

May 22, 2024

Mayor Dan Carter and Members of Council
City of Oshawa
50 Centre St S.
Oshawa, ON
L1H 3Z7

Sent via email to clerks@oshawa.ca

RE: **2024 Development Charges Review**

BILD Memorandum

5/24/2024 - Public Meeting

The Building Industry and Land Development Association has received the City of Oshawa's 2024 Development Charges Background Study. We have sent this information to our membership and have reviewed the material accordingly.

Please note that BILD, in partnership with the Durham Region Homebuilders' Association, retained the services of Daryl Keleher from Keleher Planning and Economic Consulting (KPEC) to conduct a review of this background study. Attached to this cover letter is our consultant's memorandum in response to his findings within the study. BILD and DRHBA look forward to a written response to this memo in advance of Council consideration.

Thank you for the opportunity to submit this letter. If there are any questions, please do not hesitate to contact the undersigned.

Kind regards,



Victoria Mortelliti, MCIP, RPP.
Senior Manager, Policy & Advocacy

CC: BILD's Review Team
Stephanie Sinnot, City of Oshawa
BILD Durham Members
DRHBA

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May 22, 2024

Memorandum to: Stacey Hawkins, DRHBA
Victoria Mortelliti, BILD

From: Daryl Keleher, MCIP, RPP, Principal
Keleher Planning & Economic Consulting Inc.

Re: Oshawa DC

Our File: P1135

Keleher Planning & Economic Consulting Inc. was retained by BILD and DRHBA to review the City of Oshawa’s 2024 Development Charges Background Study and proposed DC by-law. This memorandum provides the questions and comments from my review.

CHANGES TO DC RATES

The figure below shows the changes to the City’s residential DC rates, as expressed on a per single-detached unit (SDU) basis, which are proposed to increase by 6%, or \$2,191 per SDU. The DC rate increase is driven by service-specific increases to Library (+195% or \$1,082/SDU), Parks & Recreation (+12% or \$1,617 per SDU) and Fire (+62% or \$523 per SDU).

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Current and Proposed DC Rates, City of Oshawa, per Single-Detached Unit

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Source: Watson & Associates, City of Oshawa 2024 DC Study

QUESTIONS AND COMMENTS

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Cc:
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Follow-up to BILD & DRHBA Memorandum dated May 22, 2024

Public Meeting - 5/24/2024

This correspondence serves as a follow-up to the letters from the Building Industry and Land Development Association and the Durham Region Homebuilders' Association, dated May 22, 2024. In that letter, we presented our consultant's memorandum regarding the City's 2024 Development Charges Review. Since submitting that memorandum, we have identified an additional issue that we believe warrants attention alongside the concerns previously raised.

Our concern is regarding the *Northwood's Project DC Recoverable Costs*.

The total costs allocated to the residential Development Charges (DC) amount to \$875.7 million. This includes \$661 million over a 27-year horizon and \$214 million (including Parks & Recreation) over a 10-year horizon. When standardized on a per Single Dwelling Unit (\$/SDU) basis, the Northwoods Project accounts for nearly 33% of the total DC rate, meaning that \$1 out of every \$3 is attributed to this project.

Attached to this submission is a table provided by our jointly retained consultant from Keleher Planning and Economic Consulting. The table consolidates various costs, revealing that \$151.3 million in costs for the Northwoods project have been allocated to the residential Development Charges.

BILD and DRHBA are seeking an explanation from staff regarding the methodology behind the unusually high concentration of Development Charges (DC) allocated to a single project in a city as large as Oshawa. This level of concentration is unusual, and we would like to understand the rationale behind it.

Thank you for the opportunity to submit this follow-up letter. We believe that a meeting between staff and our respective consultants would be highly beneficial at this time. If there are any questions, please do not hesitate to contact the undersigned.

