

Report for Public Consultation

Prepared by Hemson for the City of Waterloo

City of Waterloo

Community Benefits Charge Strategy

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Executive Summary

A. Purpose of 2022 CBC Strategy

i. What is a Community Benefits Charge?

A Community Benefits Charge (CBC) is a new funding tool authorized under the Ontario Planning Act, 1990 (the Act) that allows municipalities to impose a charge against higher density development to pay for development-related capital costs. The CBC provisions replace former section 37 height and density bonusing provisions in the Act, subject to transition rules.

Municipalities can use CBCs to pay for “facilities, services, and other matters attributable to the anticipated development and redevelopment to which the community benefits charge by-law would relate.” As such, they can be used together with development charges (DCs) and parkland and other public recreation amenities contributions by developers under section 42 of the Act. Provided they are used to fund development-related costs that are not also funded by DCs and section 42 contributions, the scope of CBCs is quite broad.

ii. Legislative Context

This City of Waterloo 2022 Community Benefits Charge Strategy (CBC Strategy) is presented as part of the process to lead to the approval of a CBC By-law in compliance with the Act. The Strategy is prepared in accordance with the Act and associated Ontario Regulations 509/20 (O.Reg. 509/20), including the amendments that came into force on September 18, 2020.

iii. CBCs Levied on Higher Density Development

A CBC can only be levied against mid- to high-density development, limited by the Act to buildings that are:

- five or more storeys, **and**

- contain 10 or more residential units.

Note that a mixed use development, a building that contains both residential and non-residential uses, can be subject to a CBC if it meets the above criteria.

Ontario Regulation 509/20 provides for a number of exemptions from the payment of a CBC, namely:

- long-term care & retirement homes;
- colleges, universities and post-secondary indigenous institutes;
- Royal Canadian Legion buildings or structures;
- hospices for end of life care; and
- non-profit housing.

B. CBC Strategy

Subsection 37(32) of the Act prescribes that the maximum permitted CBC that can be levied against any particular development is 4 per cent of land value on the day before issuance of the building permit. Several key steps must be undertaken in order to levy CBCs. They include preparing a CBC Strategy prior to passing a CBC by-law. Through the Strategy, the City must:

- prepare a development (growth) forecast;
- determine the increased infrastructure need arising from development;
- estimate the capital costs of providing the necessary infrastructure;
- determine the share of these costs attributed to CBC development, by identifying and deducting:
 - excess capacity;
 - benefit to existing development; and
 - grants, subsidies or other contributions.

C. Development Forecast

Over the ten-year planning period from 2022 to 2031, Waterloo is anticipated to grow by between 2,985 and 4,148 occupied dwellings in buildings that would be subject to a CBC. The forecast range is based on three growth options being evaluated for the City under the Region of Waterloo's municipal comprehensive review. As set out in Section 3 of O.Reg. 509/20 the maximum permissible CBC is capped at 4 per cent of the land value of development sites. At the 4 per cent cap, a high level estimate of the CBC revenue potential associated with these units ranges between \$3.7 million and \$5.2 million over the ten year forecast horizon depending on the Regional growth option that is adopted. Additional details are provided in Section 5.

D. CBC Capital Needs Exceed Revenue Forecast

The estimated CBC eligible costs of the development-related capital program total \$26.7 million (see Section 4). As such, the CBC eligible costs exceed the anticipated 10-year revenue potential under the legislated 4 per cent cap.

E. Application of CBCs

It is recommended that the City implement CBCs as a per cent of land value. As per the legislation, the value of the land to which the charge applies is determined as the value on the day before the issuance of a building permit, or the first building permit if the development requires multiple permits. It is proposed that the charges will apply on a City-wide basis on all eligible development, excluding those made exempt from CBCs under subsection 37 (4) (e) of the Act and section 1 of O. Reg. 509/20.

1. Introduction

This City of Waterloo Community Benefits Charge (CBC) Strategy is presented as part of a process to lead to the approval of a new CBC by-law in compliance with the Planning Act, 1990 (the Act).

A. Background

This City of Waterloo Community Benefits Charge (CBC) Strategy is presented as part of a process to lead to the approval of a new community benefits charge by-law in compliance with the Planning Act, 1990 (the Act).

Subsection 37(9) of the Act and section 2 of O. Reg. 509/20 require that a community benefits charge strategy shall:

- (a) include estimates of the anticipated amount, type and location of development and redevelopment with respect to which community benefits charges will be imposed;
- (b) include estimates of the increase in the need for facilities, services and matters attributable to the anticipated development and redevelopment to which the community benefits charge by-law would relate;
- (c) identify the excess capacity that exists in relation to the facilities, services and matters referred to in clause (b);
- (d) include estimates of the extent to which an increase in a facility, service or matter referred to in clause (b) would benefit existing development;
- (e) include estimates of the capital costs necessary to provide the facilities, services and matters referred to in clause (b); and
- (f) identify any capital grants, subsidies and other contributions made to the municipality or that the council of the municipality anticipates will be made in respect of the capital costs referred to in clause (e).

This Strategy presents the estimated CBC development-related net capital costs attributable to CBC eligible development that is forecast to occur in the City. The apportionment of the net capital costs among various development-related funding sources, including development charges, parkland dedication and others, is provided.

The Act requires that municipalities consult with the public when implementing a CBC by-law. Accordingly, the City will make this CBC Strategy and a draft CBC By-law available for public comment prior to Council’s consideration and passage of the by-law. A public meeting of Council is proposed to be held on June 27, 2022 following public release of the CBC Strategy. Direct consultation with development industry representatives is proposed to be undertaken during the summer months of 2022. Following completion of this consultation process, it is proposed that Council review the Strategy and the comments received during the consultation process, before adopting the new CBC By-law in September 2022.

The remainder of the Strategy sets out the information and analysis upon which the proposed CBC is based.

B. Legislative Context and Regulatory Requirements

The CBC section of the Act has replaced what was previously referred to as section 37 “Increased Density” or “Density Bonusing”. The change was finalized through the COVID-19 Economic Recovery Act, 2020, which built on the More Homes, More Choice Act, 2019 and Plan to Build Ontario Together Act, 2019. The new section 37 authorizes municipalities to impose CBCs against land to pay for the capital costs of facilities, services and matters required because of development or redevelopment in the municipality.

The new section 37 sets out the relationship between CBCs and other development-related funding tools, including development charges (DCs) levied under the Development Charges Act, 1997.

