Consolidated Report

Prepared by Hemson for the City of Toronto

Development Charges Background Study

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HEMSON

1000 – 30 St. Patrick Street, Toronto, ON M5T 3A3

416 593 5090 | hemson@hemson.com | www.hemson.com

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Executive Summary

This staff consolidation is for reference only. For the Council adopted Background Study and Addendum please see the following documents: Council Decision, Adopted Background Study, and June 2022 Study Addendum.

A. Purpose of the 2022 Development Charges Background Study

The *Development Charges Act, 1997* (DCA), and its associated *Ontario Regulation 82/98* (O. Reg. 82/98), allow municipalities in Ontario to recover development-related capital costs from new development. This City of Toronto Development Charges Background Study is presented as part of a process to establish development charge by-laws that comply with this legislation.

i. Legislative Context

The City of Toronto's 2022 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). The study is prepared in accordance with the DCA and associated Regulation, including the amendments that came into force on January 1, 2016, June 6, 2019, January 1, 2020 and September 17, 2020.

ii. Key Steps in Determining Future Development-Related Projects

In accordance with the DCA and associated regulation, several key steps are required to calculate development charges. This includes preparing a development forecast, establishing historical service levels, determining the increase in need for services arising from development and appropriate shares of costs, attribution to development types (i.e. residential and non-residential) and the final adjustment to the calculated rate of a cash flow analysis.

iii. 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 and deductions 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).

iv. The Development-Related Capital Program is Subject to Change

It is recommended that Council adopt the development-related capital program developed for the purposes of the 2022 DC Background Study. However, it is recognized that the DC Background Study is a point-in-time analysis and there may be changes to project timing, scope and costs through the City's normal annual budget process.

B. Development Forecast

i. Residential and Non-Residential

The table below provides a summary of the anticipated residential and non-residential growth over the 2022-2031 and 2022-2041 planning periods. The development forecast is further discussed in Appendix A.1.

Growth Forecast	2021 Estimate	Planning Period 2022 - 2031		Planning Period 2032 - 2041	
		Growth	Year-End 2031	Growth	Total at 2041
Residential					
Total Occupied Dwellings	1,195,300	157,900	1,353,200	99,800	1,453,000
Total Permits Issued		*138,400*		*96,400*	
Total Population					
Census	2,937,500	248,400	3,185,900	179,400	3,365,300
Population In New Units - Permits Issued		*252,885*		*179,358*	
Non-Residential					
Employment	*1,599,900*	124,500	*1,724,400*	62,200	1,786,600
Employment in New Space		*175,700*		*99,200*	
Non-Residential Building Space (sq.m.)		*5,458,000*		*3,080,000*	

ii. Transit Ridership

For the purposes of the Transit services development charges calculation, a ridership forecast for the 2011 to 2041 planning period was completed. The ridership forecast represents an increase in AM peak period person trips, summarized in the table below. The ridership forecast is further discussed in Appendix A.2.

Year	AM Peak Period Ridership	% of Allocation
2011 & Earlier + 2011-2021	144,700	47%
2022-2031	99,400	32%
2032-2041	62,900	20%
Total	**307,000**	**100%**

C. Calculated Development Charges

The following tables summarize the proposed residential and non-residential City-wide DCs.

Service	Residential Charge By Unit Type					
	Singles & Semis	Multiples 2+ Bedrooms	Multiples 1 Bed and Bach.	Apartments 2+ Bedrooms	Apartments 1 Bed and Bach.	Dwelling Room
Subtotal Transit (1)	$47,649	$39,385	$19,756	$27,892	$18,208	$12,913
Subtotal General Services	$47,712	$39,436	$19,782	$27,928	$18,233	$12,930
Subtotal Engineered Services	$41,679	$34,450	$17,281	$24,398	$15,926	$11,295
TOTAL CHARGE PER UNIT	**$137,040**	**$113,271**	**$56,819**	**$80,218**	**$52,367**	**$37,138**

(1) Includes Transit and Spadina Subway Extension

Service	Non-Residential Charge By Type	
	Industrial	Non-Industrial
Subtotal Transit (1)	$125.05	$320.51
Subtotal General Services	$16.27	$41.68
Subtotal Engineered Services	$118.89	$304.71
TOTAL CHARGE PER SQUARE METRE	**$260.21**	**$666.90**

(1) Includes Transit and Spadina Subway Extension

D. Cost of Growth Analysis

On overview 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 is provided in the study. This examination is required as one of the provisions of the DCA. Additional details on the cost of growth analysis, including asset management analysis, for Transit services is included in Appendix F. The analysis for all other services is included in Appendix G.

i. Transit Services

The City of Toronto evaluates the fiscal impacts of capital works including an examination of the full range of costs – initial capital, operating and the long-term repair, maintenance and replacement of infrastructure. A detailed analysis of the asset management and financial strategies for the various asset groups is described in detail in Appendix F.

The analysis concludes that the asset management plan demonstrates that the City can afford to invest and operate transit infrastructure over the ten-year and long-term planning period. Importantly, the City's ongoing asset management and long-term financial planning practices will ensure that the projects included in the 2022 DC Background Study are financially sustainable over their full life cycle.

ii. All Other Services

The calculated annual provisions identified are considered to be financially sustainable as it is expected that the increased capital asset management requirements can be absorbed by the tax and user base over the long-term.

Appendix G summarizes the following:

- Estimated increase in net operating costs (these estimates are derived from the 2021 Operating Budget);
- Breakdown of the increased operating costs by service;
- The components of the development-related capital program that will require funding from non-DC sources; and
- Breakdown of the non-DC financing requirements by service.

E. Development Charges By-law

The City is proposing some modifications to the policies and provisions in the current development charges by-laws. The Council endorsed by-law is available under Appendix I.

1. Introduction

The *Development Charges Act, 1997* (DCA), and its associated Ontario Regulation 82/98 (O. Reg. 82/98), allow municipalities in Ontario to recover development-related capital costs from new development. This City of Toronto 2022 Development Charges Background Study is presented as part of a process to establish development charge by-laws that comply with this legislation.

The DCA and O. Reg. 82/98 require that a development charges background study be prepared in which development charges are determined with reference to:

- A forecast of the amount, type and location of development anticipated in the City;
- The average capital service levels provided in the City over the ten-year period immediately preceding the preparation of the background study;
- A review of future capital projects, including an analysis of gross expenditures, funding sources, and net expenditures incurred or to be incurred by the City or its local boards to provide for the anticipated development, including the determination of the development-related and non-development-related components of capital projects; and
- An examination of the long-term capital and operating costs for the capital infrastructure required for each service to which the development charges by-laws would relate.

This study identifies the development-related net capital costs which are attributable to development that is forecast to occur in the City. The costs are apportioned to types of development (residential and non-residential) in a manner that reflects the increase in need for each service attributable to

each type of development. The study therefore calculates development charges for each type of development.

The DCA provides for a period of public review and comment regarding the proposed development charges. This process includes considering and responding to comments received by members of the public about the calculated charges. Following completion of this process, and in accordance with the DCA and Council's review of this study, it is intended that Council will pass a new development charge by-law.

The remainder of this study sets out the information and analysis upon which the calculated development charges are based.

2. Methodology

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 City of Toronto'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. City-wide Development Charges are Calculated

The City 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 the ability to levy DCs for various services, provided that the other provisions of the DCA and its associated regulations are met, through a DC by-law. The DCA also requires that the by-laws designate the areas within which the DC rates shall be imposed. The DCs may apply to all lands in the municipality or to other designated development areas as specified in the by-laws.

The DCA also requires that consideration be given to the use of area-rated or area-specific development charges. This is discussed further in Section 8. The following services are included in the City-wide DC calculation:

- Spadina Subway Extension
- Transit
- Roads and Related
- Water
- Sanitary Sewer
- Storm Water Management
- Parks and Recreation
- Library

- Housing Services - Shelter
- Housing Services – Affordable Housing
- Police
- Fire
- Ambulance Services
- Development-Related Studies
- Long Term Care
- Child Care
- Waste Diversion

B. Key Steps in Determining Development Charges for Future Development-Related Projects

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

i. Development Forecast

The first step in the methodology requires development forecasts to be prepared for the ten-year study period, 2022–2031, for general services and transit and the long-term study period, 2022-2041 for the engineered services. The forecast of future residential and non-residential development used in this study was prepared in conjunction with the City's planning staff.

