KANATA WEST CONCEPT PLAN

FINANCIAL ANALYSIS: EXISTING CONDITIONS AND BEST PRACTICES

PREPARED FOR:

KANATA WEST CONCEPT PLAN LANDOWNERS GROUP

FEBRUARY, 2002

PLANNING FOR GROWTH

C.N. WATSON
AND ASSOCIATES LTD.

ECONOMISTS

4304 Village Centre Court
Mississauga, Ontario, Canada
L4Z 1S2

Telephone: (905) 272-3600
Fax: (905) 272-3602
e-mail: info@cnwatson.on.ca

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EXECUTIVE SUMMARY

1. The **Kanata West Concept Plan** (KWCP) comprises approximately 622 ha located to the west of the former Region of Ottawa-Carleton eastern urban boundary. Regional Official Plan Amendment No. 9 (ROPA 9) includes these lands in the urban boundary, and requires the development of a **mixed use concept plan**, (in part) to support high tech sector growth.

2. The **purposes of this report** are: to summarize methods used by the former Region and its constituent urban municipalities to fund growth related municipal infrastructure for major development proposals; to review and assess approaches used in other jurisdictions, particularly for business parks; and to provide a framework to respond to the financial policy requirements of ROPA 9.

3. **Municipal powers with respect to funding or requiring emplacement of growth-related works** are limited, and arise mainly from legislative authority in the *Development Charges Act, 1997,* the *Planning Act,* and the *Municipal Act.*

4. The former Region and most of its constituent municipalities used **development charges (DC)** as the primary source of funding for major growth-related works. The development charge bylaws in force prior to the January 1, 2001 amalgamation remain in force until they are replaced by the new City (subject to any amendments) or expire.

5. The works required for KWCP were **not included in the current DC bylaws**, since the area was not designated when the bylaws were passed (1999).

6. The maximum **Kanata residential DC rate** (Summer, 2001) totalled $17,161 per single detached residential unit (with lower rates for other types of units). The **maximum commercial/institutional DC** in force in the former City totalled $76.79 per sm of gross floor area.

7. There is precedent for the use of *Municipal Act, 221* **area rating bylaws** for recovery of growth-related sanitary sewer and storm water management costs in the former Region.

8. Practice with respect to funding **oversizing of collector roads and sanitary sewer trunks** varied by former municipality, with some (eg. Kanata) including oversizing costs in their DC bylaw.

9. **Business park infrastructure funding practices** were researched both within and outside the former Region, as input to the process of developing a financial strategy for KWCP.

10. **Within the former Region**, the municipal role in contributing to business park infrastructure financing included: a significant reduction in the implemented Regional industrial and commercial DC; municipal front-ending (eg. municipal debenturing) of local infrastructure costs in some cases; area specific DCs (or *Municipal Act, s. 221* charges) to recover area infrastructure costs; and (in some cases) encouragement of private cost sharing for local oversizing costs.

11. **In the remainder of the Province**, practices in GTA municipality varied from those in non-GTA municipalities, where, in general, demand for business park lands is more limited. **Outside the GTA**, many municipalities make substantial contributions to non-residential infrastructure costs (at least on an upfront basis), and often own and develop the business parks. These municipalities need to offer significant incentives to attract businesses, due to competition from the GTA and outside of Ontario.

12. **Within the GTA**, municipal assistance in financing infrastructure in business parks is limited, with the primary approach being reduced DCs. Area specific DCs to recover developer front-end costs are sometimes used, and may provide some incentive. Direct municipal contributions to servicing costs are not the norm in the GTA.

13. The key **ROPA 9 financial policy** requires that the cost of infrastructure to develop KWCP be funded primarily by the development through a means other than taxes. The KWCP financial strategy, which will be developed once the required infrastructure is identified and costed, will consider the background in this report.

1. INTRODUCTION:

1.1 Purpose:

C.N. Watson and Associates Ltd. was retained by the Kanata West Concept Plan Landowners' Group to provide financial expertise relating to infrastructure funding and cost sharing. The purpose of this report is to:

- Summarize methods used by the former Region of Ottawa-Carleton and the former urban municipalities therein to fund municipal infrastructure (including development charges)
- Undertake a review and assessment of municipal infrastructure cost sharing strategies and identify other funding sources used in other jurisdictions for major development proposals
- Provide perspectives on the financial policy requirements of Regional Official Plan Amendment (ROPA) 9
- Set out a recommended process re: infrastructure funding issues

1.2 Concept Plan Area:

The Kanata West Concept Plan (KWCP) area comprises approximately 622 ha located immediately adjacent to the west urban boundary of the former Kanata. The area, which includes the Corel Centre sports and entertainment complex, comprises lands which were formerly in the City of Kanata and the Townships of West Carleton and Goulbourn. The community of Stittsville is immediately south of the area, with the bordering area of Kanata comprising both residential, office and Town Centre uses. The existing land uses are mainly rural in nature (e.g. agricultural, rural residential, golf driving ranges), with the exception of the Corel Centre and the area immediately to the east, which contains recently constructed high tech office uses (under Official Plan Policy 3.5.2.10).

Table 1-1 sets out the property ownership by parcel size in Kanata West, with the key features as follows:

- A total of 43 properties, ranging in size from 0.14 ha to 141.51 ha
- 60% (26) of total properties under 10 ha in size
- Major owner is Terrace Investments with 23% of total lands (141.5 of 622.0 ha)

TABLE 1-1
KANATA WEST CONCEPT PLAN
PROPERTY OWNERSHIP BY PARCEL SIZE

	Total Properties	No. of Properties by Size (Ha)							
		0-2	2-5	5-10	10-15	15-20	20-30	30-40	40+
North of 417	11	4	3	0	1	0	0	2	1
Between 417 and Maple Grove Rd.	21*	7	2	3	4	1	0	2	1
Between Maple Grove and Hazeldean	11	2	2	3	0	0	2	1	1
	43	13	7	6	5	1	2	5	3

Major Owners

Name	Ha	Location
Terrace Investments	141.51	North of Hwy. 417
U. Goldberg/B. Gottlieb/A. Miller	55.17	Between 417 and Maple Grove
1168714 Ontario Ltd. (2 parcels)	50.63	Between Maple Grove and Hazeldean
Shenkman Corporation	39.23	Between Maple Grove and Hazeldean
Maynard Denison	36.35	North of Hwy. 417
Laurentide Engineering Ltd.	36.23	North of Hwy. 417
Palladium Auto Park Limited	34.45	Between 417 and Maple Grove
City of Ottawa (7 parcels)	32.25	Between 417 and Maple Grove (largest parcel)
	425.82	

Public Ownership

Name	Ha
City of Ottawa (7 parcels)	32.25
Ministry of Transportation	16.16
MVCA (Carp River)	n/a
	48.41

*MVCA (Carp River) property listed, but number of hectares not available

- Eight major owners hold 425.8 ha or 68.5% of total Concept Plan area
- Public sector ownership totals 48.4 ha (8% of total)
- Corel Centre policy area, which is already partially developed, comprises 40 ha
- Palladium Auto Park, located immediately west of the Corel Centre, comprises 22 ha, and is part of a separate OP Amendment.

1.3 ROPA 9

The Kanata West Concept Plan area will support the new City of Ottawa's rapid job growth in the high technology sector. Amendment No. 9 of the Region of Ottawa-Carleton Official Plan was enacted in October, 2000 and provides the background and guiding principles for development in the area.

The original purpose of ROPA 9 was to provide additional lands to accommodate projected employment growth in high tech uses in a preferred location. The October, 2000 OP amendment directed that the Concept Plan would be designed to accommodate 31,000 to 36,000 jobs, with "uses reflecting needs of the high technology industry." ROPA 9 designated the area north of Maple Grove Road as "Business Park" and the area between Maple Grove and Hazeldean Road as "General Urban."

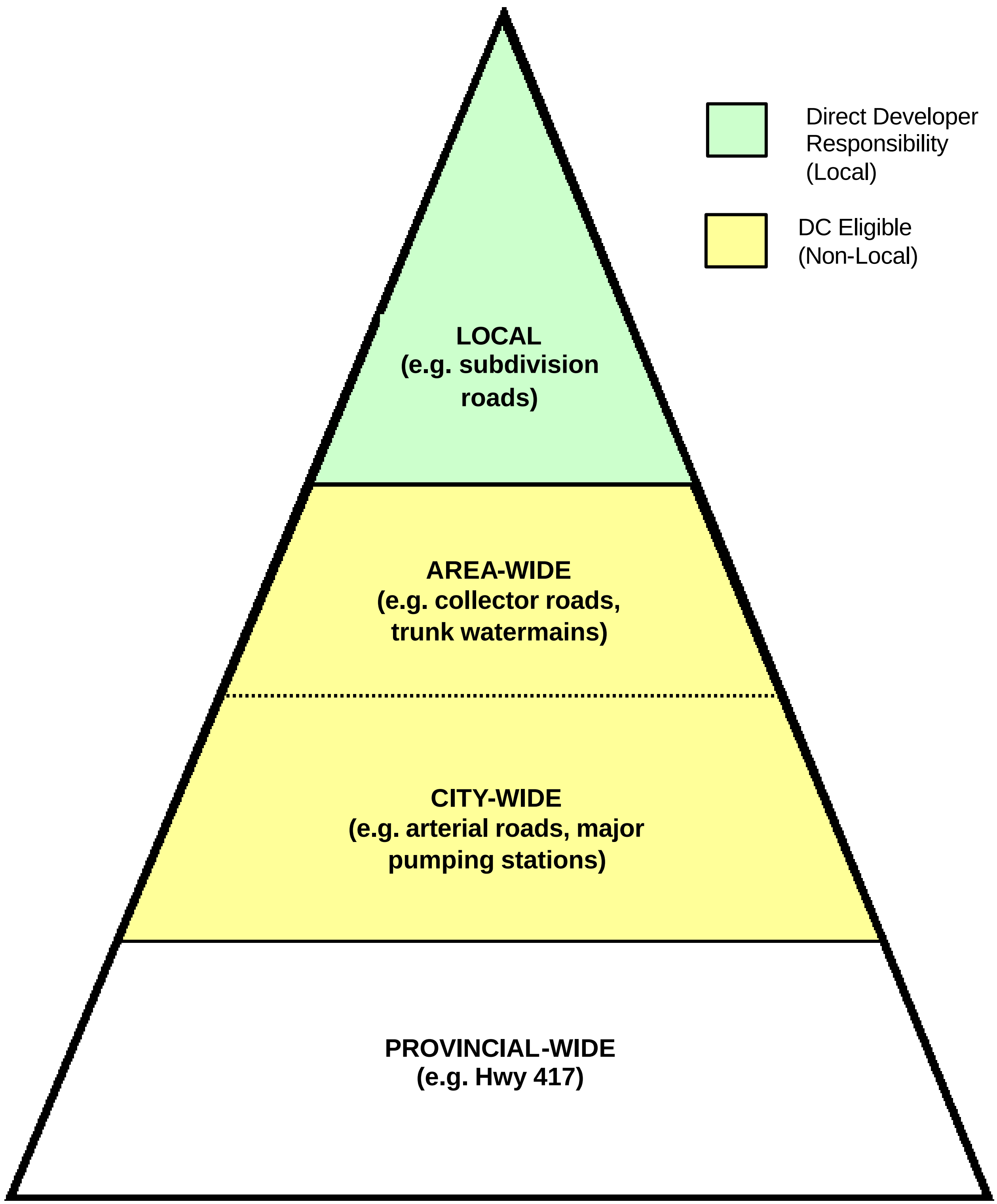
In March, 2001, the new City of Ottawa Council amended ROPA 9 to add the objective "to ensure that the concept plan produces an innovative mixed-use urban development where people will be able to live, work and play." This broadened the range of permitted land uses to include residential and recreational, as well as business park uses.

