



**REPORT FOR PUBLIC CONSULTATION**

PREPARED BY HEMSON FOR  
THE TOWNSHIP OF LOYALIST

# INTERIM DEVELOPMENT CHARGES BACKGROUND STUDY

**November 26, 2020**



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# EXECUTIVE SUMMARY

## A. PURPOSE OF 2020 INTERIM DEVELOPMENT CHARGES (DC) BACKGROUND STUDY

### i. A New Short-term Development Charges By-law is Recommended

The Loyalist Township Interim 2020 Development Charges (DC) Background Study is presented as part of the process to lead to the approval of a new DC by-law in compliance with the *Development Charges Act, 1997 (DCA)* that provides for the continuation of the Township's current development charges rates and policies for a period of six months.

### ii. Township to Continue with Comprehensive DC Review and Update to Provide New Rates and Policies in 2021

The Township is in the process of completing a comprehensive review and update of its development charges rates, policies and practices; however, the study process will not be completed, while allowing for extended public and developer consultation, prior to the expiry of the Township's existing by-law (after consideration of the Provincial extension provided by the *Emergency Management and Civil Protection Act* in which a declaration of Emergency was declared under *Ontario Regulation 50/20 as a result of COVID-19*). It is our understanding that on July 24<sup>th</sup> 2020, the declaration of emergency was revoked and the Township's DC by-law would expire 6 months from the termination of the emergency declaration being January 24<sup>th</sup> 2021.

Given the events surrounding the outbreak of COVID-19 in Ontario and across Canada, it is understandable that municipal governments have made it their utmost priority to protect residents. The Township of Loyalist has taken the COVID-19 outbreak very seriously to protect the community, as a result municipal resources were deployed and fully committed to manage the pandemic which therefore has limited the resources available to carry-out the DC Study within the timeframe required. Therefore, in order to provide for a full and comprehensive consultative process, it is necessary to extend the By-law beyond the current by-law expiry. This extended time will also allow for the internal resources required to more fully examine the inventory of capital assets and development-related capital costs.

The comprehensive Development Charges Background Study and related process is expected to be completed and finalized during the first quarter of 2021 with a new development charges by-law intended to be brought before Council in the first half of 2021.

### iii. **Services Considered under this Study**

It should be noted that the services included for in this interim Development Charges Background study relate solely to Services Related to a Highway (Roads and Related and Public Works), Emergency Services and Stormwater. Other services such as Parks and Recreation and General Government (development-related studies), for which development charges are currently collected for, will continue to be in force under the existing DC By-law 2015-068 until the Township passes a new DC by-law for these services (and the existing DC by-law is repealed) or two years after the day *COVID-19 Economic Recovery Act, 2020* comes into force.

Although development charges for Parks and Recreation services and General Government (development-related studies) are not included in this interim DC Background Study, the development charges at the existing rates are included in a summary of the total charges for illustration purposes in this study. Furthermore, these services will be included and recalculated in the comprehensive DC Background Study to be released in early 2021.

### iv. **DC Eligible and Ineligible Costs**

Development charges are intended to pay for the initial round of capital costs needed to service new development over an identified planning period. This is based on the overarching principle that “growth pays for growth”. However, the *DCA* and associated regulation includes several statutory adjustments that prevent these costs from fully being recovered by growth. Such adjustments include, but are not limited to: ineligible costs, including operating and maintenance costs; ineligible services; deductions for costs that exceed historical service level caps; and statutory exemptions for specific uses (i.e. industrial expansions).

## **B. PROPOSED DEVELOPMENT CHARGES**

The analysis undertaken thus far for services considered in this study indicates development charges rates (for single/semi detached units) in the Township would need to cumulatively increase by at least 25 to 30 per cent from the current 2020 rates in order to recover for the development-related capital costs required to support development occurring throughout the Township<sup>1</sup>. The non-residential rate implications are more

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<sup>1</sup> The increase calculated and referenced relates only for services to which this Interim DC study related to (i.e. Services Related to a Highway, Emergency Services and Stormwater). The preliminary analysis for other DC services such as Parks and Recreation and General Government (studies) would put additional upward pressure on the rates.

profound which would see rate increases upwards of at least 60 per cent from the current rates.

As a result of completing this preliminary analysis, it is evident that the required calculations for each service to which the development charge by-law relates justify, at a minimum, that the current rates be maintained for the interim development charge by-law. Therefore, despite the initial calculations indicating a more substantial rate increase, the development charges rates are proposed to be identical to those imposed by the Township at the time of passage in January 2021 for the interim period.

The first table below provides the Township-wide development charges currently levied by the Township for residential and non-residential development. Please note, the development charges shown below reflect the rates in force at the time of writing this study and the Township's development charges are still subject to regular adjustments in accordance with the most recent twelve month change in the Statistics Canada Quarterly, "Construction Price Statistics" as allowed for under the Township's existing DC By-law 2015-068. Further to that, it is expected the DC rates will be adjusted by the index on January 1<sup>st</sup> 2021 and the proposed interim DC by-law would reflect the rates in force at the time of by-law passage. The indexed rates as of January 1<sup>st</sup>, 2021 that will be included in the proposed interim DC by-law are shown in the second table below.

