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Report to / Rapport au:

**Ottawa Public Library Board
Conseil d'administration de la Bibliothèque publique d'Ottawa**

May 2, 2024 / 2 mai 2024

Submitted by / Soumis par:

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File Number/Numéro du dossier: OPLB-2024-0502-10.3

**SUBJECT: Ottawa Public Library 2024 Development Charges Background Study
and Project List.**

**OBJET: Étude préliminaire sur les redevances d'aménagement 2024 et liste
des projets de la Bibliothèque publique d'Ottawa**

REPORT RECOMMENDATIONS

That the Ottawa Public Library Board:

- 1. Approve the Development Charge project list as per Appendix 1; and,**
- 2. Direct staff to forward Document 1 to the City of Ottawa for inclusion in the
2024-2033 Development Charges By-law report to Ottawa City Council for
consideration.**

RECOMMANDATIONS DU RAPPORT

Que le Conseil d'administration de la Bibliothèque publique d'Ottawa :

1. **Approuve la liste des projets des redevances d'aménagement conformément à l'Annexe 1 ; et,**
2. **Dirige le personnel à transmettre le Document 1 à la Ville d'Ottawa pour inclusion dans le rapport du règlement sur les redevances d'aménagement 2024-2033 au Conseil municipal d'Ottawa pour examen.**

BACKGROUND

In keeping with the *Public Libraries Act, RSO 1990, c.P.44*, other relevant statutes, laws, and good governance practices, the Ottawa Public Library (OPL) Board ("the Board" or "OPLB") retains accountability for the full range of decisions affecting the organization except those delegated to the Chief Librarian and Chief Executive Officer through Board Policy 002 - OPLB, Delegation of Authority ("the DOA Policy").

As per item 6 in Table 1 of the DOA Policy, the OPLB has authority to "Approve the Development Charges (DC) project listing."

Development charges are one-time fees levied by municipalities on developers of new residential and non-residential properties. These charges provide funding to support infrastructure needs resulting from population growth and subsequent residential and commercial expansion, and the necessary infrastructure networks.

Local boards, such as OPLB, rely on the City of Ottawa ("the City") to provide for the overall process, stewardship, and governance of the DC By-law including delivery of the background study, calculations of maximum eligible costs, and coordination of public notices and meetings. Ultimately, City Council approval of the revised DC Background Study and DC By-law are required for the new documents to take effect. During the process of reviewing the DC By-law, OPL provides the City with updated inventories for public space, library materials, and equipment as required to calculate the 10-year historic average level of service cap for Library services. DCs are made possible through the *Ontario Development Charges Act, 1997, S.O. 1997, c. 27*. (the DCA). The DCA provides a legislated set of requirements and guidelines that must be followed for municipalities that choose to enact and maintain a DC By-law, which the City has maintained since pre-amalgamation. The DCA requires a background study to be completed prior to enactment, revision, or review of a DC By-law. This process is led by the City. For the 2024 update, preliminary support was provided by Hemson Consultants, and initial timelines included launching the public consultation period in Q4 2023. During the same period, multiple pieces of legislation at the provincial level made

unclear, through ascension and repeal, the various geographical boundaries, planning implications, and lands available for development in Ottawa.

The key points of the DCA and the City's DC By-law with respect to OPL include:

General principles

- The DCA directs that any By-law encompass a 10-year forecasted window that is updated each five-year period unless repealed or expired prior;
- The DCA provides for periodic amendment;
- The DCA requires geographic areas that experience population growth and DC revenues be defined within the municipal DC By-law. The City DC By-law defines the required geographic areas specific to the city of Ottawa, as applicable to the Library, as:
 - Inside the Greenbelt (IG) – public space;
 - Outside the Greenbelt (OG) – public space;
 - Rural (R) – public space; and,
 - City-Wide (CW) – Library Materials and Technology; and,
- The DCA states that a municipality must establish a reserve fund for each service to which the development charge relates.

