

**PROPOSED SOUTH END ROCK TUNNEL
SECTION 391 CHARGE BY-LAW
FOR RESIDENTIAL AND
NON-RESIDENTIAL LAND USES**

City of Greater Sudbury

HEMSON Consulting Ltd

June 2006

TABLE OF CONTENTS

	<u>Page</u>
I BACKGROUND	1
II A CHARGE UNDER PROVISIONS OF S.391 OF THE MUNICIPAL ACT IS BEING PROPOSED	3
III FLOWS BY LAND USE IS MOST APPROPRIATE BASIS FOR APPORTIONING TUNNEL COST.	5
A. ESTIMATED FLOWS BEST REFLECT USAGE OF THE FACILITY	5
B. FLOW PROJECTIONS BY PROPERTY TYPE BASED ON EXISTING AND FUTURE LAND USES	6
C. APPORTIONMENT OF TUNNEL COST BETWEEN EXISTING AND FUTURE DEVELOPMENT	10
D. APPORTIONMENT OF COST SHARE BETWEEN FUTURE LAND USES	10
IV CHARGE COULD BE CALCULATED IN VARIOUS WAYS	11
A. TWO CHARGE TERM OPTIONS ARE LOGICAL	11
B. RESIDENTIAL GROWTH RATE SHOULD BE USED AS THE BASIS FOR THE PROJECTED DEVELOPMENT TERM	12
C. A 40 YEAR DEVELOPMENT TIME FRAME IS REASONABLE	12
V PROJECTED CHARGES BY OPTION, LAND USE AND RECOVERY TARGET	14
A. INDICATED CHARGE RATE	14
B. CHARGE AMOUNTS BASED ON A \$4.0 MILLION RECOVERY TARGET FROM ALL LAND USES	16
C. CHARGE AMOUNTS FOR RESIDENTIAL AND COMMERCIAL/INDUSTRIAL DEVELOPMENT BASED ON A \$4.0 MILLION RECOVERY TARGET	17
D. RESIDENTIAL CHARGE AMOUNTS FOR ALTERNATIVE COST RECOVERY TARGETS	18
VI ADMINISTRATIVE ISSUES	20
A. MAP	20
B. COLLECTION	20
C. DEMOLITION	20
D. SERVICE-IN-LIEU AGREEMENTS	20
E. RESERVE FUND REPAYMENTS	21
F. ANNUAL BY-LAW RENEWALS	21

I BACKGROUND

In June 2005, the City of Greater Sudbury approved the construction of the South End Rock Tunnel which will provide much needed additional waste water collection capacity. The tunnel will enable development to proceed on a substantial number of residential lots as well as opening up other sites for non-residential development. The total cost of the project will be just under \$31.1 million. It is expected to take three years to complete. Project funding is being obtained from three main sources. The City will provide \$18.7 million and the Province has committed \$8.4 million. The balance of \$4.0 million will be funded from borrowing probably from internal sources.

The project was originally approved in November 2001 subject to securing funding. At that time it was estimated that the tunnel would cost \$22.7 million, \$8.4 million less than the current cost. Because of the increased cost of the tunnel, Council directed staff to examine ways of recovering the \$4.0 million to be funded through borrowing from new development.

Hemson report *Proposed South End Rock Tunnel Section 391 Charge By-Law* dated November 2005 identified how a charge could be established under S. 391 of the Municipal Act to recover the \$4.0 million amount noted above. It also described two approaches for calculating the charge and how much they would be if applied to future residential development. At the meeting of the Priorities Committee on January 18, 2006 staff were requested to undertake a further review of the issue. In particular they were requested to examine the implication of including commercial properties in the calculation of a charge. This report contains key information that was in the November 2005 report and augments it with additional information and analysis regarding charge calculation taking into account:

- attribution of the cost to the City of the between all land uses;
- the charges by type of property that would be required to recover the portion of the costs attributable to all future development.

There are six sections in this report. In the following section the applicability of S. 391 of the Municipal Act is discussed. In the third section the attribution of the net costs of the Rock Tunnel between existing and future development of all types is discussed.

