

## Request for Decision

### Draft Policy on Development Cost Sharing

Presented To: Policy Committee

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Type: Presentations

### Recommendation

Whereas the City, as a result of a new Development Charge Bylaw (July 2009) has developed a policy framework for development cost sharing arrangements in order to better define expectations and provide a mechanism for the consideration of development charge credit requests where applicable; and

Whereas City staff and the Development Liaison Advisory Committee have jointly worked to address this issue and have compiled the Draft Policy on Development Cost Sharing dated April 27, 2011;

Therefore it is recommended:

- a) That the Policy on Development Cost Sharing be adopted;
- b) That the Policy be monitored and reviewed annually to ensure that it is working as intended and adjusted accordingly; and
- c) That Council allocate \$100,000 from the Roads Capital Financing Reserve Fund and \$100,000 from the Water Capital Financing Reserve Fund as a source of funding for the City and that Staff report back to Council with respect to future budget implications.

#### Signed By

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### Finance Implications

The roads and water wastewater capital envelopes are not sufficient to cover the City's full share of cost sharing proposed in this policy. Where applicable, development charge revenues will be used. The annual increase to the capital budgets cannot be determined at this time. Thus an allocation of \$100,000 from the Roads Capital Financing Reserve Fund and \$100,000 from the Water Capital Financing Reserve Fund will be committed as a source of funding to support implementation of funding the policy. Staff will report back with future budget requirements as they are determined.

### Background

In July of 2009, the City of Greater Sudbury passed a new comprehensive Development Charge (DC)

By-law 2009-200F. This by-law represented a major overhaul of the previous DC by-laws, which originated from the Region of Sudbury and only applied in certain areas. The 2009 DC Background Study included a more comprehensive schedule of infrastructure projects that are to be paid for through development charges.

During the process leading up to the adoption of the new DC By-law, there were a number of consultations that took place with the Development Community in the City of Greater Sudbury. One of the issues stemming from these consultations was how the development costs not identified in the DC By-law would be addressed. There was a concern in the Development Community that not only would they be faced with increased development charges, but they would also have to pay for servicing costs not covered in the DC by-law. This concern resulted in the need for the City to develop a standardized approach for cost sharing between developers, the City and third party landowners for development related costs. The need for this policy was due to inconsistency in the current practice of approaching cost sharing on an individual, project by project basis.

City staff have been working since August of 2009 to develop a standardized policy for development cost sharing to complement the new DC by-law. This process involves reviewing similar documents from other Ontario municipalities; drafting a policy for the City of Greater Sudbury; reviewing and agreeing on the policy with all City Departments involved in the development process; reviewing the document with a Development Liaison Advisory Committee (DLAC) subcommittee; and finally reviewing the document with the full DLAC.

The purpose of this report is to introduce and recommend the “Draft Policy on Development Cost Sharing” (as attached), and explain how it would work.

## **How Does the “Draft Policy on Development Cost Sharing” Work?**

As mentioned previously, the comprehensive 2009 DC Background Study has an index that includes a number of infrastructure projects related to future growth in the City. The cost sharing component with respect to these projects has already been calculated during the development of the study. The Draft Policy on Development Cost Sharing would standardize how those development costs not covered in the DC By-law would be shared between the developer, the City and third party land owners.

Basically, the intent of this policy document is to establish a cost sharing structure between the development community and the City of Greater Sudbury. When development takes place in the City, new infrastructure, both internal and external to the development, typically has to be constructed. The new infrastructure may include the construction of roads, intersections, traffic control signals, watermains, sanitary sewers, stormwater management facilities, etc. In some cases this infrastructure will solely benefit the developer, in other cases the City and/or other developers may benefit from new infrastructure being constructed. The purpose of this document is to generally outline who will pay for what share of the development costs in some typical situations. Additionally, this document is not meant to determine where services will be ultimately be installed (this will be done through the City's Official Plan and on a case by case basis), only how costs will be shared.

Since it is not possible to cover every possible development scenario in a policy document, the “Draft Policy on Development Costs Sharing” instead lays out a general philosophy of how the City will share costs in development situations. Namely who will pay for what share of the development in different types of scenarios. To accomplish this, the Draft Policy breaks down the sharing of development costs by type of infrastructure (i.e. road, sewer, etc.) and also by development situation (i.e. new construction, replacement, etc). The purpose of this is again, to create a general philosophy of how costs are to be shared in different circumstances. The policy document defines which costs are included in different types of projects so that both the City and the Developer can enter negotiations with an understanding of what their obligations are in different circumstances.

