CITY OF WEYBURN

DEVELOPMENT COST CHARGE REVIEW

December, 2012

Stantec

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EXECUTIVE SUMMARY

Introduction

The City of Weyburn has experienced high levels of growth over the past decade and, being located in a region with tremendous resource development potential, this growth is forecast to continue for some time. Weyburn is now experiencing significant interest from land developers to construct new housing and other developments, and requires a formal development cost charge ("DCC") policy to help ensure that development costs are allocated fairly and equitably between new developers and taxpayers.

A DCC is a common mechanism used by municipalities to help fund the off-site costs of new development using the guiding principal; ***new growth should pay for itself, not be a burden on existing taxpayers***. DCC's are permitted in Saskatchewan by legislative authority in the Planning and Development Act (2007) Part VIII titled "Development Levies and Servicing Fees". However, *before a municipality can levy a DCC on developers, a Development Levy Bylaw must be prepared in accordance with the Act, be approved by Municipal Council, and then must receive ministerial approval.* The purpose of this report is to provide data and guidance for the City of Weyburn to prepare a DCC that will service the forecast growth infrastructure requirements to year 2025.

Findings

Population Growth

Stantec has used the annual growth assumption of 3.8% from the "*City of Weyburn Housing Need and Demand Assessment*" prepared by Saskatchewan Housing & Urban Development Council Saskatchewan Housing in 2011. This report forecasts a Weyburn population 22,000 in 2025, representing a population increase of **10,218** persons from SHUDC's 2010 population estimate of 11,782. Based on Statistics Canada 2011 Census data, Weyburn has a population density of roughly 2.26 persons per housing unit. Assuming Weyburn maintains this density ratio in the future, servicing future population growth of 10,218 requires **4,527** new units by 2025.

Off-Site Capital Costs

The following table summarizes the total off-site capital costs that Stantec forecasts to year 2025 based on the growth levels discussed above.

CAPITAL FUNDING SUMMARY		Benefit Allocation		TOTAL CAPITAL COST
#	Project Name	% to New Dev.	% to City-Wide	
1	Total Road System Capital Costs	**75%**	25%	**$74,544,433**
2	Total Water System Capital Costs	**49%**	51%	**$47,250,000**
3	Total Sewage System Capital Costs	**78%**	22%	**$35,450,000**
4	Total Storm System Capital Costs	**30%**	70%	**$6,660,000**
		66%	**34%**	**$163,904,433**

These capital costs have been divided into five-year segments as follows:

	2012-2016		2017-2021		2022-2025		TOTAL	
	DCC	Taxpayer	DCC	Taxpayer	DCC	Taxpayer	DCC	Taxpayer
ROADS	$0	$1,082,400	$10,202,650	$4,437,850	$45,890,436	$12,931,097	$56,093,086	$18,451,347
WATER SYSTEM	$4,500,000	$5,750,000	$17,500,000	$17,500,000	$1,000,000	$1,000,000	$23,000,000	$24,250,000
SEWAGE SYSTEM	$20,637,500	$812,500	$7,000,000	$7,000,000	$0	$0	$27,637,500	$7,812,500
STORM SYSTEM	$2,000,000	$4,660,000	$0	$0	$0	$0	$2,000,000	$4,660,000
TOTAL	$27,137,500	$12,304,900	$34,702,650	$28,937,850	$46,890,436	$13,931,097	$108,730,586	$55,173,847
	$39,442,400		$63,640,500		$60,821,533		$163,904,433	

DCC Rate Calculations

DCC rates were calculated using a commonly used methodology whereby the forecast growth requirements in housing units are normalized for low density (single residential), medium density (townhomes etc.), high density (apartments etc.) and commercial space. Each of these categories are normalized to represent the impact on capital infrastructure using an "equivalent unit" ("EU") where 1 EU = 1 the impact of one single residential home. This process is defined in greater detail in Section 2. After the EUs have been determined for each land use category, calculating the DCC rates becomes a simple exercise of dividing the future capital costs for growth attributable to new development by the applicable EUs. The following table provides the DCC calculations for growth costs to year 2025.

SUMMARY OF WEYBURN 2012 DEVELOPMENT COST CHARGE						
	Collection Basis	**Road System**	**Water System**	**Sewage System**	**Storm Sewer System**	**Total**
RESIDENTIAL - Low Density	per dwelling unit	$12,778.45	$5,239.58	$6,296.04	$455.62	***$24,769.69***
RESIDENTIAL - Medium Density	per dwelling unit	$9,622.17	$3,945.40	$4,740.92	$343.08	***$18,651.57***
RESIDENTIAL - High Density	per dwelling unit	$6,964.25	$2,855.57	$3,431.34	$248.31	***$13,499.48***
COMMERCIAL	per m^2 of gross floor space	$38.34	$15.72	$18.89	$1.37	***$74.31***

Analysis

The revised DCC is a significant increase over the present land levy. On a per hectare basis[1], the DCC of $198,000 is actually double the present land cost of $99,000. Furthermore, a comparison of the revised DCC to other municipalities in Saskatchewan indicates that the Weyburn DCC is very high relative to other municipalities. Using data from the report "Land Development Cost Study" prepared by Colliers International in 2010, the Weyburn DCC is the second highest in the province behind only Regina. Comparing the DCC as a percentage of average lot prices, the DCC would be 36% of a single lot price, the highest in the province. The following table provides a comparative analysis of Weyburn's present land levy and the revised DCC levy with other Saskatchewan municipalities. It must also be noted, however, that the

[1] Assumes eight residential lots per hectare

numbers in the comparison are now two years old and, according to most municipalities, were expected to be increasing.

Comparison of Saskatchewan Residential Levies (2010)

Municipality	$/hectare	$/lot [1]	Rank	% of Lot $
Estevan	$45,792	$5,724	5	5%
Lloydminster	$40,450	$5,056	8	3%
Moose Jaw	$79,072	$9,884	4	13%
North Battleford	$44,500	$5,563	7	8%
Prince Albert	$38,603	$4,825	10	8%
Regina	$227,289	$28,411	1	14%
Saskatoon	$139,548	$17,444	2	22%
Swift Current	$45,000	$5,625	6	25%
Yorkton	$39,537	$4,942	9	5%
Weyburn - present [2]	$99,000	$12,350	3	22%
Weyburn - with DCC [3]	**$198,157**	**$24,770**	**2**	36%

Notes:
1. Assumes 8 lots per hectare
2. Based on current price = $40,000 / acre ($99,000 / hectare)
3. Assumes DCC added to current lot price

Conclusions

This report has shown the necessity for carefully estimating and funding future growth, and more importantly, the great danger of not doing so on a regular basis. The significant increase in growth already experienced and forecast to continue has already resulted in a situation where the required development levies must double to address capital requirements. However, It is the responsibility of each municipality to determine the degree to which they wish to encourage (or discourage) future growth and the DCC is an effective tool in this respect. Where future growth costs are such that they may impede development, municipal Council must determine how much growth is desirable and beneficial to the community. The present situation Weyburn faces is significant in that, without alternative sources of funding, Council must determine which of following paths to take:

Path 1: Continue to encourage growth via taxpayer subsidy, where DCC revenue does not adequately fund future growth,

Path 2: Implement a new DCC policy with the intent of recovering all future capital costs attributable to growth from developers, or

Path 3: Implement a new DCC policy that provides for a fair and equitable transition of future funding from the present levels to a DCC that eventually recovers most or all of the capital costs attributable to growth from developers.

