



Community Benefit Charges Feasibility Assessment

Town of Whitchurch-Stouffville

April 6, 2022

Watson & Associates Economists Ltd.
905-272-3600
info@watsonecon.ca

April 6, 2022

Tim Hayward
Policy Planner II, Development Services
Town of Whitchurch-Stouffville
111 Sandiford Drive, Stouffville, Ontario
L4A 0Z8

Dear Tim Hayward:

Re: Community Benefit Charges Feasibility Assessment

The Town of Whitchurch-Stouffville (Town) retained Watson & Associates Economists Ltd. (Watson) to assess the feasibility and potential benefits of proceeding with a community benefits charges (C.B.C.) strategy and by-law. The C.B.C. feasibility assessment considers the potential funding available to the Town to meet the increase in need for service stemming from development or redevelopment within the limitations of s.37 of the Planning Act. The following sections of the letter report summarize the legislative context for the undertaking, the methodology used in the assessment, and the findings of our review.

1. Legislative Context

The COVID-19 Economic Recovery Act received Royal Assent on July 21, 2020. Schedule 17 of the Act amends the Planning Act with respect to the provisions of community benefits and parkland dedication. These amendments were proclaimed and came into effect on September 18, 2020. Municipalities with agreements for community benefits have two years after the date of proclamation (i.e., September 18, 2022) to transition to the new rules under s.37 of the Planning Act. Eligible municipalities also have the ability to impose a C.B.C. under this authority.

Single-tier and lower-tier municipalities may adopt a by-law to impose a C.B.C. against land to pay for the capital costs of facilities, services and matters required because of development or redevelopment in the area to which the by-law applies. The capital costs included in a C.B.C. may include:

- a) land for parks or other public recreational purposes in excess of lands conveyed or funded by cash-in-lieu of parkland payments under sections 42 and 51 of the Planning Act;
- b) capital costs for services under section 2(4) of the D.C.A. that are ineligible for recovery under a D.C. by-law; and
- c) capital costs for municipal services ineligible for inclusion in a D.C. by-law.



There are restrictions on the application of the charges. A C.B.C. may be imposed only with respect to development or redevelopment that requires:

- the passing of a zoning by-law or of an amendment to a zoning by-law under section 34;
- the approval of a minor variance under section 45;
- a conveyance of land to which a by-law passed under subsection 50 (7) applies;
- the approval of a plan of subdivision under section 51;
- a consent under section 53;
- the approval of a description under section 9 of the Condominium Act, 1998; or
- the issuing of a permit under the Building Code Act, 1992 in relation to a building or structure.

As discussed later, the regulations limit the charge relative to the value of land at the time of building permit issuance. Thus, imposing the charge at the time of development requiring the issuance of a building permit would be prudent.

The Planning Act limits the imposition of the C.B.C. to certain types of development. Under s.37(3) a C.B.C. may not be imposed with respect to:

- development or redevelopment of fewer than 10 residential units, and in respect of buildings or structures with fewer than five storeys;
- a building or structure intended for use as a long-term care home;
- a building or structure intended for use as a retirement home;
- a building or structure intended for use by a university, college, or an Indigenous Institute;
- a building or structure intended for use as a memorial home, clubhouse or athletic grounds by an Ontario branch of the Royal Canadian Legion;
- a building or structure intended for use as a hospice to provide end-of-life care; or
- not-for-profit housing.

Before adopting a C.B.C. by-law a municipality must prepare a C.B.C. Strategy that identifies the facilities, services and matters that will be funded with the charges. The municipality must consult with such persons and public bodies as the municipality considers appropriate while preparing the Strategy. Further, Ontario Regulation 509/20 specifies the methodology that must be followed in the Strategy. This includes:

1. An estimate of the anticipated amount, type and location of development and redevelopment with respect to which community benefits charges will be imposed;
2. Estimates of the increase in the need for facilities, services and matters attributable to the anticipated development and redevelopment to which the community benefits charge by-law would relate;



3. For the facilities, services and matters included above, an identification of excess capacity and estimates of the benefit existing development;
4. Estimates of the capital costs necessary to provide the facilities, services and matters; and
5. Identification of any capital grants, subsidies and other contributions made to the municipality or that the council of the municipality anticipates will be made in respect of the capital costs.

Once the by-law is passed the municipality must give notice of passage and the by-law may be appealed to the Ontario Land Tribunal within 40 days of by-law passage.