This is followed by a section describing alternative approaches to calculating charges. In section V projected charges are described including charge options related to the previous work described in the November 2005 report. The final section describes administrative matter relating to the application of charges.

II A CHARGE UNDER PROVISIONS OF S.391 OF THE MUNICIPAL ACT IS BEING PROPOSED

A charge established according to the provisions of S.391 of the Municipal Act is a practical and appropriate approach given the nature of the project. S.391 is within Part XII of the Act which governs Fees and Charges. Additionally, S.391 is subject to regulations contained in Ontario Regulation 244/02.

Section 391(1) provides municipalities with the power to impose fees and charges. In addition, Section 391(2) specifically allows a municipality to impose a charge for capital costs related to sewage or water services on persons who do not receive immediate benefit but will receive benefit at some point in time.

Part XII of the Municipal Act which covers Fees and Charges together with OR 244/02 set out conditions under which fees and charges may be applied. The key conditions are as follows:

1. Part XII: Fees & Charges

Section 392 requires the municipality to maintain a list of the services for which fees and charges are applicable, the properties to which they apply and the amount of the fee or charge. Section 396 provides authority and direction to the municipality regarding items such as interest charges and penalties, discounts and exemption.

2. Ontario Regulation 244/02

Section 2 of the Regulation prohibits municipalities from imposing fees or charges for capital costs already being recovered through a Development Charge. This is not an issue for the City as none of the costs of the Rock Tunnel project are included in the current D.C. By-law.

In order to pass a by-law it will be necessary to hold a public meeting. S. 14(1) requires that notice be given of a municipality's intention to pass a general charges

by-law to every person or organisation within the last five years that has requested to be kept informed. S. 12 of the Regulations relates specifically to the “use of... a sewage system...” This is a section under which water and sewer rates are required to be set on an annual basis. Assuming that the term “use” is intended to encompass payments for the initial capital costs, any proposed S. 391 by-law would need to be renewed annually in conjunction with the annual rating by-law. The particular requirements of S.12(6) of the Regulation are as follows:

- a. hold a public meeting;
- b. give 21 days notice;
- c. ensure that notice specifies the intention to pass the by-law and addresses the availability of required information;
- d. the information that must be provided is a description of the service, the cost, the amount of the charge and the rationale.

Assuming that once set the charge will not change from year to year, adhering to these requirements of the regulation would be a formality.

The power provided to municipalities under Section 391 of the Municipal Act is well suited to the recovery of the residual costs of the Rock Tunnel that are not being funded from other sources. The associated provisions contained elsewhere in Part XII of the Municipal Act and in OR 244/02 are not overly prescriptive. Accordingly, the City can develop and implement a by-law designed to recover costs from new development reasonably quickly. Also to be noted is that neither Part XII of the Act nor Regulation 244/02 provide for an appeal of any associated by-law to the OMB.

In the next sections of the report, the apportionment of the cost of the Rock Tunnel between existing and future development of all types is discussed.

III FLOWS BY LAND USE IS MOST APPROPRIATE BASIS FOR APPORTIONING TUNNEL COST

This section discusses how to apportion the costs of the Rock Tunnel between the various types of land uses within the catchment area. The overall cost of the tunnel is understood to be \$31,075,000 net of GST rebate of which \$8.4 million is being paid by the Province. Accordingly, the net cost to the City will be \$22,675,000. It is apportionment between land uses of this amount that is discussed in this section.

A. ESTIMATED FLOWS BEST REFLECT USAGE OF THE FACILITY

The first issue concerning the apportionment of costs is the unit of measure that should be used. Since usage of the tunnel will vary by type of property, a unit of measure that is able to account for these variances should be adopted. Based on discussion with City staff it was concluded that average daily flows of waste water (expressed in terms of litres) would be the most appropriate common measure to use. The City staff provided tables which contained information concerning waste water flows for most of the land uses that are contained within the catchment area. For the purpose of the analysis the following rates were selected:

Estimated Daily Flows	
Residential	410 litres per capita
Shopping Centres	3,750 litres per 1000 sq. m.
Hospital	1,350 litres per bed
Schools	105 litres per student

Flow rates data are not available for all land uses within the catchment area. In view of this, for uses for which rates are not available rates for the nearest equivalent use were adopted. In the case of commercial/industrial development the shopping centre flow rate was used. For university uses the school rate was used while for university residents the residential rate was adopted.