Recommendations

Based on the findings contained in this report, Stantec provides the following recommendations.

1. Prepare a "Transitional" Levy

Stantec recommends that Weyburn increase the present levies to a level that is fair and equitable, using the information now available from this report. Ultimately this will be a decision of Council that now understands better the impacts of future growth but at the same time, the need to not unfairly burden developers with levies that could damage Weyburn's reputation and significantly affect developers' interest in Weyburn. The "adjustment" to land prices should be clearly communicated as being transitional, with an understanding that Weyburn is continuing to assess growth requirements and impacts with a new DCC to be prepared and formally approved later.

2. Update the Official Community Plan

Weyburn's Official Community Plan, from 2003, is greatly outdated and must be updated in order to prepare a more accurate DCC. The vetting of the Plan by the community and developers will serve to alert both taxpayers and developers to the municipality's future growth plans and the financial impacts. Most importantly, this process will give Council and Administration the information it requires to make difficult decisions regarding the bearing of development costs. From this information, a more accurate capital forecast and DCC calculation can be derived.

3. Prepare a Capital Growth Financial Plan

The Financial Plan will work from the timing and scale of development approved in the Official Community Plan and provides a structured budget to match the funding requirements to the expenditures. Timing cash flows is the key component of the Financial Plan that helps to prevent unexpected cash shortfalls arising from unplanned growth.

4. Prepare and Approve a DCC

After the updated Official Community Plan and Financial Plan are approved, Weyburn can implement a DCC to recover revenues for future growth based on the known timings and cash requirements. Public consultation with taxpayers and developers will be integral to this process and may have significant influence on the decisions Council makes in setting the DCC rate. The biggest decision for Weyburn will be to determine what, if any, municipal assist will be provided to developers. The DCC will be filed with the Province and once approved can be implemented to address future growth requirements.

1.0 PROJECT DESCRIPTION

1.1 Background

The City of Weyburn, as with many municipalities in Saskatchewan, has experienced higher levels of growth over the past decade than in previous history. Weyburn is located in a region with tremendous resource development potential. As a result of this growth, Weyburn is now experiencing significant growth from various land developers to construct new housing and other developments. With the Saskatchewan economy projected to continue to grow steadily from resource development, the demand for development lands and related infrastructure services will need to be addressed in a well-planned, fair and fiscally responsible manner.

1.2 Problem

Presently the City of Weyburn does not have a formal development charge policy. As growth and related infrastructure costs increase, the risk that these costs do not get allocated properly to new developments becomes greater, bringing with it an increased burden on existing taxpayers. Weyburn is already receiving requests from developers to purchase and develop significant parcels of land making the establishment of a sound, fair and equitable development charge policy a critical priority.

1.3 Project Scope

The scope of this project is to prepare a development cost charge methodology for the City of Weyburn. The project will analyse growth projections to approximately year 2025 and estimate the related capital infrastructure requirements to service the forecast growth. From this information, appropriate development cost unit rates will be calculated for consideration by the City of Weyburn in 2013.

Additionally, the report will discuss the methodology for annual review and update that is critical mitigating risk of rapidly rising future infrastructure costs being borne inequitably by taxpayers and utility ratepayers.

2.0 DEVELOPMENT COST CHARGES

2.1 Definition

A Development Cost Charge ("DCC") is a common mechanism used by municipalities to help fund the off-site costs of new development. Other terminologies for DCC include '*development charges*', '*development levies*', '*off-site levies*' or other variations. Regardless of the terminology used, the guiding principal remains the same; ***new growth should pay for itself, not be a burden on existing taxpayers***.

2.2 Legislative Authority

In Saskatchewan, legislative authority for DCCs is found in the Planning and Development Act (2007) ("the Act") Part VIII titled "Development Levies and Servicing Fees". Specifically, this legislation permits per sub-section 169(2):

> *"A council may impose development levies for the purpose of recovering all or a part of the municipality's capital costs of providing, altering, expanding or upgrading the following services and facilities associated, directly or indirectly, with a proposed development:*
>
> *(a) sewage, water or drainage works;*
> *(b) roadways and related infrastructure;*
> *(c) parks;*
> *(d) recreational facilities."*

The Act stipulates that all costs for construction, planning, engineering and legal services directly pertaining to capital costs may be recovered.

Note:
Before a municipality can levy a DCC on developers, a Development Levy Bylaw must be prepared and approved by Council, and in accordance with the public participation requirements of Part X of the Act. Per Section 170, the bylaw must receive ministerial approval to be valid.

2.3 Other Municipalities

Many municipalities in Saskatchewan already impose a charge on new development in one form or another. These include Estevan, Lloydminster, Moose Jaw, North Battleford, Prince Albert, Regina, Saskatoon, Swift Current, Warman, White City and Yorkton. Colliers International prepared a report for Enterprise Saskatchewan in November 2010[2] providing a comparison of Saskatchewan municipalities along with some municipalities in neighboring Alberta and Manitoba. The findings in this study revealed that there is great disparity in the amounts and methodologies used by each municipality. Some interesting facts from this study include:

[2] "Land Development Cost Study", Colliers International, November 8, 2010

- Development charges ranged from as low as $2,400 (3% of a single lot price) in Lloydminster to as high as $20,800 (25% of a single lot price) in Saskatoon. Differences were primarily due to whether other off-site servicing agreements were in place.
- Lot prices averaged approximately $70,000, ranging from a low of $45,000 in Swift Current to highs of $96,000 in Regina and Saskatoon.