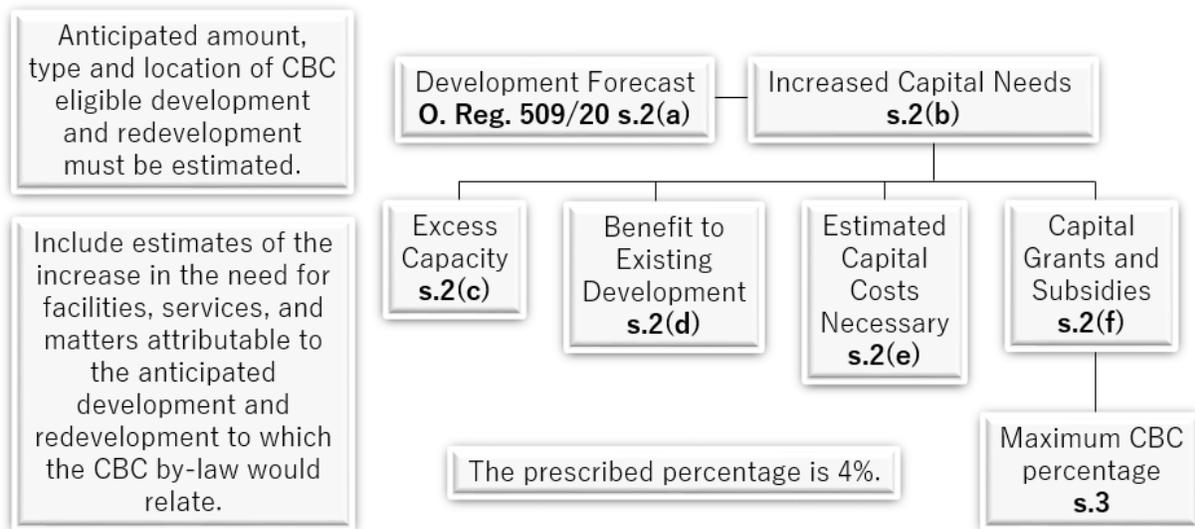
2. Purpose of the 2022 Community Benefits Charge Strategy

This section describes the methodology for determining the CBC rate for the City and provides details on the capital works and service categories used to establish CBC eligible costs.

A. Key Steps in Determining CBCs

As shown in Figure 1, the Act requires that the CBC Strategy include various components in order to validate the resulting charge. In the case of the City of Waterloo, it is proposed that the charge be levied on the basis of a percentage of land value, with no individual CBC exceeding the legislated maximum of 4 per cent of land value.

Figure 1 Key Steps in Determining CBCs



B. Proposed Methodology and Approach

The CBC legislation does not specify the method by which a CBC is levied. Various options could be applied by a municipality, such as charges based on a per cent of land value, a per-unit charge, or a charge based on gross floor area of development. Most municipalities that are implementing a CBC have adopted the first option, based on a charge calculated as 4 per cent of land value at the time of first building permit issuance and imposed on all development and redevelopment in the municipality.

The City-wide approach adjusts for variability in land values across geographies and building typologies. As such, an area specific approach is not necessary as the per cent of land value rate structure will account for variable land values across the City.

The CBC capital program, summarized in the section below and in Section 4, was developed with City staff and relies on previous work completed for the City's capital budget and forecast, the 2019 DC Background Study, various master servicing plans, the City Official Plan, the previous use of section 37 "density bonusing" contributions, and other planning documents.

As required by the legislation, all CBC revenues will be paid into a single reserve fund (or special account). In each calendar year, the City must allocate or spend at least 60 per cent of the monies in the special account at the beginning of the year. A separate policy, outside the framework of this Strategy, will be developed to prioritize CBC project allocation and spending.

The CBC Strategy serves to substantiate levying a 4 per cent CBC and to satisfy the legislative and regulatory requirements, and is a point in time analysis of eligible capital programs and projects to which the City may allocate CBC monies. From a legislative perspective, the CBC Strategy does not represent any expression of Council policy, prioritization, or other formal expression of intent to fund or allocate any funds specific services, facilities, or projects set out in the CBC capital program.

C. CBC Capital Program

The gross cost of the CBC capital program of projects eligible for partial or full funding from CBCs is \$58.8 million. Approximately \$32.1 million of this gross capital cost is ineligible for CBC funding, having been removed from consideration as excess capacity, costs that benefit existing residents of the City (BTE shares), or costs to be funded from other growth funding tools such as development charges.

No grants or subsidies have been identified to cover the gross cost of the program. Replacement or benefit to existing shares removed from the eligible recovery costs total \$4.6 million. Of the remaining \$54.2 million:

- \$26.7 million is considered to benefit development in buildings of five or more storeys and containing 10 or more residential units, and as such, is eligible for CBC funding;
- \$18.4 million will be considered for DC funding as part of the 2023 DC Background Study;
- \$9.1 million, relating to Parking expansion works, is ineligible for future DC and CBC funding despite being a development-related cost. Funding for this cost will be secured largely through previously collected Parking DCs.

The capital program is based on service levels planned for and provided by the City. These service levels are not exclusively tied to a time horizon. The capital facilities set out herein are a snapshot of what the City currently needs to fund to maintain those service levels during the ten-year planning period. As projects are completed, the City will continue with additional capital projects to provide the same or similar service levels, and therefore the capital facilities listed will continue to evolve.

The CBC capital program is summarized in Table 1 below.