*Current In-force Rates (As of November 26, 2020)*

Service	Residential Charge By Unit Type			Non-Residential (\$/m <sup>2</sup> of GFA)	
	Singles/Semis	Multiples	Apartments	Industrial	Non-Industrial
Emergency Services	\$1,639	\$1,428	\$1,141	\$9.60	\$9.60
Stormwater Management	\$218	\$190	\$151	\$1.27	\$1.27
<b>Services Related To A Highway</b>					
<i>Roads &amp; Related</i>	\$1,128	\$982	\$786	\$1.87	\$11.35
<i>Public Works: Buildings &amp; Fleet</i>	\$1,062	\$925	\$739	\$6.20	\$6.20
Parks & Recreation*	\$1,252	\$1,091	\$873	\$0.00	\$0.00
General Government*	\$286	\$248	\$198	\$1.68	\$1.68
<b>TOTAL CHARGE PER UNIT / OR SQ. M</b>	<b>\$5,585</b>	<b>\$4,864</b>	<b>\$3,888</b>	<b>\$20.62</b>	<b>\$30.10</b>

\*Shown for illustration purposes

*Rates Effective January 1, 2021 (Interim DC By-law Rates)*

Service	Residential Charge By Unit Type			Non-Residential (\$/m <sup>2</sup> of GFA)	
	Singles/Semis	Multiples	Apartments	Industrial	Non-Industrial
Emergency Services	\$1,686	\$1,469	\$1,174	\$9.88	\$9.88
Stormwater Management	\$224	\$195	\$155	\$1.31	\$1.31
<b>Services Related To A Highway</b>					
<i>Roads &amp; Related</i>	\$1,161	\$1,010	\$809	\$1.92	\$11.68
<i>Public Works: Buildings &amp; Fleet</i>	\$1,093	\$952	\$760	\$6.38	\$6.38
Parks & Recreation*	\$1,288	\$1,123	\$898	\$0.00	\$0.00
General Government*	\$294	\$255	\$204	\$1.73	\$1.73
<b>TOTAL CHARGE PER UNIT / OR SQ. M</b>	<b>\$5,746</b>	<b>\$5,004</b>	<b>\$4,000</b>	<b>\$21.22</b>	<b>\$30.98</b>

\*Shown for illustration purposes

**C. NO MODIFICATIONS TO THE TOWNSHIP'S EXISTING DEVELOPMENT CHARGES BY-LAW IS PROPOSED**

A draft copy of the development charges by-law will be made available to the public for review in advance of the statutory public meeting consistent with the requirements of the DCA. The by-law itself will be identical to the existing DC by-law as it is only intended to be in place for a short-period of time while the comprehensive DC Study is finalized.

# 1. INTRODUCTION

The Loyalist Township Interim 2020 Development Charges (DC) Background Study is presented as part of the process to lead to the approval of a new DC by-law in compliance with the *Development Charges Act, 1997 (DCA)* that provides for the continuation of the Township's current development charges rates and policies for a period of six months.

## A. PURPOSE OF STUDY

The Township is in the process of completing a comprehensive review and update of its development charges rates, policies and practices; however, the study process will not be completed, while allowing for extended public and developer consultation, prior to the expiry of the Township's existing by-law (after consideration of the Provincial extension provided by the *Emergency Management and Civil Protection Act* in which a declaration of Emergency was declared under *Ontario Regulation 50/20 as a result of COVID-19*). On July 24<sup>th</sup> 2020, the declaration of emergency was revoked and the Township's DC by-law would expire 6 months from the termination of the emergency declaration being January 24<sup>th</sup> 2021.

Given the events surrounding the outbreak of COVID-19 in Ontario and across Canada, it is understandable that municipal governments have made it their utmost priority to protect residents. The Township of Loyalist has taken the COVID-19 outbreak very seriously to protect the community, as a result municipal resources were deployed and fully committed to manage the pandemic which therefore has limited the resources available to carry-out the DC Study within the timeframe required.

Therefore, the Township, in consultation with Hemson, have initiated this Interim 2020 Development Charges (DC) Background Study as part of the process to lead to the approval of a new DC by-law in compliance with the *Development Charges Act, 1997 (DCA)* that provides for the continuation of the Township's current development charges rates and policies for a period of six months. This interim study presents the results of the review that determines the development-related net capital costs which are attributable to new development forecast to occur in the Township of Loyalist. These development-related net capital costs are then apportioned among various types of development (residential; non-residential) in a manner that reflects the increase in the need for each service attributable to each type of development.

As a result of completing this analysis, it is clear that the required calculations for each service to which the interim development charge background study and by-law relates justify, at a minimum, that current rates be maintained. The approach proposed by the Township is conservative which would allow for a more consultative process with council, the development industry and interested members of the public which would not have been afforded without this interim DC Study and accompanying by-law proposed.

The *DCA* provides for a period of public review and comment regarding the proposed development charges. Following completion of this process, in accordance with the *DCA* and Council's review of this study and the comments it receives regarding this study or other information brought to its attention about the proposed charges, it is intended that Council will pass new development charges for the Township.

## 2. TOWNSHIP-WIDE APPROACH

Several key steps are required in calculating any development charge. However, specific circumstances arise in each Municipality which must be reflected in the calculation. Therefore, this study has been tailored for the Township of Loyalist's unique circumstances. The approach to the proposed development charges is focused on providing a reasonable alignment of development-related costs with the development that necessitates them.

