



Building a better Quinte.

April 1, 2016

City of Belleville
Att: Mayor and Council
169 Front Street
Belleville, Ontario
K8N 2Y8

Dear Mayor & Councillors:

RE: Increase in Development Charges

As you are no doubt aware, the Quinte Home Builders Association ("QHBA") raised concerns regarding the City's recently adopted Development Charges By-law (the "By-law"), which substantially increases Development Charges ("DC's").

After significant deliberation, QHBA determined that despite the significant effect the increase in DC's will have on the new home construction industry and the next generation of new homebuyers, it is ultimately not in the best interests of the QHBA's members to appeal the By-law.

Notwithstanding QHBA's decision not to appeal the By-law, it continues to have serious concerns with the calculation of the City's Parks and Recreation development charge, particularly the treatment of the Multiplex (with its inclusion in both the level of service inventory and in the capital program), and the replacement cost assumptions used in calculating the maximum allowable funding envelope.

It is of key importance for Council to recognize the underlying purpose of the Development Charges Act ("DCA") when making decisions of this magnitude.

At the outset, it is important to remember that the purpose of DC's is to recover the growth-related costs associated with the capital infrastructure needed to service new development within the municipality.

Put plainly, the intention underlying the DCA is straightforward, "growth pays for growth".

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The 'spirit' of this intention is made clear upon a review of the discussions that took place during the legislation's creation:

Community growth must be financed in a way that is fair to all, and I believe this bill is an important first step to finding that fairness. The new Development Charges Act is more balanced and will give assurances to municipalities that key services -- I emphasize "key services" -- and infrastructure needed for growth will still be funded through development charges rather than through increased taxes for residents in existing neighbourhoods.¹

It is also evident from the Legislature that one of the purposes of DC's under the DCA was to encourage development by limiting costs:

...the people of Ontario, those who are hoping to buy a home in the future but have very limited means -- we know that development charges are a significant proportion of the cost of new housing in some areas. I'm sure we would all concur that to the degree we could take action in this House to reduce the cost of housing for the younger generations coming on, the younger generations that in future will want to buy an affordable house and an affordable property, we should do that. That's exactly what Bill 98 does. It [the DCA] encourages more affordable housing in Ontario.²

It is against this backdrop that the QHBA strongly encourages Council to consider the repercussions on affordability that its recent decision is going to have.

For clarity, few other parties are more interested in seeing population growth, economic development or in maintaining affordable housing in this region than QHBA members. Without exception, every QHBA member wants to see Belleville grow and thrive.

That said, it appears to us that some of the growth forecasts in the City's Background Study to the By-law (the "Background Study") are overly optimistic, to the detriment of new development.

The large majority of our members live, work and operate businesses in this community and would love nothing more than to see growth in these proportions. However, the predictions appear unrealistic and

¹ Ontario Legislative Assembly, official Report of Debates (Hansard), 36th Parliament, 1st Session, (6 March 1997) at 1700 & 1710 (Bruce Smith).

² Ontario Legislative Assembly, official Report of Debates (Hansard), 36th Parliament, 1st Session, (11 June 1997) at 1610 (David Johnson)



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it is the next generation of homebuyers who will ultimately shoulder the burden of these potential inaccuracies.

As a point in fact, the construction of the Multiplex in 2012 added 174,000 square feet of Indoor Recreation Facilities ("IRF") for a total of 403,914 square feet of IRF in the City, where the prior amount had held steady at 282,582 square feet of IRF for the 6 years prior. What this means is that the City increased IRF capacity by 60% in 2012 alone.

We further note that the total 'Eligible Amount' for inclusion in the DC amount (before adjustments) is \$5,491,967. This amount exceeds the amount apportioned as 'Benefit to Existing Development'. By comparison, the 'Net Capital Cost' for "Trails" is estimated at \$3,384,457 of which \$3,050,000 is allocated as 'Benefit to Existing Development' and \$334,457 to new growth.

The Background Study seems to suggest that the construction of the new Multiplex facility "generally results in only a very limited benefit to existing development". According to the City's own facts, there are four (4) ice pads, three (3) swimming pools, an indoor track, various fitness resources and numerous other features of this facility which received ~ one million visits in 2013 alone.³

In our view, the assessment in the Background Study implies that projected growth of around 7% somehow necessitated an increase in IRF capacity of 60%. We respectfully suggest that very few, if any, new arrivals/homeowners in the City would agree with this assertion and that on its face, having the next generation of new homeowners in Belleville shoulder a disproportionate share of the cost of this facility is manifestly unfair.

In summary, the By-law as adopted by Council will see the DC's on an average new, single detached dwelling jump from approximately \$9640 to nearly \$11,400, a change of almost 20%. Regardless of the change being phased in over time, in an era of stagnant wage growth and economic uncertainty, an increase of this level can put home ownership out of the reach of some. This is something that neither the City nor the QHBA wants to see.

³ http://www.quintesportsandwellnesscentre.ca/?page_id=730 (accessed March 22, 2016)



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The Future

On a go-forward basis, it is the sincere hope of the QHBA that Council will give due consideration to the creation of a program/policy to postpone/defer the collection of DC's until a property is transferred to the ultimate 'end user' (i.e. a third party purchaser). The City of Peterborough has such a policy, which is highly successful and we feel could be a model for Belleville. The QHBA would be pleased to work with the City in the creation of such a program, which would ultimately benefit everyone, with no real downside to anyone.

On a fundamental level, the QHBA has the same objectives as Council – the growth and prosperity of Belleville and its residents. As an association, we respect that the original 2014 DC review has been adjusted favourably with regards to maintaining affordable housing in the City. The original DC Review document was addressed, and scrutinized, by the QHBA, in furtherance of that same goal: housing that is affordable.

In conclusion, with the shared goals of economic growth & development, accountability and transparency as to the application of the current DC reserve fund in mind, it is our hope that the City will agree that it is in everyone's interest to institute regular meetings (we propose quarterly) to review & discuss with QHBA representatives the ongoing administration of the DC fund and related issues as they arise.

On this basis, maintaining an open and effective dialogue, we can work together, constructively, to ensure everyone's expectations are on the same alignment.

We look forward to working with you now and in the future.

Sincerely,

Quinte Home Builders Association

A handwritten signature in blue ink, appearing to read "Gord McCrady".

Gord McCrady, President, QHBA

CC: Ruth Estwick, EO, QHBA