Although flow rates for more specific types of properties could vary from the broad estimated daily averages identified above, alternative approaches for allocating costs, such as land area or building area are considered less reasonable since they bear a less direct relationship to the purpose and usage of this facility.

B. FLOW PROJECTIONS BY PROPERTY TYPE BASED ON EXISTING AND FUTURE LAND USES

To calculate the flows by property type within the catchment area, data on existing and future land uses were obtained from the City's Growth and Development Department.

1. Existing Development

The following table shows the data regarding existing land uses within the Rock Tunnel catchment area.

Land Use	Land Area (ha)	Occupancy
Residential	658.3 ⁽¹⁾	16,111 persons
Commercial/Industrial	135.2	338,000 sq. m ⁽²⁾
Hospitals	n/a	233 beds
Schools	n/a	2,332 students
University	n/a	7,496 students
Student Residences ⁽³⁾	n/a	1101 students

Notes: (1) City estimate based on 66.6% of total Living Area 1 of 987.4 ha
 (2) Assuming average development density of 25% of site area
 (3) Including residences under construction

Based on these amounts the following estimate of litres of daily flow by existing land use were calculated.

Use	Quantities	Litres of Flow per Quantity	Total Flow L/day
Residential	16,111 persons	410	6,605,510
Commercial/Industrial	338,000 sq.m	3.75	1,267,500
Hospitals	233 beds	1,350	301,050
Schools	2,332 students	105	244,860
University	7,496 students	105	787,080
Residences⁽¹⁾	1101 students	410	451,410
		Total	9,657,410

Notes: (1) Including residences under construction

2. Future Development

The second component of this projection is the estimate of daily flows from future development. This estimate represents the projected the amount of development that would exist once currently vacant land is built on with planned uses. The bulk of the vacant land area is for residential uses. The other significant use will be commercial and industrial uses. Some institutional development is also expected although the amounts and timing are uncertain.

a) Residential

Planning Services has calculated the residential development potential within the Rock Tunnel catchment area. The potential is divided between three categories of land and between single lots and high density unit potential.

NEW RESIDENTIAL DEVELOPMENT POTENTIAL	
Draft Approved Subdivisions	1,092 lots
Proposed Developments	759 lots 1,035 units
Vacant Designated Land	1,057 units
Total	3,943 lots/units

The estimated yield from the “Vacant Designated” land is based on the maximum density allowed under the Official Plan of 36 units per hectare. In practice, it is very unlikely that all the land would be developed at this density. More realistically, the land could be expected to achieve in the order of 18-20 units per hectare. On this basis, the realistic potential for the area is approximately 550 units rather than 1,057 units. Thus, overall the catchment area has a realistic future potential of approximately 3,400 units. Of this number, probably 2,200 would be single family lots with the other 1,200 units potentially being apartments and condominiums.

Using this unit projection an estimate of additional population was made based on the population per unit rate for the existing units within the catchment area. This rate is 2.14 p.p.u. The projected population for the new units at build-out is 7,276 persons.

b) Commercial/Industrial

Within the catchment area there are approximately 282.6 hectares of commercial and industrial land. Of this 135.2 hectares (47.8%) are developed, leaving 147.4 hectares for future development. Of this amount planning services estimates approximately 75% or 110.6 hectares is developable. While "density" (building area as a percentage of site area) can vary substantially from site to site depending upon the specific type of development, an overall average of 25% is considered reasonable. Since no actual data is available for the area, this average was used to calculate the estimated amount of existing building space within the catchment area. For higher density uses such as office buildings a density in the range of 50% is usual while for uses such as car dealerships and free standing restaurants much lower densities in the range of 10% are common. For retail developments and light industrial buildings ratios of 25-30% are common.