Kind regards,



Victoria Mortelliti, MCIP, RPP.
Senior Manager, Policy & Advocacy
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Stacey Hawkins
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CC: DRHBA & BILD's Review Team
DRHBA & BILD Members
Stephanie Sinnott, City of Oshawa

Capital Costs and DC Recoverable Portions, New Community Centre and Associated Facilities/Equipment

Description	Project #	Gross Cost	BTE	BTE%	DC Recoverable	Non-Residential	
						Residential DC	DC
New Community Centre in Northwoods Business Area	P&R #1	\$ 112,719,173	\$ 11,271,900	10.0%	\$ 101,447,273	\$ 96,374,909	\$ 5,072,364
Northwoods - North Field Parkland Devt and Amenities	P&R #2	\$ 26,984,000	\$ -	0.0%	\$ 26,984,000	\$ 25,634,800	\$ 1,349,200
Northwoods - South Field Parkland Devt and Amenities	P&R #3	\$ 15,557,000	\$ -	0.0%	\$ 15,557,000	\$ 14,779,150	\$ 777,850
New Branch Library	Lib #2	\$ 15,906,000	\$ 1,759,700	11.1%	\$ 14,146,300	\$ 13,438,985	\$ 707,315
New Branch - Tech & Furniture	Lib #4	\$ 675,000	\$ 74,700	11.1%	\$ 600,300	\$ 570,285	\$ 30,015
New Branch - Opening Day Collection	Lib #6	\$ 500,000	\$ -	0.0%	\$ 500,000	\$ 475,000	\$ 25,000
Total		\$ 172,341,173	\$ 13,106,300	7.6%	\$ 159,234,873	\$ 151,273,129	\$ 7,961,744

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QUESTIONS AND COMMENTS

Roads

- 1) Based on the detail provided in the project list, it is not clear which projects are for road widenings, which are new roads, or which are other types of road projects (upgrades, intersection improvements, etc.) – does the City have a more detailed version of the project list to enable a more thorough review of the projects?
- 2) What is the basis for inclusion of nearly \$30 million for Arterial Road Resurfacing costs (projects 48-50), with a BTE of 75%, leaving the remaining 25% funded by the DC
 - a) Are these projects adding any capacity for growth?
 - b) No details regarding Arterial Road resurfacings in the amount of \$1,667,000 per year to 2033 are evident from the City's 2024 or 2025-2033 capital budget forecast - has the City identified where these road resurfacings will be located?
- 3) Projects 83/84 are for "City Wide – Misc. Land" – does each project included in the DC Study that may need land acquisition not include those costs in the separate line items?
- 4) Projects 85/86 are for "City Wide – Misc. Design & Engineering Costs" – does each project included in the DC study not include an adjustment for design and engineering?
- 5) Numerous projects are labelled as "Streetlighting Upgrade", with costs close to or above \$1 million each, but BTE of approximately 15%. However, Project 104 (Gibb St) matches the \$987,000 project in the City's 2024 capital budget, but the DC study uses a DC share of \$838,900 (85%), while the capital budget shows a DC share of 75%. In what way are these projects deemed 85% growth-related – should the DC share match the 75% approved through the City's recent capital budget?
- 6) What is the nature of project #59 "Active Transportation Connectivity", and what is meant by the inclusion of "(MTO)" in the project label?
- 7) The City's 2025-2033 capital budget forecast shows \$7.0 million in capital costs for Active Transportation Connectivity Projects (Project 75-0134), however, the 2024 DC Study shows \$12.25 million in costs over the 2024-2028 period. Why is the amount in the DC Study almost double the amount shown in the approved capital budget?
- 8) There are numerous projects with a "Location" of "Various Locations", including projects 23, 24, 25, 27, 29, 30 (x2), 33, and 36 – what is the nature of these projects?
- 9) In the LOS analysis, what proportion of the \$11.8m to \$13.3m per km for arterial roads are associated with the a) the value of road improvements and b) the value of underlying land within the road ROW?
- 10) What is included in the LOS item labelled as "Regional Intersection (items)", valued at \$5.8 million per item?

Stormwater Drainage

- 11) Project #1 appears to be for the construction of a bridge on Bond Street West – can the rationale for including this project in the Stormwater Drainage DC, rather than the Roads DC be provided?

- 12) What is proposed to be funded by the three projects with the labelling “Rail Structure Expansion” (projects 31, 32, and 33)?
- 13) What is the difference between projects 47 (Goodman Creek – Preliminary Design – Adelaide to Taunton) and 48 (Goodman Creek – Preliminary Design), each of which have a gross capital cost of \$12,500,000?