2. FUNDING OF GROWTH-RELATED CAPITAL WORKS:

2.1 Local vs. Non-local Engineered Servicing Works:

Municipal powers with respect to funding or requiring emplacement of growth-related capital works arise, for the most part, from legislative authority provided in the *Planning Act* (particularly s.37, 41, 51 and 53), the *Development Charges Act* and the *Municipal Act* (particularly s.221 and s.210.1). A fundamental issue in using these powers is the hierarchy of works, particularly the division between those that are "local" to a development and those that serve a broader area (often referred to as "non-local"). Schedule 2-1 illustrates this division schematically and provides some examples of each type of work.

SCHEDULE 2-1
LOCAL/NON-LOCAL GROWTH-RELATED SERVICE HIERARCHY



- **Local works** are generally a responsibility of the owner to build (or fund), and are enforced through conditions of a subdivision, severance or site plan agreement (eg. local roads, sewer and watermains in a subdivision).[1] The works are dedicated to the municipality, who is responsible for maintaining and ultimately replacing them.

- **Non-local works** are larger capacity works which serve more than one development (eg. major roads). They may service sections of a municipality (area-wide) or they may serve all growth in the municipality (eg. sewage treatment plant). These are generally funded through development charges (or other similar mechanisms), and constructed by the municipality (or an owner under an agreement with the municipality). Area-wide works are often built or funded by an owner in exchange for credits on their development charge payments (or direct reimbursement of the eligible costs).

Local service works may be located internally in the development ("on-site") or external to the development ("off-site").

Some municipalities divide area-wide works into a local component (eg. the first 8.5 metres of pavement (2 lanes) of a collector road) and a non-local component (eg. the extra 2.5 metres comprising the remainder of the collector road). The latter component is known as "oversizing" and the developer receives a credit on his DC for the value of the oversizing.

There is no legislative definition of local and non-local services. Most municipalities define the division as part of their development charge processes. For instance, the Region of Ottawa-Carleton's policy concerning watermains provides that a 16 inch or larger watermain (400 mm) will be considered a development charge item. Watermains smaller than that size are a direct developer responsibility. The definition of local service can change over time, and, in some cases, is a "grey" area, and not a precise definition. "Local" services may not, however, be funded[2] through development charges (DCs).[3]

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[1] *Development Charges Act, 1997*, s.59 and *Planning Act,* s.51 and 53.
[2] *Development Charges Act, 1997*, s.2(5)
[3] A municipality can be challenged at the OMB on the definition of local services either through a development charge by-law appeal process (eg. the municipality included works which are "local services" in its development charge calculation) or through a *Planning Act*, s.51 (subdivision) agreement appeal (eg. the municipality is requiring emplacement/funding of works which are not "local," as a condition of the agreement).

2.2 Funding Sources:

Schedule 2-2 provides additional detail on the hierarchy of growth-related municipal roads/sanitary sewer/water works. The examples in each category are drawn from experience throughout the Province.

Schedule 2-3 provides similar information to Schedule 2-2 for storm water management works. Practice in Ontario municipalities does vary widely with respect to this service. Few municipalities have municipal-wide DCs for storm water management. Some use area-specific DCs and *Municipal Act*, s.221 by-laws, while others rely on (private) developer cost sharing agreements.

3. CURRENT FINANCIAL PRACTICES IN OTTAWA – DEVELOPMENT CHARGES:

3.1 Background:

The new City of Ottawa, comprising the former Region of Ottawa-Carleton and its nine constituent area municipalities, commenced operation on January 1, 2001. The Region and nine of the eleven local municipalities (excluding the former Cities of Ottawa and Vanier) had development charge (DC) by-laws in force prior to amalgamation. These by-laws remain in force until the City Council passes new by-law(s) replacing them[1] (or until they expire, in most cases, in mid-2004).

Other development funding policies/practices (eg. definition of local service, funding of storm water management works, requirement for developer agreements) varied by local municipality. Based on information from City staff, these policies/practices remain in force in the former areas at least until the end of 2001.

The ROPA 9 area includes lands which were located in the former City of Kanata (282 ha or 39%), the former Township of West Carleton (293 ha or 40%), and the former Township of Goulbourn (150 ha or 21%).

West Carleton's development funding policies are geared to a more rural type of development, unlike the urban form in the KWCP development. Similarly Goulbourn's urban development is on a suburban/rural scale. Accordingly, the focus of this Chapter is on Kanata's policies, with reference to Nepean and Gloucester to provide some perspectives on the range of policies within the former (developing) urban Region.

[1]The City is currently commencing an Official Plan review. The development charge policy/by-laws are likely to be consolidated and replaced either during or after this process.

SCHEDULE 2-2
GROWTH-RELATED MUNICIPAL INFRASTRUCTURE
HIERARCHY OF ROAD/SANITARY SEWER/WATER CAPITAL WORKS AND USUAL FUNDING SOURCES

SERVICE / RELEVANT AREA	ROADS	SANITARY SEWER[1]	WATER[1]	ALTERNATIVE FUNDING SOURCES FOR GROWTH-RELATED COSTS	
				ROADS	SANITARY /WATER
A - Municipal-wide ***(Non-local)***	Major arterials and related facilities	Sewage treatment plants, major pumping stations and trunks	Water source, water treatment plant, major pumping stations and mains	• Municipal-wide DC	• Municipal-wide DC or • *Municipal Act*, s.221 (for trunks/ mains/pumping stations)
B – Area-wide **(External to Development)** ***(Non-local)***	Minor arterials and collectors	Sanitary sub-trunks and sub-area pumping stations	Water mains and sub-area pumping stations	• Municipal-wide DC	• Municipal-wide DC • Area-specific DC • *Municipal Act*, s.221
C – Area-wide **(Internal to Development)** ***(Non-local)***	Oversizing relating to collector road works	Oversizing related to sanitary sewer sub-trunks and minor pumping stations	Oversizing related to water mains and minor pumping stations Local water main standard	• Municipal-wide DC; or • Area-specific DC	• Municipal-wide DC • Area-specific DC • *Municipal Act*, s.221
D – Individual Development ***(Local)***	Local road standard Site access and intra-development, parking and streetscape, and all sidewalks	Local sanitary sewer main standard Sanitary sewer connectors, and local works internal to the development (including local share of oversized works)	Local water main standard Water connections and local works internal to development (including local share of oversized works)	• Direct Developer Emplacement Requirement • Direct Developer Emplacement Requirement	• Direct Developer Emplacement Requirement • Direct Developer Emplacement Requirement

[1] Would apply only where services provided; also individual communal system may not be subject to their own individual rates.

SCHEDULE 2-3

GROWTH-RELATED MUNICIPAL INFRASTRUCTURE

HIERARCHY OF STORMWATER MANAGEMENT WORKS AND USUAL FUNDING SOURCES

RELEVANT AREA	STORM WATER MANAGEMENT	ALTERNATIVE FUNDING SOURCES FOR GROWTH-RELATED COSTS
A. Municipal-wide ***(Non-local)***	Major detention facilities, major trunks	Practice with respect to storm water management varies considerably. Storm water facilities tend to be area-specific and not involve major municipal-wide facilities. Storm water management is usually the direct responsibility of the developer(s), with cost sharing handled through area-specific DCs, *Municipal Act*, s.221 by-law and/or private cost-sharing agreements
B. Area-wide (**External to Development**) ***(Non-local)***	Sub-trunk storm sewers	
C. Area-wide (**Internal to Development**) ***(Non-local)***	Oversizing related to storm sewers	
D. Individual Development ***(Local)***	Run-off measures, storm connectors and local works internal to the development (including local share of oversized works)	• Direct developer emplacement requirement

When different development charges apply in the same area, they are cumulative, as follows:

	Region DC
+	Area Municipal Uniform DC
+	Area Municipal Area-Specific DC (if any)
+	Education Development Charges
=	Total DC Payable

3.2 By-law Structure:

The **Region's** DC by-law structure consists of a single by-law (64 of 1999) which includes a residential area specific charge for development inside the Greenbelt ($6,957 per single detached unit) and outside the Greenbelt ($7,685 per single detached unit). The difference is approximately 9.5% ($728), due primarily to lower charges for sanitary sewer and water. In addition, development in area municipalities which does not receive municipal wastewater and/or water and/or transitway service, does not pay those portions of the charge. Further, apartment development in the vicinity of transitways receives a 50% reduction in the road services charge, subject to a number of criteria.

The **Kanata** area has a single DC by-law. The by-law (144-99) contains a uniform, municipal-wide charge and four special area charges (Monahan Drain – Areas 1 and 2; Terry Fox/Campeau Drive; Town Centre; and Hope Lands). The Town Centre charge relates to sanitary sewer service, with the remainder relating to storm waste management works. The Monahan Drain charges were subsequently amended through By-law 140-00.

West Carleton and **Goulbourn** each have a single DC by-law (99-47 and 8-99, respectively), passed in August, 1999.

Nepean has a single development charge by-law (By-law 069-99). The by-law contains a municipal-wide development charge applicable to all development in the former City and three area-specific charges – the South Nepean Drainage Area (storm water), the South Nepean Sanitary Sewer Drainage Area (sanitary sewers) and the Jock River Collector Sewer Drainage Area (sanitary sewer).

The **Gloucester** area has a single development charge by-law (170 of 1999), containing area-specific charges for four services (sanitary sewer, storm sewers, storm water management ponds and transportation). The defined areas are: South Urban Community; East Urban Expansion Community; Leitrim Community; Existing East Urban Community; and Inside the Greenbelt.

3.2.1. DC Services

Development charges are calculated on the basis of eligible growth-related capital costs by service. The legislation requires that the municipality identify the services for which the charge is to be levied in the DC by-law. Schedule 3-1 summarizes the services included in the selected Ottawa-Carleton DC by-laws.

The non-engineered services (eg. fire, police, libraries, parks and recreation, child care) are levied on a municipal-wide basis. Roads are also normally levied on a municipal-wide basis, although Gloucester and Goulbourn have an area-specific charge in addition to the City-wide charge. Storm water is levied on an area-specific basis, with the three major urban areas each having area-specific charges affecting sections of their growth areas.

3.2.2 Charge Structure

The *Development Charges Act, 1997* requires that DC by-laws set out "rules" so that the charge applicable to any particular development can be determined. Uniform, municipal-wide charges are generally levied on a per dwelling unit basis for residential development, based on unit type, and per square foot of gross floor area (GFA) for non-residential development. Schedule 3-2 sets out the charge structure for the selected Ottawa-Carlton municipalities. For residential development, most of the municipalities have at least four categories. The exception is Nepean, which has a single charge for all apartments. The Region, Kanata, Gloucester, and West Carleton have separate DC rates for small and large singles and townhouses, providing some incentive to the building of smaller units. The DC rate is identical to large apartments.

For non-residential development, Nepean and Gloucester charge a single rate for all types of development. Kanata and the Region have separate rates for industrial and commercial/institutional development.

Area-specific charges for storm and sanitary works may be based on similar charge structures to the uniform DC charges as set out in Schedule 3-2 (eg. Town Centre charge in Kanata). Alternatively, a per hectare charge is often used (eg. Terry Fox, Campeau Drive charge in Kanata), particularly where it is difficult to determine the total amount and type of development on the lands.

3.2.3 Residential Development Charge Rates

Schedule 3-3 sets out the current residential single-detached development charge rates in-force in six former Regional municipalities, including Kanata, Goulbourn and West Carleton. The rates shown comprise the lowest rate in force in the municipality (usually the uniform rate) and the highest rate (comprising the uniform rate plus the highest area specific rate applicable only in a defined area of the municipality).

