Region of Peel Development Charges Update

Meeting of Members of Regional Council and Development Industry

Pearson Convention Centre - Brampton
May 17, 2012
Outline

1. Introduction and background
2. Investing in ‘Regional system’
3. Peel as a competitive location
4. Financing management options
5. BILD/Development Industry options and comments
6. Next steps
Growth Management Principles

- Growth guided by and conforms to Regional Official Plan
- Growth pays for growth – no impact on existing taxpayers
- Infrastructure to be provided in a way that maximizes efficient delivery and minimizes impact on communities
- Debt to be issued for growth infrastructure leveraging Region’s high credit rating, but not to extent of compromising its high credit rating
DC Reporting - Background

- Council updated on DC performance, notably:
  - Fall 2008 – DCs not adequately recovering costs as 30% rate increase required
  - Decision not to increase rates due to economy and impact on development community
  - Fall 2009 – DC reserves in deficit, borrowing required to commence (debt issued June 2010)
  - January 2011 – advised of commencement of DC update (expected by-law to Council by summer 2012)
DC Reporting – Recent Activity

- December 15, 2011 - 10 Year Capital Plan adopted
- February 24, 2012 – Council Information session on 2012 DC debt challenges
- March 29 – Preliminary DC rates made public
  - Shared findings in response to Council resolution 2011-886 re: review projects to defer
- April 4 – Preliminary background study made publicly available to facilitate BILD’s technical review which is currently underway
- May 10 – Final DC background study made available
## Estimated DC Rates

<table>
<thead>
<tr>
<th>Category</th>
<th>Current Rates</th>
<th>Estimated Rates</th>
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<tbody>
<tr>
<td>Other Res.</td>
<td>$17,629</td>
<td>$38,905</td>
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<td>Large Apt.</td>
<td>$12,592</td>
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<td>Small Apt.</td>
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<td>Industrial</td>
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<tr>
<td>Non-Ind</td>
<td>$94.21 sq.m</td>
<td>$210.62 sq.m</td>
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DC Funded Programs 2012-2031

Development Charges Supported Programs

- Roads 31.84%
- Water 39.30%
- Sewer 25.52%
- Ambulance 0.21%
- Police 0.89%
- Long Term Care 0.38%
- Public Health 0.05%
- Social Services 1.73%
- OPP 0.01%
- Transhelp 0.02%
- Growth Studies 0.06%
- Social Services 1.73%
- Transhelp 0.02%
- OPP 0.01%
- Growth Studies 0.06%
- Public Health 0.05%
- Long Term Care 0.38%
- Police 0.89%
- Ambulance 0.21%
- Sewer 25.52%
- Roads 31.84%
- Water 39.30%
# Typical Timing of Municipal Capital Expenditures

<table>
<thead>
<tr>
<th>Service</th>
<th>Capital Item</th>
<th>OPA/ Secondary Plan</th>
<th>Draft Approval</th>
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<td>Wastewater</td>
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<td>Local</td>
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<td>Stormwater Management</td>
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<td>Roads and Related</td>
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<td>Rolling Stock</td>
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<td>Library</td>
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<td>Health Unit</td>
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<td>Ambulance</td>
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<td>Administrative</td>
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</table>

*Development Timing Diagram showing typical timing of capital expenditures and associated approval milestones.*
DC Increases – Attributable Factors

Compared to 2007 DC Update:

- Growth capital program has increased from $3.3B to $4.8B
- Planning horizon is more constrained: 20 years (2012-2031) vs. 25 years
  - Fewer new residents and less GFA to allocate costs
- Increased levels of debt required
- No interim DC updates since 2007
Estimated DC Debt

Net Debt Outstanding (2010 - 2031)
Risks to Growth Outlook

- Growth assumptions consistent with ROPA24 and *Places to Grow* (to 2031):
  - Population: 1.64 million
  - Employment: 870,000

- DC revenues underperformed 2007-2011, especially non-residential sector

- Risk if revenues continue to underperform:
  - Additional borrowing
  - Higher deficit at time of next DC update

- Growth assumptions to be reviewed; *Places to Grow* update pending
Risk Mitigation

- Should DC revenues not materialize as forecast, Capital Plan will need to be revised to conform to more sustainable pace
  - Requires examination of timing of project delivery
  - Credit rating risks to be considered
  - Intensification costs not fully reflected
Financial Partnership