Table 1. Summary of CBC Capital Program (\$000s)

Service	Gross Cost	Grants & Subsidies	Net Cost	BTE Shares	Development Related Costs	Potential DC Funded	Remaining Development Related	CBC Share
1.0 CBC Strategies	\$100.0	\$0.0	\$100.0	\$0.0	\$100.0	\$0.0	\$0.0	\$100.0
2.0 Parking	\$14,409.3	\$0.0	\$14,409.3	\$62.0	\$14,347.3	\$0.0	\$9,069.2	\$5,278.1
3.0 Affordable Housing	\$4,350.0	\$0.0	\$4,350.0	\$3,816.0	\$534.0	\$261.2	\$0.0	\$272.9
4.0 Public Realm	\$24,309.0	\$0.0	\$24,309.0	\$0.0	\$24,309.0	\$15,366.2	\$0.0	\$8,942.8
5.0 Public Art	\$460.0	\$0.0	\$460.0	\$0.0	\$460.0	\$0.0	\$0.0	\$460.0
6.0 MTSA Initiatives	\$4,346.0	\$0.0	\$4,346.0	\$477.0	\$3,869.0	\$2,445.7	\$0.0	\$1,423.3
7.0 Prior Section 37 Projects	\$10,800.0	\$0.0	\$10,800.0	\$263.2	\$10,536.8	\$339.3	\$0.0	\$10,197.5
TOTAL	\$58,774.3	\$0.0	\$58,774.3	\$4,618.1	\$54,156.2	\$18,412.4	\$9,069.2	\$26,674.5

D. A City-Wide Rate is Proposed

Consideration was given as to whether or not CBCs should be implemented on a City-wide or area-specific basis. However, unlike DC by-laws, the Planning Act states that municipalities may only impose one CBC by-law. And although, there is nothing in the Act that prohibits the City from imposing area-specific CBCs within a single by-law, the legislation appears to promote a municipal-wide approach as the land value cap results in a form of area rating; land values typically vary across a municipality so the amount of the CBC will reflect area differences. Moreover, a single, uniform City-wide charge is most suitable in Waterloo as most services included in the CBC capital program are planned for on a City-wide basis.

E. Implementation and Administration

The implementation and administration of the CBC will be determined by the CBC by-law, prevailing legislation and the CBC policies and practices to be established by Council.

3. Development Forecast

This section describes the basis for and results of the development forecast used to determine the potential CBC revenues. The development forecast is based on technical background work being prepared by the Region of Waterloo as part of its ongoing municipal comprehensive review.¹

The forecasts in this section set out the amount, type and location of development to which the CBC applies, in line with the requirements of O.Reg. 509/20 s.2(a).

A. Proposed 10-Year Planning Horizon

The timeframe for the CBC development forecast and CBC capital program in this Strategy is 2022-2031. This 10 year planning period is consistent with the City's 10-year capital development forecast and aligns with the 10-year planning horizon to be used in the forthcoming 2023 DC Background Study.

B. Three Growth Options Have Been Analyzed

As part of its municipal comprehensive review, the Region of Waterloo has prepared a Land Needs Assessment which establishes the long-term growth outlook for the Region and its lower-tier municipalities based on a 30-year time horizon and population and employment forecasts prescribed by the Provincial Plan *A Place to Grow: Growth Plan for the Greater Golden Horseshoe* (the Growth Plan).

The Land Needs Assessment includes three growth options for the Region that forecast different population and employment forecasts, different housing mixes, and different locations for development for the City of Waterloo. The range of CBC revenue under all three options has been analyzed in this Strategy.

¹ Specifically, information in Appendix C of Dillon Consulting and Watson and Associates, *Region of Waterloo Land Needs Assessment*, April 2022.

Based on the Land Needs Assessment, it is anticipated that between 55% and 59% of all new dwelling units constructed in the City between 2022 and 2031 will meet the CBC criteria of being five or more storeys and containing 10 or more residential units. As shown in Table 2, the forecast growth in occupied dwellings ranges between 5,020 units in Option 1 and 7,563 units in Option 3 over the planning period, of which between 61% (Option 3) and 67% (Option 1) are apartments or off-campus student housing units.

Table 2. Forecast Growth in Occupied Dwellings 2022-2031

	Singles/Semis	Rows	Apartments	Student Units	Total
Option 1	883 18%	793 16%	3,103 62%	240 5%	5,020 100%
Option 2	640 9%	1,990 28%	4,308 60%	240 3%	7,178 100%
Option 3	775 10%	2,130 28%	4,418 58%	240 3%	7,563 100%

Table 3 shows that approximately 89% of all future apartments and student housing is forecast to be eligible for the CBC. This assumption is based on the percentage of apartments constructed in the City between 2011 and 2021 that were in buildings of five storeys or more. Single detached, semi-detached, and rowhouse unit types are not anticipated to meet the criteria for the CBC.

Table 3. Forecast Growth in CBC-Eligible Units 2022-2031

	CBC Apartments	CBC Student Units	Total CBC Units	% of Total Apartments & Student Units	% of Total Units
Option 1	2,745	240	2,985	89%	59%
Option 2	3,810	240	4,050	89%	56%
Option 3	3,908	240	4,148	89%	55%

Based on information from City Planning staff it is assumed that 67% of all CBC-eligible units will be located within City Centre locations, including the Uptown and Northdale communities, under all growth options.

CBCs will apply to mixed-use buildings that meet the eligibility criteria, and could therefore apply to some non-residential uses. These mixed-use (residential and non-residential) buildings have been included in the above development forecasts and all uses in the buildings (excepting development exempt from CBCs) will be included in the land valuation for a site when determining the CBC.

Table 4 sets out the calculation of persons in new units subject to CBCs as a percentage of persons in all new units. The calculation is based on the average occupancy or “persons per unit” (PPU) assumptions used in the City’s 2019 DC Background Study.² The average PPUs for all units are: 3.49 for singles/semis; 2.30 for rowhouses; 2.07 for apartments; and 4.00 for off-campus student housing. The population in CBC-eligible units as a percentage of the population in all new units ranges from 51% (Option 3) to 54% (Option 1).

Table 4. Population in New Units 2022-2031

	Population in CBC-Eligible Units			Population in All Units	% in CBC Eligible Units
	Apartments	Student Units	Total		
Option 1	5,681	960	6,641	12,291	54%
Option 2	7,887	960	8,847	16,689	53%
Option 3	8,089	960	9,049	17,710	51%

² And, in turn, based on a Census Special Run of data on population by unit type by period of construction from the 2016 Census. Note that equivalent data for the 2021 Census has not yet been released.

The lowest figure, 51% under Option 3, is used to establish the CBC-eligible percentage of projects that are anticipated to benefit all residential and mixed-use development, as shown in Section 4. In this way the CBC eligible costs are determined based on the *lowest allocation* of costs to CBC development over the next ten years.

