



PUBLIC MEETING

THE REGIONAL MUNICIPALITY OF PEEL

A G E N D A

DATE: May 28, 2015

TIME: 9:30 a.m.

PLACE: Council Chamber, 5th Floor
Regional Administrative Headquarters
10 Peel Centre Drive, Suite A
Brampton, Ontario

PURPOSE: To hold a public meeting pursuant to Section 12 of the *Development Charges Act, 1997*, to inform the public and to obtain their input with respect to the proposed Region of Peel Development Charges By-law and background study.

Chaired by Regional Chair F. Dale

1. **ROLL CALL**
2. **OPENING OF PUBLIC MEETING**
3. **CONFIRMATION OF PUBLIC NOTIFICATION**
4. **FURTHER NOTICE REQUEST**
5. **DEVELOPMENT CHARGES PROPOSAL**

Staff Presentations

- a) 2015 Development Charges By-law Update
Presentation by David Bingham, Treasurer and Director, Corporate Finance and Gary Scandlan, Associate Director, Watson and Associates Economists Limited

6. PUBLIC PARTICIPATION

a) **Oral Submissions**

- i) Darren Steedman, Chair, Building Industry and Land Development Association (BILD), Peel Chapter

b) **Written Submissions**

7. CONCLUSION AND CLOSING OF PUBLIC MEETING

8. ADJOURNMENT

Development Charges Update

Public Meeting

May 28, 2015

Agenda

- Background
- DC Policy Considerations
- Preliminary DC Rate Changes
- Stakeholder Engagement Process
- Future Work

DC Legislative Framework

- *The Development Charge Act (DCA), 1997* outlines the general rules that must be observed in the development and implementation of DC polices (including rates) in Ontario municipalities
- The DC Legislative Framework is supported by:
 - *The Planning Act* that sets out the ground rules for land use planning in Ontario; *and*
 - *The Places to Grow Act* that provides the population and employment forecasts used in DC rate modelling/calculation and DC Background Study preparation
- Municipalities pass By-Laws in accordance with the DCA to govern how DCs are applied/administered in their respective jurisdictions

DC By-law Legislation

- A municipality must pass a new DC By-law at least every five years
- By-law must be supported by a background study
- There must be one public meeting to allow for representation with notification given at least 20 days prior to the meeting
- The DC background study and by-law must be made available to the public 2 weeks prior to the meeting
- Regional Council can determine if a further public meeting is necessary
- The Regional Clerk shall give written notice of the passing of the by-law
- Once a new DC By-law has been passed, there is 40 day appeal period

Factors Driving Development Charge Increases Over Time

- While overall costs are somewhat the result of more localized issues, a number of factors are observed within the GTA which have contributed to the increase in the charges since passage of the DCA 1997.
- The following provides some commentary on matters impact the DC cost increases for Water and Wastewater

Factors Driving DC's

- Walkerton Recommendations

- a) Since Walkerton, significant cost increase in water treatment due
 - Requirement for redundancy;
 - Increase in quality measures (e.g. chlorine contact time, ultraviolet treatment, chlorine booster stations, etc.);
 - Operational and reporting requirements (SCADA and other controls);
 - Mandated upgrades of systems within stipulated compliance timing; and
 - Enhanced technology (both in quality management and in treatment approaches).

Factors Driving DC's

- Walkerton Recommendations

- b) Walkerton recommendations also impacted wastewater because of watershed management (i.e. reduction in phosphorous and ammonia discharge targets) and enhanced levels of treatment (e.g. movement from primary or secondary treatment to tertiary treatment).

Factors Driving DC's

- Locational Factors

- Most GTA development occurring well north of Lake Ontario requiring “Big Pipe” systems to service growth (e.g. Peel/York system to service Aurora/Newmarket, Halton extension to Milton, North Oakville and Halton Hills, Durham extension to Pickering (Seaton));
- More northerly locations require large pipes over long distances, pumping, chlorine boosters, “big pipe” main looping, equalization, land; and
- Note that prior to 1997, “Big Pipe” systems were built by the Province (e.g. Elgin, Huron, Essex Union, Peel, York/Durham sewer etc.).
- More stringent requirements for liner infrastructure emplacement (i.e. tunneling vs. open ditch)

