation allows for certain components, such as roads, water, and sewer, to be collected at other times. In your opinion, what circumstances are necessary to support development charges being collected at the time of subdivision agreement where allowed by legislation?

Q4. The Town has experienced growth over the past five years but has not proceeded with proposed library facilities or proposed indoor recreation facilities therefore it is anticipated that its historical level of service per household has declined for each of these items eroding the potential base from which future development charges will be calculated or compared. Recognizing the limitations imposed upon municipalities by the current legislation, how would you recommend that the Town address this situation in this round of development charges?

Q5. Based on your experience over the past five years, and aside from upper tier development charges, what areas do you consider that municipalities are missing out on or overlooking with respect to development charges?

Note: the Town is expected to have fixed interest rate loans for growth-related costs of the Craigeith Sewage Treatment Plant and the Thornbury Water Storage Reservoir and intends to "phase-in" the specific development charges components for each of these capital works by adding the annual carrying costs (compound interest) to these components each year over the next five years and exempting these components from otherwise being indexed.

Note: while the Town intends to impose certain water and sewer components on a service area basis, certain isolated parts of developments within certain service areas will not benefit from all of those works; as such, the Town intends to exempt those parts from paying for those works which they will not benefit from; instead, those parts will have to pay for local services which will not be included

in the water and sewer capital works program for development charges calculation purposes.

WORK PROGRAM

In preparing a Proposal, the Consultant will develop a work program based on the following process. The Consultant may identify additional processes or modifications to the process that they deem appropriate with supporting rationale for changes. It should be recognized that Town staff will be updating internal historical data and researching growth and forecast data and the Consultant should be prepared to provide guidelines on the level of detail required. The Consultant should also be prepared to provide recommendations with respect to the determination of replacement costs for municipal capital works pursuant to *Ontario Regulation 206/04*.

The process requires the evaluation of alternative solutions and alternative implementation methods.

The work program which is to be submitted as part of the Proposal, is to be based on the following tasks:

1. The Consultant will undertake a review of the current development charges of the Town. The review will include the method of calculating development charges, the method of identifying all eligible costs and services, applicable categories of development, collection procedures and experience, past development charges expenditures, levels of existing reserve funds, any existing capital commitments, and transition to the new development charges.
2. The Consultant will undertake a review of the nature and extent of current and proposed front-end financing and cost sharing policies and arrangements. The Consultant will comment on the use of front-ending and cost sharing agreements in the Town and recommend on their applicability to residential developments and commercial and industrial developments.
3. The Consultant will be required to collect an appropriate data base from municipal and outside sources to support the Study's calculations and recommendations. The Consultant will be provided with historical expenditure data and proposed future capital budgets. The Consultant will be required to identify funding from grants, subsidies, and other contributions and differentiate between eligible and ineligible deductions from costs and services. The Consultant will be provided with residential (housing unit) forecasts as well as non-residential land use forecasts.
4. The Consultant must determine the extent of land area to which the general development charges and specific area development charges (water and sewer components) will apply. Similarly, the Consultant is expected to evaluate the nature and feasibility of charges for commercial and industrial development, a policy for development charges in areas of redevelopment, and a methodology for calculating development charges for mixed use development. The Consultant will also provide a method of the calculation of a credit to developers for over sizing services for the benefit of future growth.
5. The Consultant will derive an appropriate methodology upon which to base the actual

development charges within the *Act*. The following criteria will be considered in developing the methodology:

- the development charge by type and allowable level of applicable service, based on historical levels of service and engineered services;
- the applicable capital and operating costs for each service for which development charges can be imposed;
- the percentage reduction for some services where applicable;
- the development charge by type of development;
- the basis for crediting the growth related portion of the development charge;
- the basis for development charges for redevelopment and development intensifications;
- the rules and impacts regarding exemptions and reductions of charges to particular types of development; and,
- the rules for phasing in development charges and indexing charges based on the prescribed index.