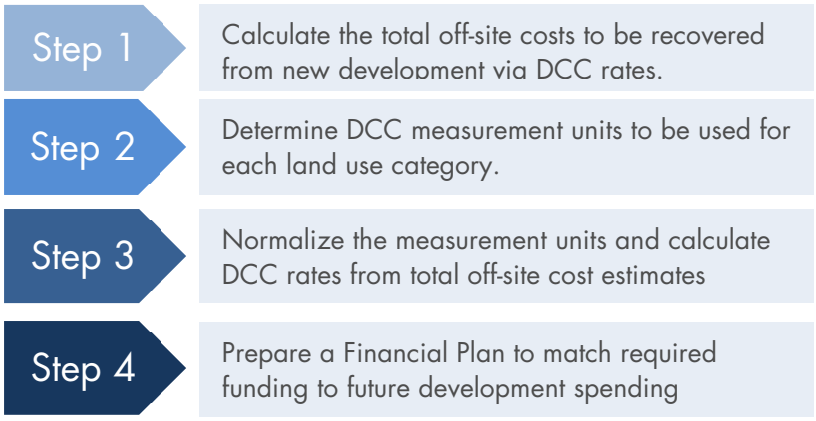
The following table provides some details of the development charges in neighboring municipalities in southern Saskatchewan.

	Average Lot Prices		Average Development Charge		
Municipality	**$ / Lot**	**$ / s.f.**	**Total $**	**$ / s.f.**	**% of Lot**
Estevan	$65,000	$12.50	$3,122	$0.60	4%
Moose Jaw	$48,000	$7.33	$6,360	$0.97	13%
Regina	$96,000	$21.82	$13,130	$2.98	13%
Swift Current	$45,000	$5.36	$11,217	$1.34	24%
Average	**$63,500**	**$10.34**	**$8,457**	**$1.36**	**13%**

Interestingly, most of the municipalities surveyed by Colliers indicated that they were reviewing their development charges and were expecting increases to their rates would be required. This is not surprising given that many municipalities do not update their DCC calculations regularly, often waiting until unusual growth developments occur. Accordingly, the rates contained in the above table should be treated cautiously if used for comparative purposes.

2.4 DCC Methodology

Calculating the DCC rates to be levied on new developments is a four-step process:



These steps are discussed in the following sections.

2.4.1 Step 1 – Total Off-Site Costs to Be Recovered From DCC

The calculation of development charge rates encompasses information and variables from documents such as the official community (growth) plan, capital infrastructure plans and financial plans. The process of calculating the DCC starts with determining the dollar amount of off-site costs and then adjusting the total for other sources of funds, benefit of off-site costs to existing taxpayers, and any development subsidy that the municipal might deem appropriate. A depiction of the calculation of off-site costs to be recovered from developers via a DCC is as follows:

A short description of each of these DCC calculation components follows.

Total Off-Site Capital Costs

Off-site costs refer to the infrastructure requirements not directly provided by private developers when developing new residential communities, commercial or industrial lands. Generally speaking, these off-site requirements are new infrastructure adjacent to new developments, or the expansion of existing of infrastructure required to service the additional demands arising from the new developments. As noted in Section 2.2, total off-site costs may include the direct and indirect costs of sewer, water and drainage systems, roadways, parks and recreational facilities. For simplicity, this DCC analysis will be dealing only with sewer, water, drainage and roadways.

Government Grants and Developer Contributions

Other sources of funds may be available to assist with the construction of off-site infrastructure, including government grants or other related contributions received directly from developers. These other funding sources must be deducted from the estimated off-site costs before calculating the DCC to ensure that rates are based on the actual net cost to the municipality.

Off-Site Costs Benefitting Existing Taxpayers

With most off-site infrastructure, a portion will benefit the municipality at large, while a portion will specifically benefit the new development. For example, if an existing roadway were widened to facilitate increased traffic volumes, although the widening was required because of the future development, there is also benefit to the entire municipality who have used the roadway in the past and will continue to in the future. To ensure that DCCs are fair, it is critical to estimate the benefit of off-site costs to existing taxpayers, and deduct this benefit from the total off-site costs, before calculating the DCC rates.

Municipal Assist

Municipal assist is an optional "subsidy" for new development determined solely by a municipal Council. The "assist" is a pre-determined percentage of the net off-site costs applicable to new development that the Council has decided will be funded instead by general revenues (taxpayers). The purpose of this is to encourage new development where the Council believes it to be in the municipality's long term interests or to ease into a significant DCC rate increase so as not to unfairly burden developers. It may also be used to assist with certain categories of infrastructure, such as water treatment, being prohibitively expensive that it could seriously discourage investment in the community versus neighboring communities with similar infrastructure already in place. The municipal assist can be different for each category of infrastructure (e.g. roads vs. water treatment) but should not be different between types of land use (e.g. residential use vs. commercial use).

Total Off-Site Costs Recovered From DCC

After deducting the additional funding sources, off-site costs benefitting existing taxpayers, and any municipal assist, the remainder is recovered from developers using DCC rates. The DCC rates will be based on a common denominator called the "equivalent unit", and applied to each land use type representative of the demand that each land use type places on each category of infrastructure. This methodology is explained in greater detail in Sections 4 and 6.

2.4.2 Step 2 – DCC Measurement Units

After calculating the total amounts to be recovered from DCC rates, the units by which to charge new development must be determined. Because the types of land use (i.e. residential vs. commercial) differ so greatly, it is not equitable to use a common measure such as square feet, acres etc. Instead, each land use type should use the unit of measurement that best represents the impact that the land use has on the off-site infrastructure. For example, for residential and commercial land uses where multi-story building is common, using the total floor space (square feet or metres) is logical. However, it is also very common for municipalities to use the number of lots or dwellings instead of floor space, primarily because area growth plans may express residential growth in those specific terms. However, for industrial use, where buildings are generally low rise and more of the land is required for non-building use, the land area is more logical. Following is a listing of the common accepted measurement units used to levy DCCs:

	Land Use Category	Common DCC Unit
1.	Residential property (low, medium, high density)	• Lots • Dwelling units • Floor area
2.	Commercial property	• Floor space
3.	Industrial property	• Site area • Floor space
4.	Institutional property	• Floor space

For purposes of the City of Weyburn DCC calculation only Residential and Commercial land uses were included. Residential land use has been categorized as follows:

- Low Density = single family dwellings
- Medium Density = duplex, fourplex, townhomes, etc.
- High Density = apartment/condominium multi-unit construction

Equivalent Units

As previously explained, the units used to most appropriately levy the DCC are different for some of the land use types. For example, a single lot or residence is a typical unit used for residential development whereas building square footage and/or site area is more appropriate for commercial/industrial land use. These units must be normalized into a 'common denominator' so that costs can be allocated equitably among the land uses. This common denominator is called an *Equivalent Unit* ("EU") and is generally based on some form of density consideration such as population or dwelling units.