- Maintained Triple A credit rating
- Accessed $168M of grants and low cost financing:
  - Infrastructure Stimulus Funding (ISF): $98.6M
  - CMHC Municipal Infrastructure Loan Program: $67.3 M
  - FCM Green Municipal Fund Loans: $2M
Technical DC Review Process

- DC eligible costs calculated based on DC framework deducting for example:
  - Recoveries from other governments
  - Benefits to existing
  - Post period benefits
  - 10% discounts

- Final background study currently undergoing technical review by BILD consultants
Growth Planning – Area Municipalities and Region

- Collaborative process involving growth estimates and service planning/funding approval
- Area municipalities forecast population and employment growth in planning areas over 5-year intervals and provide to Region
- Region develops capacity and project requirements to service forecasted growth in planning areas
- Region prepares capital project estimates to be included in capital budget for Council’s adoption; portion funded from DCs
Growing System Capacity Need

Water Plant Capacity and Peel Population

Capacity in MLD

Population

- Capacity
- Population
Expanding Water System Capacity

Total Water System Requirements

- Capacity
- Demand

- Millions of Litres/Day

- 2011 to 2031
DC Investments in Regional Systems

- Water, Wastewater and Roads major projects
- Current projects and commitments
- Next 5 years (2012-2016) projects
- 2017-2031 planned projects
## Planned DC Investments - Summary

<table>
<thead>
<tr>
<th>Program $Millions</th>
<th>Underway</th>
<th>2012 - 2016</th>
<th>2017 - 2031</th>
<th>Total</th>
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<tr>
<td>Roads</td>
<td>$285.2</td>
<td>$304.8</td>
<td>$757.0</td>
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<td>Water</td>
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<td>$640.7</td>
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<td>Wastewater</td>
<td>$445.3</td>
<td>$383.7</td>
<td>$120.8</td>
<td>$949.8</td>
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<td>Total</td>
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<td>$1,329.2</td>
<td>$1,738.9</td>
<td>$4,328.4</td>
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Existing DC Water Projects Underway

* Amounts refer to remaining DC commitments as of April 2012
Future DC Water Projects – next 5 years (2012-2016)
Future DC Water Projects (2017-2031)
Existing DC Wastewater Projects Underway

* Amounts refer to remaining DC commitments as of April 2012
Future DC Wastewater Projects – next 5 years (2012-2016)
Future DC Wastewater Projects (2017-2031)
Existing DC Roads Projects Underway

* Amounts refer to remaining DC commitments as of April 2012
Future DC Roads Projects – next 5 years (2012-2016)
Future DC Roads Projects (2017-2031)
Peel as a Competitive Location

- Locational benefits
- Property taxes
- Development charges
- Utility rates
Peel’s Strategic Advantages

- Location
  - Situated in GTA, largest economic hub in Canada
  - Close to large US market (within 200 kms)

- Transportation network
  - Five major highways
  - Pearson International Airport
  - Regional, national and international rail

- Young and well educated population
  - Peel’s median age of 35.6 years is lowest in GTA
  - 55% of Peel’s population (25 – 64 years) have attained university or college education
Total Municipal and Property Tax Burden

Average Residential Dwelling

<table>
<thead>
<tr>
<th>Region</th>
<th>Year 2011 Residential Water/Wastewater Costs</th>
<th>Year 2011 Average Residential Taxes</th>
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<tr>
<td>Halton Region</td>
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<tr>
<td>Oakville</td>
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<td>$3,208</td>
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<td>York Region</td>
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<td>Vaughan</td>
<td>$602</td>
<td>$4,702</td>
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<td>Richmond Hill</td>
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<td>Aurora</td>
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<td>$4,551</td>
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<td>Markham</td>
<td>$604</td>
<td>$4,189</td>
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<td>Durham Region</td>
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<td>Pickering</td>
<td>$701</td>
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<td>Oshawa</td>
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<td>Peel Region</td>
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<tr>
<td>Caledon</td>
<td>$355</td>
<td>$4,441</td>
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<td>Brampton</td>
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<td>Mississauga</td>
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<td>$3,887</td>
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<td>Toronto</td>
<td>$571</td>
<td>$3,492</td>
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</table>

Source: BMA Municipal Study 2011
Peel’s Low Water and Wastewater Rates

2012 Combined Water & Wastewater Utility Bill – Residential Homeowner

Costs based on 310 cubic meters per annum consumption
*2012 Water & Wastewater rates not available (value represents 2011 data
DC Rates - GTA Comparison