Based on the 110.6 hectares of developable vacant land and the 25% density assumption, it is projected that 276,500 sq. m. of new space would be achieved at build-out.

c) Institutional

There are three components of the institutional land use category: hospitals, schools and university. For the hospital component a projected 245 of additional beds has been estimated. This estimate is based on information concerning plans for the redevelopment and expansion of the Sudbury Regional Hospital.

Because of the general aging nature of the population no additional school space for Junior Kindergarten to Grade 12 were projected for the catchment area.

For the university allowance for growth of 10% (750 students) in the student population was made. While no specific plans exist for this amount of growth, based for example on the recent establishment of the medical school, it is not unreasonable to anticipate some expansion over the long term. Finally, allowance was made for an additional university residence equivalent to that now under construction. This will reportedly house 220 students.

Based on the projected amounts of future development discussed above, the following estimate of additional flows were calculated.

Land Use	Quantities	Flows per Unit (Litres)	Total Projected Flow (Litres)
Residential	7,276 persons	410 per person	2,982,964
Commercial/Industrial	276,500 sq.m	3.75 sq. m	1,036,875
Hospitals	245 beds	1,350 per bed	330,750
Schools	-	105 per student	-
University	750 students	105 per student	78,750
Student Residence	220 persons	410 per student	90,200
		Total	4,519,539

C. APPORTIONMENT OF TUNNEL COST BETWEEN EXISTING AND FUTURE DEVELOPMENT

Using the estimates of daily flows discussed above, an apportionment of the tunnel cost of \$22.675 million between existing and future development was made as follows.

	Flow (millions L/pd)	Share of Total (%)	Share of Cost (\$ millions)
Existing Development	9.657	68.1	15.446
Future Development	4.520	31.9	7.229
Total	14.177	100.0	22.675

D. APPORTIONMENT OF COST SHARE BETWEEN FUTURE LAND USES

The final apportionment calculation involved dividing the \$ 7.229 million share of cost attributable to future development amongst the various land uses. This also was done on the basis of projected flows. The results are shown below.

Future Development	Flow Litres (000's/per day)	Share of Total (%)	Share of Cost
Residential	2,982.9	66.0	\$4,771,000
Commercial/Industrial	1,036.9	22.9	1,659,000
Hospitals	330.8	7.3	529,000
University	78.8	1.7	126,000
Student Residences	90.2	2.0	144,000
Total	4,519.6	100.0	\$7,229,000

IV CHARGE COULD BE CALCULATED IN VARIOUS WAYS

As noted in the Background section, the proposed charge is designed to recover only a part of the total cost of the Rock Tunnel. Initially, it was proposed that the charge would recover \$4.0 million from future residential development. Subsequently, Council requested staff to review the implications of including other types of properties within a charge. As has been discussed previously in this report under a multiple land use charge, a recovery target of \$7.229 million is appropriate given the attributable share of the net cost of the tunnel. Since the new development that will be made possible because of the tunnel will be built over a long period, the revenue from charges that may be applied would not be available immediately. Therefore, funds to pay for the share of the cost will have to be borrowed either from one of the City's reserve funds or alternatively from external sources. In order to calculate the amount of the charge, it is therefore necessary to decide on what term should the cost recovery charge calculation be based.

A. TWO CHARGE TERM OPTIONS ARE LOGICAL

Two options regarding the term for calculating the charge are logical for consideration. The first option would be to calculate charges based on the term of a long term debenture loan. Although the required funds will likely be drawn from the City's reserve funds, if a debenture loan were to be issued it would probably be for a term not exceeding 20 years. An alternative would be to calculate the charge in line with anticipated numbers of years that it would take to utilize the full development potential within the Rock Tunnel catchment area. Although as is discussed in the next section, it is difficult to estimate the amount and type of development activity that will occur far in the future, based on current trends a 40 year time frame is considered reasonable.

In summary, after reviewing the range of potential options, two are judged sufficiently practical to be considered in more detail.