For the residential portion of the forecast, the net population growth and population growth in new building permits 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 planning 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, the population in new building permits issued units is used.

The non-residential portion of the forecast estimates the gross floor area (GFA) of building space to be developed over the ten-year period, 2022–2031 and the longer-term period from 2022-2041. The forecast provides estimates for three categories: population-related development, major office development, and employment land development. The forecast of GFA is based on the employment forecast for the City. Factors for floor space per worker by category are used to convert the employment forecast into GFA for the purposes of the DC study.

ii. Service Categories and Historical Service Levels

The DCA states 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 ten-year period immediately preceding the preparation of the background study…(s. 5. (1) 4.)

Historical ten-year average service levels thus form the basis for the development charge calculation. A review of the City's capital service levels for buildings, land, vehicles, equipment and so on has therefore been prepared 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 2012 to 2021.

For certain engineered services, namely Water, Sanitary Sewer and Storm Water Management, historical service levels are less applicable and reference is made to the City's engineering standards as well as provincial health and environmental requirements. In particular, Transit services are based on a ten-year "planned" level of service and are not subject to average historical service levels.

iii. Development-Related Capital Forecast and Analysis of Net Capital Costs to be Included in the Development Charges

A development-related capital forecast has been prepared by City staff as part of the study. The forecast identifies development-related projects and their gross and net costs, after allowing for capital grants, subsidies or other contributions as required by the DCA s.5 (2). The capital forecast 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 the 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 ten-year average service levels or the service levels embodied in future plans of the City. 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, O. Reg. 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 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 City from non development charge sources. The amount of funding for such non growth 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 the future servicing requirements. Adjustments are made in the analysis to meet this requirement of the Act.

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 City-wide development charges is applied to different housing types on the basis of average occupancy factors. The non-residential component is differentiated and applied on the basis of gross building space in square metres for the industrial and non-industrial sectors.

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 a cash flow analysis that takes account of the timing of projects and receipt of development charges. Interest earnings or borrowing costs are accounted for in the calculation as allowed under the DCA.

3. Development Forecast & Transit Ridership Forecast

The following section provides a summary of the development forecasts that have been used as inputs to the development charges calculations. The development forecasts were prepared in conjunction with the City's planning staff. A more detailed summary of the forecasts, including tables illustrating historical trends and forecast results, is provided in Appendix A.

A. Residential and Non-Residential Development Forecast

Development charges for all services identified are based on City-wide forecasts. The DCA requires the City to estimate "the anticipated amount, type and location of development" for which development charges may be imposed. The development forecast must cover both residential and non-residential development and be specific enough with regards to quantum, type, location and timing of development to allow the City to prepare a reasonable development-related capital forecast.

A ten-year development forecast, from 2022 to 2031, has been used for the purpose of the general services development charges calculation. For engineered services, a portion of the capital forecast is deemed to benefit growth occurring over a longer planning horizon from 2022 to 2041.

A range of data sources have been used in the forecast, including the following:

- Schedule 3 of the *Growth Plan*. Minor modifications to the forecast has been made to 2021 to reflect most recent available census data.
- All 2016 Census data for Toronto.

- Statistics Canada building permit data on the value of non-residential permits (as a basis for the forecast of non-residential space growth).
- The City's housing and employment data to the most current available.
- Current CMHC housing data to best estimates of housing unit growth and housing market shares in terms of housing completions, housing starts and units currently under construction.
- City of Toronto development tracking data for historical non-residential building space and construction investment for commercial, institutional and industrial uses.

i. Residential Forecast

Development charges are levied on residential development as a charge per new unit. Therefore, for the residential forecast, a projection of both the population growth as well as the population in new housing 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 development charge however, the development related net capital costs are spread over the total additional population that occupy new housing units. The population in new units represents the population from which development charges will be collected.

Table 1 provides a summary of the City-wide residential forecast for the ten-year planning period from 2022 to 2031 and from 2032 to 2041. The City's population is expected to increase by about eight per cent over the next ten years reaching about 3.19 million by 2031. Over the longer planning period to 2041, the population is anticipated to increase by 15 per cent and reach 3.37 million.

The population residing in new housing units, based on permits issued, is expected to increase by 252,880 people over the ten-year planning period and 432,240 from 2022-2041. It is forecast that 138,400 dwelling units will be developed and occupied between 2022 and 2031. Over the longer term planning period from 2022-2041, a total of 234,800 units will be constructed.

TABLE 1

CITY OF TORONTO
SUMMARY OF RESIDENTIAL DEVELOPMENT FORECAST

Growth Forecast	2021 Estimate	Planning Period 2022 - 2031		Planning Period 2032 - 2041	
		Growth	Year-End 2031	Growth	Total at 2041
Residential					
Total Occupied Dwellings	1,195,300	157,900	1,353,200	99,800	1,453,000
Total Permits Issued		*138,400*		*96,400*	
Total Population					
Census	2,937,500	248,400	3,185,900	179,400	3,365,300
Population In New Units - Permits Issued		*252,885*		*179,358*	

ii. Non-Residential Development Forecasts

Development charges are levied on non-residential development as a charge per unit 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 City.

Non-residential space is forecast according to three categories: population-related employment, major office employment, and employment land employment. Population-related employment includes traditional retail forms, such as regional centres, district centres, neighbourhood convenience, highway commercial, big box and power centres occupied by retail and local service uses, as well as institutional uses. Major office

employment is defined as that contained in free-standing office buildings of 20,000 square feet or greater. Employment land employment consists of buildings in Toronto's "industrial" areas and may include some non-traditional retail space and office space associated with industrial or storage uses.

For the purposes of the DC calculation, the non-residential sector has been allocated between two distinct categories: industrial and non-industrial. The industrial category includes employees and non-residential GFA associated with employment land employment and non-industrial includes population-related employment and major office employment.

The non-residential space forecast prepared for DC purposes is summarized in Table 2. Over the next ten years, employment is projected to grow by 124,500 employees, an increase of eight per cent. Over the 2022-2041 period, the City is anticipated to grow by 186,700 employees. These are employees that will be accommodated in newly built non-residential building space, and excludes work at home employment. Given the dynamic of the City of Toronto's non-residential land uses, it is recognized that some existing non-residential buildings will be demolished and/or redeveloped for other purposes.

The table also shows that about 5.46 million square metres of non-residential GFA is forecast to become available over the next decade. The largest share of space (4.95 million square metres or about 91 per cent) that is forecast to be added over the next ten years is anticipated to be in the non-industrial category. The remaining space relates to industrial employment and will add a further 509,000 square metres over the ten-year planning period. Over the 2022-2041, the City is anticipated to grow by a total of 8.54 million square metre of non-residential GFA.

TABLE 2

CITY OF TORONTO
SUMMARY OF NON-RESIDENTIAL DEVELOPMENT FORECAST

Growth Forecast	2021 Estimate	Planning Period 2022 - 2031		Planning Period 2032 - 2041	
		Growth	Year-End 2031	Growth	Total at 2041
Non-Residential					
Employment	*1,599,900*	124,500	*1,724,400*	62,200	1,786,600
Employment in New Space		*175,700*		*99,200*	
Industrial		*6,800*		*3,800*	
Non-Industrial		*168,900*		*95,400*	
Non-Residential Building Space (sq.m.)		*5,458,000*		*3,080,000*	
Industrial		*509,000*		*287,000*	
Non-Industrial		*4,949,000*		*2,793,000*	

B. Assessment of Ridership Forecast

The assessment of ridership forecasts for the purposes of the DC Background Study was informed by City Planning ridership model data and discussions with City staff. The current version of the ridership model is state-of-the-art and includes latest generation travel demand and accounts for transit congestion and the overall utility of the system. The utility of the system relates to the ability of riders to actually use the network and whether congestion will influence their travel behaviours. The model was developed and calibrated by the Travel Modelling Group at the University of Toronto in 2015 using the "2011 Transportation Tomorrow Survey", then the most recently available regional travel behaviour survey. This approach is used in most ridership forecasts in the region.

For the purposes of the DC Background Study, Hemson utilized the outputs from the City's ridership model data to allocate trips arising from development over the 2011 and 2041 planning period and earlier. The interim years from 2011-2021 and 2022-2031 were attributed based on shares of population and employment growth identified in the DC

Background Study development-forecast. Using this assumption, the total ten-year in-period planning trips amounts to 99,400 AM peak period trips. Of the total attributed ridership growth of 307,000 trips, the ridership growth attributed to development over the 2022-2031 planning period accounts for 32 per cent of total ridership growth. This ridership assessment has been used to inform the benefit to existing, including prior growth, and post-period benefit allocations for the majority of the Transit and Spadina Subway Extension capital projects. These assumptions and the analysis used to support these allocations are discussed further in Appendix A.2.