It is noted that for certain CBC projects, such as Parking garage expansions, a non-residential (non-mixed-use) benefit is recognized resulting in a CBC-eligible share that is lower than 51%. The determination of the non-residential benefit for these projects is consistent with the 2019 DC Background Study methodology which allocated a non-residential benefit of 28% based on shares of population and employment growth in the City between 2020 and 2029. In such cases, the CBC-eligible share of costs is reduced to 37%:

51% CBC eligible cost X 72% residential benefit = 37% revised CBC eligible cost

C. Excluded Development

O.Reg. 509/20 excludes the following types of development from payment of CBCs:

1. Development or redevelopment of a building or structure intended for use as a long-term care home within the meaning of subsection 2 (1) of the *Long-Term Care Homes Act, 2007*.
2. Development or redevelopment of a building or structure intended for use as a retirement home within the meaning of subsection 2 (1) of the *Retirement Homes Act, 2010*.
3. Development or redevelopment of a building or structure intended for use by any of the following post-secondary institutions for the objects of the institution:
 - i. a university in Ontario that receives direct, regular and ongoing operating funding from the Government of Ontario,

- ii. a college or university federated or affiliated with a university described in subparagraph i,
 - iii. an Indigenous Institute prescribed for the purposes of section 6 of the *Indigenous Institutes Act, 2017*.
- 4. Development or redevelopment of a building or structure intended for use as a memorial home, clubhouse or athletic grounds by an Ontario branch of the Royal Canadian Legion.
- 5. Development or redevelopment of a building or structure intended for use as a hospice to provide end of life care.
- 6. Development or redevelopment of a building or structure intended for use as residential premises by any of the following entities:
 - i. a corporation to which the *Not-for-Profit Corporations Act, 2010* applies that is in good standing under that Act and whose primary object is to provide housing,
 - ii. a corporation without share capital to which the *Canada Not-for-profit Corporations Act* applies, that is in good standing under that Act and whose primary object is to provide housing,
 - iii. a non-profit housing co-operative that is in good standing under the *Co-operative Corporations Act*. O. Reg. 509/20, s. 1, 8.

4. CBC Capital Program

Before passing a CBC by-law, the Act requires that municipalities prepare a CBC Strategy that identifies the facilities, services and matters that will be funded with CBCs. The Act does not prescribe the specific facilities, services or matters on which CBC funding may be spent.

A. Facilities, Services and Matters Considered

The following facilities, services and matters have been identified in the Strategy as being required, in whole or in part, to meet the increased need for service arising from the CBC-eligible development forecast in Section 3:

- CBC Strategies
- Parking
- Affordable Housing
- Public Realm
- Public Art
- Major Transit Station Area (MTSA) Initiatives
- Previous Section 37 Projects (including Parkland Acquisition)

For each service, the City anticipates development-related costs to arise, fully or partially driven by mid- to high-density residential and mixed-use development, to which CBCs will apply. The identified CBC-eligible project costs for these services are beyond the costs anticipated to be funded through other growth funding tools, including development charges and parkland dedication.

It is noted that the CBC capital program is a point-in-time analysis of the needs anticipated over the 2022-2031 planning period. It is recognized that these needs may change over time through the City's annual budgeting processes. While certain projects, and types of projects, are listed within the CBC capital program, the identified capital project listings within each service do not preclude the City from assigning CBC funds to another facility or project under that service.

The description of each service below covers the following matters:

- Service Description;
- Service Delivery and Service Levels Consideration;
- Estimate of Need;
- Consideration of Excess Capacity;
- Capital Costs;
- Identification of any Anticipated Capital Grants, Subsidies or Other Contributions;
- Consideration of Benefit to Existing;
- Relation to funding from DCs (if applicable); and
- Share of Net Capital Costs related to CBC Eligible Developments.

B. Capital Needs by Service

This section provides the detailed analysis undertaken to establish the development-related capital costs eligible for CBC funding for each service.

i. CBC By-Law Reviews and Strategy Updates

a) Service Description

The cost of the CBC Strategy is eligible for CBC funding under the Act and included in this service is a provision to review the CBC by-law every five years and undertake public consultation as appropriate and pursuant to the *More Homes for Everyone Act 2022*. Costs related to the review include updating the CBC Strategy and administering the CBC By-law, including resolving disputes and delivering the CBC capital program.

b) Service Delivery and Service Levels Consideration

Inclusion of the CBC Strategy and implementation and administration of the CBC By-law does not increase the level of service provided to existing residents as this work largely replaces staff time previously spent on administering existing Section

37 density bonusing agreements and services such as Parking that are now ineligible for DC funding.

c) Estimate of Need

Included in the cost provision are regular updates to the CBC Strategy as well as the cost of dispute resolutions, legal costs, and other costs related to implementing and administering the Strategy and By-law. While the capital program represents a point-in-time analysis of the anticipated CBC-eligible project costs over the 2022-2031 period, similar needs are anticipated to continue beyond the ten-year planning horizon.

d) Consideration of Excess Capacity

No excess capacity exists for this service.

e) Capital Cost

The gross cost included in the capital program totals \$100,000 over the ten year planning period.

f) Identification of any Anticipated Capital Grants, Subsidies or Other Contributions

No grants, subsidies or other contributions have been identified for this service.

g) Consideration of Benefit to Existing

No benefit to existing has been identified as these costs relate entirely to new development that is subject to the CBC.

h) Relation to funding from DCs (if applicable)

No DC funding is available for this service.

i) Share of Net Capital Costs related to CBC Eligible Developments

The entire \$100,000 cost is related to development subject to CBCs.

Table 5. CBC By-Law & Strategy Development-Related Capital Program

Project Description	Timing	Gross Cost	Grants, Subsidies & Other Recoveries	Net Cost	BTE (%)	BTE (\$)	Total Development Related Cost	Potential DC Funded	Remaining Development Related	CBC Share Under Growth Option 3 (%)	CBC Eligible Costs
1.0 CBC BY-LAW REVIEWS AND STRATEGY UPDATES											
1.1 Community Benefits Charge By-law Review	2026	\$50,000	\$0	\$50,000	0%	\$0	\$50,000	\$0	\$0	100%	\$50,000
1.2 Community Benefits Charge By-law Review	2031	\$50,000	\$0	\$50,000	0%	\$0	\$50,000	\$0	\$0	100%	\$50,000
TOTAL CBC BY-LAW REVIEWS AND STRATEGY UPDATES		\$100,000	\$0	\$100,000		\$0	\$100,000	\$0	\$0		\$100,000

ii. Parking

a) Service Description

The City of Waterloo's Parking Services is responsible for planning, managing, rehabilitating and maintaining the City's parking to meet the needs of the community. The City's inventory of capital assets comprise 17 lots, including the structured Uptown Parkade, with about 1,800 parking spaces.

b) Service Delivery and Service Levels Consideration

Waterloo is a vibrant city that continues to grow, though increasingly through redevelopment and intensification. There is a need identify and plan for how best to utilize existing Parking facilities and expand the capacity of the service to accommodate increased needs. Although the cost of parking studies and facility expansion have traditionally been funded through the City's DC By-law, the Parking service has recently been made ineligible for DC funding.

c) Estimate of Need

The need for additional Parking facilities driven by CBC-eligible development considers:

- Regular parking studies over the next 10 years, particularly within the Urban Growth Centre boundary, to determine the impact of ION ridership, new work from home options for businesses, and residential intensification on parking demand; and
- Provision to expand parking facilities in Uptown Waterloo to maintain service levels in the face of a growing city. This need is driven by residential and non-residential development across the entire City. It was previously identified in the 2019 DC Background Study and has been carried forward into the CBC Strategy.