6. The Consultant will undertake a review of the current and proposed capital works projects to determine the capital components applicable to the development charges calculation. The Consultant will be responsible for segregating the related costs into eligible and ineligible costs and documenting the basis and rationale.
7. The Consultant will produce development charges schedules for the town-wide services and each defined area.
8. The Consultant will develop appropriate administrative fees, where allowed, for development charges, front-end financing, and cost sharing.
9. The Consultant will evaluate, compare, and document the potential effects of the proposed development charges on the rate of future residential and non-residential growth in the Town and surrounding area.
10. The Consultant will review methodologies for the collection of development charges, while having regard for the timing of capital expenditures, front-end financing and costs sharing arrangements, and debt limits, and make recommendations. The implementation policy will also address the method of accounting for the development charges reserve funds.
11. The Consultant will be responsible for the development of a system for monitoring and updating the development charges.
12. The Consultant will detail the prescribed indices and their use and applicability.
13. The Consultant will prepare a draft report for the review and approval of the Working Group and Council based on the proposed methodologies and analyses.
14. The Consultant will provide their recommendations on a town-wide approach, an area-specific approach, and the blending of development charges by service across service areas.
15. The Consultant will list what information is required from the Town to complete the Study.
16. The Consultant will draft the By-law (and provide a version to the Town in Word or WordPerfect format).
17. The Consultant will present the final Study and draft By-law to Council at a statutory public meeting. The Consultant will respond to verbal inquiries at the public meeting. The

Consultant will draft written responses to written inquiries regarding the final Study and draft By-law. The Consultant will draft the notice of the public meeting and notice of intention to pass the By-law.

Provisional Item

The Consultant is requested to submit a work program for the following task as a Provisional Item:

The Consultant will undertake a review of the current and proposed capital works projects and prepare a twenty-year revenue and expenditure capital budget, which will include non-development charge revenues, ineligible expenditures, and non-growth related expenditures for all departments as well as incorporating development charge revenues and growth related expenditures from the development charges background study, and make recommendations. The Town will accept Proposals that include or exclude the Provisional Item.

November 2004 K:\...\Procedures\dcastudyandbylawpi RfP.wpd

INDEXING OF DEVELOPMENT CHARGES

As permitted under the Act and regulations, the Development Charges shall be indexed based on the Statistics Canada Construction Price Statistics, annually on January 1st in each year. They were indexed by 5.8% effective January 1, 2008.

STATEMENT OF THE TREASURER

As required under the Act, the Treasurer will provide a report to Council each year outlining the opening and closing balances of the Development Charges Reserve Funds and of the transactions relating to the reserve funds along with other information required by regulation. This statement will be available at the Town Office for review by the public.

RULES FOR DETERMINING DEVELOPMENT CHARGES

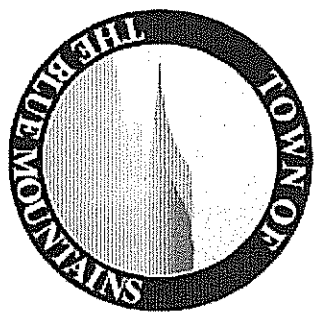
Development Charges apply based on service area without regard to the services used by an individual development. Charges apply for development which requires the issuing of a building permit or approval under the Planning Act or Condominium Act. Some forms of institutional enlargement, and temporary structures are exempt from Development Charges. Further rules are detailed in the By-law, Act, and Regulations.

ADDITIONAL INFORMATION

If you require additional information, please contact the Town:

Town of The Blue Mountains
26 Bridge Street East
P.O. Box 310
Thornbury, ON N0H 2P0
Phone: 519-599-3131
Fax: 519-599-7723
Email: info@thebluemountains.ca

Note: This pamphlet deals only with Town Services. In addition, lands in the Town may also be subject to area-specific charges. Refer to separate pamphlets for By-law No. 2005-28 (Service Area 2 - Camperdown) and By-law 2005-29 (Service Area 6 - Lora Bay). Additional Development Charges for County of Grey and School Board services may be applicable.



TOWN OF THE BLUE MOUNTAINS DEVELOPMENT CHARGES PAMPHLET

BY-LAW NO. 2005-27

This pamphlet was revised on January 2, 2008 for By-law No. 2005-27, in accordance with Ontario Regulation 82/98. It is informational only. For further details, please consult the aforementioned By-law. E&OE.

GENERAL PURPOSE FOR WHICH DEVELOPMENT CHARGES ARE IMPOSED

The *Development Charges Act, 1997* (the "*Act*") authorizes municipalities to pass by-laws to impose development charges against land to pay for the increased capital costs required because of increased needs for services arising from the development, including redevelopment, of land within the municipality.

RESIDENTIAL DEVELOPMENT CHARGES

Development Charges are levied on a per unit basis for residential dwelling units, commercial resort units (CRU's), hotel units, and motel units. The Charges for CRU's are generally 100% of the Charges for residential dwelling units. The Charges for hotel units and motel units are generally 50% of the Charges for residential dwelling units.