Single Family Residential

Region | Area Municipality | School Board | GO
--- | --- | --- | ---
Peel Proposed: Brampton | 38,905 | 10,788 | 10,000
York Proposed: Markham | 42,165 | 10,000 | 20,000
Peel Proposed: Caledon | 38,905 | 10,000 | 20,000
York Proposed: Aurora | 42,165 | 10,000 | 20,000
Halton - Greenfield Proposed: North Oakville | 38,905 | 10,000 | 20,000
Peel Proposed: Mississauga | 35,275 | 10,000 | 20,000
York Proposed: Vaughan | 38,905 | 10,000 | 20,000
York Proposed: Richmond Hill | 42,165 | 10,000 | 20,000
Halton - Built Proposed: North Oakville | 26,180 | 10,000 | 20,000
Durham: Oshawa | 19,535 | 10,000 | 20,000
DC Rates - GTA Comparison

Small Apartments/Condos

- Halton - Greenfield Proposed: North Oakville
- York Proposed: Vaughan
- York Proposed: Markham
- York Proposed: Aurora
- Peel Proposed: Brampton
- York Proposed: Richmond Hill
- Halton - Built Proposed: North Oakville
- Peel Proposed: Caledon
- Peel Proposed: Mississauga
- Durham: Oshawa

Region | Area Municipality | School Board | Go
## DC Rates - GTA Comparison

### Large Apartments/Condos

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Legend:
- GO
- School Board
- Area Municipality
- Region
DC Rates - GTA Comparison

Industrial ($/m²)

- York Proposed: Richmond Hill
- York Proposed: Aurora
- York Proposed: Vaughan
- Halton - Greenfield Proposed: North Oakville
- Peel Proposed: Mississauga
- Peel Proposed: Brampton
- Peel Proposed: Caledon
- Halton - Built Proposed: North Oakville
- Durham: Oshawa

Region of Peel

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DC Rates - GTA Comparison

Non-Industrial ($/m²)

York Proposed: Richmond Hill
York Proposed: Aurora
York Proposed: Vaughan
Halton - Greenfield Proposed: North Oakville
Halton - Built Approved Proposed: North Oakville
Peel Proposed: Brampton
Peel Proposed: Mississauga
Peel Proposed: Caledon
Durham: Oshawa

School Board
Area Municipality
Region
Growth Management Financing Options

- Timing of DC collection
- Alternative financing arrangements
  - Halton financing plan
- Front-end financing agreements
- Increase ability to internally finance
- Review growth projects – deferrals (Council resolution 2011-886)
Options - Impacts

- Impact on servicing development
- Impact on competitiveness
- Impact on credit rating
- Impact on ‘growth pays for growth’

CAPITAL EXPENDITURES

PRINCIPLES

REVENUES

DEBT
## Comparison of DC Collection Timing

<table>
<thead>
<tr>
<th>Region</th>
<th>DC Collection Timing</th>
<th>Pre-subdivision Agreement (Draft Plan)</th>
<th>Subdivision Agreement</th>
<th>Between Subdivision Agreement and Building Permit</th>
<th>Building Permit</th>
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<tr>
<td>Peel</td>
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<td>-</td>
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<td>All development</td>
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<tr>
<td>Halton</td>
<td>Low/medium residential makes payment to secure allocation</td>
<td>Balance of low/medium residential development</td>
<td>High density at site plan approval to secure allocation</td>
<td>Non-residential development and high density res.</td>
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<tr>
<td>York</td>
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<td>-</td>
<td>Residential development (low density)</td>
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<td>Non-residential Development</td>
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<tr>
<td>Durham</td>
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<td>50% of residential DCs payable within one year of subdivision agreement; balance within 2 years or building permit if sooner</td>
<td>Res. high-density and non-residential</td>
</tr>
</tbody>
</table>
Expedite Timing of DC Collection

- DC collection at Subdivision Registration for all registered lots (change from building permit)
- Apply to low and medium density residential

**Benefit**
- Earlier DC collection – Limited positive impact on debt costs
- Developers forced to complete all registered lots before starting new location resulting in expected slower demand for new water and wastewater infrastructure

**Risks**
- Increased cost to developers; especially small ones which may be passed on to home buyers
- Consultations required with development industry and area municipalities (administrative processes); area municipalities to enhance capacity to process permits sooner
Alternative Financing Arrangements

