2019 DC Background Study: Comments

PROCESS

+ Once again, the review of Development Charges has been conducted in a manner that is completely opaque to the general public -- even more so than in the past, when staff has been known to at least come forward with a request for approval of general directions. This time, the only thing we've seen is the appointment of the Sponsor Group of Councillors on 11 April 2018.

+ The only exception has been a briefing with some members of the FCA Governance Committee on 14 February 2019 -- a briefing that came about as a result of an expression of frustration at an unrelated meeting with Charmaine Forgie. In contrast, between December and March members of the development industry have met 13 times with staff and consultants (see attached document).

+ Hamilton offers an example of how it can be done differently. Ref.: https://www.hamilton.ca/council-committee/council-committee-meetings/development-charges-stakeholders-sub-committee.

+ While clarification of various technical matters understandably requires consultation with members of the development industry, it is equally understandable that they seek the lowest fees possible. The property tax payer, on the other hand, would like to see growth pay for growth to the maximum extent possible. A 2013 study by Hemson demonstrated that Ottawa has a way to go to achieve this. (Ref. http://greenspace-alliance.ca/wp-content/uploads/2013/12/OPA_-_Hemson_report_revised_Aug_2013_-_Doc_2_-_8Nov2013.pdf.)

+ There is much room for discretion and fair debate on what the correct number is, e.g. in the assignment of costs to "Benefits to Existing [development]" (BTE). The City should not hear from just one side.

METHOD

+ By not recognizing that growth costs within "Inside the Greenbelt" and "Outside the Greenbelt" vary significantly across the city, an opportunity to nudge the industry towards more efficient patterns of development is foregone.

+ This mandatory review is of an interim nature because the TMP and IMP have not yet been updated. This failure to update the master plans in a coordinated fashion is costing the City extra, because a consultant will have to be hired again, likely for a 2022 update. Still, that will be cheaper than incurring the revenue loss by letting the rates stand till 2024.

+ Why are "General Services" projected over 2019-29 while "Engineered Services" are projected over 2019-31? What forces this complication?

+ On page 58 the claim is made that the forecasts to 2031 of Population, Households and Employment are consistent with Fig. 2.2 of the Official Plan (attached). Table 10 on page 76 does not bear that out: Population and Household forecasts appear to be consistently higher and the Employment forecast appears to be consistently lower than shown in Fig. 2.2. The discrepancy violates Provincial regulations. What explains this and what is its impact on the outcomes?

+ It is not clear what the assumptions of household size on pages 78 and 83 are based on.

+ The expanded scope of Stage 2 LRT and the increased costs which Council approved in February 2019 have not been incorporated in this Study (ref. page 91 and 311). This means that the rates proposed here are lower than actual costs. Playing catch-up in later Studies comes at the expense of the property tax payer now.

+ Forecast methodologies are frequently described in rather vague terms, e.g. on pages 91, 93, 250, 253, 255, 277, 288, 297.

+ The Study uses outdated projections throughout: Pop/Hhold/Empl projections as in the 2014 DC Study, an Origin/Destination study from 2011, etc. The capital program itself is apparently much as in the 2014 Study, adjusted in ways that are only described in vague terms.

+ AM peak periods are used to forecast transit ridership. Isn't the PM peak larger than AM? If so, the forecast is too low. What effect does that have on the outcome?

+ On pp. 92-93 it is noted that the "Network Concept" model projected a 26.0% modal share for transit in 2031, the "Affordable" model projected 23.6%, and a further adjustment brought that down to 23.0%. What are the implications of the failure to reach transit share targets? Specifically, how does that affect the BTE calculation as discussed on pp. 95-96? (On page 94 it is recognized that the lowered target means that more of the cost is assigned to the post-2029 period.) Also re pp. 92-93, why are the data for 2011 so different between the three tables?

+ On page 105 the $3m O-Train extension to the Airport is assigned to post-2029. Does that agree with the Stage 2 plans? (Note that the rest of the O-Train extension is allocated to Riverside South -- map on page 248).