## **What are the Limitations of the “Draft Policy on Development Cost Sharing”?**

The policy document is not meant to determine where services will ultimately be installed (this will be done through the City's Official Plan and on a case by case basis), only how costs will be shared. Ultimately, the City will determine whether or not there is a public interest in servicing specific areas. Additionally, the draft policy document does not support the extension of services into areas contrary to the City of Greater Sudbury Official Plan.

Existing Capital Envelopes are not sufficient to cover the City portion of the cost sharing contemplated in this document. As a result, the document is not meant to bind the City to cost share when there are no budgeted funds available.

## **What are the Major Changes from Current Practice?**

### **Funding**

The biggest change from current development practices in this document is that the City would be contributing a larger share of development costs in situations where there is a direct benefit to the City or where it is in the City's interest to front end development costs to take advantage of efficiencies, for third party landowners and recover these costs at a later date. Given the unpredictable nature of when private development situations will arise where it is in the City's interest to cost share on a development project, projects may not have been budgeted for.

It is important to note that while the Draft Development Cost Sharing Policy contemplates the City contributing a greater share to development projects, there are limited or no current funding mechanisms in place to pay for them. This issue will have to be addressed before the cost sharing document can be fully implemented.

### **Fronting Costs for Third Parties**

Another change proposed by this document is the fronting ending of development costs for benefiting third parties. The document contemplates that in situations where the City would benefit from the efficiencies of pre-servicing future lands, the City could cost share with developers to upsize services or construct facilities that would permit development on adjacent lands in the future. In these circumstances the City would up front the costs for the future development and recoup them later when those lands are developed. As mentioned, there currently isn't a funding mechanism in place for the City to pay for this pre-servicing. As a result, the City would have to pay up front for costs that may not be recouped for a number of years. Council approvals would be sought for front ending agreements.

### **Development Charges By-law Credits**

The Development Charges By-law provides the City the Authority to provide for development charge credits against portions of eligible projects where services are provided for the City at the sole expense of the owner or for reasonable cost of providing services of a greater size or capacity than would normally be required (By-law 2009-200F Section 12 (1), (2) and (3)). Such credit shall not exceed the total development charge payable for that portion of the work. The Policy on Development Cost Sharing further assists Council, Staff and the Development community in understanding where such credits may be applicable.

## **Conclusion**

The “Draft Policy on Development Cost Sharing” represents an attempt to standardize the way in which non-DC related development costs are shared between the City and the Development Community. The

document does not attempt to cover every possible development scenario, but instead seeks to establish a general philosophy on fair development cost sharing that is in the best interest of the City and the Development Community. The document does not attempt to dictate where services will be installed nor is it meant to bind the City to cost sharing as there are currently limited or no funds allocated to this program.

To help address this issue it is recommended that Council allocate the \$100,000 from the Roads Capital Financing Reserve Fund and \$100,000 from the Water Capital Financing Reserve Fund as a source of funding for the City and that Staff monitor the Policy and report back to Council with respect to future budget implications.

## **Recommendation**

That Council adopt the “Policy on Development Cost Sharing”.

# 2011

## Draft Policy on Development Cost Sharing



City of Greater Sudbury  
April 27, 2011

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## Purpose

The intent of this policy document is to establish a cost sharing structure between the development community and the City of Greater Sudbury. In order for new development to proceed, it is often a requirement that certain public works, internal or external to the development, have to be constructed. The public works may include construction of roads, intersections, traffic control signals, watermains, sanitary sewers, stormwater management facilities, etc. In some cases these works will solely benefit the developer, in other cases the City and/or other developers may benefit from the works being constructed. The purpose of this document is to establish which party and what share of the costs these works will be attributed to. Additionally, this document is not meant to determine where services will be ultimately be installed (this will be done through the Official Plan process and on case by case basis), but only how costs will be shared.

Occasionally a developer may wish to carry out the work in order to advance the construction of the public works necessary for private development to proceed. In some cases the work being proposed will benefit more than his or her development. In these cases, a Credit Agreement is necessary in order to establish the City's obligations to reimburse the developer's costs in financing the construction and to establish the developer's obligation for construction. Council approval of the construction and the reimbursement must be obtained prior to the commencement of construction.

It is intended that this document will be reviewed annually by the City and the Development Community to gauge its applicability and effectiveness.

### NOTE:

This document does not support the extension of services into areas contrary to the City of Greater Sudbury Official Plan.

## Section 1.0 - Definition of Terms

### Abutting Service

Shall include a service either existing or proposed, that :

- services lands outside and inside a development, and
- is either located on a road allowance outside the limit of a development but abuts the development or;
- is located on a road allowance within the limit of a development but abuts other lands outside the development.

(eg: Section B-C on Sketch #1)

### Appurtenances

When used in this document means an accessory to a municipal service. For example, appurtenances to a water main include but are not limited to valves, valve chambers, fire hydrants, etc.

