



STAFF REPORT INFORMATION ONLY

Water and Wastewater Development Charges in the Greater Toronto Area

| | |
|--------------------------|---|
| Date: | October 5, 2009 |
| To: | Budget Committee |
| From: | Deputy City Manager and Chief Financial Officer |
| Wards: | All |
| Reference Number: | P:\2009\Internal Services\SP\BC0912SP (AFS #9406) |

SUMMARY

This report provides information regarding water and wastewater development charges in the Greater Toronto Area (GTA). Development charges for these services are predominantly collected by upper tier municipalities in the GTA. Most lower tier municipalities either impose no charge for water and wastewater services, or impose a charge that applies only to limited areas within the municipality.

The new development charge bylaw adopted by Council earlier this year provided a freeze in the development charge rates for two years and a phase-in of the increase starting in 2011. As a result, Toronto's water and wastewater charges are currently the lowest in the GTA.

Financial Impact

There are no financial implications associated with this report.

DECISION HISTORY

As part of the 2009 capital budget deliberations for the Toronto Water 2009-2018 Capital Program, Council adopted the following motion:

- “7. The (Acting) Deputy City Manager and Chief Financial Officer report to the Executive Committee, at the appropriate time, on Development Charge contributions to the Water and Wastewater Reserves of municipalities in the Greater Toronto Area, and such report to quantify both the rates and the dollar amounts of Development Charge contributions.”

COMMENTS

Development charges are charges imposed on land development and redevelopment projects. Revenues from these charges are distributed to the various service-specific development charge reserve funds. Development charges are an important capital financing source used by most municipalities in Ontario to help pay for growth.

Water and wastewater development charge revenues

Table 1 summarizes the water and wastewater development charge revenues received by the regional municipalities in the GTA and the City of Toronto for the year ended December 31, 2008.

**Table 1: 2008 GTA Water and Wastewater Development Charge Revenues
Upper Tier Municipalities and the City of Toronto (\$000's)**

| Municipality | Water and Wastewater DC | Total DC for Municipality | Water and Wastewater DC as a % of Total DC for Municipality |
|----------------|-------------------------|---------------------------|---|
| Durham | \$ 33,626 | \$ 51,181 | 66% |
| Halton | \$ 30,217 | \$ 91,668 | 33% |
| Peel | \$ 50,269 | \$ 88,074 | 57% |
| York | \$ 69,551 | \$ 152,230 | 46% |
| Subtotal | \$ 183,664 | \$ 383,154 | 48% |
| Toronto | \$ 22,685 | \$ 86,953 | 26% |
| Total | \$ 206,348 | \$ 470,107 | 44% |

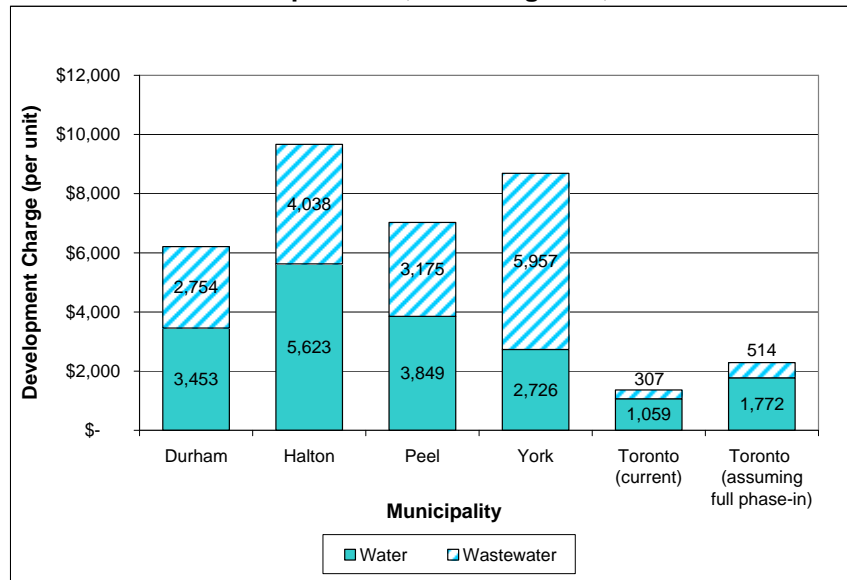
Water and wastewater development charge rates

Council at its meeting on February 23, 24 and 25, 2009 adopted a new development charge bylaw which included a freeze in the rates for two years and a phase-in of the adopted increase in the charges over four years commencing on February 1, 2011. The phase-in is a graduated approach that implements a maximum of 25% of the adopted increase each successive year based on the number of residential units issued building permit. More information on the adopted bylaw, including a detailed explanation of the phase-in provision, can be found on the following link (see Item EX29.8):