### A. TOWNSHIP-WIDE DEVELOPMENT CHARGES ARE CALCULATED

The Township provides a wide range of services to the community it serves and has an extensive inventory of facilities, land, infrastructure, vehicles and equipment. The *DCA* provides municipalities with flexibility to define services that will be included in development charge by-laws, provided that the other provisions of the Act and its associated regulations are met. The *DCA* also requires that the by-law designates the areas within which the by-law shall be imposed. The development charges may apply to all lands in a municipality or to other designated development areas as specified in the by-law.

#### i. Services Based on a Township-Wide Approach

For the services that the Township provides, a range of capital facilities, land, equipment and infrastructure are available throughout the Township; fire stations, arterial roads and so on. As new development occurs, additional facilities will need to be constructed so that service levels in newly developing areas are consistent with levels enjoyed in existing communities. A widely accepted method for sharing the development-related capital costs for such Township services is to apportion them over all new development anticipated in the Township.

The following services are included in the Township-wide development charges calculation:

- Emergency Services;
- Stormwater; and
- Services Related to a Highway:
  - Public Works; and
  - Roads and Related.

Importantly, other services such as Parks and Recreation and General Government (development-related studies), for which development charges are currently collected for, will continue to be in force until the Township passes a new DC by-law for these services (and the existing DC by-law is repealed) or two years after the day *COVID-19 Economic Recovery Act, 2020* comes into force.

Although development charges for Parks and Recreation services and General Government (development-related studies) are not included in this interim DC Background Study, the development charges at the existing rates are included in a summary of the total charges for illustration purposes in this study. Furthermore, these services will be included and recalculated in the comprehensive DC Background Study to be released in early 2021.

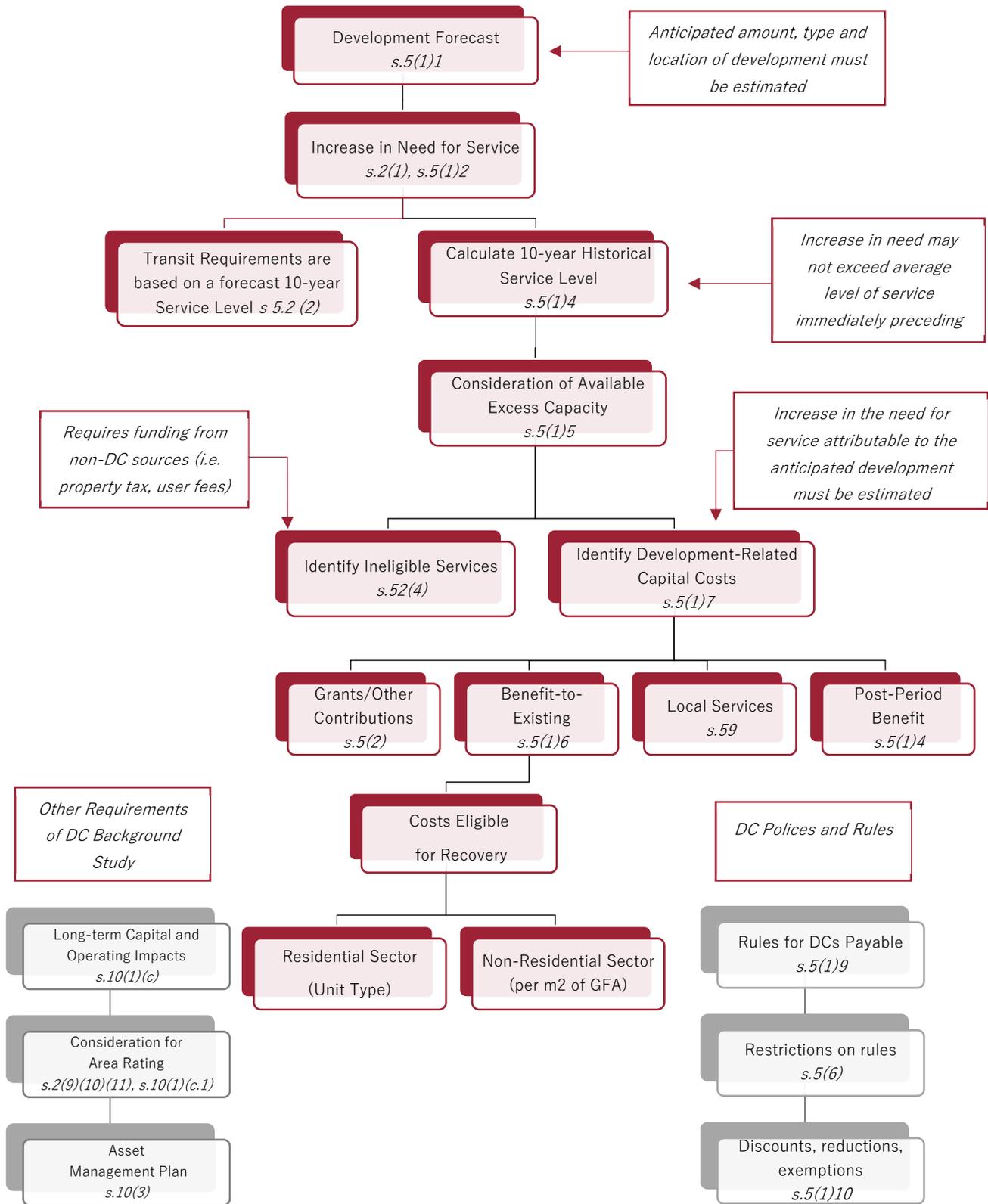
These services form a reasonable basis on which to plan and administer the development charges. The analysis of each of these services examines the individual capital facilities and equipment that make them up. For example, Fire service includes various buildings and associated land, fire fighting vehicles and equipment.