The amount of the charge can not exceed an amount equal to the prescribed percentage of the value of the land on the date of building permit issuance. At present, the prescribed value is set by regulation at 4% of land value. Moreover, if the landowner of the view that the amount of the C.B.C. exceeds the prescribed value, the landowner may pay the charge under protest. In this circumstance there is an obligation of the landowner and municipality to provide appraisals, and for the municipality to maintain a registry of at least three land appraisers.

A municipality may allow the landowner to provide in-kind contributions towards the facilities, services or matters in lieu of paying a C.B.C.

Revenue collected under a C.B.C. by-law must be maintained in a special account and used for the purposes that the charge was imposed. A municipality must report on the activity of the special account annually.

2. Methodology

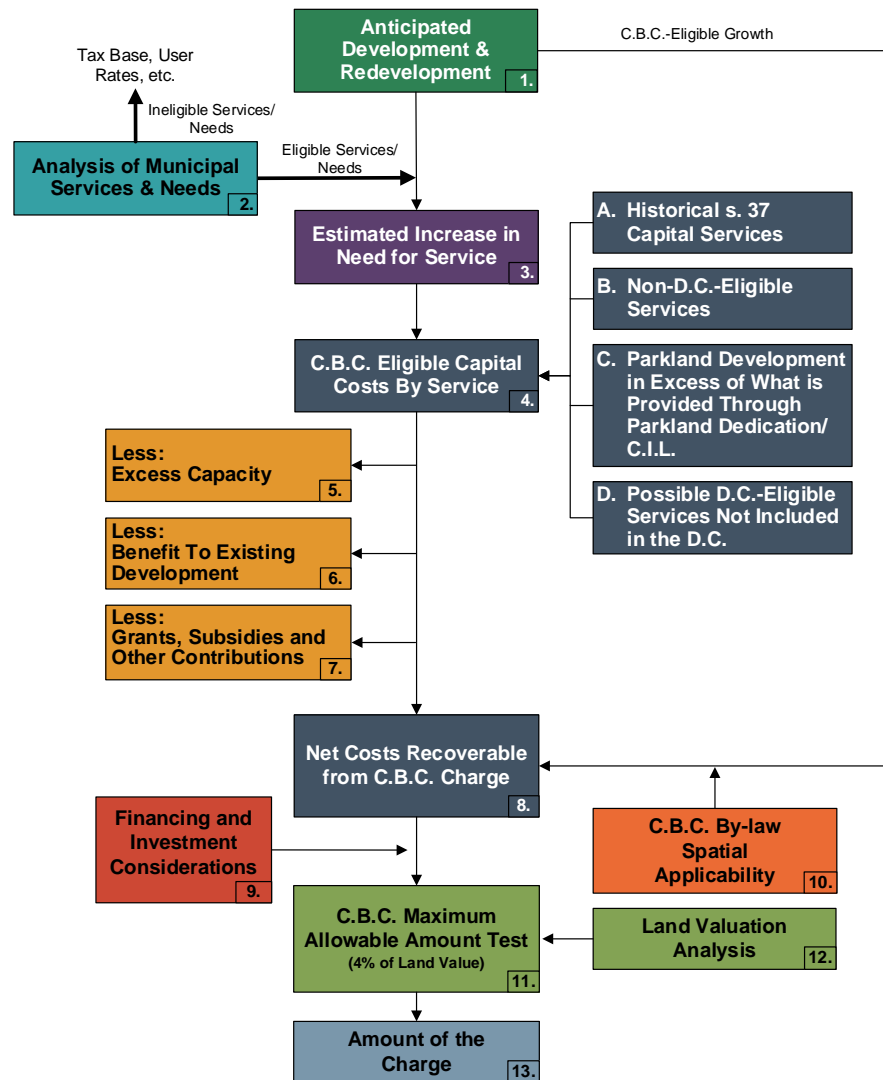
The methodology applied in this assessment follows the requirements of s.s. 37(9) of the Planning Act and s. 2 and 3 of O. Reg. 509/20 with respect to the establishment of the need for service which underpins the C.B.C. calculation. These requirements are illustrated schematically in Figure 1 with each step subsequently defined below.