### Cost

For an existing service, shall be the current cost, as determined by the City, of constructing the service.

For a proposed service, shall be the final cost of designing and constructing the service, as determined by the City, after the construction is complete.

In cases where the City shall pay for the balance of costs associated with services, this shall only include the difference in materials and appurtenances costs.

### Deficient Situation

When used in this document means a road, sanitary, water, storm water or other municipal service that is lacking or insufficient for the existing development that it is servicing. Determination of whether a City service is deficient shall be made by the City using its applicable standards. For example a deficient water service situation includes insufficient existing fire flows and/or pressure.

### External Service

Shall include a service, either existing or proposed, that is located outside the limit of a development but shall not include abutting service. (eg: Section A-B on Sketch #3)

### Internal Service

Shall include a service, either existing or proposed, that is located within the limit of a development but shall not include an abutting service. (eg: Section F-G on Sketch #1)



### Minimum Size

Shall be as per current City of Greater Sudbury standards.

### Non Deficient Situation

When used in this document means a road, sanitary, water, storm water or other municipal service that is fully sufficient, suitable, or fit for the existing development that it is servicing. Determination of whether a City service is deficient shall be made by the City using its applicable standards.

### Road

Shall refer to a public thoroughfare for vehicular and pedestrian traffic, which is assumed and maintained year-round by and under the jurisdiction of the City of Greater Sudbury or the Province of Ontario.

### Sanitary Sewer

Shall refer to a sewer and related appurtenances (i.e. lift stations) for the collection and transmission of sanitary wastewater.

### Sanitary Sewer Connection

Shall refer to a sanitary sewer service connection and related appurtenances designed in accordance with City standards.

### Sequential Development

The next development which may proceed geographically for which all necessary external City service infrastructure is in place.

### Service

Shall be a water sanitary sewer, or storm sewer.

### Shared Stormwater Management Facility

Shall refer to the portion of a storm sewer system, such as a storm water management pond, and related appurtenances that accommodates storm water drainage from a development and/or a City road, and may be shared with other benefitting users.

### Storm Sewer

Shall refer to a sewer for the collection and transmission of uncontaminated water, storm water, drainage from land or from a watercourse or any combination thereof that is the responsibility of the City including storm sewers located within the City's road allowance or other City property.

### Water Connection

Shall refer to a water service connection and related appurtenances designed in accordance with City standards.

### Watermain

Shall refer to a watermain system and related appurtenances such as valves, hydrants, booster stations, etc., designed in accordance with City standards.

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## Section 2.0 - Sanitary Sewers, Storm Sewers and Watermains

### 2.1 Internal Services

The cost of an internal service shall be shared between the City and the Developer on the following basis:

- a) For an internal service that is required to service the development, the Developer shall pay for 100% of the cost. (eg: Section F-G on Sketch #1)
- b) For an internal service, which is not required to service the development, the City shall pay for 100% of the cost, to be recovered from future developments where applicable. (eg: Section M on Sketch #2)
- c) For an internal service, which is required to service the subdivision and external lands, the developer shall pay for 100% of the cost for the minimum size required to service the development and the City shall pay for the balance of the cost, to be recovered from future developments where applicable. (eg: Section G-K on Sketch #1)

### 2.2 Abutting Services

The cost of an abutting service shall be shared between the City and the Developer on the following basis:

#### 2.2.2 Non Cost Sharing Situations

- a) For an abutting service, which is not required to service the development, the City shall pay for 100% of the cost to be recovered from future developments where applicable. (eg: Section A-B on Sketch #1)
- b) For an abutting service, which is required to service the development, but will not service other lands which are located outside the limit of the development and abut the service, the Developer shall pay for 100% of the cost. These costs shall include any required improvements to downstream systems. (eg: Section C on Sketch #4)

#### 2.2.3 Cost Sharing Situations

- a) No Existing Deficiencies Situation

In situations where abutting service which is required to service the development as well as the other lands which are located outside the limit of the development and abut the service, the City shall pay for 50% of the costs of the pipe and appurtenances to replace the existing size, the developer shall pay the remainder. Subject to the City having an interest in servicing the abutting lands, otherwise the developer shall pay for 100% of the cost. These costs shall include any required improvements to downstream systems. (eg: Section B-C on Sketch #1)

b) Existing Deficiencies Situation

In situations where there are existing servicing deficiencies the City shall pay for up to 50% of the total construction costs to upsize existing infrastructure and the developer shall pay the remainder.