+ In various calculations "pop & emp" is used as a denominator. How does that work?

+ Re Roads (ref. pp. 256-7), non-residential area-specific rates are obtained as a residual. Why is that a reasonable approach? Ditto re Water (pp. 290-1).

+ Re Roads, page 254 states: "The existing facilities have been examined and consideration has been given to whether or not "excess capacity" exists within the City's infrastructure that may be available to partially meet the future servicing requirements." What is the protocol here?

+ Similarly, re Wastewater, on page 277 it is stated: "The replacement and benefit to existing shares have been examined on a project-by-project basis and the nature of each project determined the rationale for the reductions. The identified benefit to exiting shares includes costs that meet the needs of existing development, including past development. Decisions were based on a variety of factors including the population and employment growth over the ten-year base, rehabilitation costs and input from City staff." Again, not only is that all rather vague, but what is the protocol here?

+ The same text is repeated re Water on page 288. The same questions apply.

+ Stormwater management investments are deemed to offer no post-period benefit. How can that be? On page 349 SW facilities are said to have a 70-year life.

OUTCOME

+ The Study offers no overall table showing Gross/Net cost, BTE, Replacement Cost, 10% Reduction, Post-Period Benefit, 2019 DC total and +/- Reserves for each of the 12 service categories.

+ The increases in DCs are very much larger Inside the Greenbelt and in Rural areas than Outside the Greenbelt. (Ref.: Summary notes.) What explains that?

+ The largest increases in costs are for urban Parks Development, Roads & Related Services and Stormwater Drainage. What explains that?

+ Will the DC By-law be amended in 2022?

+ As a result of the "deal" struck in 2015 (ref. http://greenspace-alliance.ca/index.php/policy/policy-ottawa-city-hall/opa-150-and-its-aftermath/development-charges-2014-2017-the-untold-story/), inclusion of Transit capital projects has been delayed by two years so the 2019 Study had to catch up (ref. p. 99). I.e., the 2017 rates were too low. As noted above, the current study similarly underestimates rates by not including the expanded scope and increased cost of Stage 2 LRT (ref. pp. 91 and 311).

+ Likewise, as is acknowledged on page 255, the 25% reduction in Roads costs negotiated in the "deal" did not correspond with actual costs, so that was another give-away at the expense of the property tax payer. (The "untold story" estimates that this 25% reduction amounted to a $6.5m annual revenue loss.)

+ What can one infer from the balances -- sometimes very large, positive or negative -- in the Reserve accounts? E.g., for Wastewater (page 285), there is a $46m surplus in the city-wide account, a $5m surplus Inside the GB and a $21m deficit Outside the GB. Is it fair to conclude that city-wide sanitary works are running behind (more is collected than is spent) while in the suburbs more has been spent than has been collected? The same pattern holds for Water (page 295). What does that mean for the coherence of the City's investment program?

Erwin Dreessen - March 31, 2019

Copy edits

Throughout: "Principal", not "Principle" when referring to a loan.

p5: Table legend misses the meaning of the diamond line. Ditto on page 94.
p6: First word: "An" not "On".
p32: The sentence "Consistent with the City's historical practice, the residential non-residential cost allocations arising from the area specific residential calculations are recovered on a City-wide basis but is currently being examined." is ungrammatical and appears incoherent.
p38: Title misses "City-wide".
p44: Title should say "Industrial" not "Non-residential".
p50: 7th line from the bottom: delete "provides" ; 2nd-last line: delete "on".
p51: 2nd line: insert "is" before "included".
p96: the last figure should be "32,500" not "35,500".
p255: 4th line: "the cost" not "that cost".
p257: It is not clear what the percentages shown in the top table are percentages of.
p287: 1st line u/ A.: "are" nor "is".
p292: The table has unexplained terms.
p311: 12th line: insert "the" before "February" ; 14th line:"financially" not "financial".
p313: Figure 1 is incomprehensible without more explanation.
p315: last line before "D.": delete "to".