1. The anticipated development and redevelopment forecast reflects the anticipated development within the Town over the 2019 D.C. Background Study to 2031. In determining the charge, the anticipated development has been reduced to only that eligible under s.s. 37(4) of the Planning Act, i.e. buildings containing at least 5 storeys and 10 residential dwelling units.
2. As per s.s. 37(5) of the Planning Act, a C.B.C. may be imposed for services that do not conflict with services or projects provided under a municipality's D.C. by-law or parkland dedication by-law. Hence, the service provided under the C.B.C. would be defined as follows:



- a. land for parks or other public recreational purposes in excess of lands conveyed or funded by cash-in-lieu of parkland payments under sections 42 and 51 of the Planning Act;
- b. capital costs for services under section 2(4) of the D.C.A. that are ineligible for recovery under a D.C. by-law; and
- c. capital costs for municipal services ineligible for inclusion in a D.C. by-law.

Figure 1
The Methodology for Calculating a Community Benefits Charge





Examples of services not provided by a D.C. or Parkland by-law include (but are not limited to) capital facilities and equipment for municipal parking, airports, municipal administration building expansions, museums, arts centres, public art, heritage preservation, landfill, public realm improvements, community gardens, space for non-profits, etc.

3. The C.B.C. calculation commences with an estimate of “the increase in the need for service attributable to the anticipated development,” for eligible services to be covered by the by-law. There must be some form of link or attribution between the anticipated development and the estimated increase in the need for service. While the need could potentially be expressed generally in terms of units of capacity, a project-specific expression of need would appear to be most appropriate.
4. Section 37 (2) of the Planning Act provides that, “The council of a local municipality may by by-law impose community benefits charges against land to pay for the capital costs of facilities, services and matters.” The Act does not define what capital costs may be included within the charge. The Act provides that the C.B.C. charge could include capital costs for eligible D.C. services that are not intended to be funded under the Town’s D.C. by-law. This provision suggest that capital costs may be defined in an equivalent manner as the Development Charges Act (D.C.A.). Hence, based on this relationship with the D.C.A., capital costs may include:
 - a. costs to acquire land or an interest therein (including a leasehold interest);
 - b. costs to improve land;
 - c. costs to acquire, lease, construct or improve buildings and structures;
 - d. costs to acquire, lease or improve facilities, including rolling stock (with a useful life of 7 or more years), furniture and equipment (other than computer equipment), materials acquired for library circulation, reference, or information purposes;
 - e. interest on money borrowed to pay for the above-referenced costs;
 - f. costs to undertake studies in connection with the above-referenced matters; and
 - g. costs of the C.B.C. Strategy study.
5. Section 2 (c) of O. Reg. 509/20 requires the identification of the excess capacity that exists in relation to the facilities, services and matters referred to in clause 2(b) suggesting the need for a potential deduction to the capital. “Excess capacity” is undefined, but in this case, the excess capacity must be able to meet some or all of the increase in need for service, in order to potentially represent a deduction. The deduction of excess capacity from the future increase in the need for the service would normally occur as part of the conceptual planning and feasibility work associated with justifying and sizing new facilities, e.g., if a new landfill site to accommodate increased solid waste generated by the new growth



is not required because sufficient excess capacity is already available, then a landfill site expansion would not be included as an increase in need, in the first instance.

6. Section 2 (c) of O. Reg. 509/20 of the D.C.A. provides that the capital estimates identify extent to which an increase in a facility, service or matter referred to in clause 2 (b) of the regulation would benefit existing development. The general guidelines used to consider benefit to existing development included:
 - the repair or unexpanded replacement of existing assets;
 - the elimination of a chronic servicing problem not created by growth; and
 - providing services where none previously existed (for example, extending garbage pickup to the rural area which previously did not receive the municipal services).

Where existing development has an adequate service level which will not be tangibly increased by an increase in service, no benefit would appear to be involved. For example, where expanding existing garbage collection vehicles for future development simply replicates what existing residents are receiving, the existing developments receive very limited (or no) benefit as a result.

In the case of services such as cultural facilities, the service is typically provided on a municipal-wide system basis. For example, facilities of the same type may provide different services (i.e., visual art vs. performance art), different programs (i.e., art classes vs. acting classes), and different time availability for the same service (i.e., art classes available on Wednesdays in one facility and Thursdays in another). As a result, residents will travel to different facilities to access the services they want at the times they wish to use them, and facility location generally does not correlate directly with residence location. Even where it does, displacing users from an existing facility to a new facility frees up capacity for use by others and generally results in only a very limited benefit to existing development. Further, where an increase in demand is not met for a number of years, a negative service impact to existing development is involved for a portion of the planning period.

7. This step involves reducing the capital costs by capital grants, subsidies, and other contributions made or anticipated by Council and in accordance with various rules such as the attribution between the share related to new vs. existing development. That is, some grants and contributions may not specifically be applicable to growth or where Council targets fundraising as a measure to offset impacts on taxes.