Once the baseline EU is selected, an analysis of the other land use categories must be made to determine their individual correlation to the baseline EU, by each off-site infrastructure type. These correlations are prepared using engineering estimates of the relative demands that each land use category is expected to place on each type of infrastructure. Generally speaking, the higher the density of population, the lower will be the demand per dwelling on the infrastructure. However, the ratio can vary by infrastructure type. For example, both single family home dwellers and apartment dwellers will have similar impacts on road infrastructure, but apartment dwellers would usually have a lower impact (per dwelling) on water and sewer infrastructure. For this reason the EU should be revisited over time to ensure that it is resulting in a fair and equitable allocation of costs among the land use types.

2.4.3 Step 3 – Calculate DCC Rates

After an EU baseline and the corresponding EU ratios for each land use type and infrastructure category are completed, the total EUs can be calculated. The total EUs are calculated using the growth projections and the EU ratios previously calculated. After determining the total EUs applicable to each land use type and infrastructure categories, the DCC rates are calculated by dividing the applicable off-site costs to be funded by developers by the applicable EUs.

2.4.4 Step 4 – Prepare a Financial Plan

Once the overall DCC rates have been determined for the total growth requirements, it is imperative that a detailed financial plan be prepared. This purpose of the financial plan is to estimate the timing of capital expenditures and the expected collection of DCC revenues. This plan, which is reviewed annually, will inform the municipality of any possible cash shortfalls (where DCC collections to date are inadequate to fund capital expenditures) so that other funding sources such as debt financing can be arranged. The Financial Plan is discussed in Section 6.

3.0 GROWTH PROJECTIONS

Because the City of Weyburn presently does not have an Official Community Plan upon which to derive the growth numbers, Stantec has relied on other sources of information such as Statistics Canada 2011 Census Data for Weyburn, and the "*City of Weyburn Housing Need and Demand Assessment*" prepared by Saskatchewan Housing & Urban Development Council ("SHUDC") in 2011. In this report, SHUDC provided three growth forecast scenarios. These growth projections were based on Weyburn's actual growth for the past decade (1.1%), a mid-level projection based on more recent growth from 2006 to 2010 (3.8%) and finally a high growth projection using a growth rate of 5.65%.

2010-2025 Population Projection

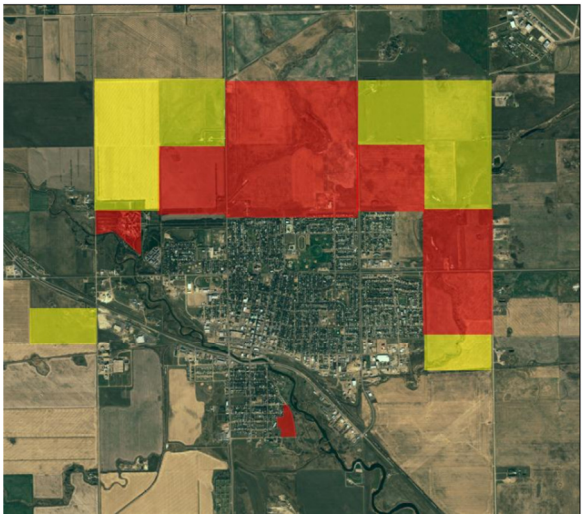
Stantec has used SHUDC's mid-level annual growth assumption of 3.8% which forecasts a population 22,000 in 2025. This represents a population increase of **10,218** persons from SHUDC's 2010 population estimate of 11,782.

2010-2025 Housing Unit Projection

Based on Statistics Canada 2011 Census data Weyburn has a population density of roughly 2.26 persons per housing unit. Assuming Weyburn maintains this density ratio in future development, to service a population growth of 10,218 requires **4,527** new units by 2025.

Future Growth Areas

Several areas surrounding existing development in Weyburn have been identified as areas for future development. The total useable land area in these identified sites is estimated to be **556.5 hectares** (1,375 acres). The following map illustrates the areas that have been identified by Weyburn for future development to year 2025 where areas in red are presently identified for near term growth and areas in yellow being longer term future growth.



4.0 DCC MEASUREMENT UNITS

Equivalent Unit Calculation

As discussed in the previous section, the common unit of measurement used to calculate the DCC is referred to as the "equivalent unit"("EU"). For purposes of the Weyburn DCC, Stantec used a common standard where **One Equivalent Unit = One Single Family Dwelling.** The EU basically represents the growth impact on infrastructure that is equivalent to that of a single family dwelling.

To determine the EUs applicable to the different land use categories and service types, Stantec has referred to DCC calculations publicly filed by four municipalities in British Columbia with populations ranging from 5,000 persons to 110,000 persons. These calculations have been tested by other municipalities and revised over time as required and therefore provide a good representative benchmark for use in other municipalities. The equivalent unit calculations for each of these municipalities were normalized to one EU = one single family dwelling and the averages calculated for the applicable EU in each land use category and service type. To ensure that the calculated averages were not distorted by abnormal values ("outliers") that are significantly different from the others, the value with the greatest deviation from the average in each land use category was excluded. The following table provides a summary of the average DCC equivalent units calculated for use in the Weyburn DCC calculation.

DCC Average Equivalent Unit Calculation

	Kelowna	Cranbrook	Fernie	Salmon Arm	AVERAGE (including outliers)	**AVERAGE (excluding outliers)**
Residential - Low	1.000	1.000	1.000	1.000	1.0000	**1.000**
Residential - Medium	0.783	~~0.682~~	0.750	0.727	0.7355	**0.753**
Residential - High	0.538	0.534	0.563	~~0.636~~	0.5677	**0.545**
Commercial	0.004	~~0.018~~	0.003	0.004	0.0070	**0.003**
~population :	106000	20000	5000	16000	~~ = outlier	

Land Use Category Assumptions

To calculate a DCC for each land use category, assumptions regarding the mix of housing density and commercial space allotment were required.

Residential Housing Mix:

Stantec has assumed that the housing mix of future development to 2025 in Weyburn will be 70% single family dwellings, 20% medium density dwellings (e.g. duplexes and townhome units), and 10% high density dwellings (e.g. multi-floor apartments/condominiums). Based on the 2010-2025 growth projection at 3.8%, using and average of 2.26 persons per dwelling, approximately 4,527 new dwelling units will be required in Weyburn by 2025. The assumed residential mix of these dwellings will be as follows:

Density	% of Total	Units
Low density	70%	3,169
Medium density	20%	905
High density	10%	453
		4,527

Commercial Space:

Stantec has assumed that future development in residential areas will allocate 5% of available land for small commercial purposes. Example of this may include convenience stores, fuel stations, strip malls, small office etc. It was further assumed that of the land area allocated for commercial use, 35% would be commercial buildings with the remaining 65% used for parking and landscaping.