Table 3

Allocation of Ridership Forecast

Year	AM Peak Period Ridership	% of Allocation
2011 & Earlier + 2011-2021	144,700	47%
2022-2031	99,400	32%
2032-2041	62,900	20%
Total	**307,000**	**100%**

4. Historical Capital Service Levels

The DCA and O. Reg. 82/98 require that the development charges be set at a level no higher than the average service level provided in the City over the ten-year period immediately preceding the preparation of the background study, on a service by service basis. As a result, development charges only maintain, not exceed, existing service levels as the City develops.

For non-engineered services (Fire, Library, Parks and Recreation, etc.) the legislative requirement is met by documenting service levels for the preceding ten years: in this case, for the period 2012 to 2021. Typically, service levels for non-engineered services are measured as a ratio of inputs per population or inputs per population and employment. For engineered services such as Water, Sanitary Sewer, and Storm Water Management, engineering and legislated environmental and health standards are used in lieu of inputs per capita.

O. Reg. 82/98 requires that when defining and determining historical service levels both the *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 unit. The qualitative aspect is introduced by the consideration of the replacement 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 cost) of service provided by the City in the past. Both the quantitative and qualitative aspects of service levels used in the current analysis are based on information provided by City staff. This information is generally based on historical records and the City's and

surrounding municipalities' experience with costs to acquire or construct similar facilities, equipment and infrastructure as of 2022.

The DCA (s.5.2 (3)) requires that in estimating the increase in need for Transit Services, the increased need "shall not exceed the planned level of service over the ten-year period immediately following the preparation of the background study". Therefore, a service level and maximum funding envelope is not required for Transit as it based on a planned level of services as opposed to a historical level of service.

Table 4 summarizes service levels for all general services included in the development charge calculation, with the exception of Transit. Average historical service levels range from $212 per capita for Waste Diversion, to $5,948 for Affordable Housing services. Appendix D provides detailed historical inventory data upon which the calculation of service levels is based for the general services.

TABLE 4

CITY OF TORONTO
SUMMARY OF 10-YEAR HISTORICAL SERVICE LEVELS
2012 - 2021

Service	Average Service Level
Roads and Related	$5,847.40 per pop + emp
Parks and Recreation	$4,929.19 per pop
Library	$1,179.35 per pop
Housing Services - Shelter	$474.20 per pop
Housing Services - Affordable Housing	$5,947.62 per pop
Police	$902.81 per pop + emp
Fire	$511.71 per pop + emp
Ambulance Services	$238.17 per pop + emp
Long Term Care	$657.78 per pop
Child Care	$438.96 per pop + emp
Waste Diversion	$212.47 per pop

5. Development-Related Capital Forecast

The DCA requires the Council of a municipality to express its intent to provide future capital facilities at the level incorporated in the development charges calculation. As noted above in Section II, O. Reg. 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 Forecasts are provided for Council's Approval

Based on the development forecasts summarized in Section 3 and detailed in Appendix A.1, the study's development-related capital forecast sets out those projects that are required to service anticipated growth. For all general services including Transit, the capital forecast covers the ten-year period from 2022-2031. For engineered services both a ten-year planning period from 2022-2031 and the longer term planning period from 2022-2041 is included. In addition, the capital forecast identifies capital costs expended prior to 2022 that provide capacity to meet the servicing needs of development over the 2022-2031 planning period.

One of the recommendations contained in the 2022 DC Background Study is for Council to adopt the development-related capital forecast developed for the purposes of the DC calculation. It is assumed that future capital budgets and forecasts will continue to bring forward the development-related

projects contained herein that are consistent with the growth occurring in the City. It is acknowledged that changes to the forecast presented here may occur through the City's normal capital budget process.

B. Planned Level of Service for Transit

For Transit, the DCA requires that the estimate in the increase in need for service shall not exceed the planned level of service over the ten-year period immediately following the DC Background Study. For the purposes of the study, the ten-year period for the planned level of service is 2022-2031.

For Transit services, the "planned level of service" is considered the City's Council approved development-related capital forecast (2022-2031) contained in the 2022 DC Background Study, which has been informed by various sources, including the City's current and proposed capital budgets and other long range plans. The proposed recommendation for Council to approve the Transit capital program and the "planned level of service" is discussed in Section 8.

C. The Development-Related Capital Program for All DC Services

A summary of the development-related capital program for City-wide general services is shown in Table 5. The table provides a total for all services and covers 2022-2031 period for general services and the longer term period from 2022-2041 for engineered services. Further details on the capital programs for each individual service category are available in Appendix B, C, and D.

i. Eligible Capital Costs

The development-related capital forecast is estimated at a total gross cost of $67.04 billion. It is anticipated senior government grants, subsidies or other recoveries will total $19.76 billion, yielding a net cost of $47.27 billion.

The capital forecast incorporates those projects identified to be related to growth anticipated over the 2022-2031 and 2022-2041 planning periods. It is not implied that all of these costs are to be recovered from new development by way of DCs. Portions of the capital forecast may relate to addressing existing deficiencies and for replacement of existing capital facilities or for growth anticipated to occur beyond the 2022-2031 and 2022-2041 planning periods.

ii. 2022-2031 Benefitting Period

Gross project costs related to the ten-year planning period total $54.41 billion. After deducting $18.90 billion in anticipated grants and other recoveries, $35.51 billion in net City costs remain.

Of the $35.51 billion in ten-year net development-related capital costs, 11 per cent or $4.03 billion is for the provision of engineered services. This includes provision for various road related, sanitary sewer and water related works.

Transit services, including Transit and Spadina Subway Extension, account for $19.94 billion, or 56 per cent, of the net development-related total costs.

Finally, the other general services account for $11.54 billion, or 32 per cent, and include the recovery of various parks and recreation, library, housing, police, fire, ambulance, long-term care, child care, and waste diversion projects, as well as development-related studies.

iii. 2022-2041 Benefitting Period

Approximately $12.63 billion in gross costs relate to development occurring over the longer planning horizon from 2022-2041. This includes costs relating to roads, water, sanitary sewer and storm water management projects. After deducting $867.65 million in anticipated grants and other recoveries, $11.76 billion in net City costs remains.

iv. Ineligible Costs

It is not implied that all of these costs are to be recovered from new development by way of DCs. Portions of the capital forecast not recoverable from DCs in the study generally include:

- Operating, capital maintenance and lifecycle costs;
- Capital infrastructure needed to service the existing community that has no benefit to future development;
- Costs addressing existing service deficiencies;
- Costs benefiting growth anticipated to occur beyond the 2022-2031 and 2022-2041 planning periods;
- Capital infrastructure that increases the City's service levels; and
- Ineligible capital costs (e.g. parkland acquisition) as determined by the DCA.

TABLE 5

CITY OF TORONTO
SUMMARY OF DEVELOPMENT-RELATED CAPITAL PROGRAM
CAPITAL PROGRAM BY SERVICE
(in $000s)

	Service	Development-Related Capital Program 2022 - 2031			
		Gross Project Cost	Grants/ Subsidies/Other Recoveries	Net Costs	Share of Net Costs
1	Spadina Subway Extension	$3,184,169.0	$2,280,500.0	$903,669.0	2.5%
2	Transit (balance)	$22,861,898.8	$3,820,985.3	$19,040,913.5	53.6%
3	Roads and Related	$3,875,828.6	$857,642.5	$3,018,186.2	8.5%
4	Water	$713,226.3	$475.0	$712,751.3	2.0%
5	Sanitary Sewer	$321,923.0	$24,557.2	$297,365.8	0.8%
6	Storm Water Management	$0.0	$0.0	$0.0	0.0%
7	Parks and Recreation	$2,568,319.1	$203,122.6	$2,365,196.5	6.7%
8	Library	$686,599.2	$10,971.7	$675,627.5	1.9%
9	Housing Services - Shelter	$138,278.6	$0.0	$138,278.6	0.4%
10	Housing Services - Affordable Housing	$17,820,835.5	$11,389,000.0	$6,431,835.5	18.1%
11	Police	$565,165.0	$0.0	$565,165.0	1.6%
12	Fire	$80,773.4	$2,447.0	$78,326.4	0.2%
13	Ambulance Services	$255,409.5	$0.0	$255,409.5	0.7%
14	Development-Related Studies	$36,939.0	$0.0	$36,939.0	0.1%
15	Long Term Care	$882,210.0	$298,074.3	$584,135.7	1.6%
16	Child Care	$180,417.0	$9,391.0	$171,026.0	0.5%
17	Waste Diversion	$239,500.6	$0.0	$239,500.6	0.7%
TOTAL		**$54,411,492.8**	**$18,897,166.7**	**$35,514,326.2**	**100.0%**