Factors Driving DC's

- Uncommitted excess capacity

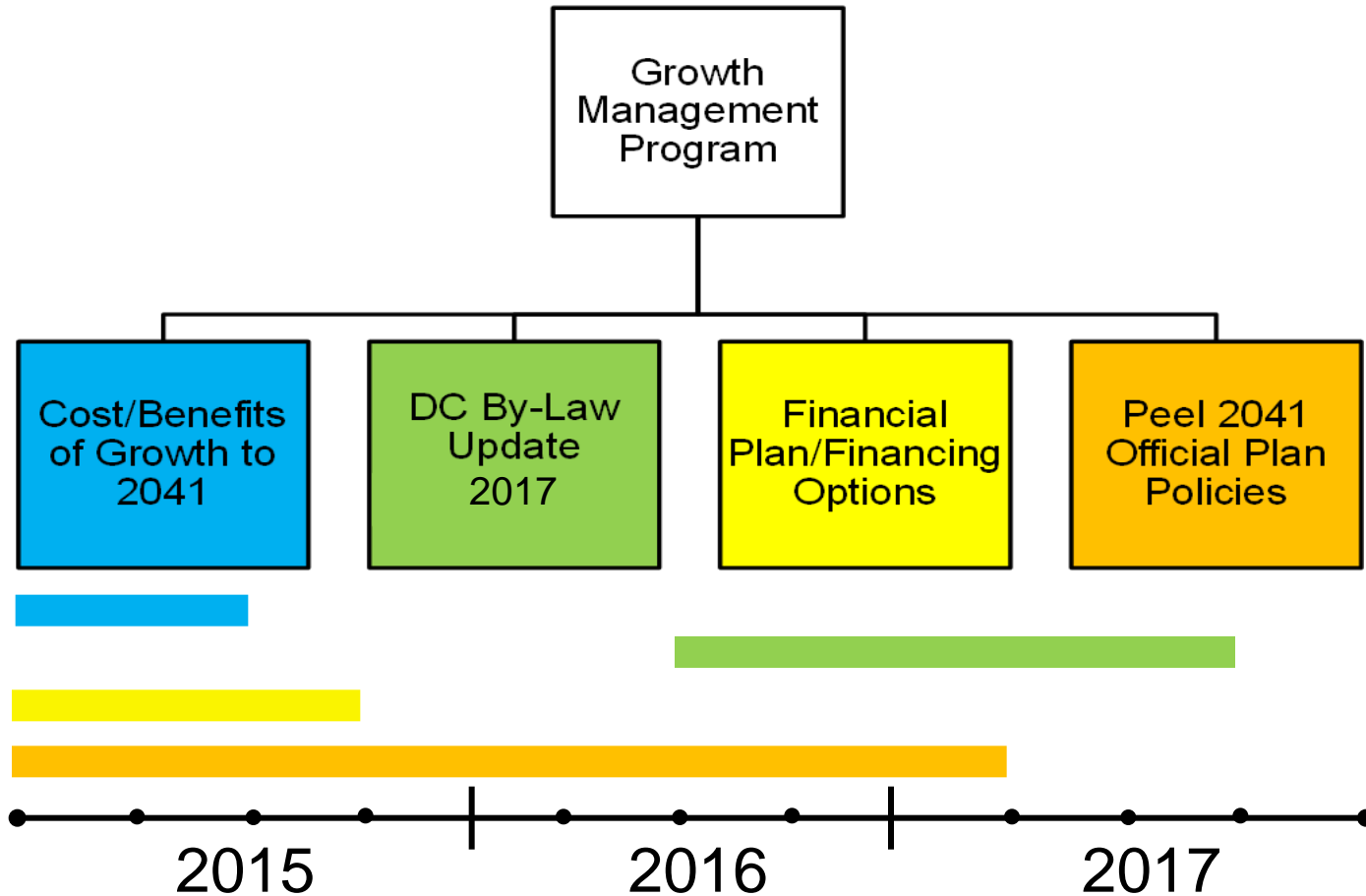
- When DCA 1997 passed, Uncommitted Excess Capacity was deducted. Over time, as excess capacity is used up, the DC will increase as a result. For example:

Stage	% Handled by Excess Capacity	% Required Treatment	\$ per capita
<p>Year 0</p> <p>Half the projected growth can be handled by excess capacity. The other half will require treatment of \$100/capita.</p>	<p>50%</p> <p>(50% X \$0)</p>	<p>50%</p> <p>(50% X \$100)</p> <p>\$50</p>	<p>\$50</p>
<p>Year 5</p> <p>Growth has used up half of the available excess capacity leaving capacity to service 25% of growth and 75% at \$100/capita.</p>	<p>25%</p> <p>(25% X \$0)</p>	<p>75%</p> <p>(75% X \$100)</p> <p>\$75</p>	<p>\$75</p>
<p>Year 10</p> <p>No excess capacity left in the plant.</p>	<p>0%</p> <p>(0% X \$0)</p>	<p>100%</p> <p>(100% X \$100)</p> <p>\$100</p>	<p>\$100</p>