- 1) Charge calculated on the basis of the term of a long term debenture (20 years);

- 2) Charge calculated on the basis of the period it is likely to take to utilize the development potential within the Rock Tunnel catchment area.

B. RESIDENTIAL GROWTH RATE SHOULD BE USED AS THE BASIS FOR THE PROJECTED DEVELOPMENT TERM

There are two basic types of land use in the catchment area: residential and non-residential. While the residential component is comprised of various housing forms, the market within the catchment areas of the Rock Tunnel is expected to be predominantly single family houses. Based on projections prepared by the City's Planning staff, there is likely to be a steady and relatively predictable demand, at least for the period to 2021.

Unlike the residential market, there is very little basis upon which to develop a projection of future non-residential growth that is sufficiently reliable enough to base a charge on. A second constraining factor is the diversity of non-residential uses. While residential development takes only a limited number of forms, there are many commercial, industrial and institutional uses and which have widely varying characteristics. Review of the future non-residential development potential within the catchment indicates that the timing of growth is likely unpredictable. While commercial/industrial development is more likely to occur on a parcel by parcel basis over a long period, there is no clear basis on which to predict when institutional projects are likely to occur. For this reason, rather than developing a separate growth forecast for the non-residential components, it is more practical to adopt a common time frame assumptions for both residential and non-residential land uses.

C. A 40 YEAR DEVELOPMENT TIME FRAME IS REASONABLE

In 2004, as background to the Official Plan review, the City commissioned a synthesis report on Land Use and Settlement. In the report it was estimated that demand for new units in Greater Sudbury between 2001 and 2021 would, depending upon growth assumptions, vary from a low of 750 units to a high of 12,256 units. The mid range "Natural Increase" scenario estimated demand of 4,837 units. This is equivalent to 242 units per year on average. In the period 2001 to 2005 (actual) demand, as evidenced by building permits, has risen from a low of just over 200 units in 2001 to

over 400 units in 2005. On average during this period, demand has been around 330 units per year of which single family units are the overwhelming majority.

During the same period, the south end of Greater Sudbury has accounted for approximately 25% of the total number of residential permits issued. Taking account of the overall outlook for demand and the share of demand that is likely to be achieved in the Rock Tunnel catchment area, it is considered reasonable to anticipate an ongoing rate of new residential development of approximately 75 units per year.¹

Given the estimated supply of 3,400 lots and units, at this rate it would take approximately 45 years to develop to full potential. During this period, since the overwhelming bulk of demand is for single family units, the estimated supply of single family lots (2,200) would be developed within about 29 years. Beyond then, the remaining lands which only have capacity for 1,200+/- apartment and condominium units would either get consumed at a more rapid rate than 75 units per year or would in part be rezoned for single family housing. Under either circumstance, the full development potential of the catchment area would likely be consumed within about 40 years rather than the more theoretical 45 years discussed above. It is therefore considered appropriate to use a 40 year term in the calculation of potential charge rates.

¹ 25% of the projected annual average of 242 units equals to 61 units. 25% of the recent 330 unit annual average is 82.5 units.

V PROJECTED CHARGES BY OPTION, LAND USE AND RECOVERY TARGET

As discussed in the previous section, two options are considered logical for calculating the charges required to recover the \$7.229 million share of the Rock Tunnel cost. The first would be over 20 years being the longest term for which a long term debenture would normally be issued. The second option would be to recover the cost share based on the projected period it would take to develop the residential land use potential contained within the catchment area. This would be approximately 40 years. Over this same period it could be assumed that the non-residential potential with the area would also be developed although the pace would likely be much more irregular than for the residential uses.

For the purposes of determining interest component of the charges under the two options, an interest rate of 6.5% was used. This rate, while at the upper end of the range at which municipalities can currently borrow, is considered realistic given the long term assumption underlying the calculation.

A. INDICATED CHARGE RATE

Given the proposed total \$7.229 million cost recovery target and the shares by future land use discussed in the previous section, per unit charge rates were calculated under the two options. The calculation was undertaken in two steps.