The resulting development charge for these services would be imposed against all development in the Township.

## **B. KEY STEPS IN DETERMINING DEVELOPMENT CHARGES**

Several key steps are required in calculating development charges for future development-related projects. These are summarized below and illustrated in Figure 1.

**Figure 1: Statutory Requirements of Development Charge Calculation and Study Process**



## **i. Development Forecast**

The first step in the methodology requires a development forecast to be prepared for the 10-year study period, 2020–2029, for all services considered in this study. The forecasts of population and households are guided by discussions with municipal staff as well as the outcomes of the Township’s Population, Housing and Employment Projections Report completed in September 2019.

For the residential portion of the forecast, the net (or Census) population growth and population growth in new units is estimated. Net population growth equals the population in new housing units reduced by the decline in the population in the existing base anticipated over the 10-year period (due to reducing household sizes as the community ages). Net population is used in the calculation of the development charges funding envelopes. In calculating the per capita development charge, however, population growth in new units is used.

The non-residential portion of the forecast estimates the Gross Floor Area (GFA) of building space to be developed over the 10-year period, 2020–2029. The forecast of GFA is based on the employment forecast for the Township. A factor for floor space per worker by category is used to convert the employment forecast into gross floor area for the purposes of the DC Background Study.

## **ii. Service Categories and Historical Service Levels**

The *DCA* provides that the increase in the need for service attributable to anticipated development:

... must not include an increase that would result in the level of service exceeding the average level of that service provided in the Municipality over the 10-year period immediately preceding the preparation of the background study...(s. 5. (1) 4.)

Historical 10-year average service levels thus form the basis for development charges. A review of the Township’s capital service levels for buildings, land, vehicles and so on, has therefore been prepared as a reference for the calculation, so that the portion of future capital projects that may be included in the development charge can be determined. The historical service levels used in this study have been calculated based on the period 2010–2019. Please note that this information has been developed with Township staff prior to the COVID-19 pandemic (in early 2020) and is anticipated to be finalized over the next several months and subject to change based on more recent data.

### iii. **Development-Related Capital Program and Analysis of Net Capital Costs to be included in the Development Charges**

A development-related capital program has been prepared by Township staff as part of the present study. The program identifies development-related projects and their gross and net costs, after allowing for capital grants, subsidies or other contributions as required by the Act (*DCA*, s. 5. (2)). The capital program provides another cornerstone upon which development charges are based. The *DCA* requires that the increase in the need for service attributable to the anticipated development may include an increase:

... only if the council of the Municipality has indicated that it intends to ensure that such an increase in need will be met. (s. 5. (1) 3.)

In conjunction with *DCA*, s. 5. (1) 4. referenced above, these sections have the effect of requiring that the development charge be calculated on the lesser of the historical 10-year average service levels or the service levels embodied in future plans of the Municipality. The development-related capital forecast prepared for this study ensures that development charges are only imposed to help pay for projects that have been or are intended to be purchased or built in order to accommodate future anticipated development. It is not sufficient in the calculation of development charges merely to have had the service in the past. There must also be a demonstrated commitment to continue to emplace facilities or infrastructure in the future. In this regard, *Ontario Regulation 82/98*, s. 3 states that:

For the purposes of paragraph 3 of subsection 5 (1) of the *Act*, the council of a Municipality has indicated that it intends to ensure that an increase in the need for service will be met if the increase in service forms part of an Official Plan, capital forecast or similar expression of the intention of the council and the plan, forecast or similar expression of the intention of the council has been approved by the council.

For some projects in the development-related capital forecast, a portion of the project may confer benefits to existing (a “BTE”) residents. As required by the *DCA*, s. 5. (1) 6., these portions of projects and their associated net costs are the funding responsibility of the Township from non-development charges sources. The amount of Township funding for such non-development shares of projects is also identified as part of the preparation of the development-related capital forecast.

There is also a requirement in the *DCA* to reduce the applicable development charge by the amount of any “uncommitted excess capacity” that is available for a service. Such capacity is available to partially meet future servicing requirements. Adjustments are made in the analysis to meet this requirement of the *Act*. Similar to the capital asset inventories, the

capital programs were developed in draft with Township staff prior to the COVID-19 pandemic and is anticipated to be reviewed and finalized over the coming months. The comprehensive DC Background Study will provide additional details on the projects.

#### **iv. Attribution to Types of Development**

The next step in the determination of development charges is the allocation of the development-related net capital costs between the residential and the non-residential sectors. This is done by using different apportionments for different services in accordance with the demands which the two sectors would be expected to place on the various services and the different benefits derived from those services.

Where reasonable data exist, the apportionment is based on the expected demand for, and use of, the service by each sector (e.g. based on shares of population in new units and employment growth).