	Service	Development-Related Capital Program 2022 - 2041			
		Gross Project Cost	Grants/ Subsidies/Other Recoveries	Net Costs	Share of Net Costs
1	Roads and Related	$1,779,684.3	$177,484.2	$1,602,200.1	13.6%
2	Water	$1,469,371.6	$71,882.1	$1,397,489.5	11.9%
3	Sanitary Sewer	$7,320,333.0	$46,717.3	$7,273,615.7	61.9%
4	Storm Water Management	$2,058,267.3	$571,566.4	$1,486,701.0	12.6%
TOTAL		**$12,627,656.2**	**$867,649.9**	**$11,760,006.3**	**100.0%**

TOTAL 2022 - 2031 & 2022 - 2041	**$67,039,149.1**	**$19,764,816.6**	**$47,274,332.5**	

6. DCs are Calculated in Accordance with the DCA

This section summarizes the calculation of development charges for each service category and the resulting total development charge by type of development. The calculation of the "unadjusted" per capita (residential) and per square metre (non-residential) charges is reviewed. Adjustments to these amounts resulting from a cash flow analysis that takes interest earnings and borrowing costs into account are also discussed.

For residential development, the adjusted total per capita amount is then converted to a variable charge by housing unit type using various unit occupancy factors. For non-residential development, the rate per employee is divided by the related floor space per worker (FSW) assumption to arrive at a per square metre charge. The non-residential charge is proposed to be differentiated between industrial and non-industrial building space.

It is noted that the calculation of the development charges does not include any provision for exemptions required under the DCA, such as the exemption for enlargements of up to 50 per cent on existing industrial buildings, or other exemptions that Council may choose to provide.

A. Total DC Recoverable Share of the Net Capital Forecast

The capital forecast for the DC-eligible services incorporates those projects identified to be related to growth anticipated over the identified benefitting periods. As engineered services include projects with both a ten-year and longer term planning periods, separate tables have been shown for 2022-2031 and 2022-2041 costs.

i. 2022-2031 Benefitting Period

Not all of the capital costs are to be recovered from new development by way of DCs. Table 6 shows that $17.39 billion of the ten-year capital forecast relates to replacement of existing capital facilities or for shares of projects that provide benefit to the existing community. This amount relates to shares of projects that are replacing existing facilities, addressing existing deficiencies, and recognized benefit to existing taxpayers. An additional $463.28 million has been identified as prior growth or available DC reserve funds that will be applied to projects in the capital program. These portions of capital costs will have to be funded from non-DC revenue sources.

An additional share of $6.66 billion is identified in other development related shares not recoverable through DCs over the 2022-2031 period. These shares relate to:

- Costs in excess of the calculated DC funding envelopes (in the case of Parks and Recreation, Affordable Housing, Ambulance Services, and Waste Diversion); and
- Other shares of projects identified to benefit development occurring after 2031 (in the case of Roads and Related, Transit, and Long Term Care).

These amounts will be considered for recovery through other funding tools or under future development charge studies.

After these adjustments, the DC-eligible capital cost amounts to $11.00 billion.

ii. 2022-2041 Benefitting Period

Table 6 also identifies the allocation of costs for engineered projects that benefit growth over the longer planning period of 2022-2041. Adjustments are made for shares of projects that will provide a benefit to the existing community ($7.15 billion), DCs that have been collected and applied to

project costs ($7.20 million), and “other development related” costs, which includes shares of projects anticipated to benefit development occurring after 2041 ($662.35 million). After these adjustments, the total DC-eligible cost is reduced to $3.94 billion.

In total, $14.94 billion is considered to be DC eligible over the 2022-2031 and 2022-2041 planning periods.

TABLE 6

CITY OF TORONTO
SUMMARY OF DEVELOPMENT-RELATED CAPITAL PROGRAM
CAPITAL PROGRAM BY SERVICE
(in $000s)

	Service	Net Project Cost	Replacement & BTE Shares	Prior Growth / Available DC Reserves	Other Development Related	Total DC Eligible Costs for Recovery
1	Spadina Subway Extension	$903,669.0	$425,931.3	$0.0	$185,136.7	$292,601.1
2	Transit (balance)	$19,040,913.5	$10,052,569.6	$24,786.9	$4,429,268.1	$4,534,288.9
3	Roads and Related	$3,018,186.2	$777,147.5	$0.0	$20,973.3	$2,220,065.4
4	Water	$712,751.3	$522,772.3	$0.0	$0.0	$189,979.0
5	Sanitary Sewer	$297,365.8	$201,137.6	$15,520.0	$0.0	$80,708.2
6	Storm Water Management	$0.0	$0.0	$0.0	$0.0	$0.0
7	Parks and Recreation	$2,365,196.5	$478,469.2	$383,495.0	$278,821.6	$1,224,410.8
8	Library	$675,627.5	$447,952.2	$0.0	$0.0	$227,675.3
9	Housing Services - Shelter	$138,278.6	$19,946.4	$24,897.7	$0.0	$93,434.5
10	Housing Services - Affordable Housing	$6,431,835.5	$3,473,191.2	$0.0	$1,481,255.5	$1,477,388.8
11	Police	$565,165.0	$418,730.6	$0.0	$0.0	$146,434.4
12	Fire	$78,326.4	$29,458.5	$0.0	$0.0	$48,867.9
13	Ambulance Services	$255,409.5	$36,467.9	$14,586.4	$115,541.7	$88,813.6
14	Development-Related Studies	$36,939.0	$1,150.5	$0.0	$0.0	$35,788.5
15	Long Term Care	$584,135.7	$391,370.9	$0.0	$57,829.4	$134,935.3
16	Child Care	$171,026.0	$22,514.9	$0.0	$0.0	$148,511.1
17	Waste Diversion	$239,500.6	$96,044.6	$0.0	$90,678.4	$52,777.5
TOTAL		**$35,514,326.2**	**$17,394,855.2**	**$463,285.9**	**$6,659,504.8**	**$10,996,680.3**

	Service	Net Project Cost	Replacement & BTE Shares	Prior Growth / Available DC Reserves	Other Development Related	Total DC Eligible Costs for Recovery
1	Roads and Related	$1,602,200.1	$176,321.9	$0.0	$198,159.2	$1,227,719.0
2	Water	$1,397,489.5	$871,544.1	$0.0	$13,521.7	$512,423.7
3	Sanitary Sewer	$7,273,615.7	$5,744,013.5	$0.0	$20,936.0	$1,508,666.2
4	Storm Water Management	$1,486,701.0	$354,542.3	$7,200.0	$429,734.3	$695,224.3
TOTAL		**$11,760,006.3**	**$7,146,421.8**	**$7,200.0**	**$662,351.2**	**$3,944,033.3**

TOTAL 2022-2031 and 2022-2041		**$47,274,332.5**	**$24,541,277.0**	**$470,485.9**	**$7,321,856.0**	**$14,940,713.6**

iii. Unadjusted Development Charge Calculation

The DC eligible amount is allocated between the residential and non-residential sectors to derive the unadjusted DCs, as shown in Table 7. Housing Services (Affordable Housing and Shelter), Long Term Care, and Waste Diversion have been fully allocated to residential development. Parks and Recreation and Library services are all deemed to largely benefit residential development with 95 per cent of the costs allocated to residential development and 5 per cent allocated to non-residential development. The balance of the ten-year services are allocated 67 per cent to residential and 33 per cent to non-residential sectors based on shares of net population and employment growth (see Appendix B, C and D).

Approximately $8.32 billion of the DC net discounted ten-year capital forecast is deemed to benefit residential development. When this amount is divided by the ten-year population growth in new permits issued (252,885), an unadjusted charge of $32,918.31 per capita is derived. The non-residential share of the services capital forecast totals $2.67 billion and when this amount is divided by the ten-year forecast of employees in new space (175,700) an unadjusted charge of $15,208.50 per employee results.