Halton Development Financing Plan

- Developer agreements are required to secure an allocation of capacity for low-rise residential development in Greenfield area
  - Agreements specify developer funding commitments at time of agreement and as projects proceed - includes an early payment which is recovered from future DC by-laws
- Developers commit to number of single detached equivalents (SDE) secured through letters of credit (LOC) – required before Council approves Plan and works proceed
  - DC also applies
- Region draws on LOCs as construction proceeds
- Other development pays DCs at building permit stage
- Plan transfers some financing risk to development industry
- Developers reimbursed according to recovery agreement
Front End Financing

- Land owner(s) agrees to provide infrastructure to service lands prior to when project is planned for construction by municipality and are compensated in future per agreement

- **Benefits**
  - Eases debt pressure on Region’s finances for few years
  - Transfers some risk to land owner(s)

- **Risks**
  - May not be appropriate for large scale Regional infrastructure that benefits broad area affecting many land owners
  - Administration of agreements can be complex and time consuming
Internal Borrowing From Utility Reserves

- Extend Council’s recently approved increase to replacement reserves to 2021

**Benefits:**
- External borrowing reduced by $300 million
- Does not reduce Region’s liquidity (positive for credit rating)
- Allows Region flexibility to repay borrowed amounts

**Risks:**
- Limited immediate benefit to existing utility rate payers although after internal borrowing is completed increased reserve contributions plus interest from DCs will be available for utility system use
- Upfront commitment to increase rates required over 2016-2021 to make feasible (otherwise credit rating risk issue)
Project Deferrals

- Specifically addresses Council resolution to “assess service and financial impacts of deferring projects not yet underway” (#2011-886)
- Reviewed large strategic infrastructure projects which have significant impact on development in next few years
- Project deferrals have limited financial benefit
  - DC rates reduced slightly
  - If deferred, projects can cost more in future
  - Savings are attained through cutting projects from capital plan – impacts development
Transition

- 2007 by-law transition provisions were lengthy resulting in estimated $45 million shortfall in DC revenues
- Contributed to current debt situation
- 2007 By-law was one year prior to expiry of prevailing by-law – now not the case
- Continued communication with BILD about DC update process
Moving Forward – Fair Approach

- Region’s credit rating and DC collection at building permit stage have benefited industry
- Region open in communication with development industry:
  - Quarterly updates
  - Technical review – release of preliminary study
- Held off on interim DC update due to economy
- Enhanced capital projects delivery by Region
- Engaged industry today to hear options allowing planned growth to proceed while minimizing Region’s debt exposure
  - potentially increasing Region’s ability to borrow internally
Development Industry Options and Comments
DC By-law - Next Steps

- Draft DC By-law available May 30
- DC Public Meeting (mandatory) – June 14
- Updated DC By-law – July 5
- Current by-law expires October 3
Wrap Up
Appendix

1. Current Regional Systems
2. Peel Competitiveness
   - Property taxes
3. Project Deferral Review Details
   - Projects/areas reviewed
1. Current Regional Systems

- Water
- Wastewater
- Roads
Current Regional Water System

Legend:
- Water Treatment Plant
- Water Tower
- Water Well
- Watermain => 400mm
Current Regional Wastewater System
Current Regional Roads System
2. Peel Competitiveness

- Property tax comparisons:
  - Residential
  - Commercial
  - Industrial
Residential Property Taxes - 2011
(Per $100,000 of Assessment)

<table>
<thead>
<tr>
<th>Region</th>
<th>Education Taxes</th>
<th>Municipal Taxes</th>
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<td>Durham Region</td>
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<td>Caledon</td>
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<td>$952</td>
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<td>Vaughan</td>
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<td>Markham</td>
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<td>Halton Region</td>
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<td>Burlington</td>
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<td>$996</td>
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<td>Oakville</td>
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<td>Milton</td>
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<td>$852</td>
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<tr>
<td>Toronto</td>
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<td>$793</td>
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</table>
Commercial Property Taxes - 2011 (Per $100,000 of Assessment)
Industrial Property Taxes – 2011
(Per $100,000 of Assessment)
3. Project Deferral Review Details

- Mississauga City Centre
- North East/Central Brampton
- North West Brampton
Figure 3. Mississauga City Centre (Wards 4 and 7)
Mississauga City Centre Deferral

- Total DC deferrable projects related to servicing this area is an estimated $270 million
- Projects include mainly Mississauga City Centre Water Main and Hanlan Reservoir and Feeder Main

Service Impact
- significantly restricts development in Mississauga downtown and elsewhere in Peel primarily due to water capacity. Also concerns related to water pressure and fire safety standards.
- York commitments impacted.