Finally, the residential component of the Township-wide charge is applied to different housing types on the basis of average occupancy factors. The non-residential component is applied on the basis of gross building space in square metres.

#### **v. Final Adjustment**

The final determination of the development charge results from adjustments made to development-related net capital costs for each service and sector resulting from the application of any unallocated reserve fund balances available to finance the development-related capital costs in the capital forecast. A cash flow analysis is also undertaken to account for the timing of projects and receipt of development charges for Township-wide services. Interest earnings or borrowing costs are therefore accounted for in the calculation as allowed under the *DCA*.

### 3. DEVELOPMENT FORECAST

This section provides the basis for the development forecasts used in calculating the DCs, as well as a summary of the forecast results.

#### A. RESIDENTIAL FORECAST

DCs are levied on residential development as a charge per new unit. Therefore, for the residential forecast, a projection of both the *population growth*<sup>2</sup> as well as the *population in new units* is required.

- The *population growth* determines the need for additional facilities and provides the foundation for the development-related capital program.
- When calculating the DC, however, the development-related net capital costs are spread over the total additional population that occupy new housing units. This population in new units represents the population from which DCs will be collected.

Table 1 provides a summary of the residential forecast over the 10-year planning period, from 2020 to 2029. For DC calculation purposes, the 10-year planning period is applicable to all services.

The Township's Census population is expected to increase by 2,000, people over the next 10 years, reaching 18,800 by 2029. About 1,200 additional occupied dwelling units are forecast to be built between 2020 and 2029 and the population residing in these units is expected to increase by 2,975.

#### B. NON-RESIDENTIAL FORECAST

DCs are levied on non-residential development as a charge per square metre of gross floor area (GFA). As with the residential forecast, the non-residential forecast requires both a projection of *employment growth* as well as a projection of the *employment growth associated with new floor space* in the Township.

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<sup>2</sup> Commonly referred to as "net population growth" in the context of development charges.

The non-residential forecast projects an increase of 492 employees to 2029, which is anticipated to be accommodated in about 34,500 square metres of new non-residential building space. Table 1 also provides a summary of the non-residential development forecasts used in this analysis.

**TABLE 1**

**LOYALIST TOWNSHIP  
2020 DEVELOPMENT CHARGE STUDY  
RESIDENTIAL AND NON-RESIDENTIAL GROWTH FORECAST**

	2019	2020-2029	
	Estimate	Growth	Total
Households	6,743	1,205	7,948
Population			
Census	16,756	2,000	18,756
<b>In New Households</b>		<b>2,975</b>	

	2019	2020-2029	
	Estimate	Growth	Total
Employment	4,323	492	4,815
Non-Residential Building Space (Square Metres)		<b>34,462</b>	

## 4. SUMMARY OF HISTORICAL CAPITAL SERVICE LEVELS

The *DCA* and *Ontario Regulation 82/98* require that DCs be set at a level no higher than the average level of service provided in the municipality over the 10-year period immediately preceding the preparation of the Background Study, on a service by service basis.

For all services considered in this study, with exception of stormwater, the legislative requirement is met by documenting historical service levels for the preceding 10 years, in this case, for the period from 2010 to 2019. Typically, service levels for these services are measured as a ratio of inputs per capita, or per population plus employment.

*O. Reg. 82/98* requires that when determining historical service levels, both quantity and quality of service be taken into consideration. In most cases, the service levels are initially established in quantitative terms. For example, service levels for buildings are presented in terms of square feet per capita. The qualitative aspect is introduced by the consideration of the monetary value of the facility or service. In the case of buildings, for example, the cost would be shown in terms of dollars per square foot to replace or construct a facility of the same quality. This approach helps to ensure that the development-related capital facilities that are to be charged to new development reflect not only the quantity (number and size) but also the quality (value or replacement cost) of service provided historically by the Township. Both the quantitative and qualitative aspects of service levels used in the present analysis are based on information provided by municipal staff, based on historical records and experience with costs to acquire or construct similar facilities, equipment and infrastructure as of 2020.

The service levels are expressed as a dollar value per capita (\$/capita) or a dollar value per capita plus employment (\$/capita & employment) of infrastructure value. This service level expression is a construction to meet the requirement of subsection 5(1) of the *DCA* and does not directly reflect the utilization of infrastructure or the way municipalities plan for services.

Table 2 summarizes service levels for all applicable services included in the DC calculation. Please note that this information was developed with staff in March of 2020, prior to the COVID-19 pandemic, and is anticipated to be finalized over the next several months and subject to change. The comprehensive DC Background Study which will be released in early 2021 will provide supplementary information in this regard. It should be noted that the initial rate analysis ensures that rates would not result in the level of service exceeding the

average level of that service provided in the Township over the 10-year period immediately preceding the preparation of the background study for applicable service areas.