Although specific grants, subsidies and/or other contributions may not be currently identified and reduced in the calculations, due diligence should be



undertaken by municipal staff during the annual budget process to net off any future identified funding from these other sources.

8. Deducting the required reductions for excess capacity, benefit to existing development, and grants, subsidies and other contributions from the capital cost estimates results in the net capital costs related to the anticipated development or redevelopment. As the application of the charge is limited to only building of at least 5 storeys and with a minimum of 10 residential dwelling units, the capital costs need to be further reduced to only reflect the cost share attributable to this portion of the anticipated development. This is undertaken by applying the residential cost benefit to the subset of the high-density residential development in the growth forecast.
9. Section 37(32) of the Planning Act stipulates that the amount of the charge can not exceed an amount equal to the prescribed percentage of the value of the land on the date of building permit issuance. O. Reg 509/20, section 3, sets the maximum prescribed percentage as 4% of land value. Acknowledging this limitation, the methodology considers the calculated charge relative to the anticipated land value to inform a further adjustment in the calculated charge.

To facilitate this calculation, an estimate of the market value of the land related to the anticipated applicable development/redevelopment needs to be undertaken. It is noted that the land values may vary based on a number of factors including location, zoning density, parcel size, etc., however, these values should estimate the land value the day before building permit issuance. This data may be available from municipal staff, or the municipality may consider engaging the assistance of a land appraiser. For the purposes of this assessment, we have used the Town's land valuation from last three years of parkland dedication appraisals.

3. Assessment Findings

Table 1 summarizes the anticipated residential development for the Town over the 2019-2031 forecast period. This anticipated development is taken from the Town's 2019 D.C. Background Study. The growth forecast anticipates approximately 24% of residential dwelling units being in the form of high-density apartment buildings. All high-density apartment units are forecast to be within the Community of Stouffville. This amount of residential development would represent approximately 16% of the Town's incremental population growth over the period.



Table 1
2019-2031 Residential Development Forecast

| Residential Dwelling Unit Type | PPU | 2019-2031 Dwelling Units | 2019-2031 Population Growth |
|---------------------------------------|------------|---------------------------------|------------------------------------|
| Singles & Semi Detached | 3.206 | 2,656 | 8,515 |
| Multiples | 2.552 | 1,508 | 3,848 |
| Apartments | 1.778 | 1,301 | 2,313 |
| Total Population Growth | | 5,465 | 14,677 |

To further inform the share of high-density apartment units would be contained in building of at least 5 storeys, the Town provided a listing of the current units in the development process. This information identified the anticipated dwelling units per application and the number of storeys in the building. This data indicated at of the 5,313 high-density apartment units in development process 4,608, or roughly 87% would be in buildings of at least 5 storeys.

On the basis of this information, the calculations are based on anticipated C.B.C. eligible development for a 10-year forecast period of 1,130 units with an equivalent population of approximately 2,010. It was further assumed that this proportion of development would represent approximately 14% of the incremental population growth over the forecast period

A number of sources were consulted to determine the increase in need for service arising from this amount of development. The first was to consider the Town's current parkland dedication and forecast needs. The Town currently imposes the standard parkland dedication requirements of 2% for commercial and industrial development and 5% for all other types of development, including residential. The Town's by-law further allows for the use of the alternative requirement for residential development (i.e. 1 hectare for 300 dwelling units) at the municipalities discretion. It is our understanding that while the by-law allows for the alternative requirement, this has not been used by the Town to date. Moreover, amendments to the Planning Act require that by-laws including the alternative requirement will expire on September 18, 2022 unless a new by-law is passed.

To pass a new parkland dedication by-law with the alternative requirement, the Town will have to ensure the Official Plan provides policies to allow for this requirement to be imposed. Based on our review of the Town's current Official Plan, it does not appear that these policies exist. As such, imposing the standard requirements are assumed to be maintained.

Applying the standard parkland dedication requirements to the 10-year development forecast is estimated to produce parkland conveyance or cash-in-lieu of parkland equivalent to 13 hectares. These calculations are summarized in Table 2.