SCHEDULE 3-1

DEVELOPMENT CHARGE SERVICES IN SELECTED OTTAWA-CARLETON DC BY-LAWS

Services	Region	Kanata	West Carleton	Goulbourn	Nepean	Gloucester
Non-engineered Services						
Protection, Police, Fire	X	X			X	X
Works/Parks Depot – Equipment		X			X	X
Libraries		X			X	X
Recreation/Parks		X			X[1]	X
Other (eg. Studies, General)	X	X		X	X	X
Child Care	X					
Engineered Services						
Transitways	X					
Buses	X					
Wastewater	X[A]	X[A]		X[A]	X[A]	X[A]
Water	X[A]					
Roads	X[2]	X		X[3]	X[4]	X[3]
Stormwater		X[A]		X[A]	X[A]	X[A]

Source: Development Charge By-laws

[1] recreation and parks each included as separate services
[A] area-specific only (Region has separate charges inside and outside the greenbelt)
[2] includes equipment
[3] area-specific and municipal-wide roads charges
[4] sidewalks and streetlights identified as a separate service

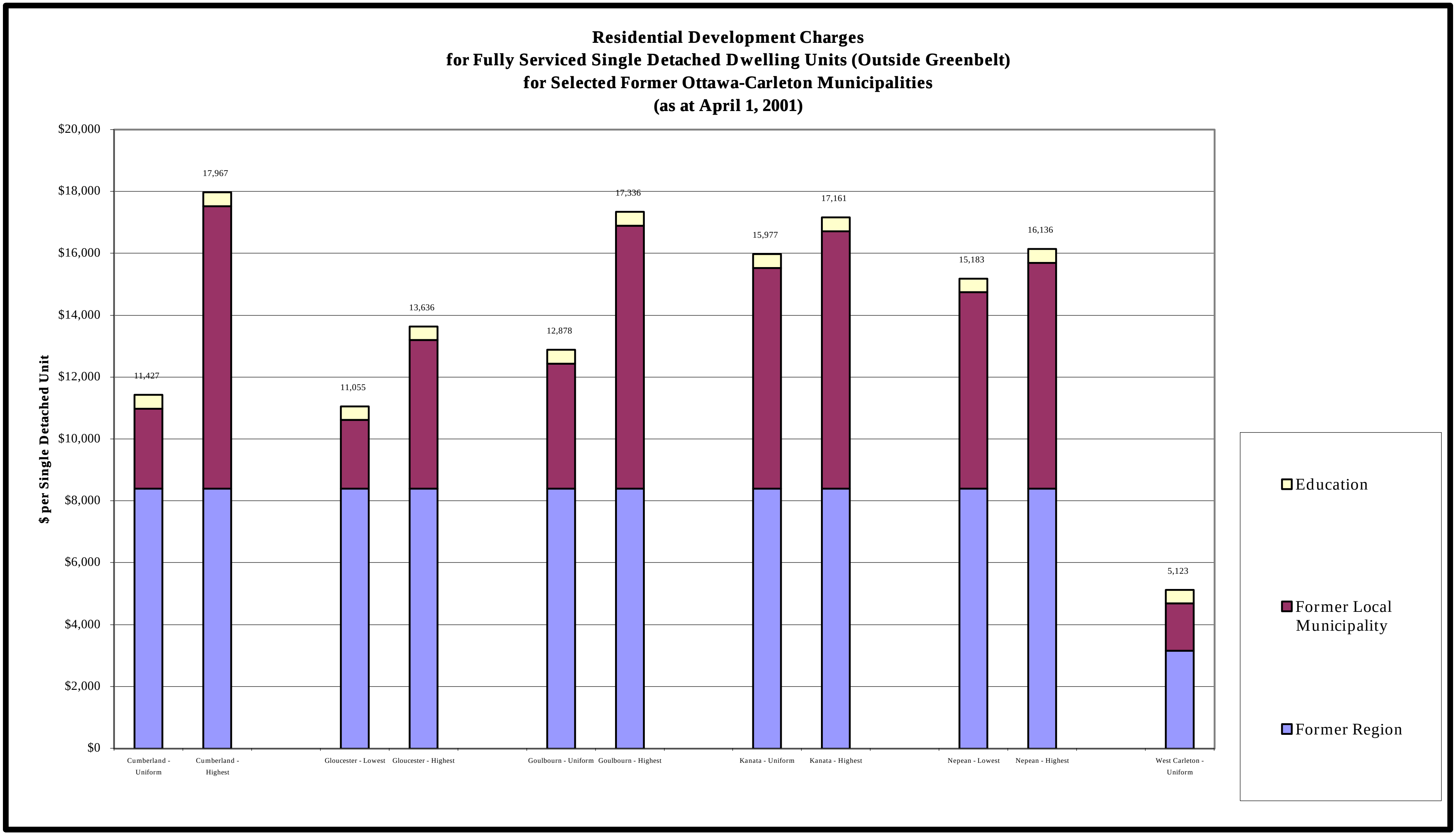
SCHEDULE 3-2

CHARGE STRUCTURE IN DEVELOPMENT CHARGE BY-LAWS FOR SELECTED OTTAWA-CARLETON MUNICIPALITIES

	Region	Kanata	West Carleton	Goulbourn	Nepean	Gloucester
Residential Development						
1. Single and Semi Detached of 1,100 sq.ft.+	X	X	X	X[1]	X[1]	X
2. Singles, Semis and Multiples of less than 1,100 sq.ft. and Mobile Homes[3]	X	X	X			X
3. Row and Multiple Dwellings of 1,100 sq.ft.+	X	X	X	X[1]	X[1]	X
4. Apartment					X	
5. Apartments – Bachelor and 1 Bedroom	X	X	X	X[2]		X
6. Apartments of 2 or more bedrooms	X	X	X	X	X	X
Non-Residential Development						
All Non-residential					X	X
Commercial/Institutional	X	X	X			
Industrial	X	X	X			

Source: Development Charge By-law

[1] A reduced rate does not apply to smaller single, semi and townhouse units
[2] Also applies to senior citizen units
[3] The DC rate for these units is identical to the large apartment rate


Residential Development Charges
for Fully Serviced Single Detached Dwelling Units (Outside Greenbelt)
for Selected Former Ottawa-Carleton Municipalities
(as at April 1, 2001)
$ per Single Detached Unit
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
11,427
17,967
11,055
13,636
12,878
17,336
15,977
17,161
15,183
16,136
5,123
Cumberland - Uniform
Cumberland - Highest
Gloucester - Lowest
Gloucester - Highest
Goulbourn - Uniform
Goulbourn - Highest
Kanata - Uniform
Kanata - Highest
Nepean - Lowest
Nepean - Highest
West Carleton - Uniform
Education
Former Local Municipality
Former Region

Each bar also includes the former Regional rate ($8,347 per single detached unit (sdu)), the area municipal rate (eg. $7,146 per sdu in Kanata) and the School Board rate ($444 per sdu). The total rate for a new single detached unit in Kanata is $15,977; if the new unit, however, is located in the Bridlewood area, the charge is $17,161 per sdu, due to the area-specific storm water management charge.

Schedule 3-4 shows the breakdown of the Kanata DC by service, as DC rates are calculated on the basis of eligible growth-related capital requirements for each service. The largest components are directed to roads ($6,032 per sdu) and transit ($3,527 per sdu) or 56% of the total DC.

The charge in force in the Goulbourn section of the KWCP area is $12,878 per sdu and in the West Carleton section, $5,123 per sdu (excludes sanitary sewer, water, and other urban services).

Lower rates would apply to other types of units, identified in Schedule 3-2, based on average occupancy.

As noted previously, these rates are likely to change within the next year as the City will undertake a process to consolidate the multiplicity of DC rates and policies currently in force.

3.2.4 Non-Residential Development Charge Rates

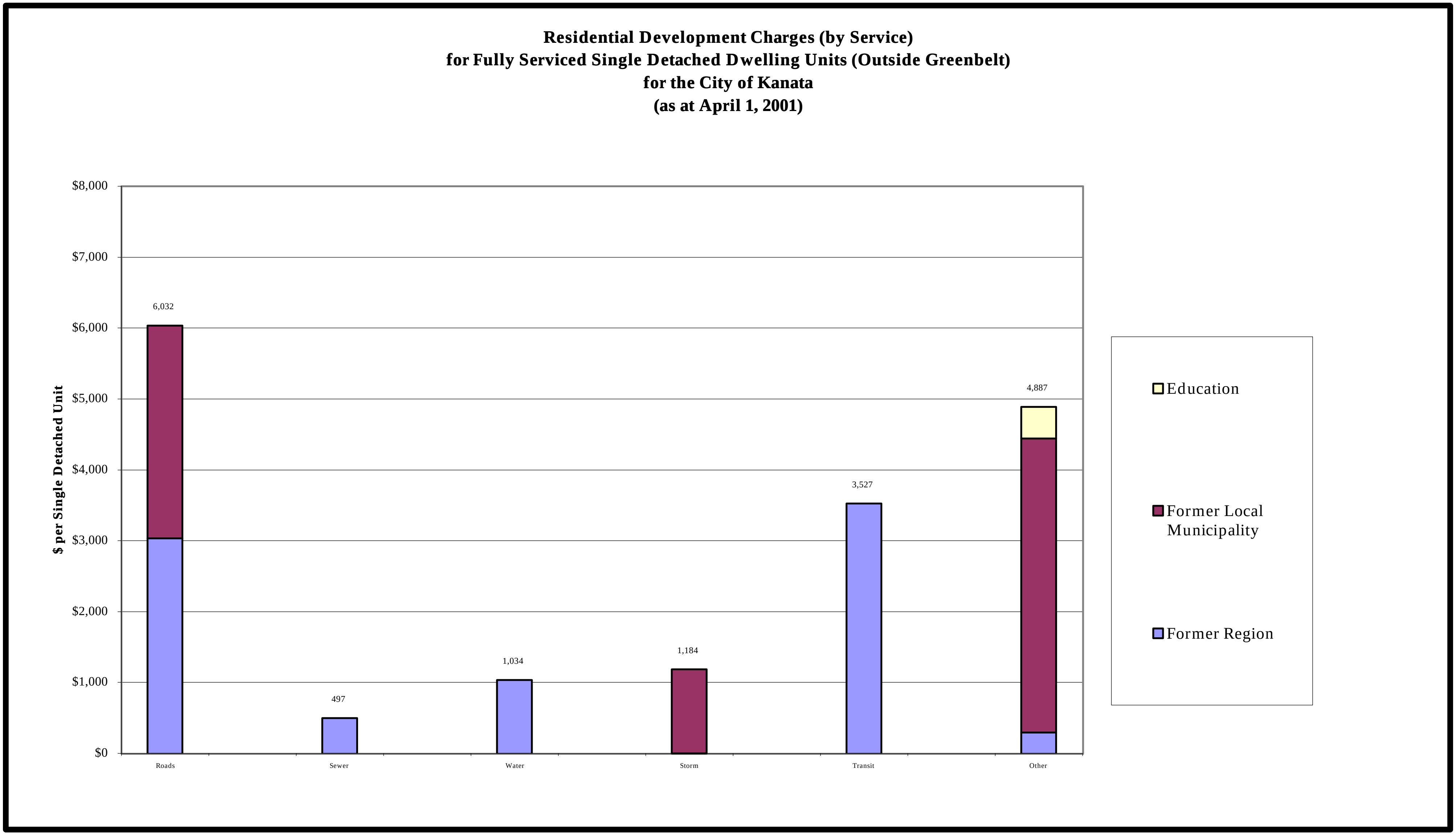
Schedule 3-5 sets out the current commercial/institutional in-force development charges in six former Regional municipalities, including Kanata, Goulbourn and West Carleton. Similar to the graph illustrating the residential charges, the highest and lowest rates in force in the municipality (including Regional, area municipal and school board) are shown; Cumberland and West Carleton have only one non-residential rate.