Financial Impact
- Little improvement to borrowing levels and DC rates
Figure 2. Pressure Zone 6 and Bolton (Brampton, Wards 1, 2, 5, 6, 7, 9, 10 and Caledon, Wards 2, 4, 5)

### Description

<table>
<thead>
<tr>
<th>AREA</th>
<th>DESCRIPTION</th>
<th>IMPACT OF DEFERRING</th>
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</thead>
<tbody>
<tr>
<td>Pressure Zone 6</td>
<td>Victoria Reservoir&lt;br&gt;Storage for existing and future development</td>
<td>Pressure Zone 6 and in Bolton currently have a deficit of water storage&lt;br&gt;The Region's risk in providing water supply in Pressure Zone 6 and Bolton would be extended and increased</td>
</tr>
<tr>
<td>Bolton</td>
<td>North Bolton Elevated Tank&lt;br&gt;Storage for existing and future development</td>
<td></td>
</tr>
</tbody>
</table>

**Future Water Transmission Mains**

- North Bolton Elevated Tank
- North Brampton Reservoir and Pumping Station
- Victoria Reservoir
Figure 4. Northeast Brampton (Wards 9 and 10) and Bolton (Caledon, Wards 4 and 5)

<table>
<thead>
<tr>
<th>DEVELOPMENT AREA</th>
<th>STATUS</th>
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<tbody>
<tr>
<td>Countryside Villages SPA48</td>
<td>SP approved, Block Plans in preparation</td>
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<tr>
<td>Vales of Castlemore North SPA49</td>
<td>SP approved, Block Plans in preparation</td>
</tr>
<tr>
<td>Tullamore Industrial Area</td>
<td>Caledon Special Policy Area</td>
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<tr>
<td>Vales of Humber SPA50</td>
<td>SP in preparation</td>
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<tr>
<td>Highway 427 Industrial SPA47</td>
<td>Future SPA</td>
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<tr>
<td>Bolton</td>
<td>Existing development area</td>
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</table>
North East/Central Brampton Deferral

- Total DC deferrable projects related to servicing this area is an estimated $348 million
- Projects include Water and Wastewater projects for pumping stations, reservoir, transmission mains, trunk sewers, collection, sub-transmission systems and roads

Service Impact
- Delays to some development and overall pressure zone 6 and areas below would be at risk due to inadequate fire protection, from lower water pressure; increased road congestion especially affecting goods movement industry

Financial Impact
- Little improvement to borrowing levels and DC rates
Figure 1. Northwest Brampton (Ward 6) and South Caledon (Ward 2)

### DEVELOPMENT AREA

<table>
<thead>
<tr>
<th>DEVELOPMENT AREA</th>
<th>STATUS</th>
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<tbody>
<tr>
<td>Bram West SPA40</td>
<td>SP approved, Block Plans in preparation</td>
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<tr>
<td>Mount Pleasant SPA51 (Block 51-1)</td>
<td>SP approved, Block Plan approved</td>
</tr>
<tr>
<td>Mount Pleasant SPA 51 (Block 51-2)</td>
<td>SP approved, Block Plan in preparation</td>
</tr>
<tr>
<td>Huttonville North SPA52</td>
<td>SP in preparation</td>
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<tr>
<td>Mount Pleasant West SPA53</td>
<td>SP in preparation</td>
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<tr>
<td>Mayfield West Phase 2</td>
<td>SP in preparation</td>
</tr>
</tbody>
</table>

Future Water Transmission Mains
Future Sanitary Trunk Sewers
North West Brampton Deferral

- Total DC deferrable projects related to servicing this area is an estimated $377 million
- Projects include Water and Wastewater projects for pumping stations, reservoir, transmission mains, trunk sewers, collection, sub-transmission systems and roads
- Secondary plan yet to approved for area and is subject to shale protection

Service Impact
- Service impact would be delayed development in this location and increased congestion and ‘spill-over’ of additional traffic to the municipal road network expected

Financial Impact
- Little improvement to borrowing levels and DC rates