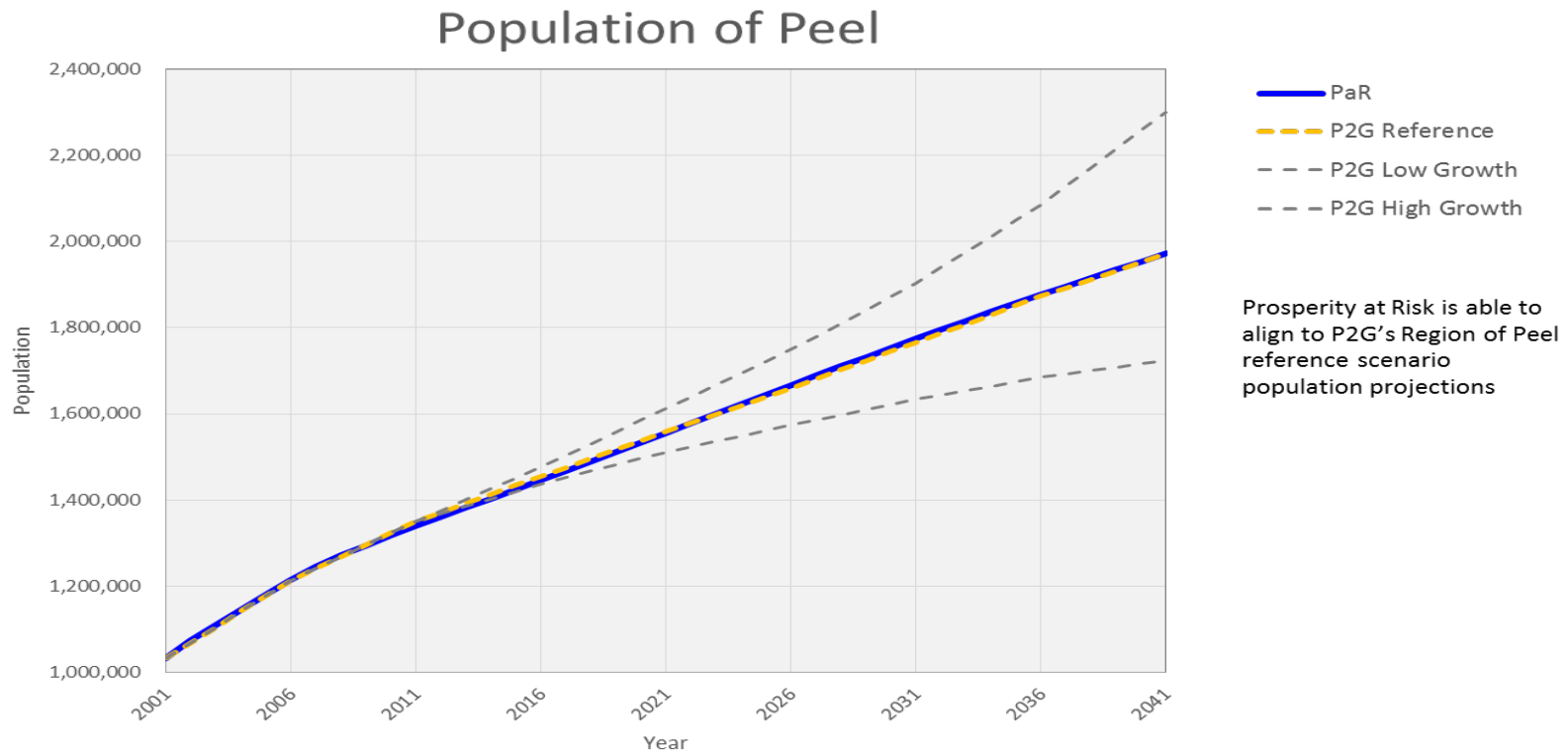
Growth Management Program

- Supports Long-term Financial Planning Strategy including principle that “growth should pay for growth”
- Key Components of Growth Management Program include:
 - Adoption of 2031B & 2041 Provincial forecasts
 - Adoption of 2031 & 2041 growth #s by SGUs
 - Development of master servicing plans
 - 2017 DC By-law update based on 2031B and 2041 Provincial growth forecasts and related master servicing plans to be developed

Growth Management Program Overview

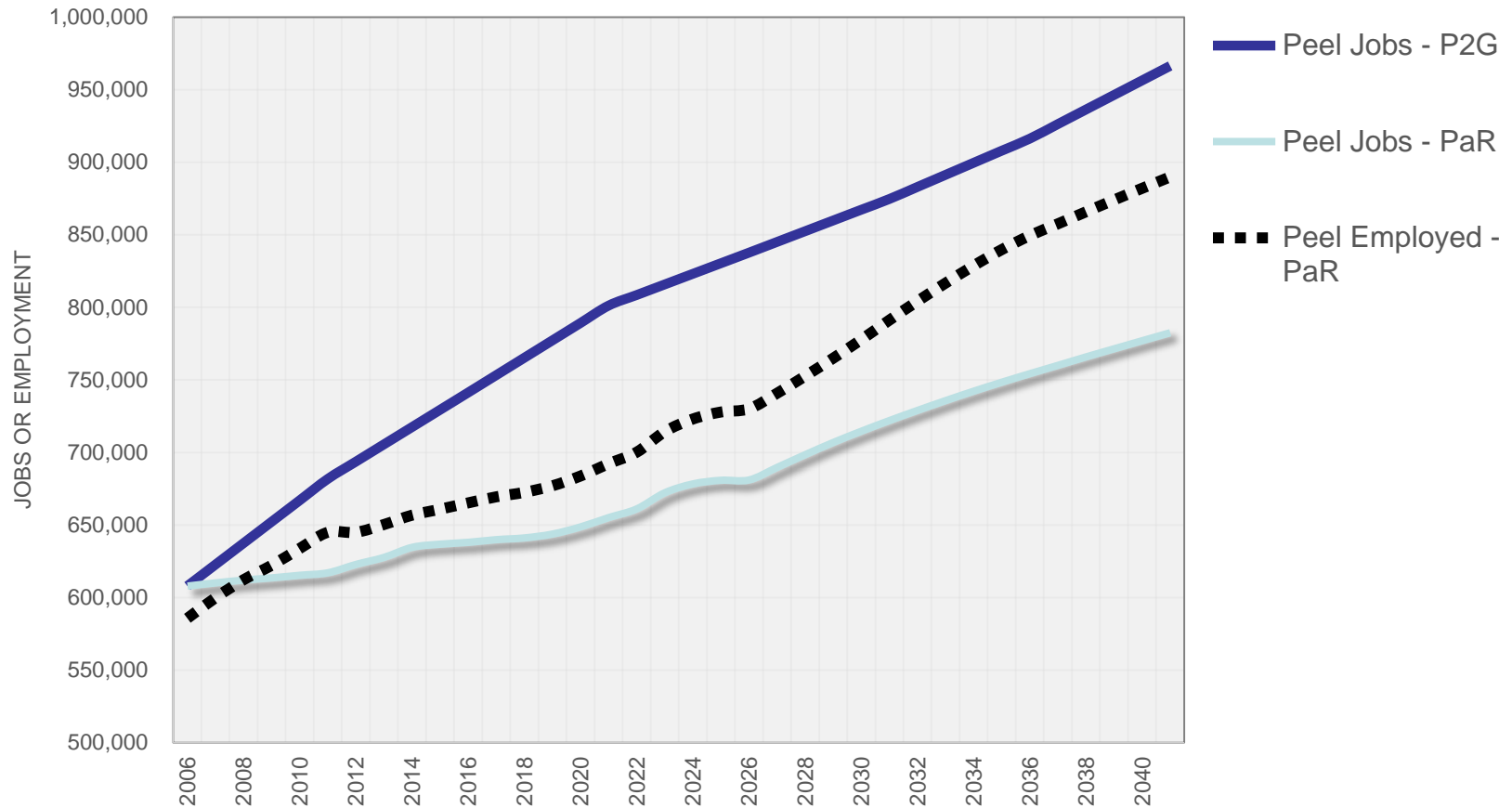


Peel Expected to Achieve P2G Population Forecast



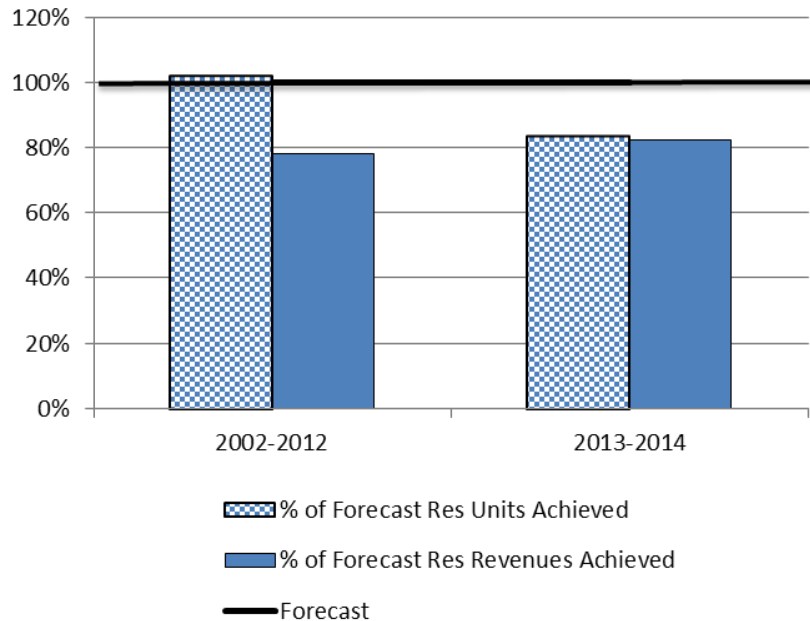
Will Peel Achieve P2G Employment Forecast?