Total Commercial space square metres based on an assumed 1,375 acres (556.5 hectares) developed to 2025 is calculated as follows:

1,375 acres x 5% x 35% = 24.1 acres x 4,047 m^2 per acre = **97,381 m^2** commercial space

Total Equivalent Units

Using the assumptions listed above, the following table summarizes the total Equivalent Units used to calculate the Weyburn DCC.

Land Use Category	Growth Forecasts 2010-2025		Equivalent Units				TOTAL EQUIVALENT UNITS
			Road System	Water System	Sewage System	Storm Sewer System	
Residential - Low	3,169	dwellings	3,169	3,169	3,169	3,169	**12,676**
Residential - Medium	905	dwellings	682	682	682	682	**2,727**
Residential - High	453	dwellings	247	247	247	247	**987**
Commercial	97,381	m^2	292	292	292	292	**1,169**
TOTAL EQUIVALENT UNITS			**4,390**	**4,390**	**4,390**	**4,390**	**17,559**

DCC Calculations

After determining the total capital costs to be recovered by DCC for each service type, the applicable DCC rate is calculated as follows:

$$\textbf{DCC} = \frac{\text{Total Equivalent Units for service type}}{\text{Total off-site costs to be recovered from DCC}}$$

Total off-site costs to be recovered from DCC are discussed in the next section.

5.0 CAPITAL GROWTH REQUIREMENTS

Working with the City of Weyburn engineering group, Stantec has prepared order of magnitude capital cost estimates of the roads, water, sanitary sewer and storm sewer infrastructure required to support growth to approximately 2025. Each individual project was also reviewed to approximate the percentage benefit received by the new development as well as for the remainder of Weyburn communities (to determine how the costs should be shared). The following table summarizes this information by each service type. A detailed listing at a project-by-project level is also provided in **Appendix B**.

CAPITAL FUNDING SUMMARY		Benefit Allocation		TOTAL CAPITAL COST
#	Project Name	% to New Dev.	% to City-Wide	
1	Total Road System Capital Costs	**75%**	25%	**$74,544,433**
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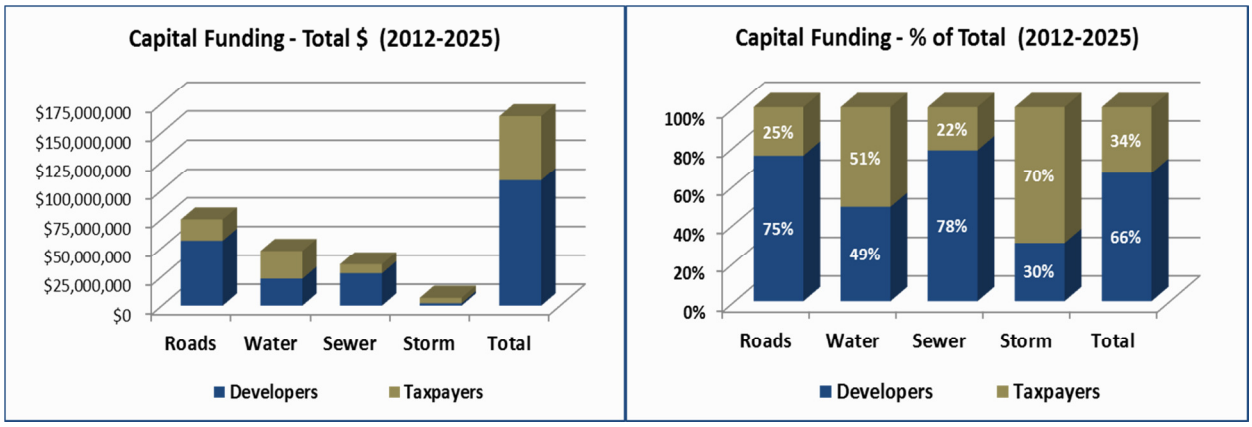
		66%	**34%**	**$163,904,433**

As depicted in the summary table, nearly $164 Million in capital infrastructure will be required to year 2025. Of this amount, two-thirds (66%) has been determined to be attributable to new development with one-third (34%) deemed to be benefiting Weyburn taxpayers as a whole. The following graphics illustrate the magnitude of the capital infrastructure requirements to 2025 as well as the percentages of funding attributable to developers via the DCC and from Weyburn ratepayers and taxpayers via utility rates and property taxes.



6.0 FINANCIAL PLAN

In addition to DCCs, funding for off-site development costs may be provided from various sources including the following:

- Capital grants from federal and provincial governments
- Developer contributions/reserves
- Municipal taxes, via Council approved "Municipal Assist" contributions

These financing sources are deducted from the off site development costs applicable to DCC prior to calculating the appropriate DCC rates. Presently, no additional sources of capital financing for off-site costs have been identified. Accordingly, the DCC rates calculated in this report are based on recovering 100% of identified off site infrastructure costs attributable to new growth from developers of residential and commercial land. Although this is uncommon, it is not unprecedented. In Manitoba, for example, some municipalities require that all new growth to be funded by developers.

Timing of Development and Collection of DCCs

The DCC rates in this report cover all of the projected growth to the year 2025. However, without financing sources other than DCCs, it is very likely that the capital outlays required to provide new infrastructure will not match the collection of DCCs from developers. The following table provides a summary of the estimated capital expenditures in five year periods.

	2012-2016		2017-2021		2022-2025		TOTAL	
	DCC	Taxpayer	DCC	Taxpayer	DCC	Taxpayer	DCC	Taxpayer
ROADS	$0	$1,082,400	$10,202,650	$4,437,850	$45,890,436	$12,931,097	$56,093,086	$18,451,347
WATER SYSTEM	$4,500,000	$5,750,000	$17,500,000	$17,500,000	$1,000,000	$1,000,000	$23,000,000	$24,250,000
SEWAGE SYSTEM	$20,637,500	$812,500	$7,000,000	$7,000,000	$0	$0	$27,637,500	$7,812,500
STORM SYSTEM	$2,000,000	$4,660,000	$0	$0	$0	$0	$2,000,000	$4,660,000
TOTAL	$27,137,500	$12,304,900	$34,702,650	$28,937,850	$46,890,436	$13,931,097	$108,730,586	$55,173,847
	$39,442,400		$63,640,500		$60,821,533		$163,904,433	

In periods where DCC collections are not sufficient to finance the capital outlays, additional financing will be required via either municipal working capital or long term debt issues. With either of these funding sources, it is acceptable to include any real or imputed financing charges in the capital balance to be recovered from DCCs. Alternatively, where DCC collections exceed the present capital outlay requirements, interest income earned on these balances would be included to offset future capital costs.