Commercial/institutional DCs are normally set as a charge per square foot/metre of gross floor area, or occasionally per acre.[1]

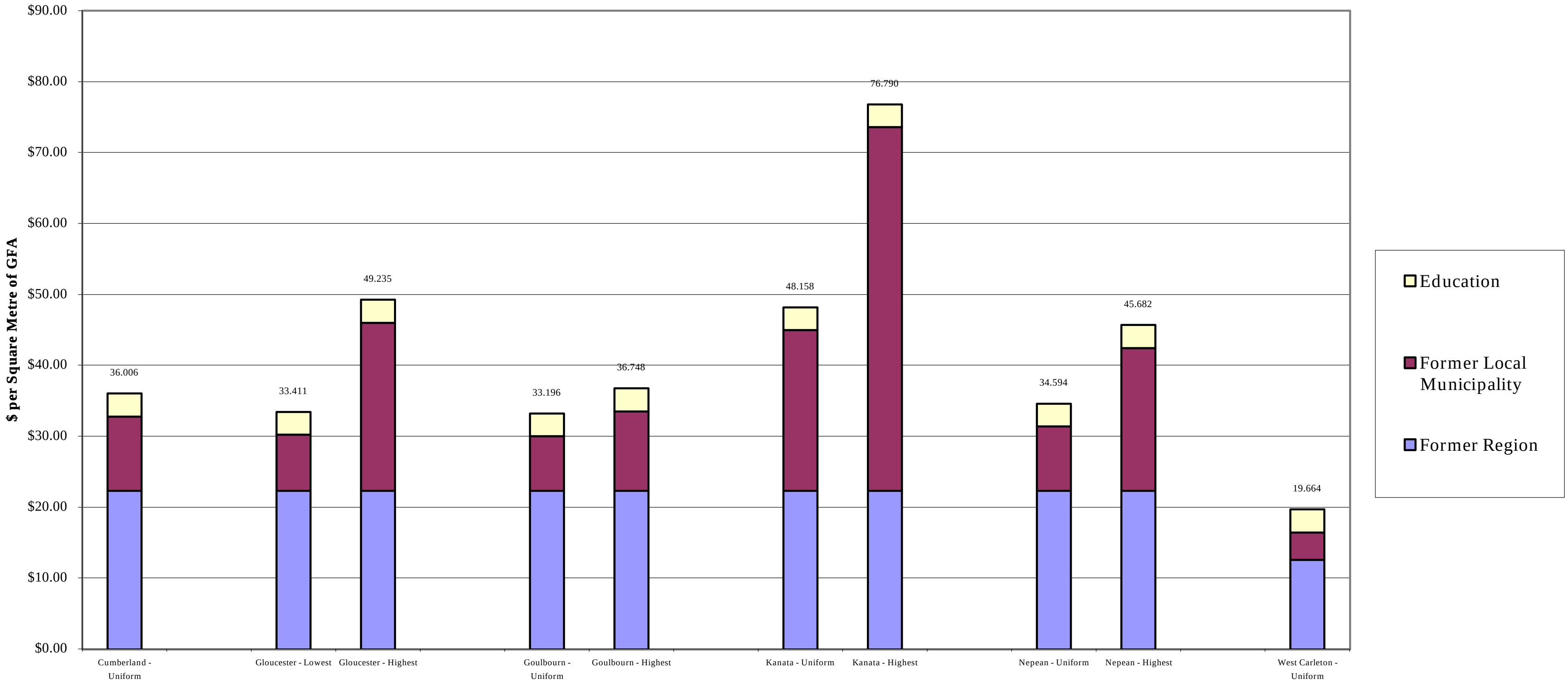
The Kanata charges range from $48/s.m. (the uniform charge) to $77/s.m., the latter including the storm water management charge applicable in the Bridlewood area.

Schedule 3-6 sets out the current DC rates for industrial development in the six municipalities. Municipalities often implement lower DC rates for industrial (compared to commercial), since it is highly competitive, and generally land and building values are lower. Since the Region's DC rate for industrial is 50% of the commercial/institutional rate, all municipalities in the schedule show some reduction in their industrial DC rates.

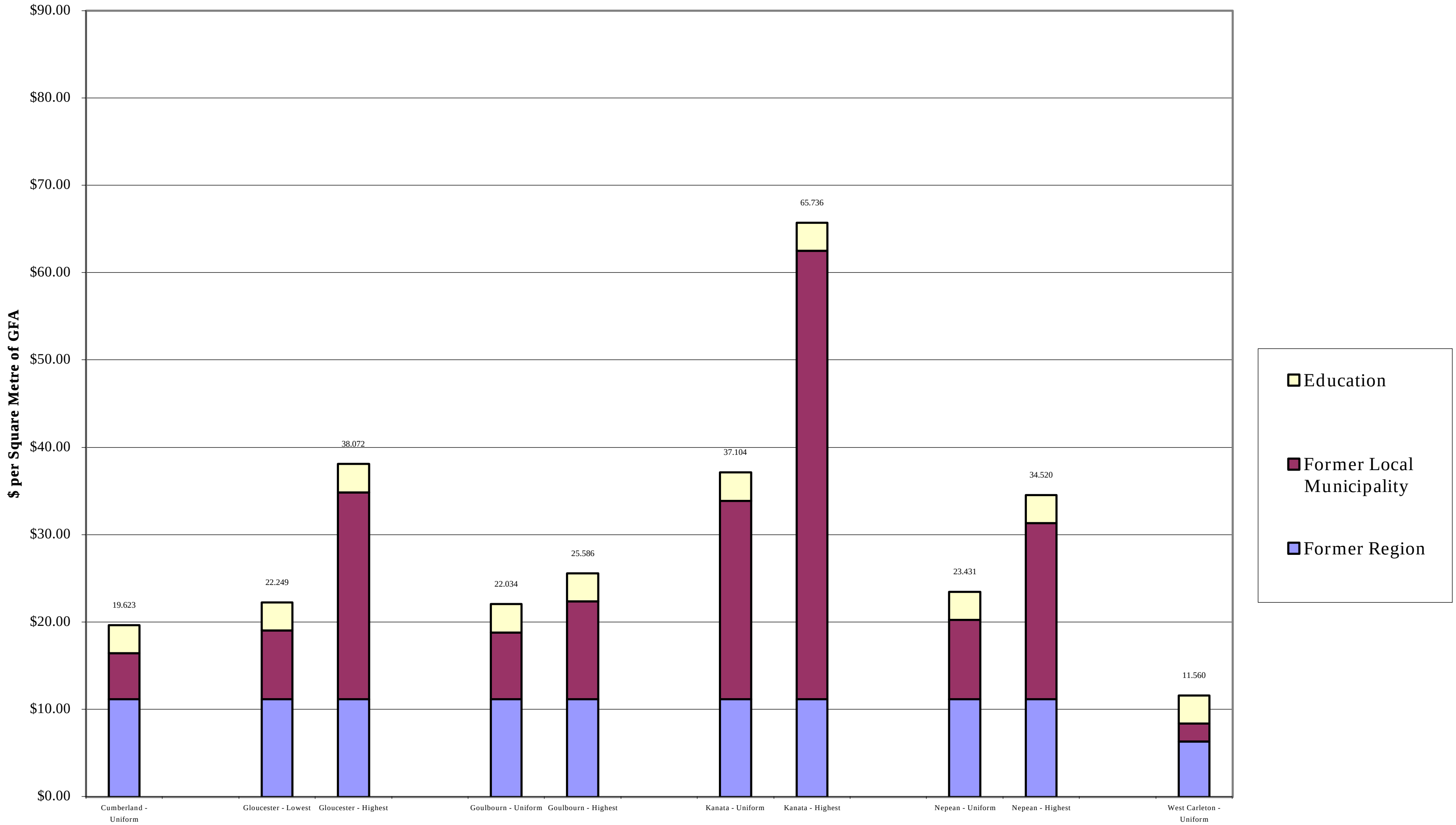
[1] Where required, per acre charges have been converted to per s.m. of gross floor area rates for purposes of this graph.


Residential Development Charges (by Service)
for Fully Serviced Single Detached Dwelling Units (Outside Greenbelt)
for the City of Kanata
(as at April 1, 2001)
$ per Single Detached Unit
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
6,032
497
1,034
1,184
3,527
4,887
Roads
Sewer
Water
Storm
Transit
Other
Education
Former Local Municipality
Former Region

Commercial/Institutional Development Charges per Fully Serviced Square Metre of Gross Floor Area (Outside Greenbelt) for Selected Former Ottawa-Carleton Municipalities (as at April 1, 2001)



Industrial Development Charges
per Fully Serviced Square Metre of Gross Floor Area (Outside Greenbelt)
for Selected Former Ottawa-Carleton Municipalities
(as at April 1, 2001)



Schedule 3-7 illustrates the service components for the highest commercial/institutional charge in Kanata. Storm water management is the largest single component at about 37% of the total. Roads and transit comprise about 46% of the total.

3.2.5 Area-Specific Development Charges

In the former Ottawa-Carleton, most area-specific development charges relate to storm water management works, and to a lesser extent, sanitary sewer trunks. For both these services, a defined service area is identifiable (as compared to arterial roads where some degree of benefit extends to the entire system).

Schedule 3-8 sets out the development charges for areas with charges in force in Kanata and Nepean for industrial development. The charges range from $41/s.m. in Calmar to $66/s.m. in the Bridlewood area. Of the six Kanata areas, with area-specific DCs, five relate to storm water management works, and one to a sanitary sewer trunk (Town Centre).

Similarly in Nepean, DCs in areas with area-specific charges range from $32 to $35/s.m. One charge (South Nepean Drainage Area) relates to a storm water management work. The other (Jock River) is a sanitary trunk (although the two areas overlap, resulting in the charges being applied cumulatively).

3.2.6 Summary of Key Findings

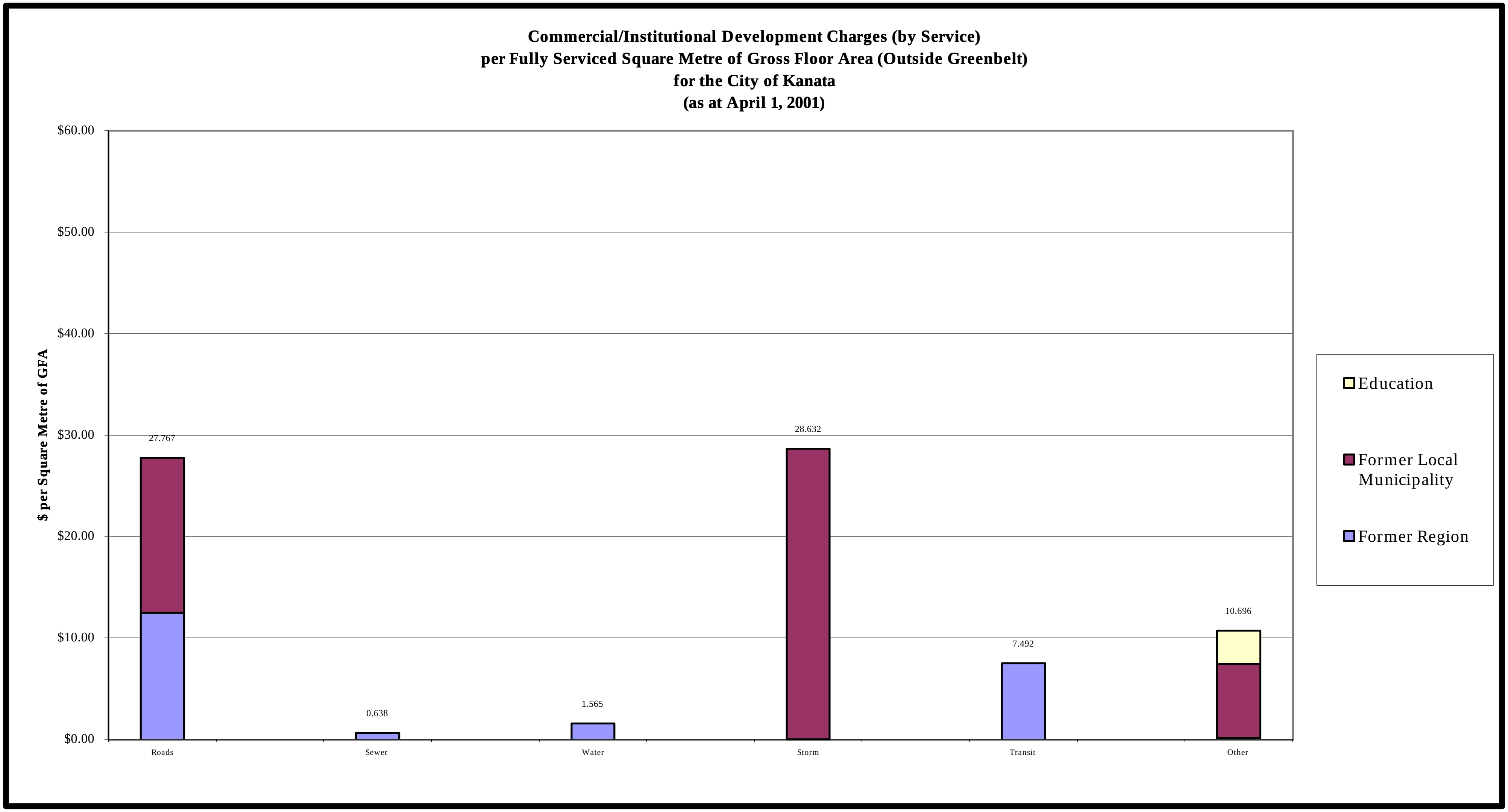
- The new City of Ottawa currently has a multiplicity of development charge rates and policies in force as a result of the recent amalgamation of the eleven former municipalities.