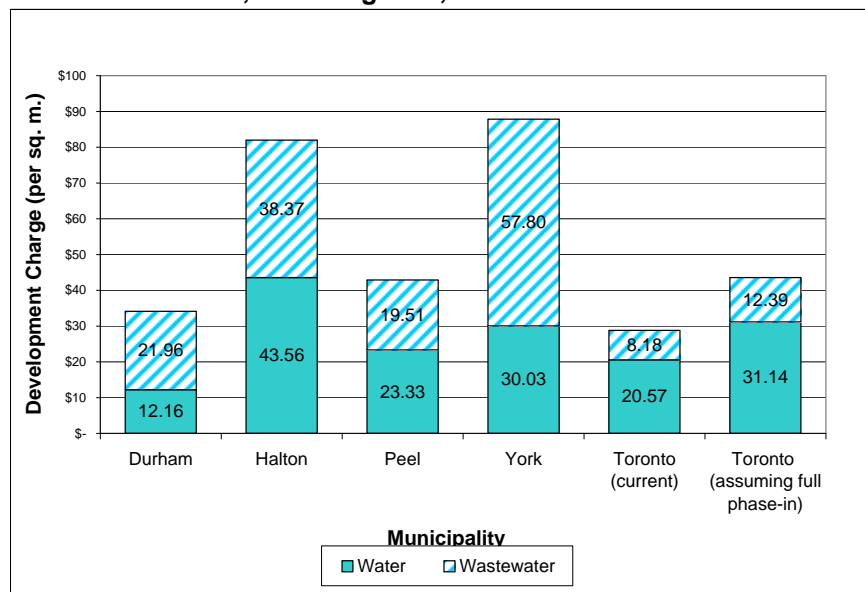
<http://www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-02-23-cc31-dd.htm>.

The following charts compare the water and wastewater development charge rates for the regional GTA municipalities and City of Toronto, as at August 1, 2009. The figures also show Toronto's fully phased-in residential and retail charges, assuming that the maximum increase is phased-in over the life of the bylaw. The two-bedroom apartment unit rates are shown in Figure 1 and the rates for retail and industrial uses are provided in Figures 2 and 3 respectively.

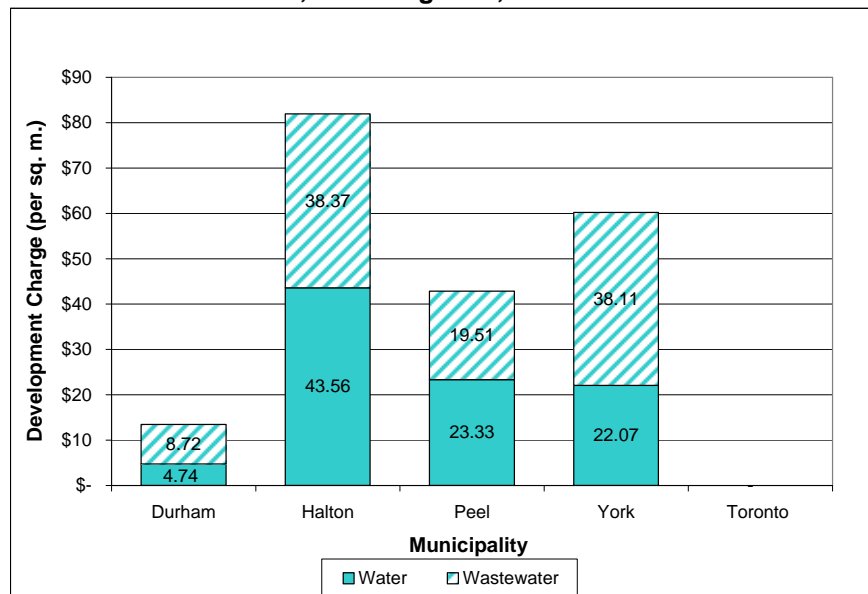
**Figure 1 Water and Wastewater Development Charge Rates
Per two bedroom apartment, as at August 1, 2009**



**Figure 2 Water and Wastewater Development Charge Rates
For retail uses, as at August 1, 2009**



**Figure 3 Water and Wastewater Development Charge Rates
For industrial uses, as at August 1, 2009**



Toronto's current water and wastewater development charge rates are the lowest in the GTA and represent approximately 18% and 44% respectively of the average residential and retail rates imposed in the surrounding municipalities.

Why are Toronto's development charges lower than those of surrounding municipalities?

There are two main reasons that account for the lower rates in Toronto as compared to those of the surrounding regions. First, in Toronto, unlike less developed municipalities, much of the infrastructure is already in place. Consequently, new infrastructure required to accommodate growth is deemed to also benefit existing development. This results in significant proportions of the costs being allocated to existing development and, pursuant to the provisions of the *Development Charges Act*, the calculated development charge is effectively reduced.

Second, the City does not currently impose the full calculated development charge rates. In an attempt to balance the City's revenue needs against the potential impact a large increase in the charge could have on the City's long-term economic development and planning objectives, Council, during consideration of the new development charge bylaw earlier this year, elected to freeze the development charge rates for two years. Hence, the current residential and non-residential (non-industrial) rates represent about 53% and 60% of the maximum charge that could be imposed pursuant to the legislation. The increase in the adopted rates¹ will be phased-in over four years starting in 2011, depending on the health of the real estate market as measured by the level of residential development activity occurring in the City.

¹ 90% of the maximum charges permitted by legislation. Non-residential charge is applicable to the floor area located on the ground floor only. Industrial uses are exempt.

In comparison, the upper tier municipalities in the GTA currently impose the maximum charges for residential and most non-residential uses. The full calculated charges apply in the regional municipalities of Halton and Peel for both residential and non-residential development. The Regional Municipality of York currently imposes the full charge for residential and retail uses, and 80% of the calculated charge for industrial uses (full charge by 2010). The Regional Municipality of Durham imposes the full charge on residential uses, and currently provides some relief for retail uses (current charges are 50% of the maximum rates, with the full charge imposed by 2011) and industrial uses (phase-in to 50% of the full charge by 2011).

CONTACT

Joe Farag
Director, Special Projects
Tel: 416-392-8108, Email: jfarag@toronto.ca

SIGNATURE

Cam Weldon
Deputy City Manager and Chief Financial Officer