NON-RESIDENTIAL DEVELOPMENT CHARGES

Non-Residential Development Charges are levied on a per square metre of gross floor area basis. Gross floor area is defined in the By-law. Non-residential Charges are not levied on the unit portion of CRU's, hotel units, and motel units as detailed under the previous heading. The amount of the Charges vary by type of development.

LIST OF SERVICES TO WHICH DEVELOPMENT CHARGES RELATE

The following are services to which the Development Charges By-law relates:

- general government
- fire
- police
- public works
- roads and related
- waterworks
- wastewater
- parks & recreation
- library

- general government \$195
- fire \$512
- police \$93
- public works \$286
- roads and related \$3,194
- parks and recreation \$1,479
- library \$690
- sub-total \$6,449

Town-Wide Uniform Charges, per unit:

Charges by Service Area (including Town-Wide Uniform Charges), per unit:

Area	Restaurant Intensive Ind	Private Ski Club Lodge
Craigleith	\$80.47	\$55.01
Camperdown	\$79.42	\$54.32
Castle Glen	\$109.50	\$74.38
Swiss Meadows	\$136.99	\$92.70
Lora Bay	\$85.62	\$58.45
Clarksburg	\$130.07	\$88.09
Osler	\$107.43	\$72.99
Thornbury E	\$92.63	\$63.12
Thornbury W	\$100.39	\$68.30
All Other Areas	\$24.06	\$17.41

LANDS SUBJECT TO DEVELOPMENT CHARGES

The development of all lands within Town of The Blue Mountains is subject to the terms of the By-law. Development Charges are levied according to the service area in which the development is located. The town-wide uniform Charges are applied to all development in the Town. Additional Charges by service area are applicable for lands receiving municipal wastewater and water services. The amount of the Charges vary by service area.

Area	Water	Sewer	Total
Craigleith	\$4,207	\$4,818	\$15,473
Camperdown	\$3,483	\$5,375	\$15,306
Castle Glen	\$7,219	\$6,454	\$20,118
Swiss Meadows	\$18,071	\$0	\$24,519
Lora Bay	\$3,483	\$6,368	\$16,300
Clarksburg	\$8,752	\$8,208	\$23,408
Osler	\$7,416	\$5,923	\$19,787
Thornbury E	\$5,048	\$5,924	\$17,402
Thornbury W	\$5,912	\$6,318	\$18,679
All Other Areas	\$0	\$0	\$6,449

Area	Comm Other Recreational	Inst Other	Agricultural Conf Centre Maintenance
Craigleith	\$42.30		\$23.21
Camperdown	\$41.77		\$22.94
Castle Glen	\$56.82		\$30.46
Swiss Meadows	\$70.56		\$37.33
Lora Bay	\$44.87		\$24.49
Clarksburg	\$67.10		\$35.60
Osler	\$55.78		\$29.94
Thornbury E	48.37		\$26.24
Thornbury W	\$52.26		\$28.18
All Other Areas	\$14.09		\$9.10

HEMSON

Consulting Ltd.

30 St. Patrick Street, Suite 1000, Toronto, Ontario, Canada M5T 3A3
Facsimile (416) 595-7144 Telephone (416) 593-5090
e-mail: hemson@hemson.com

May 27, 2008

Robert Cummings
Director of Finance
Town of The Blue Mountains
26 Bridge Street E., Box 310
Thornbury, ON
N0H 2P0

Dear Mr. Cummings:

Re: Consulting Services for Updating Development Charges Background Study

Further to our phone conversation, I can confirm that Hemson would be very pleased to prepare a Development Charges Background Study as part of the upcoming process to update the Town's development charges by-laws that were enacted in 2005.

As with our past work with the Town of The Blue Mountains in this regard, the study will involve:

- a review of your existing policies and practices;
- applying a methodology for calculating development charges which is consistent with the *Development Charges Act*;
- working closely with staff to collect and analyze various data necessary to calculate new development charges;
- preparing a well-documented background study;
- conducting public consultation meetings and the statutory public meeting prior to by-law enactment; and

- working with staff to brief Council at various stages throughout the study.

Our firm's experience, qualifications, local knowledge, and working relationships with the Town of the Blue Mountains staff gained through our prior development charges work, as well as our credibility with the development industry are proven strengths that we will bring to this project.

The following sections of this letter briefly set out:

- our firm's approach to undertaking this development charges background study;
- our qualifications and expertise with development charges studies and the experienced consulting team that we propose for this study; and
- our proposed consulting budget for this assignment.