While the Parking CBC capital program represents a point-in-time analysis of the anticipated CBC-eligible project costs over the 2022-2031 period, similar service levels are anticipated to continue to be provided by the City beyond the ten-year planning horizon.

d) Consideration of Excess Capacity

Available excess capacity is considered as part of the City’s budgeting and capital development planning processes. The costs included in the CBC Strategy relate to incremental needs arising from development over the ten-year planning horizon and are net of any excess capacity.

e) Capital Cost

The gross capital cost associated with the Parking CBC program is \$14.4 million, including \$124,000 for four parking utilization studies in 2023, 2024, 2027, and 2030, and \$14.3 million for expansion of surface and structured parking in the Uptown area. The latter project was included in the 2019 DC Background Study, with costs reduced to account for \$2.0 million already transferred to the project in 2022.

f) Identification of any anticipated capital grants, subsidies or other contributions

No grants, subsidies or other contributions have been identified for this service.

g) Consideration of Benefit to Existing

A benefit to existing share of \$62,000 has been identified to account for the need for parking studies to consider parking utilization by existing residents of the City. This share has been removed from the calculation of CBC-eligible costs.

h) Relation to funding from DCs (if applicable)

The projects included in the Parking capital program are ineligible for DC funding.

i) Share of Net Capital Costs related to CBC Eligible Developments

The development-related cost of \$14.3 million will benefit all development across the City, including CBC eligible development. The total CBC eligible cost is \$5.3 million or 37% of the \$14.3 million development-related cost. This share is based on the growth anticipated to occur in CBC eligible development from 2022 to 2031 as a percentage of total population and employment growth over the planning period (see Section 3 above).

Table 6. Parking Development-Related Capital Program

Project Description	Timing	Gross Cost	Grants, Subsidies & Other Recoveries	Net Cost	BTE (%)	BTE (\$)	Total Development Related Cost	Potential DC Funded	Remaining Development Related	CBC Share Under Growth Option 3 (%)	CBC Eligible Costs
2.0 PARKING											
2.1 Parking Utilization Studies	2023	\$31,000	\$0	\$31,000	50%	\$15,500	\$15,500	\$0	\$9,798	37%	\$5,702
2.2 Parking Utilization Studies	2024	\$31,000	\$0	\$31,000	50%	\$15,500	\$15,500	\$0	\$9,798	37%	\$5,702
2.3 Parking Utilization Studies	2027	\$31,000	\$0	\$31,000	50%	\$15,500	\$15,500	\$0	\$9,798	37%	\$5,702
2.4 Parking Utilization Studies	2030	\$31,000	\$0	\$31,000	50%	\$15,500	\$15,500	\$0	\$9,798	37%	\$5,702
2.5 Uptown Parking Expansion (Structure & Surface Spaces)	2023	\$7,142,642	\$0	\$7,142,642	0%	\$0	\$7,142,642	\$0	\$4,515,013	37%	\$2,627,629
2.6 Uptown Parking Expansion (Structure & Surface Spaces)	2024	\$7,142,642	\$0	\$7,142,642	0%	\$0	\$7,142,642	\$0	\$4,515,013	37%	\$2,627,629
TOTAL PARKING		\$14,409,283	\$0	\$14,409,283		\$62,000	\$14,347,283	\$0	\$9,069,217		\$5,278,066

iii. Affordable Housing

a) Service Description

The City, through its Strategic Plan, has identified a new Affordable Housing Grant Program as a high priority. The main purpose of the program is to engage the non-profit and for-profit sectors in the construction of affordable housing units. While the need for affordable housing increases as a City's population grows, the City has limited tools available to address housing affordability. The CBC is one of those tools.

b) Service Delivery and Service Level Consideration

As the City's population grows, the need for affordable housing increases. Although the City does not currently fund affordable housing grants through the DC By-Law this will be reviewed as part of the 2023 DC By-law Update.

c) Estimate of Need

The City aims to promote the construction of affordable housing through a combination of grants, a Community Improvement Plan, and DC and planning fee waivers. The cost of DC and fee waivers has not been included in the CBC capital program.

d) Consideration of Excess Capacity

There is no excess capacity available within the City's existing affordable housing inventory and the costs included in the CBC Strategy relate to incremental needs arising from development over the ten-year planning horizon.

e) Capital Cost

The gross capital cost associated with the Affordable Housing program is \$4.4 million.

f) Identification of any anticipated capital grants, subsidies or other contributions

No grants, subsidies or other contributions have been identified for the program.

g) Consideration of Benefit to Existing

A benefit to existing share of 88% of the net cost, or \$3.8 million, has been calculated based on the share of new housing units constructed between 2022 and 2031 (6,587 units, using an average of all three growth options) over the forecast total number of housing units in the City in 2031 (53,656 units, using an average under all three growth options). This share assumes that the benefits of City investments in affordable housing accrue to new and existing development in Waterloo in equal measure.

h) Relation to funding from DCs (if applicable)

Of the \$534,040 development-related net capital cost of the program, \$261,176 (49%) will be considered for DC funding as “Housing Services” as part of the 2023 DC Background Study.

i) Share of Net Capital Costs related to CBC Eligible Developments

The remaining \$272,864 (51%) represents the share of the development-related costs that is attributable to new units constructed in the City over the next 10 years that are CBC-eligible.