Parks and Recreation

- 14) In the LOS analysis, what are the 309 acres associated with the Second Marsh meant to represent – do these include acres associated with open water? Can a detailed accounting of how the improvements to the 309-acre area is valued at \$50,000 per acre (or \$15.4 million)?
- 15) What is included in the \$6.5 million “Second Marsh Redevelopment” project, and how was the 75% BTE determined?
- 16) The timing of the Second Marsh Redevelopment is 2025-2033 at a cost of \$6.5 million, however, the City’s 2024 capital budget forecast only shows \$500,000 in spending (Project 51-0133) – what is the basis for the inclusion of the project in the DC study?
- 17) What is included in the gross capital cost of \$112.7 million for the New Community Centre in Northwoods Business Area?
- 18) There are numerous parkettes in the capital program with values of \$350,000 to \$482,000, despite the LOS inventory showing the replacement value of the City’s five (5) existing parkettes as being \$254,000 – what is the basis for the new parkettes having a higher anticipated cost/value than the City’s existing parkettes?
- 19) The City’s 2024 capital budget and 2025-2033 capital budget forecast only shows \$3.0 million for the Rotary Park redevelopment, with the project detail sheet also noting \$8.2 million in previously approved funding. The 2024 DC Study shows \$25.0 million over the 2024-2025 period.
 - a) What is the basis for the inclusion of \$25.0 million in the City’s 2024 DC Study?
 - b) What is the source of the \$8.2 million in approved funding, and if these are funds from non-DC sources, how have these funds been accounted for in the City’s DC rate calculations?

Library

- 20) What proportion of the \$15.9 million in costs for the New Branch are split between buildings and land costs?
- 21) The New Branch project is not found in either of the City’s 2024 capital budget or the 2025-2033 capital budget forecast, despite the projects showing a timing of 2026-2027 in the 2024 DC Study – what is the basis for this project being included in the DC Study?
- 22) The need for the new library branch was identified in the 2015 PRCL report, which found that the City’s existing facilities lacked space to meet existing needs, and were not compliant with accessibility regulations:

However, despite recent renovations, some facilities are unable to provide spaces that are often found in contemporary library buildings. For example, many facilities are faced with the following challenges:

- *lack of space for:*
 - o *dedicated program rooms*
 - o *computer workstations (O.P.L. was below the benchmark average of 0.6 workstations per 1,000 population)*
 - o *computer labs to support programs and massive open online courses (M.O.O.C.S.)*
 - o *small group and individual study rooms o larger group activities, events, or gatherings (which impedes O.P.L.’s efforts to encourage community groups to use the facilities as meeting places)*
- *although the facilities meet all existing accessibility legislation, some are not fully compliant with emerging barrier-free guidelines (e.g., aisleways are narrow and shelving is higher than ideal) and should be monitored and considered as part of future renovations*

Based on the analysis presented in the City’s 2015 PRCL report, the BTE allocation of 11% appears understated in particular due to the existing deficiency evident in the LOS inventory (see figure below) as well as the Town’s 2015 PRCL report, which found that the City have a “minimum space provision guideline of 0.60 square feet per capita”. The table 37 of the 2015 PRCL report found that based on a population of 185,000 the deficit would be 17,000 square feet. The City’s 2021 Census population was 181,500 (including undercount) and is estimated in the 2024 DC Study as being 193,310 persons by mid-2024.

Figure 2

Calculation of Existing Deficiency in Libraries in City of Oshawa

Deficiency Compared to 2009 LOS	GFA -		SF/Capita
	Libraries	Population	
2009	95,085	147,362	0.6452
2023	95,085	183,906	0.5170
Change	-	36,544	(0.1282)
2023 at 2009 LOS	118,665	183,906	0.6452
Estimated Deficiency - 2009 LOS	(23,580) sf		
Deficiency Compared to 15-Year Average LOS			
Average LOS (2023 popn)		183,906	0.5899
2023		183,906	0.5170
Difference		183,906	(0.07)
Estimated Deficiency - 15-year LOS	(13,401) sf		

Source: KPEC based on City of Oshawa 2024 DC Study, (page B-16 and Table 5-3)

23) Further to the above comments and questions regarding the scale of existing deficiency in library service that the “New Branch” would offset, how many square feet of library area does the \$8.0 million “Expansion of Library Branches” item contemplate, and where would these expanded facilities be located?

By-law Enforcement

24) Costs associated with municipal airports are no longer eligible under the DC Act (except for the Region of Waterloo) - can the rationale for the "Expansion of Space at Airport" be provided?

Fire Protection

25) What is the "NG911 Network Upgrade" and what is the basis for the BTE allocation to projects 9, 10 and 11?