1. Total Cost Recovery Payments per Daily Litre of Flow

The total payment to recover the \$7.229 million over the 20 year and 40 year periods of the two options expressed in terms of cost per daily litre of flow were calculated. The cost per daily litre under the two options are:

Option 1 - 20 years	\$5.81 per daily litre
Option 2 - 40 years	\$4.52 per daily litre

2. Total Cost Recovery Charge by Type of Development

The second step was to apply the above rates to the projected litres of daily flow for each type of development for which a charge would be applied.

For residential uses two rates were calculated one for single and semi-detached units and one for the apartments and multiple dwelling units. These rates were differentiated on the basis of persons per unit. This is the approach taken for residential units in the City's Development Charges policy.

Based on the calculation approach described above the rates by use and by recovery option are shown below.

Type	Option 1 - 20 Year Recovery Period Charge	Option 2 - 40 Year Recovery Period Charge
Residential		
Singles, Semis & TH's	\$5,932 per unit	\$4,621 per unit
Apts/Multis	\$3,559 per unit	\$2,772 per unit
Comm/Ind	\$21.77 per sq. m.	\$16.96 per sq. m.
Hospitals	\$7,839 per bed	\$6,106 per bed
Schools	\$610 per student	\$475 per student
University	\$610 per student	\$475 per student
Student Residences	\$6,010 per unit	\$4,681 per unit

It is important to note that should the 20 year cost recovery term option be selected and assuming development occurs at a reasonably even pace, the recovery target of \$7.229 million (plus interest cost) would be achieved well before all the future potential development in the catchment area is built. Since under a Section 391 charge by-law recoveries cannot exceed the cost incurred, charge could no longer be applied once the target has been achieved.

B. CHARGE AMOUNTS BASED ON A \$4.0 MILLION RECOVERY TARGET FROM ALL LAND USES

In response to the Committee's request to staff, calculations have also been made of the charges that would be required to recover \$4.0 million from the future development in the Rock Tunnel catchment area. The 20 and 40 year recovery term options discussed above were utilized. The \$4.0 million cost was apportioned among the uses using the waste water flow projection approach discussed previously. On this basis, the respective share of cost was calculated to be:

Type	% Share	Cost Allocation
Residential	66.0	2,640,060
Commercial & Industrial	29.9	917,680
Hospitals	7.3	292,730
Schools	0.0	-
University	1.8	69,700
Student Residence	2.0	79,830
Total	100.0	4,000,000

Using the 20 and 40 year recovery options charge rates were calculated. The rates are as follows:

Type	Option 1 - 20 Year Recovery Period Charge	Option 2 - 40 Year Recovery Period Charge
Residential		
Singles, Semis & TH's	\$3,282 per unit	\$2,557 per unit
Apts/Multis	\$1,969 per unit	\$1,534 per unit
Comm/Ind	\$12.05 per sq. m.	\$9.39 per sq. m.
Hospitals	\$4,337 per bed	\$3,379 per bed
Schools	\$337 per student	\$263 per student
University	\$337 per student	\$263 per student
Student Residences	\$3,325 per unit	\$2,590 per unit

As was discussed in regard to the charge options for the \$7.229 million recovery target, if the Option 1 - 20 year recovery period charges were to be adopted the \$4.0 million target (plus interest) would likely be recovered in approximately 20 years assuming steady development activity. At that point no further charges to development would be permitted.

C. CHARGE AMOUNTS FOR RESIDENTIAL AND COMMERCIAL/INDUSTRIAL DEVELOPMENT BASED ON A \$4.0 MILLION RECOVERY TARGET

For further information, calculations have also been made of the charges that would be required to recover \$4.0 million to include ICI and residential from the future residential and commercial/industrial development in the Rock Tunnel catchment area. The 20 and 40 year recovery term options discussed above were utilized. The \$4.0 million cost was apportioned between residential and commercial/industrial uses using the waste water flow projection approach discussed previously. On this basis, the respective share of cost was calculated to be:

	Share of \$4.0 Million	%
Residential Uses	\$2,968,000	74.2
Commercial/Industrial	\$1,032,000	25.8

Using the 20 and 40 year recovery options charge rates were calculated. The rates are as follows:

Type	Option 1 - 20 Year Recovery Period Charge	Option 2 - 40 Year Recovery Period Charge
Residential		
Singles, Semis & TH's	\$3,690 per unit	\$2,875 per unit
Apts/Multis	\$2,214 per unit	\$1,725 per unit
Commercial/Industrial	\$13.55 per sq. m.	\$10.55 per sq. m.