Prior to enactment or revision of a DC By-law, there are a number of obligatory considerations, specifically:

- The DCA requires a 10-year historic average level of service cap for each municipal service established;
- The DCA requires that there shall be at least one public meeting regarding the DC By-law for which there is a minimum of 20 days notice;
- The DCA requires a background study to be completed and made available to the public at least two weeks in advance of the meeting and a minimum of 60 days prior to enactment. The background study must contain;
 - estimates of anticipated costs;
 - type and location of development;
 - calculations as prescribed by the DCA;
 - long term capital and operating costs of services related to the municipal By-law;
 - an asset management plan; and,

- The DCA states that a development charge By-law must be passed within one year of completion of a background study.

In interim years where the DC By-law is not under review, OPL staff ensures that growth or population studies, capital plans, facilities plans, and other relevant frameworks are updated to support current project listings for periodic DC By-law reviews. The OPL Board approves revised project lists derived from these updated documents prior to City Council deliberation.

Independent of the DCA, the Ontario Government introduced in November 2022, the *More Homes Built Faster Act, 2022, S.O. 2022, c. 21 Bill 23* assented. Schedule 3 of *The More Homes Build Faster Act* made various amendments to the DCA, specifically:

- The classification of “Soft Services” and therefore the required 10 percent deduction that Libraries have historically been responsible to pay was removed from the DCA;
- The addition of new sections 4.1, 4.2, and 4.3 to the DCA which provide, respectively, for exemptions from development charges for the creation of affordable residential units and attainable residential units, for non-profit housing developments, and for inclusionary zoning residential units, and;
- The cost of growth studies and other related paid services are no longer eligible costs within the DCA.

As part of the 2020 operating and capital budget process (report OPLB-2019-1102), the Board approved funding for the development of a Facilities Master Plan (FMP) to ensure OPL can address both public and staff facility needs and adapt to challenges introduced primarily by growth (both historical and future).

In November 2021, the Board received an update on the status of facilities report (OPLB-2021-1002), which identified that building new infrastructure was contingent upon population growth and the receipt of necessary capital and operating funds, including funding through DCs. In June 2022, the Board approved a report, “Public Library Services In South Nepean: Riverside South and Barrhaven” (OPLB-2022-0602). This report provided the Board with a vision for library facilities to support the communities in South Nepean, seeking and staff received Board approval to proceed with the development of new branches in Riverside South and Barrhaven.

In November 2022, the Board received and approved the Facilities Framework (OPLB-2022-1108-10.2) and staff were directed to complete an assessment of library facility

gaps. In September 2023, the OPL Board approved the Facilities Framework Gap Analysis and Prioritization Criteria (OPLB-2023-0912-10.2), which identified 30 neighbourhoods with gaps in Ottawa, prioritized according to three (3) weighted components; equity, distance, and growth. The prioritization list presented to Board at that time included both legacy gaps in facility service provision as well as projected gaps based on growth.

The purpose of this report is to advise the Board of the Development Charge process in the current context as it applies to the Library, to identify and recommend Library projects for inclusion in the 2024 - 2033 DC-Bylaw Project List (as noted in Appendix 1), and to seek direction to forward the updated project listing, as part of the overall City Background Study, to City Council for consideration on May 15 2024.

DISCUSSION

The OPL Development Charge project list was last reviewed in 2014 and updated according to the (then-required) five-year cycle in October 2019 (OPLB-2019-0402). Since 2019, the Board has fully authorized DC funding to the extent allowed for the Riverside South branch and the Barrhaven branch. This required an investment of Library Capital Pay-As-You-Go funding of \$2.36M in addition to the authorized DC funding.

Market Conditions

In the years since 2019, unprecedented conditions have combined to change the industries that fuel growth in Ottawa, and other municipalities across North America. Among them are:

- The pandemic period changed the nature of labour availability. Labour shortages and supply chain challenges have increased overhead costs and raw material prices directly affecting the construction industry;
- In 2019, the cost per square foot of new construction for a cultural building was estimated at \$425. The estimate in 2024 is \$725 per square foot, an increase of 170 percent with continued increases in material and labour costs projected for the next 10-year period;
- Since the pandemic, financial markets and economic conditions have driven interest rates in 2024 to as much as three times the rates common in 2019; and,

OPL’s current DC project list includes a number of facilities for which project funding has already been established. In the 2024 review, development charges are recommended to be leveraged to further fund pre-existing projects that are either experiencing increased cost estimates compared to 2019 or for projects that have not yet materialized and for which growth can still be attributed.

