



INDUSTRY ADVISORY

Development Charges – The Last Word

An Update to the Membership

On its members' behalf, BOMA has become a very active participant in providing input to the City of Ottawa on matters that affect our industry. Nowhere has this been more evident than in our work on the Development Charges Bylaw that was adopted effective January 16, 2010. Even after the adoption of the bylaw, BOMA did not stop in its efforts to be the voice of the commercial real estate industry. We appealed the bylaw, not only to register our members' concerns regarding the proposed increases, but also to question the process that is used to set development charges every 5 years.

In 2009 BOMA Ottawa set out to address the proposed development charges bylaw that city council was about to vote on. Our government affairs committee reviewed the proposed bylaw and created a sub-committee from amongst its ranks and engaged the services of the IBI Group, a leading consultant on development charges in Ontario, to assist us.

When the City proposed the new bylaw, and prior to industry consultation, all of the rates would double (Chart 1 – Column 2) from the 2004-2009 rate, as of January 2010.

After 6 months of meetings to explain how the new rates were calculated and what assumptions were being used, BOMA felt that the city had missed three crucial factors in determining the true cost of new development and the applicable rates,

1. Often costs that were being attributed to development, were actually costs that benefited existing buildings much more than what was attributed to them in the City's assumptions;
2. Often costs that were being incurred, benefited a period far beyond the development time frame used in the city's analysis, and needed to be borne, in part, by future taxpayers;
3. The assumptions used in the calculations could, and should, be challenged.

Through rigorous lobbying your BOMA representatives and our consultants were able to offer input that saw the city to both reduce the charges (Chart 1 – Columns 3 - 6) and stagger them over 5 years, rather than a one time much higher implementation.

The hard work of your BOMA members effectively reduced the proposed rate hike by half, from what was proposed to City Council, for introduction in 2010 and would have remained in effect for the duration of the bylaw (to the end of 2013). Although not in complete agreement with the City, our efforts saw a more palatable 14% increase, in 2010 before indexing, with staggered increases of 12.5% in 2011, 11% in 2012 and 10% in 2013, rather than a one time increase of 110%, in January 2011, for the entire 5 year bylaw term.

To ensure that we are in a better position for the next bylaw to be adopted in January 2014,

BOMA moved to appeal the Bylaw to the Ontario Municipal Board, and further gained from the City the following concessions, before we agreed to withdraw our appeal. That the City would conduct a mid term review of the bylaw in the 3rd Quarter of 2011 to discuss the BOMA Issues

- Using more fact based, rather than assumption based, methodology to calculate Development Charges;
- Review of the current charges, to see if they are consistent with the current assumptions;
- Phasing In of the charge as a standard practice.

BOMA's value to its members and the industry can't always be quantified, but by the end of the bylaw period (December 31, 2013), and based on an average of 1,435,947 square feet built each year (based on City of Ottawa charges in all three classes from 2007 to 2009), BOMA efforts have gained a reduction in planned charges to the industry of \$35,500,000 over the original city proposal for the Development Charges Bylaw.

BOMA Ottawa's Government Affairs Committee is made up of BOMA members with a variety of backgrounds and expertise. If you'd like to learn more about the Development Charges initiative, the BOMA Government Affairs Committee or BOMA please contact the BOMA Office at 613-232-1875 or visit the web site.

Chart 1	(1)	(2)	(3)	(4)	(5)	(6)
All values are Per Square Foot	2004-2009 DC Rate (indexed)	Proposed Rate prior to consultation for January 2010	Post Consultation Rate (16 Jan 2010)	Post Consultation Rate (16 Jan 2011)	Post Consultation Rate (16 Jan 2012)	Post Consultation Rate (16 Jan 2013)
Non-residential – general	\$10.06/sq ft	\$21.13/ sq ft	\$11.51/ sq ft	\$12.95/ sq ft	\$14.40/ sq ft	\$15.84/ sq ft
Non-residential – commercial	\$8.19/ sq ft	\$17.20/ sq ft	\$9.35/ sq ft	\$10.51/ sq ft	\$11.67/ sq ft	\$12.83/ sq ft
Non-residential – industrial	\$4.65/ sq ft	\$9.76/ sq ft	\$5.31/ sq ft	\$5.97/ sq ft	\$6.63/ sq ft	\$7.29/ sq ft