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Date: December 29, 2017
To: Mayor and Council
Author: Sandra Zwiers, Director of Financial Services
RE: 2017 DC Background Study Additional Information
Report No.: FS-2018-01

AIM

To provide council with the additional information requested as part of the public meeting held on December 11, 2017, a meeting to discuss the approval of a new Development Charges Background Study and Bylaw.

BACKGROUND

At the public meeting, council requested additional information as a result of both council questions and comments from the public. Direction to administration included gathering the following information:

- Impact of greenhouse charges
- Impact of 5 year phase In
- Discussion of pre-payment agreements
- Impact of urban wide vs. area specific water and wastewater charges

DISCUSSION

Impact of Greenhouse Charges

New to the background study is the inclusion of the greenhouse sector. Kingsville has witnessed significant growth from agri-business. While this sector contributes to both our assessment base and local economy, the impact of greenhouse operations also impacts our infrastructure and service delivery costs. The proposed DC Study assesses charges to the greenhouse sector in an attempt to recognize the cost the sector has on providing specific services related to:

- Highways
- Policing

- Administration
- Water

The chart in **Appendix A** illustrates the anticipated collections from the greenhouse sector based on the proposed rates and forecasted growth. (This chart assumes no phase in of charges and is for discussion purposes only.)

Administration recognizes the proposed cost to the greenhouse sector is significant. Having said that, the cost of constructing roadways to accommodate increasing amounts of truck and greenhouse equipment traffic for instance, is equally significant. The inclusion of the greenhouse sector at this time in Kingsville's growth is meant to allow council the option to consider adding this class to the development charge. Prior background studies have not given council this opportunity.

Kingsville has historically not charged the greenhouse sector for growth related costs. These costs have been funded by the tax and utility rates which are paid by existing ratepayers. Should this funding methodology be continued, the chart identifies the impact of lost collections to the DC pool and the resulting impact on the tax and utility rates. In essence, if the greenhouse sector is removed from the DC, the cost of growth relating to this sector will continue to be paid for by the existing tax and utility base.

Impact of 5 Year Phase In

In February 2013, when the last DC Background Study was approved, council chose to implement the DC increases over a 5 year period. The increase in proposed rates from the expiring DC Bylaw was divided equally among the 5 year term and fees increased annually on March 1st.

Appendix B to this report illustrates the smoothing effect a 5 year phase in option would have on the proposed DC rates. If a phased in approach is adopted, administration recommends the increase anniversary date be adjusted from March 1st (currently) to January 1st to coincide with the annual process of updating all other fee master files and to match the corporation's fiscal year end date.

Discussion of Pre-Payment Plans

In March 2013, council approved the staff report of the Director of Financial Services which outlined the eligibility criteria for developers to enter into development charge pre-payment agreements. **Appendix C** to this report is the updated version of that pre-payment agreement intended for use in early 2018. The intent of the agreement is to afford the development community the opportunity to pre-pay development charges at the expiring rate for lots that are already in active production. As was the case in 2013, the lots eligible for pre-payment must be already approved as part of a plan of subdivision, be serviced within 12 months of entering into the agreement and must have permits issued prior to the expiry of the term of the agreement. Administration is recommending an increase in the administrative processing fee from \$500 to \$750 based on the now known cost of administrative time in reconciling these agreements for the duration of their term.

Impact of Town Wide vs. Area Specific Water and Wastewater Charges

As discussed at the December 11, 2017 public meeting, the rationale for recommending a unified urban service charge across the entire town was based on the fact that since amalgamation there has been a concerted effort to treat all taxpayers in the new Town of

Kingsville in an equitable manner. Prior to amalgamation tax rates in Kingsville and Gosfield North were higher than those in Gosfield South. In 1999, the rates of all three former municipalities were combined to arrive at a unified tax rate for all residents.

Similarly, in 2005 council approved the unifying of the wholesale water rate charged by the Union Water Supply System for all residents of Kingsville. The former Gosfield North service area was charged more than the customers in the rest of the municipality. Post-unification, all water customers in the town were charged the same rate for water service.

In addition to the equity argument, the unification of the water and wastewater development charge will also assist in the town's desire for strategic growth management. Currently it costs more to develop in the northern part of the municipality than in the south. While development charges are admittedly not the only factor in development decisions, it is not surprising that growth is occurring more rapidly in the southern area of the municipality. By unifying the development charge for all urban areas within the town, the perceived penalty of having to pay a premium to develop in the north will be eliminated.

The recently adopted Community Improvement Plan for the Cottam area also supports the theory of development charge unification. By unifying the urban charge, the development charge in the north is reduced and provides a further incentive for strategic growth.

The final rationale for unifying the urban charges is one of basic economics and the concept of supply and demand. By treating water and wastewater as urban town wide services, the individual systems can benefit from economies of scale. It has historically been difficult to support growth in the northern area of the town because relatively few permits are issued to this area. Conversely, the southern area of town experiences consistent growth and a high volume of permits. By combining the two areas, the water and wastewater infrastructure as a whole can benefit from a combined larger pool of resources. This will allow the municipality greater flexibility in managing growth and undertaking water and wastewater projects that are currently impeding growth.

Attached to this report in **Appendix D** is the Addendum Report prepared by Watson & Associates which addresses the issue of unifying the urban rates. If area specific rates are continued, the residential urban area in Cottam will pay 105% more than the proposed unified rate. The Ruthven, Kingsville, Lakeshore West areas will pay 5.6% less than the proposed unified rate. A similar pattern is found in the non-residential class if area specific rates are continued.

Final Matters – Policy Recommendations and DC Bylaw Rules

Attached to this report is the excerpt of Chapter 7 from the Background Study Report dated November 8, 2017. These matters must be considered by council individually and collectively as part of the draft bylaw.

LINK TO STRATEGIC PLAN

Manage residential growth through sustainable planning.
Manage growth through sustainable planning.

FINANCIAL CONSIDERATIONS

The establishment and collection of development charges ensures growth related costs and services are paid for by the contributors to growth and not the existing tax base. Many factors are considered by the development community when choosing where to locate and build. The cost of development is a significant factor to consider and being mindful of the competitive arena the town must operate in is important.

It is also important to remember however that once development occurs, it's often the ongoing costs of living/operating in a municipality that impact development decisions. The approval of development charges will help to alleviate the subsequent burden growth will have on the tax and utility rates. These are rates that taxpayers will pay in perpetuity.

CONSULTATIONS

Daryl Abbs, Watson & Associates Economists Ltd.

Gary Scandlan, Watson & Associates Economists Ltd.

RECOMMENDATION

That council receives the Addendum to the Town of Kingsville Development Charge Background Study dated December 28, 2017;

That council considers and approves the recommendations made in Chapter 7 of the Town of Kingsville Development Charge Background Study dated November 8, 2017;

That council receives the balance of this report for information and consideration in approving Bylaw 1-2018 being a bylaw to establish development charges in the Town of Kingsville for the period from February 1, 2018 – January 31, 2023.

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA
Director of Financial Services

Peggy Van Mierlo-West

Peggy Van Mierlo-West, C.E.T.
Chief Administrative Officer