Table 7. Affordable Housing Development-Related Capital Program

Project Description	Timing	Gross Cost	Grants, Subsidies & Other Recoveries	Net Cost	BTE (%)	BTE (\$)	Total Development Related Cost	Potential DC Funded	Remaining Development Related	CBC Share Under Growth Option 3 (%)	CBC Eligible Costs
3.0 AFFORDABLE HOUSING											
3.1 Affordable Housing Implementation	2023-2025	\$4,350,000	\$0	\$4,350,000	88%	\$3,815,960	\$534,040	\$261,176	\$0	51%	\$272,864
TOTAL AFFORDABLE HOUSING		\$4,350,000	\$0	\$4,350,000		\$3,815,960	\$534,040	\$261,176	\$0		\$272,864

iv. Public Realm

a) Service Description

The Public Realm service covers the burial of hydro infrastructure to enable future development closer to lot lines and roads where current overhead hydro lines are located.

b) Service Delivery and Service Levels Consideration

As the City continues to grow, particularly through redevelopment and intensification, there is a growing need to invest in the public realm. The City investments included in this service are required in the Core Area and Northdale areas of Waterloo where significant intensification and redevelopment is planned for. The City has historically funded this type of development-related project through the previous Section 37 density bonusing agreements.

For greater clarity, the capital costs included are not to be funded through direct developer contributions as a local service.

c) Estimate of Need

The need for the public realm projects is based on two planned capital projects:

- The burial of hydro infrastructure in the Uptown Core in conjunction with future development between 2028 and 2031 at a cost of \$13.2 million; and
- The burial of hydro infrastructure in the Northdale community along Hickory Street, Hazel Street, and Albert Street, in conjunction with future development between 2028 and 2031 at a cost of \$11.1 million.

While the Public Realm CBC capital program represents a point-in-time analysis of the anticipated CBC-eligible project costs over the 2022-2031 period, similar service levels are anticipated to continue to be provided beyond the ten-year planning horizon.

d) Consideration of Excess Capacity

Available excess capacity is considered as part of the City’s budgeting and planning processes. The costs included in the CBC Strategy relate to incremental needs arising from development over the ten-year planning horizon and are net of any excess capacity.

e) Capital Cost

The gross capital cost associated with the Public Realm program is \$24.3 million.

f) Identification of any anticipated capital grants, subsidies or other contributions

No grants, subsidies or other contributions have been identified for the program.

g) Consideration of Benefit to Existing

The benefits of the program are considered to be entirely development-related as the need for the works is driven by development and redevelopment in the central part of the city.

h) Relation to funding from DCs (if applicable)

That portion of the development-related cost of \$24.3 million not eligible for CBC funding (\$15.4 million) will be considered for DC funding as part of the 2023 DC Background Study.

i) Share of Net Capital Costs related to CBC Eligible Developments

The development-related cost of \$24.3 million will benefit all development across the City, including CBC eligible development. The total CBC eligible cost is \$8.9 million or 37% of the \$24.3 million development-related cost. This share is based on the growth anticipated to occur in CBC eligible development from 2022 to 2031 as a percentage of total population and employment growth over the planning period (see Section 3 above).

Table 8. Public Realm Development-Related Capital Program

Project Description	Timing	Gross Cost	Grants, Subsidies & Other Recoveries	Net Cost	BTE (%)	BTE (\$)	Total Development Related Cost	Potential DC Funded	Remaining Development Related	CBC Share Under Growth Option 3 (%)	CBC Eligible Costs
4.0 PUBLIC REALM											
4.1 Hydro Burial (Core Area)	2028-2031	\$13,180,000	\$0	\$13,180,000	0%	\$0	\$13,180,000	\$8,331,353	\$0	37%	\$4,848,647
4.2 Hydro Burial (Northdale)	2028-2031	\$11,129,000	\$0	\$11,129,000	0%	\$0	\$11,129,000	\$7,034,873	\$0	37%	\$4,094,127
TOTAL PUBLIC REALM		\$24,309,000	\$0	\$24,309,000		\$0	\$24,309,000	\$15,366,225	\$0		\$8,942,775

v. Public Art

a) Service Description

Public Art is a valuable asset that enhances the quality of life for citizens, strengthens community pride, improves the aesthetic of the public realm, and contributes to the City's material culture, social well-being, and economic vitality.

The City's Parkland Strategy identifies public art as playing a vital role in creating suitable public spaces. The Public Art Master Plan identifies a number of neighbourhood parks as priority locations for the addition of public art. Moreover, the installation of public art in neighbourhood parks supports the following Council policies and corporate plans: Public Art Policy, Culture Plan, Neighbourhood Strategy, Economic Development Strategy, and Corporate Strategic Plan.

b) Service Delivery and Service Levels Consideration

Public art is not currently funded through the DC By-law. In the past decade, the City has collected both monies for public art and public art infrastructure through Section 37 density bonusing agreements. These contributions have helped the City maintain adequate service levels locally as major high density developments come forward. Inclusion of public art in the CBC By-law will provide the City with an opportunity to invest more broadly in public art in priority neighbourhoods where population growth and density are anticipated to increase significantly.

It is noted that the Public Art CBC capital program does not represent the City's entire ten-year development-related capital program for this service. Only projects with development-related shares beyond the estimated funding capacity of other growth funding tools (e.g. parkland dedication) are included.

c) Estimate of Need

The City will experience a growing demand for public art, particularly in areas that are intensifying and redeveloping. The Public Art Master Plan identifies high priority locations for public art investment based on population growth and density and access to existing trails and greenspace.

Provisions for future investment in neighbourhood parks at priority locations, including a \$150,000 investment in Bechtel Park from 2023, have been included in the CBC capital program. The cost of these provisions represents a high level estimate, and recognizes that these capital needs cannot always be planned in advance through the City's normal budgeting processes.

The Public Art CBC capital program is a point-in-time estimate of the 2023-2026 CBC-eligible project needs. However, similar service levels are anticipated to continue to be provided beyond 2026 and possibly beyond the ten-year planning horizon.