Growth

In July 2023, OPL undertook a growth assessment in partnership with the City of Ottawa using estimates produced by Hemson Consulting. The data forecasted population growth within Ottawa Traffic Management Zones (TMZ) through to the year 2046. Within the growth analysis provided, staff consolidated growth projections from more than 790 individual TMZs into 116 Ottawa neighbourhoods to align with the Facilities Framework. The data used in the analysis is consistent with that being used by the City for other service areas. The growth data encompasses a 25-year period which aligns with the long-range intentions of the Facilities Master Plan introduced in 2022 and under continued development. Table 1 lists the neighbourhoods experiencing the greatest population increase.

Table 1 – Population increases by neighbourhood.

ONS Neighbourhood Name	Sum of Total Population-2021	Sum of Est. Population-2031	Growth	Existing DC Project (Proximate)
Stonebridge - Half Moon Bay	28607	43984	15377	Barrhaven
Findlay Creek	14793	28177	13384	
Stittsville East	11276	21120	9844	
Chapel Hill South	17376	26841	9465	East Urban
Riverside South - Leitrim	19698	29030	9331	Riverside South
Stittsville North	12925	20616	7691	
Richmond	10646	18200	7554	
Kanata Lakes	20462	27133	6671	
Portobello South	30762	36768	6006	East Urban
Edwards - Carlsbad Springs	3048	8502	5454	

2024 Background Study and Project Recommendations

In Q2 2023, the City's Planning, Real Estate and Economic Development (PRED) department started the DC By-law review process. As previously mentioned, the DCA requires a Background Study to be completed prior to enactment or revision of a DC By-Law. Among other benefits, the Background Study provides updated inventories of public space in library facilities, current inventory of library materials holdings, as well as equipment and technology that is used to assist with city-wide circulation of library materials. In short, a maximum allowable value of total DC Projects is calculated using the replacement costs for these inventories.

The calculated maximum level of service for DC recoverable costs in the 2024 review, as provided by Hemson Consultants, is \$63.156M. The list of projects recommended for inclusion on the 2024 – 2033 DC Project Listing totals \$61.179M as further described below.

- The DC Project listing identifies two categories of projects: Area-specific projects refer to geographic areas within the city of Ottawa that collect development fees at different rates. Fees paid for a single or multi-dwelling building in a rural area differ from the rates paid in a suburban or urban area. For this reason, DC Reserves exist for each of the geographical areas defined by the DC By-law: Inside Greenbelt, Outside Greenbelt, and Rural.
- City-Wide projects are intended to support increased needs based on growth for materials and equipment that benefit all areas of the municipality. The primary example of a City-Wide project is collections (library materials) such as books that are borrowed from all corners of the city. In addition, the equipment that enables the circulation of OPL's collection qualifies for DC expenditure as long as the costs are related to growth.

Projects funded by Development Charges can also incur debt if authorized by the Board and Council. Debt and the cost of servicing the debt, in the context of Development Charges, must be listed as a separate line item in the project list. In the recommended 2024 list there are two projects related to DC Debt repayment.

Area Specific

- **Development Charges Debt** (Outside Greenbelt, Item 6.4) – In the 2014 review of the DC By-law, the Board approved a project named West District Library (which became the expansion of the Beaverbrook branch completed in 2016). In Document 1, Item 6.4 refers to the remaining principal and interest payments for DC debt incurred for the Beaverbrook expansion. The DC debt for this project was issued by the City within a consolidated bond for a period of 40 years. Staff have investigated repayment, and the possibility of paying out the debt in a lump sum is not possible as the constituent parts of a bond cannot be individually satisfied.
- **Barrhaven** (Outside Greenbelt, Item 6.3.1) - OPL's 2019 Development Charge listing identifies approximately \$6.75M for this new branch. To-date, \$6.5M has been drawn including OPL Capital PAYG funds. The City of Ottawa has approved a Community Development Plan (CDP) for the Barrhaven area with an identified future "civic town centre." The civic town centre is set to include a shared facility, featuring a 30,000 square foot library facility (approved by the Board as the "Barrhaven" branch). In 2022, the Federal and Ontario Provincial governments announced that the City was approved for infrastructure funding for this shared facility. The Federal government has committed \$15.2M, with the Provincial government committing approximately \$12.7M. The remaining funds (approximately \$10.2M) will be the responsibility of the City and OPL. Staff continue to work with City partners to acquire land for the development of this facility. As approved by the Board in June 2022, the Barrhaven branch will replace the existing Ruth E. Dickinson branch (OPLB-2022-0602). Current growth projections within the next 10-year period for the communities of Stonebridge – Half Moon Bay, Old Barrhaven East, and Chapman Mills neighbourhoods confirm the need for a library facility in proximity to the area. The Barrhaven facility is recommended by staff to remain on the DC Project List. The project estimate is \$10.5M representing the remaining balance required to fund a 30,000 square foot facility.
- **East Urban - South Orléans** (Outside Greenbelt, Item 6.3.4) – In 2016, the need for a 7,500 square foot branch in the east urban area of the city was identified to serve the growing communities of Orléans, Cumberland, and surrounding areas.