26) If the BTE for the Fire Station #7 building is 20%, why is the BTE for the vehicles, equipment and gear for firefighters for that station only 10%, instead of 20%?

2024 Development Charges



Total Development Charges

Current Development Charges with new fee proposed by City of Oshawa:

DC	Amount
Region of Durham	\$66,149.00
City of Oshawa	\$37,782.00
DDSB	\$3,749.00
DCDSB	\$2,586.00
Total	\$110,266.00

Total Development Charges if the Region removes the phase-in if Bill 185 is passed by the province:

DC	Amount
Region of Durham	\$82,324.00
City of Oshawa	\$37,782.00
DDSB	\$3,749.00
DCDSB	\$2,586.00
Total	\$126,441.00

*Based on a single-detached home.

The Cost of Money

- Development charges are payable at time of building permit application.
- Developers/builders only have a deposit from purchasers and only receive the full amount at closing.
- Developers often must finance development charges.
- Current rates for this type of financing are at around 9% - 11%.
- These carrying costs increase the amount it costs the developer.
- **Development charges and carrying costs are added to the price of a new home.**



Housing Affordability

- Development Charges
- Permits/Studies
- Cost of Land
- Building Materials
- Trade Shortages



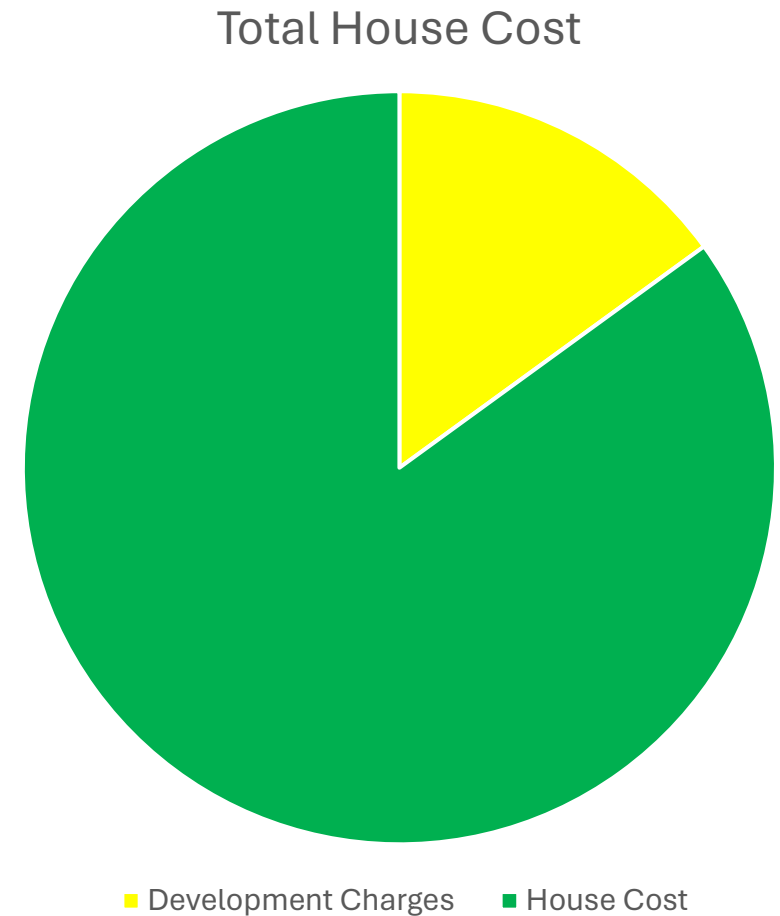
Housing Affordability

A new entry-level single detached home in Oshawa sells for approximately \$1 million. This includes HST.

The price that home before HST is \$884,955.75.

Of that, \$126,441 is development charges.

14.96% of the cost of a new home is development charges. That amount **does not** include carrying costs.



Northwoods Community Centre

	Northwoods	Total	Northwoods as a % of Total	DC Rate per Single Detached	Northwoods DC
10-year services	\$151.3 million	\$214 million	70.7%	\$17,749	\$12,548
27-year services	N/A	\$661 million	0%	\$20,033	\$0
Total				\$37,782	\$12,548
		Northwoods as % of Total DC rate: 33.2% (\$12,548/\$37,782)			

10-year services: Soft services – i.e. parks & rec, libraries, etc.

27-year services: Hard services – i.e. roads, etc.