The costs brought forward for possible CBC funding are net of any potential future parkland dedication (s. 42) contributions, and other contributions.

d) Consideration of Excess Capacity

Available excess capacity is considered as part of the City's budgeting and planning processes. The costs included in the CBC Strategy relate to incremental needs arising from development over the ten-year planning horizon and are net of any excess capacity.

e) Capital Cost

The gross capital cost associated with the Public Art CBC capital program is \$460,000.

f) Identification of any anticipated capital grants, subsidies or other contributions

The gross project costs are 100% City costs; no grants, subsidies, or other contributions are anticipated to offset the costs.

g) Consideration of Benefit to Existing

No benefit to existing has been identified as these projects provide new or expanded facilities, and as such the costs relate entirely to future development within the planning horizon.

h) Relation to funding from DCs (if applicable)

Public art is ineligible for DC funding.

i) Share of Net Capital Costs related to CBC Eligible Developments

Given the projects in the CBC capital program are located in neighbourhood parks at priority locations based on proximity to new high density development the entire program of \$460,000 is considered to be eligible for CBC funding

Table 9. Public Art Development-Related Capital Program

Project Description	Timing	Gross Cost	Grants, Subsidies & Other Recoveries	Net Cost	BTE (%)	BTE (\$)	Total Development Related Cost	Potential DC Funded	Remaining Development Related	CBC Share Under Growth Option 3 (%)	CBC Eligible Costs
5.0 PUBLIC ART											
5.1 Neighbourhood Parks Public Art	2023-2026	\$100,000	\$0	\$100,000	0%	\$0	\$100,000	\$0	\$0	100%	\$100,000
5.2 Neighbourhood Parks Public Art	2027-2031	\$210,000	\$0	\$210,000	0%	\$0	\$210,000	\$0	\$0	100%	\$210,000
5.3 Bechtel Park Public Art	2023-2026	\$150,000	\$0	\$150,000	0%	\$0	\$150,000	\$0	\$0	100%	\$150,000
TOTAL PUBLIC ART		\$460,000	\$0	\$460,000		\$0	\$460,000	\$0	\$0		\$460,000

vi. Major Transit Area (MTSA) Initiatives

a) Service Description

This service covers City investments around ION stations (MTSAs) to ensure appropriate infrastructure is in place to support the high density development that is planned for these areas. The investments are a high priority for the City.

b) Service Delivery and Service Levels Consideration

Council's intentions to promote ION stations as locations for intensification and high density redevelopment have been approved through Station Area Plans (in 2017), Official Plan policies, and the Corporate Strategic Plan. Development at these locations requires a range of infrastructure improvements including active transportation and landscaping works.

While MTSA initiatives have traditionally been funded through the DC By-law, it is now considered appropriate to partially fund them through the CBC as some of the initiatives have very localized benefits. The City has in recent years used Section 37 density bonusing agreements to secure similar infrastructure to maintain transportation and recreational trail service levels locally.

c) Estimate of Need

The need for MTSA projects includes:

- On publicly owned land, the installation of local park infrastructure and amenities.
- On public land, streetscape enhancements, typically to enhance active transportation infrastructure, new pedestrian amenities (e.g. lighting, furniture), and trail/sidewalk connections.
- On private land, partnering with private landowners to enhance landscaping, active transportation and pedestrian facilities, and create privately owned public spaces to a standard that responds to the needs of the growing neighbourhood.

- Parking studies, urban design studies, and place making studies to assess the needs of these areas as they develop.

Provisions for additional projects (including road, transportation, and pedestrian improvements) to respond to the demands triggered by higher density development as they arise may also be required. These needs are not always known in advance and may not be fully captured in the CBC capital program.

While the MTSA CBC capital program represents a point-in-time analysis of the anticipated CBC-eligible project costs over the 2022-2031 period, similar service levels are anticipated to continue beyond the ten-year planning horizon.

d) Consideration of Excess Capacity

Available excess capacity is considered as part of the City’s budgeting and planning processes. The costs included in the CBC Strategy relate to incremental needs arising from development over the ten-year planning horizon and are net of any excess capacity.

e) Capital Cost

The gross capital cost associated with the MTSA Initiatives program is \$4.3 million, including \$1.3 million in new local park infrastructure and amenities, \$1.9 million in streetscape enhancements, \$1.1 million in new active transportation and pedestrian connections, and \$100,000 in studies.

f) Identification of any anticipated capital grants, subsidies or other contributions

No grants, subsidies or other contributions have been identified for the program.

g) Consideration of Benefit to Existing

No benefit to existing has been identified for the local park infrastructure and amenities and active transportation and pedestrian connections as these works provide new or expanded facilities for the benefit of future development within the MTSA over the planning horizon. An 11% BTE share has been assumed for MTSA initiatives on the basis that these investments have a benefit that extend to all residents of the City.

h) Relation to funding from DCs (if applicable)

That portion of the development-related cost of \$3.9 million not eligible for CBC funding (\$2.4 million) will be considered for DC funding as part of the 2023 DC Background Study.

i) Share of Net Capital Costs related to CBC Eligible Developments

The development-related cost of \$3.9 million will benefit all development across the City, including CBC eligible development. The total CBC eligible cost is \$1.4 million or 37% of the \$3.9 million development-related cost. This share is based on the growth anticipated to occur in CBC eligible development from 2022 to 2031 as a percentage of total population and employment growth over the planning period (see Section 3 above).

Table 10. Major Transit Station Area Initiatives Development-Related Capital Program

Project Description	Timing	Gross Cost	Grants, Subsidies & Other Recoveries	Net Cost	BTE (%)	BTE (\$)	Total Development Related Cost	Potential DC Funded	Remaining Development Related	CBC Share Under Growth Option 3 (%)	CBC Eligible Costs
6.0 MTSA INITIATIVES											
6.1 Major Transit Station Area Implementation	2023-2025	\$4,346,000	\$0	\$4,346,000	11%	\$477,000	\$3,869,000	\$2,445,676	\$0	37%	\$1,423,324
TOTAL MTSA INITIATIVES		\$4,346,000	\$0	\$4,346,000		\$477,000	\$3,869,000	\$2,445,676	\$0		\$1,423,324

vii. Previous Section 37 Projects

a) Service Description

This service includes works and other City capital investments not covered by other services but previously funded through Section 37 density bonusing agreements. It includes a provision for parkland acquisition and the construction of public washrooms and electric vehicle (EV) charge stations in intensification areas.

b) Service Delivery and Service Levels Consideration

Under section 42 of the Planning Act, the City can secure land, or cash in lieu of land, for public parks. However, providing urban parks in areas that are intensifying is a challenge as appropriate sites are in short supply and land is generally much more expensive than in “greenfield” areas. Current section 42 contributions are lower than what is required to achieve the City’s parkland provision targets. CBC funding can be used to support the City’s efforts in this respect.

The acquisition of parkland is ineligible for DC funding.