As was discussed in regard to the charge options for the \$7.229 million recovery target, if the Option 1 - 20 year recovery period charges were to be adopted the \$4.0 million target (plus interest) would likely be recovered in approximately 20 years assuming

steady development activity. At that point no further charges to development would be permitted.

D. RESIDENTIAL CHARGE AMOUNTS FOR ALTERNATIVE COST RECOVERY TARGETS

As noted at the beginning of this report a previous analysis was undertaken addressing the level of charges that would be required in order to recover \$4.0 million from future residential growth in catchment area alone. The results of this analysis were presented in the report *Proposed South End Rock Tunnel Section 391 Charge By-Law* dated November 2005. The same 20 year and 40 year recovery term options discussed in this report were applied to determine the required charges to recover the \$4.0 million amount. For reference purposes the projected charges that resulted from the calculations described in the report are shown below.

Cost Recovery Target - \$4.0 Million		
	Option 1 - 20 Year Term	Option 2 - 40 Year Term
Singles, Semi-Detached & Townhouses	\$4,800 per unit	\$3,760 per unit
Apartments & Multiple Dwellings	\$2,800 per unit	\$2,260 per unit

Finally, in order to provide Council with an understanding of the sensitivity of the projected charge amounts, additional information was shown in the previous report concerning charges based on alternative cost recovery targets of \$2.0 million and \$3.0 million. Using the same approach as for the \$4.0 million amount the resulting charges for charges were as follows:

Projected Charge Per Unit Type				
	\$2.0 Million Target		\$3.0 Million Target	
Unit Type	Singles, Semi Det. & TH's	Apartments / Multiple Dwellings	Singles, Semi Det. & TH's	Apartments / Multiple Dwellings
Option 1 - 20 Years	\$2,400	\$1,440	\$3,600	\$2,160
Option 2 - 40 Years	\$1,880	\$1,130	\$2,820	\$1,700

For more detailed information regarding the calculation of the charges relating to the \$4.0 million recovery amount from future residential development reference should be made to November 2005 report.

VI ADMINISTRATIVE ISSUES

There are a number of administrative considerations that should be taken account of within an implementation of S.391 Charges By-law.

A. MAP

As part of the implementing by-law, it will be necessary to provide a map clearly delineating the catchment area for the Rock Tunnel within which new residential development will be subject to the charge.

B. COLLECTION

It is suggested that the charge be collected at the building permit stage as is the case with Development Charges.

C. DEMOLITION

Where new residential units or non-residential space are constructed on sites where existing units or space are being demolished to make way for development, charges should only apply to the net additional units or space.

D. SERVICE-IN-LIEU AGREEMENTS

Council could consider the use of “Service-in-Lieu” agreements under which developers would be permitted to undertake work that the City would otherwise be paying for in exchange for credits against the Rock Tunnel charge.

E. RESERVE FUND REPAYMENTS

The City should credit all charge payments to the reserve fund(s) from which the amounts to be recovered have been drawn. Separate accounts should be maintained for each land use type for which a charge is made. Records should be maintained of the outstanding balance applicable for each land use type taking into account allowance for accumulated interest calculated using the appropriate periodic rates. Once the amount to be recovered for a particular land use together with accumulated interest has been paid through the collection of charges from developments, charges should no longer be applied against involving that land use. Once the recovery target amounts and accumulated interest have been paid for all land uses, Council should rescind the by-law.

F. ANNUAL BY-LAW RENEWALS

Assuming that the proposed charges are subject to the provisions of S.12 of OR 244/02, the enabling by-law will need to be renewed annually and dealt with through a public hearing. This requirement would logically be addressed as part of the annual water and sewer rate by-law process.