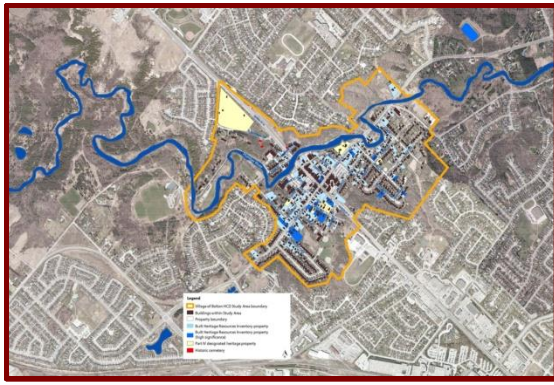
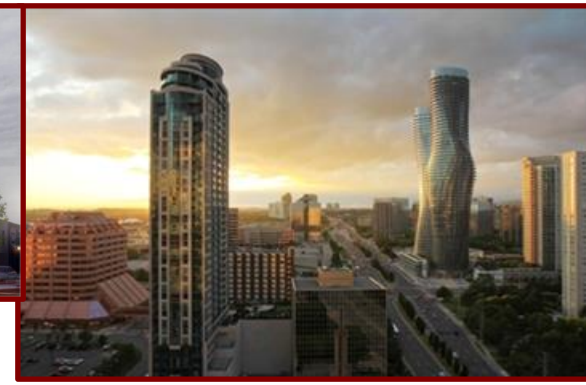
Region of Peel
Working for you

SUSTAINABLE FINANCING OF GROWTH WORKSHOP





"Growth Financing Options"

Friday, September 5th, 2014

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Consulting Ltd.

Summary of Problem

- Timing of ‘growth-related’ works based in part on creating capacity for population and employment forecasts
- Fiscal capacity of Region is limited
- Risk of development not occurring as anticipated is substantial

Summary of Options

1. Delay capital works

2. Debt finance capital works

3. Require landowners to ‘front-end’ capital works

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Option 1
Delay Capital Works

- To delay works, Region could:
  - investigate engineering solutions to reduce costs and/or phase construction
  - restructure servicing allocation process in Peel
  - maintain balanced cashflow when setting DC rates (i.e. not commit to DC projects unless DC cash is on hand), **BUT**…

- …cashflow problem will likely remain for costly water and wastewater works—these are required in order to allow development to proceed

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Option 2
Debt Finance Capital Works

- Region would have to take on substantial debt to fully finance growth-related works
- Recently, York Region had to ask Province for higher debt limit
- Debt payments are financed by DCs—substantial risk if growth does not occur as planned

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Option 3 (‘Front-Ending’) DC Act Options

DCA Option	Arrangements
Credit Agreements	• Allows landowners to build or pay for infrastructure ahead of schedule • Region gives landowners credits towards future DCs equal to growth-related cost of works • Landowners use credits to offset related service component of DC when it is due
Pre-Payment Agreements	• Provides for payment of all or a portion of a DC before the normal payment date • Usually relates to funding of specific capital project or service • Used effectively by a number of municipalities to front-end finance infrastructure • Doesn’t require all land owners to participate (can establish a minimum threshold of monies to be raised) • Agreement can provide for future “top-up”
Front-Ending Agreements	• One or more developers agree to provide all, or a share, of the costs of a piece of infrastructure • Formal process regulated by DC Act • Allows for “tiering” (developers joining as front-enders after the fact) • Onerous process means municipalities have avoided using them
Payment at Subdivision Agreement	• DC payment currently triggered is by building permit issuance • Region can require payment of hard service DCs at time of subdivision agreement • Might give Region greater ability to construct works prior to construction and on time
Area-Specific DCs	• Locally aligns costs and benefits of development

Option 3 (‘Front Ending’) Other Options

Option	Arrangements
Municipal Act s.110 Voluntary Contributions	• Region asks for “voluntary contributions” at time of DC payment to pay for non-DC eligible capital (e.g. 10% deduction; service level increases) • Used in Halton Region and elsewhere • Concerns have been raised by developers
Developer Cost Sharing Agreements	• Cost sharing agreements are where a group of landowners collectively agree to fund/construct the infrastructure necessary to allow a “new” development area to be opened-up • Usually done for large greenfield-related projects • Requires the facilitation of the Region, though Region does not need to be a signatory

Options Are Not Mutually Exclusive

- Could delay some (non-utility) works
- Could debt finance works for systems/service areas where rate of development is sufficient to fund debt payments
- Likely still need to require front-ending of costs for some projects through various mechanisms