PEEL JOBS & EMPLOYMENT

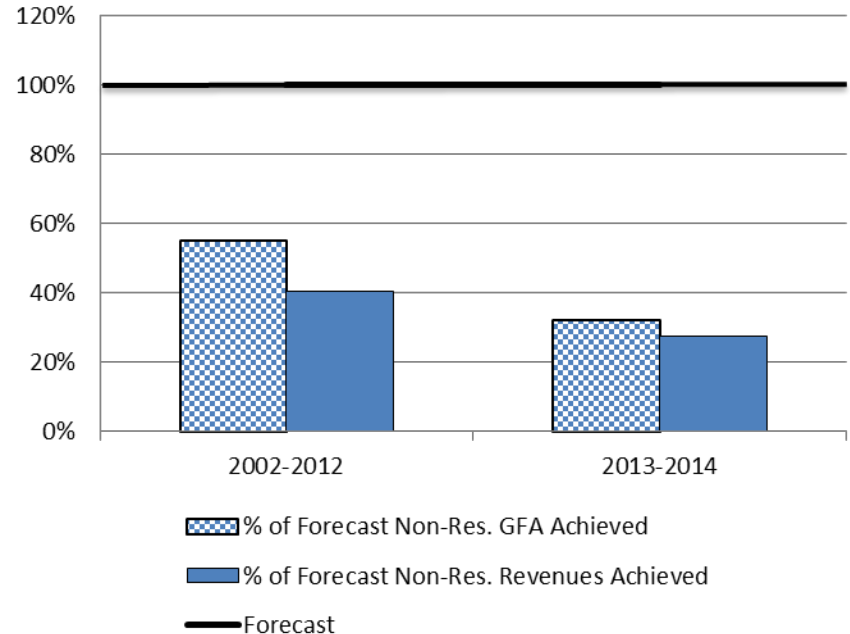


Variances From Growth Forecasts

Residential DC Activity



Non-Residential DC Activity



Council's Staff Direction

- Resolution 2012-949:
 - Annual adequacy assessment of DC rates
 - CFO to commence new background study if rate shortfall > 20 %
 - New by-law in 12 months to give development industry time to transition

- 2014 capital plan: shortfall 15.5 %

- Resolution 2014-593 (June 2014):
 - start new DC Background Study for new by-law in July 2015
 - BILD notified and in turn notified members

Key DC Policy Considerations Received at April 30th Growth Management Committee for Consideration in By-law

- Review of 750ft² small unit threshold size
- Review and potentially revise “agricultural use” definition
- Unbundle current “other residential” into singles/semis and other residential categories
- Consider collection of “hard service” DC for residential properties at time of subdivision approval

Potential Change of Small Unit Size from 750ft² to 700 ft²

- Consider reducing Peel's small unit threshold size from 750 sq. ft. to 700 sq. ft.
- Match City of Mississauga change in 2014 By-law
- City of Mississauga change under appeal at the OMB
- The City of Brampton and the Town of Caledon still at 750 sq. ft.
- Regional staff recommend maintaining current threshold and potentially revisit in the 2017 DC By-law update

Review “Agriculture Use” Definition

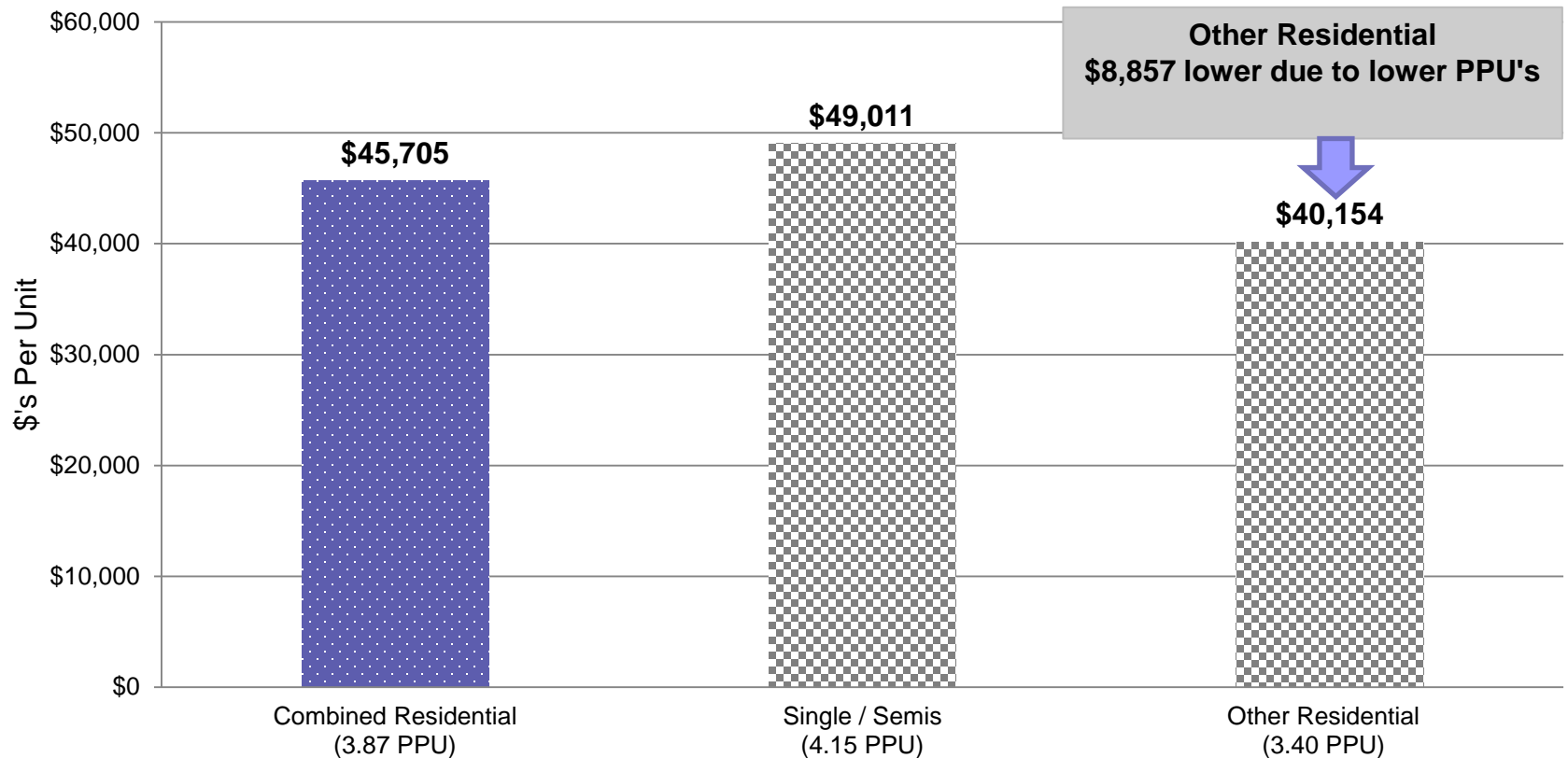
- Motions raised at April 30th GMC
 - On-farm diversified uses on agricultural properties
 - Secondary dwellings on agricultural properties for farm workers
- Regional staff reviewing impact of additional agricultural exemptions
- Regional staff will report back to Council on June 25, 2015