Current growth projections within the next 10-year period for the Portobello South and Chapel Hill South neighbourhoods confirm the need for a library facility in proximity to the area. OPL's current Development Charge project list has \$4.9M allocated for this new branch, with \$4M remaining to be drawn. Given the estimated timing of the project and taking into consideration the increase in demand for library services due to growth, a facility of 20,000 square feet will be necessary to meet demand. The increased size requirement with increased construction costs and inflationary pressures results in a revised cost estimate of \$17.5M with \$15.7M recoverable through DC funding. Staff recommend this project remain a DC Project.

- **Riverside South** (Split: Outside Greenbelt, Item 6.3.2 and Rural, Item 6.5.1) – In June 2022, the OPL Board approved planning for a joint community center and library branch to serve the Riverside South community. Funds have been drawn for this facility and the project planning and design phases commenced in Q1 2023 including OPL, the City, and the Riverside South Development Corporation. Construction is estimated to begin in 2026, with opening set for early 2028. Population growth, predominantly in the Riverside South – Leitrin neighbourhood, is projected to continue. This growth, in conjunction with elevated costs for construction, are estimated to require an additional \$4M in funding. Staff recommend that this amount be included in the revised project list so that continued collection of DC funds can occur.
- **Findlay Creek** (Outside Greenbelt, Item 6.3.3) - The estimated growth from 2021 through 2031 in the Findlay Creek neighbourhood is estimated at more than 13,000 people, among the largest increases by neighbourhood in the city of Ottawa. Findlay Creek is adjacent to Riverside South in terms of geography but lies a significant distance to the east of up to 13KM from the future Riverside South branch. Proximity to Edwards – Carlsbad Springs to the east adds another dimension of population growth, estimated at just more than 8,500 people. Together, should these estimates of growth materialize, a library facility providing a total of 15,000 square feet would be required in or about 2033. Findlay Creek is the first priority neighbourhood identified in the Facilities Framework when considering the approved prioritization criteria of equity, distance, and growth.

Based on these specifics, staff recommend the addition of a Findlay Creek branch to the DC project list.

City-Wide

City-wide projects in the context of OPL include the provision for circulating items (collections) as well as the equipment that is used to enable circulation. An example of the equipment would be the various Radio Frequency Identification (RFID) scanners, sorters, readers, and the centralized Automated Materials Handling System.

- **Development Charges Debt** (City-Wide, Item 6.1) – The Central branch at Ādisōke is the single largest library project in the history of OPL. Initial costs estimated in 2018 and recalculated and approved in a report to Council (“Ādisōke–Project Update and Funding Strategy, October 27, 2021”) indicated that the project will require approximately \$128M of debt funding to complete the Library portion of the facility. It was established in the same report that the DC portion of that overall debt is 25 percent equating to approximately \$32M. This principal amount as well as the resulting debt servicing payments (interest charges) must be accounted for from DC funding within the repayment period of the debt.