Over the 2022-2041 planning period, engineered services are allocated 70 per cent to residential and 30 per cent to non-residential sectors based on shares of net population and employment growth (see Appendix C). Approximately $2.74 billion of the DC net discounted 2022-2041 capital forecast is deemed to benefit residential development. When this amount is divided by the 20-year population growth in new permits issued (432,243), an unadjusted charge of $6,352.31 per capita is derived. The non-residential share of the capital forecast totals $1.20 billion and when this amount is divided by the 20-year forecast of employees in new space (274,900) an unadjusted charge of $4,359.01 per employee results.

TABLE 7

CITY OF TORONTO
SUMMARY OF UNADJUSTED RESIDENTIAL AND NON-RESIDENTIAL DEVELOPMENT CHARGES

10 Year Population Growth in New Units	252,885
10 Year Employees in New Space	175,700

Service	Total DC 2022 - 2031 Eligible Costs For Recovery ($000s)	Residential Charge			Non-Residential Unadjusted Charge		
		Share of Eligible Costs		Unadjusted Charge	Share of Eligible Costs		Unadjusted Charge
		%	$000s	$/capita	%	$000s	$/emp
1 Spadina Subway Extension	$292,601.1	66.6%	$194,910.4	$770.75	33.4%	$97,690.6	$556.01
2 Transit (balance)	$4,534,288.9	66.6%	$3,020,427.3	$11,943.88	33.4%	$1,513,861.5	$8,616.17
3 Roads and Related	$2,220,065.4	66.6%	$1,478,852.9	$5,847.93	33.4%	$741,212.5	$4,218.63
4 Water	$189,979.0	66.6%	$126,550.8	$500.43	33.4%	$63,428.2	$361.00
5 Sanitary Sewer	$80,708.2	66.6%	$53,762.2	$212.60	33.4%	$26,946.0	$153.36
6 Storm Water Management	$0.0	66.6%	$0.0	$0.00	33.4%	$0.0	$0.00
7 Parks and Recreation	$1,224,410.8	95.0%	$1,163,190.3	$4,599.68	5.0%	$61,220.5	$348.44
8 Library	$227,675.3	95.0%	$216,291.5	$855.30	5.0%	$11,383.8	$64.79
9 Housing Services - Shelter	$93,434.5	100.0%	$93,434.5	$369.47	0.0%	$0.0	$0.00
10 Housing Services - Affordable Housing	$1,477,388.8	100.0%	$1,477,388.8	$5,842.14	0.0%	$0.0	$0.00
11 Police	$146,434.4	66.6%	$97,544.4	$385.73	33.4%	$48,890.0	$278.26
12 Fire	$48,867.9	66.6%	$32,552.4	$128.72	33.4%	$16,315.5	$92.86
13 Ambulance Services	$88,813.6	66.6%	$59,161.4	$233.95	33.4%	$29,652.2	$168.77
14 Development-Related Studies	$35,788.5	66.6%	$23,839.8	$94.27	33.4%	$11,948.7	$68.01
15 Long Term Care	$134,935.3	100.0%	$134,935.3	$533.58	0.0%	$0.0	$0.00
16 Child Care	$148,511.1	66.6%	$98,927.7	$391.20	33.4%	$49,583.4	$282.20
17 Waste Diversion	$52,777.5	100.0%	$52,777.5	$208.70	0.0%	$0.0	$0.00
TOTAL	**$10,996,680.3**		**$8,324,547.4**	**$32,918.31**		**$2,672,132.9**	**$15,208.50**

20 Year Population Growth in New Units	432,243
20 Year Employees in New Space	274,900

Service	Total DC 2022 - 2041 Eligible Costs For Recovery ($000s)	Residential Charge			Non-Residential Unadjusted Charge		
		Share of Eligible Costs		Unadjusted Charge	Share of Eligible Costs		Unadjusted Charge
		%	$000s	$/capita	%	$000s	$/emp
1 Roads and Related	$1,227,719.0	69.6%	$854,708.2	$1,977.38	30.4%	$373,010.8	$1,356.90
2 Water	$512,423.7	69.6%	$356,737.0	$825.32	30.4%	$155,686.8	$566.34
3 Sanitary Sewer	$1,508,666.2	69.6%	$1,050,296.9	$2,429.88	30.4%	$458,369.4	$1,667.40
4 Storm Water Management	$695,224.3	69.6%	$483,998.3	$1,119.74	30.4%	$211,226.0	$768.37
TOTAL	**$3,944,033.3**		**$2,745,740.4**	**$6,352.31**		**$1,198,293.0**	**$4,359.01**

TOTAL 2022-2031 & 2022-2041	**$14,940,713.6**		**$11,070,287.8**	**$39,270.62**		**$3,870,425.9**	**$19,567.51**

B. Adjusted Residential and Non-Residential Development Charge Rates

Final adjustments to the "unadjusted" DC rates summarized above are made through a cash flow analysis. The analysis, details of which are included in the appendices, considers the borrowing cost and interest earnings associated with the timing of expenditures and DC receipts for each service.

Table 8 summarizes the results of the adjustment for the residential and non-residential components of the City-wide rates. As shown in Table 8, the adjusted rate is $37,138 per capita and $19,540 per employee after the cash flow analysis.

TABLE 8

CITY OF TORONTO
SUMMARY OF ADJUSTED
RESIDENTIAL AND NON-RESIDENTIAL DEVELOPMENT CHARGES

Service	Residential Charge		Non-Residential Charge	
	Adjusted Charge $/capita	Percentage of Charge	Adjusted Charge $/emp	Percentage of Charge
Spadina Subway Extension	$982	2.6%	$714	3.7%
Transit (balance)	$11,931	32.1%	$8,677	44.4%
Parks and Recreation	$4,544	12.2%	$348	1.8%
Library	$626	1.7%	$48	0.2%
Housing Services - Shelter	$407	1.1%	$0	0.0%
Housing Services - Affordable Housing	$5,808	15.6%	$0	0.0%
Police	$173	0.5%	$228	1.2%
Fire	$65	0.2%	$77	0.4%
Ambulance Services	$238	0.6%	$201	1.0%
Development-Related Studies	$46	0.1%	$56	0.3%
Long Term Care	$537	1.4%	$0	0.0%
Child Care	$270	0.7%	$263	1.3%
Waste Diversion	$216	0.6%	$0	0.0%
Subtotal General Services	**$25,843**	**69.6%**	**$10,612**	**54.3%**
Roads and Related	$6,568	17.7%	$5,280	27.0%
Water	$1,020	2.7%	$907	4.6%
Sanitary Sewer	$2,510	6.8%	$1,851	9.5%
Storm Water Management	$1,197	3.2%	$890	4.6%
Subtotal Engineered Services	**$11,295**	**30.4%**	**$8,928**	**45.7%**
TOTAL CHARGE	**$37,138**	**100.0%**	**$19,540**	**100.0%**

C. Calculated City-Wide Residential and Non-Residential DCs

Residential City-wide DCs are proposed to vary by dwelling unit type to reflect different occupancy factors and resulting demand for services. The calculated residential and non-residential DCs for all City-wide services are shown in Tables 9 and 10, respectively. As shown in Table 9, the calculated residential charge for DC eligible services ranges from $52,367 for small apartments to $137,040 for single-detached and semi-detached units. The proposed charge for multiples with two bedrooms or more is $113,271 and $56,819 is calculated for multiples with less than two bedrooms. The charge for large apartments (two bedrooms are more) is calculated at $80,218. Finally, the City has a charge for a “dwelling room” which is calculated at $37,138.

The proposed non-residential DC for City-wide services is $19,568 per employee. This amount, when divided by the floor space per worker assumption of 75.1 for industrial and 29.3 for non-industrial, results in a charge of $260.21 per square metre of industrial and $666.90 per square metre of non-industrial (see Table 10).