DCC Financial Plan

To help mitigate against excessive swings in cash shortfalls or surpluses, a detailed DCC financial plan should be prepared and updated annually. The financial plan will require detailed analysis of actual and projected development activity, and capital infrastructure requirements, culminating in a long term year-by-year cash flow projection. Commonly the financial plan will forecast capital expenditures and associated funding in five-year increments similar to a capital budget. This financial plan will help identify any future cash shortfalls requiring the attention and possible actions of civic management. Depending on the reasons for the cash shortfalls, civic management may have to provide temporary financing to the DCC fund and/or re-evaluate the DCC rates and adjust accordingly.

The DCC financial plan is the municipality's greatest asset in preventing large swings in DCC rates which may have undesirable development repercussions, and should become an integral component of the annual capital budgeting process.

7.0 DEVELOPMENT COST CHARGES

The following table summarizes the DCC rates calculated to finance the off-site capital infrastructure requirements attributable to new development to the year 2025. Detailed calculations for each service type are provided in Appendix A.

SUMMARY OF WEYBURN 2012 DEVELOPMENT COST CHARGE

	Collection Basis	Road System	Water System	Sewage System	Storm Sewer System	Total
RESIDENTIAL - Low Density	per dwelling unit	$12,778.45	$5,239.58	$6,296.04	$455.62	***$24,769.69***
RESIDENTIAL - Medium Density	per dwelling unit	$9,622.17	$3,945.40	$4,740.92	$343.08	***$18,651.57***
RESIDENTIAL - High Density	per dwelling unit	$6,964.25	$2,855.57	$3,431.34	$248.31	***$13,499.48***
COMMERCIAL	per m^2 of gross floor space	$38.34	$15.72	$18.89	$1.37	***$74.31***

As noted previously, these rates assume that no other sources of financing are available and that 100% of off-site costs attributable to new development will be financed by DCC.

DCC Analysis and Comments

Using an assumption of 8 residential lots per hectare, Weyburn's levy per hectare would be approximately **$198,000,** a doubling of the current price of $99,000.

In a report prepared by Colliers International[3] for Enterprise Saskatchewan in 2010 the development levies for nine municipalities in Saskatchewan averaged only $77,800 per hectare of new development, significantly lower than Weyburn's revised levy.

Another important metric to consider is the development levy relative to a single family lot price. Assuming the proposed increased cost of the DCC is added to existing lot prices, the revised DCC would account for **36%** of the total lot price, the highest percentage in Saskatchewan.

The following table provides the findings from the Colliers report with DCC rates from various Saskatchewan municipalities. These rates are from 2010, and it must be noted that nearly all municipalities surveyed indicated that they would likely be increasing soon. Even taking these factors into consideration, the calculated DCC rates for Weyburn are going to be among the highest in Saskatchewan which, if implemented, is likely to have some impact on future demand for development in Weyburn.

[3] "Land Development Cost Study", Colliers International, November 8, 2010

Comparison of Saskatchewan Residential Levies (2010)

Municipality	$/hectare	$/lot [1]	Rank	% of Lot $
Estevan	$45,792	$5,724	5	5%
Lloydminster	$40,450	$5,056	8	3%
Moose Jaw	$79,072	$9,884	4	13%
North Battleford	$44,500	$5,563	7	8%
Prince Albert	$38,603	$4,825	10	8%
Regina	$227,289	$28,411	1	14%
Saskatoon	$139,548	$17,444	2	22%
Swift Current	$45,000	$5,625	6	25%
Yorkton	$39,537	$4,942	9	5%
Weyburn - present [2]	$99,000	$12,350	3	22%
Weyburn - with DCC [3]	**$198,157**	**$24,770**	**2**	36%

Notes:
1. Assumes 8 lots per hectare
2. Based on current price = $40,000 / acre ($99,000 / hectare)
3. Assumes DCC added to current lot price

8.0 CONCLUSIONS & RECOMMENDATIONS

Conclusions

This report has discussed the theory and methodology behind the use of Development Cost Charge levies to address municipal development. The report has shown the necessity for carefully estimating and funding future growth, and more importantly, the great danger of not doing so on a regular basis. Many municipalities have fallen into the trap of not addressing future growth requirements on a proactive basis such as a DCC Financial Plan. The impacts of this leave the municipality in a state where the development levy increases required to fund future growth may be too onerous, unreasonable and unfair for developers to fully bear. This may be the case for Weyburn, where required development levies must double to address capital requirements.

It is the responsibility of each municipality to determine the degree to which they wish to encourage (or discourage) future growth and the DCC is an effective tool in this respect. Where future growth costs are such that they may impede development, municipal Council must determine how much growth is desirable and beneficial to the community. The present situation Weyburn faces is significant in that, without alternative sources of funding, Council must determine which of following paths to take:

Path 1: Continue to encourage growth via taxpayer subsidy, where DCC revenue does not adequately fund future growth,

Path 2: Implement a new DCC policy with the intent of recovering all future capital costs attributable to growth from developers, or

Path 3: Implement a new DCC policy that provides for a fair and equitable transition of future funding from the present levels to a DCC that eventually recovers most or all of the capital costs attributable to growth from developers.

Recommendations

Based on the findings contained in this report, Stantec provides the following recommendations.

1. Prepare a "Transitional" Levy

The rate of growth and development interest in Weyburn is presently at a very high level and issues regarding development levies must be addressed. Stantec recommends that Weyburn increase the present levies to a level that is fair and equitable, using the information now available from this report. Ultimately this will be a decision of Council that now understands better the impacts of future growth but at the same time, the need to not unfairly burden developers with levies that could damage Weyburn's reputation and significantly affect developers' interest in Weyburn. The "adjustment" to land prices should be clearly communicated as being transitional, with an understanding that Weyburn is continuing to assess growth requirements and impacts with a new DCC to be prepared and formally approved later.