Staff brought forward three (3) options regarding this debt to the Finance and Facilities Ad hoc Committee in January 2024. The options presented varying levels of repayment terms and the overall cost of ongoing debt repayment. The repayment option recommended by staff, and supported by the Ad hoc, mitigates the impact of accelerated DC debt repayment which would result in a limited availability of DC funding for growth projects, and avoids extending the term of repayment such that the carrying costs (interest payments) on the debt would place undue pressure on DC collection beyond the 10-year period of the current DC review. The debt term was set at a 16-year period at a rate of five (5) percent. The principal debt remaining (assuming growth and DC collection occurs) would be \$17.6M after the period. The DC project list includes \$16.9M in principal payments and \$12.5M in interest payments over the 10-year DC project window for a total of \$29.4M. This item is mandatory in the project list.

- **Library Materials** (City-Wide) – In the 2024 recommended City-Wide projects \$500K is assigned to Library Materials

- **Equipment** (City-Wide) – In the 2024 recommended City-Wide projects \$250K is assigned for RFID Collection Sorting Equipment.

In all cases, the amounts claimed for the projects listed in the 2024 review must be derivative of growth in the community. Accordingly, if growth does not occur or if growth is established but occurs through exempted categories of development, the required funding for the listed projects will not come to pass. There is no guarantee that DC funding will accrue precisely as estimated.

CONSULTATION

The development of this report was completed with guidance and support from the City's Planning, Real Estate & Economic Development department, as well as external consultants, Hemson Consulting. In addition, members of the OPL Board Ad hoc Committee on Finance and Facilities (Trustees King and Fisher), and ex-officio member Chair Luloff were consulted.

ACCESSIBILITY IMPACTS

Ottawa Public Library complies with the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations. There are no accessibility impacts associated with this report. Approval of the recommendations in the report can potentially reduce barriers to library services in Ottawa should anticipated DC revenues be generated and three additional library branches be constructed.

BOARD PRIORITIES

The recommendations in this report align with the Library's value of Integrity: we embody the principles of public stewardship, transparency, and accountability in our operations and interactions," and align with the Board's Strategic Direction and Priorities No.1 - Redesign the Library Experience, specifically to identify and address barriers to service.

BUSINESS ANALYSIS IMPLICATIONS

The recommendations of this report required an understanding of future population growth modeling and analysis, geographical area mapping, asset inventory collection, and the estimation of economic pressures. The approach and processes used in developing the recommendations of this report are detailed within the Background and

Discussion sections of the report. Future requirements for business analysis related to DCs include a complete review of these metrics every 10-year period.

FINANCIAL IMPLICATIONS

There are no direct financial implications resulting from this report. However, the ability to respond to population growth and increased demand for library services depends on DC funding and is contingent on the approval of a DC Project List for Library Services. The absence of sufficient DC funding for the Library would put undue pressure on capital budgets and significantly hinder the ability of the organization to introduce new spaces in which library services can be delivered.

LEGAL IMPLICATIONS

There are no legal implications associated with this report.

RISK MANAGEMENT IMPLICATIONS

Risk management implications associated with this report include less than anticipated population growth leading to changing timelines and the potential for insufficient funding for new or expanded library facilities. Staff understand this risk and will seek to verify growth after each future five-year period.

Furthermore, the impact of the *More Homes Built Faster Act, 2022, S.O. 2022, c. 21 Bill 23* are unknown. Specifically, the addition of parts 4.1, 4.2 and 4.3 to the DCA which provide, respectively, for exemptions from development charges for the creation of affordable residential units and attainable residential units, for non-profit housing developments, and for inclusionary zoning residential units. These exemptions may reduce DC funding collected to a point where the funding is insufficient to pay for the actual current costs of construction.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

SUPPORTING DOCUMENTATION

Document 1 - Library Services Project List 2024

Document 2 – [Introduction to 2024 Interim Development Charges \(DC\) Background Study](#) (*City of Ottawa Website - Link to Development Charges Page*)

DISPOSITION

Upon OPL Board approval staff will:

1. provide this report, Document 1, and the resulting motion number to the City of Ottawa for inclusion in the 2024 Development Charge Background Study Review report for City Council deliberation on May 15, and;
2. ensure that growth studies, capital plans, facilities master plans, financial frameworks, historical average level of service, and other relevant documents as prescribed by legislation are updated to support the next review of DC project listings required in 2034 as per the DCA and DC By-law.