**TABLE 2**  
**LOYALIST TOWNSHIP**  
**SUMMARY OF AVERAGE HISTORIC SERVICE LEVELS 2010-2019**

Service	2010-2019 Service Level Indicator	Service Measure
<b>1.0 EMERGENCY SERVICES</b>	<b>\$968.29</b>	<b>per capita and employee</b>
Buildings	\$404.93	per capita and employee
Land	\$59.80	per capita and employee
Vehicles	\$407.55	per capita and employee
Furniture and Equipment	\$96.00	per capita and employee
<b>2.0. PUBLIC WORKS: BUILDINGS &amp; FLEET</b>	<b>\$801.36</b>	<b>per capita and employee</b>
Building	\$315.19	per capita and employee
Land	\$81.73	per capita and employee
Fleet	\$404.43	per capita and employee
<b>3.0 ROADS &amp; RELATED</b>	<b>\$8,861.71</b>	<b>per capita and employee</b>
Roads	\$6,274.97	per capita and employee
Bridges & Culverts	\$1,767.55	per capita and employee
Sidewalks	\$573.87	per capita and employee
Other Roads & Related	\$245.32	per capita and employee

## 5. THE DEVELOPMENT-RELATED CAPITAL PROGRAM

The *DCA* requires the Council of a municipality to express its intent to provide future capital facilities at the level reflected by the capital program incorporated in the DC calculation and recovered through the proposed rates. As noted in Section II, *Ontario Regulation 82/98*, s. 3 states that:

For the purposes of paragraph 3 of subsection 5 (1) of the Act, the council of a municipality has indicated that it intends to ensure that an increase in the need for service will be met if the increase in service forms part of an official plan, capital forecast or similar expression of the intention of the council and the plan, forecast or similar expression of the intention of the council has been approved by the council.

### A. DEVELOPMENT-RELATED CAPITAL FORECAST FOR SERVICES CONSIDERED IN THIS STUDY

Based on the development forecasts detailed in Table 1, Township staff have created a series of preliminary development-related capital programs setting out those projects that are required to service anticipated development. For all services considered under this study, the capital plan covers the 10-year period from 2020 to 2029. Similar to the capital asset inventories, the capital programs were developed in draft with Township staff prior to the COVID-19 pandemic and is anticipated to be reviewed and finalized over the coming months. The comprehensive DC Background Study will provide additional details on the project costs, timing and DC eligible shares. Therefore, it is acknowledged that changes to the forecast presented herein may also occur through the Township's normal capital budget process.

A summary of the development-related capital forecast for the services considered under this study is presented in Table 3 below. The table provides a total for all services analysed over the 10-year planning period. In total, the development-related capital forecast is estimated to total \$13.4 million. Alternative funding sources have been identified in the amount of \$1.8 million and largely account for contributions towards toward the construction of new roads. Therefore, the net municipal cost of the capital program is reduced to \$11.6 million.

Of the \$11.6 million 10-year net municipal capital costs, Roads and Related, Public Works and Emergency Services represent a similar proportion of total net municipal costs. The table provides an overview of the type and classification of projects included in the capital program to determine the initial DC rate calculations.

As identified, the net capital forecast for the 10-year services totals \$11.6 million and incorporates those projects identified to be related to the development anticipated in the next 10 years. However, not all of the capital costs are to be recovered from new development by way of DCs. As shown in the table, about \$2.3 million relates to the replacement of existing capital facilities or for shares of projects that provide benefit to the existing community. These portions of capital costs will have to be funded from non-DC revenue sources, largely property taxes for this group of services.

An additional share of \$1.99 million has been identified as available DC reserve funds and represents the revenue collected from previous DCs. This portion has been netted out of the chargeable capital costs. These funds represent the estimated uncommitted reserve fund balances, as at December 31, 2019, that are available to help fund the development-related net capital costs identified in this study. All of the available reserve funds are accounted for in this study, however, the balances are based on available data determined early in 2020 (pre-pandemic). The application of available DC reserve funds will be reviewed again with the comprehensive Development Charges Background Study and related process which is expected to be completed and finalized during the first quarter of 2021 with a new development charges by-law intended to be brought before Council in the first half of 2021.

A share of \$574,000 is attributable to development beyond 2029. This development-related share has been removed from the calculation and may therefore be recovered under future DC studies.

The total costs eligible for recovery through DCs for 10-year services is \$6.7 million. This amount is allocated between the residential and non-residential sectors (allocation is based on shares of population in new units and employment growth in new space) to derive the unadjusted DCs. Of the \$6.7 million in costs identified eligible for recovery, approximately \$5.4 million (80%) is deemed to benefit residential development. When this amount is divided by the 10-year growth in population in new dwelling units (2,975), an unadjusted charge of \$1,803.03 per capita results.

The non-residential share totals \$1.3 million which yields an unadjusted charge of \$38.91 per square metre when divided by the 10-year increase in non-residential building space (34,462).