1. STUDY APPROACH AND TASKS

Our approach to development charges is recognized by our municipal clients and members of the development industry as being thorough and aggressive (to the extent allowed by the legislation), yet fair, reasonable and defensible. Our primary objective in this assignment is to provide a well-documented development charges background study, defensible development charges by-law(s) and policies consistent with the *Development Charges Act (DCA)*. We will work closely with Town staff to prepare: a growth forecast and realistic growth-related capital plans for the variety of services offered by the municipality. We believe it is important that the Town's development charges policy be tailored to its specific needs. In our experience, this is best accomplished by:

- working closely with staff so that we understand the servicing requirements and capital plan associated with forecast growth;
- aligning benefits to costs as closely as is feasible, including determining reasonable attributions to growth/non-growth and residential/non-residential development;
- tailoring service definitions and service levels in such a way as to provide the greatest flexibility to the municipality in recovering for future facilities; and

- reviewing the capital plan to identify the municipality's capital funding responsibilities from non-development charges sources (e.g. non-growth shares of projects and shared funding responsibilities for "soft services" as required under the legislation) and the operating implications of the capital forecast so that the affordability of the plan can be assessed.

The process we envisage will be scheduled so that the development charges background study is completed within six months of project commencement and that a new by-law is passed within two months following that date, allowing sufficient time for public consultation as required by the Act. This accommodates the provisions of the Act which require a municipality to pass a by-law no later than 12 months after completion of the study.

As discussed by phone, we propose a study start date of May 2008. This will allow for completion of the background study by the end of October 2008, and a by-law adoption by the end of December 2008. Please consult Exhibit 1 for the schedule of the proposed workplan.

The following steps are proposed for the study:

1.1 Project Initiation

- Collect and review readily available background information
- Meet with appropriate senior staff

To initiate the project, it is recommended that a meeting with key senior staff be held to finalize the study timelines, review available material, identify any outstanding data and information needs and familiarize staff with the development charges study process.

Prior to this meeting, the readily available background documentation will have been reviewed. It is understood that the revised and updated costing information is available.

1.2 Background Data Gathering & Preliminary Analysis

- Review and update project costs
- Review growth and non-growth shares

- Review allocation of growth-related costs to residential/non-residential
- Preparation of preliminary findings report
- Presentation of preliminary findings to staff

Immediately following the project initiation meeting, the data analysis component of the study will be commenced. The initial step in the analysis will be to incorporate the revised growth-related costs into the development charges calculation. We will also review the allocation of costs between growth and non-growth-related and benefit to residential and non-residential development.

Having established the capital costs and the associated benefitting growth, we will be in a position to calculate revised development charges rates. The background research and preliminary analysis will be compiled in a preliminary findings document.

The preliminary findings will be presented at a meeting with the appropriate staff. Discussions at this meeting will focus on the analysis and the resulting calculated development charges rates. The meeting will also be used to identify areas of the analysis that require further clarification and review.

1.3 Report & By-law Preparation

- Preparation of Draft Background Study and By-law
- Presentation of Draft Background Study to staff
- Preparation of notification of public meeting
- Information Session with Council
- Workshop with Development Community
- Finalization of Background Study

Following the meeting to discuss the preliminary findings, a draft Development Charges Background Study will be completed. It will incorporate comments received from staff. In addition, a proposed draft by-law will be developed.

The draft Background Study and by-laws will be presented and discussed at a meeting with staff. They will then be reworked and prepared for public release. Furthermore, as required by the *DCA*, the notification of the required public meeting will be prepared. The notice needs to be circulated 20 days prior to the public meeting. The Background Study and proposed by-laws must be available a minimum of two weeks prior to the public meeting.

Following the presentation of the proposed draft development charges to the Steering Committee, the schedule provides for an information session with Council. At this point, Council may choose to raise any concerns they may have and amendments to the Background Study can be made if need be. A consultation process with the development industry is also part of our work plan, if the Town wishes to pursue this course of action . The purpose of the meeting will be to discuss the new development charges policy and methodology. We will prepare the appropriate materials and present the findings at the meeting. We will address concerns/issues raised at the consultation sessions and will provide additional material as agreed with the Town. Our intention will be to achieve a suitable consensus that can be incorporated into the final development charge background study and by laws. It is assumed that the municipality will provide the venue and notification for any meetings.