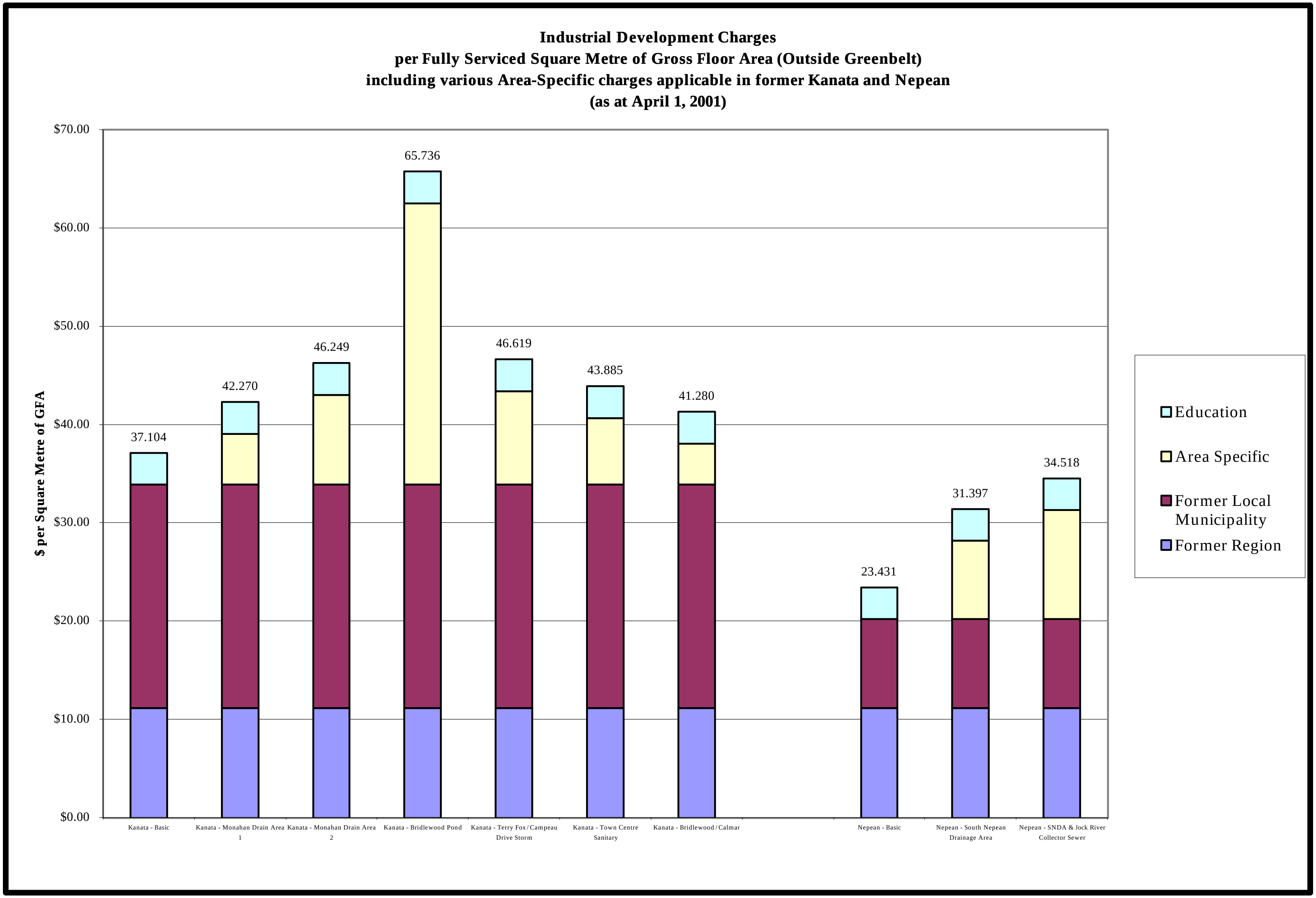
- Current inforce development charges in the KWCP area comprise the previously implemented rates in the City of Kanata, and the Townships of Goulbourn and West Carleton (based on the jurisdiction of the previous municipalities).

- The Kanata DCs are the only charges effective in the KWCP area which incorporate full urban services (municipal water and sanitary sewer), and urban standards for non-engineered services.

- Use of area-specific charges has previously related to storm water management works and to a lesser extent, sanitary sewer trunks (other than the Region’s inside/outside the greenbelt rates).

- ROPA 9’s requirement for an area specific DC by-law (or other type of area-specific cost charge) “to pay the cost of the necessary infrastructure…” is not an approach used under any of the previous municipal DC policies.


Commercial/Institutional Development Charges (by Service)
per Fully Serviced Square Metre of Gross Floor Area (Outside Greenbelt)
for the City of Kanata
(as at April 1, 2001)
$ per Square Metre of GFA
$60.00
$50.00
$40.00
$30.00
$20.00
$10.00
$0.00
27.767
0.638
1.565
28.632
7.492
10.696
Roads
Sewer
Water
Storm
Transit
Other
Education
Former Local Municipality
Former Region


Industrial Development Charges
per Fully Serviced Square Metre of Gross Floor Area (Outside Greenbelt)
including various Area-Specific charges applicable in former Kanata and Nepean
(as at April 1, 2001)
$ per Square Metre of GFA
$70.00
$60.00
$50.00
$40.00
$30.00
$20.00
$10.00
$0.00
37.104
42.270
46.249
65.736
46.619
43.885
41.280
23.431
31.397
34.518
Kanata - Basic
Kanata - Monahan Drain Area 1
Kanata - Monahan Drain Area 2
Kanata - Bridlewood Pond
Kanata - Terry Fox/Campeau Drive Storm
Kanata - Town Centre Sanitary
Kanata - Bridlewood/Calmar
Nepean - Basic
Nepean - South Nepean Drainage Area
Nepean - SNDA & Jock River Collector Sewer
Education
Area Specific
Former Local Municipality
Former Region

- The City will likely commence a new development charge study coincident with the preparation of the new Official Plan, which will address the rationalization of DC policies and rates (eg. municipal-wide vs. area specific, rural vs. urban, local vs. non-local service definitions). The timing of completion is unknown, but is likely to be late 2002-early 2003.

- The timing of implementation of ROPA 9's financial strategy will determine the type of action needed. If the timing is coincident with the development of new City DC policies, it could be incorporated in that approval process. If implementation occurs prior to that time, it would require an amendment to the current Regional DC by-law, as well as passage of an area specific DC by-law, through a separate approval process.

- DC by-laws have a maximum five year time horizon. At the end of the term, a new study must be completed and a new by-law passed. Changes in costing, interest rates, growth prospects, can be incorporated into the DC rate at that time. A DC by-law can also be amended during the by-law term.

3.3 Other Financial Policies/Practices:

3.3.1 Use of Municipal Act, s.221

A *Municipal Act*, s. 221 area-rating by-law represents the only major alternative to DCs for funding of (non-local) growth-related infrastructure. This legislation allows a municipality to pass a by-law setting a charge on a benefiting area basis to recover costs for sanitary sewer, water and/or storm water management works only. The charge applies to both existing development and future growth within the defined area. It may incorporate both current and future works within and outside the benefiting area, and include interest costs.

The legislation permits the charge to be calculated on one or more bases, including per acre, per front foot, per dollar of property assessment or any other basis which Council considers reasonable. As well, a deferred benefiting area may be defined where payment does not commence immediately (with accumulating interest). Unlike the development charge process, *Municipal Act*, s. 221 by-laws are not subject to OMB appeal.

s. 221 by-laws are generally used where the municipality is willing to debenture fund the work, with subsequent cost recovery from the benefiting owners. Accordingly, it is used where a municipality considers that it must become directly involved in implementing and/or accelerating a project to deal with a health/safety issue (eg. fund a sanitary sewer trunk in an area where private services are failing), or to pursue a municipal priority (eg. assist in funding servicing in a business park when the private sector is unable/unwilling to do so).

Practice in the (urban) area municipalities in the former Ottawa-Carleton did include the use of area rating by-laws. Section 221 of the *Municipal Act* has been utilized in the former municipalities of Nepean, Kanata and West Carleton to finance the emplacement of hard service works. For example, the former City of Kanata passed a s.221 by-law to facilitate financing of sanitary sewer and pumping station improvements required to permit further development to proceed in a major new development area. Under the terms of the associated agreement, the City of Kanata and one landowner front-ended the initial cost of the works, with repayment by each landowner to be made in accordance with terms outlined in the agreement. All repayments were made through the City of Kanata. Both Nepean and Kanata have on occasion permitted the arrangement of a secured mortgage with a landowner in structuring the terms of repayment.

3.3.2 Funding of Oversizing

“Oversizing” occurs when a secondary plan or subdivision plan specifies that a work be emplaced of larger capacity than required by an individual owner/ subdivision plan, in order to provide efficient and effective services for the larger development area. For instance, a collector road may be located on a small landowner’s holding. The road is not required exclusively for that development. Oversizing, in this case, could be defined as the value of land and the roadway width beyond 20 metres and 8.5 metres respectively.

The practice with respect to oversizing costs varies among municipalities. Some municipalities have no involvement in cost redistribution, and treat it as a matter for the private owners in the development area to resolve. Other municipalities encourage or enforce (through a secondary plan condition) that a private sector cost sharing agreement (described below) be entered into for such matters. The third approach is to include oversizing in the municipal wide or an area specific development charge, and spread the costs over all development within the defined area.

Practice in the (urban) area municipalities in the former Ottawa-Carleton also varied by municipality, and even by service. Kanata, for instance, included oversizing costs for collector roads in their municipal-wide DC, while encouraging private cost-sharing agreements for sanitary sewer. Storm water management was handled through area specific DCs (and, occasionally private agreements). Nepean provided no compensation for oversizing of collector roads through the development charge policy, but did implement area specific DC rates for storm and sanitary sewers.

3.3.3 Private Cost Sharing Agreements

Private cost sharing agreements are generally used for “local” services where there may be a number of owners within a development area, to fund storm water management works, distribute parkland costs, etc. and/or to equalize the burden of oversizing above an individual owner’s requirements (as discussed above). There is no municipal involvement beyond encouraging (or requiring) the owners to reach such agreements.

Such agreements for storm water management are used in lieu of an area specific DC by-law or area rating by-law (*Municipal Act*, s. 221) usually where there are only a few affected owners and/or the works are minor. The municipality may encourage this approach to reduce the complexities and administration related to area-specific DC by-laws (as well as the potential for OMB appeals).

Practice in the (urban) area municipalities of the former Ottawa-Carleton has generally been to encourage and facilitate (rather than mandate) private cost sharing agreements, as required to permit the development to proceed.