Separate Categories for Semi/Singles and Other Residential

- The Region currently has “other residential” rate category that combines single, semi-detached, rowhouses and other multiples
- Town of Caledon and the City of Brampton separate singles/semis and rows/other multiples
- Separating or “unbundling” would be revenue neutral overall
- Lower rate for other residential compared to singles/semis due to lower PPU
- Supports intensification and affordable housing
- Regional staff recommend separate singles/semis and other residential rates

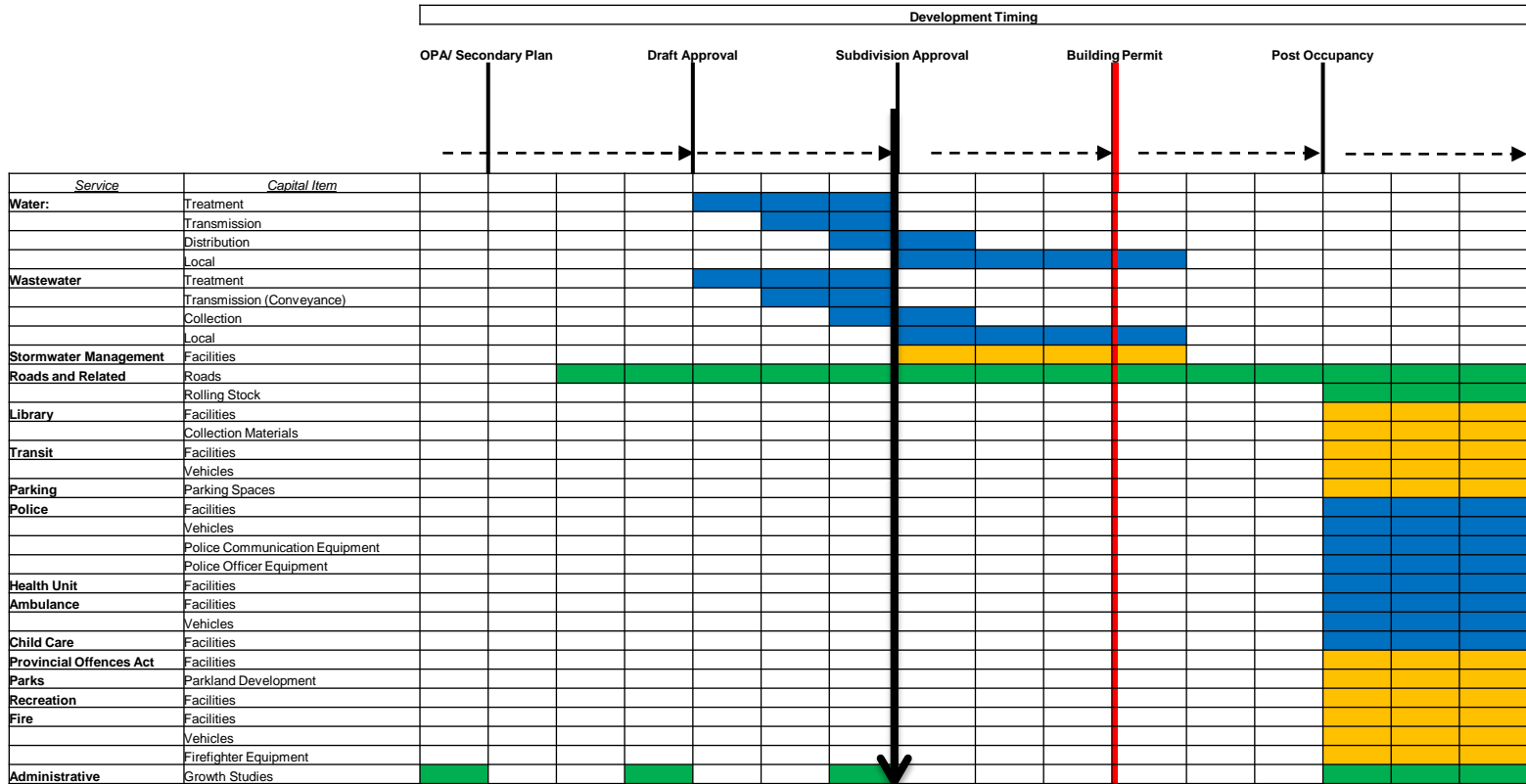
Separate Singles/Semis and Other Residential Categories