Table 2
10-Year Forecast Parkland Dedication Estimate

| Residential Development | # of Units | Units / Hectare Assumption | Residential Land Area (ha.) | Parkland Conveyance (ha. 5%) |
|--|------------|----------------------------|---------------------------------|---------------------------------|
| Low Density | 2,656 | 22 | 120.73 | 6.04 |
| Medium Density | 1,508 | 40 | 37.70 | 1.89 |
| High Density | 1,301 | 79 | 16.47 | 0.82 |
| Residential - Subtotal | 5,465 | 141 | 174.90 | 8.74 |
| Non-Residential Development | GFA | | Non-Residential Land Area (ha.) | Parkland Conveyance (ha. 2%/5%) |
| Industrial | 4,368,000 | | 164.92 | 3.30 |
| Commercial | 835,000 | | 24.07 | 0.48 |
| Institutional | 564,000 | | 11.25 | 0.56 |
| Non-Residential - Subtotal | 5,767,000 | | 200.24 | 4.34 |
| Total Land Received through Residential and Non-Residential Parkland Dedication | | | | 13.09 |

Consulting the Town’s parkland dedication and capital budget forecast, it is anticipated that approximately 5 hectares of parkland would be required, as summarized in Table 3. In this regard, there does not appear to be parkland requirement forecast in excess of anticipated parkland dedication. To the extent that this forecast required further parkland, it would be recommended that the Town consider maximizing the parkland dedication funding source to address these needs before including parkland costs in a C.B.C. The rationale for this recommendation is that the parkland dedication by-law has broader applicability (i.e. all new development) as opposed to the limited recovery of a C.B.C.



**Table 3
10-Year Forecast Parkland Needs**

| Total Parkland Needs | Capital Cost Est. | \$/Acre | Parkland (ac.) | Parkland (ha.) |
|--|-------------------|------------|----------------|----------------|
| <u>S 51.1 Planning Act Dedications</u> | | | | |
| Bloomington Subdivision | | | | 0.30 |
| McKean Subdivision – Phase 2 | | | | 1.60 |
| Conservatory | | | | 0.40 |
| Gateway North Inc. | | | | 0.80 |
| FLATO (P2): Park Block | | | | TBD |
| Tondream | | | | 0.71 |
| <u>Capital Forecast</u> | | | | |
| Sports Field Land Acquisition | \$ 2,050,000 | \$ 816,600 | 2.51 | 1.02 |
| Total Parkland Needs | | | | 4.83 |

The second source of capital needs information considered was the Town’s 2019 D.C. Background Study. In this study, a portion of the growth-related needs for Leisure Services and Library Services was deducted as it was deemed to be in excess of the historic level of service. The Planning Act has no similar requirement for reduction of growth-related needs. The deduction in the 2019 D.C. Background Study for Leisure Services totaled \$10.8 million and for Library Services the deduction was for \$1.8 million. The library expansion project appears to have been completed, as such the sunk costs have not been included in this assessment at this time. The Leisure Services costs have been included at an indexed gross cost estimate of \$12.6 million.

A third source considered was the Town’s 2022 Capital Budget and Forecast. A review of this document identified potential growth-related capital needs that could be considered in a C.B.C. These include:

- General Admin Services, such as Strategic Plan and Community Needs Assessment, Strategic Planning and Economic Development Strategy Update
- Information Technology Services, such as Corporate Technology Strategic Plan
- Facilities Services, such as Community Parking Lot Improvements
- Museum and Community Services, such as Museum Upgrades
- Development Services, such as studies ineligible for funding under a D.C.

In total these projects provide a gross capital cost of \$1.3 million.

Table 4 summarizes the gross capital cost estimates based on the information sources presented above. The table also provides the deductions for benefit to existing development, grants subsidies and other contributions, and the share attributable to future development beyond that eligible for C.B.C. funding. In total approximately \$1.7



million of the \$23.6 million and gross capital costs could be considered for recovery under a C.B.C. by-law.

**Table 4
10-Year Forecast C.B.C. Recoverable Costs**

| Increased Service Needs Attributable to Anticipated Development 2022-2031 | Gross Capital Cost Estimate | Less: Benefit to Existing | Less: Grants & Other Contributions | Growth-Related Cost Share | C.B.C. Recoverable Cost Share |
|--|-----------------------------|---------------------------|------------------------------------|---------------------------|-------------------------------|
| Parkland Requirements | 9,687,889 | - | 9,687,889 | - | - |
| Leisure Services - Parkland Development | 12,634,600 | - | - | 12,634,600 | 1,640,731 |
| General Admin Services | 210,000 | 153,000 | - | 57,000 | 5,142 |
| Information Technology Services | 100,000 | 80,000 | - | 20,000 | 1,804 |
| Facilities Services | 50,000 | 25,000 | - | 25,000 | 2,255 |
| Museum and Community Centre Services | 75,000 | 60,000 | - | 15,000 | 1,948 |
| Development Services | 835,000 | 221,250 | - | 613,750 | 57,696 |
| TOTAL | \$23,592,489 | \$ 539,250 | \$ 9,687,889 | \$ 13,365,350 | \$ 1,709,577 |