## 2.3 External Services

The cost of an external service shall be shared between the City and the Developer on the following basis:

- a) For an external service, which is required to service the development, the Developer shall pay 100% of the cost for the minimum size required to service the development and the City shall pay for the balance of the cost to be recovered from future/existing benefitting developments where applicable. (eg: Section G on Sketch #2)
- b) For an external service, which is not required to service the development, the City shall pay for 100% of the cost to be recovered from future/existing benefitting developments where applicable. (eg: Section A-B on Sketch #1)

## Section 3.0 - Sanitary Sewer Connections, Storm Sewer Connections and Water Connections

The cost of sanitary sewer connections, storm sewer connections and/or water connections shall be shared between the City and the Developer on the following basis:

### 3.1 Lands Within the Development

The Developer shall pay for 100% of the cost of sanitary sewer connections, storm sewer connections and/or water connections to each lot, block or building site within the development. The developer shall also be responsible for 100% of the cost of any such connections that take place off-site to service the development.

### 3.2 Lands External to the Development

In situations where there were no existing services, the City shall pay for 100% of the cost of sanitary sewer connections, storm sewer connections and/or water connections to lands external to the development. These costs are to be recovered from the individual property owners.

In situations where there are no existing deficiencies and infrastructure is being upsized to service the new development, the City shall pay for 50% of the costs of the pipe and appurtenances to replace the existing size, the developer shall pay the remainder.

In situations where there are existing servicing deficiencies the City shall pay for up to 50% of the total construction costs to upsize existing infrastructure and the developer shall pay the remainder.

## Section 4.0 – Roads and Road Allowances

The cost of roads and related structures and appurtenances shall be shared between the City and the Developer on the following basis:

### 4.1 Roads

- a) The Developer shall pay for 100% of the cost of all roads internal to a development. (eg: Road A on Sketch #5)
- b) The Developer shall pay for 100% of the cost of new Collector roads external to a development but are necessary to service the development. (eg: Road B on Sketch #5) In situations where there are other benefiting parties, the developer shall pay for the minimum size of road required to service their development and the City shall pay for the balance of the cost, to be recovered from future developments where applicable.
- c) In situations where an abutting road, necessary to service the development, is being upgraded to an urban standard, the Developer shall pay for 80% of the cost and the City shall pay for 20% of the cost. (eg: Road C on Sketch #5)
- d) In cases where a road is currently constructed to a rural standard and needs to be rebuilt to an urban standard, or cases where a road is identified as a collector in the Official Plan but is currently constructed as a local road the Developer shall pay for 50% and the City shall pay for 50% of the cost to upgrade the road. (eg: Road D on Sketch #5)
- e) In situations where an existing road, external to the development, needs to be upgraded/upsized solely for the purposes of accommodating the development, the Developer shall pay for 100% of the cost. (eg: Road E on Sketch #5)

### 4.2 Streetlights

The Developer shall pay for 100% of the costs of streetlights internal to a development or external to a development but required for the subject lands.

### 4.3 Sidewalks

- a) The Developer shall pay for 100% of the costs of sidewalks internal to a development or external to a development but required for the subject lands. In situations where an external side walk is extended to an existing sidewalk, the developer shall pay for 100% of the costs to a maximum of 100 metres of sidewalk.
- b) The City shall pay for 100% of the costs of new sidewalks in other areas related to growth.

#### 4.4 Bike Lanes or Transit Lay-bys

- a) The Developer shall pay for 100% of the costs of bike lanes or transit lay-bys internal to a development or external to a development but required for the subject lands.
- b) The City shall pay for 100% of the costs of new bike lanes or transit lay-bys in other areas related to growth.

#### 4.5 Noise Abatement Measures

- a) The Developer shall pay for 100% of the costs of noise abatement measures internal to a development.
- b) The Developer shall pay for 100% of the costs of noise abatement measures external to a development but required and related to, or mitigate impacts from, the development of the subject lands.

#### 4.6 Road Connections

The cost of a City road connection shall be shared between the City and the Developer on the following basis:

- a) The Developer shall pay for 100% of the costs necessary to provide safe and efficient access and egress to the development, including but not limited to, costs for turning lanes, tapers and traffic control measures, based on an approved traffic study.
- b) The City shall pay for 100% of costs of road improvements over and above the cost of those required for the development.

## Section 5.0 - Stormwater Management Facilities

The cost of stormwater management facilities shall be shared between the City and the Developer on the following basis:

- a) The Developer shall pay for 100% of the cost of the minimum size required to service the development and other contributing lands owned by the Developer.
- b) The oversizing cost shall be attributed to other contributing parties, including the City, based on each party's contributing area multiplied by runoff coefficient.
- c) The City shall pay for its share of the oversizing cost based on the City's contributing area multiplied by runoff coefficient.

## Section 6.0 - Interpretation

Final interpretation of the policies contained in this document rests with the General Manager of the Growth and Development Department for the City of Greater Sudbury.