TABLE 9

CITY OF TORONTO
CALCULATED CITY-WIDE DEVELOPMENT CHARGES
RESIDENTIAL DEVELOPMENT CHARGES BY UNIT TYPE

Service	Unadjusted Charge Per Capita	Adjusted Charge Per Capita	Residential Charge By Unit Type						Percentage of Charge
			Singles & Semis	Multiples 2+ Bedrooms	Multiples 1 Bed and Bach.	Apartments 2+ Bedrooms	Apartments 1 Bed and Bach.	Dwelling Room	
Spadina Subway Extension	$770.75	$982	$3,624	$2,995	$1,502	$2,121	$1,385	$982	2.6%
Transit (balance)	$11,943.88	$11,931	$44,025	$36,390	$18,254	$25,771	$16,823	$11,931	32.1%
Parks and Recreation	$4,599.68	$4,544	$16,767	$13,859	$6,952	$9,815	$6,407	$4,544	12.2%
Library	$855.30	$626	$2,310	$1,909	$958	$1,352	$883	$626	1.7%
Housing Services - Shelter	$369.47	$407	$1,502	$1,241	$623	$879	$574	$407	1.1%
Housing Services - Affordable Housing	$5,842.14	$5,808	$21,432	$17,714	$8,886	$12,545	$8,189	$5,808	15.6%
Police	$385.73	$173	$638	$528	$265	$374	$244	$173	0.5%
Fire	$128.72	$65	$240	$198	$99	$140	$92	$65	0.2%
Ambulance Services	$233.95	$238	$878	$726	$364	$514	$336	$238	0.6%
Development-Related Studies	$94.27	$46	$170	$140	$70	$99	$65	$46	0.1%
Long Term Care	$533.58	$537	$1,982	$1,638	$822	$1,160	$757	$537	1.4%
Child Care	$391.20	$270	$996	$824	$413	$583	$381	$270	0.7%
Waste Diversion	$208.70	$216	$797	$659	$330	$467	$305	$216	0.6%
Subtotal General Services	**$26,357.36**	**$25,843**	**$95,361**	**$78,821**	**$39,538**	**$55,820**	**$36,441**	**$25,843**	**69.6%**
Roads and Related	$7,757.57	$6,568	$24,236	$20,032	$10,049	$14,187	$9,261	$6,568	17.7%
Water	$1,325.74	$1,020	$3,764	$3,111	$1,561	$2,203	$1,438	$1,020	2.7%
Sanitary Sewer	$2,642.47	$2,510	$9,262	$7,656	$3,840	$5,422	$3,539	$2,510	6.8%
Storm Water Management	$1,119.74	$1,197	$4,417	$3,651	$1,831	$2,586	$1,688	$1,197	3.2%
Subtotal Engineered Services	**$12,845.52**	**$11,295**	**$41,679**	**$34,450**	**$17,281**	**$24,398**	**$15,926**	**$11,295**	**30.4%**
TOTAL CHARGE PER UNIT	**$39,202.88**	**$37,138**	**$137,040**	**$113,271**	**$56,819**	**$80,218**	**$52,367**	**$37,138**	**100.0%**
(1) Based on Persons Per Unit Of:			3.69	3.05	1.53	2.16	1.41	1.00	

TABLE 10

CITY OF TORONTO
CALCULATED CITY-WIDE DEVELOPMENT CHARGES
NON-RESIDENTIAL DEVELOPMENT CHARGES

Service	Unadjusted Charge per Employee	Adjusted Charge per Employee	Non-Residential Charge By Type		Percentage of Charge
			Industrial	Non-Industrial	
Spadina Subway Extension	$556.01	$714	$9.51	$24.37	3.7%
Transit (balance)	$8,616.17	$8,677	$115.54	$296.14	44.4%
Parks and Recreation	$348.44	$348	$4.63	$11.88	1.8%
Library	$64.79	$48	$0.64	$1.64	0.2%
Housing Services - Shelter	$0.00	$0	$0.00	$0.00	0.0%
Housing Services - Affordable Housing	$0.00	$0	$0.00	$0.00	0.0%
Police	$278.26	$228	$3.04	$7.78	1.2%
Fire	$92.86	$77	$1.03	$2.63	0.4%
Ambulance Services	$168.77	$201	$2.68	$6.86	1.0%
Development-Related Studies	$68.01	$56	$0.75	$1.91	0.3%
Long Term Care	$0.00	$0	$0.00	$0.00	0.0%
Child Care	$282.20	$263	$3.50	$8.98	1.3%
Waste Diversion	$0.00	$0	$0.00	$0.00	0.0%
Subtotal General Services	**$10,475.51**	**$10,612**	**$141.32**	**$362.19**	**54.3%**
Roads and Related	$5,575.52	$5,280	$70.31	$180.20	27.0%
Water	$927.34	$907	$12.08	$30.96	4.6%
Sanitary Sewer	$1,820.77	$1,851	$24.65	$63.17	9.5%
Storm Water Management	$768.37	$890	$11.85	$30.38	4.6%
Subtotal Engineered Services	**$9,092.01**	**$8,928**	**$118.89**	**$304.71**	**45.7%**
TOTAL CHARGE PER SQUARE METRE	**$19,567.51**	**$19,540**	**$260.21**	**$666.90**	**100.0%**
(1) Based on Floor Space Per Worker (FSW)			75.1	29.3	

D. Comparison of Calculated and Current Development Charges

Tables 11 and 12 present a comparison of total calculated City-wide DCs for a large apartment unit and per square metre with the City's existing charges (as of November 1, 2021).

Table 11 shows that the calculated charge per large apartment unit of $80,218 presents an increase of $25,206 over the present DC. Table 12 shows the change calculated for the non-industrial non-residential charge. The proposed charge of $666.90 per square metre of non-industrial GFA represents an increase of $189.97 over the existing rate.

TABLE 11

CITY OF TORONTO
COMPARISON OF CURRENT AND CALCULATED RATES
RESIDENTIAL DEVELOPMENT CHARGES

Service	Current Charge per Large Apt (1)	Calculated Charge per Large Apt	Difference in Charge		
			Amount ($)	Change (%)	Difference (%)
Spadina Subway Extension	$1,722	$2,121	$399	23%	2%
Transit (balance)	$19,202	$25,771	$6,569	34%	26%
Parks and Recreation	$7,073	$9,815	$2,742	39%	11%
Library	$1,242	$1,352	$110	9%	0%
Housing Services - Shelter	$624	$879	$255	41%	1%
Housing Services - Affordable Housing	$3,727	$12,545	$8,818	237%	35%
Police	$736	$374	($362)	-49%	-1%
Fire	$305	$140	($165)	-54%	-1%
Ambulance Services	$342	$514	$172	50%	1%
Development-Related Studies	$348	$99	($249)	-72%	-1%
Long Term Care	$0	$1,160	$1,160	n/a	5%
Child Care	$522	$583	$61	12%	0%
Waste Diversion	$0	$467	$467	n/a	2%
Civic Improvements*	$166	$0	($166)	-100%	-1%
Health*	$6	$0	($6)	-100%	0%
Pedestrial Infrastructure*	$34	$0	($34)	-100%	0%
Subtotal General Services	**$36,049**	**$55,820**	**$19,771**	**55%**	**78%**
Roads and Related	$8,789	$14,187	$5,398	61%	21%
Water	$3,279	$2,203	($1,076)	-33%	-4%
Sanitary Sewer	$5,324	$5,422	$98	2%	0%
Storm Water Management	$1,571	$2,586	$1,015	65%	4%
Subtotal Engineered Services	**$18,963**	**$24,398**	**$5,435**	**29%**	**22%**
TOTAL CHARGE PER UNIT	**$55,012**	**$80,218**	**$25,206**	**46%**	**100%**

(1) Current charge as of November 1, 2021 (note: may not add to current rate due to rounding)
**No longer considered for DC funding under the 2022 DC Background Study*

TABLE 12

CITY OF TORONTO
COMPARISON OF CURRENT AND CALCULATED RATES
NON-INDUSTRIAL DEVELOPMENT CHARGES

Service	Current Non-Residential Charge ($/Sq.M)(1)	Calculated Non-Industrial Charge ($/Sq.M)	Difference in Charge		
			Amount ($)	Change (%)	Difference (%)
Spadina Subway Extension	$18.50	$24.37	$5.87	32%	3%
Transit (balance)	$206.58	$296.14	$89.56	43%	47%
Parks and Recreation	$9.80	$11.88	$2.08	21%	1%
Library	$1.72	$1.64	($0.08)	-5%	0%
Housing Services - Shelter	$0.00	$0.00	$0.00	n/a	0%
Housing Services - Affordable Housing	$0.00	$0.00	$0.00	n/a	0%
Police	$7.92	$7.78	($0.14)	-2%	0%
Fire	$3.28	$2.63	($0.65)	-20%	0%
Ambulance Services	$3.68	$6.86	$3.18	86%	2%
Development-Related Studies	$3.75	$1.91	($1.84)	-49%	-1%
Long Term Care	$0.00	$0.00	$0.00	n/a	0%
Child Care	$5.62	$8.98	$3.36	60%	2%
Waste Diversion	$0.00	$0.00	$0.00	n/a	0%
Civic Improvements*	$1.79	$0.00	($1.79)	-100%	-1%
Health*	$0.06	$0.00	($0.06)	-100%	0%
Pedestrial Infrastructure*	$3.56	$0.00	($3.56)	-100%	-2%
Subtotal General Services	**$266.26**	**$362.19**	**$95.93**	**36%**	**50%**
Roads and Related	$97.20	$180.20	$83.00	85%	44%
Water	$37.47	$30.96	($6.51)	-17%	-3%
Sanitary Sewer	$58.77	$63.17	$4.40	7%	2%
Storm Water Management	$17.23	$30.38	$13.15	76%	7%
Subtotal Engineered Services	**$210.67**	**$304.71**	**$94.04**	**45%**	**50%**
TOTAL CHARGE PER SQ.M.	**$476.93**	**$666.90**	**$189.97**	**40%**	**100%**