Impact of Separating Singles/Semis from Other Residential



Investing in Infrastructure for Growth

Peel Assumes Risk



Proposed stage at which Region will collect hard service DCs

Stage at which Region currently collects DC

Blue – Region

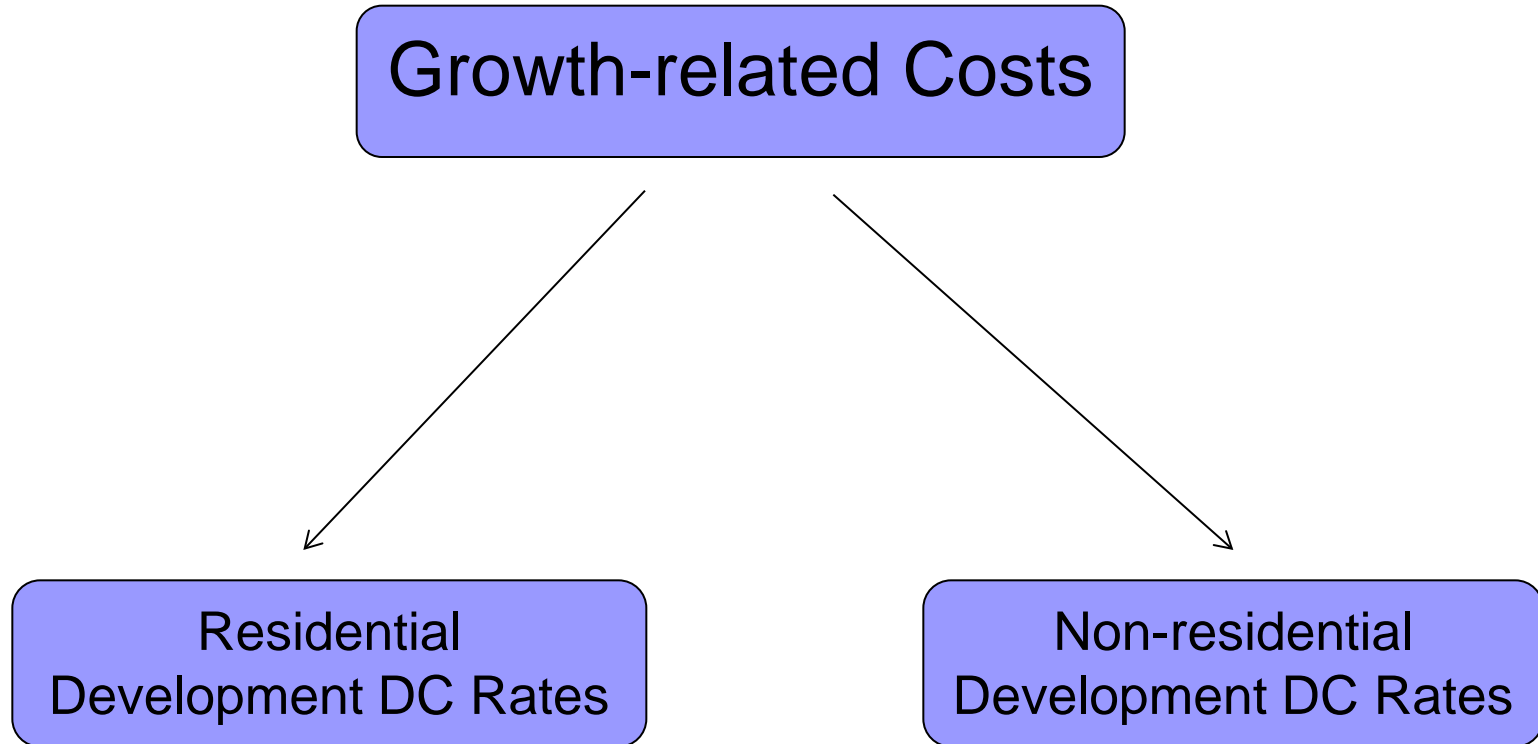
Yellow – Area Municipality

Green – Area Municipality & Region

Collect Hard Service DCs at Subdivision Agreement

- Advance payment of DCs for water, wastewater and roads eight months sooner – less than original estimate
- Similar process followed by York, Durham and Halton
- Reduce borrowing by \$100M
- Administrative impact on the Region, area municipalities and developers
- 2.5 FTEs to administer - \$300K annually in tax supported budget
- Regional staff recommend collection of DCs at plan of subdivision agreement and one of the financial options being reviewed/considered

DC Cost Distribution



- Share of Water Consumption Increasing
- Assessment Values and Growth Faster than Non-residential

- Share of Water Consumption Decreasing
- De-manufacturing Trend

Key Factors Driving Residential and Non-Residential Rates

- Comparative (residential vs non-residential) demand for Regional services
- Persons Per Residential Unit
- Floor Space Per Worker/Employee

Persons Per Unit (PPU) Changes – Impact on Rates

- Denser residential populations / Peel PPU's increasing
- Residential costs distributed by person
- Higher PPUs result in higher residential DC rates per unit

Floor Space per Worker (FSW) Changes – Impact on Rates

- Bigger buildings and fewer workers / more floor area per worker
- Non-residential costs distributed by employee
- Higher FSW results in lower-non residential DC rate per square metre

% PPU and FSW Changes

Assumptions	2012 DC Study	2015 DC Update	% Change
Residential - PPU			
Current Other Residential	3.50	3.87	10.6%
Singles/Semis	n/a	4.15	18.6%
Other Residential - e.g. Townhouse	n/a	3.40	-2.9%
Small Unit	1.30	1.68	29.2%
Apartment	2.50	2.54	1.6%
Non-Residential - FSW - M²/ Worker			
Industrial	90	149	65.6%
Non-Industrial	35	37	5.7%

Technical Adjustments and Revisions

DC Summary for Technical Review		
<u>DC Reductions</u>		
Construction Cost Index (CCI) Adjustments		(71,998,850)
GE Booth		(119,627,379)
Potential excess water capacity to be recovered after 2031		(250,000,000)
Benefit to Existing/Other		(6,259,376)
Total Reductions		(447,885,605)
<u>DC Additions</u>		
BRES Infrastructure (Caledon POPA-14-04)		81,812,082
Other Corrections		36,727,510
Total Additions		118,539,592
Net DC Decrease		(329,346,013)

Cost Per Person Increase

Residential Cost Per Person

2012	2015	Amount of Change \$	% Increase
\$10,401	\$11,810	\$1,409	13.5%

New Proposed Cost Per Person & PPU

Rate Category	2015 Bylaw - May 6, 2015	
	Cost Per Person	PPU
Singles/Semis	\$11,810	4.15
Other Residential	\$11,810	3.40
Small Unit	\$11,810	1.68
Apartment	\$11,810	2.54