In the past decade, the City has used section 37 density bonusing agreements to install EV charge stations. These contributions have helped the City maintain adequate service levels locally as major high density developments come forward. Inclusion of these facilities in the CBC By-law will provide the City with an opportunity to invest more broadly in community infrastructure in neighbourhoods where population growth and density are anticipated to increase significantly.

c) Estimate of Need

The need for Previous Section 37 projects is based on:

- A conservative estimate of the cost to acquire urban parks in high density neighbourhoods over the planning period (\$10.0 million). This estimate may be revised as the Parkland Strategy and Parkland Dedication By-law are updated.

- Provision for \$300,000 worth of new EV charge stations and \$500,000 worth of new public washrooms based on previous Section 37 agreement expenditures.

While the capital program represents a point-in-time analysis of the anticipated CBC-eligible project costs over the 2022-2031 period, similar service levels are anticipated to continue beyond the ten-year planning horizon.

d) Consideration of Excess Capacity

There is no excess capacity available within the City's Previous Section 37 projects and the costs included in the CBC Strategy relate to incremental needs arising from development over the ten-year planning horizon.

e) Capital Cost

The gross capital cost associated with the Previous Section 37 program is \$10.8 million.

f) Identification of any anticipated capital grants, subsidies or other contributions

No grants, subsidies, or other recoveries have been identified for this service.

g) Consideration of Benefit to Existing

A benefit to existing share of 88% of the net cost of the EV charge stations, or \$263,170, has been calculated based on the share of new housing units constructed between 2022 and 2031 (6,587 units, using an average of all three growth options) over the forecast total number of housing units in the City in 2031 (53,656 units, using an average under all three growth options). This share assumes that the benefits of City investments in EV charge stations accrues to new and existing development in Waterloo in equal measure. The share is removed from the calculation of CBC-eligible costs.

No benefit to existing has been identified for the parkland acquisition and public washrooms as these provide new urban parks or expanded facilities in intensification areas, and as such the costs relate entirely to future development within the planning horizon.

h) Relation to funding from DCs (if applicable)

Parkland acquisition is ineligible for DC funding. DCs are anticipated to fund \$339,342 of the remaining project costs, leaving \$10.2 million in total development-related costs.

i) Share of Net Capital Costs related to CBC Eligible Developments

The total CBC eligible cost is \$10.2 million. For the public washrooms and EV charge stations the total CBC eligible cost is 37% of the associated development-related cost. This share is based on the growth anticipated to occur in CBC eligible development from 2022 to 2031 as a percentage of total population and employment growth over the planning period (see Section 3 above).

Given the parkland acquisition provision is for urban parks in high density neighbourhoods the entire project cost is considered to be eligible for CBC funding.

Table 11. Previous Section 37 Projects Development-Related Capital Program

Project Description	Timing	Gross Cost	Grants, Subsidies & Other Recoveries	Net Cost	BTE (%)	BTE (\$)	Total Development Related Cost	Potential DC Funded	Remaining Development Related	CBC Share Under Growth Option 3 (%)	CBC Eligible Costs
7.0 PREVIOUS SECTION 37 PROJECTS											
7.1 Parkland Acquisition Within Intensification Areas	2023-2031	\$10,000,000	\$0	\$10,000,000	0%	\$0	\$10,000,000	\$0	\$0	100%	\$10,000,000
7.2 EV Charge Stations	2023-2031	\$300,000	\$0	\$300,000	88%	\$263,170	\$36,830	\$23,281	\$0	37%	\$13,549
7.3 Public Washrooms	TBD	\$500,000	\$0	\$500,000	0%	\$0	\$500,000	\$316,060	\$0	37%	\$183,940
TOTAL PREVIOUS SECTION 37 PROJECTS		\$10,800,000	\$0	\$10,800,000		\$263,170	\$10,536,830	\$339,342	\$0		\$10,197,489

5. CBC Revenue Analysis and Rate Structure

This section includes a projections of CBC revenue under the 4 per cent cap as well as recommendations on a CBC rate structure.

A. CBC Capital Needs Exceed Projected CBC Revenue

For the purposes of projecting CBC revenues under the 4 per cent cap, the forecast of apartment units subject to CBCs was broken down into two broad geographies based on current City development pipeline data:

- the central city encompassing Uptown Waterloo and Northdale; and
- the remainder of the city.

Land values at the time of building permit, observed within the historical development pipeline data, vary considerably between, and within, these two geographies. The average per-unit land value in current (2022) dollars is calculated at approximately \$34,300 in the central city and \$24,300 in the remainder of the City. Non-residential shares of mixed-use buildings are embedded in the per-unit values.

Applying the legislated 4 per cent cap, it is anticipated that the average unit will contribute \$1,372 in CBCs in the central city and \$972 in the remainder of the city. This results in a high level estimate of potential CBC revenues of between \$3.7 million (under Option 1) and \$5.2 million (under Option 3) over the 2022-2031 period.

As set out in Section 4, the total cost of the CBC-eligible capital program over the same 2022-2031 period is \$26.7 million. As such, the CBC capital needs cannot be fully funded from potential CBC revenues.

Table 12. Estimate of Potential CBC Revenues, 2022-2031

Area	% of Units	2022-2031 Apt. Units	Average Land Value per Unit	Average CBC per Unit (at 4%)	Total CBC Revenue at 4% Cap
Option 1					
Central City	69%	2,070	\$34,300	\$1,372	\$ 2,839,655
Remainder of City	31%	915	\$24,300	\$972	\$ 889,244
Total	100%	2,985			\$ 3,728,899
Option 2					
Central City	69%	2,780	\$34,300	\$1,372	\$ 3,814,414
Remainder of City	31%	1,270	\$24,300	\$972	\$ 1,234,530
Total	100%	4,050			\$ 5,048,944
Option 3					
Central City	69%	2,845	\$34,300	\$1,372	\$ 3,903,396
Remainder of City	31%	1,303	\$24,300	\$972	\$ 1,266,050
Total	100%	4,148			\$ 5,169,446

B. Proposed CBC Rate Structure is a Percentage of Site Land Value

It is proposed that the CBC be a uniform 4 per cent of land value across the City. All development that meets the criteria set out in Section 37 (4) of the Act would be subject to the CBC excluding those listed as exempt under O.Reg. 509/20.

Appendix
Draft CBC By-law
(to be made available
under separate cover)