3.3.4 Summary of Key Findings

- There is precedent in the former Region for the use of *Municipal Act*, s. 221 by-laws for sanitary sewer and storm water management.
- The current policy on inclusion of oversizing costs in municipal-wide and area specific by-laws varies by area municipality (and even by service). Kanata included collector road oversizing in the municipal-wide by-law, while Gloucester and Cumberland included the cost in area-specific DC charges.
- Past practice has included municipal encouragement of private cost sharing for oversizing of sanitary sewer trunks and other services where necessary to permit development to proceed.
- As part of the new Development Charge and Official Plan processes, the City will be developing new policies with respect to the funding of oversizing, the use of area specific DCs for storm water management (and potentially other services), and the municipal role (if any) in private cost sharing agreements. The development of the KWCP financial strategy is likely to provide input into the process of developing the new policies. The City will be seeking a consistent approach.

4. BUSINESS PARK INFRASTRUCTURE FUNDING:

4.1 Introduction:

This chapter provides information on alternatives for funding business park infrastructure, both from the perspective of alternative funding sources and financing strategies. The objectives are to understand how business park infrastructure has been funded in the past in the former Ottawa-Carleton and its area municipalities, and to explore practice in other municipalities throughout the Province.

4.2 Past Ottawa-Carleton Practice

The new City of Ottawa has not developed a policy with respect to municipal contributions to funding business park infrastructure in the short time period since the amalgamation. Under the previous local government structure, major infrastructure (eg. water and sanitary sewer treatment, major trunks, arterial (Regional) roads) for business parks (and all other residential and non-residential development) was funded through development charges, water and sewer rates, and taxes. The share of such costs funded by user rates and taxes was higher for non-residential development due to the significant discount in the implemented DC rate.[1]

Previously, the area municipalities were primarily responsible for dealing with the issue of funding for area-wide and local (internal) sanitary sewer, water, storm water management, collector roads, etc. within business parks. Discussions with City staff indicated that practice varied by municipality and timing, depending on the cost and resources available. As well, the need for municipal intervention to achieve certain goals, as well as the entrepreneurial objectives of the municipality, accounted for variation in practice.

More detailed discussions in the interviews focussed on the most recently developed parks in Kanata and Nepean. The overall results are set out in Appendix A, and are summarized below:

Kanata Business Parks – The Kanata South Business Park (approximately 100 acres) was a 100% City project, including land ownership and servicing. All costs were financed through debentures, which have now been fully funded; cost recovery was through lot sales. The major impetus for the municipal role was a constrained land supply, particularly for high tech companies, and the need to address an economic downturn.

The Kanata/Terry Fox Business Park was a private sector initiative. The area municipality investigated assuming a full municipal role (similar to Kanata South) but costs were considered to be too substantial.

Nepean Business Parks – The Merivale Acres Business Park was municipally owned, serviced and funded (approximately 130 acres). The municipality recovered the cost of underground services through either up-front payments by purchasers or

[1] The calculated non-residential DC rate was approximately $155 per s.m. of gross floor area, of which 88% related to roads and transit. The actual DC rate implemented in the Region's DC by-law was $10.22 per s.m. for industrial development and $22.45 per s.m. for other non-residential development (7 to 14% of the calculated rate). When a reduced DC rate is implemented by a municipality, the lost revenue must be funded from property taxes, user rates or other non-DC sources.

Local Improvement Charges (purchasers fund their share of costs over time, including interest).

The Rideau Heights Business Park was developed through a municipal partnership with three private owners. The municipality funded the construction of the internal roads and piped services, with payback occurring as the site developed (secured by municipal ownership of a one foot reserve along the road allowances).

The 416/Fallowfield Business Park is privately owned, and has not proceeded at this time. Municipal participation is limited to off-site (area-wide) services, through the funding of a trunk extension to use existing capacity in the Barrhaven system. Costs are anticipated to be recovered through development charges.

4.3 Practice Elsewhere

In order to identify potential options for funding business park infrastructure, a survey was undertaken of municipalities outside the Ottawa area. The selection of the municipal sample was based on two criteria: urban municipalities only, and geographic location (i.e. within or outside the Greater Toronto Area).[1] Additional information on the municipalities surveyed is included in Appendix B.

4.3.1 GTA Practice

Similar to the former Ottawa-Carleton, all Regional GTA municipalities use development charges to fund major infrastructure, such as water and sanitary sewer treatment, major trunks and arterial (Regional) roads. However, most Regions did not implement development charges for non-residential at the full calculated rates[2], particularly for industrial development. This was done to provide an incentive to this type of development, to recognize its economic contribution from both tax revenue and job perspectives.

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[1] Other municipalities were not surveyed directly for this study since the firm already had information on their approach to financing industrial land servicing (eg. Mississauga, Markham). These approaches either duplicated those used in the municipalities surveyed or their relevance to the KWCP situation was limited. For instance, Mississauga has a few major industrial developers, who develop most of the industrial lands; they are responsible for funding both area specific works and internal servicing; the City does not use DCs for area specific works. The circumstances for these other municipalities have, however, been considered in the developing the summaries set out above.

[2] The City of Toronto exempted all non-residential development from paying DCs, while the Region of Durham has a low charge (+/-$1.00 per sq ft. of gfa).

Practice diverges for area municipal works (eg. storm water management, collector roads, and in the case of York Region, local water distribution and sanitary sewer collection), with three basic alternatives:

- ***Direct Developer Responsibility (with or without private cost sharing)*** – This tends to occur more frequently when the full water and sanitary sewer responsibility is at the Regional level (i.e. Halton, Peel, Durham), the non-residential market is strong, and there are major "players" with large ownerships. Examples include: Burlington; Mississauga; Brampton; and Milton. In these cases, the minimum pipe size defined as "local service" (developer funded) is higher (eg. 16 inches (400 mm) in Halton Region)

- ***Area Specific Development Charges -*** A number of York Region municipalities use area specific development charges to refund oversizing costs to the front-ending developer for internal collector roads, storm water management, etc. For instance, Richmond Hill has 15 area specific DC by-laws, most related to secondary plan areas (i.e. communities).

- ***Municipal Ownership and/or Cost Front-ending-*** Within the GTA, this occurs primarily in Durham Region. More recent parks have been developed under private ownership, although the Region has assisted in financing of services (with recovery of costs through DCs).

Assistance in financing services in Business Parks is limited in GTA municipalities, with the primary approach being reduced DCs (which serves to benefit all non-residential development throughout the municipality). Area specific DCs may provide a form of incentive, in that they can be used to provide a payback of oversizing costs to the front-ending developers[1]. Direct municipal contributions to servicing costs are not common in the GTA.

4.3.2 Practice Outside the GTA

Municipal ownership of business parks in major urban areas outside of the GTA is much more common (eg. Windsor, Barrie). In most cases, these municipalities have a reserve fund, funded by an annual tax contribution and revenue from land sales. Servicing is funded through the issuance of municipal debenture (with a few municipalities seeking Superbuild Funding).

The Region and City of Waterloo, along with the University of Waterloo and some major high tech companies have, in combination proposed the development of a Research and Technology Park on approximately 40 ha owned by the University. The Region became involved largely in response

[1]Richmond Hill indicated that the Town takes steps to ensure that a front-ending developer will receive full credit value for oversizing costs, even though the legislation permits the Town to provide a lower cost recovery in some cases.

to a shortage of available land for high tech companies. This public/private partnership is seeking Superbuild Funds for approximately $40 million of infrastructure (including the Region and City contribution of $13.4 million for road improvements). To date, there has been no response to the Superbuild application.

4.4 Summary of Findings

Schedule 4-1 illustrates schematically the range of funding sources for major (non-local) Business Park infrastructure used in the Province. The six approaches represent a continuum of increased developer responsibility for funding infrastructure costs, with full municipal responsibility at the top (i.e. municipality funds all infrastructure) to maximum owner responsibility at the bottom (i.e. full DCs implemented).

In general, urban municipalities outside the GTA have funding policies which are toward the upper end of the spectrum, with municipalities making substantial contributions to non-residential infrastructure costs through taxes and user rates. These municipalities need to offer significant incentives to attract and retain businesses, as they are competing with not only the GTA municipalities, but also those outside of Ontario. GTA municipalities are able to recover a greater share of the infrastructure costs (and, in some cases, require the owner to fund costs directly).

Internal cost sharing is often undertaken by private agreements (sometimes required as a condition of the secondary plan). In a few municipalities (eg. Markham, Richmond Hill), area specific DCs are used.

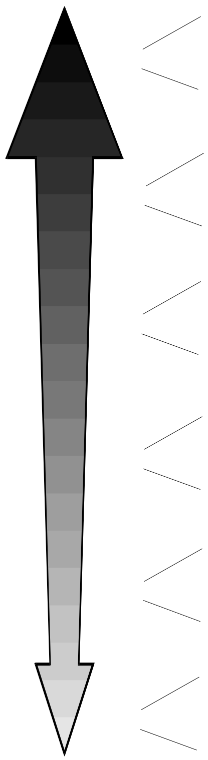
Schedule 4-2 illustrates schematically the range of municipal front-end financing roles for Business Park infrastructure used in the Province. Similar to Schedule 4-1 re funding sources, this continuum illustrates full municipal responsibility at the top through various stages of owner responsibility to the lowest level (i.e. no municipal contributions). Many non-GTA municipalities are active participants in up-front financing of Business Park infrastructure, while GTA municipalities usually provide some form of DC credits.

Practice in the former City of Ottawa area reflects the approaches in the middle of the spectrum with:

- A significant reduction in the Regional industrial and commercial DC implemented (with the reduction funded by the municipality through the tax/user rate base)
- Municipal front-ending of area infrastructure costs in some cases (eg. municipal debenturing of some sanitary trunks and storm water management works)
- (In some cases) area specific DCs (or ***Municipal Act***, s. 221 charges) used to recover area infrastructure costs

SCHEDULE 4-1
CONCEPTUAL ILLUSTRATION OF RANGE OF FUNDING SOURCES FOR MAJOR (NON-LOCAL) BUSINESS PARK INFRASTRUCTURE

FULL MUNICIPAL RESPONSIBILITY



MAXIMUM OWNER/OTHER RESPONSIBILITY

Municipal emplacement of infrastructure to service the business park (usually municipally-owned lands)

Eliminate non-residential DCs and fund all off-site (non-local) costs through taxes/user rates (with owner funding internal (local) costs)

Use a third-party source of funding (e.g. Provincial/Federal grants, public/private partnerships), reducing the overall costs to be recovered from DCs and from taxes/user rates

Use a uniform DC but exclude financing costs from the DC calculation (and/or take other actions to lower the charge)

Use a uniform DC and implement maximum calculated non-residential DC rate

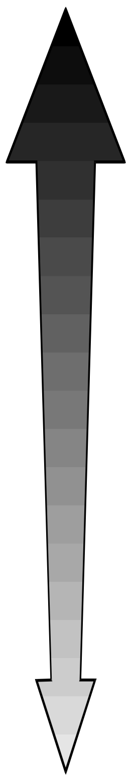
Implement an area-specific DC (or Municipal Act, s.221 for some services) to recover all costs

Note: Location of options along the continuum is conceptual only

H:\Kanata\continuum.vsd

SCHEDULE 4-2
CONCEPTUAL ILLUSTRATION OF RANGE OF MUNICIPAL FRONT-END FINANCING ROLES FOR BUSINESS PARK INFRASTRUCTURE

FULL MUNICIPAL
RESPONSIBILITY



- Municipal debenture of major works (in whole or in part), or provide alternate municipal source of front-end financing (e.g. Superbuild)
- Agree to services in lieu credit under the DCA, 1997, and pay out full cost of the work (both DC and non-DC share) at the time of work completion
- Agree to services in lieu DC credit for full DC share of the work, and guarantee a payback, with non-DC share funded consistent with Capital Budget timing
- Agree to services in lieu DC credit for DC share of work with no recouping of costs related to non-DC funded share of the work(s)
- Agree to early payment of DCs to be used for funding specific infrastructure required to permit development to proceed
- Provide no municipal assistance or accelerated timing opportunities for infrastructure emplacement

MAXIMUM
OWNER/OTHER
RESPONSIBILITY

Note: Location of options along continuum is conceptual only

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- (In some cases) encouragement of private cost sharing agreements in situations where local oversizing costs were incurred.