Existing Cost Per Person & PPU

Rate Category	Cost Per Person	PPU
Current Other Residential	\$10,401	3.50
Small Unit	\$10,401	1.30
Apartment	\$10,401	2.50

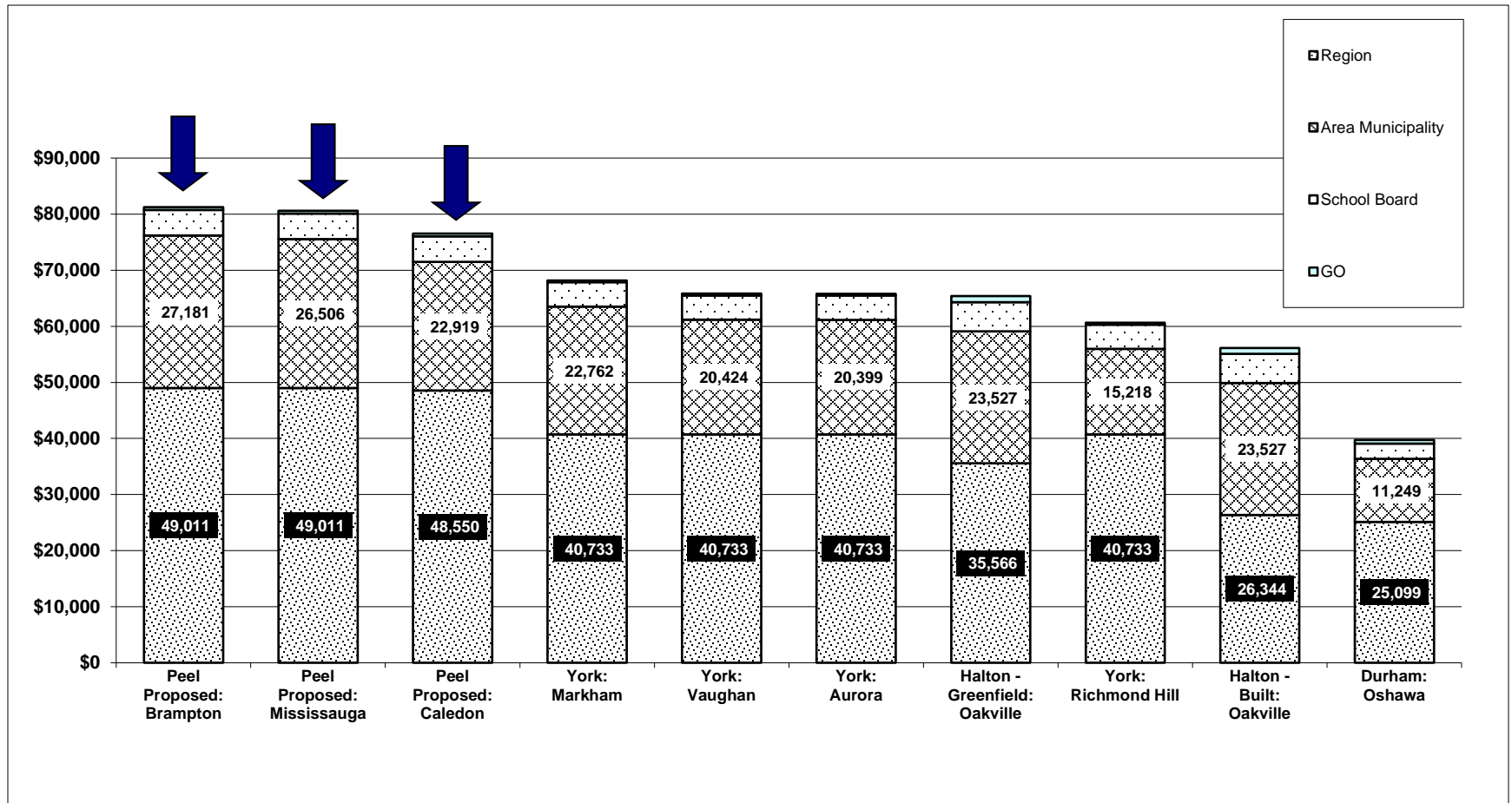
Residential DC Rate Changes (May 2015)

Type of Development	Current Rates	Preliminary Rates (May 2015)	Amount of Change \$	% Rate Change	% PPU Change from 2012
Residential					
Current Other Residential *	\$36,402	n/a	n/a	n/a	10.60%
Singles/Semis**	n/a	\$49,011	\$12,609	34.64%	18.60%
Other Residential – e.g. Townhouse	n/a	\$40,152	\$3,750	10.30%	-2.90%
Small Unit (<750 sq. ft.)	\$13,521	\$19,841	\$6,320	46.74%	29.20%
Apartment (>750 sq. ft.)	\$26,002	\$29,996	\$3,994	15.36%	1.60%