Based on the anticipated number of C.B.C. eligible residential dwelling units, this would equate to an average charge per unit of \$1,516 (\$1.7 million / 1,128 units). As noted above, the Town's parkland dedication appraisals were consulted to determine if further adjustments to this charge are required. Historic appraisals would indicate a land value of \$4.3 million per hectare. Table 5 applied the land value estimate against the anticipated high-density residential developments in the development process. This estimated land value was then compared to the 4% prescribed limit and the associated charge based on \$1,516 per unit. This analysis would indicate that the calculated charge would be within the prescribed limit for development as a whole, however there would be some applicants where the charge would be greater than the prescribed rate. As such, this would appear to be a reasonable charge with some consideration in the associated by-law policies to address situation where an over recovery may occur.

**Table 5
Assessment of Calculated C.B.C.**

| C.B.C. Eligible Developments | Land Area (sq. mt.) | Land Area (ha.) | Land Value @ \$4.3 million per ha. | Maximum C.B.C. (4% of land value) | Residential C.B.C. Eligible Dwelling Units | C.B.C. Revenue at \$1,516/unit | C.B.C. Relative to Maximum Charge |
|-------------------------------------|---------------------|-----------------|------------------------------------|-----------------------------------|--|--------------------------------|-----------------------------------|
| 11750, and 11782 Ninth Line | 21,932 | 2.19 | \$ 9,430,760 | \$ 377,230 | 246 | \$ 372,936 | \$ (4,294) |
| 5262, 5270, 5286, 5318 Main Street | 67,683 | 6.77 | \$ 29,103,690 | \$ 1,164,148 | 800 | \$ 1,212,800 | \$ 48,652 |
| 5991 Main and 12238 Ninth Line | 2,884 | 0.29 | \$ 1,240,120 | \$ 49,605 | 61 | \$ 92,476 | \$ 42,871 |
| 5917 Main Street | 3,956 | 0.40 | \$ 1,701,080 | \$ 68,043 | 91 | \$ 137,956 | \$ 69,913 |
| 5531 Main Street | 10,288 | 1.03 | \$ 4,423,840 | \$ 176,954 | 309 | \$ 468,444 | \$ 291,490 |
| 12724 and 12822 Tenth Line | 149,096 | 14.91 | \$ 64,111,280 | \$ 2,564,451 | 414 | \$ 627,624 | \$ (1,936,827) |
| 5676 Main Street | 14,960 | 1.50 | \$ 6,432,800 | \$ 257,312 | 97 | \$ 147,052 | \$ (110,260) |
| 11776 Highway 48 | 93,940 | 9.39 | \$ 40,394,200 | \$ 1,615,768 | 548 | \$ 830,768 | \$ (785,000) |
| Hoover Park Drive | 26,232 | 2.62 | \$ 11,279,760 | \$ 451,190 | 530 | \$ 803,480 | \$ 352,290 |
| 12049 Highway 48 | 269,809 | 26.98 | \$ 116,017,870 | \$ 4,640,715 | 1,512 | \$ 2,292,192 | \$ (2,348,523) |
| Revenue in Excess of Maximum Charge | | | | \$ 11,365,416 | | \$ 6,985,728 | \$ (4,379,688) |



4. Conclusions

Based on our assessment, we would conclude that the Town does have an increase in need for services eligible for consideration under a C.B.C. The assessment would indicate a charge per high-density apartment dwelling unit, residing in buildings of at least 5 storeys of approximately \$1,516. We would submit this assessment for Town and Council consideration. If the Town elects to proceed with a formal C.B.C. Strategy and by-law, we suggest finalizing the growth forecast assumptions for anticipated needs over a 10-year forecast period, refining with staff the capital needs forecast relative to capital plans for the same period, and evaluating the underlying land appraisals used herein to evaluate the calculated charge.

We trust this letter report sufficiently addresses your needs in this respect. Should you have any questions, please contact the undersigned at your convenience.

Yours very truly,

WATSON & ASSOCIATES ECONOMISTS LTD.

Andrew Grunda
Principal