2. Prepare an "Official Community Plan"

An Official Community Plan is an essential tool for City planning and the related funding decisions that new growth brings. This Plan, which will be vetted by the community and developers at large through various communication avenues such media and 'open houses', is essential to alert both taxpayers and developers to the municipality's future growth plans and the financial impacts. The Plan will refine the specific areas and the timing of future growth as well as the type of development in each area (e.g. density and residential vs. commercial). Most importantly, this process will give Council and Administration the information it requires to make difficult decisions regarding the bearing of development costs. From this information, a more accurate capital forecast and DCC calculation can be derived.

3. Prepare a Capital Growth Financial Plan

The Financial Plan will work from the timing and scale of development approved in the Official Community Plan and provides a structured budget to match the funding requirements to the expenditures. Timing cash flows is the key component of the Financial Plan that helps to prevent unexpected cash shortfalls arising from unplanned growth. The Financial Plan will identify periods where DCC and other revenue sources are insufficient to fund the required capital expenditures, and alert Administration in advance to debt borrowing requirements. The costs associated with these borrowings will be rolled into the funding to be recovered from future DCC revenues and other sources.

4. Prepare and Approve a DCC

After the Official Community Plan and Financial Plan are approved, Weyburn can implement a DCC to recover revenues for future growth based on the known timings and cash requirements. Public consultation with taxpayers and developers will be integral to this process and may have significant influence on the decisions Council makes in setting the DCC rate. The biggest decision for Weyburn will be to determine what, if any, municipal assist will be provided to developers. The DCC will be filed with the Province and once approved can be implemented to address future growth requirements. As discussed previously in this report, regular review and adjustment of the Financial Plan and DCC are critical to keeping rates fair, equitable and sufficient to cover growth.

APPENDIX A - ASSUMPTIONS

City of Weyburn 2013 DCC			
Standard Assumptions		**Value**	**Source/Comment**
Growth Assumptions			
Total area developed	acres	***1,375.0***	556.5 hectare x 2.47105 acres/hectare = 1375 a
Average population per unit	#	***2.26***	per Sask Housing CHBA report
Total projected population increase	#	***10,218***	calculated - growth % per CHBA report (2011)
Total New Residential dwellings	#	***4,527***	calculated
Percentage of new growth to be Low Density	%	***70%***	Low density = single family homes
Percentage of new growth to be Med Density	%	***20%***	Medium density = townhouse
Percentage of new growth to be High Density	%	***10%***	High density = appartment/condominium
Total New Commercial space	m^2	***97,381***	Calculated: where 1 acre = 4,047 m^2
Percentage of new growth area to be Commercial	%	***5%***	
Percentage building footprint on commercial land	%	***35%***	
Municipal Assist factors		**Value**	**Source/Comment**
Municipal Assist Road System	%	***0%***	Assume zero Municipal Assist factor until instructed otherwise by Weyburn
Municipal Assist Water System	%	***0%***	
Municipal Assist Storm System	%	***0%***	
Municipal Assist Sewage System	%	***0%***	

APPENDIX B - CAPITAL COST DETAIL

WATER SYSTEM CAPITAL COSTS			Benefit Allocation		TOTAL CAPITAL COST
#	Description	Target Year	% to New Dev.	% to City-Wide	
1	Booster Pump Station for South Hill	2013	0%	100%	$ 1,000,000
2	Watermain loop - Hwy 39 commercial area	2013	0%	100%	$ 250,000
3	Ethanol Plant water loop	2013	0%	100%	$ 500,000
4	East Side Trunk Watermain	2013	75%	25%	$ 1,000,000
5	Reservoir increase to total of 20,000 m3 starting in 2014 to meet future demand to near 20,000 pop.	2014	50%	50%	$ 7,500,000
6	New reservoir & pump stn at 1st Ave N	2020	50%	50%	$ 5,000,000
7	Raw water intake to Rafferty, pumpstation and pipeline	2020	50%	50%	$30,000,000
8	Water Treatment Plant Upgrades	2025	50%	50%	$ 2,000,000
LESS: WATER DCC RESERVE FUNDS					$ -
TOTAL			49%	51%	$47,250,000

STORM SEWER SYSTEM CAPITAL COSTS			Benefit Allocation		TOTAL CAPITAL COST
#	Description	Target Year	% to New Dev.	% to City-Wide	
1	Douglas Rd & McLelland St - DBDF in Jubilee Park	2013	0%	100%	$ 750,000
2	Ash Drive - 1050 diam pipe N to drainage channel - 550 m OR: Elks Park DBDF, max A = 1.4 ha, approx 400 m of pipe	2013	0%	100%	$ 1,000,000
3	Gov. Rd & Railway, upgrade to High Cap CB's - 4 total	2013	0%	100%	$ 60,000
4	9th St & Railway, 1500 diam to Souris River, 150m, crosses railway & hwy	2014	0%	100%	$ 300,000
5	Hartney Bay, DBDF at St. Michael - 1.5ha, approx 120m of pipe	2014	0%	100%	$ 750,000
6	Eaglesham Ave - DBDF at Park on Eaglesham Ave - 0.8 ha, ~100m of pipe	2014	0%	100%	$ 750,000
7	Lang Cres - DBDF in park - 0.3 ha, ~130m of pipe or u/g storage 1400 m3	2015	0%	100%	$ 750,000
8	Gov. Rd & Sims Ave, 1500 diam to river, approx 150m of pipe	2015	0%	100%	$ 300,000
9	Sewer trunk down 16th, 1500 diam or larger to river, approx 1000m of pipe	2015	100%	0%	$ 2,000,000
LESS: STORM DCC RESERVE FUNDS					$ -
TOTAL			30%	70%	$6,660,000

SEWAGE SYSTEM CAPITAL COSTS			Benefit Allocation		TOTAL CAPITAL COST
#	Description	Target Year	% to New Dev.	% to City-Wide	
1	5th St, 1st Ave and 4th St pipe replace w 300 mm diam, 900 m total	2013	75%	25%	$ 1,000,000
2	New 200 mm diam from intersection of Coteau Ave & Eaglesham St to East Ave	2013	75%	25%	$ 750,000
3	Replace existing DS w/ 300 diam Coteau	2013	75%	25%	$ 750,000
4	Replace existing DS w/ 300 diam along King St to 1st Ave	2013	75%	25%	$ 750,000
5	New East Sector Trunk Sewer (Phase 1 - 1800m)	2013	100%	0%	$ 2,000,000
6	New PS for Assiniboia Park beyond Phase 2 w/ storage (1,000 m3)	2014	100%	0%	$ 10,000,000
7	LS upgrades for Souris Valley Development	2014	100%	0%	$ 200,000
8	New NE Sector Trunk Sewer (Phase 2 - 1200m)	2014	100%	0%	$ 2,000,000
9	New NW/NE Sector Trunk Sewer (Phase 3 - 2000m)	2015	100%	0%	$ 2,000,000
10	New NW Sector Trunk Sewer (Phase 4 - 1900m)	2016	100%	0%	$ 2,000,000
11	WWTP Enhancements	2018	50%	50%	$ 10,000,000
12	Main Pump Station & forcemain enhancements	2018	50%	50%	$ 4,000,000
LESS: SEWAGE DCC RESERVE FUNDS					$ -
TOTAL			78%	22%	$35,450,000