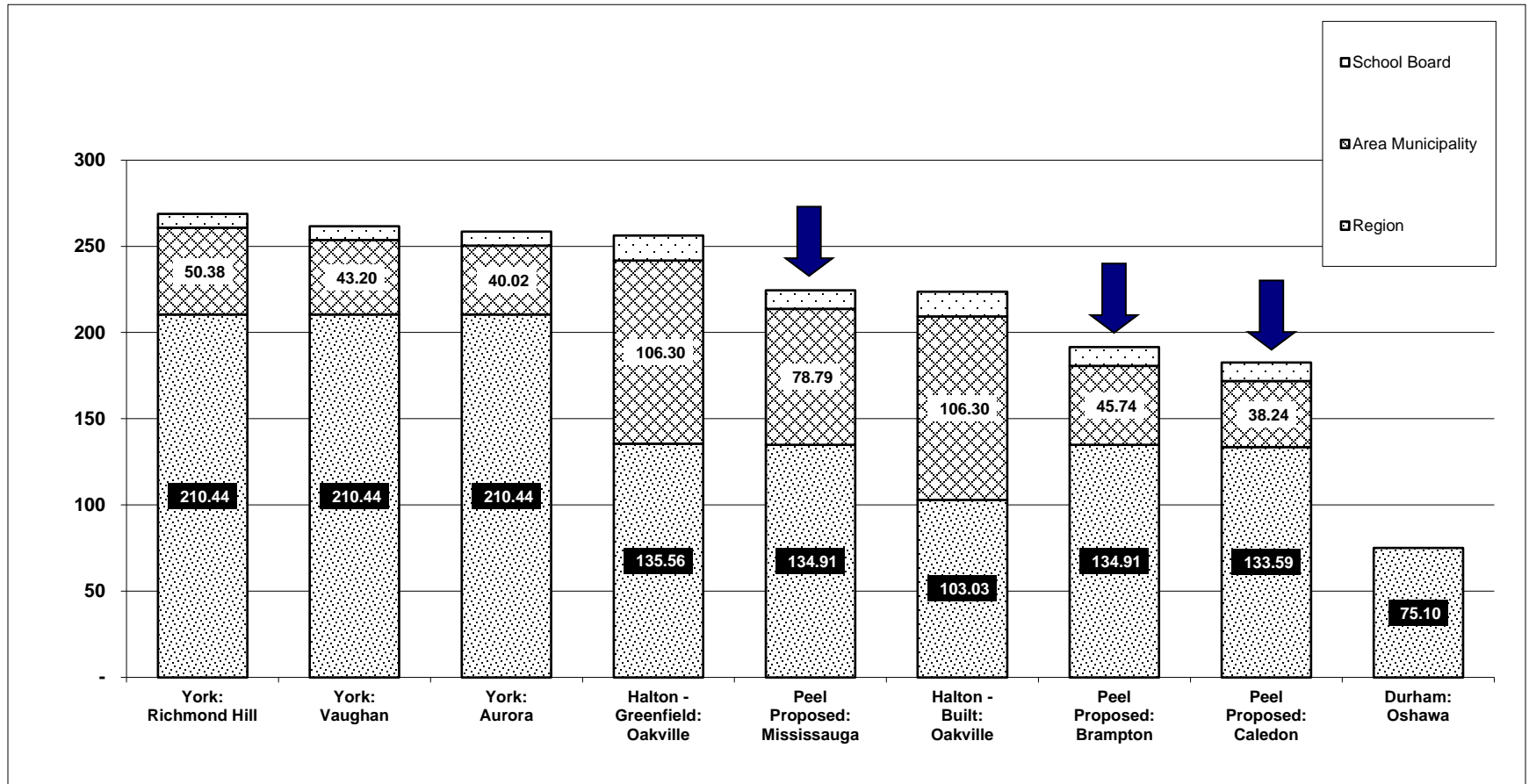
Non-Residential DC Rate Changes (May 2015)

Type of Development	Current Rates	Preliminary Rates	Amount of Change \$	% Rate Change
Industrial (per. M ²)	\$137.06	\$134.91	\$-2.15	-1.57%
Non-Industrial (per M ²)	\$199.57	\$204.48	\$4.91	2.46%

Singles/Semis Rates Comparisons – GTA Municipalities



Industrial Rate Comparisons – GTA Municipalities



Stakeholder Engagement Process

- Consultation with Area Municipalities on potential policy and process changes
- Early and continued engagement of the development community in sharing of information
- Growth Management Committee and Workshops
- BILD has been actively engaged partner in process – BILD & Orlando made deputations to April 30th GMC
- DC By-Law review Public Meeting on May 28, 2015
- Present new DC By-Law to Regional Council on July 9, 2015 for consideration and approval

Timelines



We Are Here

New DC By-Law Adoption by Council July 9, 2015

Public Meeting May 28, 2015

Release of Background Study May 13, 2015

Draft Background Study to Senior staff and the Development Community 2015/Q2

Watson & Associates background study including rates & input review 2015/Q1-2

Discussed Potential DC Policy Changes with Regional Staff and Area Municipalities

Began 2015 DC Background Study per Council Direction – 2014/Q3

Completed DC Rates Adequacy Tests Based on 2014 & 2015 Capital Plans

Employment Trends Study (Hemson) – 2012/2013

Work Completed

Bill 73 – Proposed Changes to the DCA

Overview

- New legislation
- Feedback from public review
- Region of Peel made submission
- No regulations to date
- Working groups
- Can proceed with 2015 update under old legislation
- Change will impact 2017 update

Bill 73 – Proposed Changes to the DCA

Areas of Change

- Transit
- Waste diversion
- Service Standard Calculations
- Voluntary payments
- Area specific DCs
- Asset management Plan
- Annual report of Treasurer

Future Work / After 2015 DC Update

- Implement process for the collection of DC at time of subdivision agreement

- 2017 DC By-law Update
 - Determine distribution of population and employment growth forecasts based on growth projections to 2041 from Province's Places to Grow plan

 - Update Regional Master Plans and determine servicing costs based on 2041 growth projections

 - Consider further financing options including allocation programs ("Made in Peel" solution) subject to interpretation of Bill 73

 - Update DC By-Law in late 2017 based on growth forecasts to 2041, updated Regional master servicing plans and Bill 73 and potentially other financing options

Impact of Deferring By-law to October 2017

- \$96 million in lost revenue
- Potential issuance of additional \$200 million in DC Debt
- Would be impacted by Bill 73
- By-law expires in October 2017
- Delay in advancing administrative and planning objectives in relation to:
 - Better policy alignment with the area municipalities where practical
 - Residential intensification
 - Social housing development

Impact of Deferring By-law to October 2015

- \$22 million in lost revenue
- Might be impacted by Bill 73
 - If so, would require reworking of by-law and background study
 - Rework would likely be completed in 2016
- Delay in advancing administrative and planning objectives in relation to :
 - Better policy alignment with the area municipalities where practical
 - Residential intensification
 - Social housing development

Impact of Debt on Credit Rating

S & P

“We believe the region demonstrates strong financial management, which has a very positive impact on its credit profile”

Moody's 2014

A significant increase in debt issuance beyond current expectations, along with a material decrease in the region's level of cash and investments, could apply downward pressure on ratings

Why Update Now

- Ensure DC revenues keep pace with growth
- Minimize issuance of debt
- Fairness of DC charge based on PPU's in residential categories