5. PERSPECTIVES ON ROPA 9 FINANCIAL POLICIES AND RECOMMENDED PROCESS RE: INFRASTRUCTURE FUNDING ISSUES:

5.1 ROPA 9 Financial Policies:

5.1.1 Financial Policy

With respect to infrastructure financing, the "basis" for ROPA 9 states as follows:

> "… Regional Council has requested information on the timing, cost and funding arrangements for infrastructure and will consider these issues at the same time as proposed Amendment 9.
>
> Amendment 9 proposes that development in the area pay the costs of the necessary infrastructure, apart from infrastructure already approved in Table 6 in the Region's Official Plan. A special area development charge to pay for infrastructure will be calculated on the basis of the more detailed concept plan." (pages 5-6)

ROPA 9 contains the following financial policies:

> "4.4.7. The costs of infrastructure required to support development in the Kanata West Business Park and the area between Maple Grove Road and Hazeldean Road (exclusive of infrastructure on Table 6 of the Plan) will be funded primarily by the development through such means as the *Municipal Act* Section 221, a special area development charge levied within the area or by other means exclusive of the property tax. The contributions to these costs by the Palladium Auto Park development shall take into account the nature of the uses permitted on these lands by policy 10.3.3.2 and the contributions already made, or agreed to, for the servicing of these lands. This policy shall not apply to development approved for the Corel Center in policy 3.5.2.10.
>
> 4.4.8. …The concept plan … shall determine
>
> > (d) Detailed plans for the provision of piped services, transit and transportation

infrastructure, a schedule for phasing development and infrastructure, and agreement regarding the apportionment of the cost of such facilities;

4.4.9. That the concept plan identified in policy 4.4.8 above, shall be prepared and financed by area landowners, for the approval of Regional Council or the new City of Ottawa Council, or its designate, under the guidance and review of municipal staff and in consultation with other interested parties and the public. The concept plan shall include the means by which the cost of infrastructure required to support development in the benefiting area can be funded and apportioned among the landowners;

4.4.11. Where municipal funding is to be allocated to the infrastructure required for the Kanata West Business Park and the area between Maple Grove Road and Hazeldean Road, such allocation of funding shall not result in priority over such infrastructure to the other capital works identified in Table 6.

4.4.12. That development not occur on the lands between Maple Grove Road and Hazeldean Road until the concept planning exercise addresses the following matters:

e) funding arrangements for the required infrastructure;

4.4.13 In approving the construction of the new roads and new transit facilities within the Kanata West Business Park, Council shall require that any necessary mitigation measures are in place, or have funding allocated for them in the capital budget, to ensure that existing roadways and transitways can handle the additional traffic generated by the Business Park and the lands between Maple Grove and Hazeldean Roads referred to in policy 12 above."

5.1.2 Corel Centre OP Policies (Section 3.5.2.10):

The Corel Centre is located within the Kanata West Concept Plan area. The Regional Official Plan contains Official Plan policies affecting that area including: designation as a major community facility; maximum area to be developed for primary and ancillary uses (eg. National Hockey League arena; hotel; office space not exceeding 12,000 s.m.; retail space not exceeding 5,580 m). Under these OP provisions, the required right of way for a future Transitway Facility will be provided at no cost. Based on ROPA 9 policy 4.4.7, funding of infrastructure requirements for KWCP is not applicable to Corel Centre development permitted under Section 3.5.2.10.

5.1.3 Palladium Autopark OP Policies (ROPA 3):

This OP Amendment permits 34 ha of development in the area to the west of the Corel Centre, primarily for auto dealerships, related gas bars and car washes (up to 21,135 s.m.), secondary facilities such as office space (eg. banks, insurance) related to auto sales and service (up to 11,150 s.m.), and commercial restaurant space (up to 930 s.m.). ROPA 3 also permits 3,720 s.m. of indoor plus outdoor space for the sale of food, crafts, etc. (potentially a farmers' market).

ROPA 9 Policy 4.4.7 requires that the KWCP Financing Strategy consider the contributions required from the ROPA 3 lands and the nature of the uses permitted. The cost sharing agreement (dated August 20, 2000) between the Palladium Autopark, the City of Kanata and the front-enders of the prescribed works (Signature Ridge Pumping Facility and related gravity sewer line and forcemain) requires Palladium to pay "its fair and proportionate share of the costs and interest."

The owners of the ROPA 3 lands have joined the KWCP study process, and accordingly these lands will be considered in the development of the Concept Plan and the associated financing strategy.

5.1.4 ROPA 9 Financial Policy

The key financial policy is included in s.4.4.7 set out above. In reviewing this policy in the context of the *Development Charges Act, 1997* and other legislative provisions, as well as current Ottawa-Carleton practice, the following needs to be considered:

- s.4.4.7 requires ROPA 9 to contribute to funding its required infrastructure on an area specific basis, in some form of special area charge (eg. area specific DC or *Municipal Act, s.221*) ("the costs of infrastructure required to support development…will be

- However, the OP financial policy states that the KWCP is "primarily" responsible for funding its infrastructure requirements (as opposed to "exclusively"). This would permit the use of other types of funding sources (eg. uniform DCs, taxes) for some of the works. Further, the DCA, 1997 does not permit full funding of all growth related costs through DCs (eg. requirement for a 10% reduction of costs for some services in calculating the DC).

- The OP financial policy does not specify the relevant services. It is noted that the DC By-law currently inforce provides for a uniform Regional charge for all fully serviced areas outside the Greenbelt and uniform charges for most of the "soft" services throughout the new City. As well, all of the former area municipalities used uniform by-laws for soft services (eg. fire, recreation, parkland development, library) throughout their jurisdictions. This approach to soft service financing is virtually universal throughout municipalities in the Province.[1]

- The area specific by-law(s) applicable to Kanata West must be fairly and equitably linked to the requirements of any other DC by-laws in effect in the same area. The type and/or level of works funded in the area specific by-law must be separate and distinct from those included in the uniform by-law under which KWCP must make payments. Otherwise, Kanata West development would fund their own requirements as well as (equivalent) works in other developments.[2]

- In many municipalities, non-residential DC (and other payments) have been reduced (or even eliminated) in order to provide an incentive for this type of development. The highest uniform DC rates in force in major municipalities in the Province is in the range of $55-$65 per s.m. of gross floor area (Appendix D). Rates above this level (for equivalent services) raise issues of competitiveness both within the Province and the wider North American market.

5.2 Recommended Process for Dealing with Infrastructure Funding Issues:

There are three main financial issues related to municipal infrastructure in the development of the Kanata West Concept Plan:

1. Cost sharing of local services

2. Funding of required major (non-local) services through development charges (or alternative cost sharing mechanisms)

3. Front-ending financing for both local and non-local services

The steps required to develop a strategy for dealing with the requirements of ROPA 9 include:

- Finalization of the concept plan (including proposed phasing)

- Identification by the engineering consultants of the infrastructure projects required to implement the plan, as well as their timing and costing

- Review of these works in the context of the municipality's development charge by-laws and Capital Forecast (particularly

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1 There are significant methodological issues in attempting to implement an area specific DC by-law for soft services.
2 The alternatives are to provide some form of credit provisions to eliminate the duplication, or amend the uniform DC to maintain consistency.

KWCP's use of the capacity generated by the new infrastructure versus that of the existing community or other development areas)

- Development of a preliminary financing strategy, including front-ending mechanism(s), taking into consideration the provisions of the ROPA 9 financial policies, and seeking input from legal advisors and Landowner Steering Committee

- Discussions with City Finance and Planning staff as required.

- Finalization of finance strategy with further input from legal advisors and Landowner/Study Steering Committee, as required.

APPENDIX A

SUMMARY OF RESULTS OF SURVEY OF BUSINESS PARK INFRASTRUCTURE FUNDING IN KANATA AND NEPEAN

Business Park Infrastructure Funding – Past OC Practice

Kanata South Business Park

- 100% municipal project from conception to sale of lots (1985)
- Economic Development initiative
  - To address economic slowdown and constrained land supply
  - particularly lands for high tech companies
- Municipal Investment
  - Land acquisition
  - Sewer and water servicing (incl. laterals)
  - Road
- Financing
  - 100% debenture with repayment through sale of lots
  - Some municipal mortgages were arranged with purchasers
  - Debenture has been fully financed; some mortgages are still outstanding
- Designed with small lot configuration – ranging from 1-4 acres/lot
- Park is about 100 acres in size
- Currently about 50% developed and occupied

Business Park Infrastructure Funding – Past OC Practice (Cont'd)

<u>Kanata North/Terry Fox Business Park</u>

- Municipality investigated similar process as used for Kanata South
- Required investment was significantly greater; later in timing
- Municipality did not proceed
- Park was privately developed (Kanata Research Park Corp.)
- Now fully built out

Business Park Infrastructure Funding – Past OC Practice (Cont'd)

<u>Merivale Acres Business Park (Nepean)</u>

- 100% municipal development project (1970's)
- Land acquisition from CMHC
- Marketing program
- Options were provided for payment of underground services
  - Pay charge up-front
  - Local Improvement arranged over 12 years
  - Several mortgages were arranged (problems)
- Park is about 130 acres in size
- Fully built out

Business Park Infrastructure Funding – Past OC Practice (Cont'd)

<u>Rideau Heights Business Park (Nepean)</u>

- Municipality realized a 105 acre parcel of land through mortgage foreclosure (mid-1980's)
- Development of park proceeded via partnership with three neighbouring private owners
- Municipality constructed roads and servicing (private owners deeded land with 1 foot reserve)
- JDS Uniphase acquired 107 acre site (part from municipality and part from 2 private owners)
- Majority of the park has been built (about 77 acres remain vacant)

Business Park Infrastructure Funding – Past OC Practice (Cont'd)

416/Fallowfield Business Park (Nepean)

- Under private development
- Approximately 100 acres in size
- Municipal participation consists of completion of environmental assessment and extension of servicing to use existing capacity in Barrhaven system
- These costs will be recovered through future development charges
- Currently has not proceeded (industrial holding zone)

APPENDIX B

SUMMARY OF RESULTS OF SURVEY OF BUSINESS PARK MUNICIPAL INFRASTRUCTURE FUNDING STRATEGIES

Business Park Infrastructure Funding – Practice Elsewhere

<u>Waterloo (Region)</u>

- Most vacant industrial lands owned by local municipalities who service, develop and market them through their own resources
- Some private ownership of industrial lands but prices of publicly owned lands cause marketing difficulties for these lands
- Region/City/University of Waterloo/major high tech companies have combined to propose the development of a Research and Technology Park of approximately 40 ha on lands owned by the University
- R&T park is planned to have 1.2 million sq.ft. of office space for high tech companies, an Accelerator Centre and a 270 acre environmental reserve (with 6,000 new jobs, $5-10 billion in economic impact)
- Superbuild fund application is for approximately $40 million for infrastructure, etc.; City and Region contributing $13.4 million for road improvements
- Region became involved largely in response to shortage of available industrial land for high tech companies
- Industrial DC rate - **$24.33/sm GFA**
- Commercial/Institutional DC rate - **$24.33/sm GFA**

Business Park Infrastructure Funding – Practice Elsewhere (Cont'd)

Richmond Hill

- Business parks are developed under private ownership
- Front-ending of infrastructure costs is addressed through providing credits against development charges
- They acknowledge the value of "excess credits" (where the value of the emplaced work exceeds the owner's development charges payable), and facilitate the transfer of credit value to other participating landowners; or enter into agreements for other negotiated concessions
- Non-res. DC rate (incl. Industrial) - **$28.96/sm GFA**

Business Park Infrastructure Funding – Practice Elsewhere (Cont'd)

Durham

- In the past, the Region has maintained a modest reserve fund balance to finance the servicing of new industrial/commercial lands
- The Region has also facilitated completion of servicing with recovery of costs through future development charges under a front-ending agreement
- More recent development of business parks is completed under private ownership
- Industrial DC rate (Region only) - **$0**
- Commercial/Institutional DC rate (Region only) - **$10.76/sm GFA**

Business Park Infrastructure Funding – Practice Elsewhere (Cont'd)