ROAD SYSTEM CAPITAL COSTS			Benefit Allocation		TOTAL CAPITAL COST
#	Description	Target Year	% to New Dev.	% to City-Wide	
1	Signalized Intersection optimization	2014	0%	100%	$ 19,500
2	Hwy 13 & 5th Street intersection restriping	2014	0%	100%	$ 13,300
3	Hwy 13 & 16th Street stop control & intersection restriping	2014	0%	100%	$ 3,000
4	Hwy 35 restriping for dual NB/SB lanes	2014	0%	100%	$ 35,000
5	Hwy 35 at Hwy 39 intersection detection equipment & retiming	2014	0%	100%	$ 48,400
6	Hwy 35 at Railway Ave traffic signal control	2014	0%	100%	$ 302,500
7	3rd St at Railway Ave restriping	2014	0%	100%	$ 12,000
8	3rd St & Hwy 39 restriping	2014	0%	100%	$ 10,200
9	Highway Connectors advance warning lights	2014	0%	100%	$ 3,000
10	Dangerous Goods Route - signage	2014	0%	100%	$ 5,500
11	16th St & Warren Ave pedestrian crossings	2014	0%	100%	$ 6,600
12	16th St & Warren Ave - ped crossings - push button activation	2014	0%	100%	$ 48,400
13	Pedestrian Crossings standard details for 20 locations	2014	0%	100%	$ 120,000
14	Sims/Murton Avenue multi use path - 1760m long	2014	0%	100%	$ 400,000
15	Signal head lighting replacements various locations	2014	0%	100%	$ 55,000
16	Signal controller replacement	2019	50%	50%	$ 276,000
17	Signal controller upgrades	2019	50%	50%	$ 194,000
18	Hwy 13 & 35 - paint striping	2019	50%	50%	$ 11,500
19	Hwy 13 11th st to 16th st widening , excludes property acquisition	2019	50%	50%	$ 530,000
20	Moore St Extension - 3rd Ave SW to future 16th St extension	2019	80%	20%	$ 1,665,000
21	6th Ave SW Extesnion - Hwy 35 to Moore Street	2019	80%	20%	$ 775,000
22	5th Ave N Extension - Hwy 35 to Queen Street, excludes property	2019	80%	20%	$ 2,515,000
23	Queen Street - Hwy 39 to 5th Ave N, excludes property	2019	80%	20%	$ 1,595,000
24	Aylmer Street Extension - Hwy 13 to 5th Ave N, excludes property	2019	80%	20%	$ 1,150,000
25	9th Ave N - Hwy 35 to 5th St Extension, excludes property acquisition	2019	80%	20%	$ 1,290,000
26	Hwy 35 - 5th Ave N to 9th Ave N	2019	50%	50%	$ 580,000
27	Hwy 35 - 7th Ave SE to 16th St	2019	50%	50%	$ 726,000
28	16th St Extension - Hwy 39 to Hwy 35 - does not include bridge	2019	50%	50%	$ 2,715,000
29	5th St Extension - 5th Ave N to 9th Ave N	2019	80%	20%	$ 618,000
30	Signalized Intersections - Retime Signals	2024	50%	50%	$ 19,500
31	Hwy 39 at Moore Street - restriping	2024	50%	50%	$ 3,000
32	Hwy 13 at 16th Street - restriping	2024	50%	50%	$ 10,300
33	Hwy 13 at 16th Street - signage	2024	50%	50%	$ 6,500
34	Hwy 13 - 16th Street to city limits	2024	50%	50%	$ 1,190,000
35	16th Street Extension - Hwy 35 to Queen Street	2024	80%	20%	$ 2,810,000
36	20th Street - First Ave to 5th Ave N	2024	50%	50%	$ 2,660,000
37	9th Ave N - Hwy 35 to Queen Street	2024	80%	20%	$ 2,980,000
38	Aylmer Street Extension - 5th Ave N to 9th Ave N	2024	80%	20%	$ 620,000
39	Queen Street - Mrygold Avenue to 16th Street Extension	2024	80%	20%	$ 620,000
40	Queen Street - 5th Ave N to 9th Ave N	2024	80%	20%	$ 562,000
41	Hwy 13 - Aylmer to Queen St - reconstruct 712m to 4 lane divided arterial	2024	80%	20%	$ 1,879,680
42	16th St - 5th Ave N to Hwy 39 - widen 2480 m to 4 lane divided arterial	2024	80%	20%	$ 7,497,600
43	16th St - Hwy 39 to Queen St - widen 3580 m to 4 lane divided arterial	2024	80%	20%	$ 9,451,200
44	16th St - 5th Ave N to 13th Ave N - widen 740 m to 4 lane divided arterial	2024	80%	20%	$ 1,229,140
45	Queen St - 5th Ave N to 16th St extension - widen 1720 m to 4 lane divided	2024	80%	20%	$ 4,540,800
46	Queen St - 9th Ave N to 13th Ave N - construct 400m of 2 lane undivided	2024	80%	20%	$ 664,400
47	5th Ave N - Hwy 35 to 16th St - restripe	2024	80%	20%	$ 11,000
48	5th Ave N - Hwy 35 to Queen St - widen 1630m to 4 lane divided arterial	2024	80%	20%	$ 4,303,200
49	13th Ave N - 16th St to Queen St - construct 3285m to 2 lane undivided	2024	80%	20%	$ 4,607,213
50	5th St - 9th Ave N to 13th Ave N - construct 400m to 2 lane undivided	2024	80%	20%	$ 561,000
51	Aylmer St - 9th Ave N to 13th Ave N - construct 400m to 2 lane undivided	2024	80%	20%	$ 561,000
52	reserve	2024	80%	20%	$ 2,530,000
53	Hwy 35 - 9th Ave N to 13th Ave N - widen 400 m to 4 lane divided arterial std	2024	80%	20%	$ 1,056,000
54	Hwy 39 - 16th St to Queen St - widening 3200 m of existing hwy	2024	80%	20%	$ 8,448,000
LESS: ROAD DCC RESERVE FUNDS					$ -
TOTAL			75%	25%	$74,544,433