(1) Current charge as of November 1, 2021 (note: may not add to current rate due to rounding)

**No longer considered for DC funding under the 2022 DC Background Study*

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 Development Charges By-law. This examination is required as one of the provisions of the Development Charges Act. Additional details on the cost of growth analysis, including asset management analysis, for transit services is included in Appendix F. The analysis for all other services is included in Appendix G.

A. Asset Management Plan

i. Transit

The asset management plan for Transit services examines how both the City of Toronto ("City") and the Toronto Transit Commission ("TTC") utilize long-term financial planning and asset management planning to ensure the fiscal sustainability of Transit services operations, including the full life cycle cost of assets. Although all transit assets have a useful life longer than ten-years, the analysis used for the purposes of the 2022 DC Background Study is focused on the DCA legislated ten-year transit planning horizon (the period immediately following the preparation of the DC Background Study) of 2022-2031. The analysis also focuses on the share of the capital assets included in the calculation of the DC rates, although reference is also made to the needs of the gross cost of the added assets.

For the purposes of the analysis, five different asset groups were examined to calculate the annual provisions required for the ongoing operation and maintenance of the system. The five groups are as follows:

1. Track Related Infrastructure (Higher-Order Transit Projects and Other Track Projects)
2. Rolling Stock (Subway Cars, Street Cars, Buses and other fleet)

3. Buildings & Structures
4. Equipment
5. Corporate Initiatives & Service Planning

Table 13 provides a summary of the calculated annual reserve fund contributions based on the identified useful lives of the various assets and projects.

Table 13
Summary of Calculated Full Life Cycle Annual Contributions at 2032
(in $000s)

Capital Project Description	Gross Cost	2022-2031 Development Charge Recoverable
Track Related Infrastructure		
Subway Projects	$60.86	$17.81
Streetcars & LRT	$270.61	$61.96
Rolling Stock		
Non-Revenue Vehicles	$3.49	$1.13
Buses	$13.98	$13.98
Streetcars, LRT & Subway Cars	$99.13	$8.70
Buildings & Structures	$177.82	$17.87
Other Equipment	$98.50	$24.29
Corporate Initiatives & Service Planning		
Studies & Non-Assets	$0	$0
Other Projects – As above	$36.90	$11.95
Total	**$761.28**	**$157.70**

A detailed analysis of the asset management and financial strategies for the various asset groups is described in detail in Appendix F. Several staff report and documents are referenced that identify the City's commitment to fund capital expenditures and address long-term capital and operating impacts.

The analysis concludes that the asset management plan analysis demonstrates that the City can afford to invest and operate transit infrastructure over the ten-year and long-term planning period. Importantly, the City's ongoing asset management and long-term financial planning practices will ensure that the projects included in the 2022 DC Background Study are financially sustainable over their full life cycle.

ii. All Other Services

Table 14 and 15 provides the calculated annual asset management contribution for 2022-2032 and 2022-2042 for both the gross capital expenditures and the share related to the 2022-2027 and 2022-2041 DC recoverable portion. The years 2032 and 2042 have been included to calculate the annual contributions as the expenditures in 2031 and 2041 will not trigger asset management contributions until 2032 and 2042, respectively. As shown in Table 14, by 2032, the City will need to fund an additional $139.44 million per annum in order to properly fund the full life cycle costs of the new assets related to the general services supported under the development charges by-law. A further $18.0 million will be required for engineered services.

Table 15 provides a separate analysis of the annual provisions required for the engineered services capital program as the program extends to 2041. As shown in Table 15, the annual provision in 2042 amounts to $28.4 million.

The calculated annual funding provision should be considered within the context of the City's forecasted growth; over the next ten years (to 2031) the City is projected to grow by approximately 157,900 total private dwellings units as well as roughly 5.5 million square metres of additional non-residential building space. Over the longer planning period to 2041, the City will grow by 257,700 dwelling units and 8.5 million square metres of non-residential building space. This growth will have the effect of increasing the overall assessment base and additional user fee and charges revenues to

offset the capital asset provisions required to replace the infrastructure proposed to be funded under the development charges by-law.

TABLE 14

CITY OF TORONTO

CALCULATED ANNUAL PROVISION BY 2032 (EXCLUDING TRANSIT) - IN $MILLIONS

Service	2022-2031 Program	2022-2031 Program	AMP Provision by 2032	AMP Provision by 2032
Parks and Recreation	$1,224.4	$1,343.9	$48.9	$54.0
Library	$227.7	$458.9	$15.0	$45.9
Housing Services - Affordable Housing	$1,477.4	$16,343.4	$30.8	$201.3
Housing Services - Shelter	$93.4	$44.8	$2.8	$0.9
Police Services	$146.4	$418.7	$9.2	$57.0
Fire Services	$48.9	$31.9	$1.2	$1.4
Ambulance Services	$88.8	$165.2	$1.7	$9.0
Development-Related Studies	$35.8	$1.2	$0.0	$0.0
Long-term Care	$134.9	$747.3	$20.1	$17.1
Child Care	$148.5	$31.9	$2.6	$3.2
Waste Diversion	$52.8	$186.7	$7.1	$5.0
General Services (Excld. Transit) Sub-total			**$139.4**	**$394.8**
Roads & Related	$2,220.1	$1,655.8	$15.9	$11.9
Water Services	$190.0	$523.2	$1.4	$3.8
Sanitary Sewer	$96.2	$225.7	$0.7	$1.6
Storm Water Management	$0.0	$0.0	$0.0	$0.0
Engineering Services Total			**$18.0**	**$17.3**
Total 2032 Provision			**$157.4**	**$412.0**

The calculated annual provisions identified are considered to be financially sustainable as it is expected that the increased capital asset management requirements can be absorbed by the tax and user base over the long-term.

TABLE 15

CITY OF TORONTO

CALCULATED ANNUAL PROVISION BY 2042 (EXCLUDING TRANSIT) - IN $MILLIONS

Service	2022-2041 Program DC Recoverable	2022-2041 Program Non-DC Recoverable	AMP Provision by 2042 DC Related	AMP Provision by 2042 Non-DC Related
Roads & Related	$1,227.7	$552.0	$8.8	$4.0
Water Services	$512.4	$956.9	$3.7	$6.9
Sanitary Sewer	$1,508.7	$5,811.7	$10.8	$41.7
Storm Water Management	$702.4	$1,355.8	$5.0	$9.7
Total 2042 Provision			**$28.4**	**$62.3**

* Non-DC funding includes projects that are funded by local developers, post-period shares etc.

B. Long-Term Capital and Operating Costs

i. Transit

Table 16 provides a summary of the long-term capital and operating impacts for Transit services, arising from ridership increases, over the identified benefitting periods from 2011-2021, 2022-2031 and 2032-2041. The analysis assumes that these assets are currently open and operational, although it is likely that these costs will actually occur at a later point in the future. The relationship of operating revenue per AM Peak Period Trip is established based on 2021 ridership on the 2011 network which has been extrapolated from the TTC's annual reports. This approach is deemed reasonable for the purposes of the DC Background Study, and meeting the requirements of the DCA. However, it is recognized that the actual cost impacts, including timing, will be determined through the TTC's annual budgeting process.

Consistent with current practices, the net funding difference is anticipated to be funded from other revenue sources such as property taxes. It is noted that the City also continues to have dialogue with organizations such as Metrolinx regarding revenue agreements of fare sharing and discount assumptions.