Milton

- 15 to 20 years ago, Milton provided a full exemption from non-residential DCs in their 401 Business Park
- Town will not use this policy in future as municipal contribution was considered to be too significant
- Town will do what they can to accommodate requirements of new development (i.e. acceleration of construction of major roadworks to meet a development timeline)
- Non-res. DC rate (incl. Industrial) - **$55.97/sm GFA**

Business Park Infrastructure Funding – Practice Elsewhere (Cont'd)

Burlington

- Business parks are developed under private ownership
- For one 300 acre "Mega Fab" project, the City paid for a due diligence study and were prepared to facilitate introductions to suitable financial backers for the project; project did not proceed
- No other municipal contributions to business park infrastructure funding
- Non-res. DC rate (incl. Industrial) - **$48/sm GFA**

Business Park Infrastructure Funding – Practice Elsewhere (Cont'd)

Barrie

- City owns and markets a significant share of business park lands
- City has serviced most of the area through Industrial Park Reserve Fund (i.e. tax funding) with repayment from sales revenues; limited demand in recent years
- Tax contribution of $350,000/annum to reserve fund for future servicing costs; developing strategy to service remaining lands
- Industrial DC rate - **$24.33/sm GFA**
- Commercial/Institutional DC rate - **$48.65/sm GFA**

Business Park Infrastructure Funding – Practice Elsewhere (Cont'd)

Windsor

- City owns and markets all vacant industrial lands; took on this role in late 1970's to attempt to deal with the boom/bust of the auto business cycle
- Infrastructure costs are normally debentured with repayment through land sales
- Applied for Superbuild to assist with servicing costs
- Industrial DC rate - **$0**
- Commercial/Institutional DC rate - **$0**

APPENDIX C

OTTAWA SUPERBUILD PROJECTS

The Minister of Finance announced the SuperBuild initiative in the 1999 Provincial Budget. SuperBuild is an approach to infrastructure planning and investment, which emphasizes a partnership between the Province, the private sector and the broader public sector (eg. municipalities, school boards). The programme is a five year $20 billion initiative, with a planned $10 billion from the Province and a matching amount from private/other public agency partners. Identified priorities include transportation, environmental protection and technological infrastructure.

Included in the most recent partnership initiatives is the SuperBuild Millennium Partnership which will invest $1 billion over five years for strategic infrastructure in Ontario's large urban areas. Of the total amount, $250 million has been allocated for strategic infrastructure projects in eight major urban areas. The Province has announced that Ottawa's share is $70 million.

The City has three priority projects endorsed by Council and local business groups:

1. Highway 417 widening;
2. Ottawa Congress Centre; and
3. Improved access to business parks in Kanata.

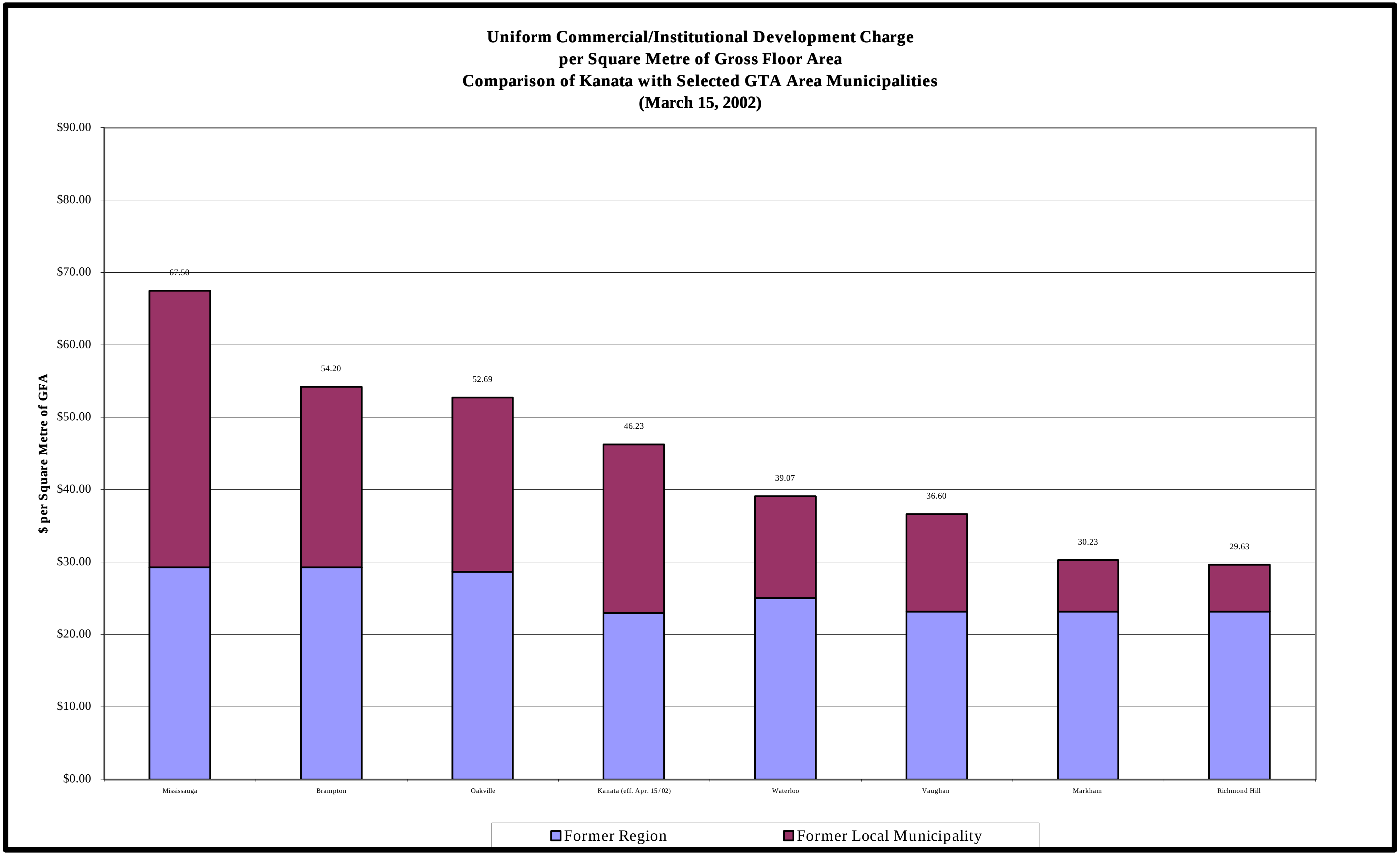
Discussions with City staff indicate that the City has been lobbying the Province to fund the first two items outside of the Millennium Partnership Initiative. With respect to the third project related to Kanata Business Park access, City staff indicated that these were viewed as an important component in Ottawa's economic development.

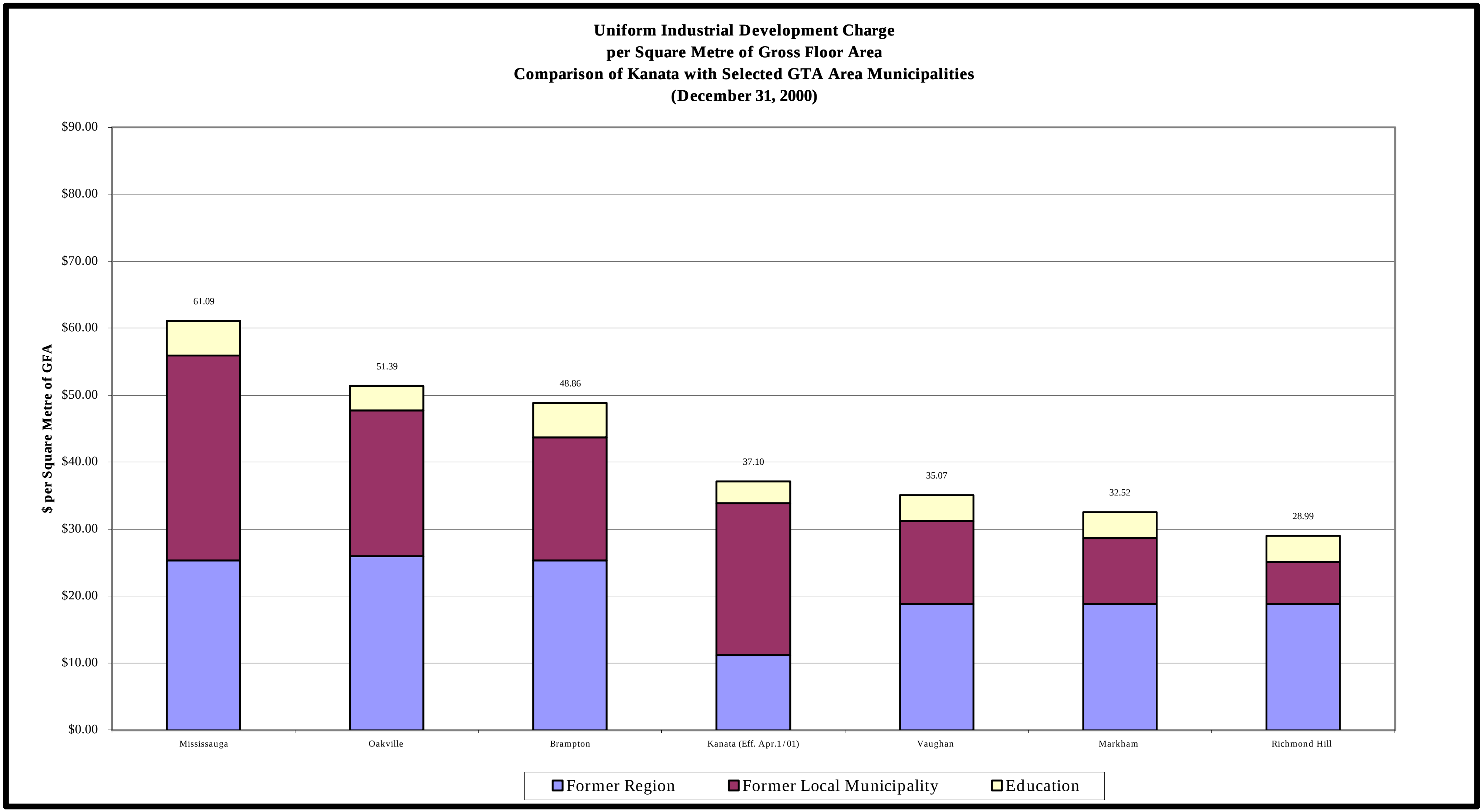
The issue which the City has been discussing with the Province is the need for a private partnership in order to obtain approval of the projects. The roads projects do not generate revenues (unlike, for instance, water and sanitary sewer projects which are funded through user rates), and accordingly, the public/private partnership requirement has represented an obstacle. The Province has recently de-emphasized this requirement.

The Province has not approved any projects under the Millennium Partnership to date (for any municipality).

APPENDIX D

NON-RESIDENTIAL DC RATES IN COMPETING ONTARIO MUNICIPALITIES


Uniform Commercial/Institutional Development Charge
per Square Metre of Gross Floor Area
Comparison of Kanata with Selected GTA Area Municipalities
(March 15, 2002)
$ per Square Metre of GFA
$90.00
$80.00
$70.00
$60.00
$50.00
$40.00
$30.00
$20.00
$10.00
$0.00
67.50
54.20
52.69
46.23
39.07
36.60
30.23
29.63
Mississauga
Brampton
Oakville
Kanata (eff. Apr. 15/02)
Waterloo
Vaughan
Markham
Richmond Hill
Former Region
Former Local Municipality


Uniform Industrial Development Charge
per Square Metre of Gross Floor Area
Comparison of Kanata with Selected GTA Area Municipalities
(December 31, 2000)
$90.00
$80.00
$70.00
$60.00
$50.00
$40.00
$30.00
$20.00
$10.00
$0.00
$ per Square Metre of GFA
61.09
51.39
48.86
37.10
35.07
32.52
28.99
Mississauga
Oakville
Brampton
Kanata (Eff. Apr.1/01)
Vaughan
Markham
Richmond Hill
Former Region
Former Local Municipality
Education