TABLE 3

LOYALIST TOWNSHIP  
SUMMARY OF THE DEVELOPMENT RELATED CAPITAL PROGRAM (2020-2029)

Service	Project Description	Timing	Gross Project Cost	Grants/ Subsidies/Other Recoveries	Net Municipal Cost	Ineligible Costs	Total DC Eligible Costs	DC Eligible Cost		
						Replacement and BTE Share		Available DC Reserves	2020-2029	Post 2029
<b>1.0 EMERGENCY SERVICES</b>										
1.1	Various Development-Related Projects <i>Recovery of Completed Projects</i> <i>Station Expansion (and associated F&amp;E)</i> <i>Equipment Payback</i> <i>Studies</i>	2020 - 2029	\$ 4,103,000	\$ -	\$ 4,103,000	\$ 1,615,000	\$ 2,488,000	\$ -	\$ 2,413,000	\$ 75,000
<b>2.0 STORMWATER MANAGEMENT</b>										
2.1	Various Development-Related Projects <i>Studies - Storm Feasibility Study</i> <i>Urban Stormwater Management</i>	2020 - 2027	\$ 880,000	\$ 430,000	\$ 450,000	\$ 10,000	\$ 440,000	\$ 98,000	\$ 342,000	\$ -
<b>SERVICES RELATED TO A HIGHWAY</b>										
<b>3.1 PUBLIC WORKS: BUILDINGS &amp; FLEET</b>										
3.1.1	Various Development-Related Projects <i>Aquisition of New Vehicles</i> <i>Garage Expansion</i>	2020 - 2025	\$ 3,200,000	\$ -	\$ 3,200,000	\$ -	\$ 3,200,000	\$ 704,000	\$ 1,997,000	\$ 499,000
<b>3.2 ROADS &amp; RELATED</b>										
3.2.1	Various Development-Related Projects <i>Roads Hardtop</i> <i>Sidewalks</i> <i>Streetlighting</i> <i>Studies</i>	2020 - 2029	\$ 5,190,000	\$ 1,391,000	\$ 3,799,000	\$ 664,000	\$ 3,135,000	\$ 1,183,000	\$ 1,952,000	\$ -
<b>Total Development-Related Capital Program</b>			<b>\$ 13,373,000</b>	<b>\$ 1,821,000</b>	<b>\$ 11,552,000</b>	<b>\$ 2,289,000</b>	<b>\$ 9,263,000</b>	<b>\$ 1,985,000</b>	<b>\$ 6,704,000</b>	<b>\$ 574,000</b>

<b>Residential Development Charge Calculation</b>		
Residential Share of 2020-2029 DC Eligible Costs	80%	\$5,363,200
<b>Non-Residential Development Charge Calculation</b>		
Non-Residential Share of 2020-2029 DC Eligible Costs	20%	\$1,340,800

## 6. CALCULATED AND PROPOSED DEVELOPMENT CHARGES

This section summarizes the calculation of DCs and the resulting total charges by sector. For all municipal services, the calculation of the “unadjusted” per capita (residential) and per square metre (non-residential) charges are reviewed. Adjustments to these amounts resulting from a cash flow analysis that takes interest earnings and borrowing costs into account is considered.

For residential development, the adjusted total per capita amount is converted to a variable charge by housing unit type using various unit occupancy factors. For non-residential development, the charges are based on gross floor area of building space.

### A. DEVELOPMENT CHARGES CALCULATION

The analysis undertaken thus far indicates development charges rates (for single/semi detached units) in the Township would need to cumulatively increase by at least 25 to 30 per cent from the current 2020 rates in order to recover for the development-related capital costs required to support development occurring throughout the Township<sup>3</sup>. The non-residential rate implications are more profound which would see development charge rate increases upwards of at least 60 per cent from the current rates.

In general, the development charge analysis undertaken indicates that there is upward pressure on the Township’s rates as a result of the following key factors:

- Increases in construction and project costs from those identified in the 2015 DC Study;
- Additional servicing needs identified as a result of more detailed studies;
- Recovering costs and financing costs associated with facilities and infrastructure already constructed by the Township and oversized to accommodate future growth, most notably the Fire Hall; and
- More comprehensive development of the capital asset inventories for all services resulting in higher service levels.

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<sup>3</sup> The increase calculated and referenced relates only for services to which this Interim DC study related to (i.e. Services Related to a Highway, Emergency Services and Stormwater). The preliminary analysis for other DC services such as Parks and Recreation and General Government (studies) would put additional upward pressure on the rates.

## B. DEVELOPMENT CHARGES PROPOSED

As a result of completing this preliminary analysis, it is evident that the required calculations for each service to which the development charge by-law relates justify, at a minimum, that the current rates be maintained for the interim development charge by-law. Therefore, despite the initial calculations indicating a more substantial rate increase, the development charges rates are proposed to be identical to those currently imposed by the Township for the interim period. The approach proposed by the Township is conservative which would allow for a more consultative process with council, the development industry and interested members of the public which would not have been afforded without this interim DC by-law proposed.

Table 4 summarizes the existing residential DC rates currently in force by residential unit. As shown in the table, the existing residential charge ranges from \$5,585 for a single- or semi-detached unit to \$3,888 for apartments. The existing charge for rows and other multiples is \$4,864 per unit. The non-residential DC is differentiated into two categories: industrial and non-industrial and the rates for both categories are \$20.62 and \$30.10 per square meter - these charge are also displayed on Table 4 below. The development charges shown below reflect rates in force at the time of writing this study and the Township's development charges are still subject to regular adjustments in accordance with the most recent twelve month change in the Statistics Canada Quarterly, "Construction Price Statistics" as allowed for under the Township's existing DC By-law 2015-068. The rates as of January 1, 2021 that will be included in the proposed interim DC By-law are shown in Table 5 below.