1.4 Public Meeting

- Public Meeting - preparation and presentation

The *DCA* requires Council to hold a public meeting when passing a development charges by-law. The purpose of the meeting will be to discuss the Background Study and the proposed by-laws. The appropriate materials for the meeting will be prepared and presented by Hemson.

1.5 By-law Passage

- Finalization of by-law
- By-law passage

Following the public meeting, the proposed by-law will be modified to reflect any necessary changes resulting from the public consultation and Council's consideration. We will be available to attend the Council meeting to pass the by-law, although it is not anticipated that this will be necessary.

2. CONSULTING RESOURCES

The assignment will be undertaken by Craig Binning, Partner, author of the Town's 2005 Development Charges Background Study. Craig has extensive experience with

development charges and has worked extensively with the Town on development charges matters and other municipal fiscal issues.

Janet Lee, Consultant, will assist Craig with the project. Janet has assisted Craig on numerous development charges studies, including the 2008 Camperdown Service Area Development Charges Background Study, 2008 Town of Innisfil, New Tecumseth and Township of Essa Development Charges Studies.

3. BUDGETARY REQUIREMENT AND BILLING ARRANGEMENT

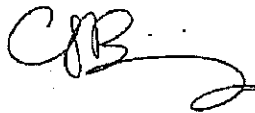
The budgetary requirement of the tasks identified in section 1 is estimated at \$50,000, inclusive of expenses (net of GST). The budget provides for the completion of one Development Charges Background Study and an associated Town-wide DC By-law with one public process (i.e. one public meeting). The budget also provides for the consideration of the use of s. 391 of Municipal Act for the recovery of the service cost as an alternative or in combination with the DCA charges. Invoices setting out the time spent on the assignment will be forwarded on a monthly basis. Expenses incurred on your behalf will be billed at cost and are included in the upset budget.

I trust this letter is sufficient for your needs. If you require additional information or clarification, please contact me.

I look forward to the opportunity of continuing to work with you and other Town staff.

Yours truly,

HEMSON Consulting Ltd.



Craig S. Binning
Partner

HEMSON

EXHIBIT 1
TOWN OF THE BLUE MOUNTAINS
2008 DEVELOPMENT CHARGES BACKGROUND STUDY
PROPOSED WORKPLAN

Month Week	May		June		July		August		September		October		November		December									
	5	12	19	26	2	9	16	23	30	7	14	21	28	4	11	18	25	1	8	15	22	29		
1 Prepare and Attend Orientation Meeting - Prepare Preliminary Information Request - Review Current DC & Related Background Information - Prepare Service Inventory Templates, Example Calculations				SC1																				
2 Prepare Growth Forecast - Population, Housing, & Economic Sector Forecast																								
3 Service Categories and Historic Service Levels - Define Service Categories - 10 Year Historic Inventory of Facilities										SC2														
4 Prepare Growth-Related Capital Forecast - Calculate Maximum Allowable Charges - Prepare Project Details Including Cost Estimates, Subsidies, Recoveries - Identify Prioritized Projects for Inclusion - Identify Capital Intended Operating Costs													SC3											
5 Preliminary Full-Cost Recovery Development Changes - Calculation & Identification of Possible Policy-Related Discounts - Analyze Green and Non-Growth Issues - Allocate Growth-Related Net Capital Cost to Residential/Non-Residential - Consideration of Municipal-Wide vs. Area Specific Charges - Adjust Development Charge for unallocated reserve balances - Cashflow Calculated Unadjusted Charges - Identify Possible Policy-Related Discounts																								
6 Draft Development Charge By-Law & Rate Schedule - Review DC By-Laws in Other Jurisdictions																								
7 Draft Development Charge Background Study - Present Draft Report and By-Law to DC Study Steering Committee																								
8 Prepare Final Report & Hold Public Consultation - Prepare Final Report - Council Information Session - Advise Public Meeting - Present Final Report to Council as Part of Formal Public Meeting - Respond to Written Public Submissions																								
9 Finalize and Communicate Results - Refine Background Study and Draft By-Law Where Necessary - Present Draft By-Law & Rate Schedule to Staff - Present Draft By-Law & Rate Schedule to Council - Prepare Development Charges Pamphlet																								
10 By-Law Consideration & Passage by Council																								

Notes:
 SC Denotes meeting with Development Charges Study Steering Committee
 C Denotes Council Information Session
 DW Denotes Workshop with Development Industry
 PM Denotes statutory Public Meeting (Council Meeting)
 C Denotes presentation to Council
 A Denotes advertisement for the Public Meeting