TABLE 16

CITY OF TORONTO
LONG-TERM OPERATING IMPACT ANALYSIS - TRANSIT

Operating Revenue and Expense	2011-2021	2022-2031	2032-2041
Operating Revenue Statistics			
Operating Revenue – including property rental, etc. ($ Millions)	**$1,418.43**	**$974.42**	**$2,392.85**
AM Peak Period Trips	144,700	99,404	62,896
Operating Revenue per AM Peak Period Trip($)	$9,802.57	$9,802.57	$9,802.57
OPERATING EXPENSE STATISTICS			
Operating Expenses ($ Millions)	**$2,245.94**	**$1,542.89**	**$3,788.83**
AM Peak Period Trips	144,700	99,404	62,896
Operating Expense per AM Peak Period Trip ($)	$15,521.36	$15,521.36	$15,521.36
OPERATING SUBSIDY STATISTICS			
Operating Subsidy ($ Millions)	**$827.51**	**$568.47**	**$1,395.98**
Operating Subsidy per AM Peak Period Trip ($)	$5,718.79	$5,718.79	$5,718.79

ii. All Other Services

Appendix G summarizes the estimated increase in net operating costs that the City will experience for additions associated with the planned capital forecast. These estimates are generally based on average costs derived from the 2021 budget.

Increases in net operating costs will be experienced as new facilities such as community centres are opened. Operating and maintenance costs will also increase as additions to the City's road network and parkland and playing fields are made. However, it is recognized that the increase in assessment and non-tax revenues associated with new development are anticipated to partially or fully offset the increased costs identified, depending on the nature of the new development. Appendix G provides a breakdown of the increased operating costs by service. It is noted that the appendix is not a full fiscal impact analysis of new development, which would access the net impact on the City's budget arising from new development. New development will bring in additional tax revenue from the property taxes, but it will also require additional costs to provide municipal services. A comprehensive fiscal impact analysis is beyond the scope of the study.

Appendix G also summarizes the components of the development-related capital forecast that will require funding from non-DC sources. In total, $24.57 billion will need to be financed from non-DC sources. In addition, $7.32 billion in interim DC financing, may be required. Because DC by-laws must be revisited at least every five years, however, it is difficult to determine the quantum of interim financing that may be necessary. Appendix G provides a breakdown of the non-DC financing requirements by service.

8. Development Charges Policy and Administration

This section addresses development charge by-law policies and administrative processes, as well as the requirement under the DCA for Council to consider area rating for development charges.

A. Development Charges Consultation and Approval Process

The 2022 DC Background Study is intended to be used for the purposes of public consultation and fully satisfies all requirements of the Development Charges Act and associated Regulation. Following the statutory consultation period, the calculations will be reviewed and necessary adjustments to the DC rates and policies will be made. These adjustments will be incorporated into the finalized amended DC By-law and will be provided to Council for their formal approval.

It is anticipated that the DC By-law will be brought forward for Council's approval in June 2022, subject to any changes.

B. City-Wide vs. Area-Specific Charges

i. Consideration for Area Rating

In accordance with the Development Charges Act, 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 City's 2022 DC update, the appropriateness of implementing area-specific development charges for the various City services was examined.

The Development Charges Act permits the City to designate, in its DC By-law, the areas where DCs shall be imposed. The charges may apply to all lands in the City or to other designated development areas as specified in the DC By-law.

The following was considered with respect to area-specific development charges:

- Is the use of area-specific charges appropriate for some or all services?
- Are there any data limitations with calculating an area-specific development charge?
- Are there policy, risk or financial implications of implementing an area-specific charge?

Area-specific development charges are typically considered when there is clear benefit to a particular area (including the population or population and employment), and have been implemented mostly in stand alone green field developments.

ii. Consistent with Historical Practices, City-wide DCs are Proposed

The City's current practice is to calculate and levy development charges on a City-wide uniform basis. Previous DC Background Studies included a rational to support the City-wide DC structure. Many of these findings are still relevant to the 2022 DC Background Study update and include the following:

- The majority of municipalities in Ontario have established uniform, municipal-wide development charges. Typically, area-specific charges are applied to infrastructure that has clear benefits to a particular area such as storm water management, collector/minor arterial roads and/or water and sanitary services. Area-specific rates are also used when there

are master servicing or front-end financing arrangements that identify specific infrastructure requirements for a particular area.

- In the Toronto context, continued growth in the downtown and outer areas triggers the need to develop City-wide transportation, transit, water and sewer processing, and recreation networks.

- The calculation and updating of area-specific charges in portions of a large metropolitan area is difficult especially given the movement of people across the City between where they live, work and recreate and the need to allocate cost by benefitting area.

- The use of area-specific charges can also be challenging for general services given the service level restrictions under the DCA. In creating area-specific charges, this may unintentionally limit service levels in particular areas.

- Some infrastructure investments, particularly higher order transit lines, are expected to support intensification and generate related service demand. Costs recovered through area-specific charges may discourage intensification and run counter to these broader objectives.

- While consideration was given to the potential for area rating for Waterfront and Port Lands related projects and other Secondary Plan areas, there are significant challenges associated with defining clear benefitting areas and gathering the data required to support area-specific charges at this time.

iii. General and Engineered Service Delivery

The resulting development charges for City services would be imposed uniformly against all new development everywhere in the City. Through discussions with staff, it was determined that a continuation of the City's current practice of City-wide development charges would form a reasonable basis to plan and administer the development charges.

The following table provides a discussion of the needs for servicing in different areas, by service.

City Services Considered	Needs for Servicing in Different Areas
General Services	▪ Services such as Library, Parks & Recreation, Housing, Long-Term Care, and Waste Diversion are open and accessible to all residents in the City and/or are driven and planned for based on City-wide population growth. ▪ Child Care, Fire, Police, Ambulance Services, and Development-related Studies are provided to all residents and employees in the City and are driven and planned for based on City-wide population and employment growth. ▪ For Transit services the full range of capital facilities, land, equipment and infrastructure is available throughout the City. All residents and employees therefore have access to all facilities. A widely accepted method for recovering the development-related capital costs for such services is to apportion them over all new development anticipated. This approach is consistent with the development charges imposed under the City's current by-law for Transit services.
Engineered Services	▪ Roads & Related services are provided through a City-wide network and planned based on City-wide population and employment growth. ▪ For services such as Water, Sanitary Sewer and Storm Water Management services, a network of ponds, linear infrastructure and treatment facilities are used to provide services to City-wide population and employee growth.

B. By-law Administration

Many of the administrative requirements of the DCA will be similar to those presently followed by the City. However, changes will likely be required in the collection practices for the new development charges. In this regard:

- It is recommended that current practices regarding collection of development charges and by-law administration continue to the extent possible. It is noted that the City has recently reviewed its collection and administration practices to align with changes enacted through Bill 108, the *More Homes, More Choices Act* on January 1, 2020.
- As required under the DCA, the City should continue codify any rules regarding application of the by-laws and any exemptions within the development charges by-laws proposed for adoption.
- The City should continue to use front-ending agreements or developer agreements (or services-in-lieu arrangements), whichever are practical and desirable by the development industry and the City.
- It is recommended that the by-law permit the payment of DCs in cash or through services-in-lieu agreements. The City is not obligated to enter into services-in-lieu agreements.
- It is recommended that the City continue to maintain reporting policies consistent with the requirements of the DCA.
- It is recommended that Council:
    - Adopt the development-related capital forecasts included in this background study, subject to annual review through the City's normal capital budget process;
    - Expresses intent to undertake the adopted capital forecast to ensure that the increase in need for service will be met;

- Determine that the future excess capacity identified in the Development Charges Background Study shall be paid for by the development charges contemplated in the said Development Charges Background Study, or other similar charges;

- Give consideration of the use of more than one development charge by-law to reflect different needs for services in different areas, also known as area rating or area-specific DCs, and determined that for the services, and associated infrastructure proposed to be funded by DCs under the DC by-law, that the charges be calculated on either a city-wide or area-specific basis;

- Adopt the Transit development-related capital program, as included in the DC Background Study, as the "planned level of service", and in doing so, indicate that it intends to ensure that the increase in need for Transit will be met; and

- Approve the Cost of Growth analysis, including the Asset Management Plan, that deals with all assets whose capital costs are intended to be funded under the development charge by-law and that such assets are considered to be financially sustainable over their full lifecycle.

A copy of the by-law is available under Appendix I.