TABLE 4

**LOYALIST TOWNSHIP  
CURRENT RESIDENTIAL & NON-RESIDENTIAL DEVELOPMENT CHARGES**

Service	Residential Charge By Unit Type			Non-Residential (\$/m <sup>2</sup> of GFA)	
	Singles/Semis	Multiples	Apartments	Industrial	Non-Industrial
Emergency Services	\$1,639	\$1,428	\$1,141	\$9.60	\$9.60
Stormwater Management	\$218	\$190	\$151	\$1.27	\$1.27
<b>Services Related To A Highway</b>					
<i>Roads &amp; Related</i>	\$1,128	\$982	\$786	\$1.87	\$11.35
<i>Public Works: Buildings &amp; Fleet</i>	\$1,062	\$925	\$739	\$6.20	\$6.20
Parks & Recreation*	\$1,252	\$1,091	\$873	\$0.00	\$0.00
General Government*	\$286	\$248	\$198	\$1.68	\$1.68
<b>TOTAL CHARGE PER UNIT / OR SQ. M</b>	<b>\$5,585</b>	<b>\$4,864</b>	<b>\$3,888</b>	<b>\$20.62</b>	<b>\$30.10</b>

\*Shown for illustration purposes

TABLE 5

LOYALIST TOWNSHIP  
 PROPOSED RESIDENTIAL & NON-RESIDENTIAL DEVELOPMENT CHARGES

Service	Residential Charge By Unit Type			Non-Residential (\$/m <sup>2</sup> of GFA)	
	Singles/Semis	Multiples	Apartments	Industrial	Non-Industrial
Emergency Services	\$1,686	\$1,469	\$1,174	\$9.88	\$9.88
Stormwater Management	\$224	\$195	\$155	\$1.31	\$1.31
<b>Services Related To A Highway</b>					
<i>Roads &amp; Related</i>	\$1,161	\$1,010	\$809	\$1.92	\$11.68
<i>Public Works: Buildings &amp; Fleet</i>	\$1,093	\$952	\$760	\$6.38	\$6.38
Parks & Recreation*	\$1,288	\$1,123	\$898	\$0.00	\$0.00
General Government*	\$294	\$255	\$204	\$1.73	\$1.73
<b>TOTAL CHARGE PER UNIT / OR SQ. M</b>	<b>\$5,746</b>	<b>\$5,004</b>	<b>\$4,000</b>	<b>\$21.22</b>	<b>\$30.98</b>

\*Shown for illustration purposes

Please note, although development charges for Parks and Recreation and General Government are not included in this interim DC Background Study, the development charges at the existing rates are included in a summary of the total charges for illustration purposes in this study. Furthermore, these services will be included and recalculated in the comprehensive study to be released in the first half of 2021.

## 7. COST OF GROWTH ANALYSIS

This section provides a brief examination of the long-term capital and operating costs as well as the asset management-related annual provisions for the capital facilities and infrastructure to be included in the DC By-law. This examination is required as one of the provisions of the *DCA*.

### A. ASSET MANAGEMENT PLAN

A key function of the Asset Management Plan is to demonstrate that all assets proposed to be funded under the DC by-law are financially sustainable over their full life cycle.

Based on the capital program developed, by 2030, for the Township will need to fund an additional \$222,000 per annum for Township-wide services in order to properly fund the full life cycle costs of the new assets supported under the 2020 Development Charges By-law.

### B. LONG-TERM CAPITAL AND OPERATING COSTS

In addition, the preliminary analysis completed to date has permitted a sufficient examination of the long term capital and operating costs for capital infrastructure required for each service to which the development charge relates to justify the maintaining of current rates during for the anticipated term of this short-term development charge by-law. This preliminary analysis addresses the requirements of *ss.10 (2)(b) and (c) of the DCA*.

In summary, the asset management plan and long-term capital and operating analysis demonstrates that the Township can afford to invest and operate the capital infrastructure over the 10-year planning period. Importantly, the Township's annual budget review allows staff to continue to monitor and implement mitigating measures should the program become less sustainable.

## 8. OTHER ISSUES AND CONSIDERATIONS

### A. BY-LAW ADMINISTRATION

A draft copy of the development charges by-law will be made available to the public for review in advance of the statutory public meeting consistent with the requirements of the DCA. The by-law itself will be identical to the existing DC by-law as it is only intended to be in place for a short-period of time while the comprehensive DC Background Study is finalized over the next several months.

### B. CONSIDERATION FOR AREA RATING

In accordance with the DCA, Council must give consideration to the use of area rating, also known as area-specific development charges, as part of the DC Background Study. As part of the Township's 2020 Interim DC Study, the appropriateness of implementing area-specific development charges for the various Township services was examined.

The DCA permits the Township to designate, in its DC by-law, the areas where development charges shall be imposed. The charges may apply to all lands in the Township or to other designated development areas as specified in the DC by-law.

Most municipalities in the province have adopted uniform, municipal-wide DCs, as has Loyalist Township since at least 2005. Based on discussions with staff, and the analysis of the delivery of services, it is proposed that the Township continue to calculate and collect DCs on a uniform, Township-wide basis. The rationale for maintaining a uniform Township-wide approach is based primarily on the fact that 10-year historical service levels can be calculated on a Township-wide basis to ensure the emplacement of a service or infrastructure in one particular area of the Township does not exceed the service level of that specific community. As well, Township-wide DCs ensure a consistent approach to financing the cost of development-related projects, from both a DC and non-DC revenue source perspective.